

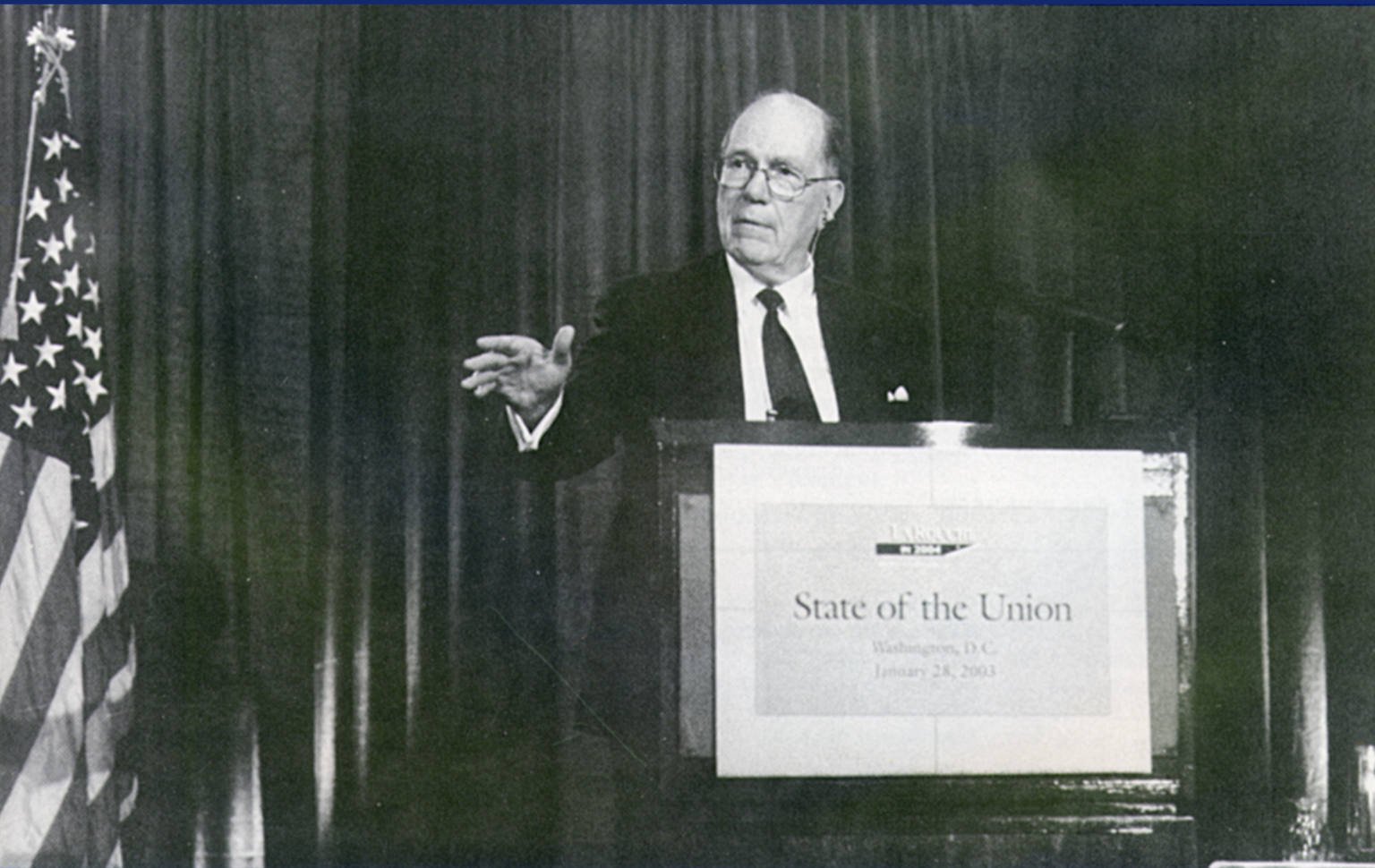
EIR

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'On the Subjects Of Economy and Security'



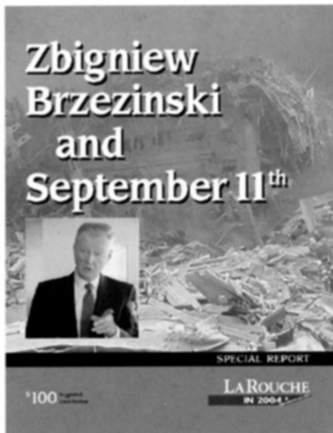
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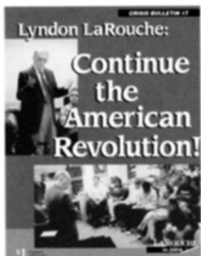
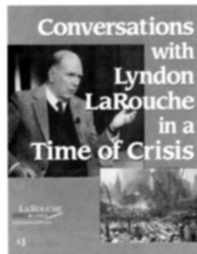
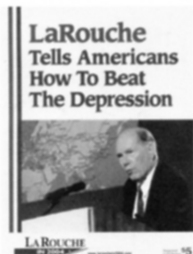
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From the Associate Editor

LLyndon LaRouche delivered one of the most historic speeches of his long and distinguished career in public life, in his State of the Union speech on Jan. 28. From the Bush team's last-minute "damage control" revision of the President's own State of the Union speech, delivered several hours later (see article, p. 14); to the diplomats and international journalists firing off e-mails to their home countries; to the online viewers in the world's corridors of power and among ordinary citizens—the shockwaves from the speech are spreading out, and will be doing so for a long time to come.

One telling report of the webcast's impact comes from LaRouche Youth Movement organizers in Rennes, France, who assembled a 39-person meeting to view the webcast, on just a few days' notice. "It is an attendance breakthrough here," they report, "and it really shows how we have a totally open situation in front of us. It is as though we stand in front of a devastated town burned down by barbarians. Everything is silent but for the whisper of smoking wood; there is no life, nothing moving, but the flickering flames of a dying fire. Now, it's time to rebuild! There are *no* limits. . . . If we move our a—s, the greatest Renaissance is going to take off really fast."

LaRouche's intervention comes at one of the most dangerous times in history, with the dollar system hanging by a thread, and the Clash of Civilizations faction in a countdown for war against Iraq. See our guest editorial commentary by Max Kohnstamm, for an eloquent appeal to Europeans to do *more*, to prevent a strategically disastrous war.

In the next days, the Bush Administration says it will make public "its evidence" against Saddam Hussein, and the screws are being turned to force allied countries into a war coalition. But, as LaRouche demonstrates in his speech, *Iraq is not the issue*. The drive for war has nothing to do with Iraq, Saddam, or weapons of mass destruction. It is a policy devised long before Sept. 11, 2001, by the likes of Britain's Bernard Lewis and Harvard's Samuel Huntington, to transform the *United States* into an imperial power. And therefore, the key to peace is not what Saddam does or doesn't do, but what political transformation can be brought about in the United States itself. Yes, even with the incumbent President.



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The full text of Lyndon LaRouche's Jan. 28 webcast address. "I have a singular responsibility because of my knowledge," said LaRouche, "to present the policies which this incumbent President should be implementing. Our job is to make sure that he gets successfully through the next two years. Don't worry about how to make debater's points against him. His tragedy, his downfall, would be this nation's downfall, and your downfall. Start thinking as citizens.

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First Casualty of an Iraq War Will Be the U.S. Dollar

by Edward Spannaus

While President George W. Bush thinks he's going to war in the Middle East, he's being warned that the U.S. economy may not come back. U.S. forces may return, but the dollar won't. This is the admonition that has been directed at the United States from a number of sources recently.

The threat to the dollar results, of course, from a long-term process, reflecting what Lyndon LaRouche has identified as the 35-year transformation of the United States from a producer society to a consumer society. The dollar's decline has accelerated in recent months, and it is now in its worst fall against European currencies since 1987. The point that is being made to the President, is that if he marches off to war in defiance of the rest of the world, he will face a sharply-increased capital flight out of U.S. markets, and should not expect much help in bailing out the dollar when it crashes.

While a unilateral U.S. attack on Iraq could detonate a precipitous fall of the dollar, the attack would not be the cause of the problem. While market commentators have their excuse-of-the-day as to why the markets continue to collapse, David Coxe, the chairman and chief strategist for the Bank of Montreal's Harris Investment Management in Chicago, says correctly that one can't blame all of the financial markets' current problems on nervousness over an Iraq war. "Iraq is the excuse everyone is using," Coxe said. "But I would assign it no more than a 10% weighting of what is really wrong with our economy and our stock market."

Living Off the Rest of the World

The U.S. current-account deficit—what the United States owes the rest of the world because of trade and financial imbalances—is the largest in world history. It is officially estimated at \$500 billion for 2002, and anticipated to rise to \$600 billion in 2003. (*EIR* regards these official estimates as understated.) Presently, financing this deficit requires a capi-

tal inflow of at least \$1.9 billion *every trading day*.

Prior to the scuttling of the Bretton Woods monetary system in 1971-72, no country was permitted to run up such a huge imbalance; a much smaller imbalance would trigger what was then called a "balance of payments" crisis, and the offending country would have to settle up. But since the dollar is no longer linked to gold, nor pegged to a fixed exchange rate, the United States has been free to run up a massive deficit and flood the world with dollars.

The physical reality underlying this, is that the post-industrial United States economy produces far less—in real terms—than it used to. About 80% of the current-account deficit consists of the trade deficit, the excess of imports over exports. What we used to manufacture, we now import. We have been living off the rest of the world, much of which produces the things that we consume, under slave-labor conditions. And American consumers have been paying for this flood of imports, with the greatest consumer debt bubble ever created. Now, the day of reckoning is rapidly approaching.

A fitting metaphor for this mess—as well as a demonstration of the absurdity of President Bush's so-called "stimulus" program—was what happened when he was scheduled to give a speech at a warehouse in St. Louis on Jan. 22, touting the supposed job-creating benefits of his tax cuts. The President's remarks were to be delivered against a backdrop of a huge stack of cartons, as befitting a warehouse. But before the television cameras could be turned on, someone had to put tape on all the boxes, to cover over the "Made in China" markings.

Now, let's look at recent developments. The dollar is down, by some estimates, about 20% when measured against a basket of currencies over the past year. (It is far more, if properly measured against hard commodities, and about 30% against gold.) For foreign investors, this depreciation magnifies their losses in the U.S. stock market; for example, while

the Dow is down about 18% over the past year in dollar terms, that represents a loss of 27% in Japanese yen, and 35% in euros.

Now, consider again the \$1.9 billion needed every day to finance the U.S. economy's profligacy. Where is it going to come from? Europeans have become net sellers of U.S. securities over the past year. Taking note of this phenomenon, the *Wall Street Journal* ran a major story on Jan. 20 entitled, "Sliding Dollar's Fate May Be Decided in Asia." The *Journal* noted that Japanese, Chinese, and other Asians have now become the largest overseas investors in U.S. securities, in terms of net new money pumped into U.S. stocks and bonds. Last year, Asians accounted for 40% of the foreign-investment flows into the United States, somewhat counterbalancing Europe's pullback.

The question asked by the *Journal* is, how much longer can this Asian support for the dollar last? Asian central bankers are beginning to move into other currencies, especially the euro, and also into gold, whose price has jumped by 31% since Sept. 11, 2001. "If Asians pull back from investing in the U.S., there isn't much else to support the dollar," warned an economist at Morgan Stanley investment bank.

Russian, Chinese, Other Warnings

Meanwhile, ominous signs for the future of the dollar have come out in statements by both the Russian and Chinese central banks. On Jan. 25, the Russian Central Bank announced that it now has "no less than 50%" of its reserves—which amount to almost \$50 billion—invested in dollar assets. But this is going to change: The Central Bank said that it will cut its share of dollar-denominated assets, and instead buy euros, British pounds, or Swiss francs.

Two days earlier, Zhu Min, general manager of the Bank of China—one of the world's top 30 banks, with \$400 billion in assets—warned that the purchase of dollar-denominated investments on a large scale, by China and the nations of Asia, may not be sustainable. Because of its huge trade surplus with the United States, China is paid for its American exports in dollars, and then normally buys U.S. Treasury securities (and other instruments), bringing the dollars back into the United States. China has become one of the world's five largest holders of U.S. Treasury securities.

Speaking at the World Economic Forum in Davos, Switzerland, Zhu explained that "Asia has been exporting to the U.S. and buying U.S. Treasury bills, and so far everybody has been happy. But I don't think it [the U.S. current account deficit] is sustainable. Dependence on Asian flows to sustain the deficit is not healthy." "I think this year the foreign exchange regime will be very much volatile," he added.

A City of London financial source told *EIR* that the Russian and Chinese statements were not statements of intent, but announcements of ongoing operations; he called this is a chief reason for the dollar's dive. "The dollar will continue to weaken," the source said. "There are central bank sellers about. My reading, is that what we heard the other day from

the Russian Central Bank, is not something for the future, but was a statement made, after they have begun to move out of the dollar. That is probably one of the reasons for the dollar loss in respect to the euro. The Russians know the Iraq war is brewing, and, by doing this, they can exert some pressure, while making moves to ensure that their holdings are not hostage to an American action in event of war. All this suggests that the Russians are taking a harder line respecting [war in] Iraq than some had thought. The same goes for the Chinese."

The Danger for President Bush

This brings us to the recent warnings about the effect that a unilateral U.S. launching of war on Iraq, will have on the dollar's fortunes. This point was made with particular force in the Jan. 26 Sunday *Observer* of London, by its senior commentator Will Hutton. Because of the weakness of the U.S. economy and the threat to the dollar, the United States needs multilateral support for an Iraq war even more *economically* than militarily and diplomatically, Hutton wrote. "The United States' military capacity may allow unilateralism; its soft economic underbelly . . . does not." He argued, that "The multilateralism that Bush scorns is, in truth, an economic necessity," and noted that while the United States may be a military superpower, "it is a strategic position built on economic sand."

Hutton noted the massive U.S. indebtedness to the rest of the world, citing net liabilities of more than \$2.7 trillion—nearly 30% of GDP—which puts the United States at a Latin American, basket-case level. Pointing out, as we have shown above, that this makes the United States dependent on a substantial flow of foreign capital into American markets, Hutton noted with some irony: "The Old Europe that Donald Rumsfeld mocked last week has been helping to prop up the U.S. economy."

Hutton's commentary concluded that if the United States and Britain go to war without support of key members of the UN Security Council like France and China, the flow of dollars from abroad into America will slow down dramatically, and there will be a stampede of foreigners trying to sell. If the war is prolonged, or the post-war situation unstable, the pressure on Wall Street and the dollar would be severe, and "Bush might even have to turn to his despised European allies to ask for a multibillion-euro support package for the dollar, because they hold the only currency capable of shouldering the burden."

Another version of the same scenario was posed in a Jan. 25 Dow Jones story, which warned that a prolonged Iraq war could set off a vicious downward spiral in the markets, in which foreign investors liquidate their dollar holdings. The story noted the fact that Russian and Asian central banks are already beginning to dump dollars.

Business Week Online on Jan. 31 predicted that the biggest danger facing the U.S. economy "is that war could turn the dollar decline into a rout." It noted that the economy "is ex-

tremely vulnerable to a dollar decline, since America has never been so dependent on foreign capital,” and added, “The threat that war may spark a run on the dollar is the largest macroeconomic threat to the economy.”

President Bush, take heed.

Global Jobless Rise Is Grim Sign of Depression

by Paul Gallagher

“The world employment situation is deteriorating dramatically,” announced the International Labor Organization’s general secretary, Juan Somavia, on Jan. 24; he released a new ILO report which made his somber judgment into an understatement. “A full-scale global recession,” said Somavia, “could have grave consequences for the social and political stability of large parts of the world.” Joblessness is growing so quickly worldwide that a depression is clearly under way and deepening. *Only* a planetary mobilization of great projects of new economic infrastructure—from continent-spanning land-bridges to sewage treatment facilities and hospitals—could bring the job-creation Mr. Somavia estimated was necessary over the next decade to reverse the employment collapse.

“While tens of millions of people are joining the ranks of the unemployment or working poor,” Somavia said, describing the period since early 2000, “uncertain prospects for a global economic recovery make a reversal of this trend unlikely in 2003. . . . Unemployment began to grow when the information and computer technology (ICT) bubble burst in early 2001.”

Global Unemployment Rate Incalculable

The trend which the ILO refers to has actually had the sudden characteristics of a collapse. Between measurement points in the second half of 2000 and the second half of 2002, the number of *officially* unemployed workers counted in the world jumped from 160 million to 180 million, increasing 6.5% each year; the official number could easily reach 200 million by the end of 2003. At the same time, the depression reversed a previous slight reduction of “working poverty”: the ILO’s count of workers earning less than \$1 per day, around the world, grew to 570 million—not including the 180 million officially unemployed—by 2002.

Official unemployment has risen the fastest, of all regions of the world, in Latin America and the Caribbean: the ILO’s estimated unemployment rate for that entire continent is now at 10%. Estimated unemployment rates for major regions of the world (**Table 1**) show that only in Asia are there groups of nations below 6% official unemployment—and the ILO

TABLE 1

Worldwide Official Unemployment Rates

Region	Unemployment Rate
Asia Pacific	3.8%
East Asia	3.2%
Southeast Asia	6.0%
South Asia	3.4%
Industrial Countries	6.1%
Latin America	9.7%
Mideast/North Africa	17.9%
Sub-Saharan Africa	13.7%
Transition Economies	13.5%
World	180 Million Unemployed

Source: International Labor Organization, *Global Employment Trends*, January 2003.

warns that for many Asian countries including China, these rates greatly understate real unemployment.

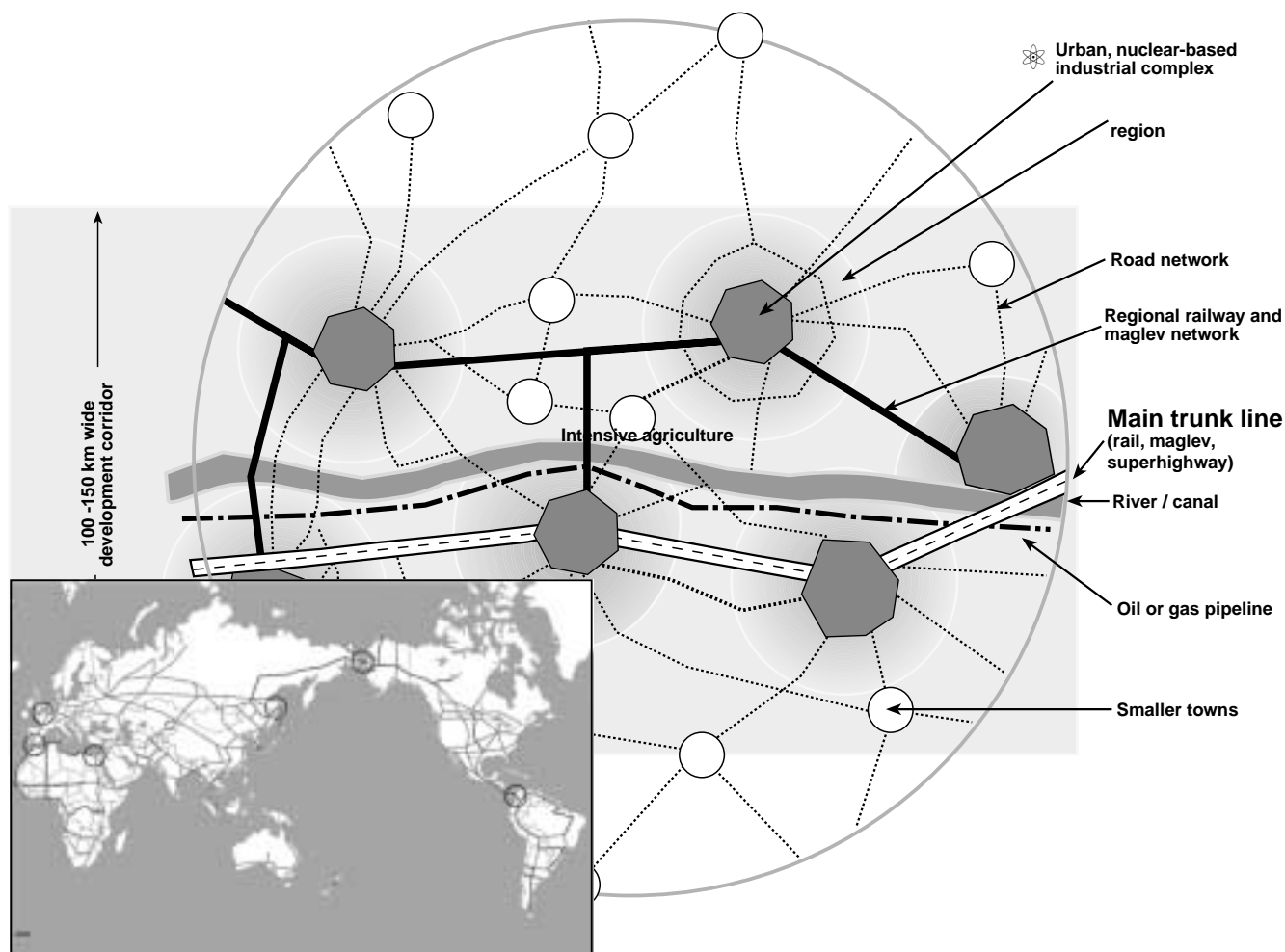
Such increases in unemployment and poverty in the world’s workforces completely give the lie to reports of economic “growth,” no matter how small, coming from the International Monetary Fund and other agencies. They show that the 1997-98 so-called “Asian Crises,” followed by the Russian GKO and Brazil crises, the Long Term Capital Management hedge-fund crisis and other supposed “episodes,” actually tracked the descent of the world economy into a deepening depression.

What percentage of the world’s workforce is now unemployed? The ILO did not attempt a global estimate for obvious reasons, since the *rate of increase* was the key. Obviously the *absolute number* of the unemployed is actually much larger than 180 million. In the United States, for example, real unemployment is likely double the official rate because workers who have dropped out of the workforce, or are working part-time, are not counted; worldwide, and especially in the Third World, much larger portions of working-age populations are outside the officially counted workforces, trying to survive in this depression. Under those grim conditions, the size of the human workforce, internationally, is not known. As Somavia put it, “Our measures of unemployment largely address the jobless who have some form of social protection. . . . Even more disturbing is the evidence of worsening conditions in the informal economy of the developing world, where the struggle to survive on poverty wages is getting even tougher.” Certainly the real global unemployment rate, as a percentage of the economically active population, must be approaching 10%; and when the workers earning \$1 per day or less are added, the “working poverty” rate near 40%.

Great Projects of Job Creation

Most important was the estimate given by the ILO for the rate of job *creation* which is needed in order to turn around

A Land-Bridge Corridor Of Development



50-100 million new jobs a year needed? “Development corridors” along new continental land-bridges, are the only economic-infrastructure context in which this could take place. Agreements among nations for large-scale credit creation for job creation—a New Bretton Woods system—are the way to launch such projects.

this collapse, over the decade beginning now. Simply in order to reverse the recent sharp rise in global unemployment and absorb new workers into employment over the next ten years, 500 million new jobs will be necessary—50 million per year. But to tackle the vast problem of “extreme working poverty,” as the ILO terms it—the 570 million working for \$1 per day or worse—requires much more. The Organization forecasts that to reduce world unemployment and “get on track for the UN goal of halving extreme poverty by 2015,” the creation of *1 billion jobs in a decade* will be required.

There is only one possible path to creation of 100 million new jobs per year which increase labor skills and reduce poverty. That path is a “New Bretton Woods” agreement among nations to issue large-scale, low-interest and long-term credits for great projects of infrastructure development. The many state rail and water projects initiated, almost si-

multaneously, by China in the past few years, may be taken as an exemplar: The new magnetic-levitation railroads it is putting on the map are mobilizing new workers and require new skills.

Scale those efforts up to the development of the required new Land-Bridges for the entire world (**Figure 1**). Each can be a development corridor, not merely a new railroad, and be combined with the urgent development of new water resources worldwide with the most modern water management and reclamation methods. New cities will grow in the corridors.

The Chinese projects have been done, to now, by mobilizing the country’s national savings—the global mobilization requires job creation through credit-creation by treaty and trade agreement, in Presidential candidate Lyndon LaRouche’s widely-circulated policy.

Panic Spreads Through Europe's Insurance Firms

by Alexander Hartmann

As stock markets worldwide have plunged back to the multi-year lows reached in Autumn 2002, the reserves of insurance companies and pension funds across Europe have melted down below legal requirements, forcing them to sell even more stocks to limit losses for their clients. The precarious situation of those insurers and pension funds became a self-feeding spiral in the last week of January. On Jan. 27, the British Financial Services Authority (FSA), an independent body given statutory powers by the Financial Services and Market Act of 2000, to regulate the financial services business in the United Kingdom, was forced to tell “embattled life insurers” that they would be allowed to “temporarily disregard solvency requirements,” according to the *London Times*.

That day, owners of insurance stocks had hit the panic button and sent the stock prices of the top European insurance firms like Allianz, Munich Re, Swiss Life, Swiss Re, ING, and Aegon down by 6% to 8%. Most dramatic was the situation in Britain, where the FTSE index on Jan. 27 fell for the 11th consecutive trading day, something that had never happened since the index was created in 1983. Of the FTSE's 100 companies, only one rose and 99 fell. London's big Prudential Life Assurance and Aviva Insurance each lost 7%.

London *Guardian* columnist Larry Elliott warned on Jan. 28 that “In the City, reports were rife that insurance companies were selling shares to shore up their shaky financial position.” Concerns were that the FTSE had fallen through the 3,500 level, which FSA chairman “Sir Howard Davies has highlighted in the past as a possible flashpoint.”

The Self-Feeding Spiral

The British insurance companies, like those in most nations, collect premiums from individuals or firms, and invest them in stocks, bonds, or other investment outlets. From the “booming” 1990s, most insurance companies had portfolios that were heavily weighted toward stocks. But, between December 1999 and Jan. 27, 2003, the FTSE 100 has fallen in half. As well, many property and casualty insurance companies, regardless of country of origin, suffered heavy losses in the Sept. 11, 2001 destruction of the World Trade Center buildings, and in the European floods of 2002. As of October 2002, insurance industry analysts had estimated that European insurers had lost more than \$98 billion in capital over the preceding year. Through Jan. 27, the fall in stocks has wiped out further capital.

Furthermore, many insurance companies can only write

policies against a certain level of reserves. If their reserve levels fall, they cannot write new policies, and may have to cut back on old policies. When they reduce the level of policies, they reduce the level of premiums they collect, and set a vicious cycle into motion.

The *London Times* was obviously strongly affected by the panic that spread in the City, reporting and commenting on events in three articles and an editorial on Jan. 28. Under its lead economic headline “Looking into the abyss,” the paper wrote: “Insurers’ shares dived on growing fears for their solvency and concerns that they will be forced to dump equities into a falling market. . . . As plunging markets fuelled anxieties over the threat of failure by financial institutions, the Government, Bank of England, and Financial Services Authority faced a chorus of demands for action.”

According to the *Times*, the FSA told insurers to “temporarily disregard solvency requirements,” to avoid selling off their stocks and worsening the crisis. The FSA further announced that “emergency contingency plans had been drawn up to deal with further market falls,” but refused to outline details. Additional measures would probably not be taken “unless there was a systemic risk to financial stability.” The *Times* then notes: “The Bank of England also faced calls to step in to stem the market’s losses. Officials at the Bank refused to comment and said its role was purely as a lender of last resort.” In his *Guardian* column, Elliott stated: “The FSA last night acknowledged that these were ‘difficult and challenging times for life insurance and their policy holders.’” Elliott said that according to the FSA, “action had already been taken by the [insurance] industry . . . to preserve its solvency. It said that 5.6 bn pounds of new capital had been raised by major insurance companies and 30 bn pounds of with-profit funds [similar to mutual funds] have been closed to new business. In addition, 2.5 bn pounds has been switched out of equities into other assets, such as gilts.” Likely, the Bank of England is also pumping in liquidity.

Times: Break Free-Market Rules!

Apparently, the *Times* feels this is not enough to meet this crisis. The Bank of England has to fight the “panic-spreading dragon” and bail out the British insurance and pension fund business, which owns 40% of all British stocks, demanded *Times* financial editor Graham Searjeant. In an editorial, flanked by features on historic market crashes (the 1720 “South Sea bubble,” the 1845 “railway juggernaut,” and the 1998 Russia, Asia, LTCM dramas), Searjeant notes that in all the previous market meltdowns, central banks stepped in to minimize losses and prevent “general panic.” Searjeant recalled that in 1973 the Bank of England joined the Big Four banks’ financial support group, known as the Lifeboat, which “agreed to break economists’ free market rules, . . . [and] the whole notion of moral hazard, the idea that companies should pay for their own foolish mistakes, was abandoned for the duration.” This is the model for today’s ongoing insurance crisis, the *Times* hopes.

Vicente Fox Government Has Begun To Collapse

by Rubén Cota Meza

Mexico's currency has depreciated by 20% in recent months, since the U.S. dollar and economy is bringing the peso down as it falls. Before the economic, and even physical, disintegration of Argentina began, President Vicente Fox had insisted Mexico was immune to the "contagion" from the South, because Mexico "belongs more to North America." Cementos Mexicanos president Lorenzo Zambrano recently complained grumpily in an interview with the newspaper *El Norte de Monterrey* that, indeed, "We are North America."

It is precisely by virtue of "being North America" that the next wave of the global systemic crisis, whose epicenter is the United States, is now beginning ominously to surface in the Mexican economy. On Jan. 13, Merrill Lynch urged its clients to reduce their investments in Mexico because of, among other reasons, "the high dependency of the Mexican economy on the U.S. economy" which "will not grow on a large scale" this year.

Merrill Lynch's and Bear Stearns' recommendations to their clients who operate in the Latin American markets, to pull back their Mexican investments "in the short term" (from four to six months), is in itself a symptom that "the markets perceive" problems in the country's economic future. Merrill Lynch warns that "there is a weak peso, a restrictive monetary policy coming at a bad time, as well as deterioration in consumer purchases in the first half of the year." Bear Stearns says outright that "Mexico is experiencing political paralysis and industrial deceleration."

"Those nations which have not already plunged into an accelerating process of disintegration, will begin to do so very soon," Lyndon LaRouche forecast, in his Jan. 1 evaluation entitled, "The Weeks of Crisis Before Us." He went on: "The recent official collapse of the value of the U.S. dollar by nearly 20%, was not a reflection of competition between Europe and the U.S.A.; it was a reflection of the presently accelerating collapse of the . . . dollar-denominated world monetary-financial system. One need only consider the scale of financial claims, from around the world, which are denominated in the dollar-system, to see the connections. If the dollar goes, the world monetary-financial system goes."

Capital Flight Points Toward Panic

In the days that followed those recommendations, capital flight began which has forced a constant devaluation of the

peso, at times breaking the "psychological barrier" of 11 pesos to the dollar. The devaluation of the currency has brought out the first symptoms of panic. Jorge Espina Reyes, president of the Coparmex business association, said that "as long as [the exchange rate] doesn't break 11 pesos," the devaluation "is not worrisome"; Espina Reyes called for "an emerging strategy to halt speculative attacks."

Voices from the Congress have echoed the same sentiment. The Finance Committee of the Senate issued a call to investors "not to bet on a greater devaluation" of the peso. Héctor Larios, Committee secretary, said that "there is no reason for concern, given that the floating system has allowed our currency to "reach its own level;" and while the exchange rate may have already reached 11 pesos to the dollar, one must remember that "two years ago, it did the same and then came down to 9 pesos 10 centavos." PRD Senator Demetrio Sodi wrote in the Jan. 17 edition of *El Universal* that "NAFTA is the supreme law of the whole Union, and therefore, government and Mexicans alike have the obligation to comply." PRI Senator Alejandro Gutiérrez, a supporter of electricity privatization and also Secretary of the Senate Finance Committee, declared that, given the peso's undervaluation, this is an "adjustment" that carries the risk of devaluation for the country.

At the same time, analysts and directors of Spanish banks in Mexico, who have a great deal to lose, are also resorting to outlandish acrobatics to come up with optimistic forecasts, to head off an all-out speculative run against the Mexican peso. From the President's offices at Los Pinos, the propagandists of the Fox Presidency are taking advantage of the President's frivolities to distract people's attention with absurdities, as in the recent ridiculous display of an ultrasound image of "Litte Vicente III."

"Given that the central bank will have difficulty controlling the behavior of the exchange rate, the only alternative it has for avoiding the appearance of the inflationary effects of exchange depreciation will be to still further weaken demand by major increases in the interest rate, unless it at some point decides to directly intervene through the sale of foreign exchange," declared analyst Rodolfo Navarrete of the Vector Exchange Agency. The Bank of Mexico should drastically increase the practices of "shorting" [curtailing the overnight lending market] to serve as a "clean and unequivocal signal" to the markets that the objective of a 3% inflation rate this year will be met, urges the Scotia Inverlat Exchange Agency. Banamex, in its turn, suggests that "the peso-dollar and dollar-euro correlation has no long-term conceptual or statistical solidity, but the market has given that correlation solidity in the short term. . . . A statement from the financial authorities would help."

Fox: We Won't Do Anything,

In the face of growing panic, and devaluation pressures, the Fox government has decided to do nothing. Despite expectations, the Bank of Mexico on January 24 left both the "mone-

tary short” and interest rates unchanged. In Davos, Switzerland, Fox and his Finance Minister Francisco Gil Díaz announced there would be no intervention in the markets to sustain parity, nor would the budget be cut; and the objective of 3% inflation, a fiscal deficit of .5% and a GDP growth rate of 3% would be maintained. That is, no change of any sort. “There is no change,” Fox announced, since that system “is a guarantee” to deal with “moments of turbulence or speculation,” and the currency will “attain its real value in that system, competing clearly with other currencies.” Moreover, “currency values are being changed in a very balanced way,” but the status of the Mexican peso “has been much more favorable and has conserved a greater value than the rest of Latin American, and many other world currencies.”

The reality is that the Mexican government thinks it can do nothing to change the current course toward the economic precipice, due to its blind submission to liberal economic dogma. In his speech to the World Economic Forum at Davos, Vicente Fox said that “market-based development policies are currently the target of strong criticism, but this is a time to build, not to destroy. . . . This is not a time to change principles. It is not a time to abandon our commitment to opening the economy, deregulating the markets,” or to abandon “our commitment to the so-called second generation of reforms.”

As for Bank of Mexico Governor Guillermo Ortíz, he prefers to let the course of the Mexican economy be determined by four external variables over which Mexico has no control, with the exception of its marginal position on the UN Security Council, and its also marginal position as an oil exporter. Those four variables are an eventual war with Iraq, the political situation in the Middle East, the future oil price, and the “lack of clarity” in the recovery of the U.S. economy. “It is a complicated panorama, with a high degree of uncertainty. These four factors will determine the behavior of Mexico’s economy,” Ortíz says.

While the Banco de México Governor speaks of a “high degree of uncertainty,” President Fox asserts there will be “no change” in policy because “in some way, we had already considered that this year would be one of uncertainty.” Mexico has the confidence to confront “any turbulence that might present itself.” So, according to Fox’s odd reasoning, “certainty” derives from the fact that “uncertainty” had already been foreseen!

The way to understand Guillermo Ortíz, is that the behavior of the Mexican economy will not obey the goals of the economy itself, but will instead be determined by whatever happens with these four variables. Since there is so far no indication that the United States economy will alter the current path toward economic depression—without the necessary policy changes indicated by Presidential pre-candidate Lyndon LaRouche—the Mexican economy, and consequently the government of Vicente Fox, will continue to be dragged toward disintegration by the United States.

