

# EIR

Executive Intelligence Review

December 13, 2002 Vol. 29 No. 48 [www.larouche.com](http://www.larouche.com) \$10.00

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**LaRouche: 'Super TVA' To  
Stop U.S. Economic Collapse**



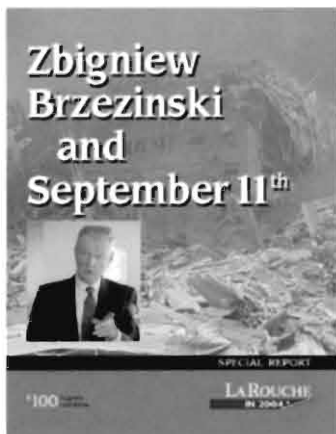
# LA ROUCHE

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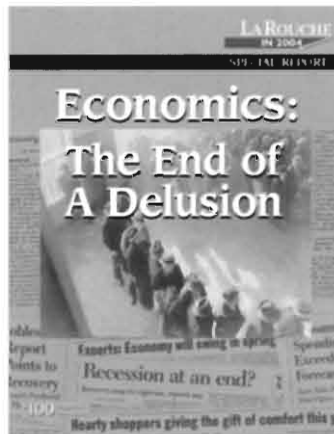
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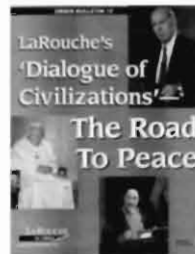
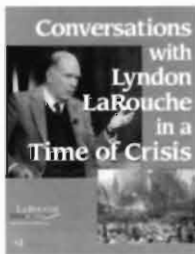
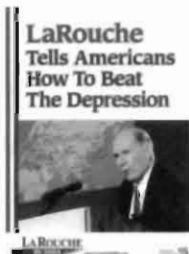
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*EIR (ISSN 0273-6314) is published weekly (50 issues)  
except for the second week of July and the last week of  
December, by EIR News Service Inc., 317 Pennsylvania  
Ave., S.E., 3rd Floor, Washington, DC 20003. (202)  
543-8002. For subscriptions: (703) 777-9451, or toll-  
free, 888-EIR-3258.*

*World Wide Web site: <http://www.larouchepub.com>  
e-mail: [eirms@larouchepub.com](mailto:eirms@larouchepub.com)*

*European Headquarters: Executive Intelligence Review  
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D-65013 Wiesbaden, Bahnstrasse 9-A, D-65205,  
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Tel: 49-611-73650. Homepage: <http://www.eirma.com>  
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0963, 55-46-2597, 55-46-0931, 55-46-0933 y 55-46-2400.*

*Japan subscription sales: O.T.O. Research Corporation,  
Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo  
160. Tel: (03) 3208-7821.*

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prohibited. Periodicals postage paid at Washington D.C.,  
and at an additional mailing offices.*

*Domestic subscriptions: 3 months—\$125, 6 months—\$225,  
1 year—\$396, Single issue—\$10*

**Postmaster:** Send all address changes to *EIR*, P.O. Box  
17390, Washington, D.C. 20041-0390.

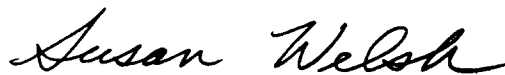
## From the Associate Editor

**T**he LaRouche movement's drive for a "Super-TVA" economic recovery program is gathering steam, and this week's issue is full of resources for organizers who are waging that fight. Lyndon LaRouche's videotaped presentation to a California town meeting (see *Feature*) lays out the conceptual parameters of what needs to be done, focussed around a two-pronged initiative: emergency legislation to repeal the disastrous deregulation and free-trade policies of the past 35 years; and a Federally sponsored infrastructure program, to create useful, productive jobs.

With the impending bankruptcy of United Airlines, Amtrak, and other major transportation carriers, and with the mind-boggling budget deficits confronting state and local governments, many people who were comfortably in denial this time last year, now finally agree with LaRouche, that the New Economy bubble was a fraud. But they don't understand what has to be done—and so, they're scared.

Contrary to popular opinion, we don't face a choice between bailing out United's creditors, and shutting down the airline industry! Nor do we have to choose between raising taxes and cutting essential services. A national economy is not properly run like a household budget, despite what the ideologues of a "balanced budget" claim. The U.S. Constitution specifies the government's mandate to rule for the general welfare, including the allocation of credit for that purpose. That's where the solution lies, as LaRouche explains to the California meeting, and also in his remarks to the newly founded Nordic chapter of the International LaRouche Youth Movement. He will have more to say on this subject in a State of the Union webcast address in January.

Internationally, the key developments—which you will definitely not read about in your local newspaper—concern the emerging Strategic Triangle of Eurasian powers, and the run-up to the Israeli general elections on Jan. 28. *EIR* is throwing a "zinger" into the latter situation, with Jeffrey Steinberg's exposé of the illegal international financing of Ariel Sharon's Likud party. This will provide conceptual ammunition for Israeli patriots who are trying to revive efforts for peace with the Palestinians, and to derail the war party in Washington, as well.



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Individuals were misidentified in this picture in *EIR*, Dec. 6, of Lyndon LaRouche being presented a print of the Republic of San Marino government palace. From left, they are LaRouche, Industry Secretary Claudio Felici, Finance Secretary Fiorenzo Stolfi, and San Marino’s Captains Regent, Mauro Chiaruzzi and Giuseppe Maria Morganti.

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**Corrections:** In "Darby Made 'Christian Zionism' for the Empire," *EIR*, Nov. 29, it was erroneously stated that the fictional Antichrist in the apocalyptic "Left Behind" novel and film series was a Russian. The figure is actually described as a Romanian. As a Slav from "the North" of the Middle East, this "Left Behind" figure fulfills the prophetic interpretations of Christian Zionist John Nelson Darby in general. Why the "Left Behind" authors chose to specify him as Romanian, as opposed to Darby's insistence on his Russian nationality, is not known to the author of the *EIR* article. In "Germany Is Paralyzed by Fiscal Emergency," *EIR*, Nov. 29, an editorial slip in the photo caption mis-affiliated Social Democratic Chancellor Schröder, with the Christian Democratic Union. In "Bankrupt States Need LaRouche's 'Super-TVA,'" *EIR*, Nov. 22, the newly-elected governor of Massachusetts was misidentified as Mitt Romney. Jane Swift is Governor; Romney is the state's new Senator.

## Eurasian Cooperation Offers Future to World Economy

by Mary Burdman

Russian President Vladimir Putin made an extraordinary diplomatic trip on Dec. 1-5, to China, and from there, directly to India. What was remarkable about these state visits is that they brought the three biggest nations of Eurasia into coherent diplomatic initiatives on the critical security and economic development problems they all face. This is vital not only for the “strategic triangle” Russia-China-India, but for all the nations on the Eurasian landmass—Western Europe to Eastern Asia. And if the axioms of American economic and foreign policy are shifted, away from current “Utopian”-imperial trends, toward the New Bretton Woods/“Super-TVA” perspective that Presidential pre-candidate Lyndon LaRouche is advocating, such developments in Eurasia can have very positive consequences for the United States.

With Chinese President Jiang Zemin, and Indian Prime Minister Atal Behari Vajpayee, Putin signed comprehensive declarations on the most critical international situations: the Korean Peninsula, Iraq, Afghanistan, India-Pakistan, and the Middle East. For Russia, China, and India, these “hot spots” begin right on their borders; for the security and development of all Eurasia, these three biggest powers *must* take responsibility for reducing tensions and moving towards solutions.

Equally important were the discussions in both Beijing and New Delhi, on strategic economic cooperation in Eurasia, primarily in transport infrastructure; joint gas and oil projects; nuclear energy, space and other advanced technologies—including for environmental protection; promoting small and medium enterprises; and trade and joint production of military and civilian equipment.

In his speech to 600 students and faculty at Beijing University on Dec. 3, Putin described the international importance of Russian-Chinese economic projects. “We have al-

ready approved quite a few interesting programs,” Putin said. “These projects not only tangibly benefit both sides and create new jobs. . . . In essence, they modify the whole configuration of the economic infrastructure of Eurasia. It is our common contribution to the development of the world integration processes.”

Putin spoke in similar terms in New Delhi. There, he told the leading organizations of Indian entrepreneurs on Dec. 4, that development of transport infrastructure, the main task of the already existing coordination council of the “South-North” international transport corridor, is the main strategic objective of the Russia-India partnership. This corridor, first proposed in September 2000, extends from India, via Iran, into Russia.

### ‘Triangular’ Cooperation

In the crisis-ridden year of 1998, as financial disaster spread from Eastern Asia, to Ibero-America, to Russia, Lyndon LaRouche had proposed that all and any nations which did not want to go down with the “Washington consensus”-globalization ship, work together as a “survivors’ club” of nations, which would cooperate to rebuild basic infrastructure, vital trade, and production-oriented financial arrangements. The core of this “survivors’ club” was already emerging among Russia, China, and India, in cooperation with Malaysia and Iran; Kim Dae-jung’s embattled “sunshine policy” is generating another pole on the Korean peninsula, which Japan can join. Western Europe, where advanced industrial economies are plunging into collapse, must become the other partner.

The idea of the “strategic triangle” has had many ups and downs since, but is now being shaped among Moscow,



*“Strategic Triangle” summits were held between Russian President Vladimir Putin and Chinese President Jiang Zemin (left) on Dec. 3 in Beijing; and between Putin and Indian Prime Minister Atal Behari Vajpayee on Dec. 4 in New Delhi.*

Beijing, and New Delhi, as a foundation for expanding relations to other security and economic cooperation organizations of Eurasian nations.

What is emerging among these three nations, LaRouche emphasized on Dec. 4, is the most important economic factor in the world today.

In an interview with the Press Trust of India before he left Moscow, Putin said: “We are concerned of the need for positive development of relations between Russia and India, Russia and China, and China and India. I think all the parties within this triangle are interested in this development.” Russia and China, he said, are resolving their border differences, and hoped China and India would do the same. On Russian military exports to both nations, Putin dismissed any “geopolitical” views: “Russia is not delivering weapons to conflict areas. This is our policy. . . . There is no conflict between China and India now, and I hope there will be no conflict in the future.”

Indian Prime Minister Vajpayee responded in an interview with the semi-official Russian news agency Novosti. Vajpayee said that the Foreign Ministers of the three nations, who had met at the United Nations in New York in September, had “exchanged views on topical international issues. They have agreed to continue contacts in this format, so that new avenues of cooperation can be explored.”

In preparation for Putin’s visit, A.I. Nikolaev, chairman of the Defense Committee of Russia’s Duma, the lower house of parliament, spoke at a high-level seminar in New Delhi on Nov. 29. There, he said that “we are convinced that the potential of bilateral cooperation, not only between India and Russia but also between India and China, Russia and China, and other countries, can be and should be used for general benefit.”

Cooperation among the three countries could generate a “new qualitative security system,” Nikolaev said, which “is the need of the hour, which is capable of facing new threats and considering peculiarities of huge and multifaceted Asia.” This could deal with “neglected” zones of insecurity and con-

flicts, and ease the burden on the United Nations in Eurasia—from the Middle East, Central Asia, to Southeast Asia and Indo-China.

### **State Relations of a New Type**

In Beijing Dec. 2, Putin and Jiang Zemin signed the Joint Declaration of the Russian Federation and the People’s Republic of China. This states that the “intensification of the strategic partnership” of Russia and China “stems from the long-term interests of both states and their peoples.” This partnership has a “tremendous potential,” and represents a new kind of state-to-state relations. Over the past decade, Sino-Russian relations have developed to a level of creating mutual security, *without* targetting any third nation or group of nations. This, the Declaration elaborates, is how a multi-polar world can function.

At the same time, the Joint Declaration—the sixth the two governments have issued since 1994—warns starkly about the international situation—without fixing blame on any “evil axis.” The leaders stated that “peace and the development of humankind are facing challenges which cannot be ignored.” It is essential, they said, to formulate a comprehensive “strategy for stable development of humankind.” This “should be based on the recognition of the indivisibility of international security in its military, political, economic, humanitarian, and ecological aspects.”

It was in this context that Jiang and Putin stated their concerns about the situations in Iraq, Afghanistan, and North Korea. They emphasized that the crisis over Iraq must be solved peacefully, using political and diplomatic means, based upon the resolutions of the United Nations Security Council. The “persisting instability” and growing drug production in Afghanistan must be dealt with, the Declaration states. It is even more emphatic about the Korean Peninsula. “The sides consider it important for the destiny of the world and security in north-east Asia, to preserve the non-nuclear status of the Korean peninsula and the regime of non-proliferation of weapons of mass destruction,” the Declaration says.



The “South-North” Eurasian Land-Bridge of transport from India, through Iran and Russia, emphasized by President Putin in his India summit, was mapped first by the Russian Transport Ministry in May 2001. The East-West Land-Bridges are also indicated.

“And in this context, they stress the *extreme* importance of normalizing relations between the United States and the DPRK [North Korea].” This was not just an admonition to Pyongyang; it was, emphatically, also a demand that the United States, with its heavy military deployment in South Korea, take immediate steps to resolve the crisis.

The Joint Declaration emphasized the growing importance of cooperation with Eurasian organizations. Chief among these is the Shanghai Cooperation Organization (SCO) of Russia, China, Kazakstan, Kyrgyzstan, Tajikistan, and Uzbekistan, as an “important factor in maintaining peace, security, and stability in the region, and one of the supporting elements in the future multi-polar world.” There was no mention of the possibility of India joining the SCO, but Russia is actively promoting this idea, and New Delhi is interested. The Declaration also noted the “constructive role of ASEAN,” the association of 10 Southeast Asian nations, “in building new-type inter-state relations in the Asia-Pacific region.” China, which has solid and special ties to ASEAN, said it would give the “necessary assistance” to help bring Russia closer to ASEAN and the ASEAN+3—China, Japan, and South Korea.

The two sides also said they “highly appreciate” the role of ASEM, the “Asia-Europe Meeting,” a political dialogue between the nations of Western Europe and East Asia, and

Beijing supported Russia’s intention to join ASEM.

In comments on his meetings with Putin, Jiang Zemin noted the “great vitality in action” of the Russian-Chinese Good-Neighborly Treaty of Friendship and Cooperation, signed last year. “Under the current complicated international situation, ‘Peace has the greatest value,’ ” Jiang said, citing a Chinese proverb. To develop ties further, Jiang stressed speeding up “the execution of large-scale trade and economic cooperation projects,” as well as military and cultural cooperation. Agreements were signed on building two pipelines, for gas and oil, from Siberia to China.

Putin also met the Chinese Prime Minister Zhu Rongji, with whom he discussed economic cooperation, and the just-elected head of the Chinese Communist Party, Hu Jintao. Putin confirmed that bilateral relations will move forward with the new generation of Chinese leadership; he had pointed to the “special significance” of this visit because of the transfer of power at the 16th National Congress of the Communist Party of China in November.

### Unique Relationship

On Dec. 3, Putin left Beijing for an intensive visit to New Delhi. He met informally and formally with the Prime Minister, as well as Indian President Abdul Kalam and the national political leadership. On Dec. 4, as planned, Putin and Vajpayee signed the “Delhi Declaration,” whose central theme is the long-standing and enduring friendship between India and Russia, which gives these two nations a “unique capability” to contribute to the “evolution of a new world order, which would be stable, secure, equitable, and sustainable.” The two countries must now elevate their strategic partnership, with “particular emphasis on deepening the economic content of bilateral relations.” The Declaration supports “strengthening of the UN’s central role in promoting international security in a multi-polar world”; Russia reaffirmed its support for India as a permanent member of an expanded UN Security Council. The Declaration stressed the threat of terrorism, which it termed a “crime against humanity,” and the importance of bilateral cooperation to counter it; it specifies that their “common neighborhood” of Afghanistan and Central Asia is “of vital security interest.”

Unquestionably of greatest concern to India, is the situation in Pakistan. Before he left Moscow, Putin had already questioned the security of Pakistan’s nuclear weapons. The Delhi Declaration said that both sides are “victims of terrorism having its roots in our common neighborhood.” The statement stressed that Islamabad must “prevent the infiltration of terrorists across the Line of Control” in Jammu and Kashmir and other border points, and “eliminate the terrorist infrastructure in Pakistan and Pakistan-controlled territory.”

Equally important for India and Russia was the “Joint declaration on strengthening and enhancing economic and scientific cooperation” which Putin and Vajpayee also signed



Dec. 4. At their joint press conference, Putin praised the “multi-faceted cooperation” between India and Russia as a “most important positive factor” in the global economy. The views of Russia and India coincide “on many issues. . . . This is based on coincidence of national interests of the two countries in key areas,” he said.

In addition to strategic cooperation to expand transport links, the two sides also discussed nuclear energy. Russia is already building two 1,000-megawatt nuclear power reactors in Kudankulam in Tamil Nadu, based on a 1999 agreement. Most of the construction costs are being met with Russian loans. The day before, Russian Atomic Energy Minister Alexander Rusyantsev, part of Putin’s delegation, said that “the two sides might cooperate in the construction of nuclear reactors in India with the assistance of Russian experts.”

Russian Industry Minister Ilya Klebanov, also in New Delhi with Putin, said that Russia is proposing to convert a significant portion of the old Soviet Union’s debt to India—mostly the result of trade imbalance—into Russian investment in Indian projects. Klebanov gave no figure, but said that even half of the debt would be enough to fund several large projects.

The other strategic level of cooperation is defense. No specific defense deals were announced during Putin’s visit, but the Indian-Russian defense relationship has become one in which cooperation in advanced military technologies is seen, A.I. Nikolayev has stated, as “a long-term investment in Russia’s national interests and strategic security.” One important project under discussion, is production of a military transport plane which can also be used for the civilian economy.

### ‘Create History Anew’

Putin’s visits to both countries were received with extraordinary cordiality. Before the trip, special books and magazines on Chinese-Russian and Indian-Russian relations were published; leading officials and policy-makers of all three countries greeted the potential for their cooperation. When Putin spoke at Beijing University, in a most unusual diplomatic gesture, Jiang accompanied him and also spoke to the students. After Putin’s speech, Jiang Zemin said, “The future of China, the future of Russia, and the future of the world, all belong to and depend upon the younger generation.” Putin responded, “Russia and China are both faced with tremendous challenges in the 21st Century, which are bound to be shouldered by the younger generations. . . . One generation plants the trees in whose shade another generation rests.”

In New Delhi, Putin and his wife Lyudmila took time on a very busy Dec. 4, to pay their respects to Mahatma Gandhi at his stone memorial on the Yamuna River. At the state banquet that evening, Putin quoted Gandhi: “If we want to be a success, ‘we ought not to re-enact history, but create history anew.’ That is what we intend to do, as we make and carry out future-oriented plans.”

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## E-Mails to LaRouche

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# Transform the Bankrupt Monetary System

*This e-mail interchange between a reader and 2004 Presidential pre-candidate Lyndon H. LaRouche, Jr. was made available to EIR on Dec. 1 by the LaRouche in 2004 campaign committee.*

**Q:** Dear Sir:

I read with interest the *EIR* when I get a chance.

Could you please point me at any articles,<sup>1</sup> including your opinions, regarding the following:

- introduction of debt-free U.S. currency issue (greenbacks), together with simultaneous enforcement of full reserve banking (strategy outlined by M. Friedman to remove control of U.S. money supply from private to public authority);

- immediate U.S. withdrawal from new economy organizations: IMF, BIS, WB.

Objectives:

- to reform the banking system, and
- to remove the possibility of a major depression in future through money supply manipulation,
- to insulate the U.S. economy from further manipulations through the power currently exercised by the Fed.

I have been told by many that this would be a disaster for the U.S. economy, but in my opinion it would only be a disaster for those who currently attempt to control the U.S. and world economies through the control of the money supply, domestically through organizations like the Fed, and internationally through the IMF.

Does Mr. LaRouche have a policy in this area, and could you please advise what it is?

I have been doing a lot of reading on the topic, and I have come to the conclusion, similarly to you I think, that this is the only path back to prosperity for any nation on earth.

Thank you for your publication and I look forward to your reply.

**LaRouche:** The Constitution prescribes a U.S. monopoly on issuing and control of the national currency. The Federal Reserve System, introduced by aid of King Edward VII’s New York agent Jacob Schiff, was an effort to defeat the intent

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1. For a related discussion, see LaRouche, “On a Basket of Hard Commodities: Trade Without Currency,” *EIR*, Aug. 4, 2000—ed.

of the U.S. Constitution, and subject the U.S.A. to control by a thinly disguised, financier-oligarchy-controlled form of European central banking system.

The means for organizing a general economic recovery of the U.S. economy exists, but only on the condition that we:

a.) Put the IMF and Federal Reserve System through bankruptcy reorganization, and reverse all legislation empowering deregulation and privatization which has been enacted since August 1971.

b.) A fixed-exchange-rate system of the 1946-1964 type must be restored in international affairs.

c.) Under these preconditions, long-range infrastructure-development and technology-driver programs of low-cost, long-term national credit, could reverse the damage of the recent thirty-seven years, and thus transform us from a presently doomed consumer society, to our former prosperity as a producer society.

—Lyndon

## On ‘Debt-Free Currency’

**Q:** Thank you so much for your reply. I believe I agree with your views, and beg your indulgence in a request for further information. You mentioned that you believe that recovery of the domestic U.S. economy is possible by putting the IMF and Fed through bankruptcy reorganization—in what form would either organization exist following such a reorganization? See my questions below.

For example:

- Would you support the effective reversal of the 1913 Federal Reserve Act inasmuch as it would remove the power to issue money from the Federal Reserve?

- Would you support replacement of current Federal Reserve Notes (debt-based currency) by United States Notes (debt-free currency), in a one-time issue to take place over a period of, say, 12 months, together with complete abolition of fractional reserve banking in the U.S.A, with equivalent measures taken to further restrict overseas borrowings?

- Would you support withdrawal of U.S.A from IMF/WTO/BIS organizations? If so, what purpose if any would such organizations as the IMF have following U.S. withdrawal?

- What effect on U.S. overseas relations would result; i.e., would you think it possible that a re-emergence of “American System” finance could influence overseas?

- Is it possible that the same influences which led to the establishment of debt-based finance in the U.S.A. could react to any developments such as those above, possibly by the encouragement of further world war, in spite of lack of U.S. funding (which would hopefully result from withdrawal from international banking organizations such as IMF/BIS/WB)?

Thanks for your time on these questions.

I look forward to your reply.

**LaRouche:** As a first step toward clarity, discard your

recurring use of the jargon about “debt-free currency.” The currency lawfully issued by a sovereign state is the debt of that nation. Read Treasury Secretary Hamilton. “Debt-free money” does not actually exist in the known universe. The issue today is between the institution of the sovereign nation-state republic, as ours was founded to be, and the repeatedly failed, contemporary European, Anglo-Dutch-liberalism model, in which the nation abandons its rightful sovereignty to a pack of parasitical financier-oligarchical interests called an “independent central banking system.”

The idea of “debt-free” currency was popularized by neo-feudalist ideologues who concocted the fantasy of “honest money”: the delusory belief that economic value is, or could be intrinsic to some form of money as such. Those are fantasies which belong in the same general category of one-time Mayor Henry George’s gimmickry. With due reflection you will realize that you wish no part of such concoctions.

The Federal Reserve System is an explicitly anti-constitutional entity, created on the prompting of a New York agent of England’s King Henry VII, Jacob Schiff, and foisted, by political brute force, through aid of ex-President Theodore Roosevelt’s “Bull Moose” campaign for Ku Klux Klan fanatic Woodrow Wilson’s election. The 1979-2002 Fed, under the continuous direction of Paul Volcker and loony (Sir) Alan Greenspan, has been an approximation of the worst form of buccaneering, practiced as a European model of “independent central-banking system.” Like all currently existing central banking systems of the Americas, Europe, and Japan, the Fed must be taken over, in receivership, in a bankruptcy proceeding conducted by the U.S. Treasury Department. In effect, U.S. national banking, as required by the Constitution, is restored by that action. All central banking systems of the other parts of the Americas, Europe, Japan, and the extended British Commonwealth states, especially those under the reign of Elizabeth II, must be taken over similarly. The majority of the governments which are in fact owners of the IMF and World Bank, must take the latter institutions into bankruptcy-reorganization.

The actions must: 1.) establish a global fixed-exchange-rate monetary system, modelled upon the 1946-1958 phase of the Bretton Woods system. 2.) Must establish a protectionist system of trade and international lending. 3.) Must eradicate “free trade” rules and related practices. 4.) Must tailor credit policies to a combination of long-term investments in creating basic economic infrastructure and high rates of capital-intensive investments in physical production’s scientific and technological progress, in agriculture and manufacturing.

We have no alternative to those measures of reform. Otherwise, the world goes over the cliff, very soon, into a deep and prolonged dark age of humanity. We must resume man’s history, by ending the rule by utopian ideologies.

—Lyndon

# Global Economic Crisis Hits Food Production

by Paul Gallagher

Worldwide food production, falling per capita for several years, is likely sinking in absolute terms as of 2002, stricken by the global economic depression in the form of severely depressed commodity prices, which have been dropping for the last seven years. This unprecedented alarm emerges from the “State of Food and Agriculture” report of the 123rd Session of the United Nations Food and Agriculture Organization (FAO), which met in Rome from Oct. 28-Nov. 2.

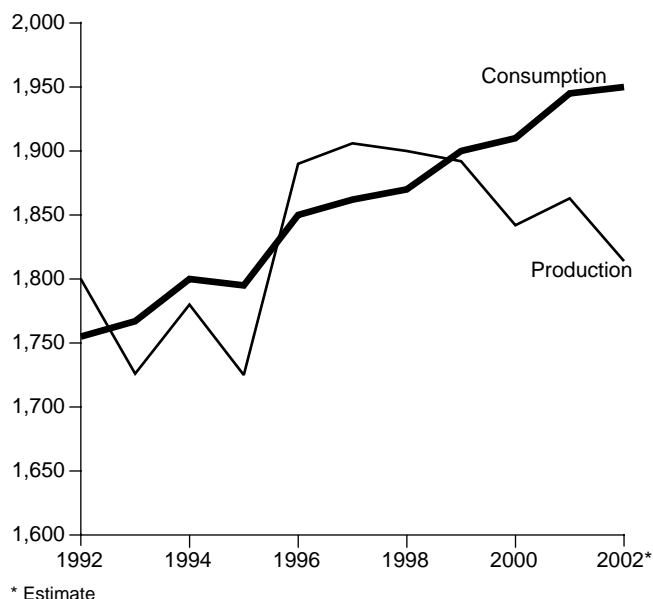
The fact that global production of all crops and livestock combined is probably dropping, and that world food reserve stocks are declining for the third straight year, gives dramatic urgency to the call made by 2004 Presidential pre-candidate Lyndon LaRouche on Nov. 28, for emergency U.S. food aid to North Korea (see p. 14). North Korea is in serious need of aid shipments which have dropped off during the course of this year, even as severe food shortages have developed in three broad regions of Africa. A mission, led by the United States, of turning around the fall in drastically needed food emergency aid shipments, will demand that the insane international agricultural policies, which are crippling the world’s food production, be reversed immediately. Above all, food-stuff commodity prices must be supported to increase production; and the infrastructure of large-scale water management for irrigation must be constructed to create newly fertile land.

## Killer GATT, WTO Policies

Food aid to reverse or head off severe malnutrition, or even starvation, is now urgently needed by 30 million people in 16 African countries (see *EIR*, Nov. 8); by some 6 million people in North Korea; by 2 million Afghans, and populations in Mongolia, Tajikistan, Uzbekistan, and Georgia; and now, in some parts of once food-rich Argentina.

But the FAO reports that worldwide production of all crops and livestock rose only 1.3% in 2000 (the same rate as population increased); then, by a mere 0.5% in 2001; and for 2002, it is clear that at least total *cereals* production—wheat, coarse grains, and rice—has dropped in absolute terms (see **Figure 1**). This applies equally to the Third World countries, and to the nations of the OECD (Organization for Economic Cooperation and Development), including the food-export powerhouses like Canada, the United States, Australia, and Argentina. Total food production is almost certainly falling outside China—there, fish production is rising very rapidly—and perhaps for the world, including China as well. How much

FIGURE 1  
**World Cereals Production, and Consumption, 1992-2002**  
(Millions of Tons)



Source: UN Food and Agriculture Organization.

will be seen as harvest totals come in from North America in particular—and they will not be good.

As is clear from Figure 1, total cereal production, per human being, will fall in 2002 for the fifth year in a row, and in absolute terms will fall by about 50 million tons—3%—the second drop in the past four years. Cereal *production* will be below *consumption* for the third consecutive year, and this year the gap will be 100 million tons or more, out of worldwide grain reserve stocks which are only about 270 million tons as of the end of the most recent crop year. These stocks, in turn, have been falling for three years.

These figures show that consumption of grain per person (including indirect consumption through livestock of all kinds which consume grain) is at about 630 pounds per year, compared to the 1,000 pounds required by good, balanced nutrition; and that consumption is being supported by less than 600 pounds per year of grain production per capita.

Crop output has fallen more or less drastically in four of the world’s top six grain-export centers: Canada, the United States, Argentina, and Australia (the other two are Germany and New Zealand). The decline reflects both the worsening economic conditions for farming—as in Argentina, which is suffering general economic collapse under International Monetary Fund (IMF) dictates—and the impact of drought.

The Australian Grains Council announced in October, that their current harvest of crops will be down 50% from last

crop year! On Oct. 28, Grains Council president Keith Perrett said he “doesn’t doubt” that the next year will see grain *imports* into the country, unprecedented in recent times. In the United States, 1,606 out of a total of 3,141 counties have been officially designated economic “disaster areas,” most for drought, and many of them in the High Plains farm belt.

World grain stocks are falling dramatically; year-ending reserve levels (carry-over at the end of the crop year) dropped from 501 million metric tons (mmt) in 2000-01; to 461 mmt in 2001-02; to 371 mmt in 2002-03. Global stocks are declining for all three major grain types: wheat, rice, and coarse grains (such as maize and sorghum). For example, the projected year-ending stocks of wheat, worldwide, have fallen from 169 million metric tons in 2000-01, down to an expected 131 million metric tons—the lowest in over 20 years. World carry-over of coarse grains in 2000-01 was 187 mmt, and for 2002-03 is projected to be only 134 mmt.

The lunatic rules of the European Union Commission and other bureaucracies under the General Agreement on Tariffs and Trade (GATT), and the World Trade Organization, have compelled nations to sell off their grain reserves or absorb them through production cuts; the IMF has enforced this with Third World countries, as in the recent disastrous case of Malawi. Now, roughly 40% of all grain-reserve stocks belong to China and India. And both have begun intentionally reducing (mostly selling) their reserves.

### Depression Prices Kill Production: FAO

World *trade* in cereals is also projected to be only 235 million tons in 2002-03, down from the previous year.

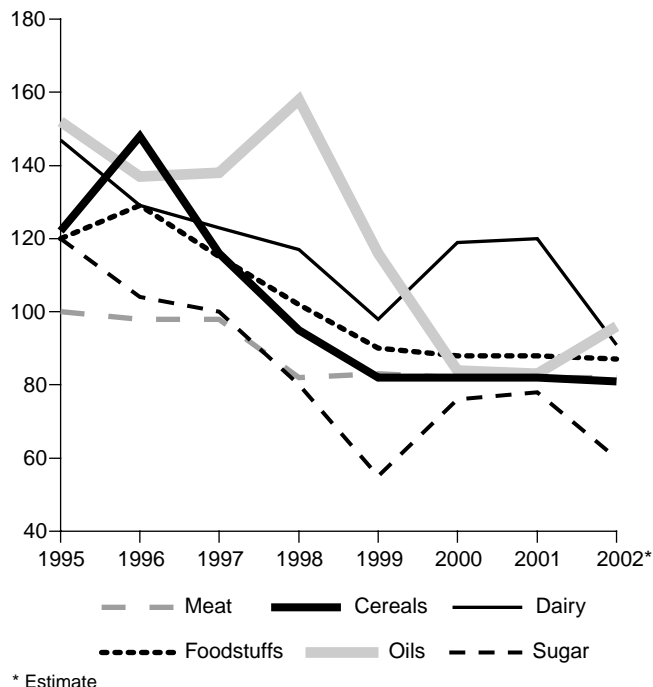
The FAO’s new global report states unequivocally that—although there are more or less severe drought factors affecting major producers Australia, India, and the United States, “The recent slowdown in output growth is primarily the result of depressed commodity prices, that have reduced farmers’ incentives to expand production. Slowing population growth rates and weak per caput income growth in some of the poorest countries have dampened longer-term demand.”

This worldwide production-killing deflation of commodities has been going on steadily since 1995 (see **Figure 2**). “Between May 1996 and January 2000, the FAO international price index for total foodstuffs declined by some 38%, to its lowest in more than a decade,” says the “State of Agriculture” report. The greatest decline has been in cereals, average prices for which fell 40% from 1996-99, and have been flat since. Prices of cereals only started to rise slightly in mid-2002 as real shortages began to appear. Dairy prices worldwide are now 35% below 1995. Global average meat prices are 12% below 1997. Coffee, tea, cocoa prices are all very depressed, and falling further. Sugar prices, internationally, are at less than half of their 1995 levels.