Congress: An Ominous Omnibus Spending Bill

by Carl Osgood

The Congressional debate on an omnibus spending bill, finally to complete a budget for a Fiscal Year 2003 (Oct. 1, 2002-Sept. 30, 2003) which is nearly half over, is doomed to irrelevance. House and Senate are trying to ignore an ominous collapse of Federal tax revenue—caused by collapsing economic activity—which is going on, month by month, under the ground on which they are standing and debating. The tolling bell was heard on Jan. 29 from the Office of Management and Budget (OMB).

OMB director Mitch Daniels, in news interviews reported on Jan. 29, said that President Bush’s Fiscal Year 2004 budget submission would project a budget deficit of \$300-\$400 billion, a gigantic rise from the \$14 billion deficit for 2004 that was projected only a year ago—and this despite the White House’s caps on discretionary spending.

Also on Jan. 29, the Congressional Budget Office (CBO) projected that the Fiscal 2003 budget would be in \$199 billion in deficit. But the CBO had earlier reported that the deficit for the first quarter of Fiscal 2003 alone—from October to December 2002—was \$109 billion, foreshadowing a much higher yearly deficit. The reality is, of course, much worse, when the Social Security and other trust funds, which have their own separate revenue streams, are subtracted from the budget figures. Without arrogating money from the trust funds, the CBO projection is for a \$361 billion deficit for the current Fiscal Year 2003. And Mr. Daniels’ estimated deficit for Fiscal 2004 can likewise be lifted well above the \$500 billion mark, if the trust funds are not to be looted again.

The tax revenue collapse which has been disintegrating state budgets is now beginning to hit the Federal budget in a dramatic way, and to make the deficits as “incalculable” for Congressmen as they have become for governors; until they wake up and used Federal credit-creation powers to create jobs and infrastructure.

Unreal Debates

Daniels downplayed the growing deficits, telling the *Washington Post* that a \$300 billion deficit is manageable and the budget could be balanced if the Congress and the White House made it a priority. “We can do it in a year or two,” he claimed. But the skyrocketing deficits are, in fact, a reflection of the collapse of the tax revenue base, not of runaway spending, as conservative ideologues always claim; and studies show that no more than 30% of that collapse reflects tax-rate



The states' budget chaos has now struck the Federal budget as well. Here, the LaRouche Youth Movement invades the Pennsylvania state capital at Harrisburg, one of many they've hit around the country demanding the "Super TVA" solution to collapsing revenues and budgets.

cuts, despite Democratic claims. That revenue collapse has pulled the rug out of, not only 46 of the 50 states, but also almost every municipality in the country, as was noted at the annual winter meeting of the U.S. Conference of Mayors Jan. 22-24. Detroit Mayor Kwame Kilpatrick, speaking at the Mayors Conference, presented an economic report that showed nothing but collapse in every major economic indicator that cities depend on.

Daniels' failure to admit the reality was also a feature of the nearly two-week-long debate in the U.S. Senate on the Fiscal 2003 omnibus budget bill, which is intended to finally wrap up the budget process left over from the 107th Congress. Senate Appropriations Committee Chairman Ted Stevens (R-Ak.) began the process in the Senate by bringing the combined package of 11 spending bills to the floor: \$10 billion less than the same bills contained when they were each passed out of the then-Democratic-majority committee last year, all on unanimous votes. This incensed the Democrats who proceeded to bring to the numerous floor amendments to restore that money and then some. Most of the amendments failed when the Republicans voted as a bloc against them, in order to stick to vain limits set down by the White House.

The first major issue to be brought up by the Democrats, on Jan. 17, was funding for homeland security, in the form of two amendments—one to add \$5 billion and a second, focused on infrastructure, to add \$3.1 billion—both sponsored by Sen. Robert Byrd (D-W.V.). Sen. Debbie Stabenow (D-Mich.), speaking in support of Byrd's first amendment, emphasized assistance to state and local police, fire and emergency services which are "desperately needing our help to be able to get the job done to keep families safe and secure in their homes and in their neighborhoods." Byrd added that

it was the Bush Administration that originally asked for the money he was proposing to add, and demanded to know if any Senator were "willing to stand up on the floor and say the President was mistaken." Both of Byrd's amendments were defeated by identical votes of 45 to 51.

Immediately following the debate on the Byrd amendments came an amendment by Sen. Edward M. Kennedy (D-Mass.) to add \$6 billion to funding for education programs, including those covered by last year's Leave No Child Behind Act. Kennedy argued that the additional money was needed in order to fully fund the act as passed. Among other things, it requires the states to develop standards for elementary education and to undertake testing programs to implement and enforce those standards, all of which costs money. Kennedy's amendment was voted down 46 to 51.

On Jan. 22, the Senate took up agricultural disaster relief measures. Two amendments went to the floor, a \$6.5 billion amendment sponsored by Senate Minority Leader Tom Daschle (D-S.D.) and a \$3.1 billion alternative proposed by Sen. Thad Cochran (R-Miss.). What rapidly became evident was that the numbers were not determined by actual need in the drought-devastated agricultural belt, but rather, budget criteria. Cochran reported that White House agricultural advisor Chuck Connor told farm groups, the previous week, that there were three criteria for judging disaster aid bills: cost of the bill, the available budget offsets, and whether farmers would be more self-reliant in the end. Cochran, and other Republicans admitted that there is, indeed, a disaster in the farm belt, but that farmers cannot be helped if the help is not "fiscally responsible." The Cochran amendment passed by a vote of 59 to 35, and the Daschle amendment was defeated by the identical reverse vote.

A Budget That Won't Last

Final passage of the "ominous" omnibus bill came on a 69 to 29 vote, on Jan. 24, but not without a final blast against it by some of the Democrats. Sen. John Kerry (D-Mass.), after noting all of the cuts in the bill, including an across-the-board 2.9% cut in all domestic discretionary programs, declared, "The funding levels included by the Republican majority" in the bill "are simply inadequate to meet our nation's education, homeland security, and housing needs." Sen. Barbara Boxer (D-Calif.) said that the cuts were unacceptable and added, "We need to pass the appropriations bills, but not this way. We should go back to the drawing board and do it right."

Of course, the collapsing tax revenues and ballooning budget deficits mean that the Congress will soon be faced with rewriting the budget and rewriting it again, as the many states already have been forced to do.

Business Briefs

South Africa

Power Firm Seeks Nuclear Future

Future economic development in Africa will be fuelled increasingly by nuclear energy, the head of the continent's largest electricity firm, South Africa's Eskom, announced on Jan. 28. Eskom Chairman Reuel Khoza made the remarks at the World Economic Forum summit in Davos, Switzerland. He noted that, thanks to research in South Africa that had been backed by firms including Electricite de France and the U.K.'s BNFL, Eskom was at the "cutting edge of a new [nuclear] technology." He said that demand for electricity is set to increase with economic growth, which South Africa, at least, has continued, and must be continued across the continent. Eskom is responsible for supplying Africa with more than half its electricity. About nuclear energy, he added, "You can't wish it away." He pointed out that "in France, 80% of electricity is nuclear based."

Eskom is developing the pebble bed modular reactor, a high-temperature gas-cooled reactor based on a German design, which it plans to mass produce for domestic use as well as for export. The go-ahead for the prototype reactor is expected soon, and tests on components are under way.

Pensions

PBGC Now Faces Funding Crisis

The Pension Benefit Guaranty Corporation in the United States faces a funding crisis. PBGC was created by the Federal government in 1974 to deal with pension crises, by taking over insolvent pension plans, and keep paying benefits to retired workers when a company cannot. The PBGC is funded by companies, which pay an annual fee to the PBGC for every worker that is enrolled in a pension plan. But the PBGC started 2001 with an \$8 billion surplus, and then burned through that surplus, and is expected to report at the end of January a deficit of between \$1 and \$2 billion for 2002, which could be-

come larger this year.

During March 2000, the PBGC assumed the pension payments of steel-maker LTV, which drew down \$1.6 billion in PBGC funds. In December, it assumed \$1.1 billion of unfunded pension claims from National Steel, and a further \$3.7 billion in Bethlehem Steel's unfunded claims. But the pension failures show no sign of stopping. In June 2002, U.S. Airways filed for bankruptcy, and it may seek help from the PBGC to pay \$3.1 billion in pension contributions over the next seven years. The entire airline industry may soon be depending on the PBGC, as may KMart, which recently filed bankruptcy.

The PBGC has been discussing increases in the annual fees that companies pay for every worker enrolled, and/or the fees paid by companies that have underfunded pension plans. But the latter proposal would increase fees for companies that can't even meet current pension payments.

Due to the three years' plunge of the stock markets and changes in interest rates, the total underfunding of all pension plans insured by the PBGC has risen from approximately \$40 billion at the end of 2000, to an estimated \$300 billion at the end of 2002. If this continues, the PBGC itself may soon be insolvent. Many workers who retired thinking they would collect a pension, and that the PBGC insured that pension if the company they worked for could not pay, may soon be bitterly disillusioned.

Asia

'Asian Bonds' To Start Late This Year

Thailand's *The Nation* reported Jan. 27 that "Asian Bonds" will partly replace Thailand's \$1 billion global issue in 2003, probably beginning in the fourth quarter, according to Thai Finance Ministry sources. The original issue was planned for October 2002, but delayed largely due to the possibility of a U.S.-led invasion of Iraq. "The global-bond issue to refinance public debts is still on the government agenda, but part of it would be issued under the new Asian Bond project," a source said. The first Asian Bond would likely be in a hard currency, such as the U.S. dollar. An initial study by the Fiscal Policy

Office's Policy Research Institute had said the Asian Bond could be either a mix of the Thai currency, the baht, and hard currencies, or entirely baht.

Prime Minister Thaksin Shinawatra has set a six-month deadline for an Asian Bond study, and had said he wanted to see Asian Bonds launched in 2003. Studies are under way by other nations, all to be discussed at the Asia Pacific Economic Cooperation Forum (APEC) summit in Thailand in September. A Thai Finance Ministry source said Thaksin and Singapore Prime Minister Go Chok Tong have already agreed on how much of their reserves would be put in an Asian Bond fund.

North Korea

Minister to Bangkok On Telecommunications

North Korea's Post and Telecommunications Minister Ri Kum-bum arrived in Bangkok, Thailand on Jan. 26 for an extended visit to explore sectoral cooperation between the two countries. Ri will meet his Thai counterpart, Surapong Suebwonglee, on Jan. 29, to discuss cooperation to upgrade North Korea's outdated communications system, an official said, but declined to specify the topics for discussion. Four North Korean officials are traveling with Ri.

The Nation on Jan. 27 said that Washington reportedly pressured Seoul to block a plan by a group of South Korean companies to build a mobile-phone network in Pyongyang, fearing that it might be used by military personnel.

Thailand is an investor in North Korea's telecommunications sector. Loxley Pacific, an affiliate of the Thai conglomerate Loxley Group, obtained a concession last October to operate a mobile-phone network in Rason Special Economic Zone in the north of the country near the Chinese border. Loxley was permitted to provide service for up to 5,000 cell-phone users in the area, where the existing communications network is archaic, expensive, and unreliable. The company also plans to introduce a nationwide Global System for Mobilephone (GSM) network in North Korea. The Korean Central TV company has leased transponders from Thai-

Com-3 for its international satellite broadcasts since July 1999. ThaiCom-3 is owned by the family of Thai Prime Minister Thaksin Shinawatra.

A Thai government official said recently that Prime Minister Thaksin plans to visit Pyongyang soon to boost ties.

U.S. Imports

Bush TV Coverage A Federal Offense

On Jan. 24, President Bush gave a speech at a warehouse in St. Louis, touting small businesses and the job-creation benefits of his tax cuts. The backdrop was a stack of cartons, on which someone had taped over the "Made in China" markings with "Made in U.S.A." When Bush claimed that his "stimulus" program would create 2.1 million jobs over the next three years, he didn't say whether those jobs would be in the United States or in China.

The *Washington Post* "In the Loop" column reported on Jan. 29 that it is a criminal offense to attempt to conceal information about the country of origin of imported goods, and any person who "defaces, destroys, removes, alters, covers, obscures, or obliterates" any such marking can be fined up to \$100,000 and imprisoned for one year. This section of Title 19 of the U.S. Code is supposed to be enforced by U.S. Customs, now part of the Department of Homeland Security.

U.S. States

Budget Holes Just Keep Getting Bigger

New York Gov. George Pataki announced on Jan. 22 that the state's deficit is now at \$12 billion, up \$2 billion from three weeks ago. This represents \$10 billion for the next fiscal year, which in New York begins April 1, and \$2 billion in this current fiscal year. Pataki said, "We face a fiscal crisis today of a magnitude we have not confronted in our lifetime."

New Jersey's Gov. James McGreevey announced to a room full of mayors that a new \$1.3 billion hole in the state's *current* fiscal year budget will "force" him to order "severe cuts across the state." In this context, he warned the mayors that "due to the dramatic deterioration of the budget," it was "simply impossible" to extend aid for towns and cities. Revenue is down from three taxes—personal income, cigarette, and inheritance—for the first six months of this fiscal year. Another revenue hole New Jersey has to deal with is the \$350 million in Federal Medicaid aid which has not been approved, upon which it was counting for its health-care budget. It currently is projecting a \$5 billion deficit for next fiscal year.

In Connecticut, Gov. John Rowland insists he must now lay off 1,000 more state workers—on top of 2,800 cut in the last eight weeks—as he demanded that labor unions negotiate more concessions.

Airlines

Pilots Fight Loss Of Pension Plan

The head of bankrupt US Airways' pilots union, William D. Pollock, assailed the airline's threat to terminate the pilots' pension fund, as a move that would "take away the pilots' accrued benefits that we have fought and paid for during our careers." The Pension Benefit Guaranty Corp., a government agency that insures private pension funds, had earlier in January refused the carrier's request to stretch out payments to its pension plan, which is underfunded by \$3.1 billion, from 7 years to 30 years. The pilots' plan represents about 70% of the unfunded liabilities.

As a result, the airline would likely terminate the pension fund and turn it over to the agency—which would slash retirement checks for pilots by about 75%. The pension-fund liability has to be resolved, according to CEO David Siegel, for the airline to obtain a \$900 million Federal loan guarantee and keep \$200 million in interim financing from the Retirement Systems of Alabama.

Briefly

DESALINATION of water is back on the U.S. agenda. Five new plants were tentatively approved in December 2002, by the giant Metropolitan Water District of Southern California, which serves 18 million people. The plants were proposed by five water districts, and together could supply 7% of the overall water district needs by 2003. Construction is to start by 2005. The cost per plant ranges from \$70-300 million.

AOL/TIME WARNER, the world's largest media conglomerate, announced on Jan. 29 a \$44.9 billion loss in the fourth quarter of 2002, after taking a \$45.5 billion charge for the decline in value of its American Online division, and other assets. This brings AOL/Time Warner's year 2002 loss to a record \$100 billion, an amount greater than the GDP of most nations in the world.

SAUDI Oil Minister Ali Al-Naimi told the Davos World Economic Forum on Jan. 24, "There is no shortage [of oil] in the market, and there should be no reason for prices where they are today. We checked. We called. I checked with individual customers, refineries, and others. I ask them one question: Do you feel you need more oil? And the answer is no." Al-Naimi blamed the price escalation on war talk; he said that Saudi Arabia and OPEC would ensure that supplies remain plentiful, and try to drive the price back down to \$25 per barrel (it closed at \$33.40 that day).

EUROPEAN machine-tool production plunged 14% in 2002, as demand fell worldwide. CECIMO, the machine-tool association of the 15 largest European producers including Switzerland, Turkey, and the Czech Republic (in all, half of worldwide production), reports that output fell to just 17.1 billion euros, compared to 19.8 billion in 2001. It was the first annual decline in output since 1993. European demand for machine tools fell 17% last year; U.S. sales dropped sharply as well. Output in France and Italy fell by 5%, in Spain by 8%, in Germany by 17%, in Switzerland by 20%, and in Britain by 29%.

LaRouche State of the Union Presents Solution to Crisis

by Anita Gallagher

Lyndon LaRouche, the American economist and statesman running for the Democratic Presidential nomination in 2004, presented his “State of the Union” address on Jan. 28 in Washington, D.C.—an address which history should record as the toughest, yet most optimistic address ever made to a nation on the verge of destruction.

LaRouche delivered his “State of the Union,” as the “acting President” of what its former friends around the world call “the true United States”; the historical “exception” founded by a Leibnizian conspiracy as a sovereign republic, opposed to the bestial notion of empire, which is the actual motivation of the faction pushing for an Iraq war. LaRouche concluded his speech just four hours before President George W. Bush commenced his. LaRouche insisted that the utopian drive to get Bush to attack Iraq can be stopped, while Bush himself encouraged it. LaRouche demonstrated that the current financial system is finished, and outlined economic recovery measures of the type Franklin Roosevelt used to save America from fascism in the 1930s; Bush ignored the collapse of the financial system, and that of America’s real economy, making his speech “dead on arrival,” as LaRouche put it, and as various Senators had already described the President’s “stimulus package.”

LaRouche outlined forceful action to stop AIDS from wiping out nations in Africa, in response to a question; namely, that the United States must act immediately to get generic life-prolonging drugs to anyone medically qualified to dispense them in any part of the world, while the poverty that is the breeding ground for AIDS is overcome through infrastructure and development. Bush inserted an AIDS initiative to supply drugs to Africa at the last minute in his speech, in what the *New York Times* of Jan. 29 called the only new and interesting thing in it. In fact, a White House team

was assigned to monitor LaRouche’s afternoon address to do “damage control,” according to qualified sources. The AIDS initiative, not in the early afternoon draft of the Bush speech, was inserted to this purpose, the sources say. This is a demonstration of precisely the effect LaRouche designed his speech to have; as he told an audience in India recently, “I am optimistic that my policies will be adopted in the United States, because the alternatives won’t work.”

LaRouche’s Time Has Come

LaRouche’s live audience exceeded 250 people, and packed the house on one of Washington’s busiest days. Nineteen diplomats representing 16 nations attended, spanning the Mideast, Far East, Eastern Europe, Asia, Africa, and Ibero-America. The speech was watched and/or listened to live on nearly 800 web connections, besides group meetings held around the audio/video Internet broadcast, from Detroit, Michigan to Lima, Peru. Representatives attended from associations of state legislators, Mideast policy associations, American Muslim organizations, the Nation of Islam, Congressional staff, and community, ethnic, and political activists, and three press representatives. LaRouche youth movement recruits counted for more than 20% of the total live attendance.

LaRouche’s address, which follows, was a thorough-composed overview of what he calls “the present as current history,” which lasted for two and one-half hours, with an hour and one-half of questions. It covered four major areas: 1) the causes and nature of the present economic crisis; 2) the emergency measures which must be taken now; 3) the global strategic conflicts which overlap this economic crisis; and 4) the urgent measures needed to correct the current panic-driven notions of “Homeland Defense.”



Democratic Presidential pre-candidate Lyndon LaRouche: "I am optimistic that my policies will be adopted in the United States, because the alternatives won't work."

LaRouche used the occasion to call for firing Lewis Libby, Vice President Dick Cheney's chief of staff and chief national security aide. Libby is a principal player in the current push for an Iraq war, and was key in pushing the plan the first time around, in 1990 under Bush "41," for the United States to use its "sole superpower" status to launch pre-emptive war against any nation that could become a threat. Libby is otherwise the lawyer for the notorious fugitive financier Marc Rich, associated with Russian "Mafiya" interests and American organized crime-linked figures, who disrupted the Labor Party's support in the Jan. 28 Israeli election, to throw victory to butcher Ariel Sharon.

A military representative from Ibero-America volunteered afterward, "I'm impressed. . . . [LaRouche] is a real statesman. The fact that an American said the things he said, is amazing. He is so honest. How soon can you get me his speech? I want to understand everything he said, and he said some things I didn't know."

There was immediate demand for the speech from many attendees, both to study it, and to get it to others. The LaRouche in 2004 campaign will produce a videotape of the speech and nine questions and answers which followed, as well as 5 million pamphlets. As always, the full text and audio are available on www.larouchein2004.com. More than 400 people downloaded the speech in the first eight hours it was posted on the website. More than 150 e-mail questions to the Presidential pre-candidate were received during the speech itself.

An Eastern European military representative said, "If the system is at an end, we should rethink everything." An American businessman with contacts in the Mideast lamented that the speech was "very good, but too few people are listening." He perked up and offered to help the campaign, when told that the LaRouche youth movement was invading every state

capital to get support for LaRouche.

City of London financial expert Stephen J. Lewis commented that LaRouche's speech was "very good, and quite persuasive as well. It will strike a lot of chords with Americans. It was good he addressed, so directly, that America, in recent years, had become so hated, because intelligent Americans wonder why this is so."

The questions from Washington insiders reflect LaRouche's decades-long influence on the policies of Presidents. A member of a task force on "the new financial architecture" which had reported to Clinton Treasury Secretary Robert Rubin, asked LaRouche to settle the group's "constant debate" on the

differences among the Federal Reserve, an independent central banking system, and a national bank.

The first two systems come from the oligarchical slime-mold most truthfully identified as "Venice," LaRouche said, and were repudiated by the American Constitution, which for the first time made a government truly sovereign, with no agency outside that government—like a central bank—able to dictate policies to government. European governments never achieved that perfect sovereignty implied in the American Constitution. Today every banking system in the world is bankrupt, except probably those of China and India, LaRouche said, and "the Federal government is morally responsible to put this banking system into bankruptcy reorganization, by the Federal government. At that point, the Federal Reserve system and all its assets come under the management of the U.S. Department of the Treasury. In effect, the U.S. Department of the Treasury sets up a facility within it, which becomes the national banking system, which actually runs the Federal Reserve System, and all the banking system of the United States."

A Democratic elected official asked LaRouche to speak directly to his constituents, "because I really can't convince them, as to why they should not simply oppose overthring this President says and does." The executive powers of the government lie in the Presidency as an institution, LaRouche replied, "not in the sitting person of the President . . . when I say I'm going to get George Bush out of this mess, I'm not trying to save him. I'm trying to save the United States. . . . There is no other way to do it in this two-year period."

As fitting, youth had the last word, asking LaRouche to explain why one person can make a difference at this time: "I guess what I'm really asking is: 'What is the soul?'" For LaRouche's answer, about *your* role, think through your concept of the soul, then turn to the transcript which follows.

The State of the Union: On the Subjects of Economy and Security

This speech was given by Lyndon LaRouche, candidate for the Democratic nomination for President, to live Washington and international Internet audiences on Jan. 28, hours before President Bush's State of the Union Address. The webcast was sponsored by the LaRouche in 2004 political committee.

Introduction: Debra Hanania-Freeman, national spokeswoman for the LaRouche in 2004 campaign:

On behalf of Mr. LaRouche's Presidential campaign, I'd like to welcome all of you to this historic address today. As we meet here in Washington, there are similar groups that have gathered on virtually every continent, to listen to what Mr. LaRouche has to say this afternoon. We are also broadcasting live via the worldwide web, and we will be taking questions when Mr. LaRouche completes his remarks—both from those of you gathered here today, from the gatherings around the world, and also from listeners who submit their questions via e-mail.

It was a little bit more than two years ago, that Mr. LaRouche addressed a group similar to this one, in Washington, D.C. He broadcast then, a forecast of a likely situation, that then-incoming President George Bush would face, at this very moment. I think that for anyone who checks the record, it is clear that absolutely every forecast that Mr. LaRouche made then, has been fully borne out. . . . In fact, every published economic forecast that Mr. LaRouche has put on the record to date, has proven to be quite accurate.

Today, Mr. LaRouche is about to deliver what will undoubtedly be a historic forecast on the state of the union, and also of the world. The President will make his State of the Union Address tonight; hopefully, he will pick up some pointers from Mr. LaRouche this afternoon.

Our world is gripped by the onrush of what will undoubtedly be the greatest financial/monetary breakdown in more than 100 years. There is no policy on the table which is directed to address this very crisis. Clearly, it requires a quality of leadership that only Mr. LaRouche is capable of providing. There are many things that could be said about the danger of the current situation; many people believe that we are on the verge of war. In fact, it has been Mr. LaRouche's tenacious efforts, since September of last year, that are responsible for the fact that our nation is not at war today. But the danger to our nation and the world remains.

I would think that at a moment of crisis like this, people of good will would be likely to accept the advice of the most successful economic forecaster in the modern history of the United States. He is fully prepared to provide the leadership for the nation, and for our sitting President, out of the present mess. But it does require a willingness to face reality.

Without any further introduction, ladies and gentlemen, I'd like to present to you the world's leading economist, and a candidate for the Democratic nomination for President of the United States, Lyndon LaRouche.

[Applause]

Lyndon LaRouche: Thank you all very much.

This will be a long and tough session, because, even though I will be as succinct as possible, we have a lot to cover. I presume that some of the questions will be extremely serious ones, which reflect circles of other political currents in the United States and elsewhere, who will want some very specific answers of interpretation, on the agenda which I shall set forth with you now.

At the present moment, we're on the verge of—or actually in the process of—the greatest financial collapse, worldwide and especially in Europe and the Americas and Africa, in more than a century. The needed comparison, of course, is to the great crisis of 1929-1932. This has some similar features. But it's actually worse. Fortunately, at that time, we had Franklin Roosevelt; his 1932 election, and 1933 inauguration as President.

Franklin Roosevelt saved the United States—and, in effect, saved civilization—by measures which are to be studied today; not because they provide exact copies of what we have to do today, but because they represent lessons—case studies which we should consult, in making the rather radical changes from current policy, which must occur.

As a result of that, from FDR's inauguration, up until the Democratic Convention of the Summer of 1944, he led this nation with a program which, if it had been carried out fully, would have prevented most of the things that were bad, that happened after his death. Unfortunately he died, prematurely for civilization, and he was followed by a little man—not a great man, but a very little man, a very petty man.

But nonetheless, even under this petty man, with the help of a President Eisenhower whom I sometimes referred to as

“Eisenhower” (because he often did the right thing at the right time, fortunately for us, but sometimes he did the other), we got through. We got through that period successfully into 1964, when after the assassination of President Kennedy, a great worldwide change emerged around this planet.

It is that change, which began about that time, which is the cause for the present world depression.

Worse Than the Great Depression

This is a depression which we can not survive, unless we begin to make certain radical changes right now. Changes which, in spirit, are consistent with what Franklin Roosevelt did, and proposed, during his term as President.

There is a fundamental difference, of several types, between the present depression which is now bursting around us throughout the world. All the leading markets in the world, especially in the Americas and Europe, are reflecting that a depression is fully in progress. It is not, “Is it going to happen?” It is not, “When will the recovery come?” Under the present system, and the present depression, there will never be a recovery of the United States. Without some sudden, fundamental changes of policy, and reversals of policies accumulated over the period since 1964, *this nation will not survive this crisis*. That is the severity of that challenge now.

One part of that challenge is, essentially, that between the end of the First World War, when the United States was relatively at peak of power internationally, as a nation; until the onset of the Depression in 1929, about 12-14 years, depending on how you calculate it, passed. So that even though the United States was ruined, by the aftermath of some of the worst kick-ins of Teddy Roosevelt’s policies, the policies of Wilson—that racist, co-founder of the Ku Klux Klan, and a mental case—and Coolidge; we came into the Great Depression the last time, still a relatively powerful nation. A powerful nation that Roosevelt knew how to revive, and did. Today—since 1964; we’re talking about a period of 36-37 years—this is a longer period under which the United States has decayed, as I shall indicate to you what the general nature of that decay is.

This is not a cyclical depression. This is a systemic collapse—of a system. The system which has been built up over the period since 1964; since approximately the time of the official U.S. war in Indochina; and especially since 1971, when Henry Kissinger, George Shultz, and Paul Volcker advised the President—through John Connally, who was then Treasury Secretary—to conduct a collapse of the post-1944 Bretton Woods financial/monetary system. That event, of Aug. 15-16, 1971, was the beginning point of a general disintegration of the world monetary/financial system, which has become an accelerating degeneration of the system especially over the intervals of Henry Kissinger and Zbigniew Brzezinski as the “managers of Presidents”: the first case, Nixon; and the second case, Brzezinski’s management of Carter. And I’ll refer to the significance of that a bit more.

President Whose Downfall Would Be Yours

When I first scheduled this address, it was assumed that President George W. Bush, otherwise known as “43,” would have made his address a week earlier, and that I would be responding, essentially, to his address. But for some reason, because of his advisors or because he wanted to hear what I had to say first, he changed his mind, or changed his schedule, and is now speaking about seven hours from now, later tonight; and I hope he does take time out to respond to what I have to say today. It’s important that he hear it.

Around the country, there are many Democrats, and some others, who are hoping that George Bush—that is, number “43”—will stumble. At present, to the best of my knowledge, the President and his advisors as I know them, haven’t the slightest idea in the world, of what to do about the present world economic situation, the domestic economic situation, or the strategic military matters of the world. Everything I’m getting, and I’m getting it from fairly good sources—they don’t know which end is up. They’re trying to play pool under the table! And it doesn’t work too well.

But many people are gloating over this, and saying, “Ahh, now we can beat George Bush in the coming 2004 election.” That is a stupid, counterproductive operation.

Admittedly, George Bush ain’t much. But, he’s a sitting President—however he got the job, which I credit largely to the efforts of Al Gore, he *is* the sitting President—and there are certain categories of decision which must come across his desk and be made by him. He is surrounded by a Presidency, which is a lot larger, of course, than him—he is not a very large person; he lifts weights, but he hasn’t got *that* kind of weight—and in the Presidency we have the military; we have the regular serving military; we have retired military, who are very important; we have other institutions which are concerned about the military questions, such as the intelligence institutions; we have people who are in government, or have been in government, who are influential around the Presidency, who can help to shape economic policies; they know how things work in government.

Looking at it from the other side: If I were President today, I would know that as a person there is very little I could do, without the support of these institutions.

And therefore, we must think, not only about the President as such, as an individual who’s going to make the decisions all by himself. He can not make competent decisions and implement them; he depends upon the institutions, chiefly, of the Presidency: military, intelligence, and so forth and so on; including people who are no longer in office, but who have great influence on office because of their reputations and standing in the past.

So therefore, what I must do, since I understand this problem far better than the President does, and probably far better than the Presidency as a whole does—certainly far better than the Democratic Party as a whole, or the Republican Party as a whole—I have a singular responsibility because of my



“We must save this nation,” said LaRouche, “with a President who does not have the qualifications in himself, a President should have, for a crisis of this sort. I do. Therefore, I shall assume my responsibilities to him, as well as to our institutions and our people.” Here, President Bush giving his State of the Union address on the evening of Jan. 28.

knowledge, to present the policies which this incumbent President should be implementing. Our job is to make sure that he gets successfully through the next two years. Don’t worry about how to make debater’s points against him. His tragedy, his downfall, would be this nation’s downfall, and your downfall. Start thinking as citizens, not as if you were in some kind of a barroom competition or debating society.

We must save this nation with a President who does not have the qualifications in himself, a President should have, for a crisis of this sort. I do. Therefore, I shall assume my responsibilities to him, as well as to our institutions and our people.

When the Institutions Fail

This situation that now confronts us is not entirely unusual in history. We’ve had it before: in the period leading up to World War I; in the period of the 1928-33 run-up to the international crisis which started essentially in Germany; and through World War II. You come into crises around the world, in which popular opinion no longer works. What popular opinion says you must do, fails. Leading institutions, which have been habituated to react in a certain way, fail. The generally accepted assumptions of policy, fail. And you find yourself in something which should never have happened.

World War I. Sure, it was the British Monarchy; especially the Prince of Wales, later Edward VII, who organized World War I, to put the continent of Eurasia against itself so as to ruin it, so it could never become a challenge to the

maritime imperial power of the British Monarchy. *But*, the war would never have happened if the Kaiser had not been a fool; if the Austrian Kaiser had not been a bigger ass than the German Kaiser; if the Russian Tsar had not been a fool; and if the French institutions under Clemenceau had not been virtually criminal, as well as the British. And therefore, it was a war which should never have happened. There was no justification for its occurrence. It should have been prevented. It was not prevented. And the ruin of Europe, as a result of that war to the present day, is a monster.

The ruin of Europe by the First World War—the continent of Europe and Britain also—was worse than the ruin that Europe suffered in the Second World War. A piece of folly! Because nobody, including the leading parties, the heads of state, were willing to come to a sensible conclusion at that time.

1928-33. There was no reason for that Depression to happen! Wilson was probably the leading author of that Depression, with his crazy, racist ideas. This man was *President*, and from the White House, re-organized a mass creation of the Ku Klux Klan! And this was President? The man was an evil fool, and the Democratic Party picked him—with the help of Teddy Roosevelt, who made his election possible. The Depression should never have happened. The policies at Versailles, which led to the Great Depression of the late 1920s, should never have happened. But nobody would stop it!

World War II should never have happened. I’ll refer to

that again, but coming to the point: War is not inevitable! A war in Iraq is not inevitable. Unless cowards permit it to happen, and fools in government, it will never happen. Because Iraq is not a nation to be bombed. Iraq is not a theater of war. It is a detonator of war; a war which would become a worldwide war—the same kind of foolishness which we saw in the first two World Wars, the two World Wars of the last century, and in the Depression. This must be stopped, now!

Anyone who says you've got to go to this war, because of this reason—they don't know what they're talking about; they're fools. It must not happen.

Save This President To Save This Nation

At this time, even though there are many people in the Democratic Party in particular, whom I look at as very valuable to the nation and the party; in the Senate, in the House of Representatives, among Governors, among leading figures in various caucuses and factions in the parties—these are valuable people. One Republican Senator who took a stand against the war, represents the old Midwest Republican farmbelt crowd; a very valuable person. But none of these people, in the Democratic Party so far, or the Republican Party, are capable or willing to bite the bullet on the issue of policy which must be faced. They will go to secondary issues; they will go to amelioratives; they will not go to the gut issues which I shall address here. And it's my job to present that.

So, for the two years to come, let us think about saving this President, in his function as a sitting President, but also save the nation from the follies he might tend to commit without good advice, and good pressures. We must take, predominantly, and start from a non-partisan view of this matter, to re-educate and steer a disoriented and incapable President, to become a successful President. Not for the purpose of re-electing him; but for the purpose of saving the nation. And I think we can find someone to replace him after that.

That's the job. That should be the mission. That is the state of the union. This nation is now with a weak President, with two political parties which do not function and can not respond effectively to any of the crucial issues of life or death of the nation. And we've got to get this nation safely through the next two years. And we're in peril. And the world's in peril. That is the state of the union.

Basis of LaRouche's Foreign Policy

Now, I have a foreign policy within which I situate what I have to say today. My foreign policy, for our national security, is based on certain principles which I have acquired over the course of my life, from studies and also from deep experience, in Central and South America, in Europe, in parts of Asia, and so forth. It comes from a long period beginning with, essentially, World War II—seeing what the world looked like in Burma and in India, back during those wartime years, which gave me a better view of what the world as a whole looks like. And it still looks like that, pretty much, today.

Right now, around the world, the United States is being held in contempt in most nations and among most people in the world. This contempt has been growing rapidly under the past two years of this administration. There was sympathy for the United States over what happened in New York and Washington, D.C. on Sept. 11, 2001. But the credit, the sympathy accumulated then, is now dissipating, with the economic crisis, and the threatened war in Iraq—the Mideast War—being the principal drain, which is making the United States be viewed increasingly as an object of contempt, not only in what Mr. Rumsfeld calls “Old Europe,” but throughout most of the world as a whole. The United States presently is looked at as an imperial power. The nations of the world submit to it, not because they like it, but because they're afraid of it—and they wish it would go away. That's the attitude toward the United States as I know first hand from Europe, from Asia, and elsewhere. The United States is, today, the world's most hated nation. And that is not good for our national security.

But there's another aspect to the United States. We are a unique nation, as I shall indicate at the appropriate point today. We are a historical exception in modern history. We are the first and only true republic conceived in modern history.