The collapse is not limited to food prices, of course. Cotton and rubber, for example, are at about one-third of their 1995 prices in 2002. A paradigm-shift from globalized “free trade” to fair-trade to protectionist policies, by nations across

FIGURE 2  
**Export Prices of Food Commodities, 1995-2002**

(Index 1990-92 = 100)



Source: UN Food and Agriculture Organization.

the world, is needed to sustain and increase national productive capacities—and nowhere is this more urgent, than in the production of food and construction of agriculture and water-management infrastructure.

In fishing alone is food production still growing, and that, entirely in China. China has nearly one-third of world total “fish production” of 130 million tons. It accounts for *all* of the 12% world increase since 1995. “Production” consists of “capture” (fishing) and aquaculture, or fish farms. China has two-thirds of world aquaculture production of fish (35.6 million tons), and four-fifths of the 46% world growth since 1995. In “fish capture,” China has 19% of the world total and all of its growth since 1995 (the rest of world has fallen).

The FAO report’s focus on constantly sinking commodity prices, highlights the truth that falling world food production is not “inevitable,” natural, or the result of “environmental degradation,” as WorldWatch Institute’s Lester Brown has preached since pre-history; but rather, the result of misguided and failed economic policies. A sharp turn back to protecting national agriculture is needed; then, the surest means to increase production further, is the use of water management projects to increase the ratio of irrigated agricultural land, to rainfall-fed farming. A new generation of “super-rice” is also on the immediate horizon.

# Koreas Finish Rails and Roads; Opposition to War Talk Builds

by Kathy Wolfe

South and North Korea in late November opened new venues for peace through economic development in Eurasia, continuing brisk work on the Trans-Korean Railroads, which are the linchpin of the “Tokyo/Pusan to Paris” New Silk Road. During Nov. 28-29, the two Koreas completed most de-mining and a land survey in the central 300 yards of the Demilitarized Zone (DMZ), clearing the last area on either side of the military demarcation line (MDL) separating North and South. The joint surveys specified the coordinates and altitude of the places where the railways and roads will be linked, the Seoul Unification Ministry said Nov. 29. “Both sides are aiming to open the East Coast highway by Dec. 11 to Southerners travelling North for family reunions,” said a Unification Ministry official. Some Seoul reports even said track might be repaired, and the first train in 50 years might run, by the end of December.

It was the two Koreas opening the DMZ and starting reconstruction of their country on Sept. 18—not any nuclear program in the North—which provoked talk of confrontation with Pyongyang by Washington extremists in October. This minority “Utopian” wing believes the industrial potential of developing vast populations in Korea, China, along the New Silk Road into Europe, is a “threat” to their new empire, under the new U.S. National Security Doctrine. With their war drive against Iraq stalled, they seek to regain momentum by cooking up confrontation in Korea and elsewhere.

The final dramatic 300 yards’ work in the DMZ was frozen for three weeks through Nov. 28, by the refusal of the U.S.-led United Nations Command (UNC) to allow even a narrow strip of land wide enough for a railroad, to revert to Korean sovereignty. U.S. Maj. Gen. James Soligan accused North Korea on Nov. 26 of plans to use the railroad “to move combat forces into this corridor and challenge the security of South Korea.” This nonsense was overruled by Seoul and the work resumed.

Just as LaRouche acted to contain the Iraq crisis by mobilizing the *institution* of the U.S. Presidency to proceed reasonably, he moved on Nov. 29 to expand U.S. efforts to feed North Korea (see page XX), to discredit the Utopian kooks and break the deadlock in United States-DPRK talks. LaRouche stressed that, as with Iraq, those talking war with North Korea are “chicken-hawks,” draft dodgers who have never fought a war. The President’s competent military and diplomatic advisers, he said, will support more constructive solutions.

## U.S. Policy Failure

Saner voices from the Washington foreign policy establishment meanwhile made parallel warnings, that provocation of Pyongyang is only creating a foreign policy debacle for the United States. Senior North Korea expert Selig Harrison told a Dec. 3 Washington seminar that “absent a competent U.S. policy for rapprochement with North Korea, the Administration has only succeeded in shifting the balance of power inside Pyongyang, to the advantage of the nuclear hawks. . . . The policy weakens the doves, strengthens the hawks, and is a failure.”

Harrison, a former *Washington Post* Bureau Chief in Northeast Asia who, in 1972, was the first to interview former North Korean leader Kim Il-sung after the Korean War, said that hysteria over North Korea’s uranium program is absurd, since it is not news.

“North Korea never unconditionally gave up its nuclear option,” he said, but closed specifically its Yongbyon plutonium reactor in the 1994 Agreed Framework, which Harrison helped architect, in exchange for U.S. promises to end economic sanctions, normalize relations and make a pledge of non-aggression and no U.S. first strike against Pyongyang. “They shut their reactor, we got everything we wanted up front, then we broke every promise we made to them,” he said.

Harrison added that North Korean Chairman Kim Jong-il would like to work with the United States and modernize his country, but we have publicly undercut him and given the upper hand to the hawks who always said the United States would renege. This road will leave us with the choice of a nuclear-armed North Korea, or a pre-emptive strike, which will create hatred of the United States across Asia.

Harrison stressed the Dec. 2 joint statement by Russian President Vladimir Putin and Chinese President Jiang Zemin, that Washington should cease hostile posturing and come to the negotiating table, with the entire region, for peace in Korea. Showing coordination between U.S. diplomatic layers and Russia and China, Harrison proposed that the 1994 United States-DPRK Framework be expanded to include all Big Six powers in the region: Russia, China, Japan, the United States, and both Koreas. He squarely attacked the new Sept. 20 U.S. National Security Doctrine. “We have to back down off this now,” he said, and plainly withdraw the pre-emptive strike provisions, or we will be unable to negotiate with many nations. “This clearly violates Article 3 Section 1 of the 1994



A meeting of the North-South Korea Ministerial Unification Commission; and the railroad lines whose joining the Commission will oversee in December, which are critical pieces of the entire 12,000-kilometer Eurasian Land-Bridge. The western coastal "Kyongi Line" toward the Trans-China, is the one whose opening is imminent.

Accord, in which the United States pledged 'no first strike' against North Korea," Harrison pointed out.

### 'Who Lost Korea?' Debate

Recent warnings from Harrison, former U.S. Ambassador to South Korea Donald Gregg, and others, are reminiscent of the post-war "Who Lost China?" debate, over how China was lost to the communist bloc. This time, they warn, the United States could lose its influence in all of Korea, South and North, and all of Asia.

Numerous observers report that anti-Americanism in South Korea is exploding. Demonstrations against the cavalier November acquittal by a U.S. court, of American soldiers who killed two Korean schoolgirls in a traffic accident, began as fringe leftist actions, but grew to national proportions in the beginning of December. President Kim Dae-jung, in a major speech on Dec. 2, made the unprecedented demand for revision of the Status of Forces Agreement (SOFA), which allows U.S. troops to operate in Korean streets outside Korean law, and warned against "rising anti-Americanism."

The seven heads of Korea's top churches and Buddhist temples, two days later, issued a joint call for SOFA revision, while pop music and sports superstars gave concerts and press conferences protesting the verdict. "At first, anti-U.S. feelings had nothing to do with me; I was unpolitical," Seoul's top female singer Lee Jeong-Hyun told a big crowd on Dec. 5. "But now, I hope the United States will come to its senses before ordinary people like me become anti-U.S. activists."

In "Reflections on Anti-American Sentiment in Korea," Ambassador Donald Gregg's *Korea Society Quarterly* maga-

FIGURE 1  
North-South Korea Rail Connections



John Sigerson / EIRNS 2001

zine warns that "a new wave of anti-Americanism" is sweeping South Korea. "Eating at McDonald's or drinking Coca-Cola has become treasonous," writes Katrin Fraser, a Korea Society intern in Seoul."

The root cause, Fraser notes, is deep South Korean public anger at the way North and South Korea alike have been

treated since the January 2001 start of the Bush Administration. “Many believe that President Bush’s snubbing of the Sunshine Policy at his March 2001 summit with President Kim Dae-jung had detrimental effects,” she writes. “Break-down in the North-South reconciliation process caused many Koreans to blame Bush’s hard-line approach. . . . More noteworthy, however, was the response that the ‘evil axis’ speech provoked among the general public. Even South Koreans who normally support America’s policies were annoyed, and more than half the public, when surveyed, regarded the statement as ‘inappropriate.’ ”

As the Dec. 19 date for South Korea’s presidential election approaches, this anti-American wave could change the course of South Korean politics, Selig Harrison warned Dec. 3.

### North Korea ‘Regime Change’ Policy?

Having lost the offensive in Iraq, meanwhile, the “chicken-hawks” back in Washington are squawking ever more blindly about confronting North Korea. “All benefits to North Korea under the 1994 Agreed Framework “are about to disappear,” a “senior U.S. official” told Nicholas Kravev of Reverend Moon’s *Washington Times* in a prominent interview on Nov. 18. The Korean Energy Development Office (KEDO) nuclear reactor program will be shut down, and what we need now is “regime change” in North Korea, said the official.

Washington’s next step “will be to abandon the light-water reactor project in Kumho,” he said, the centerpiece of the 1994 Framework Agreement under which the United States, Japan, and South Korea are building “clean” electric power reactors to replace the mothballed plutonium plant. “The Japanese Diet [parliament] is not going to appropriate another yen for those things,” he announced, and once South Korean President Kim Dae-jung leaves office in January, “support for this house of cards [KEDO] will collapse. . . . There won’t be any light-water reactors. When the chicken stops twitching I don’t know, but its head has been cut off.”

“We believe this interview was given either by Deputy Defense Secretary [Paul] Wolfowitz, or by [Defense Secretary Donald] Rumsfeld himself,” an angry South Korean official told *EIR*. “Mr. Rumsfeld and his aide Wolfowitz have made it very clear that they want ‘regime change.’ Mr. Rumsfeld has said publicly that nothing today’s government in Pyongyang does, could show that they have shut down their weapons programs, since they lie all the time. To his mind, therefore, only ‘regime change’ in North Korea is acceptable—despite the fact” that President Bush has said he is against it.

The South Korean official pointed out a Nov. 19 *Wall Street Journal* editorial entitled “No More Carrots for North Korea,” which states that the suspension of oil shipments, announced by KEDO on Nov. 14, is “a first step toward putting in place a new policy for containing—and ultimately

toppling—Kim Jong-il’s evil regime.” The *Journal* reported that “the Department of Energy has quietly suspended the transfer of American nuclear know-how” to North Korea already, and “without this, the reactors can never become anything more than two empty concrete shells.

“That is only the first stage in formulating a new U.S. policy toward North Korea,” the *Journal* continued. Next, the United States should demand that South Korea, Japan, and Europe join a total embargo on trade and investment and a ban on remittances to the North from offshore Koreans—including the \$2 billion a year sent to North Korea by the more than 2 million Korean residents of Japan. “With U.S. leadership, Seoul and Tokyo would likely go along,” in a plan to strangle and topple the Kim Jong-il government in Pyongyang, the *Journal* editors conclude. We need “a coherent strategy for ending the nuclear threat by removing those responsible for it and freeing North Korea’s enslaved population from the world’s most brutal regime.”

### A President’s Warning

The “senior American official” who spoke to the *Washington Times*’ Kravev, said that the United States is well aware that the collapse of KEDO, and sanctions, will push North Korea to restart its Yongbyon plutonium reactor. He welcomed the confrontation, saying that this move will “put the North in such variance with everybody else in the world, that I think we would have nearly total support for a policy of isolation” and a push to topple the government in Pyongyang.

South Korean President Kim Dae-jung, for his part, came out in public against the whole nasty scheme on Nov. 18. Kim told a Seoul luncheon that economic sanctions would not force North Korea to give up its nuclear program, but would force the North to restart the process of creating plutonium to build nuclear bombs, and “lead to another war on the Korean peninsula,” the *Korea Times* reported on Nov. 19. The lead article was entitled “Sanctions on NK Will Not Help, President Says.”

“In another scenario, the North Korean economy could simply collapse, not being able to bear the impact of economic sanctions,” President Kim said. “This would trigger an exodus of millions of North Koreans to South Korea. Economic sanctions are not a cure-all. We are offering the North a way out of its current crisis in return for a promise to abandon its nuclear program.” Regarding U.S. President Bush’s Nov. 15 statement promising the North “a different future,” Kim said it was made in response to Pyongyang’s demand for a bilateral non-aggression treaty.

“I closely coordinate with President Bush and Japan—but we are responsible for our own fate. We will say whatever we feel is necessary,” Kim said, implying that South Korea will continue to work closely with its allies, but maintain its stand on the resolution of the looming nuclear crisis. Kim urged the North to respond quickly, saying, “Time is running out.”

# LaRouche: U.S. Food for Peace to North Korea

by Kathy Wolfe and Marcia Merry Baker

Lyndon LaRouche, Democratic Party Presidential pre-candidate in the 2004 elections, called on President Bush on Nov. 29 “to conduct an immediate food-relief effort into North Korea, with absolutely no political strings attached. . . . The food aid is urgent to avoid a devastating famine, and would serve as a prelude to discussions between the United States, North Korea, and other interested parties, concerning all of the unresolved bilateral and multilateral issues currently on the diplomatic table,” a campaign release said.

“LaRouche declared that the food assistance program should constitute a preemptive action, to avert an otherwise severe famine, and that it must be clear that this is an unconditional humanitarian intervention. Nevertheless, LaRouche emphasized that such an action, on the part of the Bush Administration and others, would serve as a useful foundation for opening productive discussions on other issues,” the release said.

“It is better to win a peace, than fight a war,” LaRouche added on Nov. 30.

United States-North Korea relations are at an impasse; negotiations have broken down due to threats of war by a minority faction of extremist “Utopians” in Washington. Where traditional American policy was to “win the peace,” by sending the Army Corps of Engineers to reconstruct a foe’s economy, the Utopians are demanding “regime change” and pushing North Korea into a corner.

LaRouche proposed to mobilize the power of the U.S. Presidency. Since President Bush and his traditional U.S. military and diplomatic advisors do not want war, what is needed now is to outflank and discredit the Utopians within councils of government. For example, President Bush speaks of simple Christian values—such as feeding children.

The urgent call for U.S. famine relief for North Korea is, first of all, the simple human thing to do. Second, it speaks directly to the heart of President Bush and all sane leaders in Washington. Third, it reveals the true ugly nature of the “Utopians,” who would rather destabilize and overthrow governments than feed people.

## Inside North Korea

Inside North Korea, the situation is desperate. In late November, the UN World Food Program (WFP) issued an urgent, international appeal for additional food aid, saying that it was out of funds and would soon have to cancel food aid to

some 4.5 million people in the worst-hit but most isolated parts of western North Korea.

The WFP has been providing food assistance to up to one-third of North Korea’s 23 million people in times of crop failures and severe weather over the past decade, and the United States has provided some 65% of that assistance.

As of two months ago, the WFP had to cut aid to 3 million people in western North Korea, and without more food donations, the agency said it will have to cut off another 1.6 million by early in 2003. The UN agency has issued repeated appeals, especially since April, when the food relief pipeline, for what was then 6.4 million recipients, began drying up.

The WFP’s total food need for North Korea was 810,010 metric tons this year at a cost of \$306 million, and is estimated at the same or more for 2003.

No official American response to the UN aid appeal has been made public by the Agency for International Development (AID), headed by Andrew Natsios, which administers American food relief. But USAID spokesman Harry Edwards reportedly told Reuters on Nov. 26, that shipments will be stopped on political grounds. “We’ve informed North Korea that additional food aid this year was contingent on improving monitoring and access” to food recipients, Edwards told Reuters; the United States frequently charges that food is diverted to the military. “We regret North Korea has not responded to that.” Anonymous U.S. officials further told Reuters that Congress had left Washington without passing appropriations for AID’s food budget, just as they failed to pass appropriations for extended unemployment benefits for 1 million Americans—so further food aid to North Korea is also jeopardized on accountant’s cost-cutting grounds.

Gerald Burke, a UN World Food Program spokesman, however, refuted Edward’s political charges, saying there has been, in fact, an improvement this year in UN monitoring which ensures that aid goes to intended recipients. Monitors are watching the food from the unloading of incoming ships, to transportation, warehousing, and distribution at schools and hospitals, he said. A UN survey of 6,000 households was completed, and more monitoring visits have been made, to ensure food goes to the hungry, mostly children and the elderly.

On a more hopeful note, State Department spokesman Philip Reeker said on Dec. 3 that the United States is “looking at” the new WFP request for North Korea, and that American criteria for considering it would be “strictly humanitarian.”

The division of Korea is the fundamental cause of the famines, because it cut off the northern industrial belt from the southern rice belt. At best, only 14% of the land of North Korea is arable; almost all of it is mountainous, and the weather is highly variable and hostile to farming. North Korea was dependent for decades on Soviet-supplied food supplementation. When crops in former Soviet republics fell sharply in the early 1990s, North Korea came to suffer repeated, severe food shortages. The only real solution will be Korean reunification, not finger pointing or political manipulations.



# Philippines Confronts 'Argentine' Crisis

by Marin Chew Wooi Keat

The denial of economic reality is paving the way for an Argentina-style economic crisis to come to the Philippines—the result of years of looting by the International Monetary Fund.

The Philippines' public-sector deficit hit \$3.40 billion for the first ten months of 2002, while the target for the entire year was only \$2.45 billion. Both the London-based Fitch rating service, and the U.S.-based Standard and Poor's, downgraded the outlook for the Philippines to negative, and are expected to lower their sovereign credit rating in the near future. This "thumbs down" by the international financial oligarchy will make it even more expensive for the government to obtain loans to cover the deficit.

In late November, Rep. Rolando Andaya, chairman of the Philippine House of Representatives committee on appropriations, declared the Philippines to be in a state of a "de facto or undeclared unmanageable national government deficit."

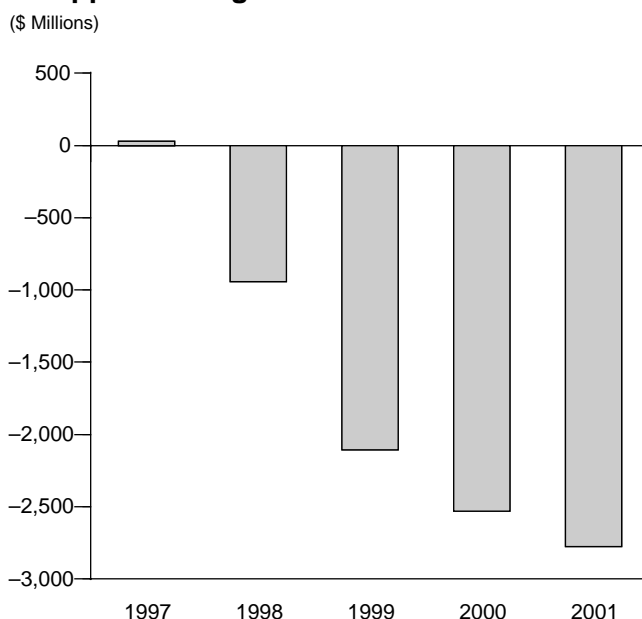
A blowout was somewhat delayed by the expected proceeds (at least \$500 million) from Malampaya, the country's first natural gas project—southwest of the main island of Luzon—which began commercial production a year ago. The Philippine government holds a 10% stake in the Malampaya Gas Project. Other stakeholders include Shell and Texaco, each owning 45% of the project.

However, the budget deficit, which was induced by the 1997-98 currency crisis (see **Figure 1**), not only ensured that the Filipino people would not see any larger benefit from the nation's first gas project, but also that the nation will have to borrow just to survive from day to day, as well as to repay old debts.

In April 2002, the Philippine central bank announced its intention to sell \$500 million of five-year bonds to repay \$700 million of debts that will mature next year. In July 2002, the central bank—taking advantage of historically low interest rates due to the U.S. Federal Reserve's "Wall of Money" policy—closed a deal for a \$675 million five-year loan facility—the largest Asian sovereign loan in 2002, as well as the largest dollar-denominated loan in Asia to date, excluding Japan. The exercise was arranged by 22 syndicate members comprising various European, Asian, Middle Eastern, North American, as well as local financial institutions. The Philippines had originally wanted to borrow \$740 million, but only \$675 million was successfully closed.

In August 2002, the Philippine government announced

FIGURE 1  
**Philippines Budget Deficit**



Source: Philippines National Statistical Coordination Board.

that foreign borrowing accounted for one-third of total government financing. For 2003, by some estimates, 85% of total government financing may come from foreign lenders. It must be noted that the 1997-98 crisis caused the debt load of the Philippines, measured in dollars, to nearly double (see **Figure 2**)—but due to the devaluation, by half, of the peso, the debt has actually *quadrupled* when measured in pesos!

Personal finances are not in any better shape. A binge of credit-card buying sent loan defaults soaring in the first quarter of 2002, prompting the government to think about banning the issue of new plastic, said central bank deputy governor Alberto Reyes. Almost half of credit card loans were overdue in the January-March quarter, up from about a fifth in the previous quarter. Credit card interest rates run as high as 40% a year. These personal bankruptcies are a direct result of the unemployment crisis.

Over the past two years, half a million Filipinos joined the ranks of the unemployed, swelling the number to nearly 5 million (**Figure 3**). If we include the underemployed, the number of Filipinos looking for gainful employment as of April 2002 stood at 9.5 million, out of a labor force of 35 million (Filipinos over 15 years of age).

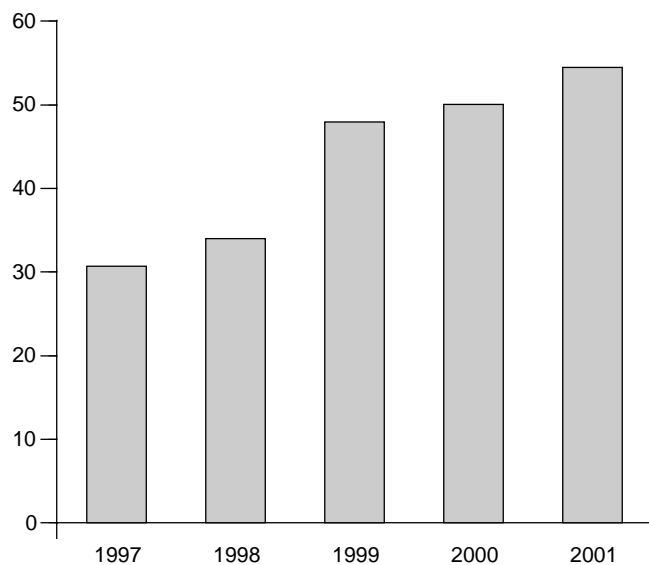
## No 'Recovery' in Sight

New investments registered with the Philippine Board of Investments (BoI) dropped 82.48% in the first quarter of 2002, to \$93 million, from \$530 million in the same period last year.

FIGURE 2

**Philippine Debt (Domestic and Foreign)**

(\$ Billions)

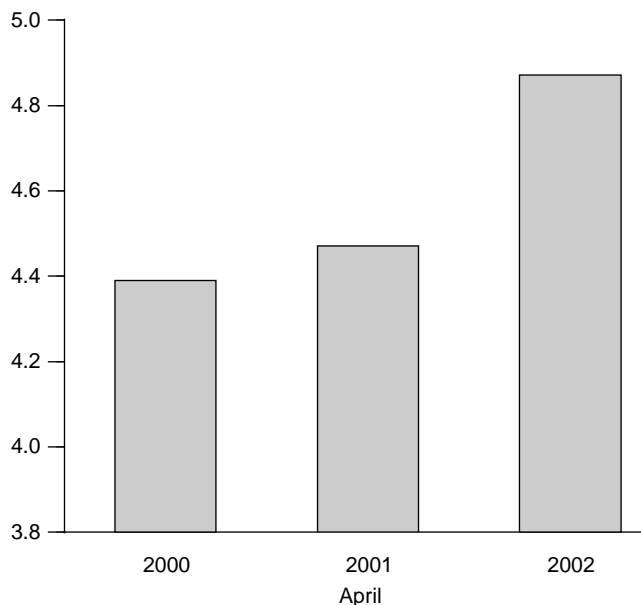


Source: Philippines National Statistical Coordination Board.

FIGURE 3

**Philippines Unemployed**

(Millions)



Source: Philippines National Statistical Coordination Board.

Furthermore, only 55% of projects registered with the BoI from 1993 to 1998 were actually pushed through.

Japanese and Western businessmen cautioned the Philippines in May 2002, against mandating a rise of the daily minimum wage from \$5 to \$7. (Similar warnings were made in Indonesia, the other Southeast Asian nation facing possible financial collapse.) They threatened that China's wage rate is less than \$1 per day, and should Manila jack up its daily minimum wage, it would price itself out of the foreign investment market. Toshiba shifted its personal computer manufacturing plant to Hangzhou, China to cut costs in the wake of plunging profits. NEC shut down its production of hard disk drives and laid off its entire 1,400-strong workforce, moving to Shanghai.

The unemployment crisis is threatening to dislocate the pension system. A state-run pension fund for millions of private-sector employees said in August 2002, that it could run out of money within ten years, because of low contributions and anemic returns on its investments. Social Security System (SSS) President Corazón de la Paz urged President Gloria Arroyo to authorize an increase in member contributions, which is now at 8.4% of a private employee's monthly income. "Right now, we are playing safe," said de la Paz. "We are sticking to business loans. At the stock market, we cannot sell, because we don't want to register a loss." The fund has more than 150 billion pesos (almost \$3 billion) under management, of which 27% is locked in equities. The fund has also been pummeled by the underperforming Philippine Stock

Exchange, as well as the low-interest regime now prevailing in the Philippines, driven by Federal Reserve Chairman Alan Greenspan's cuts in the United States.

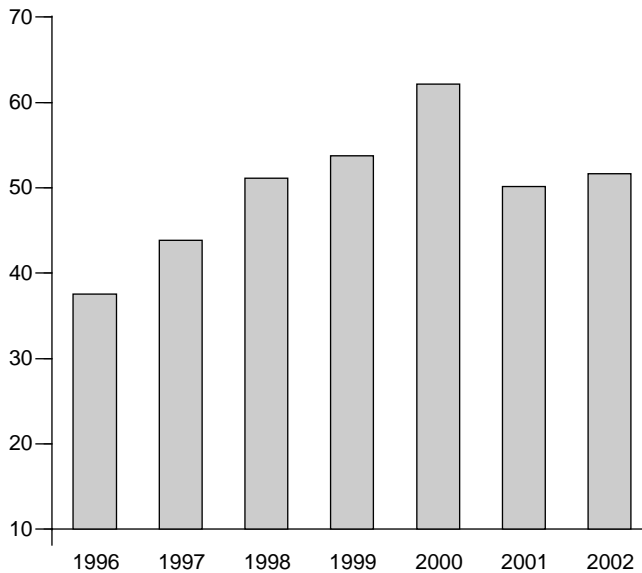
Perhaps the most shocking fact, is that the current unemployment situation comes *despite* the departure every day of at least 2,000 Filipinos, seeking employment overseas. The Middle East alone hosts 1.3 million Filipino workers. Overseas workers pump close to \$10 billion annually into the Philippine economy, a major chunk of which comes from those employed in the Arab countries. In the first half of 2002 alone, foreign exchange remittances surged 43.2% to \$4.14 billion, enabling the Philippines to boost its reserves and stabilize the peso-dollar exchange rate. In August, Finance Secretary Jose Isidro Camacho admitted that a war in the Middle East could spell disaster for the Philippine economy, because of its dependence on the money the workers send back home. Massive dislocation of the workers and a disruption of remittances will lead to soaring unemployment. Reserves would plunge, and the peso would plummet against the U.S. dollar—which, in turn, would trigger hyperinflation.

A side-effect of this foreign deployment of labor is the growth of HIV infection. Filipino workers returning from overseas account for as much as 30% of HIV cases in the Philippines. Meanwhile, the country faces a drastic shortage of nurses, since the relatively excellent nursing schools see their graduates recruited in huge numbers to work in the United States and other foreign locations.

FIGURE 4a

## Philippines Electronics Exports

(% of Total Exports, August to August)

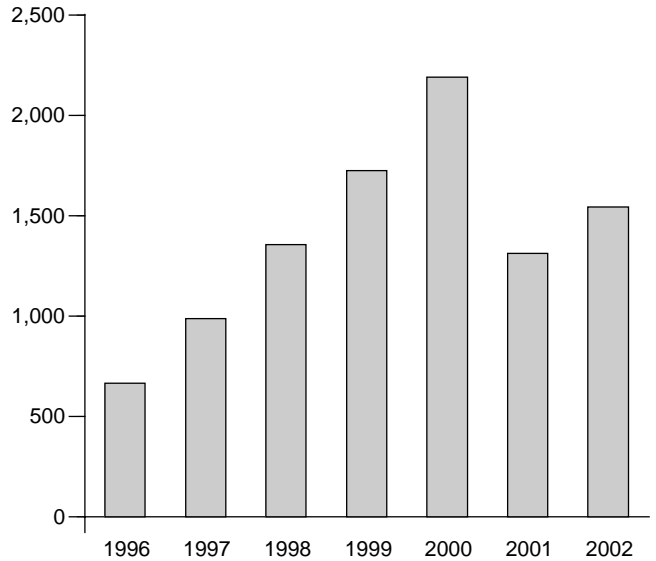


Source: National Statistics Office of the Philippines.

FIGURE 4b

## Philippines Electronics Exports

(\$ Millions, August to August)



Source: National Statistics Office of the Philippines.

However, the Philippines is facing increasingly stiff competition in the business of “people exports.” In April, Indonesia announced plans to set up a special agency to help export workers abroad, in an effort to earn up to \$5 billion in foreign exchange annually. Last year, the foreign exchange earned from sending 738,000 Indonesian workers abroad amounted to \$1.1 billion. The target for 2005 is \$5 billion. Indonesia has a population of 215 million. There are currently 35-40 million unemployed, with an additional 2 million joining the labor force annually.

### Banks and Industry Declining

The state of the banking system reflects the state of the Philippine economy. Philippine banks have the worst returns among the five major Southeast Asian economies (the other four being Thailand, Malaysia, Singapore, and Indonesia). Philippine banks reported an average return on assets of 0.1%, or one-fifth the regional average of 0.5%. The prevailing low-interest-rate regime has been bearing down on the net margins of banks. But in spite of the lower rates, loan growth in the Philippines remained problematic, with businesses making only selective new investments, given the patchy economic conditions. The Philippines also has Southeast Asia’s worst acknowledged level of non-performing loans—at 18.4% of total outstanding loans as of September 2002. In the second quarter of 2002, the Philippine Central Bank posted a loss of over \$60 million. Revenues slipped as interest income from international reserves declined by \$750 million, or 51.2%.

Another casualty of the current economic crisis is the infrastructure system. A huge power outage hit the Philippine heartland in May 2002—the third in six months—leaving some 40 million people (half the population) without electricity for nearly five hours. The outage inflicted maximum damage on the commercial life of the nation, halting business at the Philippine Stock Exchange. Metro Manila was plunged into darkness, and factory work disrupted across the metropolis and nearby provinces. The capital’s two overhead light rail transit systems were brought to a halt for more than five hours, stranding thousands of passengers.

Perhaps the biggest shoe waiting to drop is the Philippines’ export of electronics (Figures 4a and 4b). The Philippines’ trade surplus for 2001 declined 61.1% to \$2.6 billion, from \$6.691 billion in 2000, as export revenues plunged, suffering from the global economic downturn.

Wishful thinking—that improved revenue collection would somehow solve the budget crisis—is as rampant in the government and in the press, as are fanciful stories of GDP growth, sounding very much like the faked picture presented in the United States of “economic recovery,” while the bottom is falling out. As the global economic crisis worsens, the Philippines is set to be hit on *multiple fronts*—a deficit blowout, a debt blowout, an unemployment explosion, a banking meltdown, and a massive loss of its export revenue. There is no holding back the shockwave—except with a new international financial architecture, coupled with physical economic reconstruction.

# Business Briefs

## *Federal Reserve*

### **Governor Brags of 'Printing Press Dollars'**

The United States government has a "printing press . . . that allows it to produce as many U.S. dollars as it wishes, at essentially no cost," was the lunatic statement of Federal Reserve Governor Benjamin Bernanke on Nov. 21—ignoring the threat of Weimar-style hyperinflation. Bernanke, echoing Alan "Seneca" Greenspan's claim that there were no limit to the liquidity the Fed can pump into the financial system, said that the government—to fight the lagging economy and fend off deflation amid a real negative interest rate—could print as much money as it wants. Alternatively, he said, the Fed could make low-interest-rate loans to banks, or, make "unlimited purchases" of Treasury securities maturing within two years. He made his pitch at a Nov. 21 meeting of the National Economists Club in Washington, D.C.

*New York Post* columnist John Crudele lambasted Bernanke on Nov. 26, writing that MIT and Harvard, where Bernanke went to school, apparently don't teach the history of 1920s hyperinflation in Germany—which led to the political upheavals that brought Hitler to power.

"Who says it's not happening now?" responded Lyndon LaRouche.