Others have tried to imitate us in part, and that's all good. But no nation stands up to the standard of the American exception; the creation of this republic, under the leadership of Benjamin Franklin, and the cooperation, all through that century, of the leading minds and forces of continental Europe—and part of England, and Ireland as well.

The Imitation of the American Exception

As a result of that, of our founding of our republic; as a result of our defeat of the cause of slavery, even when the Spanish monarchy of the late 19th Century, and the British, and others, attempted to keep us in the system of slavery; our victory with Abraham Lincoln; the rapid development of our republic once we were freed of slavery, such that we were the leading economic nation of the world, as a national power, in 1876 when the first Centennial Celebration was held in Philadelphia; as a result of that, throughout the world—in France, in Germany, in Russia, later in China, Japan in particular—the American model, the American System of Political Economy, was adopted as the only system worth having. It was not adopted in full.

Bismarck, in 1877, adopted the policies of Friedrich List, his version of the American System, as policy, after seeing the results in the 1876 Centennial Exposition in the United States.

One of the greatest scientists of the world, Mendeleyev, attended the conference at the Centennial in Philadelphia, and came back to Russia and convinced the Tsar—Tsar Alexander II, who was a friend of the United States—to adopt the industrialization policy of the United States, particularly our trans-continental railway system. And he started it.

Japan was created as a modern state, by the influence of

the leading economist of the world at that time, who sent his representative to educate the Japanese on how to create an industrial economy. China, modern China. Sun Yat-sen was a protégé of the United States, who organized the basis for modern China.

This was the influence of the United States. What we did under Roosevelt, up until 1944 at least, up until that terrible Democratic Convention of the Summer of 1944, made us loved. What we did for Europe, in what was called the Marshall Plan, which was actually the bringing of the policies of Franklin Roosevelt into Europe for the reconstruction of a war-torn, ruined Europe, caused us to be respected and loved.

So the United States, despite the fact that it's come on hard times, and bad public relations in the present period—the United States, I can tell you, has a reservoir of good will from around the world, from *those who remember what we were*, who remember what we used to stand for when we were the enemy of imperialism, the opponent of colonialism, the opponent of slavery, and the opponent of archaic systems of government—and the opponent of central banking systems; which I'll come to.

That power exists today. The influence that I have in the world at large, is because it's recognized in leading circles in many parts of the world, that I represent *that* United States; that United States which has great credit throughout this planet; a great credit to which most nations would respond happily, were I sitting in the White House right today. Were I in the White House today, this country would suddenly be overrun by friends. Some of the friends who tend to hate us right now.

The Economic Collapse

Now, what I shall do, is cover four topical areas of our state of the union. The first, the causes and the nature of the present economic crisis. Secondly, the emergency recovery measures which must be taken beginning right now—not in the future, not in the next election, *now, while this President is sitting in the White House*. Third, the global strategic conflicts which overlap this economic crisis. Fourth, some measures which must be taken to correct the potentially fatal blunders which have been included under the panic-stricken, misguided notions of “homeland defense.”

Now first, then, to the economic crisis.

As I've said, this nation is disintegrating economically as a result of a financial and monetary system which has come to its terminal phase. This system is over. This system is bankrupt. The amount of debt in the world system—remember, we're talking about a world economy which is popularly estimated at about \$40 trillion-equivalent, annual accumulated net product. How much debt do you think there is in the world? How much short-term debt, like derivatives debt, in addition to long-term debt? How many housing bubbles in the United States are about to collapse?

People have lost their jobs; they lose their houses; and the

value of the property is maybe one-third of what it's listed at mortgage value now. Happening very rapidly in the Greater Washington area. Look at the bubble out there. Look at the highway from Washington to Dulles [Airport]. That's a ghost-town. They're looking for some fellas with six-shooters to stand out there, as the cowboys, to introduce the local visitors to the ghost-town! Look at these large offices of the so-called IT revolution; “for rent; for sale; call; no terms too poor to be accepted!”

Around the country, of 50 of the states, at least 46 are saying that they are bankrupt. They are not bankrupt, because they're states, and have a political status which insures them from some of the things that can happen to a business enterprise, but they're, by all standards, essentially bankrupt. That is, the states can not balance their budgets. If they cut their expenditures, cut their programs, they will drop the income of the state; which will drop the tax-revenue base. If they try to raise taxes in a collapsing market, it will just make it worse.

There is no solution, in terms of austerity measures of the type that are being considered now, that will work. There's not a governor in the country who can balance his budget. Doesn't exist. He may think he can, but it won't work. So therefore, he has to make fundamental changes.

End Deregulation and Austerity Policies

Now the problem is this. Rightly, our Constitution says that the government and people of the United States are entirely sovereign over their affairs in their own territories. Therefore, we do not allow a state, or anybody else, to create indebtedness against the United States—except the government. This generally takes the implicit form, as provided in the Constitution, of the issue of currency by the Treasury Department of the United States; that is, the U.S. Treasury greenbacks, by the Treasury as ordered by the President and approved by the Congress. That's the way. Or, we can use that power to issue currency, and treaty agreements or other arrangements, to create credit against this credit or debt-creating authorization.

Now, as I shall indicate to you, there are programs that we could take now, and must take. We could bail this nation out, and solve the problems of, say, California, for example. We could do it. But the states by themselves can not do it. The Federal laws prohibit some of the measures they would have to take. And you can not, in a bankrupt economy, which is what the United States is today, you can not raise—from private sources—you can not raise the credit needed for these programs.

What we must do is increase employment, productive employment, throughout the country, in every state. We must do it in the useful forms of employment; we must get the credit for it; and we must proceed. The biggest single topic is infrastructure, as I shall indicate.

So the United States must change. It must end deregulation. The Federal government of the United States must end



"My foreign policy, for our national security, is based on certain principles which I have acquired over the course of my life, from studies and also from deep experience, in Central and South America, in Europe, in parts of Asia, and so forth."

deregulation. We must end all those, and similar changes made between 1971 and the time that Brzezinski left office in 1981. (Who knows what horrors would have happened if we hadn't gotten rid of him.)

Therefore, we must do that, because the object is to get enough productive activity going to raise the tax-revenue base sufficiently to balance the state budgets and to deal with these problems. Such as health care—people are being murdered in the name of austerity. Murdered by people like Enron types, who are looting the health-care system in the name of shareholder value. That must come to an end. And the Federal government must do it, and the states must take comparable action, with the support and sympathy and protection of the Federal government. We must, in effect, take every piece of nonsense that was enacted as this type of legislation from 1971 to the present, and cancel it in one act of Congress—probably five pages; one five-page emergency action to eliminate the whole batch!

We can save the nation. But if you try to say we're going to fix it without changing those things, you're going to fail. You're going to fail worldwide. Because without our intervention, the world can't make it. The United States ain't much; it ain't worth shucks right now. But, if I were sitting in the White House right now as the sitting President, and I called for a conference among nations, I would get enough nations that would respond instantly, arrive promptly within the week, and we would have an international conference where we would adopt much of this kind of thinking as a policy. I could do it. I know I could it. Because I know these governments; I know these people abroad; I know how they respond.

So we must have a projection of an image from the Presidency itself, of a willingness to go in this direction. We must induce this sitting President to adopt that policy, by a bipartisan approach to that particular end. It can be done. I'm sure we can convince "41" and "43" to go along with it. But it's going to take a bit of work to do it. I also know enough about them, to know that.

No Recovery in Sight

What is the problem? I'm going to come to something that is important to go through. It's essential to go through, because it is scientific. But you've got to understand that what I'm proposing is the solution; you've got to understand the nature of my scientific authority in putting these propositions to you. Therefore, I'll come to that.

But first: What, really, is our problem? Why is the world in a mess? Why is Europe disintegrating economically? Why are all the Americas disintegrating? Look to the South. We made a coup d'état recently against Fujimori in Peru. It was a coup made in the interests of the drug-pushers around George Soros. It's that simple. We are destroying Argentina. We are trying to destroy Brazil. We have destroyed Colombia, with our toleration-for-drugs policies. Yes, we have anti-drug policies, but we don't enforce them, because too many people have got too much money involved in Colombian drug trafficking. We have a lunatic—I speak frankly—in Venezuela, Chávez. I don't know if he was brainwashed when he was in prison, or not, but the man's a lunatic. And to this point, Venezuela—which is, among its other qualities, crucial to the United States in terms of our oil supplies—is now disintegrating under this man, who's obviously mentally disturbed. I

think that the new President of Brazil is probably making a heroic effort to try to get to some kind of accommodation with this character to calm the situation down, but that's the situation. Mexico is on the verge of being crushed with the collapse of this so-called NAFTA system, which has been a disaster for Mexico.

So the entire Hemisphere is going. The United States is going. Right now. It's not, "When is the crisis coming?" It's here! It's here right today; you can get it all over the world; it's now! It's not something that's about to happen. And there's no recovery in sight, and never will be, under the present policies.

How did this crisis happen? How did we get into this mess, in Europe, genocide in southern Africa. . . . How did we get here?

Degeneration Since 1964

In 1964, the United States began making a number of concrete changes—cultural changes and policy changes which led into this disintegration. It started in the United States with the official launching of the U.S. war in Indochina. That was crucial. That had psychological effects on the U.S. population; it had psychological and other effects on the world. At the same time, we had a dangerous idiot put in charge of the United Kingdom: the first Harold Wilson administration in the United Kingdom. And he destroyed the shambles of the British agricultural and industrial economy, and destroyed the people in it, too, as a result of the process.

We then—especially in 1971—began to spread some of the effects of what we had done here, into the rest of the world. And we destroyed Western Europe. We destroyed the Americas. We were especially hard on sub-Saharan Africa, so-called Black Africa; and we've been increasingly murderous. What we're conducting there is genocide; plain, intentional genocide, as I shall indicate.

In the United States itself, we transformed this society, which had once been the world's leading *producer* nation—that is, the greatest rate of production of wealth per capita and per square kilometer, on the planet; the greatest power on the planet—we turned it from a producer society into a *consumer* society. We changed the values with the rock-drug-sex youth counterculture. We did everything else to destroy, to say industrial society was bad, consumerism is good.

And how did we do that? We did it the same way the Roman Empire did, actually before it became an empire, while it was in the process of becoming an empire at the end of the Second Punic War. Rome, which had relied, up to that point, largely upon the production of people in Italy, for its wealth and for its armies, suddenly changed; and changed at an accelerating rate. Until, in the course of the civil wars and so forth in Rome, it established itself as the first Roman Empire under Augustus. The Roman Empire in that form, as a consumer society, extended slave occupation in Italy, and sustained the Italian population by looting subjected countries; and maintained its power by conducting what Brzezinski

has proposed—together with Bernard Lewis and Sam Huntington—as his war against Islam, his Clash of Civilizations war. The Romans ran what was called a *limes* policy: a clash of civilizations policy of running perpetual genocidal wars against nations on the borders of the Roman Empire—which is what Brzezinski is pushing today; what Sam Huntington is pushing today; what Bernard Lewis, of the British Arab Bureau, is advising Kissinger and Brzezinski and Huntington to do.

We Set the World To Work for Us

That's the policy. So we came to the point that we said, other countries will produce for us, cheaply, by virtual slave labor. We set the world to work for us. How'd we do it? We rigged the prices. We regulated the values of currencies. We actually have been conducting a system of slavery against other countries, to supply us with what we eat, what we wear. Where do you find a shoe factory in the United States? Where do you find clothing factories? How many? How many automobile parts in the automobile you're driving, are actually American-made? Why'd you get things at these prices?

Because we decided we were going to become a Roman Empire. Or, some of us. We were going to turn our people into parasites, what the Romans did to the Italian population, the citizens of Italy in their time. And loot the rest of the world. And regulate the world by methods of tyranny, military tyranny.

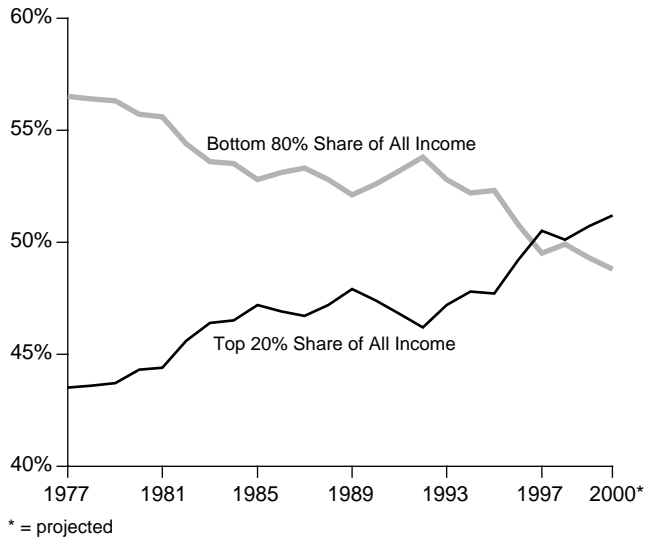
This intention already began back at the end of World War II, with some people who said, "We must imitate"—Sam Huntington—"We must imitate the Nazis." He wrote a book called *The Soldier and the State*, published out of Harvard. It's a policy of creating a *Waffen-SS*, an international *Waffen-SS*, of stone killers who will go out and slaughter people. A new kind of military, like the Roman legions, with a Roman legion policy. There's no inconsistency between Sam Huntington's conception of a new military, an international *Waffen-SS* military, a Roman legion military, and his policy of pushing for war against Iraq, Clash of Civilizations war, and so forth.

So here we stand. Now look at what happened to us. What happened to the lower 80% of the family income brackets of the United States under these conditions? (You have the chart on it—there—**Figure 1.**) You see what happened. It's very simple. The figures are more or less self-explanatory. You go back to 1977, about the time that Brzezinski took over the U.S. government. Take the lower 80% of the family-income brackets of the United States. What has happened to them? These are just official figures. The actuality is much worse.

So what we did, is we created a new policy. The lower 80% were largely people who worked, middle- to lower-income producers; farmers; manufacturers; even people who have small businesses, or manufacturing businesses—pushed out! Large, giant corporations or similar interests, controlled by financier interests, looting the nation at home, destroying

FIGURE 1

Top 20% of Population Have More Than Half of All After-Tax Income



Sources: Congressional Budget Office; EIR

our population, and destroying the health-care system.

So we had this two-fold process of going from a producer society, where the image of the citizen was that “I am a producer.” Or “I represent a family that produces wealth, in agriculture.” Or “I teach things that are necessary to people that do produce wealth.” “I provide medical services to people who produce wealth. I help citizens in the community survive. I produce *wealth*. I am important; I am justified, because *I produce wealth*. I have nothing to be ashamed of before the eyes of the world. I earn my way. And I take care of those who aren’t capable of doing so.” And that’s it.

We’ve changed that society to a society of parasites, increasingly, in what we consume. We destroyed our industries. We destroyed our infrastructure. Right now, we do not have a railroad system in the United States. And if the Congress does not act, in about this week, we won’t have Amtrak. The last of it’s about to go. Look at the air traffic system. United is in bankruptcy. American is in similar condition. United is the largest; it’s crashing. Under the present bankruptcy rules, what is left of United is going to be forced into a price war against other airlines in the nation. The entire air traffic system’s about to go.

Now look at this from a manufacturer’s standpoint, or a producer’s standpoint. How can you get from one place to the other in the United States, in a regular way, through mass-transport passenger and freight transport? The system doesn’t exist! We are a disintegrating nation, as a producer nation.

And that’s the root of this.

What’s Ruined the Democratic Party

Now there’s another aspect of this, a political aspect. Why does the Democratic Party, for example, allow this to happen? Isn’t the Democratic Party supposed to be for people? Against those mean Republicans? How people-oriented *is* the Democratic Party?

Let’s take the case of Michael Steinhardt, the founder of the Democratic Leadership Council, and sort of the den-mother of Al Gore, the guy who actually elected George Bush. What is Steinhardt? Steinhardt is a son of a key member of the organized-crime family of [Meyer] Lansky. What is Senator Joe Lieberman? The Steinhardt pedigree; including the old Lansky mob in the tip of Florida; remember those guys who used to work for Meyer Lansky before Castro, in Havana? (I saw them. I was down there in Havana on a consulting job before Batista was overthrown. I saw these guys, running all the gambling joints and prostitution in Havana. And they’re killers.) That’s what’s running the operation.

What is the policy of Steinhardt and people like him, who are organized crime, the guys who went “from rackets to riches,” and are still racketeers? Like Bronfman, whose family interests created the wealth and political career of John McCain; also tied to the same thing.

Who are these guys tied to? They’re tied, internationally, to Marc Rich. Rich is the key man, the key figure, of the Russian Mafia so-called. This is associated with [Shabtai] Kalmanowitch and all these other guys who are doing dirties against the United States.

These guys—these swine—are a controlling factor in the Democratic Party. It is their policies which have ruined the Democratic Party as a party. It is their policies which have condemned the lower 80% of family-income brackets to the kind of policies which have ruined them. Look at the homelessness in the streets. Look at Marc Rich’s friends: There’s your homelessness; there’s the cause of it.

How did our policies change? Look at your lost industries. Look at all the other things; look at what happened to your health-care system; all the same thing.

This is another part of that factor. No longer have the parties, in their majority—even though there are many people in the parties who object to this as I do—they will not fight Steinhardt. They will not fight what he represents. They won’t fight organized crime. They won’t call Joe Lieberman what he is! They won’t call John McCain what he is.

The Case of Murawiec and Marc Rich

I’ll give you some background on this connection. Back in the early 1980s, I had a man I knew, who was a very frightened man; his name was Laurent Murawiec. He’s of French extraction. He was about to go to jail. His problem was that he didn’t want to have to do his French *service militaire*, which was still compulsory military service in France at the time. So, in a sense, I kicked his rear end, and bailed him out at the same time, and got him shoved into his French *service*

militaire in time to avoid complications. He rose to the high rank of company clerk.

He is now being featured by Richard Perle; by Wolfowitz at the Defense Department; and by the Hudson Institute; as a top international strategic expert! How did this strange trans-mogrification occur? From trash to general, super-general. He works now, actually, on behalf of Sen. John McCain, at the Hudson Institute, as part of the Bull Moose collection. It's a McCain political-asset organization, whose purpose is to have John McCain run for President of the United States, on a Bull Moose ticket together with Joe Lieberman from the Democratic Party.

But the affinities are rather interesting, which is why I mention this case. The way it happened was that in the late Autumn of 1985—Murawiec was then out of his military service, with his company-clerk certification in his pocket—and he was terrified, absolutely terrified. The man's cowardice is outstanding. It's a military record for cowardice. He was picked up as a member of the Marc Rich gang, and has continued to function as an asset of Marc Rich and that section of international organized crime, to the present day.

Now Marc Rich, of course, his connection into government is through Lewis Libby, who's the manager of the office of Vice President Cheney. Marc Rich is also the guy who did a number of dirty things to Bill Clinton, in 1996 and on. He got Clinton into much of Clinton's trouble. How'd he do it? Well, he brought in Al Gore, and Gore brought Marc Rich in. And that's how the troubles went. Our policy toward Russia was screwed up; other policies, the same thing.

And this is the kind of problem we have: the contamination of our political parties, by people who know better, who know what these guys are, treating them as respectable people when they're racketeers and corrupt! And saying, "We have to make peace with these guys, for the sake of party unity." What is "party unity" if it destroys the United States?

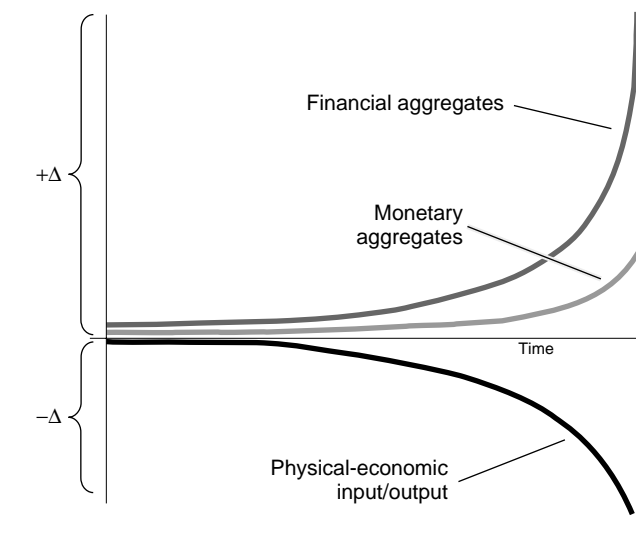
You have to be non-partisan on these things. Let's get those who went from "rackets to riches to respectability," out of the category of respectability, and send them back to—maybe rags.

LaRouche's Forecast of the Collapse

All right, but these are the problems we face. Now, let me explain what the problems are, here. As Debbie said at the beginning, I've been the most successful long-term forecaster in the past 40 years, essentially; actually, on public record generally—except for those who know some of the things I did earlier, especially about 35 years—I've never been wrong. Of course, I've never made *predictions*. Predictions are made by gypsies, not by economists. I make forecasts of what will happen.

Let me explain what this forecasting business is, because it's extremely important in this context, to understand what *real, competent economics is*, as apart from the "Brand X" varieties, that you're getting from usual sources.

FIGURE 2
A Typical Collapse Function



Now, to do that, let's just take, and present to you, three figures, which I will refer to repeatedly, to summarize some arguments I'll make. Take the first of the Triple Curve figures (**Figure 2**).

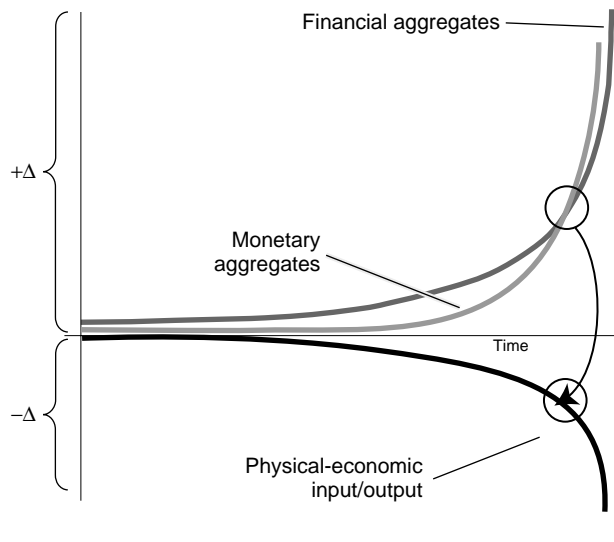
Okay, this is something I first drafted as a pedagogical device, out of a Rome conference I attended in 1995; a Vatican conference, actually, on the question of health care. Now, what this represents is an idealized expression of what has happened to us—at that time, what *was* happening to us. This goes back to about 1966, when these changes began to kick in, under the 1966-1967 U.S. Federal budget, in which there were deep cuts in the space program, the advanced technologies of the space program, which started the first ratchet down, in terms of the kind of growth we had from earlier periods.

What this represents: The top curve is called, simply, "Financial Aggregates," the equivalent of financial assets in the system. Second, is the money aggregate, "Monetary Aggregate"—money and similar things, which are put into the system, to push and supply, and keep the financial aggregates growing. The third curve represents the physical economic output of the economy. That is, measured in physical values, per capita and per square kilometer. This has been *down*, going down as a trend line over this period.

Now, take the second one (**Figure 3**). This shows what happened, as you'll see in one to follow. This actually began to happen, as a result of something that happened in 1998. Now, you may recall we had, in 1997-1998, a series of crises. The first was called an "Asia Crisis," which almost wiped out Korea and destroyed Indonesia, to a large degree. The second one, in 1998, was called the Russian "GKO crisis." Again, Al Gore was a key part of this. Al Gore, in 1996, as part of the Yeltsin re-election campaign—and in association with people

FIGURE 3

The Collapse Reaches a Critical Point of Instability



like Marc Rich, again—got involved with the Yeltsin re-election campaign of 1996. And, he got involved with a group called “Golden ADA,” many of whom are dead, to cover up the story. And, they ran a great swindle.

Now, in the phase of the Yeltsin Administration, to try to keep this swindle going—not just the Golden ADA, but some other things, which all involved Marc Rich and his friends—they created this GKO system, which collapsed; as a hedge-fund collapse, which almost sank the U.S. dollar, in August of 1998. At that point, when that happened, Bill Clinton was thinking about changing the system, taking action against the monetary system, to reform it. Then he quit. We went into the Washington monetary conference of October 1998, and Bill and the others went the other way.

Now, at that point, we were looking at October 1998, at the expectancy of a Brazil crisis to hit, in February, approximately, of 1999. They were terrified, by the prospect of the Brazil crisis coming on top of the GKO crisis, which the United States had just barely escaped. So, they came up with an idea, in consultation with George Soros, the swindler and drug-legalizer—otherwise known as drug-pusher. George Soros proposed a “wall of money” policy: That vast amounts of money should be created, and pumped into the system artificially, to keep the financial system from collapsing.

As a result of that, we got indications in 1999, that the rate of wall-of-money expansion, to try to postpone the collapse, had reached a critical cross-over point. In the year 2000, it became apparent to us, that what we saw as a sign then, was not episodic, but was permanent. And therefore, I issued the announcement in the Spring-Summer of 2000, that the system was going.

We’re now actually in a process of the final stage of the collapse. Which is why I was able to foresee what would happen to Bush, coming in as President, which I announced before he actually was inaugurated—that is, before “43” was inaugurated. Because of what I’m showing, here.

But, this is an idealized form. It is not the actual statistics, but I’ll show you the actual ones later.

What happened was, in that period, it was clear in the year 2000, that this was now a permanent feature of the system: that the amount of money required—as a wall of money poured into the system, to keep the financial system from collapsing, in a chain-reaction collapse—exceeded the amount of money that we’re bailing out. In other words, you have to put more money into the system to bail out the financial markets, than the money value you’re bailing out. The system is finished.

This is what happened in Germany, in June of 1923, when the Reichsbank was printing money, to try to roll over the German debt—the war reparations debt. It reached the point, that suddenly, there was an explosion of hyperinflation, which started in approximately June of 1923, and resulted in a blow-out of the reichsmark in October-November of that same year.

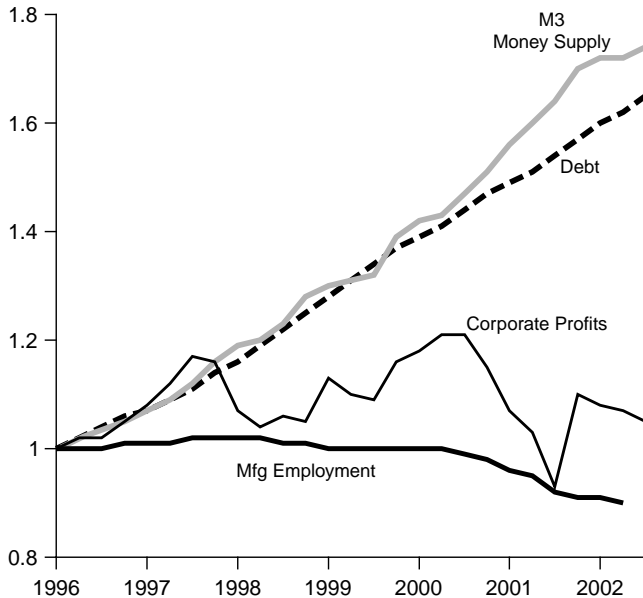
This is the same kind of phenomenon.

Now, the United States has a larger relative monetary and financial base, than Germany did in 1923. Therefore, the reaction was not quite as fast, but that’s it. So, at this point, when these characteristics show—with this change in relations, under the conditions of a continuing and accelerating plunge in physical output, real output—this means the system is finished. You’ve got to change the system. There is no bounce-back; there is no recovery. Never! Germany recovered from 1923, because of the U.S. intervention of the Dawes Plan, to bail the German economy out. Then, in 1928, with the collapse of the Müller government, over the question of the Young Plan, this led to an unfolding situation in Germany, which led into the United States and British putting Hitler into power in January of 1933.

So, this is the kind of phenomenon we’re looking at. We’re looking at a kind of crisis, a terminal crisis of a system, which is the most *dangerous* kind of thing you can have, where a system can blow out, and wars and all other kinds of terrible things like Hitler, can happen, if you don’t deal with this thing, in a timely fashion, as Roosevelt did in the United States.

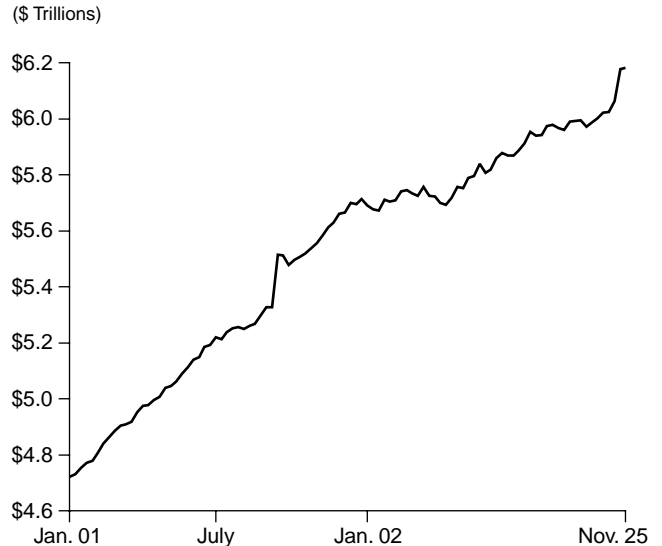
So, let’s get the third chart (Figure 4). This is a reflection of the actual statistics from this period, from 1996 on. And you see exactly the same thing. You see that the amount of the aggregate—the physical product is collapsing, and that the amount of money being printed and issued by the U.S. government or by the Japanese government, in the form of overnight loans, is now galloping ahead of the amount of financial assets that are being rolled over. *That’s* what’s happened. And, the attempt to maintain that system, is what is the immediate cause of the present collapse we’re experienc-

FIGURE 4
The U.S. Economy's Collapse Function Since 1996



Source: Federal Reserve; Bureau of Labor Statistics, U.S. Dept. of Labor; Bureau of Economic Analysis, U.S. Dept. of Commerce.

FIGURE 5
U.S. Money Supply: 'Money of Zero Maturity,' 2001-02



Source: Federal Reserve.

ing this month, in the United States, Europe, and elsewhere. Okay, these are the facts. I'll come back to this again.

Accounting Fraud Against Physical Economy

Now, let's get into this: How did I forecast? I do not believe—as these charts should illustrate, there is no necessary relationship between money, monetary emission, and real economic value. That is, any system which is based on money—money does not determine, automatically does not pre-determine the amount of wealth produced. It does not determine the health of the economy. An apparently healthy market—that is, a stock market, financial markets that are booming—does not mean that the economy's healthy! It may mean that the economy is dying, as it happened to us.

The point is, a healthy economy is one, in which money and financial relations are *regulated*, by government, and by custom, in such a way, that this kind of thing doesn't happen. That is, the growth of money should not exceed the growth of real wealth produced. That's called "protectionism." That's called "regulation." To make sure that the financial system does not become cancerous! Does not have a runaway growth of money! And, to keep the money in circulation, the money accounts, within the bounds of relative, physical reality. That is: If the financial accounts are to show that there has been growth and profitability in a national economy, in a year, you must show there has been a *physical improvement*, to do that.

Now, what they do in the U.S. government today, they commit a fraud. It's called the "quality adjustment factor." I first attacked this in 1983. The Reagan Administration was having a problem trying to impress people that their system was good, their financial system. So they put a fakery in, which was done by the Federal Reserve System, and the Commerce Department, and the Council of Economic Advisors. They called it the "quality adjustment factor." It's a fraud! It runs through a very large denomination; it runs into tens of percentiles, or even up to 40 percentiles in categories. They keep telling you, the market is better, because the "appetite" of the customer for the product is improved. Therefore, if they take away three wheels of your automobile, and the customer likes it, that means it's an improved one. Or, if you like the food, even if it poisons you, that's an improvement in the economy. The "quality adjustment factor": It's based on a marginal utilitarian doctrine in economics.

So, you have to define an economy, as I do: You go to the *physical* considerations. Now, an economy, a modern economy, has two basic elements. One, is basic economic infrastructure, such as transportation, water development and management, power generation and distribution, health care, education, and so forth; urban development; these conditions are the conditions which are necessary to maintain what is approximately the other half of the economy, what we call the "private sector."

Now, we have an overlap between the private sector and the public sector, under our system. We create, at the national

level and the state level, we create public utilities, chiefly at the state level. These public utilities are *regulated*, and we allow people to invest in these public utilities, as a way of having secured, saving income, for pensions and so forth. In other words, the basis of a pension system, the basis of a private system, is to have a *savings* system, which is so regulated, that the “average Joe,” so to speak, can count that the money deposited in that system, is going to be relatively safe. He’s not going to lose too much, and he probably will gain something. This is the kind of thing you tell people, who have relatively lower incomes, to save in: put their money prudently in things that are more stable. Don’t look for the big buck. Don’t try to get rich quick.

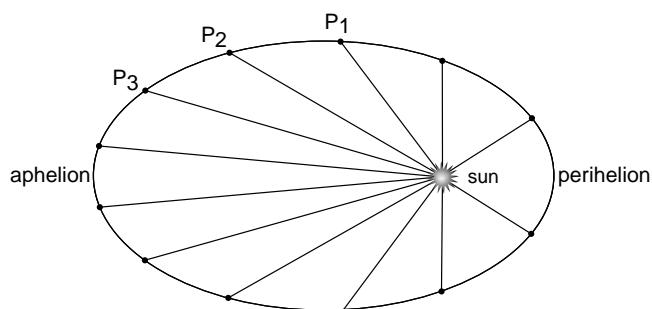
What we create, as part of the recycling of the accumulation of wealth in the society—a good society provides safe areas of saving, and will generally concentrate saving on things like public utilities, power systems, mass-transportation systems, large-scale water systems, educational systems and so forth. So, put your savings there, where they’re protected. The government will protect them. Not by subsidizing them, but by protecting them. Also, again, the same thing is true, in terms of private investment. Government should try to encourage, with its tax policy and lending policies, and credit policies—should encourage things in private investment, which are useful to the society as a whole; and make it more profitable to invest in those things. And that’s what we’ve gone away from.

Universal Physical Principles

But now, let’s go to another aspect of this thing: Let’s give the Earth a chance. Now, what you’re looking at, is a mathematically accurate, but clever, shall we say, depiction of the relationship of the Earth to the Sun (**Figure 6**). And what I’m referring to here, is what one of the greatest mathematicians and physicists of modern time—Johannes Kepler—discovered, about the beginning of the 17th Century. Before that time, in ancient times, it was understood by the ancient Greeks, that the Solar System was organized such that the Sun was orbited by the planets. Now, in this period of ancient Greece, we’re talking about the period from Thales and his student Pythagoras; through Archytas, a student of Pythagoras, Plato; all the way to the time of Eratosthenes and Archimedes; a period, in which the method of constructive geometry, was the method of scientific and mathematical thinking in that period, not algebraic thinking. And, in that period, this was understood—not how it worked, but it was understood, that the Earth orbited the Sun.

In come the Romans, who begin to take over about the time of the death of Eratosthenes, and the time the Romans murdered Archimedes. At that point, there was a change in thinking to Roman thinking, from Classical Greek thinking. And we entered into a new phase, typified by a great fraud, which was done under the Romans in the Third Century A.D., by a fellow called Claudius Ptolemy, who created a fraudulent

FIGURE 6
Kepler’s ‘Area Law’



Source: *Fidelio*, Summer 1998.

Mr. LaRouche displayed a computer animation showing the Earth traveling in its elliptical orbit around the Sun—the universal physical principle discovered by Johannes Kepler. This diagram conveys the same idea: that in equal time intervals, the areas of the curvilinear sectors swept out by the planets will be equal, even though the distances traversed on the orbit are constantly changing. P₁, P₂, and P₃ are three successive positions of the planet.

rescheduling of the work done by Aristarchus, and created the so-called “Aristotelian” or “Ptolemaic” system.