## *NAFTA*

### **End of Tariffs Will Kill Mexican Farming**

The January 2003 lifting of all tariffs except on corn, beans, sugar, and powdered milk, will bankrupt what remains of the agriculture, upon which at least 27 million Mexicans depend for their livelihood. Responsible Mexicans, from across many parties and sectors, are demanding the government block implementation of this phase of NAFTA, opening up a bigger fight than any yet faced by President Vicente Fox.

Some project 70,000 jobs will be lost in

a short period of time, nearly doubling the (conservatively estimated) 82,000 permanent jobs lost in the farm sector since then-President Carlos Salinas opened the *ejidos* (communal farms) to private investment in 1992. Over that same period of time, the percentage of the rural population attempting to survive under conditions of extreme poverty rose from 44.6% in 1992, to 46.08% in 2002.

The PRD party's Congressional caucus brought a bill before the Congress Nov. 25, which would have the Congress call upon Fox to provisionally pull out of the agricultural section of NAFTA. Sen. Enrique Jackson, head of the PRI party caucus, proposed a national front to defend agriculture on Nov. 23. Its priority would be the re-negotiation of the agricultural chapter of NAFTA. An internal PRI document, drafted by its peasant sector, demands a return to protectionism, and a "profound" revision of Mexico's reigning economic model, back to one in which the state directs development, and regulates the market.

The PRI document warns that the lifting of the tariffs would bring "desolation" to the countryside, given that agricultural-support institutions such as Conasupo (the government purchasing agency), Fertimex (the state fertilizer company), and others, have all been dismantled. Producers of maize, beans, rice, cotton, and pork are already bankrupt, and the meat, milk, and egg producers face "disaster" if the tariffs are lifted.

A Mexican peasant receives a little less than \$1.50 for a day's labor. Some 24 million live in those conditions, while the circumstances of another 10 million Indians are much worse. This is why, the PRI study reports, nearly 300,000 Mexicans cross the border to the United States every year, despite the fact that at least 400 will die in the Arizona desert.

## *Brazil*

### **Embraer Will Produce Planes in China**

Brazil's leading aircraft company, Embraer, will sign the final agreement on its joint venture with China Aviation Industry Corpora-

tion II (AVIC-II) by early December, to produce Brazilian airplanes in China, Brazilian Development Minister Sergio Amaral announced in São Paulo on Nov. 25. Amaral said all details had been finalized. The Minister did not know when Embraer's planned factory in China would begin producing planes, but he said Brazil's and China's national economic development banks would be supporting the project.

The plan is for the plant to rapidly reach an annual production of 24 airplanes a year, of Embraer's ERJ-145 model. With Chinese domestic airlines expected to buy between 110 and 140 regional airplanes a year between now and 2005, this represents a giant market for the kind of regional planes in which Embraer specializes. China is likewise eager to have Embraer's technology to improve its own aircraft production capabilities.

The announcement coincided with the opening of the Brazil-China Business Council meeting in São Paulo, and the "Chinese Exposition of Engineering, Technology and Complete Equipment" which the Council is sponsoring.

## *Germany*

### **Government Announces Mittelstand Offensive**

As the business mood in Germany collapsed in late November, the government on Nov. 30 announced a "*Mittelstand* Offensive." At the annual gathering of skilled craftsmen's associations in Leipzig, Economics Minister Wolfgang Clement said the government is recognizing the rapidly deteriorating mood in the population and among business leaders. Trying to turn this around, Clement announced the "offensive," including new credit mechanisms, scaling down of the bureaucracy overhead at smaller and medium-sized companies, which comprise the *Mittelstand*, and certain extra regulations for the *Mittelstand* in the German East. A crucial part of the initiative is the establishment of the "Mittelstandsbank" by merging and somewhat upgrading the *Mittelstand* activities at the Kreditanstalt für Wiederaufbau

(KfW) and the Deutsche Ausgleichsbank, both state-run. This project has been in preparation for some time, and will soon be activated.

At the same Leipzig event, the President of the Confederation of Small Businessmen and Skilled Crafts (ZDH), Dieter Philipp, emphasized that economic conditions for skilled craftsmen and engineers in Germany have never been so bad in the post-war period. This year, 300,000 jobs in the sector will go, perhaps another 300,000 next year. The total engineering workforce in Germany has plunged by 19.1% within the last six years. The market research agency GfK announced that its consumer climate index in November crashed to -55.4 points, which is the lowest level since the index was established 22 years ago. The President of the German Retail Association (HDE) Hermann Franzen described the year 2002 as "the bleakest day in the history of the retail sector."

## United States

### 'Texas Recession' Is Official

Despite the sighs of relief that the collapse of Enron did not bring down Houston, Texas is officially in "recession," reported the *New York Times* on Dec. 1. The leading problem is jobs: Texas lost 91,000 jobs in 2001 (the year Enron closed down) and another 22,000 in 2002. There has been about a 9% drop in personal income from mid-2000 to the second quarter of 2002.

The hardest hit is Dallas, where the high-tech jobless are jamming homeless centers. Austin/Dallas was the telecom/high-tech corridor, but has suffered layoffs through the last year, and more are expected—as it is also the hometown of troubled American Airlines. Two years ago, Dallas had the lowest unemployment of the 15 largest American cities; now it is "hardest hit," said one economist, with a net loss of 15,000 jobs in the past year, despite an increase of government contracts for the "war on terrorism" to defense industries like Raytheon, Boeing, and Lockheed Martin.

Statewide there is the budget shortfall of up to \$12 billion, and Medicaid will likely be hit; the Republicans rule out tax increases, and there's a continuing drop in revenues.

## Venezuela

### Political General Strike Is On Again

The anti-President Hugo Chávez opposition forces centered in the CTV labor federation and Fedecamaras, the main Venezuelan business association, completed the first day of another general strike against the government on Dec. 2. While the government claimed there was only about 15% adherence, the opposition insists that it had the support of 80% of the labor force, and that 90% of industries and commerce shut down. The opposition was refusing to say how long the strike is called for, or whether it will evolve into a mass movement of civil disobedience. Provocations from government forces, including politically sensitive arrests, have triggered calls for protests.

Oil accounts for half of Venezuelan government revenue. Again, the opposition says 82% of the oil workers struck, while the international wire services are insisting, as is the Chávez government, that the oil sector "remains largely operational," with management supposedly stepping in for striking administrative staff to keep the rigs and refineries open and running.

According to on-the-ground sources in Caracas, the government provided money to supporters to go on mass buying sprees of government-subsidized food at a military-run market in downtown, giving the appearance of "normal" activity. Chavistas reportedly urged people to drive around in their cars all day, again to give a semblance of normality, but a gasoline shortage was expected to cut substantially into such pro-government fervor.

The biggest concern is that, in the face of a successful strike, the Chávez government will be left with no other weapon to fight back but violence, and many are girding to expect just that.

**BRAZIL'S** Varig Airlines may have to stop flying soon, according to *Valor* on Nov. 29. The government's BNDES development bank refused to loan Varig \$900 million needed to continue operating, leading unnamed international creditors to activate a clause permitting them to seize Varig's credit-card ticket sales. Varig is part of the Star Alliance, a passenger- and revenue-sharing network that includes United Airlines.

**WTO TALKS** in Geneva on suspending the patents on drugs desperately needed in Third World countries, and allowing developing countries to make or import cheap versions of certain drugs otherwise protected by patent, have broken down, BBC reported Nov. 29. The idea was agreed to in principle at WTO talks a year ago. Drugs for HIV/AIDS, malaria, tuberculosis and other diseases are included. Eduardo Pérez Motta, chairman of the talks, said all parties were still committed to reaching an agreement by the end of December.

**U.S. GOVERNMENT** economic statistics look better because the Sept. 11 attacks skewed the "seasonal adjustment" being used this year, according to *New York Post* columnist John Crudele, who says they are contradicted by privately produced economic data. November's purchasing managers index, reported by the Institute for Supply Management—which doesn't use all of Washington's seasonal adjustment—was at 49.2 in November, showing manufacturing activity still falling.

**BLACK WIDOW** spiders were found in bunches of California grapes, purchased by three British women at three different supermarkets. The black widow is used by organic growers as a natural predator, instead of pesticides. Its venom is 15 times more potent than that of rattlesnakes, "and 150 times as dangerous as the pesticide usually used on grapes," the *London Times* reported. That pesticide is actually not dangerous at all, in the dilutions used.

## LaRouche Tells Californians: Time For a Super-TVA

*Democratic Presidential pre-candidate Lyndon LaRouche delivered the following address by videotape to a town meeting in the Los Angeles area on Dec. 7.*

The United States is gripped presently, by the ongoing, accelerating economic collapse, of a failed international monetary-financial system, and the bankruptcy, in fact, of many U.S. Federal states. The Federal government, if it were a Federal state, would be bankrupt. Because the Federal government has a credit-creating capacity, it is *not* bankrupt, but if it did not have a credit-creating capacity, it would be bankrupt.

The U.S. economy, overall, under present financial conditions, is hopelessly bankrupt—our banking system, the Federal Reserve System. And also, a similar situation exists in Western Europe and Japan.

Therefore, we have to face this now. People don't wish to face it. They wish to assume that there is some "fix it"—there's some piece of legislation, some arrangement, some tax cut, some revenue-expenditure cut, or something, which is going to "fix it"; or, maybe an increase in taxes. None of these things will work, because the system is inherently bankrupt.

Now, that doesn't mean the *economy* is necessarily bankrupt. With proper programs, we could rebuild the economy, as Franklin Roosevelt led in rebuilding the economy after the disaster of Mellon, Coolidge, and Hoover. We could do it again. But in order to make those economic improvements, in order to start that growth, we would first have to change laws. We would have to change most of the laws which were "reforms" in our monetary and economic system, over the past period, since about 1964, since the beginning of the Indo-China War, and especially since about 1971-72, when Nixon destroyed, arbitrarily, the pre-existing international monetary system, and put in an irresponsible floating-exchange-rate system.

So, look at the situation for just a moment. I give you these three charts [Figures 1-3].

First of all, is the standard pedagogical Triple Curve chart, which depicts, on the one hand, the general trend of the growth of financial and monetary aggregates—that's the upward curves—relative to a decline in actual physical output per capita, which is the lower of the three curves.

Now you find the second curve, which is also pedagogical, rather than illustrating the actual data. It shows that there came along, about 1999, 1998, a change, which became obvious a couple of years ago: that the system had passed a crossover point. That is, that the rate of monetary input required to keep financial markets from collapsing, was greater than the

FIGURE 1  
**A Typical Collapse Function**

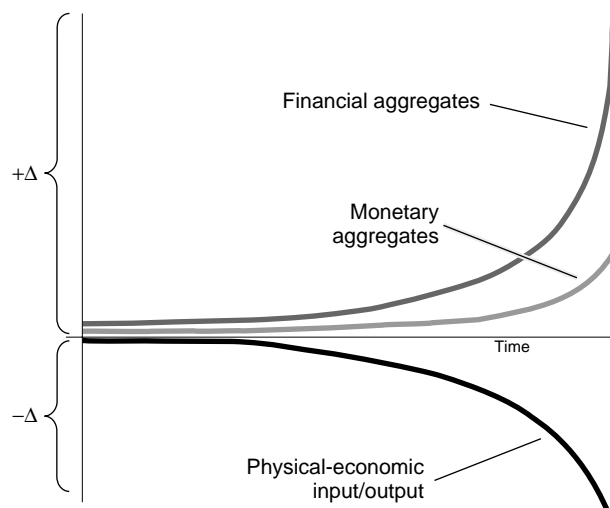


FIGURE 2

## The Collapse Reaches A Critical Point Of Instability

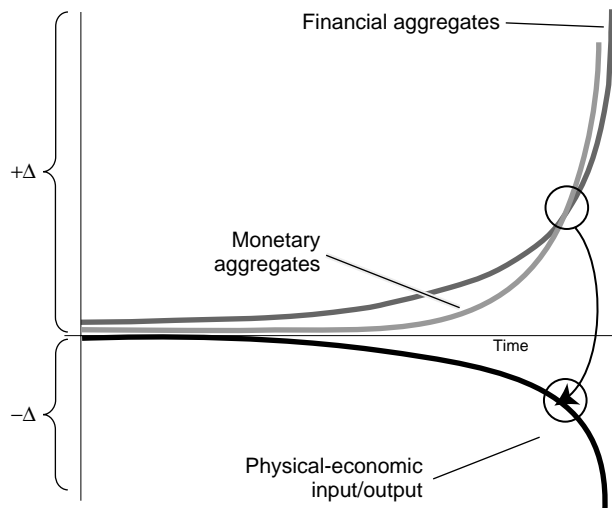
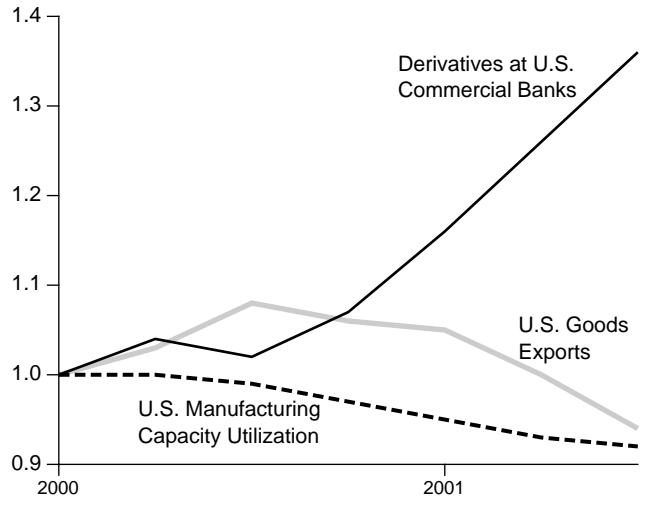


FIGURE 3

## Derivatives Soar, Manufacturing Falls In 2001

(Indexed To 2001/1Q = 1.00)



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

amount of financial assets maintained.

Now this situation was faced in Germany in 1923. And at that time, when the German government attempted to do what Alan Greenspan, the Federal Reserve chairman, has just professed he would do—that is, increase the credit, increase the printing-press effect in the U.S. economy—he is proposing to start, or set off, a Weimar-type of hyperinflation, which would sink and destroy everything. So that insanity, that he’s proposed, has to be rejected.

### Put the System Into Bankruptcy

And the problem on the political level is, this: What we have to do is, we have to put the financial and monetary system, which is choking us, into bankruptcy. This is not only the U.S. financial and monetary system, but the international monetary and financial system. This means that the governments—the U.S. government and other governments that are relevant—must take the IMF, our Federal Reserve System, the central banking systems of Europe, and so forth, and put them into bankruptcy reorganization, as, shall we say, Chapter 11 bankruptcy reorganization. And under those conditions, we must launch credit for large-scale projects, such as basic economic infrastructure, things like that, and rebuild the economy, with influxes of public credit into basic economic infrastructure, and also into promotion of certain areas of high-tech, agro-industrial production.

In other words, we have to put people to work—not cut employment—put people to work in increased numbers, and in *fruitful* work. And this will get the economy growing, as it did under Franklin Roosevelt, who led us out of the last depression.

### A Problem of Leadership

However, at this point, we see that the political parties in the United States, or the present leadership of these parties, is absolutely incapable of any competent action, in this direction, at this time. We have a similar problem in most of Europe. The unwillingness of the political systems to face the reality of the crisis, who are unwilling to challenge the power of the monetary and financial authorities, use state government authority—that is a problem. That is why we saw such a disgusting performance by both the Republican and Democratic parties, in the recent U.S. mid-term elections. There was actually no real leadership shown from the parties. Fortunately, there were some responsible people inside the institutions of the Presidency, and around the institutions of the Presidency, which did intervene, to prevent us from being plunged into an Iraq war at that time. That was good. But the parties did nothing effectively, to prevent that war from occurring. Even though the mood of the American people, would support efforts to prevent that war.

We see all around the world, similar problems, especially in Europe and in the Americas. The unwillingness of political parties to take responsibility for this type of crisis, is the kind of situation which tends to lead to the emergence of dictatorships. So, this flailing around by the political parties has to stop.

Now, what do we have to do?

### The Federal Government Must Back the States

We have two levels on which to operate in our economy, in order to deal with this kind of crisis.

First, on the state level: The Federal states of the United States each have authority and responsibility for the development and maintenance of basic economic infrastructure. That is, the creation of public utilities on the state level, for example; or the granting of powers by the states, to municipalities and others, to create local public utilities. These types of utilities, which were protected and regulated, used to be a safe place for people to put money for their retirement and so forth. No longer, as you know.

All right. But we have to rebuild them. But, we do not have the credit in the banking system, or in sale of stock or anything else, to do this rebuilding job. We have to therefore go to the credit-creating authority, and regulating authority, of the *Federal* government, to give the backing to the states, which will enable the states to carry out their program, such as rebuilding in California, generating and distribution of electrical power, the improvement of water management, which is an adjunct to the development of electric power. We have a water disaster. We could fix it. We'd better get at it. We have a power crisis. We'd better fix it. We'd better get at it.

These are things which require action on the *state* level, under state authority, and cooperation *among states*, as individual states, but also the protection of the Federal government itself, and the credit-creating authority.

So therefore, what has to happen are two sets of legisla-

tion. First of all, as I've proposed, a national infrastructure program, which I've sometimes called a "Super-TVA," to remind people of the TVA development under Franklin Roosevelt. We need that. We need that on the Federal level and the state level. We must save our rail system, we must protect our air-traffic system from collapse—which is now in progress. We must protect our water-management system, keep those in place, and so forth, as well as our energy-generating and distributing systems. And also our health-care systems, and our educational systems, and so forth. These things must be fixed. We're disintegrating as a nation. We can't have this continue.

This means that the Federal government must create legislative authority, with the Executive and the Presidency, and the Congress, to repeal—temporarily at least—all of those changes in law, which were made over the past 35 years, approximately, changes in law which took us away from a fixed-exchange-rate international monetary system, to a floating-exchange-rate system; away from a protectionist policy to a free-trade policy; and into massive deregulation. So, all the legislation, which would mandate deregulation, cessation of construction of essential infrastructure, and so forth, these things must be wiped from the books, at least for the duration of the emergency. Under that authority, and by putting the banking system into bankruptcy reorganization—the financial system into bankruptcy reorganization—and using Federal credit to generate growth, as Roosevelt did, then we can come out of this quite well.

### A Crossover Point

But the problem now, is, are we willing to push for legislation, for example, in California, for power generation and distributing capability? We have a crisis there. But, it wouldn't work under present law. Because what would happen is, all the funds going into aid this program, would be gobbled up by the banking and financial interests in the environment.

Therefore, you must supply *protection* to the investment in these infrastructure programs. That requires *Federal* intervention, under *Federal* law, to say, "Deregulation, free trade, and so forth are suspended for the duration of the emergency, and we go back to the way we operated, say, between 1946 and 1958, in the initial period of postwar reconstruction, in the United States, Europe, and elsewhere."

That's what needs to be done. We're at a crossover point. We've made a mistake. For the past 35 years, our policy has moved in the wrong direction. We are now suffering the effects of that. We have to correct that error. We have to take emergency action, on the state level, the Federal level. To do that, we must first admit we have a crisis. Stop denying things. And we must admit that we have to suspend those kinds of measures from the past 30-odd years, which have been responsible for leading us into this present economic and monetary and financial crisis.

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# Will U.S. States' Bankruptcies Provoke a Move to Sanity?

by Mary Jane Freeman

The props for two-thirds of recent U.S. economic activity, the consumer credit and housing bubbles, are near bursting. In October and November, U.S. vehicle sales crashed, despite 0% financing, sometimes combined with zero down and zero payment for months, among other incentives. The lowest mortgage-financing rates in decades have kept the housing bubble inflated, but it is showing signs of collapse. Across the nation, the reality of our economy's depression conditions is writ large by multibillion-dollar deficits now emerging in city and state budgets. Revenues have plummeted 10-30% in the states since March 2001, as our manufacturing sector has been idled, resulting in hundreds of thousands of layoffs; corporations have slashed jobs to puff up bottom-line profits; and the "New Economy" and stock market bubbles have burst. This severe contraction of the real economy puts even greater demands on government to provide services at a time when more Americans find themselves jobless and unable to care for their families.

It is "the most dire fiscal situation since World War II," declared the National Governors Association in a press release on Dec. 3. A mere five months into the new fiscal year for most states, "Nearly every state is in fiscal crisis," as revenues have collapsed and spending pressures increase, "creating massive budget shortfalls," reports the Governors Association and the National Association of Budget Officers (NASBO) in their November 2002 "Fiscal Survey of States."

Amidst the vanishing revenues on the state and Federal level, governors, state legislators, President George Bush, and the Congress, each blaming the other for the loss, have failed to address the true problem: the need to restart the wealth-producing physical economy. The President refuses to aid the failing rail and air industries and vetoed a 4% pay raise for Federal workers; the lame-duck Congress callously recessed and left town, without passing 11 appropriation bills; and governors and legislators bicker over how to cut the budget or get the Federal government to pay. Bush's Council of Economic Advisers Chairman Glenn Hubbard dismissed the states' fiscal crises, saying that "Federal taxpayers" should not "be on the hook for states' budget problems."

This is a crisis of leadership. The Bush Administration's negligence makes Herbert Hoover a model of alacrity by comparison. Faced with the 1930s Depression, the American people rejected Hoover, and brought Franklin Delano Roosevelt

into office to lead the nation out of its misery, and lead he did. Roosevelt's infrastructure-centered, anti-Wall Street policies succeeded. Today, Lyndon H. LaRouche, Jr., a 2004 Democratic Presidential pre-candidate, has taken the initiative to launch a Roosevelt-style economic recovery. Such an initiative requires two primary acts:

1. A bankruptcy reorganization of the world monetary-financial system, by means of a New Bretton Woods arrangement; and
2. Elimination of the past 30 failed years of deregulation and post-industrial society policies to facilitate a massive infrastructure-building drive.

## A Fiscal Year Older, and Deeper in Deficit

By June 30, the end of their fiscal year 2002, forty-six states had an aggregate deficit of \$37.5 billion which, by law, had to be eliminated through cuts and/or accounting tricks to balance the budgets. Aggregate budget gaps, then, for fiscal year 2003, beginning July 1, 2002, were estimated at \$49.1 billion. To close these gaps in enacting fiscal 2003 budgets, 26 states cut spending, 23 tapped earmarked funds, 16 borrowed against tobacco settlement monies, 12 drew down rainy day funds, and 10 raised users fees. But by mid-October, three months into fiscal 2003, thirty-one states reported that new deficits, totaling \$18 to \$20 billion, had opened because revenues were anemic.

Now in December, revenue declines continue to be reported, prompting governors to call their legislatures into emergency session, and/or to announce mid-year budget cuts, hoping to balance the current year budget and mitigate next year's mushrooming deficits. Foolishly assuming that a "recovery" was on the way, lawmakers and governors cut more, in order to balance a fiscal 2003 budget. But it wasn't enough. Now, either they go with LaRouche's economic recovery package, or the blood of the budget knives will be on their hands, as they make one savage austerity cut after another.

Already between mid-November and December, as prelude to huge mid-year cuts once legislatures resume, some governors used discretionary powers to make initial spending cuts, thinking it would stem the hemorrhaging:

- California froze all agencies' spending;
- Colorado added 6% cut to all agencies, on top of 4% two months ago;

- Connecticut cut \$68 million to all agencies, with state aid to localities taking the biggest hit, \$22.4 million;
- Kansas made a \$78 million cut to agencies and \$48 million cut to localities;
- Massachusetts made an emergency \$99 million cut to its Medicaid program, affecting 600,000 people;
- Michigan cut \$460 million on Dec. 5, of which \$337 million is from agencies, programs, cities, and higher education;
- Virginia will cut another \$1 billion before June 30, on top of \$835 million made in October; and
- West Virginia has made \$30 million, about 2%, cuts to agencies.

### Case Study: California

On Dec. 3, California Gov. Gray Davis (D) issued a proclamation calling the legislature into emergency session. It declared that the “expected economic recovery . . . has not materialized” and due to the “continuing decline of the stock market” and “weak demand abroad” for California goods and services, the legislature must act “to reduce expenditures . . . reorganize and consolidate state operations.” This extraordinary measure was taken when the \$23.6 billion deficit, which had been closed in the enacted fiscal 2003 budget—using \$7.5 billion in program cuts, \$6.5 billion in loans, and many other accounting tricks—blew open, with an additional \$5 billion “or more” shortfall. On top of that, the next fiscal year’s deficit is expected to soar to \$30 billion.

Davis was set to lay out his \$5 billion-plus mid-year cuts on Dec. 6; but in fact, when he did announce the reductions that day, they had to total \$10 billion! This disaster is to be debated at the Dec. 9 emergency session. Prior cuts have magnified problems in transportation and port maintenance; in water management, where cities and farmers face water shortfalls; in electricity production, where consumers face soaring prices *and* shortages, even as the state still recovers from the damage of the Enron pirates; and in health care, where hospital trauma centers and whole public hospitals have been closed.

Clinging to delusions, both Democratic and Republican lawmakers are posturing over “tax hikes” vs. “no tax hikes,” with some calling for bipartisan cooperation in wielding the budget axe. But the magnitude of the problem is amplified, since whatever one-time revenue sources or accounting manipulations have already been used, are no longer available. Moreover, the failure by the U.S. Congress to pass the Medicaid matching funds appropriation, means that California will not get \$400 million that it expected for its state program.

California’s economy is the fifth largest in the world, and the largest state economy of the United States. In the 1990s, the state’s industrial base, from aerospace to basic manufacturing, contracted, while the new Internet high-tech-driven companies mushroomed. Hand-in-hand with the high-tech and dot.com revolution, came the stock market and housing

IN HIS MIND'S EYE



*President Roosevelt surveys his Tennessee Valley Authority and other infrastructure projects, in a contemporary cartoon. Today, Lyndon LaRouche advocates that sane approach, against the budget-cutting mania which is driving U.S. states and cities deeper and deeper into insolvency.*

bubbles. From late 2000 to November 2002, the manufacturing sector had a net loss of 230,000 jobs—the steepest two-year decline in its history.

This transformation from a producer to consumer-based economy had huge consequences. By fiscal year 2001, nearly 25% of its budget relied upon tax revenues garnered from capital gains and stock options income. When the stock market blew, tax revenues fell by over \$10 billion in fiscal 2002, which led to the huge deficit heading into fiscal 2003 and the cuts made to balance the budget. More significantly, embedded in the budget plans has been an expectation that \$10 billion or more of such bubble-money would be in state coffers to fund operations and services. Just how vulnerable the state was, is shown by the fact that these revenues fell an unprecedented 66% from its peak of \$17 billion in fiscal 2001 to under \$6 billion in fiscal 2002.

### Big Bite Out of the Big Apple

New York City has a current budget of \$42.3 billion, comparable in size to many large states. As with most states, it faced a deficit; so, in order to adopt a balanced fiscal 2003 budget, New York City cut its planned spending and used one-time fixes, such as selling off one of its water tunnels for \$100 million, allowing a depreciation tax write-off to the

buyer. But, the \$5 billion cuts and accounting tricks in June weren't enough. In November, the new Mayor, Michael Bloomberg (R), announced that the city faced an additional \$1.1 billion shortfall, and he proposed a "slash and burn" mid-term financial plan to close the gap. The draconian plan included cuts and tax hikes to close the projected \$6.4 billion deficit for fiscal 2004 as well. On Dec. 2, Bloomberg signed the new budget bill, slightly revised, which was passed by the City Council.

Bloomberg, harkening back to the "1975 fiscal crisis" as the "benchmark against which all other budget" crises are to be "measured," tries to distance himself from the fascist Emergency Financial Control Board, or "Big MAC" takeover of the city by the Lazard Frères bankers. He argues that while the city is "still paying \$500 million annually" in Municipal Assistance Corporation (MAC) debt service from almost 30 years ago, unlike then, today "the economic foundation . . . remains strong." His "kinder, gentler" austerity plan seeks \$600 million in "productivity" concessions from city employees, such as increased health insurance co-payments and pension contributions, as well as longer work weeks. "Productivity savings," he boasts, are a "smarter approach" than the "large-scale layoffs" of the Big MAC era. If not agreed to, he would, however, make the job cuts.

The "November Financial Plan" sought \$844 million new agency cuts and \$1.1 billion in new property taxes. In the budget deal passed by the City Council and signed by the Mayor, \$50 million of the cuts were restored to some vital programs and taken out of others. The 25% property tax increase he sought was lowered to 18.5%, which will generate \$837 million. The agency cuts included: layoffs in police, firefighter, school teacher, and sanitation workforces; closure of 15 senior citizens centers; another \$115 million from city schools; 7.5% from public libraries; closure of five community health clinics and ten dental clinics; halting some ambulance shifts; and other social service program reductions. The City Council's redistribution of \$50 million of cuts restored: some ambulance shifts; a seniors food program; two youth services programs; a scholarship program; a few senior centers; and some health/mental health aid. The deal redistributed the \$50 million cuts to: bus subsidies, children's services administration; debt service refinancing; and heating and electricity costs in city buildings.

As with California, New York City has become a post-industrial bubble economy. For example, comparing the third quarter of calendar 2002 to the second quarter, the city lost 4,200 manufacturing jobs. Bloomberg's Plan states, "One-third of the City's economy and 20% of its wage income is tied either directly or indirectly to the securities industry," i.e., Wall Street. Because Wall Street firms' profits are expected to fall from \$12 to \$8 billion, the corresponding tax payments to the city had been expected to be \$2.3 billion, but will be \$1.8 billion instead, further deepening the budget hole. In fiscal 2000, the city reaped \$831 million from capital gains



*The TVA's increased revenue generation from burgeoning real economic activity, much doubted by FDR's detractors, worked, as this contemporary cartoon registers.*

taxes—just about the size of the cuts—but these plummeted to \$443 million in fiscal 2001, a \$388 million loss. Adding to this fiscal year's deficit, the November Plan estimated that these taxes will fall to \$279 million—a \$552 million collapse since 2000, or 66%!

Further reflecting the instability of the city's economic dependence on being Wall Street's hometown, Bloomberg news service reports that from July to October, the only category of tax revenues which has been on target, were the real estate transaction taxes, i.e., the housing bubble. All other taxes—personal, corporate, sales, etc.—were below budget.

Both Governor Davis and Mayor Bloomberg ask their citizens to "make sacrifices," because the fiscal crisis is so great (however, temporary, they promise). State legislators and city councilmen, too, chime in with better ways to tighten the budget belt: Slash programs, say the Republicans. Raise taxes, say the Democrats. Sacrifice on these terms, means destroying the future existence of the population.

The demand from conservative, Mont Pelerin think-tank types, like the Manhattan Institute, is to "reform"—meaning to privatize—government. Only LaRouche's "Super-TVA" infrastructure-vectored job-creation plan will rebuild the necessary tax base to launch a recovery.

# United Joins the Scrap Pile; Air Travel Gone Without LaRouche Plan

by Anita Gallagher

United Airlines, the second-largest airline in the United States, is on the brink of a savage Wall Street asset-stripping bankruptcy, with the Airline Transportation Stabilization Board's 2-1 vote on Dec. 4 to deny United a \$1.8 billion Federal loan guarantee. The shrinkage of U.S. air traffic capacity, and revenue, has accelerated with United's fall. A collapse of the whole air transport network is looming without a Federal policy reversal: swift protective and re-regulative action.

Months ago, it was USAIR. Now United is at the head of the sad line of major airlines taxiing toward a black hole into which 100 airlines have disappeared, bankrupt, since Jimmy Carter and Congress imposed airline deregulation in 1978. Of those hundred, 92 are dead, and the others—TWA, for example—mutilated beyond recognition.

But the airlines' general death struggle was betrayed most directly by Continental Airlines CEO Gordon Bethune, who told the *Washington Post*, "Our life was at stake here. If these guys had gotten another two years of running room with government money, we'd have probably not made it ourselves, or some of us wouldn't. We still may not." President George Bush also said he "respected" the ATSB's decision.

As a precondition of the desperation loan guarantee, all

United's unions were asked for "givebacks" that totalled \$5.2 billion out of their wages and benefits over five and one-half years. The revote by the International Association of Machinists (IAM) mechanics on Dec. 5, on accepting a 7% wage cut, was cancelled after the ATSB decision, since the "package" was simply a grab for the ATSB loan.

## LaRouche: This Is No Solution

Lyndon LaRouche, Democratic Presidential pre-candidate for 2004, said of the alternatives United and its unions are currently considering, "The key thing here, is there's no solution, because none of these proposals on concessions, are going to solve the problem. The concessions that are demanded, would not save the airline. Because, . . . to the degree that United were saved by this kind of concession, that would mean that United would go into a price competition, under the new conditions, with other airlines, which would cause a chain-reaction collapse of the whole system. Therefore, this will not work, and that should be recognized. It just won't work. So you're trying to get an unworkable solution to an impossible problem. The only thing that works, is a general bankruptcy and reorganization of the airlines, on a regulated basis, as an alternative."

LaRouche's bankruptcy reorganization has nothing in common with Wall Street asset-stripping. LaRouche, in his Thanksgiving Message (*EIR*, Dec. 6), stated that "No escape from a world depression is possible unless there is a regroupment involving both parties" to rally behind missions, such as his "Super-TVA" of infrastructure-building to restart our national economy. That, he said, requires "a prerequisite, a clearing of the terrain by a single, simply stated piece of general legislation, which a) states that we are presently gripped by a deadly emergency, a national systemic physical-economic collapse for which 'fiscal austerity' is inherently counterproductive; and b) stipulates that laws on the books which would prevent recovery programs such as those of the 1933-64 in-



*The share of the nation's airplanes piling up unused in desert storage fields has reached more than 10% of all commercial aircraft, since Air and Space magazine published this story in its September 2002 issue.*

terval, must be suspended for the duration of the present national economic emergency.”

Airline deregulation is a prime example of such laws.

### An Orgy of Cuts

LaRouche’s opponents on Wall Street say, “Cut more”: As of Dec. 5, the talk is that United should double unions’ “givebacks” to \$9 billion, and double the projected 2003 cut in its seat capacity to 12%—on top of the 25% capacity United has already cut since Sept. 11, 2001.

In rejecting a loan guarantee for United—whose grace period on \$920 million in overdue debts expires Dec. 12—the members of the ATSB—Federal Reserve Governor Edward Gramlich, Treasury Undersecretary for Domestic Finance Peter Fisher, and Transportation Department General Counsel Kirk Van Tine—said, “The Board believes that the business plan submitted by the company is not financially sound. . . . Specifically, the plan is based on unreasonably optimistic revenue projections. The Board believes that with a more reasonable revenue forecast, United’s revenues and costs still would not be aligned, even with the benefit of all proposed cost reduction initiatives.”

In other words, \$5.2 billion in cost reductions is way behind the pace at which revenue is falling! And revenue is falling for all the airlines, as American, Delta, Continental, Northwest, and others—which lobbied hard *against* the loan guarantee for United—well know, since they are on the brink of bankruptcy themselves.

To propitiate this Wall Street-think, offerings of “cuts” accelerate every day:

- 1,100 flight attendants from American, announced Dec. 3;
- 2,500 more employees from U.S. Airways, announced

Nov. 27, along with \$200 million in work-rule changes;

- 9,000 United employees furloughed in November;
- 352 more United pilot furloughs; 18% of United officers cut, announced Dec. 3.

But, despite these cuts, every major carrier is losing money even faster, except for Southwest, with its already-limited terminals and routes. As of July 2002, some 120,000 airline employees had already been laid off (see **Table 1**), and the airlines are sinking faster than ever. In a depression, the demand that would come from consumers must be replaced by government credit for infrastructure building and job creation, to put “demand” back into the economy. This can and must be done; the financial and monetary system must be put through a bankruptcy reorganization, but the economy is not bankrupt, as LaRouche put it on Dec. 5.

Take the case of U.S. Airways, the seventh-largest U.S. carrier. After Sept. 11, 2001, it laid off 20% of its employees: 11,400 jobs eliminated. With cutbacks, revenue continued to fall; so, on June 10, 2002, U.S. Airways asked the ATSB for a \$900 million Federal loan guarantee, promising to obtain another \$1.3 billion in, primarily, employee concessions. U.S. Airways had difficulty getting the unions to agree to this new round of insanity. On July 10, the ATSB approved the Federal loan guarantee, conditional on the givebacks being voted up.

By Aug. 11, revenue was falling so fast, that U.S. Airways filed for bankruptcy. According to bankruptcy court negotiations, Retirement Systems of Alabama (RSA), Alabama’s public employee pension system, will acquire an approximate 36% ownership of the airline for a mere \$240 million investment. On Nov. 27, U.S. Airways announced 2,500 more layoffs, and demanded another \$200 million in work-rule concessions. These work-rule changes would include eliminating mechanics and utility employees from receipt and dispatch of

TABLE 1

### Overview of Eight Largest U.S. Airlines, and Industry Employment

Carrier	Current No. Employees	Workforce Reductions 9/01-8/02	Deferred Aircraft Deliveries		Retired Jets		Current No. Fleet Aircraft	Average Age of Fleet (Yrs.)	Capacity Reduction (%)	No. Passengers 2001 (Millions)	Revenue Passenger Miles 2001 (Billions)
			'02	'03	'01	'02					
American	122,000	27,000	35	67	83	833	10.8	9	80.7	108.3	
United	86,000	20,000	43		99	543	8	13	75	117	
Delta	60,000	13,000	16	23	50	814	9.1	15	104.9	102	
Northwest	45,700	10,000	6		39	442	12	20	54.1	73.1	
Continental	60,000	6,000	67		49 11	352	5.2	17	44.2	61	
Southwest	35,000	—	Plans +10		3 6	368	8	—	64	44.5	
U.S. Airways	40,000	11,400	33		161	280	9.1	38	56	46	
America West	13,900	—	17		11	145	10	—	20	19	
Total Airline Industry Employment 7/01-7/02*	1,167,000	120,000									

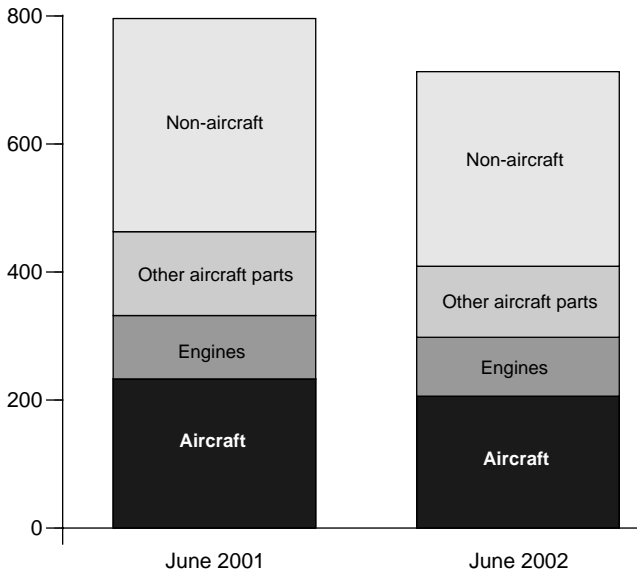
\*Source: Bureau of Labor Statistics.

Sources: Airline corporate data; 2001 Annual Reports.

FIGURE 1

## Total Employment in the U.S. Aerospace Industry Dropped 83,000 in One Year

(Thousands)



Source: Aerospace Industries Association.

aircraft; discontinuing the use of mechanics to de-ice aircraft; contracting daily maintenance checks out to vendors, among other unsafe, “ValuJet-type” proposals. On Dec. 3, U.S. Airways reported a \$45.6 million net loss for October, because of plunging revenue. On Dec. 5, RSA Chief David Bronner announced, “We are retrading the deal,” and got majority control of the U.S. Airways Board.

This year, the Air Transport Association is predicting that airlines will collectively lose \$9 billion, up from \$7.7 billion last year.

### United Bankruptcy a Tidal Wave

A United bankruptcy would be the fifth-biggest in corporate history, rivalling that of the telecom Global Crossing, the financial press reported—ignoring the fact that Global Crossing was of no use to the productive economy. Boeing, which has one jet order from United, would shrink further beyond its tens of thousands of layoffs since 2001, along with GE and other engine producers (see **Figure 1**). Already, more than 10% of the entire U.S. jet commercial fleet is parked in various desert spots, out of service.

Wall Street says United would need to reduce its labor costs not by 7%, but between 20-25%, and cut its debt costs between 15-20% to be competitive with an airline like Continental—which has been through *two* asset-stripping bankruptcy reorganizations, and is still losing money. United, the sharks think, could come back from bankruptcy, having shed its financial liabilities and its high labor costs, and become a

powerful weapon to force more cuts on every other airline—the logic of deregulation.

But, this does not address why United’s revenue for the first nine months of 2002 is 26% lower than in 2000. Revenue collapses in a depression. United has lost upwards of \$4 billion in two years. As LaRouche said when the ATSB was created, the airlines were heading for bankruptcy well before Sept. 11, because of the ongoing financial collapse.

United has been unable to get financing from the capital markets. Had it received the Federal loan guarantee, the other airlines would have gone bankrupt. Scotty Ford, chief negotiator for United’s mechanics union, singled out Continental, Northwest, Delta, and American Airlines as lobbying against United’s loan. After the ATSB denied the loan, Prof. Sam Peltzman of the University of Chicago told CBS, “This is the end. It’s been defeated by American Airlines, apparently.” Peltzman noted that American is a candidate for ATSB help.

But neither American nor any other major carrier can get ATSB help, because the deadline for loan applications passed on June 30. The ATSB told American early on, “not to apply, we couldn’t apply, and we didn’t,” according to American spokesperson Mary Frances Fagen.

### Give Up Illusions of Recovery

When unionists, elected officials, and others are confronted with LaRouche’s plans to put the financial system into bankruptcy, the lack of leadership in the political parties and trade union movement has led them instead to looking for “deals” that will pay off “when there is a recovery.” Thus, in 1994, when United—then the nation’s largest carrier—was under attack from deregulated upstart airlines, its pilots and mechanics unions accepted stock in place of wage increases. United thus became the largest majority employee-owned public company in the world, with 55% of its stock in its unionists’ hands. That stock, worth \$100 per share in the late ’90s, sold for \$1 a share on Dec. 5, when Standard & Poor’s rated it “Default”—its lowest rating. In a United bankruptcy, the majority owners of the worthless stock are employees, who had no wage increase for six years, and whose new “industry-setting standard” contracts of 2001-02 have been overtaken by the events of the crash.

Similarly, state legislatures cobble together such paper “solutions” to shortfalls every day, projecting revenue that doesn’t exist in a depression, only to see such schemes fall apart the next day.

It is time to face reality, and follow the approach of LaRouche’s “Super-TVA”—re-regulation, freezing the debt, putting the financial system into bankruptcy, and creating national credit issuances for the expansion and modernization of the transport system and other hard and soft economic infrastructure.

That is what is necessary to save the air transportation system of the United States, which is otherwise now in a death spiral echoed in rail transport, in state budgetary collapses, and throughout a depression-wracked American economy.

# Amtrak Is Barely Hanging On

by Marcia Merry-Baker

Amtrak, the American national rail passenger system, is barely surviving on stop-gap infusions from a \$300 million bailout package wrested from Congress and the Bush Administration over the Summer. At present, Amtrak is receiving portions of the Summer subsidy, in the form of temporary spending measures authorized by Congress, until the new Congress convenes in January 2003 and approves a Transportation Department budget.

As of the lame-duck session following the Nov. 5 elections, Congress remained at odds, with the House of Representatives speaking of \$760 million for Amtrak, while Amtrak sought at least \$1.2 billion for Fiscal Year 2003 (which began on Oct. 1, 2002). Nothing was done.

Even if \$760 million were given Amtrak, it would not be enough to keep it going, according to Amtrak head David Gunn, who, since he came into office in May, has already made deep cuts; shutdown of a further six western and southern routes is under consideration.

Amtrak will have to cease operating a few months into 2003, if nothing is done, according to the estimate of the National Association of Rail Passengers. Besides lack of Fed-

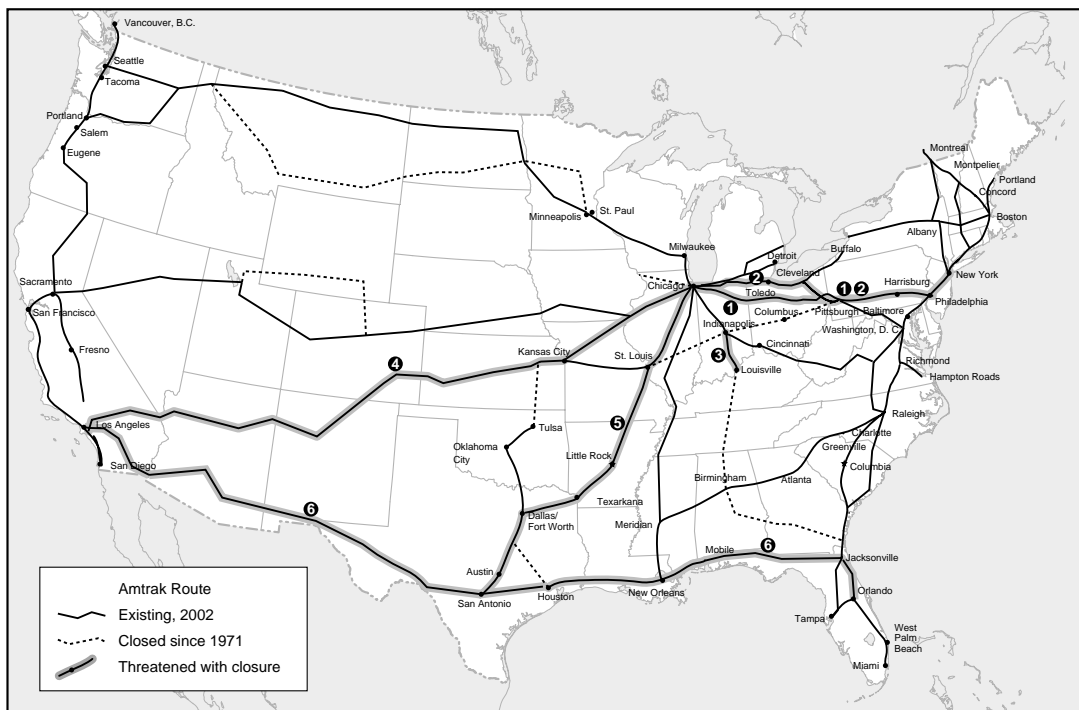
eral funding, the company is also squeezed by the state budget outlay collapse: e.g., Michigan, from which Amtrak sought \$7.9 million for FY 2003; the state, instead, promised \$5.7 million, and of that, expects to sign a contract for only six months at \$2.85 million. So the fate of Michigan Amtrak service after March 31, is unknown. This is typical of a number of states.

In Iowa, only six railroad stations remain open, with sharply cut hours; over the past year, Amtrak ridership dropped 18% in the state. In Michigan, ticket offices will close in Flint, East Lansing, and Port Huron on Jan. 5, amid other cuts.

Sen. Ernest Hollings (D-S.C.) has proposed a “National Rail Defense Act” with funding of \$22 billion to refurbish Amtrak’s inter-city rail, including high-speed links; but this early 2002 draft bill remained stalled out in the 107th Congress. Hollings is now the lame-duck Chairman of the Senate Commerce Committee.

Sen. John McCain (R-Ariz.) spoke out against Amtrak, previewing his intentions as incoming head of the Committee, which has oversight over the railroad. Speaking on the Senate floor on Nov. 14, McCain said, “Subsidizing forever of Amtrak is nothing that this Senator will ever support.” He singled out Hollings’ \$22 billion plan for special attack. McCain said that Amtrak can get all it needs out of a proposed, delimited \$1.7 billion “security” measure—also on hold—for earmarked security expenses in all economic sectors. Of Hollings’ bill, he complained, “The reason we don’t have rail security is because of the desire to add billions that don’t have anything to do with rail security.”

FIGURE 2  
Major Amtrak Routes—  
Closed and  
Threatened  
with Closure



Source: Amtrak (1971, 2002); EIR

## Exposed: Dirty Money Schemes To Steal Election for Sharon

by Jeffrey Steinberg, Anton Chaitkin, and Scott Thompson

The One Jerusalem Foundation posted a press release on its website ([www.onejerusalem.org](http://www.onejerusalem.org)) in June, reporting on the visit to Irving, Texas by Jerusalem's Mayor Ehud Olmert. During his several-day Texas tour, Olmert, a Likud party member, participated in the Jerusalem Prayer Summit, a Likud outreach project to America's Christian evangelical community, which he was launching, in league with two leading U.S. Christian Zionists, Rev. Mike Evans and Rev. Pat Robertson. All told, 300 Christian Zionist figures, including Dr. Tim LaHaye, Dr. John Hagee, Christian Coalition Director Roberta Coombs, and singer Pat Boone, have so far endorsed Olmert's Jerusalem Prayer Team.

The One Jerusalem release failed to mention that almost all of the Christian Zionists who joined in the bonding exercise with the Likud, have also teamed up, since the mid-1990s, with Rev. Sun Myung Moon's dirty-money and sex cult, the Unification Church. The Moonies' own deep ties to the Sharon faction in Israel, which date back to the late 1970s, were recently exposed in *EIR* ("Will Moonie Money Be Used in Netanyahu-Sharon Election Theft?" Nov. 15, 2002).

According to the One Jerusalem release, during one event in Dallas, the Mayor Olmert raised \$400,000 for his New Jerusalem Foundation, ostensibly to aid "victims of terrorism in Jerusalem."

### Sharon Personal Fundraising in U.S.

In his address to the Dallas gathering, Mayor Olmert declared, "I will go back tomorrow to Jerusalem, and I will tell the people of Jerusalem that we have established here in Dallas something that will spread across America, and later across the world—the Jerusalem Prayer Summit, the Jerusalem Prayer Team that I have the honor to inaugurate today. I promised it to my friend, Mike Evans, that I will join him in going from one congregation to the other, from one community to the other to participate in the Jerusalem

Prayer Summits."

Israeli Prime Minister Ariel Sharon, speaking through his Foreign Policy Adviser Danny Ayalon, also addressed the Dallas gathering. "The Prime Minister," Ayalon said, "would like to express his personal appreciation to you, Mr. Evans, for being such a friend of Jerusalem and the State of Israel, speaking out with courage and compassion for over two decades. He salutes your achievements and wishes you continued success."

Shortly after Ayalon's Dallas appearance, he was appointed by Sharon as the new Israeli Ambassador to the United States.

Several months after his Texas jaunt, Mayor Olmert was back in the United States—and back on the fundraising trail. On Oct. 11, Olmert addressed a "Christian Solidarity With Israel" rally at the Washington Convention Center, sponsored by Robertson's Christian Coalition. Rabbi Benny Elon, the head of the Moledet Party and a member of Israel's parliament, the Knesset, who preaches the "ethnic cleansing" of all the Palestinians and Arabs from Israel, the West Bank, and Gaza, also addressed the rally, along with Rep. Tom DeLay (R-Tex.), Sen. Sam Brownback (R-Kans.), Roberta Coombs, and Lt. Col. Oliver North (ret.).

Then on Oct. 15, Olmert participated in another Jerusalem Prayer Summit at the Mission Valley Christian Fellowship Church in San Diego. The \$1,000-a-plate dinner netted Olmert half a million dollars.

According to several Israeli sources interviewed for this article, Olmert travels to the United States "almost every week," in pursuit of Christian Zionist and other right-wing cash. And according to one well-placed U.S. intelligence source, Olmert was one of a handful of "Likud Princes" who swung the recent Likud election for party chairman to incumbent Prime Minister Sharon, who defeated his rival, ex-Prime Minister Benjamin Netanyahu, by a wide margin. Olmert's





*Israeli Prime Minister Ariel Sharon. Now that Sharon has an opponent in the Prime Ministerial contest who actually favors settlement, where is the money coming from to fund Sharon's predicted victory?*



*Gen. Amram Mitzna, the mayor of Israel's third-largest city, Haifa, is Sharon's Labor Party opponent, and has announced a policy of immediate resumption of negotiating a "peaceful separation" with the Palestinians.*

happens on Jan. 28, might prove to be the epitaph on the gravestone of the State of Israel.

### **Dirty-Money Conduits**

In all of his fundraising sojourns in America, Mayor Olmert says that the charitable contributions he reels in are going to his New Jerusalem Foundation (NJF), a non-profit agency he established as a fundraising arm of the City of Jerusalem. New Jerusalem Foundation was first established in March 1998, according to an April 9, 2000 article in the *Jerusalem Post*, and its executive director Tzvi Raviv told another Israeli newspaper, in September 1999, that he had already raised \$2 million.

This provoked an outcry from opposition Jerusalem City Council members, who discovered that NJF had never registered with the Interior Ministry as a non-profit organization. City Councilwoman Anat Hoffman, of the pro-peace Meretz party, told the *Jerusalem Post*, "There is no accountability here." And she was dead right! The *Post* reported that "opposition members fear the Mayor has been avoiding proper reporting of the foundation's activities because he has been using it to raise funds for his own political needs."

The New Jerusalem Foundation, while having no official existence inside Israel, was granted tax-exempt charity status in the *United States* on Dec. 9, 1999. Olmert told the *Jerusalem Post* that he had received \$4.5 million and had invested the money in 80 separate Jerusalem projects—but no further details were provided, other than a blanket statement that the foundation is "in the process of registration."

In the United States, NJF is a 501(c)3 charity; yet it has no physical presence in the country. The only American even remotely associated with NJF is Gary Wallin, of Manchester, New Hampshire, who is listed as the foundation's representative. But Wallin is, according to Tzvi Raviv, merely a pass-through for the cash, which goes directly to Olmert bank accounts in Israel, managed by Raviv and Uri Messer, Olmert's "legal adviser." Wallin may be a "pass-through," but he is no lightweight. He is the Treasurer of the American Israel Public Affairs Committee (AIPAC), the powerful "official" Israel lobby in American politics, an intimate pal of Sen.

Nov. 18 endorsement of Sharon was considered by many Netanyahu supporters to have been the fatal stab in the back that finished "Bibi."

Sharon's victory came less from the Likud faithful than from big donors in America, who poured their cash—illegally—into Sharon's pocket, according to the U.S. source. Indeed, the turnout on Likud primary day was so poor, that the Prime Minister went on national television at midday, to plead for a larger voter turnout, as a "show of strength" against terrorists, who had conveniently carried out attacks against Israeli targets in Kenya and inside Israel earlier in the day.

While the published polls claim that Sharon is a shoo-in for re-election, over the Labor Party's new chairman Gen. Amran Mitzna—the Mayor of Haifa and an advocate of the late Prime Minister Yitzhak Rabin's land-for-peace policy—the no-show turnout (initially below 20%) of the Likud faithful suggests that this may be more hype than reality. Sharon's political rise, from reviled war criminal to national leader, was accomplished, every step of the way, by massive infusions of crime- and cult-tainted money from the United States, Canada, and Australia.

Now, unless a major public outcry is provoked in Israel and the United States, the same dirty-money operations will literally steal the Jan. 28, 2003 Israeli Knesset elections for the radical right wing, and will return Sharon to the Prime Minister's office, as the first man to be re-elected to that top post in decades. Sharon's dirty money-tainted victory, if it

Joe Lieberman (D-Conn.), and the head of the Gush Etzion Foundation U.S.A. Kfar Etzion, in the Gush Etzion region, was the first West Bank settlement established after the 1967 war.

Raviv refused to tell the *Jerusalem Post* who contributes to the New Jerusalem Foundation, or who even maintains the records of the contributions, or how the money is spent. But, he did insist that no laws have been broken, because “No Israeli or Israeli organization has given to the New Jerusalem Foundation, ever.”

In an interview with an American journalist, he did reveal that NJF works closely with Rabbi Yechiel Eckstein, of the Chicago- and Jerusalem-based International Fellowship of Christians and Jews, with Mike Evans’ Jerusalem Prayer Team, with Leo Giazinetti of San Diego, with the Dutch Reform Church, and with the Mormon Church-sponsored Children of Israel Fund.

### Rabbi Eckstein

Rabbi Yechiel Eckstein is, indeed, another pivotal player in the dirty-money flows from America into the Likud coffers. Eckstein has been the match-maker of the marriage between the Jabotinskyites in Israel and the most fanatical of the Christian Zionists in America, dating back to the late 1970s, when he was the co-director of inter-religious affairs for the organized crime-tainted Anti-Defamation League of B’nai B’rith (ADL).

After serving with the ADL from 1977-1983, Eckstein quit the League, to create the International Fellowship of Christians and Jews, which also has 501(c)3 tax-exempt status from the Internal Revenue Service (IRS). In 1981, when the Reverend Moon-bankrolled Dr. Joseph Churba and Rabbi David Ben-Ami arranged for private meetings between Israeli Prime Minister Menachem Begin and Pat Robertson, Jerry Falwell, and Terry Riesenhoover (head of the American Jerusalem Temple Foundation), Eckstein oversaw the entire project. To this day, Eckstein’s “close friend,” Rabbi Ben-Ami, is a front-man for the Moonies, who serves as one of the cult’s back-channels to the Likudniks in Israel.

In 2000, Eckstein moved to Jerusalem, where he set up a second branch of his IFCJ, called Hakeren L’Yedidut. Eckstein also established another entity, the Jerusalem Friendship Fund, which presented Mayor Olmert with a check for \$1 million, shortly after Eckstein’s *aliya*. Eckstein now holds two posts, significant in combination: Olmert appointed him as his “special adviser for fundraising in the non-Jewish world”; and Sharon, shortly after he was elected Prime Minister, appointed Eckstein as his public relations ambassador to the Christian community worldwide, according to a May 24, 2002 article in *Salon* magazine by Michelle Goldberg.

Eckstein’s other current project is Stand For Israel, an IFCJ-spawned effort he co-founded with Ralph Reed—the former executive director of Pat Robertson’s Christian Coalition—who is now the chairman of the Georgia Republican Party, and was a campaign aide to George W. Bush. Stand



*Televangelist Pat Robertson has teamed up with Jerusalem Mayor Ehud Olmert to raise large amounts of money “for Jerusalem” in the United States this year, even as Olmert was playing a key role for Ariel Sharon in the ongoing election contest in Israel.*

For Israel was established with the modest goal of creating a Christian Zionist equivalent of AIPAC. In June 2002, Eckstein and Reed held a founding convention of Stand For Israel in Jerusalem, which was followed by a face-to-face strategy session with Sharon.

While accounts differ, Eckstein tells reporters that he has personally raised more than \$30 million for Israel since 1993. Esther Levin, the director of another Christian Zionist/Jabotinskyite outfit in America, the National Unity Coalition for Israel (NUCI), claims, bitterly, that Eckstein raises more than \$30 million a year, predominantly from Christian Zionists, and that all the money flows into unknown coffers in Israel.

Eckstein’s IFCJ also has been a source of political clout in Washington for the Israeli Radical Right. In 1994, Eckstein organized an Evangelical-Jewish Leadership Conference at the U.S. Senate, attended by Reed, Falwell, Richard Land of the Southern Baptist Convention, the ADL’s Abe Foxman, and other Jewish and evangelical leaders. The meeting averted a rift between the Christian Right and the ADL. Two years later, Eckstein launched the Center for Jewish and Christian Values in Washington, as his beachhead in the nation’s capital. The co-chairs of the group, which was shut down when Eckstein moved to Israel, were: Senators Joe Lieberman, Sam Brownback, and Dan Coats (R-Ind.). Eckstein describes himself as a “Joe Lieberman Democrat.” Among the speakers at Eckstein-sponsored events was current Secretary of Defense Donald Rumsfeld.

## One Israel/One Jerusalem

Eckstein is clearly one of the major conduits for untraced and unregulated cash, from the Christian Zionists in America, into the pockets of the Israeli Radical Right, particularly the Sharon Likud faction. But the evangelicals are by no means the only sources of illegal campaign *gelt* flowing into the Likud. A parallel set of U.S.-based tax-exempt organizations are also widely believed to be funneling under-the-table cash into the Sharon campaign. Like the Eckstein operation, these other money conduits have been operating for years, and have been the subject of heated controversy inside Israel.

On Jan. 8, 2001, just weeks before the Israeli national elections that swept Ariel Sharon into the Prime Minister's Office, the One Jerusalem Foundation staged the largest rally in the history of the city. Among the speakers and organizers of the event, which had all the trappings of a Nazi Party Nuremberg rally, were Russian emigré party boss and purported Russian Mafia frontman Natan Sharansky, Jerusalem Mayor Olmert, and Ronald Lauder, then the President of the Conference of Presidents of Major American Jewish Organizations, and a staunch Likud financier. Speaker after speaker stood before the crowd of 250-400,000 people, to denounce incumbent Prime Minister Ehud Barak (Labor), for negotiating with the Palestinian Authority to establish Jerusalem as the capital city of both Israel and a Palestinian state. Upon his return to America, Lauder was denounced by many other leaders of the Conference of Presidents, for appearing at such a flagrantly political campaign rally for Sharon, that called for the end of the Oslo Peace Accords.

The next day, the *Jerusalem Post* reported that the State Comptroller Eliezer Goldberg was monitoring the rally, to determine whether it was held in violation of Israel's non-profit laws, which ban such organizations from staging activities supporting particular parties and candidates. Further, Goldberg told Israel Radio that the law "clearly forbids" campaign donations from foreigners.

One Jerusalem's chief organizer, Yehiel Leiter, confirmed to the *Post* that all of the funds for the rally came from abroad, but he refused to provide any further details. The two chief organizers of the rally, Sharansky and Olmert, were both, at the time, staunch supporters of Sharon in the Feb. 6, 2001 election.

One Jerusalem Foundation was launched explicitly to mobilize right-wing Zionist forces internationally, to block a final peace deal with the Palestinians. One Jerusalem Foundation's own literature, using only slightly opaque language, emphasizes this point: "What are One Jerusalem's goals? We have one objective: saving a united Jerusalem as the undivided capital of Israel."

Like Olmert's New Jerusalem Foundation, One Jerusalem also is tax-exempt in the United States, enjoying 501(c)3 charitable organization status with the IRS. Among the founding members of One Jerusalem, according to their website, are: David Bar-Illan, editor of the *Jerusalem Post* and a former spokesman for Prime Minister Netanyahu; Baroness Caroline

Cox, the head of Christian Solidarity International; Doug Feith, current Assistant Secretary of Defense for Policy, and co-author of the 1996 Institute for Advanced Strategic and Political Studies (IASPS) study, "Clean Break," providing Prime Minister Netanyahu with the roadmap for busting up the Oslo Peace Accords; Yehiel Leiter, former "foreign affairs director" of the Yesha Council, the governing body of the Jewish settlers in the West Bank and Gaza; Libby Pataki, wife of the current Republican Governor of New York State; Sharansky; and David P. Steinmann, the President of the Jewish Institute for National Security Affairs (JINSA), a hotbed of Israeli penetration into the American defense establishment.

Yehiel Leiter, the director of One Jerusalem, has a long track record of dirty-money operations with Ariel Sharon. Throughout the 1990s, the Scranton, Pennsylvania-born Leiter traveled back and forth between the "Jewish underground" terrorist hub of Kiryat Arba, a settlement outside Hebron, and the United States, arranging Ariel Sharon's frequent fundraising jaunts to bankroll the vast illegal expansion of the Jewish settlements. During much of this period, Leiter was officially the Executive Director of the Foreign Desk of the Yesha Council. Following the signing of the Oslo Accords in the White House ceremony in Sept. 1993, Leiter played a central role in the drive to kill both the peace process and Israel's leading peace-maker, Prime Minister Yitzhak Rabin.

He penned a book-length tirade against the Oslo Accords, *A Peace to Resist*. And on May 1, 1994, several months after Kiryat Arba resident Baruch Goldstein massacred some 30 Palestinian worshippers at the Tomb of the Patriarchs in Hebron, Leiter wrote a *Jerusalem Post* op-ed entitled "Hothouse for Hotheads," in which he threatened the assassination of Rabin, unless what the so-called Oslo sellout were stopped. "As long as the government insists on its divisive course," he wrote, "there is a growing danger of assassination." Feigning distance from the fanatical Jewish underground centered in his own Yesha Council, Leiter asked, "Is political assassination a possibility in Israel today? One desperately wishes the answer were no. Yet the possibility of a depraved attempt by Jewish extremists is one we can no longer afford to ignore. . . . [There is] a resurgent Jewish underground. . . . [After the overreaction to Hebron] the stakes may well have been raised too high, making political assassination—the most despicable and craven form of political resistance—an all too real possibility."

While ostensibly warning against acts of violence against the Rabin government, Leiter put the onus of responsibility on those supporting the peace process: "The government is sending the message that no number of Jewish lives is too great to sacrifice for the implementation of its political program—one that is supported by no more than half the people. . . . But rational argument will not be enough to prevent the first Israeli assassination on Israeli soil."

Almost 18 months to the day after Leiter authored this warning on behalf of the Yesha Council, Prime Minister

<b>Form 990</b> Department of the Treasury Internal Revenue Service		<b>Return of Organization Exempt From Income Tax</b> Under section 501(c) of the Internal Revenue Code (except black lung benefit trust or private foundation), section 527, or section 4947(a)(1) nonexempt charitable trust ▶ The organization may have to use a copy of this return to satisfy state reporting requirements.	
<b>A For the 2000 calendar year, OR tax year period beginning and ending</b>			
<b>B Check if applicable</b> <input checked="" type="checkbox"/> Change of address <input type="checkbox"/> Change of name <input type="checkbox"/> Initial filing <input type="checkbox"/> First return <input type="checkbox"/> Amended (see also for state reporting)		<b>C Name of organization</b> ONE ISRAEL FUND LTD. Number and street (or P.O. box if mail is not delivered to street address) Room/suite 136 EAST 39TH STREET 4TH FL. City or town, state or country, and ZIP NEW YORK, NY 10016	
		<b>D Employer ID number</b> 11-3	
		<b>E Telephone number</b> (212)	
		<b>F Check</b>	
<b>G Organization type (check only one)</b> <input checked="" type="checkbox"/> 501(c)(3) (insert no.) <input type="checkbox"/> 527 OR <input type="checkbox"/> 4947(a)(1)			
<b>ONE JERUSALEM CHARITABLE AND EDUCATIONAL FUND</b> 136 E 39TH ST NEW YORK, NY 10016			
<b>Program / Activities</b> Education N.E.C.		<b>Financial Info</b> This organization files an IRS Form 990 or 990-EZ.	