Then, you had later, in the 16th Century in Europe, you had the emergence around Copernicus, who copied, in a sense, the image of Aristarchus, but he didn’t know what he was talking about; because, the thing was, again, based on the same Aristotelian/Euclidean methods, which were used by Ptolemy.

Then, you had a great astronomer, Tycho Brahe, who also dabbled in this area, and came up with the wrong answer. Then, Kepler found the right answer. The point of this, is to illustrate, what a principle is: That means a principle in physical science; it means a principle, also, in economics.

Here’s what you’re looking at, in this case. Kepler discovered that the Earth orbits the Sun in an elliptical path, not a circular one—that’s number one. Number two: As represented on this diagram, the Earth’s speed, along this orbital pathway, which is more or less repeated from year to year. There are some long-term trend changes, but that, essentially, is it: That the rate of motion, along the pathway, is never uniform. It’s always *non-uniform*. Therefore, any statistical interpretation of this pattern, is false.

Furthermore, the way the pattern is determined, as Kepler discovered, is, that if you draw a line—from here, follow it around—you’ll define an elliptical arc, between the Sun, which occupies one of the centers of an ellipse; that, around that particular part, as opposed to the other [focus] over here (which isn’t there), that for the Earth to move through that pathway, is such that the area in the elliptical sector and the

time are equal.

Now, from this, Kepler said that Aristotle and Euclid were wrong; and that there is a hidden hand in the universe, which we don't see, called "gravitation"; and, that this gravitation is the hand of God, which determines how the universe works. It's a principle you can not see; you can not taste; you can not touch; you can not put in a box; you can't sense it; but, it's there. And, you can prove that it exists. Now, those things in physical science, those things that we can prove exist, as principles, which are efficient, but you can't see them; you can't taste them; you can't touch them, but you can prove they work, those things are called "universal physical principles."

In the case of man, as opposed to animals, man's peculiarity is, that we not only can discover and master universal physical principles, but by doing so, we increase the power of the human species *to exist*, and to improve the quality of its existence. Thus, where if you take the conditions on this planet of the past 2 million years, only several million individuals could have lived on this planet at any one time, if they'd been apes, higher apes, or like higher apes; we have, estimated today, about 6 billion-plus people on this planet. How did we get 6 billion-odd people (and some of them are very odd), with a species, which, if it were an ape, or like an ape, could never have exceeded a population of several millions, at any time? Because, man has a quality, which is different than that of any animal, and all economics, all competent economics, is based on this conception: that man is capable of discovering, *sharing* the discovery of, and utilizing, universal physical principles, which enable mankind to increase man's power, per capita, per square kilometer, on the planet. That's how the population increase is possible.

Human Discovery, and Profit

That is the only way, that true profit, physical profit, can be generated: is by the discovery and use, in a social way as well as in an individual way, of processes, which enable mankind to increase his *physical power in and over the universe*. *That is the only true profit*. Therefore, when you're measuring, to go back to the other one, to go back to the Triple Curve—the idealized one—what you're seeing therefore, you have to measure the real physical value first; the physical economic input-output. That should be your primary measure of economy. And, you measure that against the total population, per capita and per square kilometer of surface area. *That is economics*. That is *physical economy*, a branch of science, first discovered over a period between 1671 and 1716, by Leibniz—called "physical economy."

Therefore, you should design the way you structure and regulate financial and monetary systems, to make sure that they reflect the real values, which are physical values, as opposed to financial values.

That's the way I forecast: I concentrate on the physical values, and I concentrate primarily on, growth comes from generation of the discovery and application of universal phys-

ical principles. Therefore, the primary function of economy, is to foster *capital growth*, in terms of applications and discovery of universal physical principles, useful for man. What we did is, we went to a consumer society from a producer society; we tore down our infrastructure; we tore down our health-care system, with the HMO legislation of 1973; we tore down all the things that made us productive. We were destroying the physical basis, for successfully maintaining our population, and that of the world. And, that's where the gray arrow is.

So, this lesson of man, the nature of man: The problem with economists, generally, is the economists keep trying to interpret things in terms of financial systems. They try to think like accountants, rather than physical scientists. And therefore, what their work has been—every forecaster, that I know of, in the past 30-odd, 40 years, has been wrong. Not only are they wrong, but they're viciously wrong: That is, they can not help but be wrong, as long as they believe what they teach, about economics. That's what our problem is.

Therefore, the other question is this: that, if we wish to solve a problem, we must do a number of things—both of which are essentially the same thing: First, our objective must be to increase man's power, per capita and per square kilometer. That means, that we must promote, in our schools for example, the discovery, re-enacting the discovery of universal physical principles. We must not ask children *to learn the formula!* Or learn the procedure. They must go through the experience of actually discovering the principle. They must develop their powers to discover principles, and therefore, know how to apply them. That's our first objective. That's why we do it that way. Because, we must increase man's power, per capita, over the universe.

We must educate people longer. We have to educate people to the ages of 20-25, as opposed to 15 or 16, as we used to in a former time. We sustain them longer. We make a capital investment, in children. Say, today: To produce a university graduate, who's employable, you're talking about 25 years of life; that, largely, is a capital investment by society, in that individual. If you make the capital investment wisely, educate the pupil properly, develop them, provide them the opportunities, they will increase the wealth of society.

Therefore, when you cut health care, when you eliminate health care; when you eliminate a youth's education, to make it only "learning"; when you say there's no truth in education, no truth in ideas, there's only opinion: then, you're destroying the society.

Great Projects of Infrastructure

What we've had, as I've indicated already, is the general collapse of infrastructure. People say, we've got to balance the budget, the financial budget; they don't realize the system is already bankrupt, and they're driving it further into bankruptcy. And the point comes, at which you have to stop, and go back, and re-do, revisit, or reverse what you did, over the past 35 years.

Now, there are some solutions. As I already indicated, in 1931, a number of German economists—some meeting under the auspices of what was called the Friedrich List Gesellschaft in Berlin, which represented the top banking circles of Germany—said, that austerity was insanity. What is being done in the United States today, by the Federal government and by the state governments, is insanity. This does not work. You're simply causing the society to try to survive by eating its own legs, and you're not going to continue walking around that way for much longer.

Therefore, what you have to do is, increase employment. It is the function of the state, *not* to balance the budget, in terms of fiscal austerity, but rather to create large-scale employment of the unemployed or the misemployed, in projects of national interest, especially in basic economic infrastructure, to build the economy up to the level, that the income of the population in general, enables you to balance the books. As far as the government is concerned, you bring the income of the population up to the point that your tax-revenue base is adequate to balance the economy.

Now Lautenbach, and an economist called [Wladimir] Woytinsky, were among the leaders who made this proposal at that time. If it had been carried out, in 1931, at the time it had been made, *Hitler would never have come to power*. FDR carried forth *precisely that program, and saved the United States*. That's what we have to do, now. No more Kemp-Roth tax cuts! Go back to Kennedy investment tax credits instead.

Now, there are legislative categories to be considered. We need, first of all, as I proposed in what was published in a pamphlet form, in part, a Super-TVA program, of essential projects to get the nation's economy moving. These are largely infrastructure. We need to rebuild the rail system. China now has the most advanced rail system in the world. It's a small segment from Shanghai city to the newly built Shanghai airport. A job done in two years, over very difficult terrain, and it worked. It went from Shanghai city to Shanghai airport, at speeds of up to 431 kilometers per hour. Smoothly, without tipping over roses and the flowers that were sitting in front of the Chancellor of Germany and the Prime Minister of China. That is a technology which exists. China intends to extend this from Shanghai to other nearby cities; and is working on similar railroad projects of the type for China as a whole. China is building the great Three Gorges Dam system, one of the largest engineering projects in the world. China is bring water from the high level of China, northward, to the



China now has the most advanced rail system in the world, with the inauguration of the world's first commercial magnetic levitation train (maglev), on Dec. 31, 2002, running from Shanghai to its airport in Pudong.

low level, where there's water insufficiency. And so forth, and so on.

China has responded to the collapse of the world economy, by moving, currently, to large-scale infrastructure projects, as a substitute for the lost earnings from exports to the United States. China has to expect a 40-50% loss, in income, from exports to the United States. China had to face the reality, and said, "Now, we'll go to internal improvements, as a source of stimulus for the economy as a whole." They're doing it quite successfully.

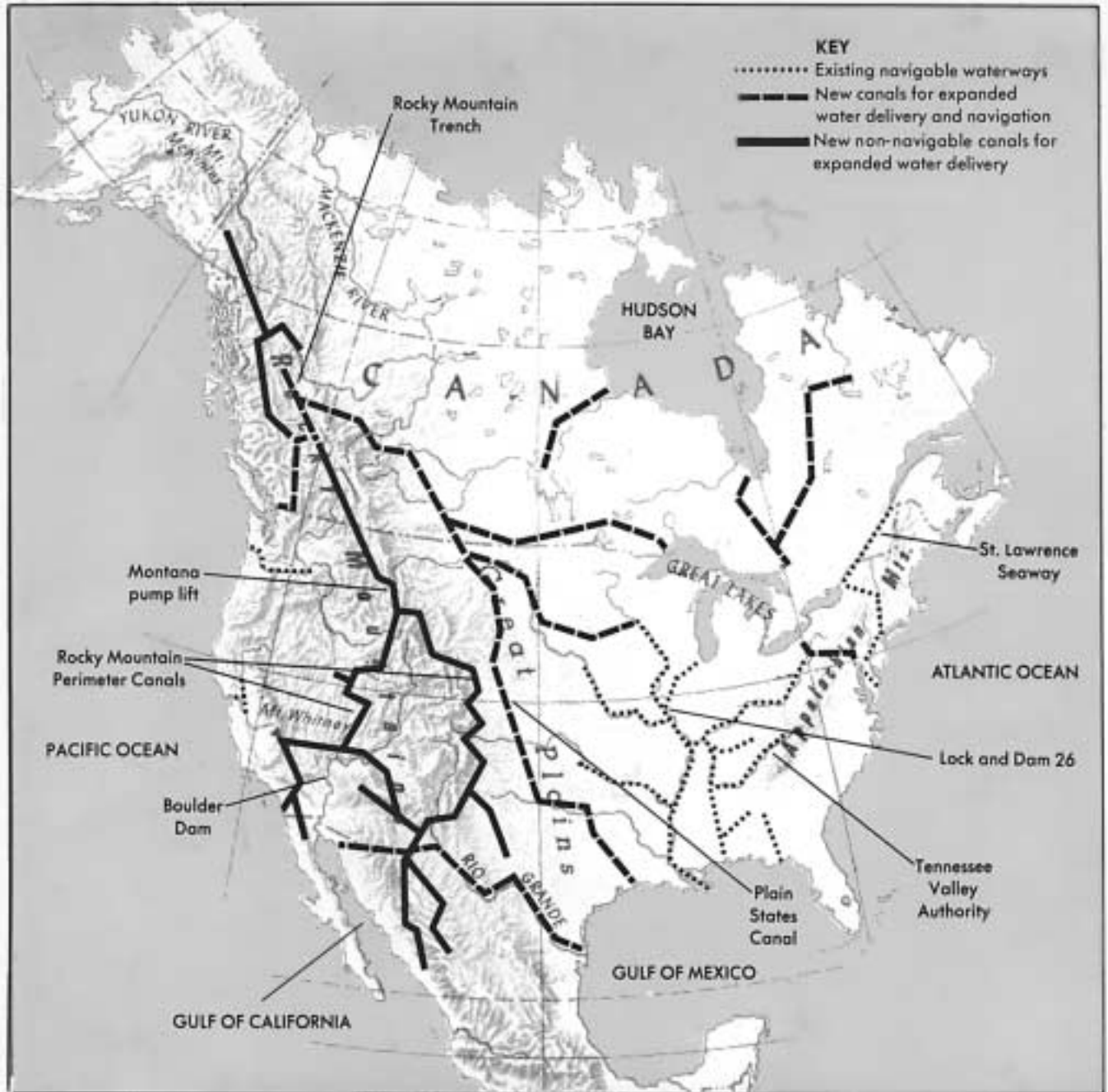
There's also a project on the Brahmaputra River, one of the great rivers of the world, which comes out of Tibet. It comes down through India, into Bangladesh, and into the Bay of Bengal. Here, a great project is planned: one of the great hydroelectric and water management programs of the world.

U.S. Economy's Physical Breakdown

These kinds of things—we need them in the United States. We have, from the Arctic Ocean, down into the water-rich part of southern Mexico, we have a Great American Desert area, or large pockets of it; where we're dumping water into the Arctic Ocean, which should be coming southward into the so-called "Great American Desert," within the United States, and on to Mexico (see **Figure 7**). Mexico has surplus water, which is located in the mountainous southern area, which is a great source of hydroelectric energy. If that water is moved along the coast, then it will go up to areas like Sonora, and there, it will build agriculture. So, if we have the two lines of a water-management project coming southward from the

FIGURE 7

The NAWAPA Plan for Bringing Additional Fresh Water to the United States, Canada, and Mexico



Arctic Ocean, and coming northward through Mexico; if we combine this with rail lines, which would, say, connect El Paso, Texas with Mexico City—this sort of thing—we now have changed the United States.

Look at the water levels in California! Look at the Southwestern United States: the water tables, the aquifers. They're collapsing! *We need major water projects.*

We don't have a competent transportation system for the United States. Our rail system and air-traffic system are either out of business or endangered. We need these things.

We need power. We're running out of power. Partly the result of Enron. We need large-scale, integrated, non-deregulated, systems of power production and distribution, based on regional distribution and regional requirements. This is in the

Federal interest to have this, and it should be primarily work done, on the basis of the states. These are gigantic projects. We're talking about billions of dollars of investment for these kinds of complexes.

We need, again, large transportation systems. We need to connect the United States as well, coast to coast. Look, for example, I was in Los Angeles. I'm looking at the port area in Los Angeles—looking out across the Pacific. The greatest area of growth in the world today, potentially. What have we got there, in Los Angeles? What do you do? You've got a port, to handle this freight: What do you do with this freight? How do you get it there? What do you do with it, when you get it? What's your rail system? What kind of a transportation system do you have, to *move* this stuff?

We have a breakdown, a physical breakdown, in the U.S. economy, in transportation alone. We're insane on air travel! We depend upon air travel for relatively short hauls. We can build magnetic levitation rail systems, which have speeds of up to 250 miles an hour, or higher. We can build, on the East Coast, for example, from Bangor, Maine or Boston, all the way down the traditional line, down through Washington, Richmond, and so forth. Why do we need air travel, when we can travel more efficiently from city center to city center, by train—by maglev—than we can by air? Why do we put all this load on short-haul traffic, in high-density population areas, on air travel, when we should have high-speed rail-equivalent transportation? We can have it. That's one of our needs.

We also have a breakdown in our health-care system. Here, the thing is very simple: Simply take the HMO law, and destroy it. [applause] Return to Hill-Burton! It worked. And, with the objectives of Hill-Burton. The point is, to provide for the citizens, in every county of the United States, an objective of approved health care, guaranteed to the citizens, by cooperation among public, private, and semi-private facilities—like voluntary hospitals—a pool of capability, which ensures that anybody who falls in the street, in that particular area, is going to be cared for. And, we'll worry about the money afterward. It worked! It was cheaper than what we have now, relatively speaking. Go back to it.

We have to have a new approach to urban renewal. We have this area out here: It's going to collapse. An area of bubble, created by Fannie Mae, Freddie Mac, and poor Sir Alan Greenspan. They've created a financial bubble, it's about to collapse. Look along this corridor, the Dulles Corridor, from Washington to Dulles Airport. Look at the empty things—this is lost jobs; these are lost incomes, of people who are liable for mortgages in these areas. What are you going to do? You have created, with this real estate bubble, this crazy suburbanization, you've created insanity in the economy. The idea of the old city was better. What's the advantage of suburbanization, if you're doing so much time commuting, that you have no time for your children?

The idea of the urban center, was to have an efficient relationship, of habitation, public services, and places of em-

ployment. We have to go back to that orientation. We need an urban renewal program, for dilapidated parts of the country, which enable us to do that, to restore this. [applause]

Science-Mission Programs

We need national mission-orientation projects. For example, let's take the space program: The United States made money on the space program. We made money in space! Not bad, huh? Better than over real estate! How'd we make it? What we did is, we generated, especially when Kennedy moved the thing ahead, with the pre-existing space program, and giving it a mission-orientation: We got to the Moon! We put a man on the Moon! The benefit, of what we spent to do that, was several times the cost of doing it, in terms of the spill-over of technologies, which improved the economy. So, we need technology-driver programs, not merely as prestige programs—they're not prestige programs. When we force science, investment in science, and the development of science for investment, we create the technologies, which we then, in turn, apply to other aspects of the economy, which increases our productivity and our wealth.

Therefore, the United States must have a series of mission-orientation programs. I proposed, when I proposed what Reagan named the SDI, that be the purpose of the SDI. That we try to get the Soviets to agree to this program, which would take the threat of the missile crisis, away from us, simply agreeing to cooperate on it. And then, use the technologies which we would develop with that program, to benefit all of humanity. Ed Teller, who happened to agree with me at that point, said, in late October of 1982, "*for the benefit of the common aims of mankind.*" And for the common aims of humanity in the United States, mission-orientation is necessary.

We need investment tax programs, for the private sector. We must provide credit through the public sector. But, we must, by increasing the amount of income, in the private sector through public-sector stimulus, we must recycle savings from the private sector, into things of national importance. And, the best way to do that, is to take things that we know have to be done, that are important, and sponsor that development with investment tax credit programs, of the type that Kennedy introduced, back during the early 1960s.

The Principles of American Government

There's one fundamental conceptual change that must be made. And this goes back to the question, as I said, of the nature of the United States. At the time the United States was coming into existence, in the 18th Century, Europe was divided, chiefly, between two large forces, one, the Hapsburg-centered interests, of Spain—Spain was pretty much a piece of wreckage at that time—but Austro-Hungary, and so forth, in one part; and in the North, a neo-Venetian development, in the Netherlands, and later in England, which became known as the Anglo-Dutch liberal system, associated with the philos-

phies of Hobbes, and Locke, and David Hume, and Adam Smith, and so forth.

This system, which is the characteristic today of the European parliamentary system, is a key problem. The fact that with the introduction of the Federal Reserve System, we introduced something similar in the United States, has been a chief cause of our problems over more than a century.

The Anglo-Dutch liberal system, the so-called parliamentary system typical of Europe, is a fraud. You have a system of government, of a state apparatus and a parliamentary system, but you also have something which is outside government as such: It's called an independent central banking system. An independent central banking system is a concert of financier interests, not necessarily banks, but financier interests, a concert which controls, a joint institution, called a central banking system. This central banking system, by virtue of its independence, exerts control over the government, over the finances of the nation, and so forth and so on. Therefore, no European government today is really free. They are all victims of so-called independent central banking systems.

What's been done to weaken the United States, done at the behest of the then Prince of Wales, King of England, Edward VII, was to impose the Federal Reserve System on the United States, which was done by joint action, in the end, of Teddy Roosevelt and Woodrow Wilson. Woodrow Wilson's administration installed it, Teddy Roosevelt made it possible.

What we have to do is end that, and go back to the original intention of the United States, the characteristic of the United States, which makes us beloved by those who observed our good things over the past.

The United States was founded on principles expressed by the Preamble of the Constitution. The Preamble is the absolute law, the Constitutional law, of the United States. The other parts of the Constitution are subordinate. Any amendment to the Constitution is subordinate to the reading of it, in light of the Preamble.

The Preamble contains three essential principles. One, the general welfare: that government is legitimate only to the extent that it officially promotes the general welfare of the people. Secondly, the government is sovereign: that there is no agency outside government, and the people, the people's government, which has any authority in the territory of that nation. No independent central banking system. Third, that the government is responsible, not to the will of the existing population, as much as it is to the general welfare of the *future* population. In other words, the Constitution is a future-oriented institution, dedicated to the well-being, primarily, of our children, grandchildren, and great-grandchildren's generation. That is our responsibility of government.

We have to restore that, these deep principles, again. We have to eliminate things like the Garn-St Germain, and Kemp-Roth bills, which are totally against that philosophy, and, as I said, go to the question of what I've indicated.

World Mission-Oriented Recovery Programs

Now there are several national, international mission-oriented recovery programs which should be part of this.

First of all: I've mentioned the case of Mexico, water, transport and power. We have an immediate relationship along the Arizona-New Mexico-Texas border, with northern Mexico, and with Mexico as a whole. This is one important area, a very specific area, a very immediate area, where immediate action is required, and where cooperation is crucial for us. Also, because we have a very large Hispanic population inside the United States, or people of Hispanic backgrounds. It's important for our internal security, our internal peace, and internal integrity, that that part of our population be reflected in this policy.

The big factor in world history today, is reflected by the Land-Bridge program. That, in 1988, in an address I gave on Columbus Day in Berlin, which was later broadcast on the national network here in the United States, I warned that the incoming President of the United States would be faced with the principal problem of dealing with a disintegration, which is on the way, of the Soviet system. And I expected that we would have, in the immediate future, a collapse of the Comecon system in Poland, which would be followed soon by prospects for the reunification of Germany, and the re-establishment of Berlin as the capital of a reunified Germany.

I said that this issue—and dealing with the collapse of the Soviet power and Soviet system—would be the primary concern of the coming Administration. In that connection—obviously that was not what was done. Something else was done. But, in that connection, we began to propose things for Europe, and Asian development, which we started pushing in 1988.

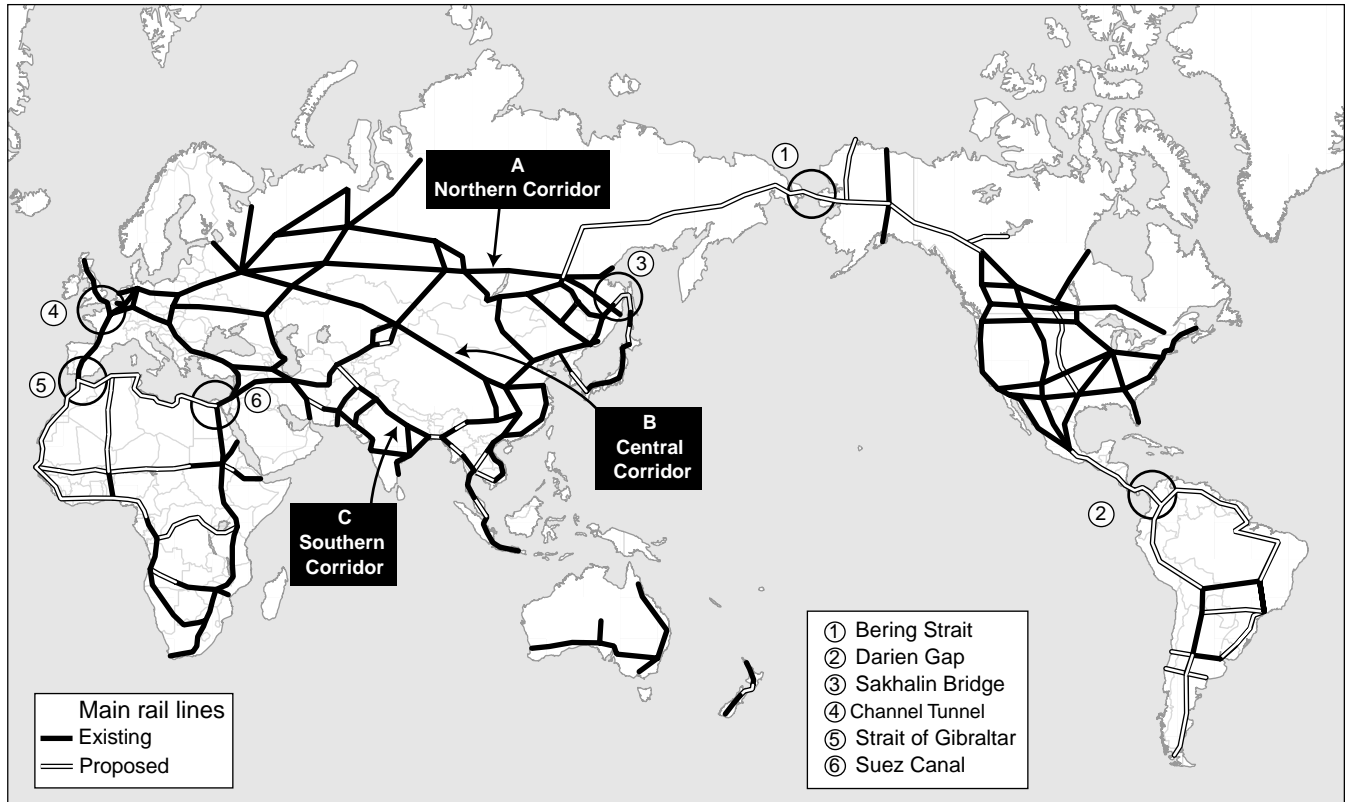
The first was to promote the development of a power-transportation, etc. complex within Europe, which I called the European Triangle, the Productive Triangle: Paris-Vienna-Berlin, the heart of western Europe. And that this part of Europe should be oriented toward dealing with the requirements of dealing with the collapse of the Comecon and the Soviet Union.

Later, my wife pushed this, in 1992-1993, as a Eurasian Land-Bridge development, on which I did some work. (You've got this Land-Bridge—**Figure 8**.) All right. What we proposed is this.

Starting from what I described as the Triangle in Europe, the Productive Triangle, is to move across certain routes across Eurasia, which would not merely be transportation routes, but would be actually combined corridors, of transportation, water management, power production, and so forth, and urban development, which would be a productive process which would link the Atlantic to the Pacific Ocean, in such a way, that it would be cheaper to transport goods by rail, across Asia, than it would be by ship. A fundamental change in the geographical orientation of the planet. We also extended this to include a tundra-related rail link across the Bering Straits, into the Americas, and down through the Americas.

FIGURE 8

World Land-Bridge



The ‘Strategic Triangle’, and Korea

This is now reality in part. I proposed in 1998, in conjunction with the GKO crisis, that the United States should support the creation of a Russia-China-India Strategic Triangle of cooperation. The idea being that you have three cultures which are very large, which are very powerful, relatively speaking, and which are different. They don’t necessarily agree in cultural impulses. That if these three large nations can agree on common interests of Eurasia, then we can bring together a security, a common security and development bloc for Eurasia. That Europe should participate in this, as a vendor, a partner, with these countries of Asia, because here you have over a billion people in China—probably 1.2, 1.3. You have a large population, a billion or more, in India. You have Southeast Asia. This is the largest area of growth for the future of humanity before us. This is the great market for Europe. Cooperation with this part of Asia, Eurasia.

This is in our interest in the United States, to have that kind of system which is stable, because, with that kind of system, and by building up the Americas, we can tackle the problem of Africa, and justice there.

Take the case of Korea. Why is Korea strategically important? If you link the rail systems of Northern and Southern Korea, divided Korea, together, with a modern rail system,

you have linked Pusan, at the southern tip of Korea, which is, of course, relevant to Japan, to Rotterdam, by two routes. One, the Siberian route, one, the so-called Silk Road, both as depicted on the charts there.

That means that the unification—I don’t think that the government of China *likes* the government of North Korea. I don’t think the Russian government likes the government of North Korea. But that’s not important. Whether you like a government or not, is not important! Whether you think it’s troublesome or not, is not important. You have to pick your long-range mission, in terms of what you’re going to do, in effect of the next generation, and a generation after that. You must take a strategic long-range view.

Our interest is to unite, in cooperation, if not immediately unified, North and South Korea. *That’s the vital interest of the United States!* Anything that threatens that, or impairs that, is a nuisance; it is not a cause for going to war. We have to learn that kind of thing.

Cooperation among Russia, China, and India is in the vital interest of the United States. We recently had in Phnom Penh, a meeting on the subject of the development of the Mekong River Project. This goes, [from] southern China, all the way through Southeast Asia. It’s one of the largest water projects in South Asia; it’s extremely important for future develop-

ment in that area. It is in the interest of the United States that it occur.

This is something in which China and India are both involved; that is, by commitment. And something that Russia and Japan are involved in by implication.

Pestilence of IMF Usury

In Africa, we've got a special problem, especially in Southern Africa. In 1974, Henry Kissinger issued a memorandum, through the National Security Council. It was called National Security Study Memorandum 200. Under this proposal, Kissinger argued, that the raw materials of South America, Africa, and elsewhere, must be preserved for the future benefit of the United States. Therefore, we must not have these resources being used up by the inhabitants of those countries! Therefore, we must keep them poor, and backward.

Also, we must reduce their populations, so they don't consume those resources. That is a policy which is not original to Kissinger, but it's one he expressed. It's the same policy that Brzezinski put forth as Global 2000, and Global Futures. It's a policy of deliberate genocide against Southern Africa! Which has been the policy of the United States since that time. It is the reality of so-called population policy. There must be no development; there must be no technological progress to speak of, except for military power, or similar kinds of domination of the world. We must not allow the population of world to eat up the resources that we may want in the future. This is oil, this is mineral resources, and so forth.

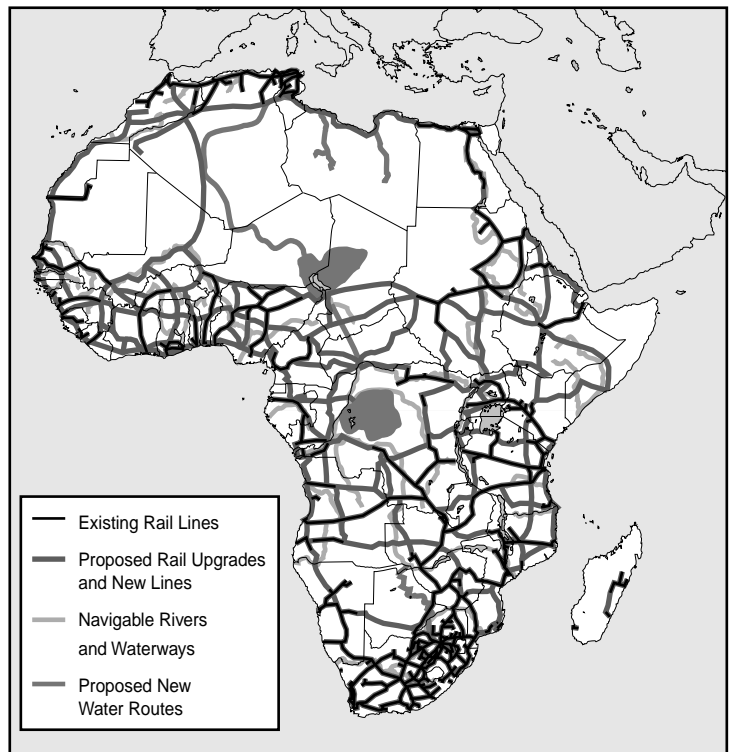
This is why the United States, Britain, and Israel are heavily engaged in genocide against the populations of the southern part of Africa. And until the United States changes its policy, that will continue. So therefore, the government must change its policy. We must be against genocide. [applause]

Within the Americas, I've already said, what the situation is generally. I proposed in 1982, which was a critical point in the history of the Americas, at the time that the 1971 looting began to kick in, and this (**Figure 10**), on this bankers' debt issue.

All right. What happened is, as a result of 1971, the London market, together with the United States, pulled a great swindle against many countries, including those of South and Central America. It's a debt swindle. What they did is, they would have a run on a particular targeted currency on the London financial market. The currency would be driven down in value, exchange value, on the world market. Then people would go to the country which had been targeted, and say to the government, "Well, your problem can be solved, you know. Call in the IMF or, in some cases, the World Bank. And if you accept those terms, I

FIGURE 9

Africa Rail and waterway Development



These transcontinental rail and water projects show the vast potential for African development—a potential that has been deliberately blocked by those in the United States, such as Henry Kissinger, who are determined not to allow Africans to consume the resources that “we” may want in the future.

think your problem will be solved.”

What did the IMF and World Bank propose? Well, they proposed that the value of the currency be sharply reduced. But, then, the country said, “Fine, okay, we’ll do it.” “Oh, but you have to incur an additional debt, to compensate your creditors for the devaluation of your currency.” So, what happened is, if you take all the actual debt owed by the nations of South and Central America, from 1971 to the present, they don’t owe a nickel. Because all of the actually incurred debt, has been paid off many times over. And now, the IMF and World Bank are trying to collect, and destroy, Argentina, Brazil, and other countries on the basis of debt. The debt was artificial.

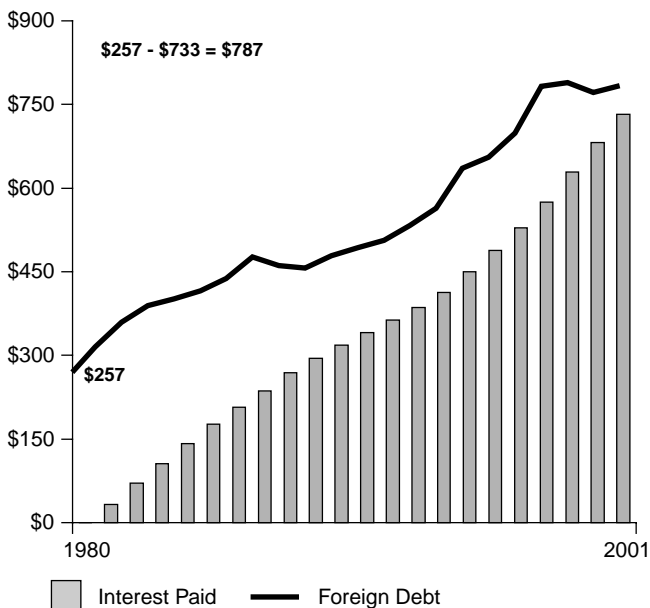
In 1982, I got in the middle of this thing. I had a meeting with the President of Mexico, to discuss a number of matters, and he said, “What are they going to do to my country?” Referring to the United States. I said, they intend to destroy it. And you’ll be hit by a major crisis orchestrated out of New York, by September.

Well, he was hit in August.

FIGURE 10

Ibero-America: Bankers' Arithmetic

(Billions \$)



Source: EIRNS.

So, in the meantime, I wrote a paper, reflecting my concern about the situation in South and Central America. It was called *Operation Juárez*, so named because of the relationship between Lincoln and Juárez on freeing Mexico from this Hapsburg looting operation that was run against Mexico while the United States was engaged in a civil war.

And this laid out exactly what we had to do: how to reorganize the then-existing debt of the countries, and to create a new institution of cooperation among the countries, a regional institution, which would bring some kind of coordination and order into this area. That, what I proposed then, is appropriate for today.

If we don't do it, as we say in the case of Argentina right now, if we try to collect this debt, on the terms that these swine from the IMF and World Bank propose, they and other countries—what are we going to do?

Go back to the 14th Century. Go back to the time, the 1330s, when England declared a moratorium on its debt to the Lombard bankers, especially the House of Bardi. At that point, politically, the countries were helpless to defend themselves against the usury of the Lombard bankers, who were the dominant financial power in Europe, Venetian-based. As a result of that, the debt-collection enforced by the Lombard bankers and their friends, in Europe, resulted in a few decades, in a reduction of the population of Europe by 30 percent, in genocide. And the elimination of 50 of the parishes of all

Europe. *Genocide!* And what the IMF is proposing, for Argentina today, and for other countries, is nothing other than straight genocide of the same type. We can not murder people for the sake of bankers' pleasure. [applause]

Strategic Defense vs. Utopian Insanity

Now, let's take the military question. Let's be very plain about this stuff.

The policy of the United States should be—and essentially was—at many points, the strategic defense concept introduced by Lazare Carnot, a great military genius, an engineer and scientist, one of the key figures associated with the so-called Ecole Polytechnique of that period.

Carnot is also famous, between 1792 and 1794, at the time that France was being invaded by virtually every power in Europe, and was about to be carved up, that Carnot was given the unlikely position of being the Minister of Defense in the field, for France, when everybody in Paris assumed that France was going to be dismembered. He, within that period of time, defeated all of the enemies of France, and built the most powerful military machine in Europe, on the land. Then, they got rid of him. But he continued to hang around.

But he developed this idea of strategic defense, as a policy. He based his concept of defense largely on a study he did of the work of a famous French military engineer, Vauban. A couple of years ago, I happened to get into that area. It's opposite—the other side of the Rhine, in France—from a place called Breisach, in Germany, near the Rhine. On the other side of the Rhine, there's a city, which is still a functioning small city to this day. It's a fortified city, built by Vauban in the earlier part of the 18th Century, at a time—given what military artillery could do at that point—a very formidable construction. As a result of a similar fortification, Velfours, which is also famous for its role in the Franco-Prussian war—that the Austro-Hungarians never dared to attack France on that quarter at any time. Because the effectiveness of this principle of fortification, of strategic defense, was so effective, they didn't dare. And therefore, from this, he generalized a concept of strategic defense.

This was then amplified, later, in the same general period, by a young man, who was studying at a military school set up by a Graf [Count] Schaumburg-Lippe. The school's program was one designed for Schaumburg-Lippe, by Moses Mendelssohn—the famous Moses Mendelssohn—and this produced Scharnhorst, who was one of the greatest commanders and military thinkers of that period. And the German concept of defense, was based on what my dear friend, Congressman Rangel, would approve of, an idea of using an in-depth reserve of the population, as a trained reserve, as the defense of a nation.

It's what Creighton Abrams did in terms of the lessons of the Vietnam War. Is to take—military units for warfare, should be, in a sense, skeleton units, filled in by reserves. Therefore, in order to fight a war, the military would be



Rep. Charles Rangel (D-N.Y.) has introduced a bill to restore a mandatory draft for universal military or alternative service. Rangel's legislation has stung the Utopian advocates of "professional armies" and imperial wars, like the invasion of Iraq—which Rangel opposes.

obliged to call up a trained reserve, to fill the places assigned to them, within the ranks of these units. In that way, you would not go to war, as we did in Vietnam, you would not go to war without challenging the willingness of the population to fight that war.

That's the principle.

The problem we have today, is we have three ideas of global conflict at hand.

The first one—the first two—are bad. The first one is the baddest. This is a concept developed by the circles of H.G. Wells, and Bertrand Russell, which became the idea of nuclear weapons as a road to world government. Russell's argument was—and this is why the bombs were dropped on Hiroshima and Nagasaki, and for no other reason. MacArthur had won the war. There was never a need for the United States to invade Japan, never. No "million lives" were saved by the bombs, none. The whole thing's a hoax. As MacArthur had already indicated to this staff, that Japan was already defeated, and there was no prospect for invading Japan.

It's also a classical principle which was taught by Machiavelli, for example, in the 16th Century. You don't pursue an already defeated enemy into its hiding hole. You may start another war. Sit back, and let him surrender.

Because the object of war is not war. The object of war is peace—when you can't obtain it by any other means. And

therefore, that's the idea of strategic defense, is to have a *peace* policy, a policy for establishing peaceful relations, which are acceptable among nations, and fighting only to ensure that that is not jeopardized. Otherwise, don't fight.

But these guys say, "No, we want to create a new Roman Empire. What we're going to do, is we're going to use nuclear weapons, as weapons of terror, to intimidate nations into accepting world government." This is the policy which is expressed by, specifically, Brzezinski, most emphatically, and by the crowd associated with Marc Rich, in both the Democratic Party and Republican parties. They are the "go to war, now" party.

You have a second policy, it's an old policy, the old British policy, called liberal imperialism, which is expressed sometimes in the pages of the *Washington Post*, by Michael Ignatieff, or by Cooper, the advisor to the British Prime Minister.

The third model, which is mine, is, I would call, the community of principle policy. This is a traditional American policy, which was first articulated explicitly by Secretary of State John Quincy Adams, in connection with the formulation of what became known as the Monroe Doctrine. The objective of the United States, in the hemisphere, being proposed at that time, in his letter to Monroe, is to keep the damn Europeans, colonialists, out of the country, as much as possible.

But we, the United States, did not have the power at that time to do it. But nonetheless, it should be our policy. Our policy is, when we are able, to defend the right of independence of sovereign republics of the Americas, and to establish a community of principle, among what are respectively, perfectly sovereign national republics—our policy for the hemisphere.

I would propose, that should be our policy for the world, today.

In taking an assessment of the situations that I know, there is *no reason* for the United States to plan major war, in any part of this planet. There's no situation on this planet, as a major war situation, we could not control, if it were just, because we could find support from other nations to make it effective. There is *no need* for our seeking war. [applause]

We require a policy of strategic defense. I support Rangel, his proposal, for precisely that reason. It's a sensible, traditional American policy. We must be able to defend ourselves, adequately and efficiently. As President, I would ensure that, and I don't think anybody would dare challenge me on that if I were President. We wouldn't have to bother fighting. I would just wink. [laughter and applause]

Leadership and Immortality

We have reached the stage—and this international financial crisis, and all the other crises, like disease crises, and so forth and so on, show us—that the planet really has one common interest, or is coming to an understanding, that

we have but one common interest. However, the problem is that, in order to have the participation of the people, in the exercise of government, and common interest, you must operate through the *culture* of a people. You must engage the people's, their culture, in participating in making the policies.

You don't expect the people to secrete the policies. Today, we still have very backward people, who are concerned about their little affairs, and very little about things about major affairs. We don't have many Jeanne d'Arcs among our populations, who are willing to lay down their life, if necessary, for the sake of a principle. Or Presidents who would even risk their impeachment for the sake of a principle.

But we have people who are desperate, who need leadership, and will *turn* to people who have this quality, which Schiller called the Sublime. Who are dedicated, who have a sense of immortality. Let me repeat that one time; I've said it before, but it's important.

This image of, what we do we mean by a sense of immortality? What does Shakespeare mean, in that Third Act soliloquy, of *Hamlet*. When Hamlet says, he's willing to go to war, he's willing to die. That doesn't bother him. He's a swash-buckling killer anyway, contrary to Lawrence Olivier, one of the worst actors of the century [laughter]. But he says, "what happens when I shuffle this mortal coil?" What he's afraid of, is immortality, not death.

Therefore, he'd rather die than face immortality. Seems like a contradiction, but that's exactly what most people are like. Most people say, "I've got to get pleasure in my lifetime. I've got to git what I'm goin' git, in my lifetime. You know how I git when I don't git it." [laughter]

They think about little things. They don't think of themselves as having any real significance for coming generations, or for past generations.

I mean, we have people who suffered. Take the case of slavery in the United States. We had people who suffered slavery. It was not an economic problem, for people of African descent. This was a denial of the right to be human, to be treated as human. We *owe* them something. Now, we can't give them anything; they're dead. But we owe them something. We owe them justice. We owe them, the assurance that their descendants, because of this struggle, their descendants will now have that justice assured to them. [applause]

The problem with politicians, like with the incumbent number "43," is simple. He's concerned about the next election. He doesn't have to worry about the next election; I'll take care of that. [applause, laughter]

What he should be concerned about, is the fact that he's going to die. Now, he says he's a Christian, probably a fundamentalist. Well, fundamentally, he's not on the right track there. [laughter] Because, according to everything we know about morality and the nature of man, our interest in life is to treat it as the parable in the New Testament says. Life is a

talent, it's given to us. We're going to lose it anyway. We're all going to die. You have a talent. The important thing is, how do you spend it?

What's the result of spending it? That's the sense of immortality. If you have a sense that what you're doing is spending your talent, your life, to make as important a contribution to the future of humanity as you can make, and to justification of the past, you don't have any problems! Since you're going to die anyway, what can they take away from you? A President of the United States in a time of crisis, must *have that sense of immortality*. They must have confidence in what they're doing. It's going to shine, in the memory of coming generations. Very few people in this society have developed to the point that they have that kind of sense of honor.

When they're up against injustice, they will say, "What do I have to do to get out of this?" They don't say, "It's wrong, or right." An honest man, who has a sense of immortality, will say, either you're right or you're wrong. He says, "Well, we've got the power, you'd better deal with us, or we're going to crush you." "Well, crush me, as you did Jeanne d'Arc, and other heroes. Crush me, but I will not betray what I am. I will not contaminate my sense of immortality." And when the citizens have that sense of determination, it can't be crushed. They'll win in the long run.

The function of leaders is to adopt that sense of responsibility: "I make no deals." [applause] If it's right, you get it, but I don't make any deals.

So, that's our problem.

Homeland Defense

Now, we have a little problem to worry, for the final point: Homeland Defense. *This is a real piece of trash*. [laughter] Someone says, white trash.

Northern Virginia, for example. Now, what happened with this cockeyed thing that came out of the Administration on homeland defense? Does this contribute to our security? No, it does not. It's absolutely worthless. You have to understand what the problem is, and obviously, the incumbent Attorney General is not very long on competence. He's long on opinions, especially of the racist variety, as we know, but on competence, not.

Let's take the case of terrorism, the name terrorism. What does it mean?

Well, you have two types of terrorism. One is the terrorism which is opportunistic, which may operate in an area on a lower level. The other is a very sophisticated operation, which can be done only by powerful governments, with special agencies of powerful governments.

In the case of the U.S.-Soviet conflict, that was there. You had the Soviet apparatus, had very powerful capabilities, they were running against the United States, and others. And the United States was returning the favor.

But what's your first line of defense against terrorism?

Law enforcement, local law enforcement. For example, let's take Northern Virginia. What's the major security problem in Northern Virginia? Drug gangs! You want to organize crime? You want some cooperation in doing something funny? Try the drug gangs.

What they've done is, they've stripped away, in the name of homeland defense, they've stripped away that first line of defense, which is ordinary law enforcement, and law enforcement intelligence.

The second line of that is cooperation vertically, as well as horizontally, and to special state and Federal agencies, which cooperate with local agencies in certain areas. If you clean up and control drugs in an area, actually control it, you're going to cut a dent in the capability of crime, as well as providing general security. Most nasty things that will happen in an area, the worst of them, will generally come through the channel of the drugs—if not the drug pushers as such, it'll come through those dirty channels. And if you have good control over this problem in an area, you've got the first level. If you have good levels of control in the Federal, state and local agencies—intelligence, criminal intelligence—you will find that you get the map of the situation fairly clearly, and you're going to minimize the opportunity to run something dirty in that territory, or to have something happen that you won't know about—mysterious crimes.

Now, the problem here is, the U.S. government has been

completely hypocritical and dishonest on the question of drugs. We've had laws against drugs, but we've been running drug pushing! How do you think Brzezinski got the Afghanistan war going?

Afghanistan is one of the traditional areas of drug production. It's a polluted area in a sense, where local gang lords control drug production. The principal area to which the drugs are channeled, is out through Pakistan.

Now, Pakistan is a semi-destroyed country, which has not been functioning effectively since the breakup of Bangladesh and Pakistan back years ago. So Pakistan has now become a drug country; that is, the Pakistan military are essentially drug lords. They became this, largely because of the United States and Britain, which, beginning with Brzezinski, used Pakistan as a way of running what became known as the Afghanistan War of the 1980s—1970s, 1980s. This was done by agencies, in part, of the Federal government.

In assistance of this, the United States went to various Arab countries, with the thesis that, the Soviet Union was a terrible atheistic state, and therefore, dedicated Islamic people, many of these who had been associated with British intelligence operations, should dedicate their lives to going to Pakistan, for invading Afghanistan, to conduct this war.

How was it financed? Drugs.

So, we created Osama bin Laden! We created what is called al-Qaeda. The British had already done it, but we moved in in a big way. Now, we have a mammoth problem in Central Asia. Afghanistan is not going to be pacified at present. The United States accomplished net-nothing in Pakistan. The United States is drawn off someplace else, what's going to happen? The Pakistan military, which lives on drugs, is going to re-create the Taliban, who will come back out of the soil and take the whole place over again. So what did they accomplish? Some dead people?

What's the map look like? Has the map been improved? Not at all. The map has been made worse. Why did they attack the place? No reason. Nobody ever presented any proof, of any substance, of who actually did Sept. 11, 2001. No government has ever presented any proof of who did it. Now I know there are some people in our government, who are still investigating that matter, quite seriously. But there's no expectation of something that can be reported, with a year or so.

So, we did it. It was done for the sake of Brzezinski-style policies, this other type of policy.

Now, now let's look at South and Central America. Let's take Colombia. The United States is not serious about cutting drugs in Colombia. As some of you may know, I was running an operation—Guatemala asked me to come down, and assist them, in assessing a terrorist problem they had up in the mountain areas there in Guatemala. So I did an assessment. They gave me some facts, I gave them my interpretation of the facts. They said, "Well, we agree. What shall we do about it?" I said, "Well, I'm not going to do anything. You have to decide what you're going to do."

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Question-and-Answer Dialogue With LaRouche

So, we sent a piggyback group of people down there, to just sit by their side, while they planned the operation, and watched them when they did it. They did a test operation, which confirmed exactly what I thought.

In that period, I made a presentation on dealing with drugs in the Americas to a Mexico City conference, and I found out it wasn't going to work, because some of the Colombian generals, government factions, had cut a deal, together with George Bush then—according to them—on, maybe he'd give them some drug money, to support the Contra operation. That's never been settled. "41" should probably talk about it some time, or something. But, we created the situation.

We overthrew a government in Peru, because it was the most efficient anti-drug force in all South America! We created conditions under which the cocaine generals, which they got rid of in Bolivia, are in the process of trying to come back, and take over Bolivia. We have an operation in which the Moonies, which are not exactly pure on the drug question, or arms-trafficking question, have bought up large territory in Brazil, on the border of Bolivia, and also on the Bolivian side of the border, are setting up an operation, under the cover of the World Wildlife Fund, to destroy Brazil.

And so on, and so forth.

The major problem here, is that *we* are not serious about fighting drugs, or fighting the drug problem. Worse, that our government has knowingly used this, just the way the United States government used Saddam Hussein for the war against Iran. So, we create the problem.

We have similar types of problems around the world. The technical name for this is, variously, irregular warfare, special warfare, or low-intensity warfare. We run these kinds of operations as governments. Various governments run these kinds of operations. They run them in the form of strikes, they run them in all kinds of forms. We've written about this thing—it's well known. People in intelligence—competent in intelligence, and competent in police intelligence work—can understand these things, and take the proper precautions to detect them in operation, and find ways of dealing with them.

But that requires that you don't want a bunch of Nazi-like blockwatchers in every area, saying, "My neighbor's a terrorist!" This is the most stupid thing ever conceived. [applause]

More could be said on that, but that's the general nature of the thing. We have to get serious about realizing what security really is, and stop inventing mythical enemies, who really are not our enemies, because we want to have somebody to shoot at, for some crazy, cockeyed reason.

Therefore, I would say, there's no need for the problems we have today. There's no need for their happening. But if we understand why they shouldn't have happened, as I've tried to indicate as succinctly as possible, we can fix the problems now, and perhaps prevent them from recurring again in the future.

Thank you very much. [applause]

Question: From a member of the staff of one of the Congressional Committees, specifically from someone who works for a member of the Congressional Black Caucus:

Mr. LaRouche, every great leader in the United States, from Abraham Lincoln to Franklin Delano Roosevelt to the great Dr. Martin Luther King, has addressed the principle of the common good and the common welfare. Today, what all of us are witnessing is outright murder in the name of austerity. We have argued against it, based on upholding that principle of the General Welfare. You gave us a broad understanding of that during the course of the fight to save D.C. General Hospital. But today, you seem to have added something to the view. You've actually said that, from an economic standpoint as well as a moral standpoint, austerity is a bad policy. I'm perfectly capable of understanding and explaining why austerity is bad from a moral standpoint, but I'm wondering if you would say a bit more as to why in fact budget-cutting is not a sound economic policy.

LaRouche: Again, we're back to the question of immortality. We are responsible for human beings, especially young ones, because as we develop young human beings, educate them and so forth, and provide them opportunities, we determine largely what they can become. So, therefore, our job in society is not to balance the budget—we have to balance the budget in a certain way, but balancing the budget is not a moral standard; it's simply something you may have to do. Balancing a real budget is: What quality of human beings are we creating?

Let's take the HMOs. What happens with this HMO business? What they're doing, is, we're looting people of the health care which is coming them, for the sake of enriching someone who's jumped in as a speculator to try to loot the health-care system. Therefore, *we are taking away their lives*. With our present educational system (which we'd better not call an educational system), we are taking away people's lives. I see people who don't know anything about this planet—young people who don't know anything about anything. They've been educated by talking about opinion. We don't teach history anymore, we teach current events. "Let's talk about current events. Everybody has their opinion, nobody knows anything. We all talk about it, we all agree to disagree. Okay, everybody talks; it's all good, good." That's education? No knowledge of science.

Now, our responsibility is not just to show we don't treat people as if they were cattle. Our responsibility is how we develop people, what we do about their self-development and development. There's no need for austerity—not in the sense that it's being applied today. They may be saying, "You can be austere about not giving everybody a 24-room mansion."



A Botswanan grieves for relatives lost to AIDS; a Thai family with AIDS. "The policy, as I have stated, is one of genocide against Africa. . . . We also have growing experience in Asia, in India, in Southeast Asia and elsewhere. So we understand some of the controllable features. . . . The United States government could immediately take a policy on generics, to make sure that . . . any part of the world will have the assistance of the United States in getting whatever drugs they need to treat their people. That's the minimal standard."



That may not be particularly bad. But to deprive people of a decent place to live? Look on the streets of Washington, D.C. What about the homeless in the nation's capital, for example? What kind of austerity is that?

No, the issue of austerity should be understood. The problem is, the development of the individual person, and the effects of what we do upon the children and grandchildren of the people we directly impact. It's *immortality*, it's a sense of immortality. There's no justice on the basis of being treated fairly, as if you were an animal in a cage. You're a human being. And a human being's fundamental interest, whether they know it or not, is their investment in this sense of personal immortality. That does not mean that somebody's going to give them something because they begged for it. It means they've *earned* something. They've earned their immortality, by doing something, or living their lives in such a way that somebody in future generations is going to benefit. And they can sit in their grave, so to speak, and smile, to say, "I spent my talent well, because these people live, because I helped to make it possible."

That's the criterion. When you take that away from somebody, the right to have a sense of immortality, what you do is make people more ignorant, less moral. They're capable of doing things they otherwise would not do, on moral grounds. You have to set a standard, especially government. Government must set a standard of caring not just for the body, but also for the soul of the individual—not by teaching religion, but by doing the things which ensures you, going into your grave, that you've spent your talent so, that people in future

generations are going to benefit. And so your dead ancestors can be proud of what you did.

We have to run society from that standpoint, of understanding the difference between a monkey and a man. And sometimes, with these politicians, it is difficult, I'll admit, to tell the difference.

What Are the 'Moonies'?

Question: During the course of Mr. LaRouche's remarks, he made repeated references at various points to the role of the Moonies in the current Administration, and as a result, I have about 30 questions here on this topic. I'm going to try to summarize them. Basically, the questions fall into three basic groupings: One is the question as to the role of Reverend Moon and the Unification Church in the current policy of this Administration toward Korea. Second, is the role of the Unification Church in the Nation of Islam, and the question as to what could Minister Farrakhan possibly be thinking about. The third is a question as to what the actual intention of the Moonies is. The nature of the question is: Is this a religion, or is it an intelligence operation, and what is its intent and how shall we proceed on this? Is exposé sufficient to root this out?

LaRouche: The Moon operation is essentially an intelligence operation, with a pseudo-religious cover. Remember the Korean War, and how NATO created the Moon cult. At the time, when the invasion of South Korea by North Korea occurred, the government of South Korea had essentially ceased to exist. The United States was holding a perimeter

around Pusan on the southern tip of Korea. MacArthur made the famous Inchon landing, outflanking the North Korean forces in the southern part of Korea, and by that outflanking operation, was able to drive the North Korean forces north.

Then, an operation was run to get rid of MacArthur, but the territory in the southern part of Korea had been retaken as territory. And the concern was, now that the war was a NATO war—the first NATO war, in which the United States was a partner in NATO in running the war—the question was how to get this southern part of Korea self-organized and armed, so that, with a marginal degree of U.S. military security, it could continue to hold territory. What they did is, they went to certain people in Japan. Now, in Japan, there are traditionally two factions to be concerned with. One was a pro-British faction, the other was the pro-American faction. The pro-British faction was associated with Britain's efforts to—

First of all, the plan emerging from the post-World War I naval power agreements, that Japan was an ally of Britain, and not only was it an ally of Britain against the United States under naval policy, but Japan and Britain had conspired to plan joint naval operations to destroy the U.S. Navy. And that point, Japan's plan was that Japan's fleet would attack the naval base at Pearl Harbor in a surprise attack. Now, this is from the beginning of the 1920s.

Now, the case of Gen. Billy Mitchell is key to this, because Billy Mitchell, being on the inside of knowing what War Plans Red and Orange were, said that if the United States would build carriers, we, from carriers, could sink Japanese battleships attacking Pearl Harbor. The pro-British faction inside the U.S. Navy didn't like that, and so they forced the court martial of Billy Mitchell.

Now, the faction behind the first and second Sino-Japanese Wars in Japan, were the controllers of the Japanese occupation forces in Korea. So, the NATO forces went to these financial interests in Japan and Korea, their partners in Korea, and set up what became the right-wing tendency in the South Korean government. As a by-product of this, an institution was created called the KCIA. The KCIA, in turn, recruited a cover from a sex-pervert Sun Myung Moon, who had a strange thing with young female parishioners, which is part of his religious service. I mean, this is the kind of service you expect from a bull, but not from a preacher.

So, you had this front operation which went through various phases, and still operates under this wildly Gnostic cover. It's a completely unstable thing, and Moon I don't think is very intelligent or anything else. He's a puppet. The real part of this is, it's an intelligence operation, essentially, and it's involved in arms trafficking and drug trafficking. It also has been recently caught by us in being part of the fundraisers from the United States who are supporting the Sharon government financially, under an Israeli cover. So, these guys are part of the problem. Look at what they run with this *Washington Times*. I mean, how much money has it lost in running this propaganda operation in Washington, D.C.?

What it's done in terms of the Nation of Islam and others, is to move in under the cover of this legislation, this voluntary-contributions legislation, to take away money from people who usually expect money, and by aid of McCain and Lieberman, they've taken away soft money from the political parties, all to the benefit of McCain and Lieberman, for their Bull Moose conspiracy for the year 2004. So, under this kind of business, the Moonies moved in on an opportunity, with the money which they have from indicated sources.

And, this was always—in my time, when I was working on the SDI in 1982, 1983, and beyond even, this was one of the problems we were up against. I would meet with people in the National Security Council, with one end of the National Security Council, with people associated with Clark, who was then the National Security Advisor. At the other end of the hall, there was Ollie North and company, with all the funny crawlie-creepies. And so, therefore, I know this operation fairly well, and I had been told many times about what Col. Bo Hi Pak means for the U.S. irregular operations. It's an intelligence operation, and it's an intelligence operation against the interior of the United States. It should stop.

Stop the Genocide in Africa!

Question: There are a significant number of questions about Africa, asking for your overall views as to what in fact can be done immediately. One of them came in from somebody who is responsible for shaping health policy for the World Health Organization. He says:

“Mr. LaRouche, at a recent National Black Legislators conference (see *EIR*, Jan. 31), I heard your spokeswoman give a presentation on the history of your role in addressing the AIDS epidemic. She spoke about this as an epidemic which was born of economic breakdown, and which was used as an instrument of genocide. The presentation wasn't only shocking, but it was merciless in scoring us for not acting on your warnings and advice. Shortly after she spoke, the ambassador from Botswana presented a situation in his nation that brought me to the edge of despair. It seems to me that there is no way for that country to counter what is inevitable extinction, given its current rate of infection. My fear is that it is not all that different from other places in Africa. Former Congressman Ron Dellums, for whom I have a great deal of respect, presented his view, and I found it to be woefully inadequate. My question to you is: What do we tell Africa? Do we ignore problems like this until your New World Economic Order is in place? Because I could not in good conscience do that. It seems there has to be something that we can do right now. Please tell me your view.”

LaRouche: What you're up against is, there are no interim solutions. The policy, as I have stated, is one of genocide against Africa. Now, in the case of the HIV infection, we have a certain experience with this in the United States and in Europe. As of now, we also have growing experience in Asia, in India, and also in Southeast Asia and elsewhere. So we

understand some of the controllable features of the problem. In the United States, we have drugs which are administered to people, we have care which seems to control and minimize the problem, without actually addressing a cure or the solution. Well, that's all right. I mean, it's not right to fail, but it's all right that we're doing something, even if it's not enough.

But then, in Africa, the policy is mysterious, because in Botswana, which is one of the better-off areas of Southern Africa, with a fairly higher standard of living, you have the highest rate of HIV. Who's putting something in what?

This other issue is the question of generics, and fake generics. What happens is that you have people who are desperate, who are dying or faced with death. They can't get generics because international financier interests won't allow you to deliver them. I would say, first of all, the United States government could immediately take a policy on generics, to make sure that the United States, with its influence, ensures that everybody who is medically qualified to administer, from any part of the world, will have the assistance of the United States in getting whatever drugs they need to treat their people. That's the minimal standard.

The other thing is: Part of this is environmental. In public health, you have to not only treat the diseases, but you also have to deal with the environmental problem. Now Africa, sub-Saharan Africa, is a mess, especially since the U.S./British asset Museveni, sent troops through a British-protected gorilla preserve to invade Rwanda, and to start the genocide of Rwanda and Burundi orchestrated from—guess where? Uganda! And the United States now, currently, is engaged in starting another operation against Museveni, which would be a U.S. operation, but the same thing. And this involves stealing on a mass scale: Take Sierra Leone; take diamonds, which are bought by Israelis on the market under a concession. While these conditions are going on, you don't have the environmental conditions either to deliver the necessary drugs, or to do anything environmental to minimize the spread of it. It's out of control.

Again, the United States, the present President, by acting as I'm indicating now, could really ameliorate the situation significantly. The present President could take a position *demanding* the availability of adequate generics for every part of the world that needs it, based on medical need, no other requirement. He could also say that this genocide in Africa is going to stop, that the United States is going to rescind what is implicitly NSSM-200 of Kissinger. We are no longer going to be engaged in population control by methods of genocide, by methods of promoting civil war. We will not allow it. We will expose it. We will go to other countries to get concerts of action to stop this nonsense.

But in the long run, we have to give Africa justice. I've got this one chart, if we've still got it available to show, just to indicate what the problem is (**Figure 9**). Look, this is something we've worked on over the years. I've been working on this since 1975, essentially. You look at Africa as a whole,

and say, "How can you deal with the problems of Africa?" Well, there's a lot of agricultural area in Africa, a lot of farmers. Now, if they didn't lose their food through disease and different kinds of problems, if they had adequate transportation, adequate technological assistance, adequate townships and centers which could provide this to the farmers, you would suddenly find that Africa would become a major net food-producing part of the world, in a fairly short period of time.

What does Africa need? What do we give Africa? We've got to give them what they don't get from any other source, from an inside source. What they need is basic economic infrastructure. So, I came up with my usual thing: Infrastructure—transportation, power, water—are the essentials. My view has been that the countries which are more prosperous should undertake an engineering project as a technology-transfer operation. That is, you actually employ Africans in a program which is done by Europeans, Americans, Chinese, and so forth.

So, you start building the necessary network of transportation, of water management, of power distribution, of creating new townships which are centers to service these farmers. Introduce methods for preservation of food. You can package it, we can use radioactive isotopes to purify packaged food, and save it. And by saving the food that is otherwise lost, by helping the farmers defend themselves against pests and so forth, you can suddenly transform Africa. Once you have created the economic infrastructure that implies, now you have a second dimension, the more essential dimension, against *all* disease. And the essential defense against all disease is to have an environmental control, a public health control, which is a major part of all disease control.

In the United States, we still have some semblance of public health. It's diminishing. In Africa, they have very little public health, almost none. For example, my wife and a friend, just on our last trip last in Calcutta, we had a general there who's a friend of mine, who came to a dinner we had with some people, and his wife was on an NGO that works on the question of HIV. So, my wife Helga and our friend Mary [Burdman], who was with us on this trip, went into East Delhi. Now, this is an area where people are being driven off agriculture by conditions in India, and are going to cities where there's no infrastructure for supporting them. Living under terrible conditions, and we've got some photographic evidence which my wife took with a camcorder, on what these conditions are, and talked with the people. This is typical of what is happening in Asia. We're talking about between 3 and 5% of the population being infected with HIV in Asia. It's deadly.

So, we have a worldwide problem of dealing with HIV, whose most acute expression, presently, is in southern Africa. We can deal with it. We should deal with it. The President, right now, President 43, should deal with it now! And say, "It stops! The generics are delivered. Period! The United States

backs it.” Brazil has the capability of producing generics—our friends in Brazil, in the pharmaceutical sector. Brazil would be very happy to cooperate with the United States, in doing exactly that. The President should call President Lula, and say, “Let’s get going.” And then ram it through here; and then move on these other needs of the care, and the infrastructure, the long-term needs.

And end this policy of genocide! Make it clear: *The United States will no longer accept a policy of population control against any part of the Earth!* And, that’s what the key is, in this thing in Africa.

Getting Bush To Do the Right Thing

Question: This from an elected official:

“Mr. LaRouche, I came into public office as a product of the Civil Rights movement. I represent people in what probably qualifies as one of the poorest districts in the United States. Most of my constituents are very reluctant to trust any white man, let alone George Bush. In the course of your remarks, you repeatedly refer to what Bush should do, and you certainly indicate that you would work with him to accomplish these things. But the fact is, that I simply don’t think my constituents would go along with it. It’s also the case that although my community is poor in terms of capital, it’s not poor in terms of human capital. We have many young black men and women who are intellectuals, who know you and trust you as I do. So, I’m asking you to do me a favor, and to speak to them directly, because I really can’t convince them, as to why they should not simply oppose everything that this President says and does.”

LaRouche: Well, that’s the way you deal with people, you see. It’s called strategic defense. If you want to get somebody to do something—I mean, George Bush needs me. I’m not offering to work for him, but he needs me because this country has problems, and he has problems that he can’t solve. I know the solutions. So therefore, maybe we’ll get a little trade-off here. And if he listens to me, I don’t want anything in return, I just want him to do some good things, and he can take the credit for it if he does them. But if he doesn’t, he’s got to reckon with me.

We’ve got to be realistic, in the sense that we’ve got people dying around the world. We’ve got the danger of a Hitler-like phenomenon coming out of something like an Iraq war. And that’s what it could mean. If we start down the road toward war, we don’t know where it’s going to end. There’s



We must produce now a generation in various countries, which thinks in the same intellectual language, the language of ideas and principles. . . . Thus, we will be fostering a generation of future leaders of nations, who will be qualified to keep them intact and prosperous.”

no need for this war, there’s no sense to it, there’s no excuse for it. But it could lead to a terrible situation, in a highly inflammable world, at a time when the alternatives are good ones. So therefore, I have to get these results *now*. I have to get results from official U.S. official institutions. The parties, as I think most people as you who asked the question know, are pretty much worthless at the moment. We’ve got some decent fellows here, but they’re not willing to play the role they must play, to get the job done.

In the meantime, the executive powers of the government under our system reside in the Presidency as an institution. Not in the *person* of the President, but in the Presidency. In that, the sitting President has a certain function. He must be induced to play that function, and he must have several kinds of inducements. One are the soft ones, the others are the hard ones. And the Presidency can put very tough conditions upon a sitting President. And when I say I’m going to get George Bush out of his mess, I’m not trying to save him; I’m trying to save the United States. And I have to do it. There’s no other way to do it in this two-year period. I have to do it.

And I’m putting the pressure, not on the President. I’m putting the pressure on the Presidency, and on those institutions of government and retired people around government who have the power to push something. I’m saying, “*Push!* Make this guy do it, any way you have to get him, convince him, to do it. But let him know there is a reward in it. If he does it, he’ll get safely through the next two years without being impeached or something terrible. No guarantee beyond

that point. All we want from him is, if he wants his place in immortality, we'll give it to him. but he's got to do what we want, what we need. It's the only way to do it.

And it's true. I will be talking to people as I can. Of course, when you're campaigning in a country with somewhat less than 300 million people, and also campaigning around the world, in Europe, in Asia, and so forth, as I'm doing right now—I'm already acting as a President all over the world. Don't stay in the White House. Let 'em clean it out once in a while. I think my exemplary meetings with typical people and various constituencies, is going to be important in this period. And I'll take this thing up, and anyone who wants to rake me over the coals over this, they can rake me over the coals over this. You want me to do that, I'll do that.

The U.S. Must Be Food Self-Sufficient

Question: We have a question submitted by one of the national farm organizations that's based here, that has a representative here in Washington. He says:

"Mr. LaRouche, you've talked a lot about the move from a producer to a consumer economy. One of the things that comes up repeatedly is the question of agriculture and food production in America. As you know, for a very long time, America was not only food self-sufficient, but we were a major exporter of food. Today, more than half of what we consume comes from outside the United States. The argument that many make, is that the United States should not be a food producer, but that this should be left to the less-developed countries. Do you agree, or do you believe that America should maintain its position as one of the greater food producers on the planet?"

LaRouche: Absolutely, the United States must be a great food producer. You see, you have a question of national sovereignty here, also involved. If you cannot meet your own requirements in food production, you're not sovereign. If you're holding other people slave to supply your food, and they decide not to be slaves anymore, where are you?

Same thing with garments and so forth. People tell me, from their trips to stores and so forth, you can't get anything worth wearing or eating anymore. Garbage. From these malls, it's garbage. You've got poor people standing around on sub-minimal salaries, probably weighing 300 pounds just from standing there all the time, not knowing how to direct you where to get what you won't find, and if you found it, you wouldn't want it. I get these reports from people: "I've been shopping." "Oh, what's the disaster?" "Well, there was nothing in the store today, or too much of this, nothing I'd want to be seen wearing in that store." And so, the whole thing is a racket.

Look at it from the other side: The problem of the world is largely a lack of industrialization, that is, the ratio of farmers is too high to maintain a modern society. They don't have sovereignty, either. So therefore, the problem here is that we

have created an imbalance. We say, we will accept food from poor people in poor countries who aren't paid very much, and we'll keep them in poverty. Look at what happens on the Mexican border. That's no great shakes. It's not the way to treat human beings.

We should have a high-technology agriculture which is actually technology-intensive, and have an adequate supply of our own. Then you get certain specialties which you get from other countries, which you cannot produce here, fine. You swap 'em. But we should high-technology agriculture in other parts of the world.

Take the case of northern Mexico—for example, Sonora. Sonora has tremendous agricultural potential, as we've demonstrated in California, in a similar territory—if the water is there! In the case of Mexico, doing a project which has been established for a long time, this water project of moving water from the south along coastal canals up to the north, and using it for both canal traffic, and also as a way of getting fresh water up there, will change the whole area. Mexico has no trunk line from the U.S. border to Mexico City, rail line. Similar things. So therefore, the internal development of Mexico, a population which is very highly mixed with ours in Texas, in southern California and so forth—essentially, our relationship with Mexico is based largely on these family relations, of Mexican families which are divided, some in Mexico and some in the United States. And therefore, the primary concern to us is that the Mexican population be a happy and prosperous one. And therefore, we should encourage things which are good for Mexico, and they will be good for us.

At the same time, we should keep our agricultural position. This idea of being an imperial power, living by parasitizing on the rest of the world by virtue of a swindle called a monetary/financial system, this has got to come to an end. You want peace? You want security? Security for future generations? You want American-style relations with the other nations of the world? Treat them right, and that's part of it.