*The One Jerusalem Foundation, Israel United, and the One Israel Fund are all United States-registered tax-exempt "charities," but have been intervening in Israeli electoral politics with large rallies supporting Likud candidates, particularly Prime Minister Ariel Sharon.*

Rabin was assassinated by one of the West Bank Jewish settlers while leaving a campaign rally held by Peace Now in Tel Aviv.

### Tax-Exempt Bullet-Proof Vests, Night Scopes

Leiter's One Jerusalem efforts overlap with yet another U.S. tax-exempt "charity," the One Israel Foundation, which is the semi-official U.S. fundraising arm of his "former" organization, the Yesha Council.

In fact, One Israel was an outgrowth of a 1992 U.S. tour by Leiter and Sharon, which established the Yesha/Pro-Israel Heartland Campaign, an earlier fundraising operation that "officially" raised more than \$1 million a year for the settlers in the West Bank and Gaza. In reality, according to U.S. and Israeli sources, the Leiter-Sharon duo hauled in far more under-the-table loot from American billionaire right-wing Zionists, including Lauder, the heir to the Estée Lauder cosmetics fortune; and Irving Moskowitz, a Miami and Los Angeles real estate speculator and bingo parlor impresario, who, with the aid of Sharon and Olmert, has been buying up property in the Arab Quarter of Jerusalem, in order to build illegal Jewish settlements, populated by fanatics from Kiryat Arba and from the Ateret Cohanim yeshiva, which promotes religious war over the Jerusalem holy sites. In January 2002, New York State Assemblyman and one-time Jewish Defense League terrorist Dov Hikind conducted a tour of the West Bank, hosted by the Yesha Council, to target specific projects for One Israel funding. Hikind is a close confederate of mobster billionaire Moskowitz.

Incredibly, One Israel's literature boasts that the tax-exempt contributions go to such "charitable" activities as the purchasing of bullet-proof vests, night-vision equipment, and armored cars for the settlers!

### 136 East 39th Street

A careful review by *EIR* investigators of the links between One Jerusalem and One Israel, revealed that both money-fronts listed the same East Side Manhattan address in their official form-990 tax filings with the IRS. Both organizations operate out of 136 East 39th Street, a small office building that is the headquarters of another important Jabotinsky front in America, B'nai Zion. B'nai Zion was founded in 1908, and by the 1920s had become one of the hard-core Jabotinskyite agencies, promoting the Revisionist Movement of Vladimir Jabotinsky, the man whom Israel's founding Prime Minister David Ben-Gurion dubbed "Vladimir Hitler," for his overt pro-Nazi and pro-Fascist leanings. This, according to B'nai Zion's own official history.

B'nai Zion literature also takes credit for founding the America-Israel Friendship League and the National Christian Leadership Conference for Israel (NCLCI) in 1971. NCLCI, headed by Temple University Prof. Franklin Littell, was the predecessor organization to the National Unity Coalition for Israel. Littell was also the founder of Homefront, an ADL-funded private spy shop that ran some of the earliest slander campaigns against Lyndon LaRouche.

B'nai Zion also founded the American Red Magen David Adom, otherwise called the American Friends of Magen David Adom. Magen David Adom is the Israeli equivalent of the Red Cross or Red Crescent; however, unlike most other Red Cross agencies worldwide, in time of war, Magen David Adom is absorbed into the Israeli Defense Forces (IDF), and is, thus, barred from membership in the International Red Cross. Recently, the Canadian government moved to strip Magen David Adom of tax-exempt status, because the "ambulance service" was operating inside the occupied territories as an adjunct to the IDF.

Sources identify Ft. Lauderdale, Florida businessman Eliezer Rivlin, the brother of Sharon's Minister of Communication, Revuen Rivlin, as a key Magen David Adom money fixer, with longstanding personal ties to Sharon.

B'nai Zion's direct financial links to the radical West Bank settlers are also extensive. B'nai Zion Executive Director Mel Parness is a major booster of Benny Kashriel, the Mayor of the West Bank settlement of Maale-Adomim, who also is the current head of the Yesha Council. Parness is a leader of Kashriel's American fundraising arm, Friends of Maale Adomim, according to an April 2001 article in the *New York Jewish Post*. Another member of both B'nai Zion and Friends of Maale Adomim is Milton S. Shapiro of New York City, who is also the National Treasurer of American Friends of Likud.

### Sharon's Back-Channel

For years, allegations have circulated, that Magen David Adom was a conduit of American money for the purchasing of West Bank and East Jerusalem real estate for radical settlers, linked to One Jerusalem and Yesha Council leader Leiter,

and to Ariel Sharon, according to an Israeli source. *EIR* first exposed the Sharon-centered “land-scam” operations in the West Bank in 1982, and, again, in March 1986, in the widely circulated Special Report, “Moscow’s Secret Weapon: Ariel Sharon and the Israeli Mafia.” Among Sharon’s cohorts in the early land-grab schemes were: the late American crime figure Meshulam Riklis, former Secretary of State Henry Kissinger, Riklis protégé Arieh Genger, Mossad assassin and Jonathan Pollard controller “Dirty” Rafi Eytan, and Gen. Rehavam Ze’evi, a top figure in the Israeli Mafia and Sharon Tourism Minister, assassinated late last year.

Israeli sources report that, more recently, Magen David Adom is suspected of washing funds through a Cyprus bank account set up by Ariel Sharon’s son Omri. Omri Sharon was investigated during the 2001 Israeli elections, for setting up dummy American companies, to funnel cash payments to his father’s campaign adviser, the American Arthur Finkelstein.

The Omri Sharon/Art Finkelstein story also implicated Sharon sugar-daddy Genger, of the original “land-scam” project. Genger, Meshulam Riklis’ business protégé in New York City Rapid-America Corp., hosted a June 2000 strategy session with Sharon and Finkelstein, at which the scheme was first hatched to place Sharon in the Prime Minister’s post.

*Ha’aretz* writer Aluf Benn revealed, on Feb. 7, 2002, that Genger has been frequently employed by Sharon as a back-channel to the Bush Administration, delivering confidential messages to National Security Adviser Condoleezza Rice and Secretary of State Colin Powell, and, in turn, passing along communiqués from Team Bush. In 1981, Genger sought a top post in Sharon’s Defense Ministry, but his appointment was blocked by ministry mandarins.

Genger’s own role in sending clandestine cash to Sharon’s campaign coffers this time around may be limited. In March 2002, two of Genger’s privately held companies, Vicksburg Chemical and Cedar Chemical Corporation, filed for bankruptcy protection in New York State, after falling \$224 million in debt. They are subsidiaries of his Trans Resources, Inc.

Nevertheless, Genger travels in some mega-rich circles. He is a member of the investment committee of the Challenge Funds, an investment group that bankrolls Israeli high-tech firms. Other committee members include: Edgar Bronfman, Sr.; G. Allen Andreas, CEO of Archer Daniels Midland; Joseph Ciechanover, Chairman of the Board of El Al Airlines, former Chairman of the Board of Israel Discount Bank, ex-Director General of the Israeli Ministry of Foreign Affairs, and ex-head of the Israeli Defense Mission to the United States and Canada; Giovanni Perissinotto, General Manager of Assicurazioni Generali, Italy’s top insurance company; and Bruce Rappaport, Swiss-based businessman, Chairman of the Bank of New York/Inter-Maritime Bank (Geneva), and a major figure in Caribbean offshore dirty-money operations, which have been linked to the Russian and Israeli mafias.

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## Israel

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# Paradox and Potential Of Sharon vs. Mitzna

by Dean Andromidas

Israeli Prime Minister Ariel Sharon beat Benjamin Netanyahu in the Nov. 28 Likud election for party chairman by a vote of 55.88% to 40.08%, with third candidate Moshe Feiglin, often referred to as a “Jewish fascist” or “Jewish nazi,” collecting 3.46%. Sharon’s victory is being touted as a “crushing” defeat for former Prime Minister Netanyahu, and a prelude to Sharon’s leading Likud to an equally “crushing” victory over the Labor Party and its new chairman Amram Mitzna in the Jan. 28 general elections.

Nonetheless, a look at Sharon’s defeat of Netanyahu reveals that victory over Mitzna might not be assured. Only 45% of the Likud party members actually voted in the primary. The election-day Palestinian attack on the voting station in Beit She’an, in which which six Israelis were killed, most likely saved the day for Sharon. Prior to the attack, only 20% of the party’s members had cast ballots, and Sharon was reportedly getting very nervous, fearing that a low turnout would give Netanyahu the victory. After the attack, Sharon hastily called a press conference, flanked by his Defense Minister Gen. Shaul Mofaz and his good buddy, the commander of the Air Force, Maj. Gen. Dan Halutz, to make an “impassioned plea” to Likud voters not to let “Arab terrorism” deter them, and imploring them to come out and vote.

The fact that Sharon turned a national tragedy into an electoral platform, did not go unnoticed in the press. And the presence of General Halutz was, in fact, illegal, because he had not received approval from the Chief of Staff to appear on the same platform with political leaders, as required by law.

Even the Beit She’an attack itself looks as if it were part of Sharon’s campaign strategy. Reports in the daily *Ha’aretz* said the Palestinian attack was to avenge the Nov. 26 Israeli assassination of Ala Al-Sabar, commander of the Al-Aqsa Martyrs Brigade from the Jenin refugee camp. Revenge attacks have become predictable, coming on the heels of all previous Israeli targetted assassinations—a fact that Sharon and his generals know only too well. *Ha’aretz* pointed out that Beit She’an was chosen by the Palestinian commandos, because it was the town from which the Al-Sabar family had been ethnically cleansed in 1948. *Ha’aretz* wrote that the attackers did not know they were striking a Likud polling station; the assault began at the neighboring bus terminal and moved to the polling station as the attackers sought to take

more victims. But *Ha'aretz* does not ask the central question: Did Sharon know about the Beit She'an/Al-Sabar connection?

Then, there was the vote fraud. Sharon's campaign accused Netanyahu's people of hiding ballots made out for Sharon, following which new Sharon ballots suddenly appeared at these stations. Netanyahu may have been a victim of his own attempts at vote fraud: It seems the 100,000 new Likud members his supporters signed up, did not vote. These new members were recruited from the yeshivas (religious schools) of the ultra-Orthodox, but when voting day came, most of them stayed home. Prior to the election, Sharon had been losing sleep over these potential voters for Netanyahu. Perhaps Sharon's supporters made donations to the yeshivas' rabbis, in return for keeping their people from the polls. There were also "vote contractors," local party bosses who, for a certain amount of money, will guarantee a certain number of votes.

This vote fraud was, without doubt, paid for out of millions of dollars in illegal donations that *EIR* has been exposing as coming from the Christian Zionist and right-wing Zionist sources in the United States, and from the Moonies. The Likud Mayor of Jerusalem, Ehud Olmert, is one of the key conduits for this flow. His endorsement of Sharon was viewed more in terms of the money he could rustle up, than for the number of votes he could turn out.

Nonetheless, with 55% of the party voting with its feet by staying home, one wonders what methods will be used during the January general election to give Likud the super gains all the latest election polls are predicting.

## The Paradox of the Polls

The latest opinion polls show that the Likud would win as many as 41 mandates for the 120-seat Knesset (parliament), while Labor would win as few as 20. According to these polls, a total of 64 mandates would go to Likud, the ultra-Orthodox Shas, National Union, United Torah Judaism, and the National Religious Party, of which all except National Union are currently in Sharon's government. The poll gives the pro-peace camp of the Labor and Meretz parties, a total of only 37 mandates. The politically liberal Shinui could get 13 mandates, while the Arab Israeli parties usually garner between 5 and 10 members.

More interesting is the fact that in the same poll, 47% of the respondents said they would support unilateral withdrawal from the Gaza Strip, and 54% would support evacuation of Israeli settlements in the Palestinian territories, if the money that now supports settlements were transferred to projects within Israel. This is exactly what Labor Chairman Amram Mitzna is campaigning on! Asked about the poll, Mitzna maintained his characteristic self-confidence: "These figures definitely match my assessment of reality. When it comes to parties, there has, of course, been a rightward swing, but politically, the public expresses support for my program.

And that's precisely what we'll be trying to do in the coming months: to find the common denominator between these two trends."

Ironically, 60% of the Likud voters polled wanted a national unity government with Labor, because they are "nervous about how their leader would perform as the head of a narrow right-wing coalition," *Ha'aretz* reported. In other words, they fear Sharon might start World War III.

Mitzna commented about a national unity government with the Likud, that, "If there is an agreement on separation [between Israel and the Palestinian Authority], then we'll have something to talk about." But, he added that he does not think that Sharon is prepared to make peace. "I really doubt it. I am very skeptical and don't believe what he says. He has never expressed any real readiness for this. He is always creating the impression that he is about to do something, but he has no plan, no goal, no real alternative for coping with the difficult reality we face. He had 20 months [in his national unity government with Labor]. He had an opportunity, but he didn't do anything. In the upcoming elections, we'll see exactly what he and his government did."

Another strange paradox: The percentage of this sampling that claimed they voted for the Likud in 1999, was higher than the percentage that actually did. Furthermore, the polls show 40% of the electorate as undecided.

## Mitzna: Reviving Rabin's Policy

On Nov. 25, displaying confidence and speaking in perfect English, Mitzna gave his first international press conference since winning the Labor Party chairmanship. Whereas his campaign organizers were expecting 30 journalists, 80 showed up.

"The key to Israel's existence is peace," Mitzna declared. "Despite the terror attacks, the only choice either side has is to return to the negotiating table." As Prime Minister, he promised he would withdraw from the Gaza Strip unconditionally, including the evacuation of settlements, and would withdraw from the West Bank through negotiations. If these negotiations failed, then he would withdraw unilaterally behind a fence. On a Palestinian state, Mitzna said, "We will need the free world's help to enable the Palestinians to build their own state, because it is in Israel's interest to have a Palestinian state as a neighbor."

As to the settlers, Mitzna would "call on them as patriots—'come back to Israel.' Israel will need these settlers in the North and South of the country. You can be sure that if I am elected, I will get rid of the Israeli presence in the territories."

Echoing the words of Labor Prime Minister Yitzhak Rabin, assassinated seven years ago, Mitzna said that Israel "must fight terrorism as if there are no negotiations and negotiate as if there is no terrorism." He said he would negotiate with Palestinian Authority President Yasser Arafat, because "we have to make peace with our enemies." Mitzna had said

already in the 1980s, when he was the West Bank commander during the first Intifada, that he had come to the conclusion that there is no military solution to the situation. He will now try to convince the voters to share that view, and to illustrate the connection between the country's economic and security problems.

French television correspondent Charles Enderlin told *Ha'aretz* of Mitzna, "He won the hearts of the foreign media because he has the only new Israeli message for two years and because he expresses his views courageously."

Nonetheless, the Labor candidate faces two dangers: one, to his physical safety, and the other, to his political principles. Already he has received death threats, and graffiti have appeared throughout the country with such slogans as, "Mitzna will end up like Rabin," "Rabin is waiting for Mitzna," and "Traitor." There has even been an attempt by Likud supporters to petition the Supreme Court for the Shin Bet security detail assigned to Mitzna be removed, on the pretext that he is not a Knesset member (he is Mayor of Haifa).

Politically, the danger comes from within the Labor Party and some of its financial supporters, who have been pressuring Mitzna to commit himself to entering a national unity government with Sharon, whether he wins or loses the election. Former Labor Party chief Binyamin Ben-Eliezer, who served as Sharon's defense minister, and Shimon Peres, whose was Sharon's foreign minister, have been involved in this pressure. There is already pressure to tailor Labor's campaign for the "center" votes, and to avoid the hard social issues that reflect the collapse of the Israeli economy. If Mitzna gives in to such pressure, he will lose support and votes.

### **Sharon: Billions for Transfer and War**

While Sharon still talks about being prepared to "make painful concessions" once the Palestinians surrender, the cornerstone of his election campaign is to ask the Bush Administration for billions of dollars for a new Middle East war. Sharon is still committed to the old "Jordan is Palestine" policy, also known as "transfer" or ethnic cleansing of the "Land of Israel," by forcing the Palestinians out of the territories and Israel proper, across the Jordan River. Furthermore, if the United States doesn't attack Iraq, Sharon is prepared to start war on his own.

Although the Bush Administration has not yet agreed to a Sharon request for \$14 billion—\$4 billion in military grants and \$10 billion in loan guarantees—Sharon's spin doctors are playing up the issue as if the money is already in the Central Bank. Fears are being voiced that if the money ever does arrive, it will be used to cover the massive budget deficit that Sharon's government is expected to have next year. But the real fear is that the money will be used to finance Sharon's regional war plans. The Israeli press revealed that only half of the huge increase in the defense budget over the last year was the result of expenditures

needed to suppress the ongoing Intifada. The other resulted from outlays aimed at enhancing Israel's "strategic capabilities." For instance, the Israeli government has recently started work on a massive nuclear- and chemical-weapons-proof bomb shelter, to house the entire government in case of a regional war.

As for transfer, Sharon's true thinking was revealed in a Nov. 28 *Ha'aretz* report, that Jordan's Foreign Minister Marwan Muasher, during the UN General Assembly session, made a formal request to then-Foreign Minister Shimon Peres that Israel officially and publicly renounce the policy of transfer, and that the statement come directly from Sharon. When Peres presented the request, Sharon refused and "took exception to the Jordanians raising such a suspicion about him." When the request was made through other channels as well, and Sharon refused to even talk about it, the U.S. government decided to take up the Jordanian request at the highest level. Thus, when Sharon was visiting the Oval Office in September, President George Bush and National Security Adviser Condoleezza Rice brought up the issue. It was later taken up by Assistant Secretary of State William Burns, when he visited Israel in October. Yet no statement, or even a hint of renouncing the policy, was made public.

Sharon has back-tracked on his claim that he supports a Palestinian state. On Nov. 29, Israeli United Nations Ambassador Yehuda Lancry told the UN General Assembly, that Israel accepts the vision enunciated by President Bush of "two states living side by side in peace and security" as a basis for a peace agreement with the Palestinians. Within hours, Sharon ordered his new Foreign Minister, Netanyahu, to repudiate the statement.

### **Only American-European Initiative Can Work**

While Mitzna's arrival on the scene has demonstrated that a change for peace is possible in Israel, the paradox of Israeli politics continues: A majority of the population, while open to supporting an agreement with the Palestinian Authority, continue to support a Sharon-led government, because they see the country as being at war. As one Israeli political activist told *EIR*, "Israelis don't vote with their head but their gut." Add to this, the bountiful financial support Sharon is getting from supporters in the United States among the Christian fundamentalists, right-wing Zionists, and other quarters, including the Moonies, and it is clear that Mitzna is facing very heavy odds. The only hope would be if the U.S. Presidency, in cooperation with Europe, intervened to exert tremendous pressure for an agreement.

This is a reality many Israelis agree with. *Ha'aretz* political commentator Gideon Samet wrote in the Nov. 30 *International Herald Tribune*, "The Israeli paradox can only be disentangled, however, through massive diplomatic intervention by the United States and the European Union. The time is now relatively near: once the Iraq issue is resolved, one way or another."

# Uribe and the Specter of Fujimori in Colombia

by Maximiliano Londoño Penilla

*The author is president of the Ibero-American Solidarity Movement (MSIA) in Colombia.*

Despite the brutal austerity programs decreed by the International Monetary Fund (IMF) for Colombia, thus far with the consent and cooperation of President Alvaro Uribe Vélez's economic cabinet, the Colombian population still maintains the hope that President Uribe represents a phase change for the history of the country—at least in so far as beginning the process of overturning the narco-terrorist empire that has reigned in Colombia for nearly 25 years.

Clearly, in a country where the rate of real unemployment has surpassed 50%, if a serious national economic reconstruction program is not urgently undertaken, efforts to reestablish order and justice will be in vain. Nonetheless, it must be recognized that with a mere four months in office, President Uribe's voluntarism—that is, his refusal to yield advantages to the various armies of narco-terrorists—has remoralized the Armed Forces and police who, for the first time in decades, have an ally in the Executive branch. That same voluntarism has also remoralized a good portion of the population. They are hoping to see the multinational of kidnapping (more than 3,000 take place each year) eliminated, so that they can once again freely use the highways of their country, and not remain trapped in the cities, for fear of falling victim to a mass kidnapping or terrorist attack by the FARC, ELN, or illegal self-defense groups, should they “dare” to try to travel to another city.

## A Winning Alliance?

The Colombian Army's recent rescue, safe and sound, of Zipaquirá bishop and president of the Latin American Bishops Council (CELAM), Monsignor Jorge Enrique Jiménez—kidnapped by the FARC along with Pacho parish priest Desiderio Orjuela, proves that with the will, terrorists can be confronted and defeated. The population is ready to support the Armed Forces and police, if the government's thrust is clear and unequivocal: victory. One might say that the ghost of former Peruvian President Alberto Fujimori has begun to haunt Colombia. It was Fujimori who, in the 1990s, defeated both the Shining Path and MRTA terrorists, and the drug trade, on the basis of a solid alliance between a determined Executive, nationalist military forces, and a fully committed population. Fujimori was not overthrown by his people, but

by Wall Street interests addicted to dirty money, State Department operatives, and non-governmental organizations (NGOs).

In the short time Uribe has occupied the Presidency of Colombia, he has already demonstrated a commitment to victory against narco-terrorism. His readiness to wage this war was what guaranteed that he would have the necessary electoral support in the May election. As soon as he took office, he decreed a state of emergency, under which he adopted legislation—albeit temporary, since it has not yet been passed by Congress—to facilitate action by the military and police, giving them back the initiative against organized crime.

By contrast, when the current secretary general of the Organization of American States (OAS), César Gaviria, served as Colombia's President, he forged an agreement with the drug cartels, under which they would supposedly surrender to the justice system. In exchange, a new constitution was written according to the specifications of Medellín Cartel boss Pablo Escobar and Cali Cartel heads Gilberto and Miguel Rodríguez Orejuela, under which the codes (already permissive to drug traffickers and terrorists) became worse.

Thus, after a mere seven years of “voluntary” jail time, the Rodríguez Orejuela brothers recently attempted to legally activate their “get out of jail free” cards. President Uribe and Interior Minister Fernando Londoño Hoyos did everything in their power to prevent the drug lords from being let go, but in the end, Gilberto Rodríguez won his release. Miguel is still in prison because the Uribe government managed, at the 13th hour, to find a forgotten legal procedure which slapped an additional four-year prison sentence on him.

Uribe's efforts to forestall a corrupt judicial maneuver in the case of the Rodríguez Orejuela brothers was met by a campaign, run both at home and abroad, to paint him as “authoritarian,” and as “violating the independence of separate branches of government.” In effect, the NGOs have accused him of being “a new Fujimori,” because of his willingness to challenge the corrupt legal structure which has enabled narco-terrorism to flourish in the country.

In late November, Uribe confronted this again, when the Supreme Court overturned an emergency presidential decree granting the military and police war-time powers against the narcoterrorist armed bands in two terror-ridden zones of the country, Arauca and Saravena, which encompass 27 municipalities. Even as the Supreme Court ruled unconstitutional, enforcement aspects of the decree—such as raiding terrorist hideouts and detaining suspected terrorists without judicial warrants—Uribe was readying a new decree, not only reinstating the overturned military/police powers, but expanding the ×zones of exception× which the decree encompassed.

Again, this power struggle between a determined executive and a corrupt judiciary is reminiscent of the battle in Peru, where President Fujimori was ultimately left with no choice, but either to surrender his nation to the narcoterrorists, or shut down the courts which were working against the national interests.



# Britain: The Case of Desperado Michael Gove

by Mark Burdman

A good clinical example has come to light, during the past days, of the unhinged state of mind of those Anglo-American figures whom Lyndon LaRouche has characterized as “desperadoes.” Such individuals are so fanatically determined to divert attention and discussion away from the systemic economic crisis erupting in the Anglo-American realm and beyond, that they are desperate to have an Iraq war in the immediate days or weeks ahead, and to back, at all costs, the brutal, confrontationist policies of Israeli Prime Minister Ariel Sharon.

The case under examination here, is that of “New Right” commentator Michael Gove, of Rupert Murdoch’s London *Times*. The British Gove bends over backwards to ingratiate himself with that pro-war species in Washington, typified by Vice President Dick Cheney, Defense Secretary Donald Rumsfeld, Rumsfeld’s Defense Policy Board chief Richard “Prince of Darkness” Perle, and various neo-conservative ideologues working out of Washington’s American Enterprise Institute (AEI) think-tank.

So, not surprisingly, Gove has taken to the front lines to attack the war party’s main adversary in the United States, Lyndon LaRouche.

## Scoring An ‘Own Goal’

The occasion for the attack, was in Gove’s unbalanced attempted defense of the British Royal Family, which the *Times* published on Nov. 19. At that moment in time, as *EIR* recently reported, the Royal Family was under enormous assault in the United Kingdom, because of its untoward behavior in shutting down an ongoing legal case against one Paul Burrell, the former butler of the late Princess Diana. Matters had become so precarious for the Royals, that Prince Charles’ St. James Palace had announced on Nov. 12, that it would be setting up its own inquiry into the affair, to be headed by Charles’ personal private secretary, Sir Michael Peat. That move had been met with hoots of derision across the United Kingdom, with the common reaction being that the Royal Family was moving to cover up the Burrell affair.

Gove wrote his article in an evident move to endear himself to the Windsors. But whether even the beleaguered, scandal-tainted, and degenerated Windsors would welcome aid and succor from such a dubious creature, is open to question.

Entitled “The Queen’s Tormentors Are Off Their

Heads,” the commentary began: “Lyndon LaRouche is a homophobic American millionaire and indefatigable conspiracy theorist.” The word “homophobic” would appear more than once, since the expanding Burrell scandal has involved a stream of accusations, of homosexual rape and related sordid misadventures in the confines of St. James Palace—the which accusations, Gove was seeking to discredit.

The indefatigable slanderer then went on: “Over the years, by deploying his wealth and the formidable energies of his followers across the globe, Mr. LaRouche has tirelessly propagated a series of allegations against the House of Windsor. He believes that the Queen is a major international drug dealer while the Duke of Edinburgh’s devotion to the World Wide Fund for Nature is a cover for his involvement in the assassination of John F. Kennedy and the Rwandan genocide.”

True enough, LaRouche has been a vocal adversary of the British monarchy, and has mandated the publication of a number of damaging exposés of the Windsors. But by characterizing LaRouche’s views in such a clumsy, cheap-shot way, Gove strove not only to discredit LaRouche, but to discredit all currently circulating charges against the Windsors within the United Kingdom: “Although now in his 80th year, it is to be hoped that Mr. LaRouche can make it across the Atlantic in the coming weeks. For Sir Michael Peat’s inquiry into the allegations swirling around the Royal Family cannot be considered truly comprehensive until the troubling questions raised by Mr. LaRouche have been thoroughly investigated.”

With this attempt at dismissive sarcasm, Gove probably scored what European soccer players call “an own goal” against himself. Not only did he likely raise some wider curiosity about LaRouche, but probably angered millions of Britons who have become fed up with Royal antics, to the extent that many inside observers fear that the centuries-old British monarchy may soon be effectively dismantled.

## Misanthropic Diatribe

Two weeks later, on Dec. 3, Gove expanded his invective, to incorporate the majority of the British population, and a large part of the world outside Britain. The issue was, the intense opposition to his longed-for invasion of Iraq. It is no coincidence, that this piece was written one day after a major policy address in London, by chief war-party spokesman, U.S. Deputy Defense Secretary Paul Wolfowitz; and one day after a lunatic pro-war speech by Vice President Dick Cheney in the United States. The “desperadoes” are again on the loose.

The Dec. 3 article was entitled, “Saddam’s Useful Idiots Pollute the British Left.” It was occasioned by the British government’s scoring an “own goal,” when it released, on Dec. 2, its big report on Saddam Hussein’s “human rights abuses.” Unexpectedly, Amnesty International—which often serves as a vehicle for British Foreign Office policies—

reacted with rage. Its Secretary General, Irene Khan, charged that the report was “selective attention to human rights,” and “nothing but a cold and calculated manipulation of the work of human rights activists” for the purpose of starting a war.

In response, the angry Gove denounced Khan as, “as of yesterday, number-one pin-up girl in Baghdad’s Presidential palace.” He then blasted various British leftist figures, including London Mayor Ken Livingstone and Fire Brigades Union chief Andy Gilchrist, for being among those “currently arguing against action to topple Saddam”—as if that is an argument restricted to a handful of leftists. The reality in Britain is that many military figures who belong to the Conservative Party, some of whom are veterans of the Margaret Thatcher years and who today disagree with the iron Baroness’ pro-Iraq war eruptions, are steadfastly opposed to “action to topple Saddam”—as is the majority of the British population, according to all reliable polls.

Gove whined that the United States and Britain have chosen to go through the United Nations on the Iraq question: “As matters stand, the British and American governments have chosen to put a discredited means above a valuable end. Seeking the approval of the United Nations for any action to deal with Iraq, is the equivalent of asking a Mafia conclave for permission to tackle the Corleone family. Many of those who speak at the UN are representative of no one save the kleptocratic or autocratic cliques who hold power by force in their respective states.”

### **‘It’s Time for a Revival of Jingoism’**

The 35-year-old Gove is a relative newcomer, on the Anglo-American political scene. His short career is heavily dependent on his lackeying for the “Utopian” war party in Washington and London.

Over Jan. 12-13, 2001, Gove was a participant at a meeting at the Four Seasons Hotel in London, co-sponsored by AEI, the AEI-based New Atlantic Initiative (NAI), and the London *Daily Telegraph*, one of the leading newspapers in the vast Hollinger Corp. media chain of Canadian tycoon Conrad (now Lord) Black. Black is a main patron of Richard Perle, and a close collaborator of NAI co-founders Henry Kissinger and Margaret Thatcher.

The event, “Britain and America: A Strategic Dialogue,” was co-chaired by then-NAI head Jeffrey Gedmin, who now heads the Berlin branch of the Aspen Institute, and who is hyperactive in spreading neo-conservative provocations throughout the German capital.

The day before the event, Gedmin had written an article in Black’s *Telegraph* for Jan. 11, entitled, “President Bush to Europe: It’s No More Mr. Nice Guy,” in which he warned that President-elect Bush would be “likely to invoke [early-20th-Century Anglophile President] Teddy Roosevelt’s famous dictum, even with our closest partners: speak softly and carry a big stick.”

Participants at the Four Seasons gathering included former CIA chief James Woolsey, who has been on a years-long crusade for war against Iraq; *Daily Telegraph* editorial writer Dean Godson, brother of the Washington intelligence spook and decades-long LaRouche defamer Roy Godson; and Robert Cooper, British Prime Minister Tony Blair’s foreign policy guru, who has lobbied for the Anglo-Americans to impose a “new imperialism” on the world.

On Jan. 16, 2001 Gove wrote a diatribe for the *Times*, which demonstrated the extent to which the crowd that had met several days before in London, were intent on shaping Bush Administration policy, in a clearly insane direction. Under the headline, “We Must Fight the Good Fight for Jingoism,” Gove welcomed the incoming Bush team’s policies, as representing the return to the heyday of the British Empire in the 19th Century.

“It’s time for a revival of jingoism,” began this paean to the Utopian faction’s *intention* for the Bush Administration. “Ten years after the mother of all battles began, with the godfather of terror, President Saddam Hussein, still repugnant in place, and the rising son, George W. Bush, at last restoring virtue to the White House, the moment is ripe for a restoration of this grand Victorian principle.”

Gove attacked “the new peaceniks,” from both the “left” and the “right,” who are effectively acting as “Saddam’s stooges in attacking Iraqi sanctions,” and who are showing “blindness to the resurgent imperial ambitions of Russia and China.” According to Gove, this was being countered by the “jingoistic” rhetoric of the incoming Bush team.

Gove further raved that “the case for robust action to deal with Saddam, and other rogue states such as North Korea and Libya, is overwhelming.” He favorably cited the newly released book by former United Nations Iraq weapons inspector Richard Butler, *Saddam Defiant*, which ostensibly showed that “the order of threat posed by the Iraqi dictator, and his playmates, is huge.” Butler, who by January 2001 (and up to the present) was with the New York Council on Foreign Relations, was a featured guest at the AEI-NAI-*Telegraph* gathering.

Gove asserted, vis-à-vis Saddam: “A willingness to cross swords, with the most lethal force available, must be shown. . . . It is a mercy we have a proper jingoist in the White House.”

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# Pressure on Germany To Join War Increases

by Rainer Apel

German Chancellor Gerhard Schröder's repeated statements against the Rumsfeld-Cheney drive for war against Iraq, during the last three weeks of the German election campaign in September, were not well-received (to put it mildly) at the Pentagon, nor were they forgotten in the meantime. This was apparent when the Washington correspondent of Germany's national state radio DLR asked U.S. Secretary of Defense Donald Rumsfeld, at the Pentagon briefing on Nov. 26, whether "anything short of participation in a military operation against Iraq would be sufficient" for the German government to get back on the list of friends. Rumsfeld replied: "That is a misunderstanding of what took place in the last election campaign in Germany, it seems to me. To think that it's correctable by something involving Iraq—it just isn't."