National Banking vs. the Slime Mold

Question: This is a question that was submitted by a person who identifies himself as a member of the task force that worked under former Secretary of the Treasury Robert Rubin, on the new financial architecture, that never came about. He says:

"When we were working on this, we were engaged in a constant debate on the difference between the Federal Reserve, an independent central banking system, and a national bank. Since it seems that now, we are going to be forced to reshape banking in America, could you once again explain the difference among the three, and what is preferable for the United States?"

LaRouche: First thing you have to emphasize is that the name of evil is "Venice"! That clarifies things. When you

say some plain words, sometimes you clarify what otherwise seems an impossible and complicated question.

In the Ninth Century A.D., at the time when the Byzantine Empire was losing its power and after the accession of the emperor of the Holy Roman Empire Otto III, who was a stooge, Venice's power increased tremendously, until it sort of died as a major national physical power toward the end of the 17th Century. But it continued as a great power, as a financial power. Now the Venetian system can be described to biologists as a slime mold. There are many slime molds running around the planet, and specialists can detail this to you, so you can look it up, as they say, "Look it up on the Internet," and you will find slime molds all over the Internet.

A slime mold is a special kind of process, which at one point takes the form of a homogeneous slime. It slithers and slimes—it's a very unpleasant thing you find on the landscape here and there. But then it goes through a phase shift, into a collection of individuals, which have individual peculiarities. Now, that's the Venetian type. Venetians are financier families which function as a slime mold, as a unit, and which at night may go out and stab each other with poniards and kill each other for recreation—not out of hatred, but for recreation. Sort of like modern television, U.S. television.

Anyway, this slime mold had an institution, the Venetian institution, under the Doge system. And the Doge system ran the state. So the state was under the control of the slime mold. In the course of time, in the course of the 17th Century, the Venetian slime mold took over directly, much of the Netherlands, and to some degree England, which it took over totally. What happened is that you had this group of financiers who had been trained by Venice, and they took over control, through the India Companies, such as the Dutch India Company—took over control of the Netherlands. The typical culprit was William of Orange of the Netherlands, who became the tyrant, the butcher and dictator of England. And through that process, England was totally assimilated into the slime-mold system, which dominated the northern coast of the Baltic Sea, the North Sea, England, the Netherlands, Denmark, Hamburg, Sweden, and so forth. That's why Verdi wrote this famous opera, the *Masked Ball*, which dealt with this Swedish assassination, and it was actually a Venetian-orchestrated one. That's the system.

Now, the European systems never achieved the form of state and society which is implicit in the American Constitution, the U.S. Constitution. We are a true republic, in the sense that we are, Constitutionally, sovereign in our government, in our territory, *in all matters*. No outside agency outside that government, can dictate the policies within the United States, or to the people of the United States. Therefore, a central banking system is against our Constitution, just as the Federal Reserve system is, which is a sort of a cross between a national banking system and a slime mold, and it takes on more and

more of the characteristics of a slime mold, particularly since Paul Volcker and Greenspan have been running it.

The alternative to a slime mold today, is a practical one. The slime-mold system is dying. Every banking system in the world, except probably China and maybe India, is bankrupt. The Japan banking system is now loaning negative: Loans are negative! Not zero interest, but negative! They don't pay interest, they *take* interest. The U.S. banking system is bankrupt. The banking systems of the Americas are all bankrupt. The European banking systems are all bankrupt. The economies of Europe are now, under current conditions, bankrupt. All of Europe, bankrupt. The United States and the Americas are all bankrupt. So what do you do?

We have an IMF/World Bank system. What do we do with it? What do we do with the Federal Reserve Bank system? The Federal government is morally responsible to put this banking system into bankruptcy reorganization, by the Federal government. At that point, the Federal Reserve system and all its assets come under the management of the U.S. Department of the Treasury. In effect, the U.S. Department of the Treasury sets up a facility within it, which becomes the national banking system, which actually runs the Federal Reserve system, and all the banking system of the United States, all those which are not state banks.

The Federal Treasury then, has to set up rules under this, which establishes a kind of national banking as described by Alexander Hamilton, under which the credit of the United States is the primary focal point of banking. We set up systems of regulation of banking on the national level and interstate trade, which naturally affect all the state levels, which regulate currency, which regulate banking, which prohibit usury. For example, the United States by law can say tomorrow, the highest legal interest rate is 6%. Your credit card debt has just been solved. It can say 2%. We have the sovereign power to do that! All we have to do is justify it on the fact that it's in the national interest. We are obliged as a sovereign to act on the national interest, and all private considerations contrary to the national interest, must be subordinated to the national interest.

This is our country. Constitutionally, it was the best designed of any nation ever made. There's no replacement. Europe should copy us. Other parts of the world should learn from us. We have forces inside which have corrupted us, but if we stick to what we were constitutionally designed to be, what the Preamble implies, we are the model of a republic as expressed as a desire by Plato, in *The Republic*. We are that. We were *designed* that way, we were *intended* to be that. Our leading thinker was Leibniz, even though he'd been dead. Franklin was backed by the circles of Leibniz in Europe, around the ideas of Leibniz. The Declaration of Independence is based on Leibniz, not Locke. The Preamble of the Federal Constitution is based directly on Leibniz, not Locke. We are the best form of republic ever formed. We are the American

exception. We are the exception on this planet, designed as a republic.

Our imperative requires us, morally, to be what we were designed to be. To be a true republic, in which the general welfare is *law*, in which posterity's interest is *law*, in which sovereignty of the nation is *law*. And we are sovereign. No international authority has any authority over us which diminishes our sovereignty. What we should desire is simply that every other country do the same, and we will find that our essential interests in cooperation coincide. And therefore, we will create what emerges as an international community of principle, in which the common interest is the general welfare of each and all the peoples of those nations. That should be our objective.

Therefore, we don't need a Federal Reserve system. That's an abomination. It has been an abomination. Ever since 1979, it's been an atrocity under Paul Volcker. Paul Volcker became the head of the Federal Reserve system by campaigning under the slogan of—it was acceptable to him to have a “controlled disintegration of the U.S. economy.” What has happened recently, is that a controlled disintegration of the U.S. economy has gone into an uncontrolled disintegration, and this has been the life's work of Volcker and his successor Alan Greenspan. The only time Greenspan does any good is when he's sitting in his bathtub, because he certainly needs a lot of cleaning!

The Only Solution: Bankruptcy Reorganization

Question: There are two questions from a meeting ongoing in Lima, Peru. The first is from Rogelio Fernandez Ruiz, who is the vice president of the National Federation of Small and Medium Businessmen. He asks:

“As a response to the inefficiency of the economic system in countries such as Peru, there is a growth of economic activity in the informal sector, as a means of survival, because the IMF is dictating the economic policies of the country. Mr. LaRouche, if you were to become President, would you write off the foreign debt of those countries, since it has been paid many times over? And, how concretely would you promote the development of small and medium businesses in countries such as Peru?”

The second question is from Dino Gavancho on behalf of the LaRouche Youth Movement in Lima, Peru. He asks:

“Given the economic and cultural crisis ongoing today, how can the LaRouche youth movement in countries such as Peru and in the rest of Ibero-America, efficiently be a political university on wheels, given that cultural pessimism dominates on the universities, and the left is beginning to appear once again as a political force on these universities? Thank you.”

LaRouche: You have to put this in an international context. The international financial system is dead, now! The international financial and monetary system is now, implicitly

dead. It is disintegrating before our eyes right now. Not as something to be forecast. *This is now already ongoing.* And until certain fundamental changes are made, it will continue to disintegrate.

Now, in a case where banking systems and financial systems and monetary systems are collapsing, what do you do? The only solution is bankruptcy reorganization. It matters who should do that. It must be governments or concerts of sovereign states, governments. Therefore, what needs to be done is along the lines I've laid out in Operation Juárez in 1982. To create a new facility which the United States government should support. That is, endorse, collaborate with, recognize. It should be a cooperative institution of the nations of the Americas, South and Central America. This institution should become the repository for resolving the bankruptcy reorganization of systems of each of the countries. The major function of the United States is to find ways of reorganizing debt, in such a way that we cancel a good part of it, because it's illegitimate, and we reschedule and otherwise rearrange other debt, or convert it into capital. Use it as financial capital for investment.

So, in the case of Peru, this is the way it must be done. It must have an Ibero-American facility, as I described this in some length in Operation Juárez. A facility which is recognized with, and a partner of, the United States, as a hemispheric enterprise. This facility must reorganize the accounts of the countries, with the intent of serving the general welfare of each and all of the countries. General welfare means a program of reconstruction and growth. So therefore, we put a program on the table: What is the program for reconstruction and growth of these countries, which are now in imperilled financial, monetary and other conditions? So we make a plan, a budgetary agreement, with objectives for growth, and we reorganize everything for the purpose of growth.

For example, in an ordinary business bankruptcy—and you can't foreclose on a country. That's what they tried to do in the 14th Century, which led to this New Dark Age. So you can never foreclose on a country. You must reorganize it in bankruptcy, but you can never foreclose on it. Therefore, your first assumption, as you would in any bankruptcy, is to say, we must have a plan of bankruptcy reorganization, in which the first condition is, this entity must be able to survive successfully. Everything else is subordinated; this must apply.

For example, in certain areas of the community, the community interests in the bankruptcy, say, of a large firm may come in, even though the members of the community, many of them don't have an interest in the firm as such, but the community has an interest in the effect of that firm on that community. Therefore, in the bankruptcy proceeding, a good bankruptcy proceeding will take the interests of the community into account in determining how to reorganize the firm in bankruptcy. In other words, you want the community to come out of this intact and whole, so you have to have a program where that comes first, and then the collection, if

there's any to be had, comes after that. So we do the same thing in the Americas. But again, I've laid it out, as I've said, in Operation Juárez. I think the principles essentially apply today. The conditions are much worse than they were then, but that's the way it is.

Creating a Generation of Future Leaders

On how the youth movement can function in the Americas, Peru in particular: I think it's the same as here. First of all, what we need is a youth movement which is not an ordinary kind of movement. We have around the planet, people are being destroyed. We don't have the ideas in circulation among existing so-called adult generations, as distinct from the youth themselves. We don't have the ideas in general circulation which are needed for civilization to survive. Now, what we'd hope is that we'd have youth in various countries, attacking the very same kinds of problems which I've laid out here, in the case of the youth movement here. Like Gauss's 1799 exposition on the fundamental principles of algebra, for reasons I've laid it out. They're certain principles which are extremely important, and the youth must master them. They must master them, not as learning, but as a discovery experience. It's the same in every country.

We must also have a kind of international consensus among the emerging generation. I mean, people now, 18 to 25, presumably, would be, within 10 to 15, 20 years, in key positions of leadership in all kinds of institutions in their respective countries. We must produce now, a generation in various countries, which thinks in the same intellectual language, the language of ideas and principles, as in any other country. They must also be able to translate what they see in one country into the thinking of another country. Thus, we will be fostering a generation of future leaders of nations, who will be qualified to keep intact and prosperous, this idea of an international community of principle among sovereign nation-states.

And the youth who are doing this today, should think of themselves in those terms. They should think of themselves as immortal, or becoming immortal. To spend their lives in such a way, that the safety and prosperity of future generations is guaranteed. And don't let any force of pessimism get in the way. We're going to win, because we must win. We can not have what is happening to humanity go on. We have to give humanity reason to hope. And I can tell you what I've seen around the world. When youth start to move in the direction that they've moved among some in the United States, it inspires people. The way the thing in Peru started, is because they were inspired with what we were doing here. It's going on in France with some enthusiasm, because of what we've done here. A little more reluctantly in Germany, but it will go on there too. The youth are not the problem; some of our old fogies are the problem.

So, it's an international movement. You have to think of yourself as a citizen of the world in one sense. You have to

care. You have to recognize common problems. You have to, at the same time, understand the principle of sovereignty, of national sovereignty, that the processes of deliberation by which a people establishes and maintains its own government, is a cultural process which is peculiar to that people, and they must be able to proceed in that fashion. Therefore, they must be sovereign. But while they're separate and sovereign, such governments must have an understanding of a common principle, and what the youth movements must think of, is the common principle. They'll get enough of the chauvinism easily the other way. They don't need that. The chauvinism comes easily. It's the sense of universal principle which is difficult to get.

Simply, I would say: more cooperation, more exchange, to have a sense of national sovereignty, national purpose, national mission, but also a community of principle around the kinds of things we've done as a pilot experiment here in the United States for the past three or four years.

War Must Be Stopped—Here!

Question: We have a series of questions from the LaRouche Youth Movement, all of which are of a similar genre, and I will get to them. But we got one thing sent in, which I just wanted to read. It says: "Dear Lyn, if you don't win, we have no future. So we'll do whatever you say, and we want you to know that. So you tell 'em, because you're saying what we want to hear. You go, Lyn!"

I will say, I thought that Mr. LaRouche had largely addressed this question in the course of his remarks, and in some of his answers, but we are getting an absolute clamoring of questions in, on the question of the war against Iraq. And, despite what you said, those questions have not diminished in number.

Actually, Helga [Zepp-LaRouche] called, and asked that you please address this question, because, apparently all of the offices around the world, are being bombarded; because people are very alarmed, at the current direction of the government. They want to know what your instructions are on this.

LaRouche: Basically, I tried to deliver an instruction on this occasion, under these circumstances, to #43. And, as I said, it's not just to 43; it's to the Presidency around him.

Look, let's be realistic: We're living under an empire, and you will not solve the problem, by trying to find out what individual countries can do to change the situation. *They can't*. This is an empire! It's an English-speaking empire. It's acting as such.

What we've done so far, in trying to stop this war, was to get other countries to stop being pessimistic. Don't use the words, "The war is inevitable." It is not inevitable! The end of civilization is not inevitable. The point was, that while the Democratic and Republican parties have been essentially useless in the matter of *effective action*, effective forms of action—some people have done some good things; but they won't cut the mustard; they won't do the job. Other countries,

protest movements, and so forth, may contribute to the environment, but it won't solve the problem: *We have to solve this problem of war, here!* Inside the United States! It can not be solved any place else.

Since the Democratic and Republican party are generally, as parties, at the moment, rather worthless—even though there are many useful people I would like to have working with me in them—as long as they have Lieberman and McCain in the positions they occupy in the party, you don't have a party. Not one that functions.

Therefore, in this matter, of stopping this war, which is not only war—it's a war of civilizations, which will not be contained to Iraq. In stopping this war, the institutions are those of the Presidency! The military, the professional, regular military, not the idiots, the chickenhawks. Not Lewis Libby, the Marc Rich lawyer, sitting in Dick Cheney's office. No, the people who are going to stop it, are the people in, and associated with, the institutions. Look, the people who have worked with me, and with my friends, in working to delay this war so far, have come from *those institutions*, who are associated with the Presidency, and know what the Presidency is, and what it means. So I'm acting, as a President *should* act, while not a President; to try to mobilize the conscience of the institutions, to a more effective—.

For example, there's one problem, the problem I've discussed under other auspices. There are people who say, "How can we make the kind of agreements that you propose be made, how can we *trust* these other countries, to make these kinds of agreements?" And, what they're arguing from is Hobbes' conception of innate conflict among individuals or individual nations; Locke's conception of property, and so forth. They're arguing from that standpoint. My problem in dealing with leading politicians in the United States, is, they are chauvinists on this question: They believe in the legacy of Hobbes and Locke. And, therefore, if I can get the institutions of the United States to recognize—for example: We have now, among Russia, China, South Korea, some people in Japan, Southeast Asia, and to some degree India, *we have a new agreement* on the organization of this planet. We have, in Germany, implicitly in France, and Italy, we have—as I know these countries—we have an implicit agreement, that we want an arrangement under which Western Europe needs the market, is now going to cooperate with the largest market in the world, which is the Strategic Triangle group. That's what these countries need.

And, the United States must put its shoulder to that wheel. We must take Donald Rumsfeld, and give him a new set of dentures, and stop the crazy things he's saying! We need Europe, but Europe is not capable of solving this problem. It's capable of providing a key element of the solution to the problem, *if we, from here, provide the other side*. The countries of Asia can not solve this problem, *none of them!* Nor all together. But, they're crucial to solving the problem. *We must solve the problem, by adding the critical factor from*

here. We must give new meaning to the role of leadership of the United States. We must become a world leader, in the sense that I've indicated, here today; not by force (though I would not be a President you would want to take on, from any other country). But, on the basis of having a sense of mission, of how we're going to reorganize this planet, as a system of cooperation among perfectly sovereign nation-states.

We are going to transform the world! As a mission. We are going to have a 25-year, 50-year forward perspective of what the world should look like. And we're going to work to those ends, with long-term programs and cooperation. We can do it! My job is to get the Americans, themselves, especially those associated with the institutions of the Presidency, the ones who are the doers of anything coming out of the Executive Branch, and elements of the parties in Congress, into a united force, for a new expression of what the United States was born to be. We are not to dominate the world. We are to say, "Come! The United States takes this position and invites you to come. Let's get this thing straightened out." We are, *de facto*, the world empire, the world imperial authority. Let's say, "Let's get rid of this imperial business. Come join the organization. We'll do it jointly."

My problem is, *getting these people to understand that*. And I require your help, to help me to convince them to do it. I'm telling you: If enough in the Congress, in the parties, in the institution of the Presidency, agree with me, I don't care if it's Humpty Dumpty in the White House—we'll get the job done.

What Is the Soul?

Question: As many people know, Mr. LaRouche has committed himself to build a youth movement, in the United States and globally, not only as part of his commitment to the future, but also because they represent an unpredictable and unstoppable light cavalry, which is critical in this period.

We have questions that have come in from youth, from all over the world, as they listen to Mr. LaRouche's remarks. What I'm going to do, in closing, is to try to summarize the question that they seem to be submitting most frequently. It's an easy question for Lyn. It says:

"In talking to young people, the most frequent question that I'm confronted with is, not that people disagree with what I'm saying, but people say, 'What can I do? I'm just one person, in a completely backward and seemingly unstoppable global collapse.' I happen to think that one person actually can do something, but I'd like to know, what do you see as the most immediate difference that one individual can make at this time, and why? I guess, what I'm really asking, is: 'What is the soul? And how can you know it?'"

"What is the soul? It seems to be something a U.S. President should know!"

LaRouche: I think it bears repeating, though I've said it often before, and written about it a great deal, about this question of the soul and spirituality. We go back to science a bit.

See, we should not have religion and state mixed up, in any way. But, it's not necessary. To say, "I've learned it from a Bible"; "I've learned it from a preacher," that doesn't mean anything, because that's learning. That's not knowledge. And, people are taken in, when religions start teaching learning, rather than knowledge, it becomes dangerous, because it denies people their soul. And, that's a lousy religion, that takes people's souls away from them, and gives them a free ticket on a non-existent place, in a non-existent Heaven. Sort of like a Moon trip, you know?

We can know. We can know the truth of the existence of God, as a Creator. We can verify things, that we get as a matter of *knowledge*, by the same principle, developed by Plato in his collection of Socratic dialogues, and his supplementary piece on *The Laws*. You have a famous piece by Moses Mendelssohn, which is a study of the significance of Plato's *Phaedo*, called *The Phaedon*, by Moses Mendelssohn, which is an example of this. We have the ability to have *certain knowledge* of things that some people call "spiritual," "religious," and so forth, without relying on any particular teaching, book, or anything else. We can know that, the same way that we know any other principle, that I just illustrated, crudely in other places, this principle of gravitation. You find a *contradiction* to what the senses teach you. And you solve the contradiction, and you demonstrate experimentally, that you've found the solution. This becomes known as a "universal principle."

What's this question of the soul? Which is dealt with so admirably by Plato, and by Moses Mendelssohn. One should read these things, and study them. Because, one should *know*, rather than *learn*. We have too much learning, and not enough knowledge.

We have a fellow called Vernadsky—great man, dead—didn't know everything, but he made a very useful contribution, a fundamental contribution to humanity, with his concept of the biosphere and the noösphere. What he did, simply, is demonstrate, as a physical chemist: He demonstrated, that the principle which Pasteur pointed toward, which Curie defined—and Vernadsky studied with Curie—that life is a principle separate from abiotic universe; but, that it interacts with the abiotic universe. In other words, life intervenes in the universe, to transform the universe. He demonstrated that, as a principle of life.

Secondly, that mankind, by his ability to make discoveries of principle, and *intervene* in the biosphere, through that knowledge, is able to change the universe, in ways that the universe would otherwise *not change itself*.

And, through this, man increases his power to exist in and over the universe, and incurs responsibilities for the universe, which are commensurate with this knowledge. Therefore, we know that discovery, that the Platonic principle of hypothesis, is a *universal physical principle in the universe, because it is physically efficient in the universe, in changing the universe*.

Therefore, we call this quality, as distinct from life, which

we share with the animal, we call this quality of discovery, distinct from mere life, "spiritual." And, the spiritual quality, which has permanent effects upon the universe around us, continues after we're dead, through the ideas that we have brought into play, in humanity, through discovery. Thus, we recognize, because of the nature of the personality of this process of discovery—that it's only done by sovereign individuals—that the Creator, whom we imitate, is also a sovereign individual.

So, you know it. I've made it brief, but you know it. You know the soul, unless you're a Norbert Wiener, or a John von Neumann, or a Bertrand Russell, who deny the existence of the soul. Obviously, they have no souls, the poor creatures. I wonder what kind of a biological specimen they are! We don't want one of those in our family.

So anyway, the point is, it's a matter of knowledge. Now, once you have a sense of that, a sense, that spiritual is not something that tells you "there's God up there." "What d'you mean, 'there's God up there'? I don't see Him!" But, once you know what you mean, and know it as a scientific certainty, then you have the knowledge of these matters, which *the state must have*. Which government must have.

Government does not need to be taught by preachers, particularly the type that can be bought cheaply by Moon. We don't need that. Government must be taught the way I've indicated, to *know* the truth. And, when anybody comes to them, from any religious profession, and says to them, "Well, this, this, this, this." You say, "Wait a minute! I, as government, will act only on what *I know to be true*; or what *I should know* to be true. And if I don't know it, I shouldn't be in government."

So, government is actually a sacred responsibility. Because it's based on a comprehension, and responsiveness to universal principles, which are otherwise known, by the name "Creator," or "God," or known as "spirituality," or "individual soul."

And the person who does not know that, is not qualified to govern, because they haven't learned the first step about government: "Govern yourself."

Debra Freeman: We have approximately 150 questions, that I have not given to Mr. LaRouche. I will give them to him. Some of them are institutional questions. I'm sure that he will pick out the ones he thinks are most relevant, and he will answer them, via the Internet, since we do have people's e-mail addresses.

You have been an extraordinary audience. And I'm sure that you feel privileged, as I do, in having participated in this historic event. The full transcript of today's proceedings will be posted on the Internet, hopefully by tomorrow morning. We intend to move very rapidly into publication, with the transcript of these proceedings. We will count on all of you to help in the distribution of that. And, really, at this time, I would like you to join me in thanking Mr. LaRouche for this extraordinary address.

Sharon's Victory Means More Bloodshed for Israel

by Dean Andromidas

"Israelis voted with their guts, not with their minds," was the reaction to Ariel Sharon's Jan. 28 election victory, by one senior Israeli peace activist. He warned that Israel is in for a bloody future, if Sharon is not stopped. *Ha'aretz* commentator Yoel Marcus wrote, on the day of the elections, "Instead of choosing between two alternatives, as befitting a democracy, the public will elect Sharon today, as befitting psychopaths."

The real alternatives remain: forging a peace agreement with the Palestinians, or following re-elected Prime Minister Sharon into a new Middle East war and the destruction of Israel. This reality was fully understood by Labor Party Chairman Amram Mitzna, who reaffirmed after his party's defeat, that he will never lead the Labor Party back into a suicidal unity government: "We will not join Sharon, we will replace him."

Without the Labor Party in the new government, Sharon will have to forge a coalition—unstable at best—with various smaller parties.

Sharon's Likud party owes its victory to the war party in Washington, not the admiration of the Israeli voter. Two weeks before the elections, Sharon's campaign was hit hard by revelations that he was the prime suspect in half a dozen criminal investigations. The second blow to the campaign occurred when Mitzna declared that he would never join a national unity government, thus depriving Sharon of the figleaf that gave him political cover during almost two years of his first term, which ended on Oct. 30, 2002, when the Labor Party pulled out of the coalition "national unity" government.

Sharon was rescued by two of the biggest moneybags backing the war party in Washington: mega-billionaires Michael Steinhardt and Marc Rich. *EIR* wrote at the time that both of these rogues have a direct line into the office of "chicken-hawk" Vice President Dick Cheney (*EIR* Jan. 24 and Jan. 31). That connection is through Lewis Libby, Cheney's chief of staff and the attorney for Russian Mafia front-man

Marc Rich. Both Steinhardt and Rich met in Israel with leading members of the Likud and Labor parties just prior to the elections. Steinhardt confided to a Washington-based journalist that he had met with Sharon's top confidant, while both he and Rich had spoken with Likud moneyman, Jerusalem Mayor Ehud Olmert, and with Labor Party leader Shimon Peres, Sharon's former Foreign Minister. The message to both was clear: The U.S. war party does not want Mitzna as the leader of Israel, but demands a unity government between the Likud and Labor. Only this combination could save Sharon and help the war party's efforts to mobilize for an attack on Iraq.

The orders were clear, and the election result proves that they were carried out. First, Mitzna's campaign was sabotaged with the help of Peres, who has fully abandoned his "New Middle East" concept of the 1990s, which was based on the Oslo peace accords, for another new Middle East, based on a clash of civilizations. As one senior Israeli intelligence source put it, "When there's peace, Peres is for peace; when there's war, Peres is for war." Peres attempted a clandestine leadership coup against Mitzna, after having unsuccessfully contended against him for party chairman. Although the coup failed, it nonetheless disoriented the Labor Party machine.

Meanwhile, on the Likud side, it became apparent that their cash-starved campaign got fresh contributions to fund the backroom deals and pay for activists to hit the streets in the last two weeks of the campaign.

Mitzna: 'There Is An Alternative'

When the polls closed, the Likud had won 37 seats for the 120-seat Knesset (parliament), almost doubling its previous 19 seats. The Labor Party fell from 26 to 19 seats, and the pro-peace Meretz party lost almost half its seats, winning only 6 mandates. A triumphant Sharon immediately announced his intention to form a national unity government with Labor—

and Mitzna vowed that he would not join under any circumstances.

Mitzna declared: "We presented the public with a clear, unequivocal, and courageous position, offering the path to hope, a way of dealing with the complex reality. . . . The voters chose a different path." Pointing to the future, he said, "Every day and in every part of the country, the Labor Party, under my leadership, will remind Sharon and the entire public, that there is an alternative, that there is another way. . . . Politics is a marathon, and we are only in the first kilometers. The nation chose Sharon as Prime Minister, but, at the same time, chose us to be the alternative. It is no disgrace to be in opposition, and I promise you that our time there will be short. Sharon hopes that Labor will once again become a figleaf for his failed policy. But we have no intention of joining him; rather, replacing him. . . . Labor has a path, an identity, and a leader. I, Amram Mitzna, pledge to you this evening that I will lead the Labor Party in its struggle for the future of the party."

A review of the election results demonstrates that Sharon's victory may indeed prove short-lived.

The election turnout of 68% was Israel's lowest ever. Israeli observers indicate that Labor and the left suffered most. But also, many of the non-voters were former Likud supporters, disgusted by the corruption and criminality that has taken over the party, but could not bring themselves to vote Labor. Furthermore, the Likud won 13 of its additional 18 mandates at the expense of the right-wing ethnic-Russian and Shas parties. Another five or six of the Likud's new mandates came as the result of the dissolution of the Center and Geshet parties, both of which had been led by former Likud figures, who simply rejoined the Likud for the recent elections. Many of these parties' loyalists had previously been Likud supporters, but abandoned that party during the 2001 Knesset elections and were convinced, this time around, to return to the fold. Although the Likud parliamentary bloc is much larger than before, it is also more unstable, now that both its left wing, led by Dan Meridor, which supports territorial compromise with the Palestinians, and its right wing, led by former Prime Minister Benjamin Netanyahu, who refuses to accept a Palestinian state of any form, are back in the party. Under certain conditions, the party could split again.

Labor lost its six seats primarily due to the low voter turnout, and to the gains made by the secular Shinui party. Led by Yosef "Tommy" Lapid, the Shinui was formed on the basis of opposition to the ultra-Orthodox religious parties. It went from a marginal 6 mandates to 15. It has a left wing which supports territorial compromise, and a right wing which does not. Although Lapid would love to jump into the coalition wedding bed with Sharon, he cannot join a coalition that includes the ultra-Orthodox Shas, a party which has maintained a considerable number of backroom deals with the Likud. If Lapid tried, his party would most likely split, with some of its Knesset members joining the ranks of the opposition. Lapid has called on the Labor Party to dump

Mitzna and join a Sharon-led government.

Meanwhile, the trade union-linked One Nation doubled its strength to four seats, and the Arab parties Ra'am and Baland, along with the Arab-Jewish party Hadash, increased their mandates to a total of nine. The rest of the mandates were spread among the religious parties and the extreme right-wing National Union.

Thus, despite Likud's 37 mandates, without the Labor Party, the arithmetic of coalition-building will not add up to a stable government. If Sharon decides to go for a right-wing government, he could be forced to go to war sooner than the war party in Washington would want, or his government could collapse, and once again, the country would go to early elections.

Then there is the dark shadow being cast by six criminal investigations against both Sharon and the Likud party. If the Israeli criminal justice system is able to do its work, Sharon might have to spend more time with police interrogators than with his Cabinet ministers.

Sharon Wants Iraq War

Sharon is banking on a U.S. war on Iraq, which he hopes will force the Labor Party to enter the government. That war, he hopes, will ensure the arrival of \$14 billion in U.S. grants and loan guarantees to bail out the collapsing Israeli economy. In addition, he will be putting tremendous pressure on Mitzna, according to *Ha'aretz* correspondent Yosser Verter, "through the well-known pressure groups: American Jewry, business people, security officials, intellectuals, mayors."

Former Labor Party Chairman Binyamin Ben-Eliezer, who had served as Sharon's Defense Minister in the last government, voiced his support for Mitzna, telling *Ha'aretz* (Jan. 30) that a war in Iraq need not be a reason to join a unity government with Sharon. "The most important thing to do now is rehabilitate the party, build the branches, and create a fighting spirit," he said.

But Shimon Peres continues to take his cue from Rich and Steinhardt. According to *Ha'aretz*, Peres took the unusual move of calling his "old friend" Sharon to congratulate him on his victory, while telling the press that Labor should keep the door open to Sharon's overtures.

But everyone knows that Sharon will not change his three "no's": no to negotiating under fire; no to talks with Palestinian Authority President Yasser Arafat; and no to a set timetable for Israeli concessions. Diplomatic correspondent Aluf Benn wrote in *Ha'aretz* on Jan. 29, "The first mission of the new Sharon government will be to thwart the imposition of an international initiative—the 'road map'—for settling the Palestinian-Israeli conflict"—a joint endeavor with Europe, Russia, and the United Nations.

Whether or not Sharon can do that, depends on Washington, and that is where the real fight is being waged. Without a change in U.S. policy, away from the Iraq war and toward an Israeli-Palestinian peace settlement, Mitzna and the pro-peace elements in Israel face a steep uphill fight.

Investigate Sharon's Corruption, War Crimes

by Dean Andromidas

Will Ariel Sharon be going from his newly re-elected post as Prime Minister, to becoming the prime suspect in six criminal investigations, involving violations of campaign finance laws, bribe taking, partnership with organized crime, and crimes against humanity?

On Jan. 27, on the eve of the Jan. 28 Israeli elections, the *Washington Post* published an article detailing the illegal financing of Sharon's 1999 primary campaign through U.S.-based charities. The article revealed only the tiniest fragment of the massive amount of material *EIR* has been publishing in the last two months, on the flow of millions of dollars into the Likud party's and Sharon's coffers from sources spanning U.S. Christian fundamentalists, the Moonies, the Israeli and Russian mafias, and the second generation of Meyer Lansky-linked U.S. organized-crime circles. The *Post*'s article was the first exposé of Sharon's corrupt funding apparatus outside of the LaRouche publications and the Israeli press, although it understated the case, with an article entitled "U.S. Scrutiny of Overseas Charitable Donations Lax."

While for readers of *EIR*, there was very little new in the article, nonetheless it usefully exposed some of the U.S. charities involved in illegal financing of Sharon's 1999 primary campaign for the leadership of the Likud. This case relates to an illegal \$1.5 million loan that Sharon's son received from a British businessman in South Africa. The article mentions the names of the relevant American lawyers and organizations, but fails to inform the reader who these people are; indeed, to do so would show, as *EIR* has done, that the Anti-Defamation League of B'nai B'rith (ADL) has been at the center of Sharon's illegal funding apparatus in the United States.

For instance, New York attorney Arnold Forster is described by the *Post* as one of the directors of a "charity," the American and Israel Research and Friendship Foundation; he also represented Sharon in a libel suit against *Time* magazine. But, as *EIR* has documented, Forster has also been an ADL operative for the last 50 years; in the 1950s, he staged anti-Semitic incidents in order to justify the ADL's existence. He was also an associate of the notorious mob attorney Roy Cohn.

The article mentions First International Resources as having received a grant of \$80,000 from Forster's "charity." First International is identified merely as a "consultancy" in New Jersey, which carried out a poll for Sharon. There's more:

The company was founded by Zev Furst, who was ADL Director of Middle East Affairs and became the first director of the ADL's office in Jerusalem in 1977. In 1980 he formed a partnership with "spin-doctor" David Garth to establish Garth-Furst International. Together they advised the campaigns of Israel Prime Ministers Menachem Begin, Yitzhak Rabin, and Shimon Peres, as well as many other politicians internationally.

Six Investigations

Any one of the following investigations could politically damage or even imprison Sharon:

1. Illegal financing of Sharon's 1999 primary campaign. Although the violation of the election law was not criminal, the subsequent coverup could potentially turn it into Sharon's Watergate. Police investigators are reportedly preparing recommendations for the indictment of Sharon's son Omri, and his attorney and bureau chief, Dov Weisglass.

2. The \$1.5 million loan from South African businessman Cyril Kern, which was used to refund the illegal 1999 donations.

3. The "Greek island affair," in which the Israeli police have recommended the indictment of several Sharon cronies, including his financial backer David Appel and Jerusalem Mayor Ehud Olmert, a conduit of campaign funds into the Likud. Sharon and his son Gilad are suspected of having taken bribes of as much as \$3.6 million.

4. Cases involving corruption in the Likud, where three indictments have so far been handed down. This investigation should probe how the top Israeli mafia bosses became Likud Central Committee members and kingmakers.

5. The case of the Airports Authority and the public tender won by the Sheleg Lavan security firm, with the help of Tzevet Bitahon. These two security companies, which are reportedly controlled by organized-crime figures, are under investigation for conspiring with the Airports Authority to win a tender to guard six international entry points into Israel. The case could involve Likud Central Committee member Shlomi Oz, an ex-convict and right-hand man of Mousa Alperon, leader of one of Israel's top organized-crime families and also a Likud Central Committee member.

6. The last case, but certainly not the least, is the war crimes case that was taken up by a Belgian court almost two years ago. This is the result of a criminal complaint made by over 30 Palestinian refugees in Lebanon, who lost family members in the massacres at the Sabra and Shatila refugee camps in Lebanon during the 1982 war. Sharon, then Defense Minister, is accused of having ordered these massacres. The case has gone dormant since an appeals court ruled that, since Sharon was not in Belgium, he could not be indicted; but the Supreme Court is expected to overturn the lower court's decision, and new legislation has passed the Senate and now goes to the lower house, to amend Belgium's universal jurisdiction law, in order to allow the case to go forward.