The Rumsfeld remarks were much commented on in the German media, as an unmistakable sign that the U.S. Secretary of Defense wants the present coalition government of Chancellor Gerhard Schröder out, and that no improvement of relations is possible. Rumsfeld's remarks illustrate the escalation of pressure and blackmail against Germany; and in that light, one might also put what the Berlin correspondent of the London *Times*, Roger Boyes, wrote in his column on Nov. 27 under the headline: "Schröder on Borrowed Time as Unrest Spreads." Boyes referenced domestic attacks from labor, industry, and the mass media against the government's budget cuts, as a sign that Schröder may not survive the two state elections in Hesse and Lower Saxony on Feb. 2. These contests could bring the latter state under the control of the opposition Christian Democrats and give them a two-thirds majority in the Bundesrat, the upper house of Parliament. With that majority, the opposition could paralyze the government, as they have begun to do already on several legislative projects since late October. For example, the Schröder government failed in getting the Bundesrat to approve its plan for new budget cuts, and even several states governed by Schröder's own Social Democrats voted against the cuts. As the government is boxed in domestically, it is more vulnerable to pressure from the Rumsfeld-Cheney faction.

## War of Nerves Against Schröder

A third front in this war of nerves against Schröder is what he himself, in an unprecedented interview on national television, mentioned on Nov. 29: a barrage of death threats and hate mail against himself and his family. Whereas there

are always people who translate their rage into hateful letters and e-mails, the massive increase in such outpourings suggests some orchestrating hand behind the threats.

An additional problem is posed for Schröder domestically, with the broadening public criticism of his decision not to interfere with the Americans' use of their military facilities in Germany, for a war mobilization. A list of what the Americans are requesting from the Germans, which the Pentagon sent to Berlin, has been answered positively by Schröder and his Defense Minister, Peter Struck. But a number of prominent politicians from Schröder's coalition partners in the Green party, including longtime defense policy spokeswoman Angelika Beer, have warned Schröder that his decision violates Article 26 of the German Constitution, which bans any German participation in wars of aggression. They have argued that a military operation against Iraq would be such a war, as the alleged "evidence" of Saddam Hussein's producing weapons of mass destruction is more than doubtful to German experts on the matter. Green party member Christian Ströbele has mooted a legal case against Schröder at the Constitutional Court, and reminded Schröder that two German chancellors before him had denied the Americans the right to use their facilities in Germany: Willy Brandt, intervening against U.S. shipments for Israel during the Arab-Israeli War in 1973; and Helmut Kohl, during the U.S. air raids against Libya in 1986. And Heidemarie Wieczorek-Zeul, Schröder's Minister for Developing Sector Relations, has urged a principled German "no" to the Bush Administration's "cynical power games," saying that the cost of an Iraq war in the range of \$200 billion would be one-third of all development aid paid by the industrial nations in the past four decades.

## Sharon Weighs In

An additional front of pressure is posed by Israel's Ariel Sharon government, which has officially requested delivery from Germany of the armored personnel carrier version of the Fuchs ABC reconnaissance vehicle. German laws ban exports of military goods to regions of war or escalating conflicts, however, and so Schröder is hesitant to give Sharon what he wants. But numerous leading politicians from all German parties, including Christian Democratic Union Chairwoman Angela Merkel, have already called for export regulations to be disregarded and for the government to respond positively to the Israeli request because of the "special moral historical responsibility of Germany for Israel." Whereas there is hardly anyone in Germany who disputes this special responsibility, the delivery of military matériel is highly controversial: The armored vehicles might be used by the Sharon government against the Palestinians, instead of serving for the protection of Israel against Iraqi missile attacks (as in the 1991 Gulf War).

Chancellor Schröder's problems are certain to increase during the coming weeks.

# LaRouche Youth Movement Founds Nordic Chapter

by Michelle Rasmussen

Eighteen young people from Denmark, Sweden, and Norway, gathered on Nov. 30-Dec. 1, at the Schiller Institute's office in Copenhagen, to establish the Nordic chapter of the International LaRouche Youth Movement, and for intensive training in becoming world-historical individuals. During the weekend, the youth had a dialogue by telephone with both Lyndon LaRouche and Helga Zepp-LaRouche, and in person with Schiller Institute scientific director Jonathan Tennenbaum, and the leader of the Schiller Institute in Denmark, Poul E. Rasmussen. The subsuming subject was the necessity of the individual to develop his or her ability to think and act for the greater good—the quality needed both to develop the political leaders, and to make the scientific breakthroughs, needed for humanity to survive.

## Getting Europe To Look East

Lyndon LaRouche's speech to the gathering exposed the bankruptcy of the current political elite of Europe, and the United States, who offer nothing but bone-crushing austerity. The way out for Europe is to look east, to create a capital goods-based export boom, by hooking up with the emerging Strategic Triangle of Russia, China, and India, to build the Eurasian Land-Bridge. The young people were challenged to provide the necessary leadership in Europe to accomplish this. In fact, as LaRouche spoke, the Strategic Triangle, which he had first proposed in 1998, was being brought to life by Russian President Vladimir Putin's summit meetings with Chinese President Jiang Zemin and Indian Prime Minister Atal Behari Vajpayee.

LaRouche was asked, "What does it mean to take leadership in the world today?" He challenged the young people to use the work of the German scientist Carl Gauss, to discover for themselves, how their minds work. The group was extremely excited to have the opportunity to discuss directly with LaRouche. A former physics student with an Arabic background, remarked how unique it was for a politician to discuss scientific issues, and how he had spoken on behalf of all of humanity, not just one portion. Another youth, who met the Schiller Institute only a month ago, spoke of how to expand "our movement."

Poul Rasmussen, took up LaRouche's challenge, by presenting Gauss's 1799 Fundamental Proof of the Theory of Algebra, as an example of a 22-year-old's hubristic exposé of the mental laziness of the established mathematicians.

Rasmussen conceptually described Gauss's method, step-by-step, with the use of models of both the ancient Greek geometer Archytas' method of doubling the cube, and a gearing system which showed the physical process involved in squaring numbers. Using Plato's allegory of the cave, from the dialogue *The Republic*, he stressed that scientific discovery occurs by discovering the physical causes lying behind sensual phenomenon. He made an impassioned plea for the young generation to revive the Classical tradition, which the '68 generation, the Baby Boomers, tried to destroy.

## The Requirements of Leadership

Schiller Institute founder and international president Helga Zepp-LaRouche spoke on Dec. 1 about "what it takes to become the leadership of Europe today, because it's very clear, that you cannot just leave it to the powers that be." After referencing the current debate about the economic crisis in Germany, she shifted the scene to the Germany of the 1930s. She described the historical tragedy behind Heinrich Brüning's lack of courage to implement the economist Wilhelm Lautenbach's economic reconstruction plan. Kurt von Schleicher did, in December 1933, but by that time, it was too late to save the German economy. The plan, based on credit generation for job creation in the infrastructure and production sectors, if implemented, could have prevented Hitler from taking power in 1933. She asked the new Nordic youth movement to help change the future of Germany and Europe, by taking up this debate, so that history is not repeated.

Zepp-LaRouche concluded by describing Nicolaus of Cusa's concept of the microcosm and the macrocosm—both the relationship between the development of individual creativity and the universe, and also, the relationship between the development of the sovereign nation-state and the international community of nations. She challenged everyone to develop their identities as world historical individuals. The discussion included a beautiful elaboration of Schiller's concept of the sublime.

Jonathan Tennenbaum spoke on the topic of "99.9999% of the Universe Is Ideas." He showed that human progress is not based on the sensual experience of matter, but only comes about through the ideas generated by the human mind. He discussed the difference between Aristotle's fixed notion of *energia* and Plato's notion of *dynamis*. He also showed how the concept of "resources," is not static, but is solely determined by mankind's ability to discover new physical principles.

Using wooden cubes, he provocatively showed the underlying ideas behind a seemingly boring row of counting numbers, when one playfully discovers that they are grouped into different "species." His presentation concluded with a discussion of the concept of immortality, and a demonstration of the development principles in Classical music through Tennenbaum's and Tom Gillesberg's performance of Mozart's "Abendmfindung."

# Why Parliaments and Popular Opinion Can't Solve the Global Crisis

*Lyndon LaRouche's opening remarks to the cadre school of the International LaRouche Youth Movement, meeting in Copenhagen on Nov. 30, and a selection from the questions and answers.*

Let's talk about two issues: one, primarily the one I addressed in my Thanksgiving Presidential address, which was published in the briefing on Friday morning,<sup>1</sup> that is, the parliamentary problem; and the other being the relationship of Europe and the United States to what is happening in Eurasia, especially the Eurasian Triangle developments among Russia, China, India, and the countries associated with them, in these ventures.

## The End of a Cycle of History

First of all, the crucial thing for anyone to understand, right now, is that, we have come to the end of a long, ideological cycle. And I'm referring to a particular cycle—we're in many cycles; we have the post-war cycle; we have other cycles, in terms of history. But, in particular terms, about 1964, about the time the United States launched its commitment to a war in Indochina, officially, until the present, is one cycle, which has taken over Europe, . . . world relations, and so forth.

Now, this was, essentially, with a very crucial point of inflection in 1989-1991, when the Soviet power collapsed: With the collapse of the Soviet power, a new phase-change within the cycle came into existence, which now we're looking at, right away. This situation has resulted in a general breakdown of elementary human mental behavior, among the parliaments of most of the world, especially of the Americas, the U.S. Congress, and the parliaments of Europe. This is a crucial problem.

This is also a reflection of a vast mental problem, a mental breakdown, in the top 20% of income brackets, of the leading circles of Europe and the Americas. The point is, if the person next to you is in the upper 20% of income bracket (I don't think any of you are suspected of being so tainted), then you'll have a mental problem. Or, if you are otherwise not a member of the upper 20% of income brackets, but are emotionally attached to something which is part of that layer, then you are probably suffering a *very severe mental problem*: a mental

problem, which is manifest in the absolute breakdown of mental life, among the parliaments of Europe, generally speaking, and the Americas. This is also a breakdown in the leading, or most politically influential layer of the population in general. This is a breakdown in what is called "popular opinion." If your neighbor shares popular opinion, get them to the nearest psychiatrist, immediately—we have an emergency on our hands. Because of the nature of this cycle.

As I've said before, what happened was, over 1964 approximately, the post-war tendency of the so-called "Utopian tendency" of Bertrand Russell and H.G. Wells, and their followers—the so-called "world government through nuclear warfare" tendency—this took over, increasingly, with the death of Franklin Roosevelt and the inauguration of President Harry Truman. This was not, however, predominant. Two things remained: We were, in the post-war period, especially up to the middle of the 1960s, committed to economic reconstruction of the world, especially Europe, the Americas, and a few other locations. We also had a strong resistance, to going to the Roman imperial, Waffens-SS style in politics, which was coming out of a group called the Utopians, which essentially were the people who were the implementers of the policies set into motion by Russell and his type.

So, in the 1960s, a phase-shift occurred, in which we abandoned—in the United States and under Harold Wilson in Britain—abandoned the idea of being *producer* societies, whose values were based on increasing our productive powers of labor, and ameliorating life through that method; to becoming a *post-industrial, consumer* society. This was marked among the university-age youth of the '60s, of the so-called "rock-drug-sex youth counterculture."

The result is, that the people who are in top positions of power today, were people who entered adolescence or post-adolescence, during the period following the two events: That is, the combination of the missile crisis of 1962, the launching of the Indochina War, *and* widespread introduction of the rock-drug-sex youth counterculture, called the environmentalism, post-industrialism, consumerism, ecologism, and whatnot.

So, this was the culture shift. These people who came out into adolescence or adulthood, during this period, *have no rational experience, of operating as responsible persons, in a producer society*. They are essentially parasitical in their

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1. "A Presidential Thanksgiving Message," *EIR*, Dec. 6, 2002.



*Lyndon LaRouche told the youth audience: "In order to succeed, you have to be clear. You've got to be uncompromising, when it comes to dealing with clinical insanity of the type very prevalent today."*

outlook, and think in terms of credit-card debt-management, consumption, standards of consumption, lifestyle, "how I feel," "how my neighbor feels," "what my neighbor's sex-change was," these were the dominant things that go on in that circle.

So, this is popular opinion. This is also the characteristic of the political parties of parliamentary systems, even down to little nut groups, like the Trotskyist cults. They all share this same kind of moral decadence, this intellectual decadence. And this is what the problem is with parliaments: They can not make consistent decisions, which have any competence, because the world of consumer society—that is, of imperial post-industrial society—has collapsed.

The other feature was, that with the collapse of the Soviet power system, the English-speaking imperial powers saw themselves as in a position to set up a one-world empire: This is called "globalization." This is called "free trade" in a radical form. This is typified by the introduction of NAFTA, in relations among Canada, the United States, and Mexico. This is typified by the attempt to bring the British in on an English-American system, like the NAFTA free-trade system, and so forth. This is the euro; this is the Maastricht agreements. These are all efforts to destroy the residue of the sovereign nation-state economy, a producers' form of society, in order to go to something, which is a caricature of what happened in Rome, during and following the Second Punic War: when

Rome shifted, and Italy shifted, from being largely, still, a producer society, dependent upon the production at home, such as that of the farmers, the Gracchian reforms. Then, the failure of the Gracchian reforms, the defeat of the Gracchi and the earlier successes of the Flaminian reforms, typify what this change was.

So, Rome became a parasite, with extensive use of slavery, ruling the rest of the world, and fighting wars of perpetual genocide along its borders, called the "limes" policy. What has happened, we now have that kind of policy: The collapse of the Soviet system—these lunatics decided that they can have a one-world empire, Bertrand Russell- or H.G. Wells-style, forever. And they're determined to use the supremacy in nuclear weapons, on the ground, on the sea, and in the air, to compel the entire world to submit to a world government, run by them.

### **The Oligarchical Faction**

Now, who is "them"? This gets interesting, when you get to Denmark, because it becomes a very sensitive subject, among names like Baring. In this process, of the attempt to destroy the Renaissance's effect on Europe, Europe was divided into two general groupings, which were induced to engage in war against one another. This is typified between 1511 and 1648, by a series of religious wars, out of which emerged two major factions, which came to a rather crucial point in the 18th Century. On the one side, you have the Hapsburgs. The Hapsburgs represented the idea of a one-world empire. (They called themselves Catholics: They weren't even human, so there's a little different problem there.) On the other side, there developed a Venetian model in the North: This was the Anglo-Dutch liberal model. Now, Anglo-Dutch liberalism is nothing but a copy of ancient Venice, but a copy in different territory, and with somewhat different cultural antecedents.

But, Venice had emerged, from the fall of Charlemagne—actually from the accession to power of Otto III, as Emperor—Venice emerged as the dominant imperial, maritime power of the Mediterranean region and most of Europe, a power held by a financier-oligarchy, of the Venetian financier families. As Venice's power waned, as a state, after the Treaty of Westphalia—particularly in the last quarter of the 17th Century—power shifted significantly, with a dwindling Hapsburg power—toward an Anglo-Dutch liberalism, based upon the sea trade, the maritime trade, first from the Netherlands, and then from England, as England grew as a maritime power.

In due course, through that parent, William of Orange, and the India Companies, which he led, and the takeover of England, which consolidated this power, you had the emergence in the 18th Century, of the Anglo-Dutch liberal model, which included Copenhagen and other places in the North Sea, and so forth, which were all part of this former Hansa League, which had been taken over from the Netherlands. And this was then spread to England.



*The founding meeting of the Scandinavian chapter of the International LaRouche Youth Movement on Nov. 30-Dec. 1, 2002 in Copenhagen.*

England is, by nature, as attested by the existence of what is called “central banking” systems. Now, central banking systems are nothing but a consortium of private power, of financier interests—not necessarily “banking interests,” but “financier interests.” These financier interests control an institution, of central banking, which is relatively independent of government, and which is even able to dictate terms, to governments. Now, that is the liberal system. That is the Anglo-Dutch liberal system, which is what the United States was founded to avoid; even though they get an infestation of this kind of nonsense, from time to time, as we have now.

So, the result of that is, . . . European governments never really worked. Because European governments were never truly sovereign, with very rare exceptions, momentary exceptions. Because they were always conditioned, as they had been under the Lombard bankers, they had been conditioned into submission of political authority to conditionalities, imposed by what we call today “central banking” systems: financier blocs, which were able dictate terms, including political terms, to governments. And therefore, European parliamentary systems, which had been more or less consistently based on so-called “central banking” systems, or “independent central banking” systems, are not truly sovereign governments, but are rather, a kind of peculiar partnership, in which the government is often the junior partner, and the financier interest controlling the central banking system, are the senior partners. They dictate issue of money; they dictate exchange rates; they dictate collection policies, bankruptcy

policies, so forth and so on; and investment policies. So, actually, governments in Europe, at present, are essentially toys, playthings of central banking systems, of those financier interests, which are based on the Venetian model of *imperial, maritime power by financier-oligarchical interests*.

Now, the power of Europe, the economic power of Europe: Europe’s domination of the world—and its domination by leadership, not domination by conquest—has been based on the Renaissance, on the emergence of truly sovereign nation-states, based on the principle of *truthfulness*, the Platonic principle of truthfulness, which is called “*agapē*”; it is known in English usage, as “general welfare” or “common good.” So, therefore, governments are obliged to rule, in the interest of the general welfare, the common good; and that includes their *rule over* financier and banking systems, in order to keep these systems functioning within the bounds of the interest of the general welfare and the common good.

What happened during the post-war period, with the oligarchical system rising again, after the death of Roosevelt: In the middle of the 1960s, a drive was made to rid the world of the influence of Franklin Delano Roosevelt’s Presidency. The result was, the post-industrial society, or the shift toward a consumer society, an imperial thrust, which was played out between the Soviet system and the Anglo-American system, until 1989-1991, when the Soviet system died, effectively.

At that point, the Anglo-American *Utopian* system saw itself emerging, spreading its wings—its wet wings, which

like vultures, were hanging out in the Sun to dry, before flying—and these vultures were determined to set up their Bertrand Russell-style, nuclear weapons-dominated, dominant world empire; regulating world population; conducting perpetual wars against Islamic and other populations, and so forth and so on.

So, that's the situation we face.

## The System Is Collapsing

Now, we come to the point, that . . . this system, the liberal system, the Anglo-Dutch liberal system, *inherently does not work*: Because the failure to increase the *physical* productive powers, the labor per capita, results in a collapse of society. What is seen as a result of the change, especially in 1964, is that, increasingly, especially after 1971, the rate of monetary value attached to physical objects has increased; whereas the physical value produced per capita, has decreased. This system of speculation has reached the point, that it's no longer possible to maintain the system.

However, all *social* values and ordinary "success" and "lifestyle" values, within the populations, are based on the assumption, that the post-industrial, ecologist, liberal system, that is defined recently, is the way things work! Their credit-card lifestyle is based on the assumption—which is really more extensive in the United States, than in Europe—but this kind of mentality has so corrupted the population, that *neither* the parliamentary parties, *nor* the population in general—especially the upper 20% of income brackets (or those who define themselves, ideologically, as part of the upper 20%) are capable of rational thoughts, about the crises which confront us now. They're in a state of quasi-schizophrenic denial, as a mass-psychotic phenomenon of denial, which is based on the attempt to maintain *a system, that does not work*.

It's like the fellow, who's trying to—you know, he's down in the *Titanic*, and sinking. And he's sitting down there, under the bulkheads, sticking oars out in the water, to try to paddle the *Titanic* to safety. That is the spectacle, of your typical so-called "upper middle-class" mentality, through Europe and much of the United States today.

And it's for that reason that parliaments and similar institutions *tend not to work*. Because, neither popular opinion, as merely popular opinion, nor the system, works. But, they're trying *desperately*, to find solutions *within the framework* of the system. They're trying to say, "Let's cut, cut, cut! Austerity will save us! We must have more austerity. We must have more austerity! We must have more austerity!! We must have more austerity!!!" Meanwhile, the system gets worse and worse, with each dose of this poison, for some strange reason.

## The Strategic Triangle

Okay. On the other hand, you have a program of survival, which began to emerge largely at my suggestion, out of the Summer and early Fall of 1998, with the collapse of the GKO bond speculation in Russia. At that point, I proposed, that



Copenhagen Schiller Institute leader Poul Rasmussen gives a class on Gauss's fundamental theorem of algebra, to the youth cadre school.

we had to put up a counterbalance, to the collapsing of the economies of Western Europe and the Americas, by building up the economies of the Eastern Eurasia. And this buildup must occur, based on a strategic agreement, among Russia, China, and India, which are quite dissimilar cultures, but, if they could agree on a common principle of cooperation, this would be a framework, within which our nations—with still different cultural antecedents—could join and work.

What you're seeing now, is that. You're seeing, as recently restated again and again from Russia, and elsewhere; you're seeing the emergence of, what I called, backed in 1998, the "Strategic Triangle." The Strategic Triangle can not work by itself. It is a component, it is a phase-space, of the global system which is *essential* for a global system which works. The immediate implication for Europe, is that—Europe is dying, Western Europe. The economies of Western Europe are dying: Germany is dying; all of Western Europe is dying, economically. The only way you can save it, is an increase in its return to conventional European export trade: which means, essentially, producing for high-technology capital-goods export, primarily. This would save Germany, which already depends upon China, as its only significant growth customer. This is essential for Italy. It's essential for all of



Europe.

Only a stable Strategic Triangle system, as a *partner* of Europe, represents a normal baseline, sufficient for a revival, of an otherwise doomed world economy. And, one would assume that the United States would—with the Americas as a whole—would cooperate and would participate in that kind of *new, international monetary system, financial system, economic system*.

So, the point is, the resistance to that, is what the problem is. But, the resistance comes, not only from the *opposition* by the parliamentary parties; *opposition* by the upper 20% of the populations, who are clinically insane, in Europe and the Americas; but also, the pure inertia of popular opinion. You have the Classical case of a true tragedy on a global scale: You have a society, which is *morally incapable of surviving*, as long as it clings to what it considers its presently adopted *values*; its presently adopted *assumptions*, axiomatic assumptions. This is tragedy: Tragedies are never caused by leaders of society. They're caused by the *lack of leadership* in society, leadership for change, for necessary change—which is what I'm doing: providing the leadership for necessary change, because, around the world, there *is* no other such leadership. Other people who are echoing what we are doing, as you see in the spread of the Strategic Triangle, which I proposed in 1998, is now a hegemonic tendency, among the leading nations of that part of Eurasia. Well, that's not exactly the lack of influence, and we're doing some good. We have influence in other parts of the world.

But, those who *resist* what I represent, represent policies of governments, and nations, which are doomed, if they continue with their present policies.

This is often the case in history. This is the true case of the fall of empires. This is the true meaning of all Classical tragedy. Don't believe any other interpretation of any Classical tragedy than the one I just gave you: They're all incompetent. And they're the babbling of fools.

These are the true elements to consider, from Europe. We must have the policies I've proposed, which are the only existing, feasible alternative, to the suicidal destruction, which is inhering in the present parliamentary systems, and in popular opinion. Especially popular opinion, deeply embedded, in those ideologically self-identified with the upper 20% of family-income brackets, in Europe, the Americas, and so forth.

These people are insane. Therefore, we have to *change* them. Now, even a few among us would say, "You have to go and *influence* them, by appealing to their existing values." That's like trying to give advice to a guy, who absolutely refuses to discuss getting out of the *Titanic*, when it's sinking. What you may have to do, is clobber the guy, put an arm-lock on him, take him up to the bridge, and throw him overboard! Otherwise, he will not possibly survive. And even that's precarious. But, that's your problem.

And, my problem is, I have to do that, despite the reluc-

tance among many of you, among us, to do what I say what must be done. Despite the fact the evidence is all in: I've been right; those who have opposed me on this, have been wrong. But, they're still clinging, out of fear, to popular opinion, and trying to ingratiate themselves with leading institutions, which are themselves morally and intellectually bankrupt. And, thus, as many cultures in the past, plunge into a tragic demise, which is what faces us unless we change things.

So, that's where we stand. So, you're in a very interesting period in history. Times have existed like this before: The empires, like Mesopotamia, have collapsed repeatedly; other empires have collapsed. We're now at the point, that the present *world* system is on the verge of an early, rapid collapse, into a generalized Dark Age of the planet—*unless we succeed*.

In order to succeed, you have to be clear. You've got to be uncompromising, when it comes to dealing with clinical insanity of the type very prevalent today. You have to recognize the problem of governments, is not that this party is not that good; or this party is not that good. The problem is, *all* the parties stink. They *all* stink! They stink for one reason: because popular opinion stinks! And the stink is elected to parliament. And the parliament spreads the stink—which is what it's elected to do! And, if the stink doesn't work, therefore the governments don't work, and the *people* find that, they too, don't work!

So, that's a very interesting situation. To me, as a person of an historical bent, it is extremely interesting. I sit back, and I'm very sad about what's happening to the human race; but I'm very happy, that, in this best of all possible worlds, as Leibniz defined it, stupidity will not prevail.

Have fun!

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## Dialogue

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# Franklin Roosevelt and The American System

**Q:** First I wanted to remind you about Plato, saying in a dialogue, that the worst destiny you can have, is having a leader who's less capable than yourself; and that you have to enforce the people who are more capable than yourself, to become leaders. And that's what I think we should do with you!

So, you've been devoted to the Roosevelt solution, or program. And, my question is—because after he was in office, things were corrupted again. My question is, what measures do we need to make, to ensure that this wouldn't happen again? Is there anything we can do?



*President Franklin D. Roosevelt with a young lieutenant in Sicily, Italy, in December 1943. Roosevelt was indispensable, in getting the United States out of the Depression and through the war. But after the Allied breakthrough at Normandy in June 1944, his enemies moved swiftly to impose the Anglo-Dutch liberal/oligarchical model on the United States.*

**LaRouche:** Well, that's what I keep worrying about. There's not much understanding of Roosevelt among Europeans, in general—and even Americans—because you get these things: “But, what was Roosevelt's position on this?” “What was Roosevelt's position on this?” And so forth. That's all nonsense. History is not a sequence of votes on positions. History is a process, in which certain characteristic development is morally positive, and the lack of that development is morally negative.

Now, Roosevelt inherited a destruction of the United States, which occurred under the Presidencies of Theodore Roosevelt, a very, very distant cousin—distant morally, intellectually, as well as biologically; Woodrow Wilson, who was the co-founder of the revival of the Ku Klux Klan in the United States; Calvin Coolidge, who was a complete wretch. And, so you have, from 1901, with the successful assassination of President McKinley, who was a human President, as opposed to Teddy Roosevelt, Wilson, or Coolidge. You had in 1929, a collapse of the international monetary system, in something between a cyclical and systemic collapse—it had the qualities of both: It was cyclical in form, but it was systemic in the sense, that what had happened leading into World War I and its aftermath, essentially Versailles, had introduced a *systemic* feature of doom, into the international monetary-financial economic system.

So, Roosevelt came to power, in 1932-33, in the election of 1932, on the basis of a Hoover, who had refused, like many of today's politicians, to face—. Hoover knew what the reality was. But Hoover refused to face it, and tried to adapt to pre-

vailing opinion of his party and institutions. It wasn't because he was stupid; it was because he was *morally weak*, and didn't have the ability to step over his predecessors.

Roosevelt did.

### **Failure of the Anglo-Dutch Model**

Now, Roosevelt was a man, who had deeply embedded in him, the legacy of the American Revolution, which is distinctly American, and it's not European. The ideas were European. But there's nothing in the American Revolution, which was a copy or reflection of European political government institutions, and many Europeans don't understand that. They don't understand that the European model—put aside the Hapsburg model, which is obviously garbage; the Spanish and Austrian Hapsburgs: Forget them. But, look at the model which came to the fore in Europe, over successive periods, the Anglo-Dutch liberal model, which emerged successfully, triumphantly, in the aftermath of the Treaty of Westphalia.

This was inherently a failure, from the beginning, for reasons which I gave in my presentation, just shortly before, here. The United States was founded on a rejection of the Anglo-Dutch liberal model. Now, the *idea* of the American Revolution came from Leibniz, or came through Leibniz, and reflected the 15th-Century Renaissance. It did reflect the influence of Mazarin, the influence in forming the Treaty of Westphalia, in 1648; these things were reflected. But the governmental model of Europe, the disintegration of the Hapsburg system, over the century or so, emerged as triumphant, as the Anglo-Dutch liberal model—which Denmark and Swe-

den know very well. That's what you've been subjected to—your grandparents' and great-grandparents' lives, and so forth—ever since Baring.

So, we were distinct. And we were distinct in the sense, that we did not believe, did not accept the idea of a financier-oligarchical rule. And, we were opposed to setting up what we would call today, the equivalent of an independent central banking system. We believed that the government had to have the authority, the power, and responsibility, to shape financial, monetary, and economic policy, to conform to the requirements of the principle of the general welfare. And, we believed that we had to *promote* the creative impulses of the individual, the cognitive impulses of the individual, to that end. We had to provide the basic economic infrastructure; we had to promote the individual and his freedom, to make the innovations, which would make the system work. That was our system.

So, Europeans *do not* know that system. Some don't as a matter of information, as a matter of education. But, in terms of the parties, in terms of the policies, *they don't know it*. And therefore, they're very confused about this kind of thing. And therefore, their judgment on Roosevelt is often mistaken, because their conception of history is completely absurd. It's contrary to actual reality: because they try to impose an arbitrary model, of opinions, and do's and don't's, and of specific issues, on history, rather than understanding history as a process of development.

### **FDR's Fight for the General Welfare**

Roosevelt did understand it as a process of development. And he unleashed a series of revolutionary changes, to *save* the U.S. economy, under the guidance of principles which would restore it, to its original intention, original Constitutional intention: the principle of the general welfare. All of the fights, that Roosevelt had, *in* the United States, against his *internal* opponents, and his fights with Churchill up to the last moment of his life, were based on that single issue: the general welfare. His opponents *inside* the United States, which are the so-called "free traders"—or we used to call them the "free traitors"; not "traders," "traitors"—always expressed that.

Now, Roosevelt's power was based partly upon the support he got. But, also, was conditional, because the population in general was still rotten. Generations of the population in the 20th Century, prior to his Presidency, had been corrupted, turned rotten, by what had happened inside the United States. And therefore, the reason for Roosevelt's power, in part lay in the fact that *he was saving the nation*, from a catastrophe, which was the experience of the people; that the opposition to him was there: in the people, in popular opinion, as well as in certain financier circles.

Now, Roosevelt was indispensable, in getting the United States out of the Depression, and getting it through the war. But, after June 1944, when the Anglo-American breakthrough, in Normandy, indicated the final defeat of Nazi Ger-

many was now inevitable; at that point, in the Summer of 1944, Roosevelt's enemies moved to install a pig as the Vice Presidential nominee, in the hope that Roosevelt would die soon, and their pig would become President. That pig was Harry Truman. And, that is the essential pivot in the history of the United States after Roosevelt.

So therefore, to understand Roosevelt, you have to understand him as representing a certain body of *principle*, not a set of issues, but a principle: The principle was to restore the American System, and to free the world from the grip of the imperial maritime power of Anglo-Dutch liberalism. So, if you look at the thing as a process, in those terms, and realize that Roosevelt did *not* have a population which was intellectually developed to the point that it heeded commitment to its own best interest; but that the American population was a *fickle* population, which loved Roosevelt when he saved them from poverty and defeat; and when he saved the world from Hitler: They loved him for that. But the minute Hitler was doomed, they said, "Get rid of this guy!" And, that's what happened.

And, it took a generation, to get that legacy of Roosevelt out of the system, and the American people. Until Kennedy's assassination, the missile crisis, and the launching of the Indochina War, the American people were still enough committed to the Roosevelt legacy, they would not tolerate fascism. But, *with* the missile crisis, *with* the assassination of Kennedy, *with* the launching of the war, the American people became pigs, opportunist pigs. And, their children were educated to be pigs. And the rock-drug-sex youth counterculture, as it was reflected, for example, by environmentalism, is a reflection of the moral degeneracy, which spread around the world, over the past 35 years.

And that's the way to understand Roosevelt.

### **Going Beyond Roosevelt's Idea**

So, what am I doing? Today, I know this—what I just said to you. Okay. Am I going to fail, as Roosevelt, in one sense, failed? That's my concern, that I shall not fail. I can not pre-determine what the result will be. But I can pre-determine what *I will do* about shaping the result. And therefore, you will see, in all my writings, I do something that Roosevelt never did: Roosevelt expressed ideas, but he was not a *man of ideas*. He was a man who acted on ideas, who had ideas, who developed his understanding to *use* them, with good executive power, with leadership capability. But, he was not a *creator of ideas*. He was not a scientific discoverer, as I am.

So, I know everything Roosevelt knew, in terms of how to govern and how to lead. But, I, also, am a creative personality, a scientific discoverer. And recognize, that you must have, as Plato emphasized, with the idea of the philosopher-king, that a world in crisis needs the leadership of a philosopher-king, not merely a good President, under the present circumstances. And my job is to provide that necessary quality of leadership, of a philosopher-king.

# Southeast Asia Rejects Australia Strike Policy

by Mike Billington

U.S. Deputy Sheriff-wannabe John Howard, otherwise serving as the Prime Minister of Australia, triggered a firestorm of protest among his Asian neighbors with his Dec. 1 televised call for the modification of the UN Charter to allow pre-emptive attacks against terrorists in other nations.