France and Germany Take New Leadership

by Christine Bierre

The ceremonies organized in France and in Germany for the 40th anniversary of the signing of the Elysée Treaty, constituted an important shift in European politics. In the original friendship treaty of Jan. 22, 1963, President Charles de Gaulle and Chancellor Konrad Adenauer formed a bond between the two nations that healed the wounds of war. Whether the new Franco-German alliance will have such truly historic consequences, will only be seen in the decisions made by Paris and Berlin in the next weeks and months, on two key issues: 1) the war against Iraq and the policies of perpetual war of the hawkish faction in the Bush Administration, and 2) initiatives to solve the systemic crisis presently hitting the dollar system.

On the positive side, Germany and France have reaffirmed their leadership over Europe, to the detriment of British manipulations. Chancellor Gerhard Schröder's initial illusions about British Prime Minister Tony Blair, and the former's attempts to replace the Franco-German alliance by a triangular relationship with Britain, are long gone; so are those of President Jacques Chirac about building a Europe of defense with Britain.

The celebrations in both France and Germany took on an impressive dimension. On the morning of Jan. 22, a joint Franco-German Council of Ministers meeting was held at the Elysée Palace, with both heads of state attending. Throughout the day, the 900 Franco-German parliamentarians held a joint working session at Versailles Palace. That building was chosen symbolically, as Chirac stated, to exorcise some of the demons that provoked the "fratricidal wars" of the past. "In the Hall of Mirrors," he said, "just a step away from us, [was] the proclamation of the German Empire," and there too were "the conditions imposed on Germany after 1918 which provoked in Germany humiliation and resentment."

Bilateral Ties in a European Context

The joint declaration calls for strong, long-term reinforcement of their cooperation, and commits them to reinforce the European Union (EU). "France and Germany are united by a community of destiny. Our common future cannot be dissociated from that of a deepened and enlarged Europe." The declaration calls for promoting the study of the two languages on both sides of the Rhine—not only by

students, but in all professions, even the European bureaucrats of other countries, who will be encouraged to learn both languages, so that English is not the only language used in official discussions. In foreign policy, France and Germany announced their intention to "seek the adoption of common positions in the international institutions, including the [UN] Security Council, and to define concerted strategies toward third countries."

In economics, two decisions have interesting potential, because they create a forum where France and Germany could develop an approach independently of the rest of the EU institutions, which generally toe the Anglo-American "free-trade" line. The Franco-German Economic and Financial Forum, created by a protocol of 1988, will develop "common positions on long- and medium-term fundamental questions of economic and financial policies such as the financing of pensions, of health, and the labor market." Both countries will also work to create "a European center of international economics," to allow Europe to intervene fully in international debates on economic, financial, and commercial policies.

On defense questions, both countries reaffirmed their earlier proposal to have a common European security and defense policy, initiated by those European states that wish to evolve toward such aims. In terms of aid to development, both countries intend to give priority to the African continent and to the fight against drugs and AIDS, and, in matters of research, both countries wish reinforced cooperation in space policies, but also on ethical questions, such as human cloning.

No Inevitability of War

What is the motivation behind this dramatic rapprochement? There is clearly a preoccupation with the political, economic, and military evolutions on the other side of the Atlantic. "It is urgent that Europe impose itself as an international actor," stated Chirac, in his speech to the Franco-German parliamentarians. "It is today an example for all those who reject the war as being fated. Its dream is not vainglory, but to use its power in the service of peace. It embodies an ambition for humanity. A Europe capable of acting, including in the military domain, is necessary to the world balance."

"The world is confronted with crisis situations on all continents," stated Chirac. "I'm thinking, of course, of Iraq. It's a major challenge. War is not inevitable. The only framework for a legitimate solution is that of the United Nations. France and Germany, in their successive Presidencies of the Security Council, carry on a close collaboration in order to give peace every chance." Responding, at the Elysée press conference, to a question on whether France and Germany would vote together at the UN Security Council against an eventual American demand for war, Chirac didn't go quite that far, but stressed that the Germans and French have the same judgment on that crisis, based on two principles: 1) a decision can only



French President Jacques Chirac (left) and German Chancellor Gerhard Schröder on Jan. 23, marking the 40th anniversary of the Elysée Treaty. They reaffirmed the alliance between their two nations, with new initiatives for cooperation; but a breakthrough in economic policy has yet to occur.

be taken by the UN Security Council, following the report by the inspectors; and 2) war is the worst solution possible, and everything must be done to avoid it. France and Germany have a common position and are collaborate constantly on this issue, he concluded.

Just as at the time of the Elysée Treaty, the new Franco-German rapprochement and, in this case, its refusal to participate in a senseless war against Iraq, have provoked the fury of the hawkish factions of the U.S. Administration. U.S. Defense Secretary Donald Rumsfeld created a major incident, snarling that very day: “I do not see Europe as being Germany and France. I think that is the old Europe. If you look at the whole of Europe, its center of gravity is in the East.” Revealing the intensity of the tensions on both sides of the Atlantic, French Environmental Minister Roselyne Bachelot, known generally for her lack diplomatic manners, declared that there was only one answer possible to Rumsfeld’s insult: “the words of Cambronne”—one of Napoleon’s generals, whose response, when summoned to surrender, was an unequivocal “*merde!*” Showing the contempt in which the Defense Secretary is held by the Europeans, the entourages of Chirac and Schröder, who were meeting 500 German students in Berlin that day, let it be known that they would not respond to Rumsfeld (notorious in Paris for his “crudeness”), but only to statements by President Bush. Both sides of the Atlantic have attempted to cool down the situation in the meantime, although the divergences remain extremely sharp.

The intelligence leak-sheet *Le Canard Enchaîné* indi-

cated that Maurice Gourdault Montage, a special envoy sent recently by Chirac to meet with members of the Bush Administration, was brutally shouted at by U.S. Deputy Defense Secretary Paul Wolfowitz. France is viewed, according to the magazine, as being behind all the attempts to block the United States going to war against Saddam Hussein. The American hawks went as far as threatening to keep France out of any oil deals in Iraq, following an eventual conflict! In a calculated response, Chirac gave an interview to the daily *Le Figaro* on Jan. 20, stating that were the United States to go to war, “it would do so on the margin of the entire international community.” Foreign Minister Dominique de Villepin threatened to use France’s veto at the UN Security Council.

Challenges Ahead

While politically and militarily, France and Germany are moving in the right direction, the other great challenge ahead of them is in the economic field.

None of the elements underlined in the final declaration will become a reality, if both countries don’t support Lyndon LaRouche’s proposed global financial reorganization, the New Bretton Woods. From the standpoint of the European Union’s Stability Pact and Maastricht Treaty, Europe is unable to do anything except impose upon itself greater and greater austerity. In a panic, many French financial analysts are carefully watching the German recession, knowing full well that the French economy is next in line.

The two leaders want to reform the Stability Pact, with its straitjacket of fiscal restrictions that are becoming increasingly impossible to adhere to as the world depression deepens. Schröder stated clearly that while both countries support the Stability Pact, they believe that stability, although necessary, is not the only important criterion for the economy. Another is growth, Chirac stated, and therefore both countries have fought for a “flexible interpretation” of the Stability Pact.

However, Chirac’s response to a question from the French magazine *Fusion*, indicates an unwillingness to break with the Anglo-Americans on the key economic issues. The correspondent asked whether the 40th anniversary of the Elysée Treaty were not precisely the right time to revive the best features of the post-war Bretton Woods financial system, given the acute crisis of the dollar system today, but Chirac missed the point, responding that “one cannot remake history, and one does not build the world by looking backwards, at the past.”

India-Iran Relations Expand to Central Asia

by Ramtanu Maitra

The world's geopoliticians shifted on their seats last week when the chief guest at India's Republic Day (Jan. 26), Iranian President Syed Mohammad Khatami, and Indian Prime Minister Atal Behari Vajpayee signed an agreement on Jan. 25 to step up work on transport projects that would link the Indian Subcontinent with the Persian Gulf, Afghanistan, Central Asia, and Europe. The agreement bears immense significance in light of the threatened invasion of Iraq by the United States and the amassing of U.S. military forces around Iran.

President Khatami had brought along with him four key Iranian ministers—Foreign Minister Kamal Kharrazi, Defense Minister Ali Shamkhani, Science and Technology Minister Mostafa Moeen, and Oil Minister Bijan Zangneh. A number of major issues, which include the Iran-India pipeline through Pakistan and the opening of a transport corridor linking New Delhi to Central Asia, were discussed. There are reports that defense cooperation between India and Iran is in the offing. In mid-January, Indian Chief of Naval Staff Adm. Madhavendra Singh was in Iran as part of high-level exchange of defense personnel. Sources indicated that ship visits and other military cooperation would follow shortly.

During the official talks, the two countries agreed to discuss the prospect of a bilateral preferential trade agreement, which will lay focus on the areas of pharmaceuticals, automobiles, information technology, and food-processing. Bilateral trade between India and Iran stands at \$2 billion annually, of which \$1.4 billion comprises Indian oil imports.

Strategic Cooperation

At a joint press conference held on Jan. 25, Prime Minister Vajpayee announced agreement on three joint transport projects in Iran. These include the development of a new port complex at Chahbahar, from where a road goes north from the coast to the border with Afghanistan. India has agreed to build a link from Zaranj on the Iran-Afghan border to Delaram on the garland road that connects all major cities in Afghanistan. This road also links up further north with the Central Asian republics.

The second project involves linking the Chahbahar port to the Iranian rail network, which is connected to Central Asia and Europe. India has already signed a Memorandum of Understanding with Iran to build the railroad. Iran will then extend its railway to the western Afghan border town

of Islam Qaleh. Iran has indicated that it intends to develop Chahbahar as the main entrepôt for energy and a major port for Afghanistan and Central Asia. Iran is keen that India take up the construction of the Chahbahar-Fahraj-Bam railway link.

Iran has also invited Indian consortia to invest in infrastructure projects in Iran. For instance, the development of the Chahbahar port will see IRCON and other Indian companies at work, while RITES will head another consortium to provide a rail link from Chahbahar to Saraj, which is entrepôt to the Iranian rail network. "Chahbahar opens up Central Asia to the Gulf, and Afghanistan becomes the hub. Both India and Iran are ready to invest in the infrastructure to develop this trade route, which will benefit Kabul," said Saad Mohseni, director of an Australian-Afghan investment house based in Melbourne, to the *Wall Street Journal* recently.

The third project involves building a marine oil tanking terminal in Iran. The "full significance" of the joint projects between India and Iran "will come out after some time," the Indian Prime Minister said. President Khatami added that Iran "welcomes the presence of India in scientific and commercial fields in Central Asia."

In May 2002, Iran, India, and Russia had signed the North-South Corridor Agreement (NSCA) to create through their sea and land transportation networks a short-cut cargo transit route between Europe and Asia. The NSCA seeks to rival the much longer route via the Suez Canal. After about two years of testing, the sea/land route began its official operation in January, when a Russian freighter discharged its load at Iran's Caspian Sea port of Anzali. If its operation continues and its three main protagonists succeed in their plan to convince Asian and European traders to use their transit route, the NSCA will turn them into major players in international cargo transportation, bringing them adequate economic and political rewards.

Road Diplomacy

The new agreement emphasizes the growing interest of India and Iran to cooperate jointly in building economic ties with the Central Asian nations. For India, it is building up an access to the West which skirts the hostile Pakistan. India is also moving in a similar manner to build road links with Myanmar, whose Foreign Minister, U Win Aung, also visited India the week before the Iranian President arrived.

India considers Myanmar as the bridge between India and Southeast Asia. India has already built a 160 km road from Moreh, a border town on the Indian side, to Kalewa in Myanmar. India has already joined a trilateral road-building project that would link India's northeastern states with Myanmar and Thailand. New Delhi and Yangon are preparing to implement the Kaladan project that will revive the old historic port of Sittwe on the northwestern coast of Myanmar and link it by road and river to the Indian state of Mizoram. The reluc-

tance of Bangladesh to offer transit facilities to India has made the Kaladan project a strategic one for India.

Meanwhile, Tehran is expanding its trade relations with Afghanistan, posing a serious challenge to the United States, which would like to keep Iran out of Afghanistan as much as possible. Perhaps it is for this reason that President George W. Bush had announced on Jan. 13, Afghanistan's new status as a preferred trading partner of the United States. Nonetheless, senior Afghan Commerce Minister Sayed Mustafa Kazemi, in early January, signed a deal with Iran whereby Tehran will provide the Afghan merchants the right to use the port of Chahbahar on the Indian Ocean, with a 90% discount on customs and port tariffs on non-oil goods, and a 50% discount on warehouse charges.

It has also been announced that Afghan-registered vehicles will be allowed full transit rights on the Iranian road system. It is likely that these Afghan merchants will bring all kinds of consumer goods and construction materials from Chahbahar into Afghanistan, and will take back agricultural exports and carpets to the port.

Revival of Old Ties

The modern India-Iran relation goes back almost five decades. Despite the differences in their political systems, ideological orientations, and pattern of foreign policies, India and Iran have maintained their friendly ties. As a result, neither India's leading role in the Non-Aligned Movement nor its close friendly ties with the Soviet Union, had diminished relations with Iran under the Shah's regime, which, at the time, was the main regional ally of the United States.

Likewise, India and Iran have different views about Pakistan, but that never complicated the New Delhi-Tehran relations, either in the political or in the economic arena. Prior to the Iranian Islamic Revolution in 1979, Iran viewed Pakistan as a regional ally along with Turkey. All three were part of the anti-Soviet regional military organization, CENTO. India, on the other hand, had fought two wars with Pakistan in 1965 and 1971 and considered its neighbor a sworn enemy.

Late last year, when President Khatami visited Pakistan, he created a stir among some Indian analysts beholden to Washington, when he said: "There must be a resolution of the Kashmir issue in line with the aspirations of the people of Kashmir." This statement was interpreted as an opposition to India's Kashmir policy, and these analysts did try to undermine President Khatami's visit. However, the Vajpayee government did not respond to those provocations, but laid out the red carpet for President Khatami.

The 1979 Islamic Revolution led by Ayatollah Khomeini of Qom was a watershed in India-Iran relations. The revolution isolated Iran, but did not damage its relations with India. On the contrary, Iran's change of pattern of relations with the United States, and its withdrawal from its pro-American military alliance with Pakistan, removed from Iranian-Indian

bilateral relations some of the hurdles preventing their expansion. In the post-Cold War period, Indo-Iranian relations flourished, both being indignant about the unjust international system. Iran-India relations were also given a boost by Moscow when it began to mend its fences with Tehran in 1987. Subsequently Russia, which had long been India's best friend, has become very friendly towards Tehran.

Both New Delhi and Tehran have a common concern about the expansion of American and Pakistani influence in West Asia, particularly in Afghanistan and Central Asia. A similar concern also affects Moscow, and this common concern has formed the basis of the three countries' regional cooperation. The rise of the Taliban in Afghanistan, which had garnered support of both Pakistan and the United States in the early stages, had further consolidated the Moscow-Tehran-New Delhi common strategic concern.

The Gas Pipeline Issue

Although President Khatami's visit was to expand India-Iran ties for joint cooperation in Central Asia, other issues were also discussed at length. India and Iran expressed a considerable degree of similarity of views about a possible American-led war against Iraq, apart from the congruence of views on Afghanistan and other regional issues.

Sources made clear that the oil pipeline proposal, overland through Pakistan, is not dead, and efforts continue to make the project viable for implementation. "We are trying to remove the obstacles to the satisfaction of both countries," said Vajpayee. President Khatami, who was in Pakistan last year, had discussed it in detail with his Pakistani counterpart, President Pervez Musharraf, and had made it clear that India needed assurance that Pakistan would provide adequate security to protect the pipeline. Iran has set up an international consortium of bankers and energy concerns to oversee the pipeline, in a bid to assuage India's security concerns about the Pakistani part of the project.

The Iranian President's efforts were undermined significantly by the Foreign Offices of both India and Pakistan, when both sides expelled diplomatic staffs days before President Khatami arrived in New Delhi. The expulsion ensures that India-Pakistan relations, which need to be much better than they are now in order to implement the gas pipeline, have been soured further.

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No Development, No Peace

by David Cherry

The refusal of Ivory Coast's army to accept the peace deal imposed in Paris "puts the President in a seemingly impossible position," said Tom McKinley, the BBC's Sherlock Holmes in Abidjan, on Jan. 28. As usual, my dear Sherlock, you are concentrating on a brunette hair found where it doesn't belong, instead of on what is really happening. That works only in fiction. In truth, it is not the Paris peace agreement, not the Ivorian army, and not President Laurent Gbagbo, but Ivory Coast itself which is in a seemingly impossible position; and it is the International Monetary Fund (IMF), the World Bank, and the Anglo-American and French powers that have put it there.

Even while Ivory Coast was regarded as the model of stability in the 1960s, 1970s, and 1980s, it was being undermined by the economic policy prescriptions of the IMF and World Bank, which, with the backing of powerful governments, forced developing sector nations away from the path toward mechanized agriculture and industrialization. As Lyndon LaRouche noted in the 1960s, their approach leads only to economic decay. By 1990, Ivory Coast had a foreign debt of \$17.7 billion (up from \$7.4 billion in 1980), which amounted to a whopping 164.3% of Gross Domestic Product (up from 73.3% in 1980).

World Bank and IMF Bring Poverty

And so, in 1989, it formally called in the ever-helpful World Bank and the IMF. The two institutions provided aid and loans with the usual conditionalities: reduction in government expenditure; elimination of wheat and flour subsidies; extensive privatization of state enterprises; lowering of barriers to trade and foreign investment; and raising interest rates. And the currency was devalued by 50% in 1994.

How did these measures help? The amount the government was able to pay for foreign debt service, which from 1991 to 1993 had averaged 177 billion CFA francs annually, burgeoned by 1997-99 to 386 billion annually and rising. Did this relieve Ivory Coast's burden of foreign debt? On the contrary, the debt, which was 4 trillion CFA francs in 1991, grew to 9 trillion by 1999. Meanwhile, government expenditure, including spending on education and health, had been cut significantly. (Teachers' and college teachers' starting pay was cut by 50% in 1991, for example.)

The combined impact of low world cocoa prices and the World Bank and IMF measures increased the official measure of poverty, from 17.8% to 37% of the population between 1988 and 1995. Cocoa farmers—most of them on small family farms of 2-10 hectares—resorted increasingly to using workers under the age of 18, usually family members or relatives, rather than paid workers. A U.S. State Department study of 2002 estimates there are now about 15,000 children under the age of 12 working illegally on cocoa, coffee, and cotton farms; the law is not enforced.

Foreign workers from Mali, Burkina Faso, Liberia, Ghana, and elsewhere, and their families, amounting to more than a quarter of the country's population—so helpful in time of prosperity—were now seen as competing for jobs. When President Félix Houphouët-Boigny died in 1993, his successor, Henri Konan Bédié, invented the concept of "*ivoirité*" to encourage discrimination against foreigners. This also tended to work against Ivorians in the North, who share Muslim culture and Dioula ethnicity with many of the foreigners. The government of President Gbagbo, most especially elements in its military and security forces, has continued to use the "*ivoirité*" weapon.

Between 1996 and November 1999, the sale of cocoa—the country's main crop—was completely deregulated. Until then, the government's Caisse de Stabilisation had guaranteed a minimum price to cocoa farmers. Cocoa and coffee account for about 15% of GDP and 40% of total exports, with cocoa being much the larger contributor. Deregulation thus exposed cocoa farmers—and the national economy—to the instability of the world cocoa price. The world cocoa price improved significantly in the 1994-98 period, peaking in 1998 at about \$1700 per ton. Then, in the last quarter of 1999, it nose-dived to under \$1,000 per ton.

That reversal could have been borne if Ivory Coast had undergone more than superficial development in the 40 years since independence. But as it was, it was a detonator of an explosion.

On Christmas Eve, 1999, soldiers led by Gen. Robert Guei, angry over arrears in their pay, overthrew Bédié. And so political instability began. Its two chief axes have been conflict between the military (and security) forces and the government; and the combination of government and military against the poor, agricultural, largely Muslim North, led by its ostensible champion, Alassane Ouattara.

Enter a U.S. Oil Scheme

In what world-strategic context did Ivorian instability appear? With the collapse of Soviet power, British intelligence hand Bernard Lewis' concoction of an inevitable Clash of Civilizations made its appearance in 1990, including his ambition to redraw the map in the Middle East in a sea of blood—today, Baghdad, tomorrow, Riyadh. In the process, Lewis—and such co-thinkers as Henry Kissinger, Zbigniew Brzezinski, and Samuel Huntington—hope to engage the American

people so deeply in the imperial adventure, that the resurgence of historically American republican ideas, led by Lyndon LaRouche, will be smothered. Much of Africa, centered on the Gulf of Guinea, they think, could be used by an “imperial U.S.A.” to replace a portion of Mideastern oil imports during the uncertainties of the adventure.

With that in mind, the Jerusalem- and Washington-based Institute for Advanced Strategic and Political Studies (IASPS—see *EIR* Nov. 6, 1998), which stands somewhere to the right of Israel’s Likud party, held a symposium on “African Oil: A Priority for U.S. National Security and African Development” in Washington in January 2002 and created the African Oil Policy Initiative Group (AOPIG). The ideas in AOPIG’s June 2002 policy paper advocating the oil grab have made significant inroads into the State Department, Defense Department, and the Africa Subcommittee of the House of Representatives. In fact, Assistant Secretary of State for Africa Walter Kansteiner is said to be close to IASPS.

Despite the fact that Ivory Coast has not so far been a major source of oil in Africa, it was not overlooked in the AOPIG policy paper, which claimed, “Recent significant discoveries have been made off the coast of Equatorial Guinea, Congo (Brazzaville) and Côte d’Ivoire. . . .” An Ivory Coast Country Analysis Brief issued by the Energy Information Administration of the U.S. Department of Energy in December 2002 was perhaps more exact in stating, “Recent offshore discoveries in the Gulf of Guinea, including natural gas finds in its territorial waters, make Ivory Coast a leading area for hydrocarbon exploration in sub-Saharan Africa.”

Given the energy now being invested in making the Gulf of Guinea into an American lake (Angola already half-way to being an American colony, covert plans for a U.S. naval base on São Tomé), it is reasonable to suppose that nothing moves in the region that Washington does not scrutinize for possible advantage. France’s *Le Figaro* speculated on Oct. 4, 2002 on the insurrection in Ivory Coast as the beginning of a struggle for influence between Paris and Washington, with oil the prize, and criticized “the passivity of Paris.” It implied Washington’s covert patronization of the insurrection.

But Paris and Washington have appeared to be actively working together. Their common objective appears to be to open the door to the Presidency for Alassane Ouattara, whose connections are primarily in the United States.

Who Is Alassane Ouattara?

Who, exactly, is Alassane Dramane Ouattara, or “ADO” as he is called? He earned his Ph.D. at the Wharton School of Economics of the University of Pennsylvania in 1972, and married an American wife while a student. He was a principal economist at the IMF from 1968 to 1973, and then rose in the ranks at the Central Bank of West African States (CBWAS), in Paris and Dakar, from 1973 to 1984. He was back at the IMF as director of the Africa Department from 1984 to 1988.

Ouattara was prime minister of Ivory Coast from 1990 until the death of President Houphouët-Boigny in 1993. He was deputy managing director of the IMF from 1994 through July 1999. He assumed the presidency of the Rassemblement des Républicains (Rally of Republicans) party in August 1999. The possibility of political instability in the country was already in the air, and General Guei’s coup was only months away. At the same time, Ouattara founded the International Institute for Africa (IIA)—a consulting firm and spin-off of the IMF—of which he is president of the board, with corporate headquarters in Chevy Chase, Maryland, and offices in Paris, Abidjan, and Libreville, Gabon. The IIA says its typical clients in the public sector “include the offices of heads of state and government, central bank governors, and ministers.” Of IIA’s four other principal officers, two are career IMF men with backgrounds at Harvard and Yale. A third is a senior official in the RDR party.

General Guei organized Presidential elections in October 2000, and Ouattara declared his candidacy, but Guei arranged the disqualification of all candidates except Gbagbo and himself. Yet Ouattara did not give up.

Ouattara looks like a very useful asset for the U.S. oil grab. He has the necessary connections in the United States, throughout West Africa, and beyond. As President of Ivory Coast, his usefulness would be multiplied. Even before the Sept. 19, 2002 coup attempt, President Gbagbo had already given the ministries of transport, higher education, technology, and foreign trade to members of Ouattara’s RDR, under pressure from Paris and Washington. But these are not the key posts in a government.

Coup Attempt and Insurrection

When President Gbagbo, under pressure from the IMF, announced the demobilization of hundreds of troops, the troops attempted the Sept. 19 coup, with the help of a group of army officers involved in an earlier coup attempt, who had been welcomed into neighboring Burkina Faso and provided posh quarters there. Informed French sources say that a Libyan, Liman Chafi, is apparently coordinating the northern revolt for Burkina Faso’s President Blaise Compaoré. Compaoré and Rwandan dictator Paul Kagame are close. Does Compaoré have the same Anglo-American patrons as Kagame? Libyan leader Muammar Qaddafi is said to be financing the purchase of weapons, indirectly, according to French secret service sources cited by *Le Canard Enchaîné*. The northern rebels have better weapons and telecommunications than the Ivorian army.

While the rebels succeeded in taking and holding Bouaké, the gateway to the North, on Sept. 19, they failed to overthrow the government in Abidjan. But the would-be coup makers were embraced by Ouattara’s party, and on Oct. 2, the Patriotic Movement of Ivory Coast (MPCI)—which soon controlled the northern half of the country—was born. U.S. As-

sistant Secretary of State Kansteiner arrived in Abidjan Oct. 9 to confer with Gbagbo, and echoed a principle of the newly founded African Union (AU) in saying that the rebels would not be allowed to come to power by force. But, he told the press afterwards, "We encouraged President Gbagbo to look for a non-military solution. . . . We encouraged him to enter into negotiations."

The French also refused to help the government defeat the insurrection, but they provided troops to hold the ceasefire line established Oct. 17, to prevent the rebels from taking the southern half of the country. When negotiations with the rebels, sponsored by the Economic Community of West African States (ECOWAS) in Lomé, Togo, broke down, the French government convened a conference in Paris, Jan. 14-23, that included the government, the MPCCI, two smaller rebel groups, and all of the Ivorian political parties. All did not go smoothly in Paris. The president of the National Assembly, Mamadou Koulibaly, considered number two in the government, left the talks in anger Jan. 20 and flew back to Abidjan, denouncing the French coordinator of the talks, Pierre Mazeaud, a former government minister. Koulibaly said, "What the rebels did not succeed in doing militarily, he has done at Marcoussis [near Paris]." Mazeaud, he said, was "too favorable to the rebels and the RDR," and he felt "under attack as a representative of the State," and called the peace conference "a constitutional coup d'état" according to *Libération* Jan. 23.

Koulibaly's departure did not, however, constitute a departure of the government side from the peace talks. A spokesman for the Ivorian government in Paris, Toussaint Alain, told Associated Press, "We have no other choice but peace, so there will be an accord," even as he condemned Mazeaud for "refusing to describe the rebels as 'rebels.'" Gbagbo flew to Paris Jan. 23 and accepted the deal under intense pressure from French President Jacques Chirac, AU Chairman Thabo Mbeki, UN Secretary General Kofi Annan, and the European Union. While ECOWAS as a body was also supposed to play a role in endorsing the Paris agreement, it refused, in anger over the French taking the matter out of African hands. The U.S. State Department gave the deal its blessing.

But what *was* the deal? Gbagbo flew home to consult with his government and military before making a public announcement. As of Jan. 30, he still had not made the agreement public, and its contents have become known only through a consensus of leaks. Koulibaly's eruption about a "constitutional coup" proved accurate: The agreement handed control of the government to the MPCCI and the RDR. The MPCCI rebels are given the defense and interior (security) portfolios; justice goes to the RDR; a technocrat from the North, Seydou Diarra, becomes the prime minister and—in theory—runs the government; Gbagbo stays on as a ceremonial President.

Thus, the RDR and MPCCI are to come to power, thanks to their resort to force. With such an arrangement, one might

expect Ouattara to reach the driver's seat in the next election, if not before—the apostle of the IMF achieving victory from the very miseries his policies had imposed on the country.

Abidjan Appeals to Washington

The deal, however, is in doubt. Abidjan exploded in several days of rioting and demonstrations against the French and French facilities. Six thousand demonstrators, waving U.S. flags, mobbed the U.S. embassy, carrying posters with slogans such as "Our freedom is in your hands, U.S.A." and "No more French, from now on we speak English," as they chanted, "U.S.A., U.S.A., U.S.A." The Ivorian ambassador to Washington appealed to the United States to prevent the defense and interior portfolios from going to the rebels. Full-page ads in the *Washington Post* carried the same message in less specific terms.

The army also said no. "It carries within it the germs of a national implosion," the army statement said. Then former President Bédié told the French daily *Le Parisien* Jan. 28 that the distribution of cabinet posts was decided by Chirac, French Foreign Minister Dominique de Villepin, UN Secretary-General Kofi Annan, and Gabon's President Omar Bongo. "The Ivorian political parties never got to say a word," he said. "Giving the rebels the posts of defense and interior minister poses a problem." De Villepin became emphatic. "Let me tell you one thing," he said on French television, "that political accord will remain the basis for reconciliation among Ivorians. . . . These are decisions taken by Ivorians, not by France." But now all of the leading political parties, with the exception of the RDR, have issued a joint statement adopting Bédié's declaration.

De Villepin still believes he holds the ace: He is hinting that the French could just evacuate, which would leave the Ivorians to a probable bloodbath.

Is it possible that Washington could turnabout on its French ally—so uncooperative in the matter of Iraq—and respond to the appeals from Abidjan as a way of promoting U.S. hegemony in the area? Installing Ouattara might then take a lower place on the agenda. A news analysis of the French effort, by John Vinocur in the *International Herald Tribune* Jan. 30, suggests that some in Washington may be thinking of it. "France has collided with an African crisis that may more cruelly mark out the limited character of its diplomatic and practical powers," he writes. "A French-engineered peace agreement . . . signed here with the trappings of inviolability . . . in the presence of President Jacques Chirac and a handy phalanx of Gardes Républicaines—has imploded. There is no international mandate for the presence of French troops in the Ivory Coast, only a state-to-state agreement."

For Ivory Coast, as for all Africa, there will be no peace without development; it cannot simply be ordered up in a crisis.

Christine Bierre in Paris contributed to this article.

International Intelligence

British Warhawks Flock Together

Most outspoken British Iraq war advocates are members of the "Atlantic Partnership," founded and headed by former Conservative Party Home Secretary Michael Howard, the *Guardian* revealed on Jan. 27. These include Lord Charles Powell, Margaret Thatcher's former foreign policy guru and brother of Tony Blair's Chief of Staff Jonathan Powell; Lord Renwick, former British Ambassador to the United States; Sir John Keegan, Hollinger *Daily Telegraph* Defense Editor; and right-wing historian Andrew Roberts, described by the *Guardian* as "the commander-in-chief of the hawks," who is now writing a biography of Henry Kissinger. Patrons of the group, founded on George W. Bush's inauguration, include former British Prime Minister John Major; Henry Kissinger; and Italy's Mont Pelerin Society-linked Defense Minister Antonio Martino.

Michael Howard's group of Atlantic Partnership "panelists" include Jeffrey Gedmin, former head of the New Atlantic Initiative in Washington, D.C., and now head of Aspen Institute-Berlin; Lord David Owen, former British Foreign Secretary; Sir John Keegan; Lord Renwick; Andrew Roberts; and John O'Sullivan, the former Thatcher speechwriter and *National Review* editor.

French Scandals Hit Marc Rich

No fewer than four French Cabinet ministers, and Prime Minister Jeanne-Pierre Raffarin, are mobilized publicly against Ariel Sharon's patron, Russian mafia "godfather" Marc Rich, and on the verge of taking legal action. Rich and his associates are involved in two affairs which are polluting, literally and metaphorically, the French national scene.

First, the *Prestige*, a ship transporting heavy fuel pellets, broke up into two pieces and is now polluting both the coasts of Portugal and of France. Second, there is the shut-down in the north of France of a subsidiary

of Metaleurope, which will lay off 850 employees and cost 2,000 more their jobs in feeder industries.

"De facto," said *Libération* on Jan. 24, "those two black dossiers, environmentally and socially black, converge strangely. On the same place, first—the canton of Zug in Switzerland. And on the same man, the sulfuric American businessman, Marc Rich." Zug is the headquarters of Glencore, which makes and sells specialty metals, and has a 30% controlling share of Metaleurope. Glencore, formerly Marc Rich and Co. before the fugitive financier sold it to his own employees in 1994, just sold the only profit-making asset of Metaleurope, the Nordenham electrolysis unit in northern Germany, to . . . Glencore! Essentially bankrupt, Metaleurope is closing down its unit in northern France, leaving behind many unemployed and much pollution. It is also in Zug that one finds the headquarters of Crown Resources, which belongs to "Russian oligarchs" connected to the mafia, which brokers oil and which chartered the *Prestige*. Marc Rich was an official adviser of Crown until the Summer of 2001.

Details Emerge On China Space Program

In a Jan. 17 interview with *People's Daily*, Huang Chumping, program head of the Long March-11F rocket, which is used to launch the Shenzhou spacecraft, revealed some more of the details of China's manned space program.

He explained that, unlike the United States and Russia, which launched dozens of flights before sending men into space, China will have launched only the four Shenzhou missions that have already taken place—leading him to feel "enormous pressure." He said that "considering that no more tests will be conducted, our principle is taking the four tests as the standard. We are resolved not to change the technological state, where it is possible." The fifth launch, which will be manned, he said, will be done in an even more "strict, meticulous, prudent, and practical" style of work.

Huang said that two of the current 14

astronauts in training are instructors who were trained in the former Soviet Union. They are teaching the others because "we cannot afford to pay very high fees [for] all of them [to be] sent abroad for training." He said that although the Shenzhou is designed to accommodate three astronauts, the number on the first flight will be determined in light of the concrete circumstances. Other Chinese press have reported that the first Chinese manned space mission will take place in October.

Huang reported that the manned space program includes seven major systems: the astronauts, space technology applications, the spacecraft, the rocket, the launch site, monitoring the mission, and retrieval of the spacecraft. Over 3,000 factories are involved, and tens of thousands of scientific research, manufacturing, and planning personnel. The project involves huge investment, he said. The majority of the funds is used in ground construction, for factories, the launch site, and equipment. These are fixed assets, that can be used in many fields of the nation's economy. "The money which was really used in space was actually not much," he said.

The Shenzhou spacecraft, Huang said, is larger and more advanced in onboard equipment than the Russian Soyuz, which is its heritage, and means China has reached the space technology level of the 1990s.

Eurasia Railway Key to Korea Deadlock?

Thus a Jan. 22 article by Markku Heiskanen of the Nordic Institute of Asian Studies, a representative of the Finnish Foreign Ministry in arranging a Eurasian Railway conference in Helsinki in April 2002 with top-level Russian and Chinese participation. The piece appeared on the Asia-Pacific site *nautilus.org*.

"What is under way now," Heiskanen wrote, "could mark the beginning of 'a new logistical world order,' probably constituting new large-scale conceptions in international relations, not least by introducing a new (yet ancient) region of continental peaceful cooperation in Eurasia. . . . The

reconnection of the trans-Korean railway would be of the utmost importance as a confidence and security building measure on the Korean peninsula. The further connection of the trans-Korean railway with the Eurasian railways networks through Korea's gigantic neighbors China and Russia opens up prospects for the Eurasian railways to become an important multilateral confidence and security resource, not only on the Korean Peninsula but in the whole of Northeast Asia."