Howard's Defense Minister, Robert Hill, first enunciated the policy on Nov. 29, in a speech at the University of Adelaide. "In these days of unconventional conflict, global terrorism, [and] weapons of mass destruction," said Hill, "the definition of self-defense, I think, needs to be looked at again in terms of that reality, [rather] than some reality that existed 50 years ago. Some would argue that it's time for a new and distinct doctrine of pre-emptive action to avert a threat." Howard then declared his agreement, stating that "if you believe that somebody was going to launch an attack" against the country from foreign territory, "either of a conventional kind or a terrorist kind," that would justify a pre-emptive attack.

No one missed the fact that the Howard government was once again tailing after the most extreme war faction within the Bush Administration, with its strategic doctrine of pre-emptive assault against perceived terrorists wherever they may be, national sovereignty be damned.

The response from Australia's Asian neighbors was immediate and blunt. As usual, Malaysia's Prime Minister Dr. Mahathir Mohamad was the most direct: "If anyone tries to carry out his laws within our borders, then we will consider that an act of aggression, and we will take action under our laws," Dr. Mahathir told reporters. "There are many countries in East Asia, all of which are Asian countries. This country stands out like a sore thumb trying to impose its European values on Asia. It is as if this is still the good old days when people could shoot aborigines without caring about human rights, etc. These are the people who talk about human rights. Actually, for them anything goes, including assassination."

Malaysia's semi-official *New Straits Times* called Howard "Uncle Sam's foremost flunky," and asked if the United States or Australia would be "killing *à la* the Hellfire extermination of al-Qaeda in Yemen, in, perhaps, Indonesia or Malaysia."

Indonesia, which has offered Australia full cooperation in investigating the Oct. 12 bombing in Bali, in which nearly half the victims were Australian tourists, could not ignore a threat which was clearly aimed first and foremost at them.

Gen. Endriartono Sutarto, the head of the military, following a Cabinet meeting with President Megawati Sukarnoputri, said that Indonesia "would not stand by and watch while a foreign nation attacked Indonesia under the pretext of fighting terrorism. Such an action is an act of aggression against another sovereign country, and we will not stand by, should they attack."

Even in the Philippines, which has allowed the United States to deploy troops into combat situations within its territory against Islamic separatists in the South, protested. Foreign Secretary Blas Ople called Howard's remarks "very hasty, exuberant, and somewhat bizarre"; National Security Adviser Roilo Golez called them "arrogant," and reminded Howard that "this is the 21st Century, not the 19th." Golez warned that Manila will now "go slow" on a proposed anti-terror pact with Australia. And Sen. Ralph Recto said of Howard: "He is not a Crocodile Dundee who can treat the whole of Asia as an extension of the Australian outback. . . . No country will ever issue a hunting permit to Australian forces. Asia is not a place where Howard can go on safari."

## The U.S. Side

At the Dec. 2 White House press briefing, White House spokesman Ari Fleischer was asked about Howard's policy, and whether President Bush supported "the use of pre-emptive military action against terrorists in Asia." Fleischer answered: "The President of course supports pre-emptive action. . . . Sept. 11 changed everything, and nations must respond and change their doctrines to face new and different threats. That's the way of the world. It always has been."

The journalist then asked: "So it's a universal principle, that all nations are encouraged or entitled to rethink that position, and all nations are entitled to take a pre-emptive view?" Fleischer concurred.

Although the war faction within the Bush Administration has been temporarily restrained in regard to Iraq, there are signs that they are escalating their confrontational policies in Asia. On Dec. 4, the *Philippines Inquirer* was leaked a secret plan being worked out between the United States and the Philippines, to establish a "rapid deployment force" of Filipino soldiers, whose tasks would include: "to respond quickly to small-scale crises within the Philippines, act as Manila's designated force for UN operations, and contribute to any regional and international military response to crisis."

This call for a "rapid deployment force" is not unique to Asia—U.S. Secretary of Defense Donald Rumsfeld has called for a similar arrangement for Ibero-America. Such a force has a particularly nasty smell in Asia, however, where memories of colonial wars, fought with "native soldiers" enforcing colonial policies against their countrymen or other nations, are far from extinguished in the minds of senior leaders. The response to the proposal will likely be similar to that extended to "U.S. Deputy Sheriff" Howard's pre-emptive strike policy.

## An Electoral Shake-Up

*LaRouche's associates in the Citizens Electoral Council scored a breakthrough in the Victoria state elections.*

A minor earthquake erupted in Australian politics on Nov. 30, in the Victoria state parliament elections. In their first-ever state campaign there, Lyndon LaRouche's associates in the Citizens Electoral Council (CEC) fielded 18 candidates for 88 seats, the fourth-largest slate of all parties; achieved an average 1.6% vote across all seats; and, in the western Melbourne seat of Derrimut, the CEC's Andre Kozlowski scored 8.3% of the vote. The significance of the vote was not lost on the Establishment, even though they misrepresented it as merely a protest vote. On ABC-TV, Antony Green, Australia's leading elections expert, claimed that the high CEC returns represented "a very big protest vote in that seat." The 8.2% in Derrimut put the CEC well over the 4% barrier for state matching funds.

While modest in some respects, the CEC's election results stand out in bold relief when seen in context. With 0.31% of the vote statewide, the CEC whopped the Australian Democrats, who came in at 0.12%, and who have been, for the past 25 years, the leading parliamentary party outside the three "major" parties: the Liberal and the National parties—whose coalition presently rules Australia at the federal level—and the Australian Labor Party. The CEC vote also surpassed the 1999 Victoria totals of One Nation (0.29%), a populist shooting star which briefly recorded votes of 10-20% in the late 1990s.

Also relevant, is that the total election-campaign period was only four weeks long, and that the CEC has been either blacked out of the media for

years, or, when it has been covered, has been subject to vile attacks by the nation's Rupert Murdoch-dominated press. The CEC's vote was uniquely due to old-fashioned "door-knocking" and high-profile street rallies, so that its vote was clearly hard-core. Without the massive funding of the major parties, the CEC concentrated its modest campaign efforts in Derrimut for the last three weeks, which is perhaps Melbourne's poorest suburb. Other CEC candidates mounted even smaller efforts, but, even so, 10 of their 18 candidates polled over 1%.

Thus, where people had a chance to become acquainted with the CEC and its policies, the vote was solid. And the policies were based entirely on the ideas and personality of Lyndon LaRouche. In fact, television coverage of the election night tally room repeatedly showed a group of CEC youth, members of LaRouche's international youth movement, with their "Go With LaRouche!" T-shirts. The high-profile campaigning of the LaRouche youth in Derrimut, with cars with sound systems and the distribution of tens of thousands of leaflets, was the decisive factor in the 8.3% vote there.

The election leaflet used by all CEC candidates featured LaRouche's picture right at the top. After describing the global financial crash driving the Iraq war and the Clash of Civilizations which the "Chicken-hawk" party of Vice President Dick Cheney and Defense Secretary Donald Rumsfeld hope to unleash, the leaflet offered the only alternative: "One man, the U.S. physical economist and 2004 U.S. Presidential pre-candidate Lyndon H.

LaRouche, Jr., uniquely forecast this present crisis, and offers a comprehensive global solution to it. LaRouche has proposed scrapping globalization, in favor of a regulated New Bretton Woods international financial system of fixed currency-exchange rates, capital controls, government-owned national banking for low-interest financing of industry and infrastructure, tariff protection, and grand infrastructure projects to rebuild the physical economy of all nations."

From there, the flyer outlined the CEC's 1 million-signature campaign for a national bank, for which they have drafted legislation, and for a grand infrastructure-led boom for the nation, inspired by LaRouche's proposals. Indicative of the insanity now ruling politics in Australia, although the nation is in perhaps the worst drought in its history, all parties except the CEC propose to cut back water supplies, and halt construction of any new dams.

Having scored well in Victoria, the CEC's electoral efforts now turn to the state of New South Wales, whose elections are March 22. There, the CEC's N.S.W. State Secretary Ann Lawler will head a slate of 20 or more candidates. She has already begun her own campaign, with a blitz of radio ads, which are appearing hourly on all of the three radio stations that cover her district of Maitland, northwest of Sydney. The first 30-second ad, which ran twice the first day during the nation's most listened-to talk show, featured Lawler announcing: "We are in a depression worse than the 1930s. Only one man has forecast this crisis: U.S. 2004 Presidential candidate Lyndon LaRouche. LaRouche says: Dump globalization! We need his New Bretton Woods policy of national banking, tariffs, fixed exchange rates, and great infrastructure projects."

# International Intelligence

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## **Japanese Leader Sees Economic Crisis**

Former Japanese Deputy Finance Minister Eisuke Sakakibara pointed to the threat of a global economic crisis, in an interview with the German news weekly *Der Spiegel* on Dec. 2. Sakakibara, who was known as “Mr. Yen,” noted that the usual monetary and fiscal measures are no longer sufficient to deal with mounting problems in the world economy. The example of the Bank of Japan shows that central banks have reached their limits and even “Greenspan’s magic” is finally disappearing. Sakakibara adds: “The situation of the world economy is very serious. As Deputy Finance Minister, I was involved in fighting the global financial crises of 1997 and 1998. At that time, the origins of crisis were Asia, Russia, Brazil. Today, the situation is much more dangerous. Today, the centers of crisis are Japan, the United States, Germany. On top of this, there is an extremely dramatic situation in Latin America.”

*Spiegel* asked whether we are heading into a “world economic crisis,” to which Sakakibara responded, “This threat is real, indeed.” Globally, stock markets have plunged, but have by far not reached their bottom, he said. Meanwhile, banks in Japan and Germany, and also in the United States, are accumulating bad debt at an incredible speed. In spite of globalization, we lack “global financial institutions” that would be able “to control a worldwide financial crisis.”

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## **AIDS at Center of African Food Crisis**

“AIDS attacks exactly those capacities that enable people to resist famine,” says Alex de Waal, director of Justice Africa, whose analysis appeared in the *New York Times* on Nov. 19. About 29 million Africans are infected with HIV, of which 3 or 4 million are dying each year. Only 30,000 are receiving anti-retroviral treatment.

Previously, African societies adapted to drought. The victims were almost exclu-

sively young children and the elderly. Young adults rarely died, and women—chiefly responsible for agricultural work—survived better than men. Women knew what wild grains, roots, and berries could be eaten during famine. Families scattered their members over a wide area and called on distant relations for help when times got hard.

But AIDS attacks exactly those capacities, killing young adults, especially women. When the rains come, people must work 16 hours a day planting and weeding the crop. If that critical period is missed, the family will go hungry. In a community depleted by AIDS, each adult still able to work must produce more to feed the same number of mouths. Meanwhile, the burden of care for the sick has increased in rural Africa. In the cities and towns, many employers—private and public—have withdrawn benefits. Town dwellers who fall sick go home to the village to pass their final months. Orphaned town children are sent to the village to be cared for. The extended family cannot cope with the increased burden.

In former famines, relief workers, recognizing the physiological resilience of adults, ignored adults’ nutritional needs and focused on children. But an adult living with HIV needs better nutrition—more calories and especially more protein—to stay healthy. Malnutrition accelerates the progression of AIDS, de Waal says.

As their livelihoods, family networks, and coping strategies collapse, millions of young women are turning to “survival sex” to feed their children, with consequences for HIV transmission.

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## **Inspectors Need A Year: El-Baradei**

“It will take us, probably, around a year before we can come to a reasonable conclusion” about Iraq’s weaponry, stated Mohammed el-Baradei, head of the International Atomic Energy Authority (IAEA), in an interview with BBC’s “Breakfast with Frost” at the beginning of December. The *Guardian*’s report adds its own comment, that the “hawks in Washington” are certain to be “rankled,” by what el-Baradei is saying.

The IAEA official affirmed, “We will be able to report progress as we go along, but we are not keen to rush to a conclusion. . . . We’d like to take our time, and I hope the world will bear with us, as we go through this difficult task.”

El-Baradei also asserted, that the first week of inspections, at several sites, had unfolded without difficulties: “We are off to a good start, but we are far from reaching a conclusion. I would like to avoid a war. War is not good for anybody, but we do have an important job to do, and we have to do a thorough job. . . . There is light at the end of the tunnel for Iraq, if it cooperates fully.” If Iraq doesn’t “come clean,” he noted, citing the UN Security Council resolution, “grave consequences” will follow.

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## **Did Al-Qaeda Stop Working for U.S., U.K.?**

As *EIR* has reported, the British foreign intelligence arm MI6 worked closely with so-called Islamist terrorist groups safe-housed in Britain, to destabilize Arab and Muslim nations.

Recently, David Shayler, a former MI5 (domestic intelligence) agent who was sentenced to six months in jail in November for disclosing “government secret information,” told *Guardian* reporter Martin Bright, in October, that MI6 hired one of Osama bin Laden’s closest collaborators to assassinate Libya’s Col. Muammar Al-Qaddafi in 1996. Bright, who could not publish the article in the *Guardian*, but did so in the Pakistani daily, *The Dawn*, received a gag order from the British Attorney General, threatening him with prison, if he publishes any further information received from Shayler.

Bright wrote that Shayler claims that “the Libyan Islamic cell paid by British intelligence agents to assassinate Colonel Qaddafi in February 1996 were members of Al Qaeda.” The Libyan cell is believed to have included one of Osama bin Laden’s most trusted lieutenants, Anas al-Liby, who remains on the U.S. government’s Most Wanted List, with a reward of \$25 million for his capture.

What is interesting in the story, is that

**A PORT VISIT** by a U.S. destroyer to a mainland Chinese port—the first since April 2001—signifies the re-establishment of China-U.S. military-to-military relations, placed under review by Secretary of Defense Donald Rumsfeld and virtually frozen after the U.S. EP3 reconnaissance plane's midair collision with a Chinese fighter. The *USS Paul Foster* docked in the Chinese port of Qingdao on Nov. 24. In addition, a very large Chinese military delegation will be visiting Washington early in December.

**FIREFIGHTERS'** union chief Andy Gilchrist, leader of Britain's striking Fire Brigades Union, called on fellow trade unionists on Dec. 1 to help him replace Prime Minister Tony Blair's so-called "New Labour" "with what I'm prepared to call Real Labour." He said the Party should return to values of "real social progress, on real justice for working-class people and, indeed, for fairness for all." Gilchrist also denounced the Blair government for setting aside £1 billion for a possible war with Iraq while refusing to release money for the firefighters' pay demand.

**THE VATICAN** and Italian governments will intervene on Argentina's behalf, at the International Monetary Fund, and with major industrialized nations' governments. Argentina's Finance Minister Lavagna received commitments Nov. 29 from the Italian Finance and Foreign Ministers, and from Vatican officials. The Italian government "is actively organizing strong support for Argentina" among the G-7.

**WINSTON CHURCHILL** wanted Russia threatened with nuclear attack after World War II, say the diaries of Guy Liddell, head of the espionage "B" Branch of MI5 between 1939-45, recently declassified and seen by *Telegraph* reporters. The paper says British Prime Minister Churchill "reportedly complained to a friend that the Americans had failed to make sufficient political use of their newfound power: he would have threatened Russia with the device."

al-Liby lived in Manchester, England, until May 2001, when he eluded a police raid on his house and fled abroad, says Bright. Shayler claims he was first briefed about the plot during formal meetings with colleagues from MI6 when he was working on MI5's Libya desk. London's *Observer* newspaper had revealed that the MI6 officers involved in the alleged plot were Richard Bartlett, who has previously only been known under the codename PT16, and had overall responsibility for the operation, and David Watson, codenamed PT16B.

The assassination attempt on Qaddafi was finally made in February 1996 during an official parade near the Libyan leader's hometown of Sirte. A bomb or a grenade was thrown at the cavalcade, killing several bodyguards. In the subsequent firefight, three militants were killed. A top-secret MI6 document leaked on the Internet two years ago confirmed that British intelligence knew of the plot, which involved five colonels, Libyan students and "Libyan veterans who served in Afghanistan." Shayler claims this last phrase is intelligence shorthand for Al-Qaeda.

## Italian Minister for 'New Deal' for Europe

In an interview with *La Stampa* Nov. 16, which has unleashed a public debate in Italy, Economy Minister Giulio Tremonti called for a "Colbertist" economic policy, a halt to privatizations, and protectionist measures; and revealed that a "New Deal" program is being worked out by some European chancelleries. Tremonti even had positive words for the recent European Social Forum demonstration in Florence, at which the Catholic Church and the trade unions had intervened in the "anti-globalization" movement to isolate its pro-terrorist wing (see *EIR*, Dec. 6).

According to Tremonti, 11/9 has emphasized latent crises which were growing elsewhere. "In a few years, two continents have disappeared. No news comes from Africa any longer. South America alternates autarchic temptations with global alliances, modern finances combined with archaic politics.

Roads, trade ways disappear." Tremonti criticized the "utopia of privatizations" which in Italy led to the formation not of public companies, but often just to property changes, each time marked by the increase of debt. At the same time, those firms which were kept in the state ownership are today in good health, the Minister insists. Against the "decline" of the country, Tremonti says: "We could even take the direction of a new New Deal. Using the State."

## UN Challenges Food Destruction by Israel

Separate statements issued on Dec. 3 by the World Food Program (WFP) and UN Secretary General Kofi Annan, condemned the deliberate Warsaw Ghetto-like destruction of a WFP food warehouse in Jaballia, in the Palestinian Authority's Gaza Strip, on Nov. 30 by Israeli Defense Forces.

More than 500 metric tons of food, donated by the European Commission, Sweden, and others for destitute Palestinians affected by the "humanitarian crisis" in Gaza, was blown up by IDF, despite the building being well marked as a WFP protected area and the storage rooms being stickered with WFP labels. Six IDF tanks surrounded the building, ordered an evacuation of the people inside, and refused to allow the WFP staff to remove the food before the building was blown up. The food was earmarked for 41,300 people in the area who are without food and shelter.

The WFP statement denounced the fact that the IDF refused to allow removal of the food, and said, "This act has been carried out against basic humanitarian principles." It asked the Israeli government to "conduct a thorough investigation of the incident and take full responsibility for the losses incurred by" the WFP. UN Secretary General Annan's statement said he is "extremely concerned at the demolition by the [IDF]." He also supported the WFP's request for an investigation and repeated his call on Israeli authorities "to live up to their commitments and obligations" to aid in the "emergency humanitarian assistance in the occupied Palestinian territory."

## Ashcroft, Bush Administration Trash Constitutional Protections

by Edward Spannaus

The Bush Administration, with help from its allies in Congress and in the Federal courts, is systematically dismantling Constitutional protections and the limitations on domestic intelligence operations which have been built up over the past quarter-century and, in some cases, for over 50 years. Under the guise of fighting terrorism, it is building up what has been described as a “parallel legal system”—for terrorism suspects; but which is, in fact, headed toward casting a much broader net.

The draconian measures taken by Ashcroft and this Administration, including dragnet sweeps and detentions of Arabs and Muslims, and the use of military detention even for American citizens, have stunned many observers, but they should not have come as any surprise. Lyndon LaRouche warned, in testimony submitted to the Senate Judiciary Committee opposing John Ashcroft’s confirmation as Attorney General, that under crisis conditions, Ashcroft would be used to force through dictatorial measures comparable to the 1933 Nazi emergency laws in Germany, the *Notverordnungen* (see *EIR*, Jan. 19, 2001). LaRouche warned that it was not just Ashcroft’s role in the Justice Department that would be at issue, but his role as a leading member of the crisis-management team in the Administration as a whole.

### Setback for Justice Department

There are some important countervailing pressures. The Dec. 4 ruling by a Federal judge in New York, holding that even a person detained as an “enemy combatant” is entitled to fundamental rights and due process, was a ray of light, in what seems otherwise to be a march toward the darkness of police-state rule.

In a ruling viewed as a significant setback for the Justice Department, U.S. District Judge Michael Mukasey ruled that José Padilla, the so-called “dirty bomber,” does have the right

to challenge his detention by means of a petition for *habeas corpus*, and that Padilla has the right to meet with his lawyers to prepare such a challenge. Mukasey also ruled that the court does have jurisdiction to determine if Padilla is properly detained as an “enemy combatant.” The judge held—and, indeed, he could not have held otherwise—that the President does, in the exercise of his Constitutional powers and duties as Commander in Chief, have the power to detain enemy combatants.

Padilla had been arrested in the United States by FBI agents, and held on a material witness warrant in a Federal detention facility in New York. Just as the court was about to decide on a challenge to Padilla’s detention, President Bush signed an order designating Padilla an enemy combatant, and he was removed from Federal custody to a military brig in South Carolina, where he has been held incommunicado ever since.

Early in the Summer, Padilla’s lawyer filed a petition for a writ of *habeas corpus* challenging his detention by the military. “My client is a citizen,” lawyer Donna Newman said. “He still has constitutional rights, the right to counsel, with the right to be charged by a grand jury. And he has not been charged.”

Judge Mukasey’s ruling held that the Federal *habeas corpus* statute applies to detainees, and that Padilla has the right to consult a lawyer, and to present and contest facts. Mukasey said that he will rule later whether Padilla was unlawfully detained, and whether the President has the evidence to justify the “unlawful combatant” designation.

### Breaking Down the Wall

Ashcroft’s new legal system is literally being built on the ruins of the old. The “wall” between domestic law enforcement and foreign intelligence—which goes back to the 1947



National Security Act—has been all but destroyed by a series of actions taken by the government since Sept. 11.

In the 1947 law—which was the product both of the experiences of the war-time clandestine intelligence services (the Office of Strategic Services), and the rivalries between the FBI, the OSS, and military intelligence—a fairly strict line of demarcation was drawn: domestic law enforcement and domestic counter-intelligence operations were to be conducted by the FBI; as opposed to foreign intelligence and clandestine operations, which were assigned to the new Central Intelligence Agency, as well as remaining in military intelligence.

In the wake of the 1970s Congressional investigations of intelligence abuses, this distinction between law enforcement and intelligence operations was reinforced. Although little-remembered today, the first such investigations concerned *military* surveillance of U.S. citizens. The Congressional investigations and hearings which took place in 1970-73 were triggered by the revelations made by a former Captain in Army Intelligence, Christopher Pyle, who disclosed the existence of a massive database on U.S. citizens maintained by the Army. (An interview with Mr. Pyle follows this article.)

The hearings on military surveillance were followed by investigations by the House (Pike Committee) and the Senate (Church Committee), resulting in voluminous reports detailing domestic intelligence activities and abuses by the FBI, CIA, and military agencies. The Attorney General's Guidelines for Domestic Security Investigations, first issued in 1976, and the 1978 Foreign Intelligence Surveillance Act (FISA), both created a framework with differing standards for foreign intelligence, and domestic security and criminal investigations.

A major distinction growing out the 1970s investigations and legislation, regarding the different standards for electronic surveillance (and later, break-ins or “unconsented searches”), was that there was a lower standard for foreign intelligence wiretaps. Criminal investigations were governed under what is known as “Title III” (of the Omnibus Crime Control Act of 1968), part of the criminal code. It applied already-weakened Fourth Amendment standards for search warrants (a wiretap being a form of a search), but required probable cause that a criminal act was, or was about to be, committed).

For foreign intelligence cases, a still lower standard was required; only a showing that an individual was an agent of a foreign power—not that the person was doing anything illegal. The reason for this, is that protection of the national security, not prosecution of crimes, was the purpose, and that such cases were generally not dealt with in the courts, but by expulsion, or other non-judicial means.

The distinction between foreign intelligence and criminal investigations has now been all but obliterated—with the looser standards of foreign intelligence cases now spilling over into criminal prosecutions.

First, Congress, in its passage of the so-called U.S.A./Patriot Act last year, provided for the use of national-security wiretap information in criminal cases, and also for expanded use of criminal case information for national-security purposes. Then, this was expanded in guidelines issued by Ashcroft, providing for much more information-sharing between agents involved in intelligence, and those involved in prosecutions. And finally, on Nov. 18, the FISA Court of Review, overruled the lower FISA Court (all seven judges of the FISA court, sitting *en banc*), and upheld Ashcroft's guidelines and the relevant portions of the U.S.A./Patriot Act—thus sounding the death-knell for the Fourth Amendment.

This was the only case that the FISA Review Court—composed of three semi-retired judges selected by Supreme Court Chief Justice William Rehnquist—has ever heard. These three characterized the May ruling of the FISA Court (never heretofore considered bleeding-heart liberals) as “unrealistic and confusing,” and made the astounding finding that the distinction between foreign intelligence and criminal investigations—maintained for two decades by the courts and by the Justice Department—had no basis in law or in the Constitution! After suggesting that this “misunderstanding” may have contributed to the FBI missing opportunities to prevent the Sept. 11 attacks, the FISA Court of Review reassured us: “That is not to say that we should be prepared to jettison Fourth Amendment requirements in the interest of national security”—just as it did exactly that.

## The Military Is Back

Another major shift has been the reinvolvement of the military in domestic matters. Steps in this direction—which implicitly violate the 1878 *Posse Comitatus* statute's prohibition of the involvement of the military in domestic law enforcement, are:

- the creation of the Northern Command, which for the first time establishes a military command over the continental United States;
- the use of military detentions, instead of the civilian court system for terrorist suspects, even—as in the cases of José Padilla and Yasir Hamdi—for U.S. citizens.
- the recent creation by the Defense Department of the “Total Information Awareness” project, headed by Iran-Contra defendant Adm. John Poindexter (ret.). This project is now in the developmental stage in the Defense Advanced Research Projects Agency (DARPA), and it will reportedly have the capability of capturing all citizen transactions such as credit-card purchases, phone calls, travel, and the like. (This is further elaborated in the Pyle interview.)

## Parallel Legal System

Reviewing the dramatic changes wrought by Ashcroft and the Bush Administration since Sept. 11, 2001, *Washington Post* said on Dec. 1 that what is being created is “a parallel legal system” for terrorist suspects—one without any of the

legal protections afforded normal criminal suspects under the U.S. Constitution.

The elements of this new system, which can be applied to citizens and non-citizens alike, are:

- indefinite military detention for those designated “enemy combatants”;
- use of “material witness” warrants to detain people without access to lawyers or family; and
- use of counterintelligence-style wiretaps and searches.

The *Post* noted that it is only now becoming clear how these different elements could interact; for example, the Administration could order a clandestine search of a U.S. citizen’s home under FISA Court approval, and then declare the citizen to be an “enemy combatant” subject to indefinite detention at a U.S. military base.

Further, non-citizens are subject to two additional features of this new system:

- possible trial by military tribunals or commissions; and
- deportation after secret hearings.

Under the Administration’s new system, the President alone can make the determination of who is an “enemy combatant,” and once such a designation is applied, the Administration argues that the courts have no role in reviewing the detention—which is now called into question by the Dec. 4 ruling by Judge Mukasey.

## America’s ‘Disappeared’

The scope of the Administration’s use of detentions for non-citizens was described recently by Prof. David Cole of the Georgetown Law School, who estimates that over 2,000 people have been detained in the United States since Sept. 11 of last year, in what he terms the “New Palmer Raids.”

Speaking to a not-very-sympathetic audience at a Washington conference on national security law sponsored by the American Bar Association on Nov. 22, Cole said that no one knows the exact number, because the Justice Department stopped publicly counting on Nov. 4, 2001, when the total had already reached 1,147.

Cole pointed out that none of the detainees in the United States has been charged with any complicity in the Sept. 11 attacks, and only four have been charged with any terrorist-related crime at all. “Four out of 2,000 is a pretty bad batting average,” Cole said.

Cole described the detainees—mostly immigrants—as American’s “disappeared,” since most were held in secret, tried in secret in immigration courts, and many were deported in secret—and no one knows how many are still being held.

What was done to these immigrants could not be done to a U.S. citizen, Cole said, and he argued that, just because a person is an immigrant who is not a U.S. citizen, he or she cannot be denied due process. The Bill of Rights applies to all people in the United States, not just citizens, and those rights are today considered as fundamental human rights applicable to all humanity.

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## Interview: Christopher Pyle

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# Threat of the ‘Total Information Project’

*Christopher H. Pyle is a former Captain in U.S. Army Intelligence, who in 1970 first exposed the existence of the Army’s domestic surveillance program directed at American citizens. He served on the staffs of the Senate Select Committee on Intelligence Activities (the “Church Committee”) and Sen. Sam Ervin’s Subcommittee on Constitutional Rights in the 1970s. Pyle now teaches Constitutional law and civil liberties at Mount Holyoke College in South Hadley, Massachusetts. He was interviewed by EIR Law Editor Edward Spannaus on Nov. 26.*



**EIR:** What is your impression of John Poindexter’s “Total Information Project”?

**Pyle:** The Poindexter Plan seems to be one more manifestation of “data mining” that is going on all over the government. We seem to be developing four or five intelligence centers—at the FBI, the Pentagon, the Homeland Security Department, the Army’s Intelligence and Security Command, and perhaps the Army’s Northern Command—each employing its own group of analysts to collect personal information on citizens and aliens, often with only the most tenuous ties to terrorism.

These centers are going to end up competing with each other, to see who can get the hottest stuff, who can amass the largest archive, and who can make the most useful lists. For example, if the FBI comes up with yet another watch list, it will be shared with other agencies, which will almost instantly supplement it with thousands of names from their own files, and then send it along to other agencies that might do interviews, or maintain potential round-up lists of aliens from countries, like Iraq, who are considered enemies of the United States.

**EIR:** Do you expect the new Department of Homeland Security to collect intelligence as well as consume it?

**Pyle:** Yes. In the old days, collection was mainly done on the street. Today, much of it can be done in the office, with a computer and Internet connection. So analytical units will be their own collectors. And, because private industry has computerized so much personal information about travel, pur-



*The “Total Information Project” would be headed by Adm. John Poindexter, here being arraigned in March 1988 for lying to Congress, of which he was convicted.*

chases, and associations, counter-terrorism analysts will have lots of creative choices as to what kind of information to amass on people.

**EIR:** Do you see “data mining” as raising the specter of the kinds of political surveillance that you exposed in the 1970s?

**Pyle:** Yes, but it will be a much more potent weapon in the hands of someone who—like J. Edgar Hoover—wants to discredit or harass people he doesn’t like. As an FBI official at the ABA’s [American Bar Association’s] conference on national security law said recently, in the old days, it would have taken the Bureau thousands of man-hours to collect what it can now download in 2.7 seconds with the help of an Internet search engine like Google.

That is very serious on two levels. First, it gives the government an enormous, and essentially unchecked, capacity to violate liberty and privacy. Second, the sheer volume of this information is likely to swamp analysts with more information than they can possibly comprehend. What we are developing here, it seems to me, is the fiber-optic equivalent of the Alaska pipeline, connecting Federal agencies, and then feeding police departments, FBI field offices, the Border Patrol, and all the rest. When this gets going, tens of thousands of government employees are going to have computerized access to this material, with little to prevent them from looking up their friends and neighbors, or personal enemies. We will have not developed audit trails to find out who is poking around in these files without authority; and, even if we do, the hacking will get out of control.

Remember the FBI’s first watch list after Sept. 11, which the *Wall Street Journal* examined? The FBI meant it simply as a list of “persons of interest”—people it wanted to interview. But it sent the list to the security departments of gambling casinos, airlines, travel agencies, and credit card companies. They shared it with others, and soon it became 50 lists,

not of persons to question, but alleged terrorists.

**EIR:** Do you anticipate any problems with the quality of this intelligence?

**Pyle:** Yes, there is another aspect of this inter-agency pipeline that bothers me, and this comes from reading 15 volumes of intelligence reports on, of all groups, the Church of Scientology. You might call it the “confirmed rumor problem.” The same thing may have happened to you in the LaRouche group. A rumor would develop in France about the Church. It would be put in a Surété report and sent to Interpol, or to Britain’s MI6. These agencies would then rewrite the report, leaving off its source, as they were instructed to do, and would send it down their pipelines to MI5, or the FBI, the CIA, or German intelligence. These reports would circulate through the pipeline, settle in each agency’s archive, and come out to confirm each other. Thus a mere rumor would, through extensive circulating, become common knowledge, “known” to everyone.

The result was very bad intelligence, which wasted an enormous amount of time, and made life miserable for innocent people who have the misfortune to be caught up in this information maelstrom.

**EIR:** What are the implications of the Poindexter Plan for the military’s duty, under the Posse Comitatus Act, to keep out of civilian law enforcement?

**Pyle:** Serious. Someone needs to look very closely at the Army’s new Northern Command (NORTHCOM). It is supposed to back up police departments and the Federal Emergency Management Agency (FEMA) by providing perimeter security, disaster relief, and vaccinations in case of a terrorist attack. But it is planning to hire 150 intelligence analysts—more than it is ever likely to need if it takes its orders, information, and direction from civilian agencies. That intelligence staff looks like an over-reaction just waiting to happen.

For example, back in the 1960s, the Army was told to be ready to put down riots and protests if they exceeded the capacities of the police and state-led Guard units. But no one told the Continental Army Command that it did not need to know the identity of a single rioter or protester in order to do its job, which was to clear streets and enforce curfews. Driven by vivid imaginations and over-zealous anti-Communism, Army Intelligence presumed that if there was a riot or a demonstration, then some conspiracy must be behind it. The military police produced a remarkable training film that shows sinister Communists in the windows of apartment buildings, radioing instructions to agitators in the street below. And then a phalanx of military police, in crisp uniforms and fixed bayonets, marches forward and drives the Commies from the streets, while counter-intelligence agents race up stairwells to capture the evil organizers. It was utter fantasy! Nothing remotely like it had ever happened, but Army intelligence

wasn't taking any chances.

That kind of over-reaction could happen again, as gung-ho military commanders with no sense of history or protest politics, imagine conspiracies behind every crowd of anti-war protesters in the near future.

But once the military begins to think that it has to identify anyone who might engage in a protest or riot, it will again cross the line into law enforcement. It will violate the Posse Comitatus Act.

Reconsideration of that law has been proposed by Senator John Warner (R-Va.), and by General Bernard Eberhardt of NORTHCOM. Defense Secretary Rumsfeld and his lawyers are opposed, if only because they don't want the military to be expected to provide free services to civilian law enforcement on a routine basis. The Posse Comitatus Act protects the military from being presumed upon, far more than it protects civilians from the militarization of law enforcement. Politicians are always looking for a quick fix, so they are willing to break down the wall that separates military and civilian power.

**EIR:** To listen to Senators berate the FBI for trying to maintain its law enforcement focus, you would think that the domestic intelligence abuses of the 1960s never happened, and were never exposed by Senator [Frank] Church's committee in the 1970s.

**Pyle:** Yes. It's amazing, but the half-life of scandals these days is very short. What seems so vivid to those of us who worked for the Church Committee, or for Senator Ervin's Subcommittee on Constitutional Rights, is ancient history to most Americans today. Take the Army, for example. My disclosures, and Senator Ervin's hearings in the early 1970s, were the source of excruciating embarrassment. The Pentagon had to abolish the entire U.S. Army Intelligence Command and to destroy all of its files on domestic politics. Today, however, most officers don't even know that happened.

Some of the Pentagon's lawyers remember, but they are confined to the top of the system—which is no hierarchy. The problem with the Army's spying in the 1960s is that it did not start at the top. It started within the intelligence bureaucracy and operated quietly there for years. The Secretary of the Army did not know the scale of that surveillance, or the extent to which his people were collecting, instead of receiving, information about lawful civilian politics. When Secretary Stanley Resor learned the truth early in 1969, he saw the potential for embarrassment and tried to shut the operation down. He asked the incoming Nixon Justice Department to

stop the spying. His letter went to William H. Rehnquist, then an assistant attorney general. Rehnquist conveyed the request to Attorney General John Mitchell, and he turned it down. As a result, the Army was severely embarrassed when my first article disclosed the surveillance in January 1970.

### **'A Requiem for the Fourth Amendment'**

**EIR:** At the ABA conference [on Nov. 20], one panelist, a former General Counsel for the National Security Agency, accused William Safire of the *New York Times* of exaggerating the threat posed by the Poindexter Plan. Did Safire exaggerate?

**Pyle:** I think Safire described what would happen if Poindexter's plan comes to fruition. Of course, it hasn't gone into effect yet. Cooler heads may prevail. Or, members of Congress may torpedo the program the way Rep. Dick Armev sank Ashcroft's TIPS program (of citizen informants).

What impressed me most about that ABA panel was: Here we have a bunch of government people who are eager to catch terrorists any way they can. They have been developing a new technology of data mining to do it, but are beginning to realize the danger that data mining poses to liberty and privacy. Back in the 1970s, nobody in the FBI worried about rights of privacy, or civil liberty. But these people were worried. It was like they had been to the future and found it frightening, so they were talking about the need for safeguards.

Of course, the safeguards they have in mind are administrative, not judicial. The oversight they want would also be more administrative than Congressional. But they seemed to recognize the need to do something before we all lose out to this new version of Big Brother.

Curiously, I found myself almost agreeing with them. Administrative safeguards may be the most effective. The Fourth Amendment, as a mandate for judicial supervision of government investigators, is dead. It has been eroded from all sides by Congress, the executive, and our increasingly conservative judiciary. Moreover, the information revolution has rendered most privacy protections obsolete. One of these days we should have a Requiem Mass for the Fourth Amendment.

**EIR:** Isn't it true that most administrative measures to limit investigative zeal were adopted to head off restrictive legislation?

**Pyle:** Yes. The Attorney General's Guidelines on Domestic Surveillance, adopted in 1976, were meant to obviate the need for an FBI Charter that Senator Church's committee was proposing. But Congress has itself defeated efforts to restrict government investigators. The Crime Control Act of 1968 watered down the Fourth Amendment's warrant requirement. The Foreign Intelligence Surveillance Act of 1978 (FISA) watered it down even further. And now the FISA Court of Review has demolished the wall of separation that the FISA court and the FBI had erected between intelligence work and criminal investigations.

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When the FISA statute was negotiated, the focus was on facilitating FBI efforts to counter the work of foreign intelligence agents, most of them working out of embassies. The FBI rarely prosecuted foreign intelligence agents; it tried to turn them into double agents or simply expelled them. So it made sense to preserve some remnant of the Fourth Amendment standards for criminal investigations, by not letting criminal investigators direct intelligence operations.

But now our chief problem is terrorists. We need intelligence to prevent their crimes from happening, and we want evidence to put them behind bars. And so the impetus is to break down the last remnants of the old Fourth Amendment wall and allow criminal investigations to be as invasive of privacy as intelligence operations.

The FISA court's wall of separation was like the exclusionary evidence rule. It gave the gummy Fourth Amendment a little bite. But the regime in power today, like its conservative judges, has never liked the exclusionary rule. It has never liked the idea that there should be legal limits on how the government obtains the evidence it uses to prosecute "bad guys."

### **New Name for 'Subversive' Is 'Terrorist'**

**EIR:** But the FISA Review Court ruled that the distinction between intelligence and law enforcement was never intended by Congress—that it was an arbitrary, bureaucratic measure.

**Pyle:** I testified against the FISA statute precisely because it undermined the distinction between intelligence and law enforcement enshrined in the Fourth Amendment. The resulting law was a compromise between civil libertarians and counter-spies. It allowed the Attorney General to do an end run on the Fourth Amendment's warrant clause, but only when the target of the investigation is a foreign power, or one of its agents.

With all due respect, the three judges on the FISA Review Court have no institutional memory at all. Indeed, they have no institutional existence. They came together once, to decide one case. By contrast, the seven-member FISA court has a long institutional memory. So, too, do some FBI and Justice Department people, who appreciate the need to keep intelligence from watering down the privacy protections of the Fourth Amendment, if only to save the FBI from repeating the abuses of the Hoover era, when domestic intelligence operations gobbled up much time and energy.

But now we are in a new era. Congress, and to a lesser extent the public, wants to start up the old Hoover vacuum cleaner. In Hoover's day the target was "subversives"—people so evil, we were told, that they did not deserve the protections that the Constitution grants us all. Now the target is "terrorists"—people so evil that the President and Attorney General say they don't deserve Constitutional protections.

And so history seems primed to repeat itself. Only later will we discover that the term "terrorist" is as imprecise and political-freighted, as "subversive" was during the Cold War.

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## Military Transformation

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# The Future of Warfare, or Recipe for Disaster?

by Carl Osgood

The current direction of U.S. military strategy was signaled by a September 1999 campaign speech that George Bush delivered at The Citadel military school in South Carolina. The Presidential candidate said, "Power is increasingly defined, not by mass or size, but by mobility and swiftness. Influence is measured in information, safety is gained in stealth, and force is projected on the long arc of precision-guided weapons." Armed with what they believe to be the reasons for U.S. military success in Afghanistan, the civilian leadership of Bush's Department of Defense has pressed on with military reform exactly as Bush had indicated in that speech. Reports had it, at the time, that that speech was composed by protégés of Andrew Marshall, the director of the Pentagon's Office of Net Assessment. Marshall, who has been ensconced there since about 1975, is well known as a proponent of the revolution in military affairs.

The progress of the current effort was assessed at the recent annual conference of the Center for Naval Analyses, a government-funded think-tank that works primarily for the U.S. Navy. With one exception, the underlying assumption of most speakers was that the trends since the 1989 invasion of Panama, provide the pattern for future operations. This was explicitly stated by Rear Adm. David McDevitt (ret.), CNA's director of strategic studies. He described the major military operations of the last 13 years as operational successes which "may be a plausible template for trying to forecast future operations." It was left to former NATO commander Gen. Wesley Clark (ret.) to point out that some of these so-called successes were, perhaps, not so successful: Haiti, today, after a U.S. intervention that lasted several years, has no economy; Bosnia is still split between Muslims and radical nationalist Serbs; and violence is still commonplace in Kosovo.

The keynote was given by Vice Adm. Arthur Cebrowski (ret.), the director of the Pentagon's Office of Force Transformation, and a key spokesman for information age warfare. He waxed eloquent on "network-centric warfare," where all of the components—air, land, and sea—are linked to each other and to ground-, air- and space-based sensors, so that everybody has the same picture of "the battlespace." This applies to a world where the threat context has broadened, where enemies can be "non-state, non-nodal," and which can-

not be deterred in the normal sense. The power for meeting these threats comes from information technology.

The crux, for Cebrowski, is, what is the military meant to do? It is, he said, to “provide an element of stability, so that your economic, political, and social tools work.” Stability also means the ability to prevent the use of weapons of mass destruction. In contrast to the Cold War definition, deterrence, he said, “has to be based on prevention,” including that “we move on ambiguous warning, earlier.” In other words, “we have to move from an offensive/punitive force to one that is preventive.” He admitted, however, that there is a surveillance problem. So-called weapons of mass destruction are difficult to detect, hence requiring the development of a “surveillance-based counter-weapons of mass destruction force.”

### **Fighting War the Wal-Mart Way**

The conference also heard from a key critic of the entire transformation effort, Lt. Gen. Paul Van Riper, who retired as head of the Marine Corps Combat Development command in 1997. In his assessment of transformation, the Joint Staff and U.S. Joint Forces Command are focussed on the form and appearance of transformation, but not on substance. He then gave his view of the modern history of military change, defining five periods of history. The first period ran from about 1870 to 1914, from the unification of Germany to the outbreak of the First World War. He said that the military officers of the time studied hard, but got it all wrong. The second period was the inter-war period, from 1920 to 1940, in which we got naval aviation right, but mechanized and air operations wrong. The third period was 1950 to 1965. “We got it absolutely wrong,” he said, as was shown by the Vietnam War. The fourth period ran from 1965 to 1990, which was a result of the lessons of Vietnam. Here, “we got it absolutely right,” he said, as was shown by Desert Storm of 1991. “Today,” he said, “is more analogous to the 1950s.” He called operational net assessment (ONA) one of the key concepts of transformation, “the new systems analysis of today.” When such methods were used in Vietnam, he pointed out, “the computer said we were winning the war.”

Van Riper elaborated on his criticism of operational net assessment, in response to questions. He said that ONA views the enemy as a system of systems, political, economic, social, military and so forth, and then performs what is called a nodal analysis, looking at where those nodes cross each other. “What we’re going to do, is look at the enemy, cut the right node, and have the effect that we want,” he said. “In mechanical systems, that might work,” but no one has ever shown that that has any application in “human systems.”

The job of defending operational net assessment fell to the luncheon speaker, Maj. Gen. Dean Cash, the special assistant to the commander of U.S. Joint Forces Command. Cash began by describing how he went to a “high-altitude thinking clinic,” a group of people who tout infomatics. One of the

companies represented was the giant retailer Wal-Mart. What he said these people were talking about was the ability to manipulate large volumes of information, including subjective data, “to uncover the possibilities. I was watching them discuss investment 10 to 15 years out.” He went on to describe how Wal-Mart was looking at the lessons they learned from Sept. 11, in which they missed the popular run on purchasing U.S. flags in the days after the attacks. He said the goal was to develop the ability to predict possibilities, not necessarily get the answer. “To be predictive in the possibilities,” he said. “I’m very into that.”

Cash admitted that, during the July 15-Aug. 15, 2002 Millennium Challenge joint military experiment, the operational net assessment that was employed, did not work as well as was hoped. The assessment failed to anticipate the actions by the opposing “red force” commander, to bypass the technology advantages of the blue force, or “Americans.” The person playing the opposing force commander was none other than General Van Riper, who did things such as delivering orders to field forces by motorcycle, and through the morning prayer calls. He even was able to overwhelm the blue naval task force and send it to the bottom of the sea by comparable methods. None of those actions were anticipated by the ONA. Cash noted that the ONA put together for Millennium Challenge was a surrogate ONA. “We’re investing in making it much more robust,” he said, but rather than starting from scratch, “let’s tag off of what Wal-Mart is doing.” (It is worth noting that Cash, aside from attempting to answer Van Riper’s criticisms, was also playing up to the Office of Net Assessment’s Marshall, whose presence in the audience had earlier been acknowledged from the dais.)

That kind of thinking will only get people killed. As *EIR* has shown (“Transforming the Military for the Clash of Civilizations,” Aug. 23, 2002), the strategic outlook underlying military transformation is Harvard Prof. Samuel Huntington’s *Clash of Civilizations*,—i.e., it assumes the end of the nation-state era. Even those among the serving and retired military who question the conceptions of military transformation tend to miss that point. A competent military strategy must, instead, be developed on the basis of defending the sovereign nation-state form of republic, as only *EIR* Founder Lyndon LaRouche has defined this. The foundation of the United States, as a sovereign nation-state republic, is the defense of the general welfare, and so, strategic policy is defined by the need to defend the kind of state that provides for the general welfare, not just the United States, but for the world as a whole. LaRouche, in his “A Boldly Modest U.S. Global Mission” (*EIR*, Oct. 11, 2002), LaRouche noted that the evidence of President Bush’s *U.S. National Security Strategy for the United States of America*, released in September, suggests that Bush “appears to have no conception of the meaning of the term ‘sovereign nation-state republic.’” Apparently, neither do many people participating in the military transformation debate.

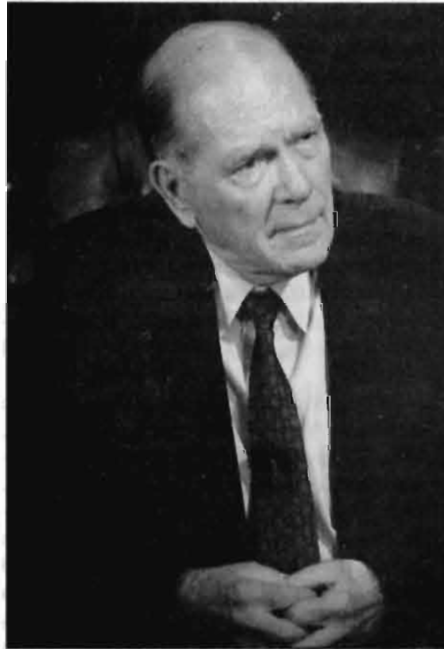
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# National News

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## What Happened To Pelosi: Columnist

"Who sucked the life out of [Rep.] Nancy Pelosi?" asked syndicated columnist Arianna Huffington in her Nov. 25 column. "Was it 'Meet the Press' or the Sci-Fi Channel?" queried Huffington of the California Democrat's Nov. 24 talk-show appearance. "Nancy Pelosi. . . [the new] House Minority Leader . . . sounded like a character from 'Invasion of the Body Snatchers.'" Huffington compared the the former "bold, combative, impassioned, progressive politician" with the present "soulless pod person—an empty shell mouthing the kind of pallid, inoffensive, focus group-tested and cringe-inducing platitudes that have driven two-thirds of the American electorate away from politics—and a little more than half of the remaining one-third away from the Democratic Party." Huffington cited Pelosi's switch to acquiescence in an Iraq war, after having voted against the use-of-force resolution.

"To hear Pod Pelosi tell it, her leadership role is all about finding the political middle. 'We must seek our common ground with the administration,'" Pelosi told "Meet the Press." Pelosi's communications director, Brendan Daly, explained, "She has got her beliefs. But we are here to win [sic], and she understands that to do that you need to be in the middle."

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## LaRouche Rep At Nevada Economic Forum

The State of Nevada Economic Forum took 10-15 minutes of testimony on Dec. 2, on Lyndon LaRouche's emergency economic infrastructure program, from Ann Reynolds, a leader of the LaRouche movement in the state. Reynolds asserted, "Lyndon LaRouche has a plan that will work." She made what she reported as "a polite, but rather cruel, critique" of the fantasies of economic recovery upon which this body pro-

jected that state revenues would increase by 3.5% in the current fiscal year, 4.6% in 2003-04, and 5.1% in 2004-05. Reynolds scoffed at their proclaimed assumption of "a jobless recovery based on continuing consumer debt," and warned that the demise of the airlines is ominous for Las Vegas. In contrast, Reynolds outlined LaRouche's program for debt reorganization and publicly funded infrastructure building as the only way to get a functioning economy which provides for the general welfare.

The state financial panel "seemed a bit stunned," Reynolds reported, as they had already acknowledged being uncomfortable with their own projections—noting that they had omitted many potentially negative local factors—and now were more uncomfortable, for broader and more reality-oriented reasons.

Reynolds testified via teleconference from Las Vegas. In the capital Santa Fe, Gov. Kenny Guinn and state legislators immediately reacted to the panel's projections. Even with its foolish assumptions of an economic recovery, it punched an \$800 million hole in the budgets which had been planned for the next two years. The squabble is on over which taxes to raise, and which services to cut, the two Las Vegas dailies reported on Dec. 3.

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## Food-Stamp Use Is Rising Nationwide

Between July 2000 and August 2002, usage of food stamps increased by 2.8 million Americans, bringing total participation to 19.7 million. Some 86% of that increase came in the last 17 months—between March 2001 and August 2002—according to a recent report issued by the Center on Budget and Policy Priorities.

Despite claiming "it is not possible" to know "what caused the increase," the authors debunked a few standard myths. For example, seasonal trends of decreased usage in Summer months didn't hold, as usage didn't decline between May and August 2002, "but rather rose to its highest level since April 1998." Changes in eligibility—

i.e., restoring access to legal immigrants and modest benefit improvements—"do not explain the increase," say the CBPP authors, as the "majority of [them] are optional" and could not even be implemented now. Getting to reality, they admit, "Much of the increase in food stamp [use] came as the unemployment rate was rising." The report notes that unemployment "rose steadily through 2001," and "fluctuated in 2002" but stayed in the high 5% range. Yet, the real explosion in usage will be seen as the September and October data become available, as they confess, "Increases in food stamp [use] often occur slightly after the unemployment rate rises," which it did in those two months.

Food stamp caseloads grew by 20% or more in five states: Alaska (20.4%); Arizona (28.5%); Delaware (29.7%); Nevada (30.1%); and Oklahoma (27.1%). There were increases of 15% or more in 11 other states, and rises of 10% or higher in 16 more.

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## Candidate Kerry Doesn't Address Crisis

Newly announced Presidential pre-candidate Sen. John Kerry (D-Mass.) failed to tackle the economic crisis, in a Dec. 3 speech before the Cleveland City Club, billed as a major economic policy address. While Kerry identified economic issues as key, and spoke of a critical moment in our nation's history, he repeated the usual Democratic line that Clinton Administration's economic policies had been successful, and that current economic problems are the result of the Bush Administration's pursuit of tax cuts for the wealthy—an idea discredited by the facts of the nationwide revenue collapse.

Referring to the need to go beyond quoting FDR and JFK, and to actually match their leadership, and demanding "unprecedented" economic reform and revitalization, Kerry proceeded to present the centerpiece of his economic policy proposals as tax cuts of his own: a payroll tax holiday on the first \$10,000 of working Americans' incomes to boost consumer demand; an expanded in-



**HENRY KISSINGER** snarled at Sen. John Kerry's call, on Dec. 1, for him to sever all ties with Kissinger Associates, Inc. due to "linkages that could remain suspect" while he heads the 9/11 investigation. Said Kissinger, to CNN's Wolf Blitzer, "the possibility that the investigation of a commission that contains eight commissioners would be affected by any conceived commercial interests is outrageous. I have served six Presidents, and I have never been accused of anything of this kind!"

**CHENEY'S** boys got more key spots, with the Dec. 2 promotion of the Vice President's collaborator Zalmay Khalilzad, to "special envoy and ambassador at large for free Iraqis," in addition to his job as special envoy to Afghanistan. At the National Security Council, Iran-Contra criminal Elliott Abrams was promoted to director for Near East and North African affairs. This puts Abrams—pardoned on Christmas Eve, 1992 by Bush "41" for his Iran-Contra conviction—in charge of Arab-Israeli issues at the NSC.

**UNEMPLOYMENT'S** average duration is at its highest level in over eight years, as fewer people are finding jobs, even though new claims for unemployment are falling, according to Irwin Kellner of CBS Marketwatch on Dec. 3. Of officially counted unemployed, 36% have been without a job for 15 weeks or more—the highest percentage since 1991—while those without work for 27 weeks or more, are at an eight-year high.

**THE PENTAGON** plans to train 2,000 Iraqis in Hungary, to assist in any U.S. invasion of Iraq, revealed Hungarian Defense Minister Ferenc Juhasz at a Budapest press conference Dec. 4. The project, which will include up to 800 U.S. military instructors, is to begin in January. The Iraqis will be trained for tasks such as forward-based target reconnaissance for the artillery, or as military policemen and translators. Their familiarity with Iraq's geography is what the Pentagon wants, media say.

come tax credit that rewards low-income families who are working; a one-time payroll tax break for businesses, tied to creating new jobs or providing raises; an additional tax break for small businesses; and some version of a zero capital gains tax, which is supposed to foster investment in "critical" new technologies.

Kerry also called vaguely for infrastructure maintenance and building, citing the decay of bridges, highways, sewers, and water pollution, and spoke of the need to build high-speed rail where it is "needed and feasible." He called for a national drive for "energy independence," as have legions of others over the years, as a counterpart to President Kennedy's challenge to go into space and to the Moon, saying we have to invent our way out of the problem of energy dependence. Areas for energy development he cited, were the growth of solar, geothermal, and wind technologies—all of low energy-density and efficiency.

## New U.S. Military Ops in Philippines

The Singapore *Straits Times* reported on Dec. 2 that U.S. Defense Secretary Donald Rumsfeld has directed the Pacific Command and Joint Chiefs of Staff to draw up plans for a sequel to the Balikatan-02 counter-terror training mission that American forces carried out on Basilan Island in the southern Philippines earlier this year, and to extend that mission to Jolo, where the Abu Sayyaf terrorist gang is believed to be regrouping.

The new training operation could involve 300-400 American troops, and begin as early as January. It reflects concern that the earlier Balikatan training mission failed to quell such movements. The new operation would shift hundreds of troops scheduled for classroom or routine training in Luzon, to a combat zone in the South, involving American special forces, Army and Marines, over much of next year, unnamed American officials told the paper.

No decisions have been made on the proposal, but Adm. Thomas Fargo, commander of U.S. forces in the Pacific, was due to meet

Rumsfeld in Washington in early December. An unnamed White House official reported that President George W. Bush spoke to Philippines President Gloria Macapagal Arroyo two weeks earlier about terrorism issues. "The Philippine military has asked to extend the Basilan model to Jolo," said an unidentified senior American military official.

## U.S. Clergy Invoke Jesus Against Iraq War

"President Bush: Jesus Changed Your Heart. Now Let Him Change Your Mind," is the headline of a full-page advertisement appearing in the *New York Times* on Dec. 4, which was signed by several hundred American religious leaders.

The signers belonged to the National Council of Churches, to many Catholic dioceses, to the United Methodist Church (George W. Bush's denomination), the Episcopal Church, a number of other Christian denominations, and included rabbis representing many Jewish congregations.

The ad, one of several such recent initiatives by U.S. mainstream religious groups, stresses that "This is not a just war," and that a war against Iraq "will be an unprovoked, pre-emptive attack on a nation which is not threatening the United States. It will violate the UN Charter and set a dangerous precedent for other nations."

The religious leaders remind Bush of his own words: "You have proclaimed the crucial role of your faith in your life, and you've often said that people of faith are often 'our nation's voice of conscience.' Listen to our voices now." The text also quotes the General Secretary of the United Methodist Church's General Board of Church and Society, who says "It is inconceivable that Jesus Christ, our Lord and Savior and the Prince of Peace, would support this proposed attack."

The leaders said they had been rejected when they asked for a meeting with Bush. The group has a website called TrueMajority.com, and calls itself Religious Leaders for Sensible Priorities.

# Kissinger To Head 'New Warren Commission'

America's leading war criminal and confessed toady of the British Royals, Sir Henry A. Kissinger, was appointed on Nov. 27 by President Bush to head the newly created "independent commission" to investigate the Sept. 11 attacks, and determine whether U.S. intelligence failures contributed to the gravest act of irregular war on American soil, since the British sacking of Washington in 1812.

The Kissinger appointment should be a wake-up call to those who oppose a new "Hundred Years' War," as proposed by Sir Henry and his fellow "Wellsian democrats" Zbigniew Brzezinski, Samuel Huntington, and Bernard Lewis.

Lyndon LaRouche fingered Kissinger's own role in the Sept. 11 irregular warfare attack, in a LaRouche in 2004 Presidential campaign special report entitled "Brzezinski and September 11th." Among other details, the LaRouche report documented the policy involvement of Kissinger and Brzezinski in building up the Osama bin Laden network in Afghanistan. Throughout the mid-1990s, Kissinger was a paid lobbyist for Unocal oil company, pressuring the State Department to formally recognize the Taliban government in Afghanistan—so World Bank and other multilateral funding could be obtained to build Unocal's gas pipeline from Central Asia, through Afghanistan to the Pakistani port of Karachi. All the while that Kissinger was lobbying the Clinton Administration, the Taliban regime was safehousing Osama bin Laden and the entire al-Qaeda apparatus.

Of course, as both Kissinger and Brzezinski are well aware, bin Laden was a U.S. asset, indeed a Kissinger-Brzezinski cohort, throughout the 1980s Afghanistan War, when he and the other *mujahideen* were battling the Soviet Red Army, and were paraded around Washington as "freedom fighters," and blessed with billions of dollars in U.S. government aid (to complement the hundreds of billions of dollars in opium and heroin revenue they were hauling in). About the only question that needs to be asked about Osama bin Laden is: Why would anyone assume he ever left the payroll of the dirty Anglo-American intelligence networks associated with such figures as Kissinger?

Commenting on the Kissinger appointment on Nov. 27, LaRouche proposed that patriotic elements within the U.S. intelligence community constitute a "Team B" to conduct an actual truth-seeking effort on the 9/11 case, since no truth will emerge from Henry.

LaRouche also endorsed Sen. John Kerry's (D-Mass.) warnings that Kissinger was a walking conflict of interest, and could not possibly conduct a complete and unbiased probe of possible intelligence failures by U.S. government agencies.

According to a *New York Times* leak on Nov. 28, the Kissinger appointment was shepherded by Vice President Cheney, leader of the Iraq war "Chickenhawks" in the Administration, who foisted it on President Bush. Cheney's office is a center for neo-imperial doctrine, and is contaminated with Likud-run Israeli espionage operations through his chief adviser, Lewis "Scooter" Libby, the former lead attorney for financier and Israeli spook Marc Rich.

The proposal for such a 9/11 independent commission first came from the organized-crime-linked Senate duo of John McCain (R-Ariz.) and Joseph Lieberman (D-Conn.), the biggest Iraq warmongers in the Senate. Their commission is nothing more than a 9/11 version of the Establishment's Warren Commission of 1963-64, which covered up the assassination of President John F. Kennedy. President Bush originally opposed creating a commission of inquiry, but did a rapid reversal after the Nov. 5 election, in return for Lieberman's pushing through the Homeland Security bill.

Lost in all the media hype about the return of Kissinger is one highly embarrassing fact: Presently, Kissinger is the subject of a war crimes proceeding, stemming from his actions in Indochina and Chile, during the Nixon and Ford years. Kissinger has already been forced to alter his travel itinerary, to dodge subpoenas to appear in court in at least five countries; and respected Eastern Establishment figure Lewis Lapham, editor of *Harper's* magazine, has sponsored public tribunals to take evidence of Kissinger's blood-soaked career.

Maureen Dowd, the *New York Times* columnist, summed up the view of many serious people, on hearing of the Kissinger appointment: "He's Baaaaack!!!"

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 • 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  
 Tuesdays—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 am  
 Thursdays—11:30 am

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 • GROTON—Ch. 12  
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 Mondays—9:30 am  
 Thursdays—11:30 am

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

**MASSACHUSETTS**  
 • BRAintree  
 AT&T Ch. 31  
 BELD Ch. 16  
 Tuesdays—8 pm  
 • CAMBRIDGE  
 MediaOne Ch. 10  
 Mondays—4 pm  
 • WORCESTER—Ch.13  
 Tue.—8:30 pm

**MASSACHUSETTS**  
 • BRAintree  
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 BELD Ch. 16  
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 BELD Ch. 16  
 Tuesdays—8 pm  
 • CAMBRIDGE  
 MediaOne Ch. 10  
 Mondays—4 pm  
 • WORCESTER—Ch.13  
 Tue.—8:30 pm

**MINNESOTA**  
 • ANOKA  
 AT&T Ch. 15  
 Mon.—4 pm & 11 pm  
 • BURNSVILLE/EGAN  
 AT&T 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  
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 Wednesdays—5 pm  
 • COLUMBIA HTS.  
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 • FRIDLEY  
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 Thursdays—5:30 pm  
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 • MINNEAPOLIS  
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 • PROCTOR/  
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 Tue. btw. 5 pm-1 am  
 • ST.CLOUD AREA  
 Charter Ch.10  
 Astound Ch.12  
 Thursdays—8 pm  
 • ST.CROIX VLY.  
 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  
 SOUTH WASHINGTON  
 ATT Ch.14—1:30 pm  
 Mon, Tue, Wed, Thu

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

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 Citizen Watchdog  
 Tuesdays—7 pm  
 Wednesdays—10 pm

**NEVADA**  
 • CARSON—Ch.10  
 Wednesdays—7 pm  
 Thursdays—3 pm  
 • RENO/SPARKS  
 Charter Ch.16  
 Fridays—9 pm  
**NEW JERSEY**  
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 Sat.—8 am (Ch.34)  
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 Thu.—9 pm (Ch.78)  
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 • TRI-LAKES  
 Adelphia Ch. 2  
 Sun: 7 am, 1 pm, 8 pm  
 • WEBSTER—Ch.12  
 Wednesdays—9 pm

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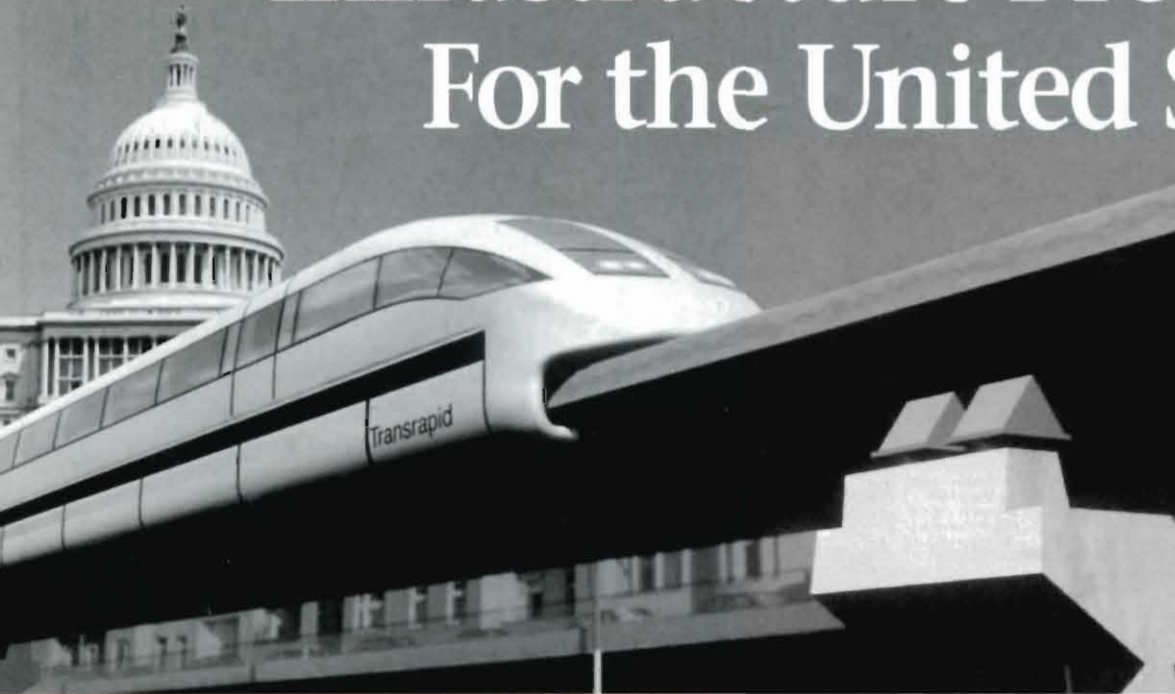
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 Penfield Comm. TV\*  
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Biggest National Security  
Threat of All  
Campaign for Nation-  
Building  
President Must Act 'In an  
FDR Fashion'  
Italy Parliament  
Breakthrough for  
LaRouche's New Bretton  
Woods Drive  
The Emergency Rail-  
Building Program in the  
2002 Mid-Term Elections