Heiskanen noted that the particular line through Korea, the Trans-Siberian Railway to Moscow, St. Petersburg, Helsinki, and north to the Norwegian deep-water, ice-free port of Narvik, could also reinvigorate the traditional sea trade from Narvik to the east coast of the Americas. This was an important focus of the Helsinki symposium last year, although it is only one "link" of such a land-bridge. He reported how the Chinese Ministry of Railways and the International Union of Railways (IUC) had also organized a symposium in Beijing last December to study the recently complete IUC's "Northern East-West Corridor" project to open a freight corridor from China to the U.S. East Coast, via the Eurasian railways and Narvik. Representatives from the U.S. Department of Commerce also attended the Beijing conference.

Ice-Age Carving May Be of Orion

An ivory carving, discovered in a cave in Germany in 1979, may be a representation of the constellation Orion, according to scholars reported in a Jan. 21 BBCnews Online story. The carving, on a tiny sliver of mammoth tusk (less than 2 inches long by 5/8-inch wide), shows a man with arms upraised, legs outstretched, and a sword hanging at his right side, precisely the pose still used today for the representation of the constellation Orion, the hunter. On the other side of the tablet are 4 vertical rows of notches, totalling 86. The tablet was found in a cave in the Ach Valley in the Alb-Danube region of Germany, and is associated with the culture known as the Aurignacian. Carbon-dating of bone ash deposits, found next to the

ivory, suggest an age between 32,500 and 38,000 years, making it one of the oldest representations of a man ever found.

Dr. Michael Rappenglueck, formerly of the University of Munich, believes that the man is Orion, and that the 86 notches may be both an astronomical record and a pregnancy calendar.

The constellation Orion (known to the Egyptians as Osiris), is visible on Winter evenings, near to the path of the ecliptic in the Northern Hemisphere night sky, the three bright stars of the belt, and Betelgeuse in the shoulder, being the most apparent.

France Breaks With Britain on Zimbabwe

The invitation to Zimbabwe's President Robert Mugabe to attend the Franco-African summit in Paris on Feb. 20-21, signed by French President Jacques Chirac on Jan. 23, has produced "fury" in the British and U.S. governments, and among British and European parliamentarians, according to the Zimbabwe *Independent* Jan. 24.

Foreign ministers of the European Union (EU) are to "discuss at their general affairs council meeting [Jan. 27] what MPs on both sides of the English Channel are calling the most serious breach of the sanctions regime yet," says the *Independent*. The U.S. State Department said the French decision was "regrettable" and urged the application of EU sanctions in a "consistent and effective manner," according to Voice of America News Jan. 25. France, however, cites the exception in the sanctions regime for meetings promoting democracy and human rights in Zimbabwe.

British Prime Minister Tony Blair is now supposed to have reached agreement with the French government, according to which he will drop objections to Mugabe's attendance in exchange for a commitment from France to back the renewal of EU sanctions, which expire Feb. 18. Sources told the *Independent* that Blair had to accept the deal "after it emerged that some EU countries including Italy, Portugal and Greece, were unwilling to support the resumption of sanctions, claiming they were not working."

SOUTH KOREA'S new President Roh Moo-hyun considers America's great statesman Abraham Lincoln as his personal inspiration and role model, Roh's representative told a Washington conference. Congressman Yoo Jay-kun, Special Envoy of the Roh to Washington, said that Roh undertook an intensive study of the life, works, and all the writings of Lincoln, and wrote a long book to explain Lincoln's thought to the Korean people. Mr. Roh felt so close to Lincoln's way of thinking after this study, *I Met Lincoln* was the title of his autobiography.

THE IAEA has postponed the Feb. 3 scheduled meeting on the Korea nuclear issue. International Atomic Energy Agency spokeswoman Melisa Fleming told AFP on Jan. 25 that the meeting was originally called under the mistaken belief that there was a consensus (as utopian State Department official John Bolton had claimed). But South Korea and Russia appealed for a delay, and thus, she said, the meeting would be held later.

NEPAL cease-fire was announced Jan. 29 in Kathmandu, by the government and Maoist rebels with peace talks to start in "a couple of days." On Jan. 29, an unnamed senior leader of Prime Minister Lokendra Bahadur Chand's National Democratic Party said the breakthrough came as a result of the direct intervention of King Gyanendra.

RUSSIA'S UN Ambassador on Jan. 29 refuted press reports that President Putin had asked for tougher measures against Iraq. Sergei Lavrov confronted a reporter: "He didn't say this. You reported this; he didn't say this. You reported that he was apparently ready to change his position, which is wrong. He said that we believe that inspections must continue, and that if Iraq stops cooperating with inspectors and starts blocking the inspectors, then, certainly, the [UN] Security Council would have to look into it. . . . But as long as Iraq cooperates, they [the inspections] must continue. So, there is no change."

LaRouche Points to Marc Rich's White House Mole: Lewis Libby

by Jeffrey Steinberg

Democratic Party Presidential pre-candidate Lyndon H. LaRouche, Jr. punctuated his Jan. 28 State of the Union web-cast with a call for the immediate ouster of Lewis Libby from his post as chief of staff and top national security aide to Vice President Dick Cheney. Not only is Libby one of the pivotal players in the Administration "war party," promoting the suicidal invasion of Iraq. He is, notoriously, a mole for Russian "Mafiya" interests linked to his business associate of 18 years, Marc Rich. The Libby-Rich duo played a filthy role in the Jan. 28 Israeli elections, staging a disruption of Labor Party chair Amram Mitzna's election campaign in the weeks before the vote, in order to secure re-election of serial war-criminal and Mafiya collaborator, Ariel Sharon.

Libby and Rich are also behind the promotion of former French military company clerk, Laurent Murawiec, as a Rand Corporation and Hudson Institute "military strategist," whose only claim to fame was his July 10, 2002 appearance at Richard Perle's Defense Policy Board. There, Murawiec

psychotically called for an American invasion and occupation of the Saudi oilfields. Murawiec's Power-Point presentation to Pentagon policy advisers was so outrageous and incompetent, that a storm of protest (after his closed-door pitch leaked to the *Washington Post*) led to his ouster from a post as "senior analyst" at Rand. In the brouhaha that followed, Murawiec allies in the neo-conservative camp—including Moonie *Washington Times* senior editor Arnaud de Borchgrave—tried to salvage his shattered image by promoting the fact that in 1985-90, he had operated as an inside spy and provocateur among the European supporters of Lyndon LaRouche.

Indeed, Murawiec had been picked up by Swiss-based organized-crime circles, including Marc Rich, and had conducted an effort to sabotage European circulation of a March 1986 *EIR* special report, *Moscow's Secret Weapon: Ariel Sharon and the Israeli Mafia*, which exposed the terror and crime circles behind Sharon, and the Jonathan Jay Pollard spy ring. Later, Murawiec surfaced on the payroll of the Marc Rich Foundation (run by ex-Mossad thug Avner Azulay), penning a shrill chapter on growing American anti-Semitism for a book edited by a top ally of self-professed Zionist fascist Vladimir Jabotinsky.

Libby and Marc 'Filthy' Rich

Sources in and around the Bush Administration have reported that Lewis Libby has emerged as one of the most rabid "chicken-hawks" in Washington. Libby has been identified as protector of the nest of Sharonists in the Pentagon and State Department who were discredited, following the Murawiec incident last July, and only avoided being fired from top posts through Libby's intervention. Among Libby's allies in the Administration "war party" are Deputy Defense Secretary Paul Wolfowitz, Assistant Defense Secretary for Policy Doug



Vice President Cheney's chief-of-staff Lewis Libby, an ideological super-"chicken-hawk" who drafted "pre-emptive war" for Dick Cheney ten years ago, is also swindler Marc Rich's longtime lawyer and collaborator in activities hostile to American national interests.

Feith, and State Department arms control adviser David Wurmser.

Libby was part of a troika of wanna-be Pentagon imperialists, back in the Bush “41” Administration, who urged then-Defense Secretary Dick Cheney to adopt the doctrine of pre-emptive warfare—in response not to Saddam Hussein or Osama bin Laden, but to the collapse of the Soviet Union and the opportunity for the United States to emerge as the only global military power. Along with Wolfowitz and Zalmay Khalilzad, Libby promoted the insane notion of pre-emptive war against any nation or bloc of nations that might at some point, challenge American military hegemony. The scheme was enthusiastically embraced by Cheney, but rejected by (the elder) President Bush, his National Security Adviser Brent Scowcroft, and Secretary of State James Baker III—only to resurface nine years later, after the Sept. 11, 2001 attacks.

Libby also served as staff director for the Cox Commission, a Clinton-era Congressionally mandated study group which promoted the idea of a future conflict with China.

But Lewis Libby’s real claim to fame is his 18-year collaboration with Russian Mafiya “godfather” Marc Rich. As an understudy to Washington power lawyer Leonard Garment, Libby was the personal attorney for Rich from 1985, shortly after Rich fled the United States to avoid criminal prosecution for tax evasion and “trading with the enemy”—for illegal oil dealings with the Khomeini regime in Iran, while they were holding American hostages. Rich set up in Zug, Switzerland, and became one of the most important figures in busting the oil embargoes against apartheid South Africa, Iran, and, later,

Iraq. All the while, Libby toiled as Rich’s legal flack in America, presenting the swindler and Mossad bankroller as a victim of overzealous prosecutors. Libby was the Svengali orchestrating the setup of President Bill Clinton to grant Rich a pardon in early 2001, just as Clinton left office. Libby, in Congressional testimony, admitted to working with ex-Al Gore attorney Jack Quinn, and two “former” Mossad agents in Rich’s employ, to secure the pardon.

Now, Rich may be running into problems. He is a target of “Operation Spiderweb,” a crackdown by Italian, Swiss, British, and American law enforcement agencies on a \$9 billion Russian Mafiya money-laundering scheme (see box). “Spiderweb” aims at Grigory Loutchansky, head of the Nordex conglomerate of companies and a top figure implicated in the flow of illegal campaign funds into Ariel Sharon’s recent re-election campaign—and at Rich.

In addition, French ministers at the end of January launched into a flurry of attacks on Rich around two other big scandals, involving the asset stripping and bankrupting of a French metal firm by Rich, and a large tanker oil spill off the coast of Portugal, also involving a Rich-owned firm.

Meanwhile, earlier in the month, at Libby’s behest, Rich and fellow gangster Michael Steinhardt went to Israel to run the operation against Labor Party chairman Mitzna which undermined Labor’s election campaign and helped cover up, for a while, corruption scandals that were damaging Sharon’s re-election bid. Steinhardt confessed to a Washington journalist that he met Sharon secretly, and then joined Marc Rich to orchestrate a Labor revolt against Mitzna, for his refusal to enter a national unity government with Sharon.

Rich and ‘Operation Spiderweb’

Lewis Libby’s client, fugitive swindler Marc Rich, is now the target of an international law enforcement crackdown on money laundering. “Operation Spiderweb,” a European and American joint effort to shut down a Russian Mafiya money-laundering operation in a half-dozen European countries, arrested 50 top Russian Mafiyosi in June 2002, in a probe that was an outgrowth of the Bank of New York case of the late 1990s. The chief prosecutor of Bologna, Italy told reporters that 150 other targets are soon expected to be arrested. A warrant is out for Grigory Loutchansky, the founder of Nordex, a Vienna-based company that was at the center of KGB and Communist Party dirty flight capital out of the Soviet Union as it crumbled. Prosecutors have evidence that Rich was the silent partner of Loutchansky in launching Nordex, and Rich, too, is a likely target of arrest and prosecution.

At the heart of “Spiderweb” are two Russian brothers, Igor and Oleg Berezovsky, accused of heading the money-laundering operation that the *Guardian/Observer*, on June 16, 2002, said had laundered \$9 billion in Mafiya funds, between Europe and the United States, following the crackdown on the Bank of New York. Beginning in 1996, money was laundered from Russian Mafiya-controlled banks in Moscow to the Bank of New York account of Benex Worldwide. Both Loutchansky and Rich have been linked to Benex, and another Loutchansky front company, Kama Trade, has been directly tied to the Berezovsky laundering operations in Europe. Some of the dirty Mafiya money went to Chechen rebels, according to several of the news accounts, through a Berezovsky collaborator, Andreas Marissov.

Another Russian Mafiya name that came up in the “Spiderweb” probe is Yossif Kobzon, a Moscow-based Mafiya boss, who was twice elected to the Duma and is called “the Russian Sinatra” (he is a top Russian pop singer). Whenever Marc Rich is in Moscow, according to an *EIR* source, he stays at Kobzon’s luxury apartment.

What Rumsfeld Knows About Iraqi Bioweapons

by Edward Spannaus

Numerous Administration officials, including President George Bush and Defense Secretary Donald Rumsfeld, have recently asserted that Iraq has not accounted for large quantities of anthrax, botulinum toxin, and other biological and chemical agents.

At the Jan. 27 White House press briefing, *EIR*'s White House correspondent asked spokesman Ari Fleischer, "If Saddam Hussein indeed does have chemical or biological weapons, isn't it the case that we helped him get these weapons with the policies we had in supporting Saddam Hussein against Iran?" The Iran-Iraq War lasted from 1980-88.

Fleischer denied it, adding: "I think that unless you have a specific allegation or a specific company that you'd like to bring to my attention, the answer is no. If you have a specific, I'd like to evaluate it." Under continued questioning from *EIR*, including those specifics, and another reporter, Fleischer continued to deny that the United States had provided materials or technologies to Saddam Hussein that could have been used to produce chemical or biological weapons, claiming that he doesn't think anyone can provide specifics "in the case of Americans." Last October, Rumsfeld issued similar professions of ignorance.

What the U.S. Shipped

In fact, it is abundantly well documented that U.S. laboratories provided a large variety of biological agents consisting of viral and bacteriological samples to Iraq. Materials provided to the U.S. Senate by the former Director of the Centers for Disease Control, David Satcher, and which were re-entered in the *Congressional Record* on Sept. 20, 2002 by Sen. Robert Byrd (D-W.V.), list numerous such shipments.

For example, pursuant to a license from the U.S. Commerce Department, American Type Culture Collection (ATCC) of Manassas, Virginia, shipped 24 types of biological materials to Iraq on May 2, 1986, which included four different batches of *bacillus anthracis* (the anthrax bacteria), and six different batches of *clostridium botulinum* (a bacterial source of botulinum toxin). On Aug. 31, 1987, ATCC lawfully shipped three batches of *bacillus anthracis* to Iraq.

These are just a few of more than 70 shipments of biological cultures lawfully sent to Iraq during the 1980s by ATCC, which could have been and were used to produce biological weapons. These included many varieties of viruses, bacteria, fungi, and protozoa.

According to a study by the Monterey Institute of International Studies, in addition to the licensed ATCC shipments, the Centers for Disease Controls itself sent more than 80 biological agents to Iraq between 1984 and 1989, including botulinum toxoid, dengue virus, and the West Nile antigen and antibody.

The government of Iraq has not denied that it produced biological weapons, but it points out (for example in its Oct. 2, 2002 reply to British Prime Minister Tony Blair's White Paper), that these biological agents could no longer be effective, because of limited shelf life—which is confirmed by other specialists. For instance, the Iraqi report stated, the botulinum protein converts to a non-toxic substance after three years, even under ideal storage conditions.

Rumsfeld's Role

When the U.S. government and U.S. laboratories shipped such agents to Iraq in the 1980s, Iraq had legitimate uses for them, since at that point Iraq was a very technologically advanced country with active agricultural and public health research programs. But it was also the policy of the Reagan and the first Bush Administrations, from 1982 up until the eve of Iraq's invasion of Kuwait in the Summer of 1990, to supply Iraq with military equipment and many "dual-use" materials, including chemical and biological agents, which were used in Iraq's programs for the development of chemical, biological, and nuclear weapons. It was the intention and expectation of top circles in the United States and Britain that such weapons would be used against Iran.

It is by now well known, that Donald Rumsfeld went to Baghdad at least twice in 1983-84 to clear the way for resumption of diplomatic ties and expanded U.S. military assistance. Already by 1983-84, Iraq had begun to develop chemical weapons in response to Iranian "human wave" infantry attacks, and—as U.S. military studies have noted—they were used as part of an integrated battle plan, not as indiscriminate "weapons of mass destruction"—whatever that term means.

In the early and mid-1980s, some Reagan Administration officials were alarmed that Iraq might be overrun by Iran, and others in the United States and Britain simply wanted the Iranians and Iraqis to kill as many of the other side's soldiers and people as possible. In either case, there were few if any complaints about so-called "weapons of mass destruction" when they were being used to kill Iranians; and moreover, the United States aided Iraq's nuclear program as late as 1989, when three Iraqi scientists were invited to participate in a U.S. government-sponsored conference on nuclear-weapons detonation. And in October 1990, President George H.W. Bush signed a directive mandating closer U.S. ties with Iraq.

So, when Bush Administration officials claim to have evidence of Iraq's possession of weapons of mass destruction, one almost expects the next words out of their mouths to be: "And we've got the receipts."

States' Medicaid Cuts Hurt the Economy

by Art Ticknor

Cuts in spending on Medicaid programs, carried out by 49 states since July 2002 in panic over growing budget shortfalls, are not just an attack on the health of the poorest Americans. They would also significantly reduce jobs, wages, and business activity, and hasten the ongoing breakdown of the U.S. economy, according to a new study.

Medicaid currently helps cover medical costs for about 47 million poor and elderly people—one in six Americans—at a cost to state and local governments of about \$121 billion a year. Before the current budget crisis, under the austerity policy of health maintenance organizations, hospitals let both elderly and young victims of certain chronic conditions die, whose continued sustenance on life support was not being paid for. Now, under budget meltdowns described as the “worst fiscal crisis since World War II,” this practice of unacknowledged euthanasia in our hospitals will increase, and routine medical treatment of all kinds will be restricted or eliminated.

Many states have begun to cut basic services for adults, including dental care, eyeglasses, hearing aids, and physical therapy. New Jersey is curtailing coverage for the poor by sharply reducing the maximum income allowed for eligibility. Connecticut Governor John Rowland proposed eliminating coverage for parents in three-person households with incomes of \$15,020 to \$22,350. California Gov. Gray Davis is proposing cuts that will eliminate nearly 500,000 low-income parents from Medicaid. A new survey of the 50 states, issued on Jan. 13 by the Kaiser Commission on Medicaid and the Uninsured, finds that 49 states and the District of Columbia have cut Medicaid spending since July 2002; moreover, 32 states are making their *second* round of cutbacks since July. Specifically, 37 states are reducing or freezing payments to doctors or hospitals, 25 are cutting Medicaid benefits, 27 are restricting or reducing eligibility, and 17 are increasing the co-payments charged to beneficiaries.

Medicaid Creates Jobs

The January 2003 report, by Families USA—“Medicaid: Good Medicine for State Economies”—shows that states lose an average of 37 jobs, \$3.4 million in business activity, and \$1.2 million in employee wages, for every million dollars cut from the Medicaid program. The reason, according to the study, is that the Federal government matches every dollar

that a state invests in Medicaid, at a rate ranging from \$1.00 to \$3.28. These new dollars circulate through different sectors of the economy, in successive rounds of consumer spending, creating new jobs and increasing the output of goods and services.

This Federal spending, estimated at \$159 billion in 2003, supports health-care expenditures that would otherwise not occur, or would need to be taken from other sources of state spending. When a state increases or decreases spending on Medicaid, Federal matching dollars are gained, or lost.

California Governor Davis' proposed Medicaid cutback of \$1.3 billion, for example, would result in a loss of 27,994 jobs, \$1.2 billion in wages, and \$3.2 billion in economic activity. Southern and western states lose the most with each million-dollar reduction in Medicaid spending, the study said. Job losses are highest in: Mississippi (72 jobs lost per million-dollar cut), New Mexico, Arkansas, Montana, Oklahoma, Utah, West Virginia, Idaho, Louisiana, and Alabama. Business activity falls the most in: Mississippi (\$6.25 million), New Mexico, Arkansas, Utah, West Virginia, Oklahoma, Alabama, Montana, Louisiana, and South Carolina.

On the other hand, money invested by the 50 states in the Medicaid program in 2001, the report stated, generated over 2.9 million jobs, with wages in excess of \$100 billion, and created \$279 billion in new business activity—an almost three-fold return on the \$98 billion investment.

The Families USA analysis, although useful in acknowledging that spending cuts damage the economy, relies on the mistaken assumptions of a decadent consumer society, as opposed to a healthy producer economy. An economy is really measured in physical, not financial terms.

Medicaid is the second-largest item, and the fastest-growing component, in most state budgets, comprising 20% of state expenditures, with a 10% annual growth rate. The increase in medical costs is the result of the collapse of production of wealth in the United States. Medical care cannot be imported, like cars, clothes, or kitchen utensils. Therefore, it must be paid for at the actual cost of reproducing the labor of doctors, nurses, and hospital personnel. These health-care workers, in turn, provide medical services to people who produce physical wealth, such as farmers and manufacturing workers. Improvements in the health-care system, therefore, increase the productive powers of labor. But few elected officials, or others involved, address this underlying problem. Seventy-five Senators voted last year to increase the Federal contribution to Medicaid; and legislation introduced in early January would provide \$10 billion to help states with Medicaid costs. But the Bush Administration has opposed any Federal increase.

The only solution, as outlined by Democratic Presidential pre-candidate Lyndon LaRouche, were to repeal the HMO legislation of 1973, and to return to the approach of the Hill-Burton legislation which built up the nation's hospital care since the 1950s.

U.S. Health Gap Widened 1998-2001

The difference in median net worth between the 10% of families with the highest incomes and the 20% of families with the lowest, jumped by 70% from the second half of 1998 through the second half of 2001, according to the Federal Reserve's Survey of Consumer Finances, a phone survey of about 4,000 families conducted every three years, released on Jan. 22 this year. The gap between whites and minorities, grew by 21%. Net worth is the difference between assets (such as bank accounts, stocks, bonds, retirement accounts, houses, vehicles, and business equity) and debts (mortgages, credit-card debt, loans). Stated another way, the median net wealth of the top earners, about 12 times that of lower-middle-income families during the 1990s, in 2001 surged to 22 times as much as that of the lowest earners.

Specifically, the net worth of families in the top 10% of incomes, skyrocketed by 69%, to \$833,600, in 2001 from \$492,400 in 1998; while the net worth of families in the lowest 20% of income, according to the survey, rose by 24%, to \$7,900. Median net worth for whites rose 17% to \$120,900, but fell 4.5% to \$17,100 for minorities.

The biggest gain in asset ownership, was in direct stock holdings.

At the same time, more people in the lowest income level had credit-card debt, and trouble paying bills. For the lowest 20% of income earners, the share of families with credit-card balances increased 5.8% to 30.3%; while the percentage of low-income households at least 60 days past due on a debt, increased to 13.4% in 2001, from 12.9% in 1998.

Economy Spreading Mosquito Diseases

Contrary to the impression given in the media that "global warming" will cause more mosquito-borne diseases, a bi-national study of dengue virus in the contiguous cities of

Laredo, Texas, and Nuevo Laredo, Mexico, found that economic, not climatic, factors are responsible for the spread of the disease. A multi-authored article in the January issue of the Centers for Disease Control journal *Emerging Infectious Diseases*, reported that although the incidence of dengue was higher in Nuevo Laredo, the mosquito carrier, *Aedes aegypti*, was actually more abundant in Laredo. The researchers examined this paradox, and found that the presence of air conditioning, intact window screens, and a greater distance between neighboring houses were the important factors in Laredo that protected the population from the disease-transmitting mosquito.

From 1980 to 1999, there were only 64 locally acquired cases of dengue in Texas, compared with 62,514 cases of dengue in the three neighboring Mexican states.

D.C. Bucks Parties, Wants First Primary

With one year to go before the first Presidential primaries of 2004 get under way, Washington, D.C. has jumped into the fray, trying to move its primary date to Jan. 10, 2004—before New Hampshire's traditional first-in-the nation primary. District Council member Jack Evans introduced a bill this week to move up the D.C. primary; all 12 Council members have signed on to co-sponsor the bill, and it is backed by Mayor Tony Williams as well. Councilman Evans said the District's ethnic mix better resembles the nation's electorate than that of Iowa and New Hampshire, which are largely white, with more homogeneous population.

The D.C. proposal would violate national Democratic Party by-laws that set the first legitimate primary date as Feb. 3. Democratic National Committee (DNC) chairman Terry McAuliffe has already rejected the idea in a conversation with Evans, and DNC spokesman Guillermo Medeses has said that Washington could lose 30 of its 38 convention delegates if it violated that rule.

New Hampshire Secretary of State William Gardner said that New Hampshire

might have to respond to a Jan. 10 primary in D.C. by moving its own primary a week or two earlier. New Hampshire's state law requires that its primary be at least seven days before that of any other state. Gardner did note that because the District of Columbia is not a state, the New Hampshire law might not apply directly.

Over the past few Presidential elections, states have sought to push their primaries and caucuses earlier in the year, in hopes of gaining some of the lustre long claimed by Iowa and New Hampshire. Virginia is one state that may switch to a primary to gain more of the spotlight, according to the *Richmond Times-Dispatch*, which reported that the DNC will vote soon on moving the start of the nominating season to January 2004, the earliest in party history. The party "hopes that the Presidential candidate could be effectively chosen by the end of February [2004]," noted the newspaper.

What really could be making the DNC nervous, is that despite the front-loading, the first announced 2004 Presidential candidate, Lyndon LaRouche, could easily pull a significant vote in an early District primary, because of his visibility during the fight to save D.C. General Hospital, and because of expanded LaRouche Youth Movement organizing in the area. With the rest of the vote split between a crowded field of mediocrities, that could make LaRouche a front-runner, and change the geometry of the nomination.

U.S. Developing Nuke Plans for Iraq?

Columnist and military critic William Arkin reported in the *Los Angeles Times* on Jan. 25 that the U.S. Strategic Command, based at Offutt Air Force Base, Nebraska, is vigorously developing plans to use nuclear weapons against Iraq, supposedly against deeply buried underground bunkers, or if Iraq uses chemical or biological weapons against U.S. forces in case of war. Such planning, Arkin says, "represents a significant lowering of the nuclear threshold."

Until the war on terrorism, StratCom was focused on the use and effects of nuclear

IRAQ OIL fields can be taken over and run by the United States, claimed the *Wall Street Journal* on Jan. 29, but then admitted: 1) “A tribunal after World War II found that Japan breached international law by aggressively exploiting occupied oil fields in the Dutch East Indies and using the oil to fuel its own war needs”; and, 2) “The State Department, irked about Israel’s occupation of Sinai oil fields after the [June 1967] Six-Day War, wrote: ‘An occupant’s rights . . . do not include the right to develop a new oil field.’ ”

BISHOPS of the Church of God in Christ, a conservative African American denomination, sent President Bush a letter on Jan. 25, objecting to the push for war: “We must confess that we fail to see the rush to war as a rational expression of the compassionate conservatism that you promised to the country at the beginning of your administration.”

LAROCHE Western states campaign spokesman Harley Schlanger was invited by a bipartisan group of members of the South Dakota House and Senate to brief them on the state of the U.S. and global economy, and Lyndon LaRouche’s “Super-TVA” alternative to the debate over budget cuts and tax increases, which otherwise would occupy their whole session. Schlanger and LaRouche activists spoke to more than 40 legislators prior to the meeting.

THE GENERAL who commanded U.S. forces in the 1991 Gulf War, is skeptical of an Iraq invasion, and highly critical of Defense Secretary Rumsfeld. Norman Schwarzkopf told the *Washington Post* on Jan. 28, “When he [Rumsfeld] makes his comments, it appears that he disregards the Army. There are guys at the Pentagon who have been involved in operational planning for their entire lives, okay? And for this wisdom acquired during many operations, wars, schools—for that just to be ignored, and in its place have somebody who doesn’t have any of that training, is of concern.”

weapons, but not on the whys. However, “Entrusting major policy reviews to tightly controlled, secret organizations inside the Pentagon is a hallmark of Defense Secretary Donald Rumsfeld’s tenure,” a tendency which bypasses dissent within the Pentagon. The current planning, Arkin writes, is being carried out at StratCom by small teams in the Pentagon and at Vice President Dick Cheney’s “undisclosed location,” in Pennsylvania. Arkin further reports that a “Theater Nuclear Planning Document” for Iraq has already been prepared for the Administration and Central Command.

CBSNews.com reported on Jan. 25 that the Iraq war plan calls for launching 600-800 cruise missiles during the first two days, based on a concept developed at the National Defense University called “Shock and Awe.” This utopian idea is that a barrage so psychologically destructive will make the enemy give up, rather than see the destruction of his military forces. “You have this simultaneous effect, rather like the nuclear weapons at Hiroshima, not taking days or weeks, but in minutes,” claims Harlan Ullman, one of the co-authors of the “Shock and Awe” concept.

California Senator Introduces Re-reg Bill

On Jan. 21, State Sen. Joe Dunn (D) introduced a bill to eliminate the California Independent System Operator (ISO)—established by the 1996 law which deregulated California’s electric utilities, with the mandate to control the state’s electric grid system. The ISO has been accused by Dunn of allowing power traders to manipulate the market, mismanage the grid, and force unnecessary blackouts. Dunn is the Chairman of the Select Committee to Investigate Price Manipulation of the Wholesale Energy Market in the State Senate. The full legislation is still being prepared, and will detail steps to re-regulate California’s electricity system.

The ISO’s job was to arrange and buy short-term power; its Board’s members were mainly pro-deregulation non-utility operators, who had been appointed by the previous

Republican governor, Pete Wilson. The only oversight of the ISO was by the Federal Energy Regulatory Commission (FERC), which did nothing while California’s energy crisis drove the state into bankruptcy and blackouts.

Former State Sen. Steve Peace, who drafted the 1996 deregulation law, but two years ago admitted it had been a mistake, said that if the ISO were shut down, and the utilities again controlled their own transmission systems, they would theoretically again fall under state regulation. But he noted that it is not that simple. In 1996, California surrendered regulatory jurisdiction of its “market” to FERC. If the ISO is voted out of existence, Peace believes, FERC would legally oppose the transfer of assets back to the utilities and re-regulation by the state Public Utilities Commission. California is still in a court battle with FERC to recover the \$8.9 billion power marketers stole from the state during its energy crisis.

‘New Palmer Raids’ By Atty. Gen. Ashcroft

The FBI has ordered its field offices to count the number of mosques and the number of Muslims in their districts, to construct quotas for the number of terrorism investigations and warrants which should be initiated from each office, the *New York Times* reported Jan. 28. A senior FBI official, Wilson Lowery Jr., Executive Assistant Director of the Bureau, told a closed Congressional hearing, “If the numbers don’t compute, that will trigger an automatic inspection from headquarters, to figure out why they’re not living up to that,” according to a senior Congressional aide familiar with his presentation.

When this became public, FBI Assistant Director Cassandra Chandler denied it. She did not deny, however, that the FBI has asked field supervisors for the numbers of mosques and Muslims in their districts; this was first disclosed in *Newsweek*. She would not say how this information is to be used, nor what other information was demanded in an internal six-page questionnaire sent to all 56 field offices earlier in January.

AMERICA'S BATTLE WITH BRITAIN, 1860-1876

The Civil War and The American System

by W. Allen Salisbury

The following is the second and concluding installment of our reprint of the introduction to the late W. Allen Salisbury's book, whose title appears above, and which was first published 25 years ago. One of the crucial discoveries made by the LaRouche movement, this book uncovered the long-suppressed history of the battle between the American System of political-economy, associated with the protectionist and pro-labor economics of Abraham Lincoln and Henry Carey; and the British System of free trade. The book includes key writings of the American System thinkers of the 19th Century, of which we publish one here, an excerpt from Henry C. Carey's famous "The Harmony of Interest."

The Assassination of Lincoln: British Coup Against the American System

It is the general conclusion among historiographers that Lincoln was somehow not involved in the financial policy pursued by Treasury Secretary Chase. On the day he was assassinated, Lincoln was in fact considering the problem of how to combat speculation by bringing the national currency (the Greenbacks) up to par value without contracting the supply. He told a gathering of Congressmen:

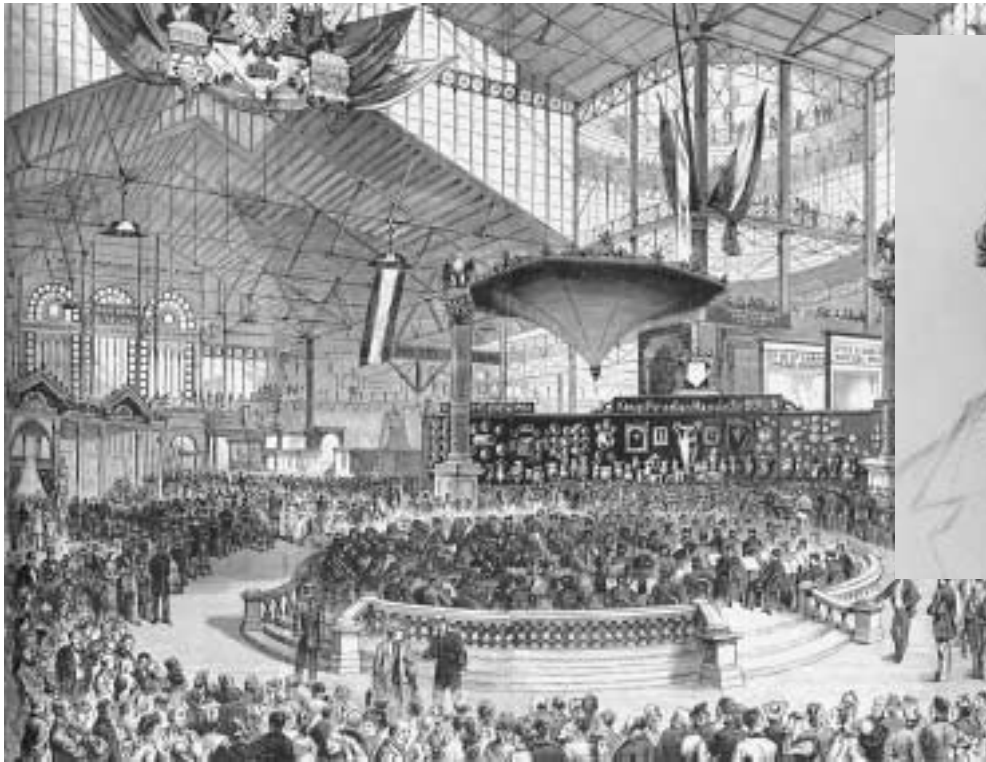
Grant thinks we can reduce the cost of the army establishment at least half a million a day, which, with the reduction of expenditures of our navy, will soon bring down our national debt to something like decent proportions, and bring our national paper up to par, or nearly so, with gold.

At Lincoln's request, Henry Carey wrote a series of open letters to the Speaker of the House of Representatives

Schuyler Colfax that were titled, "How to Outdo England Without Fighting Her." Carey argued against the heteronomy with which U.S. economic policy was carried out. Lincoln had been forced to put his signature on bills that he did not consider in the national interest, Carey pointed out. He called for the creation of a national economic policy planning body under the control of the executive branch. Lincoln did set up the Revenue Commission and appointed at its head David Ames Wells, a person everyone thought to be a Careyite.

British financial warfare against the United States followed the conclusion of the Civil War, and assassination was a strategic part of this renewed assault. Secretary of the Treasury McCulloch, Lincoln's third Treasury Secretary, actually initiated the attack on the American System with an open letter to Henry Carey which was published in the *Chicago Tribune* just three days before Lincoln's death. He advocated a reduction of the tariff, an immediate return to specie [gold] payments, and a contraction of the currency. The article was accompanied by the following excerpt from the *London Times*:

He [McCulloch—A.S.] is what few Americans are: a sound political economist. He has studied the philosophy and theory as well as the practice. To read his letters and Treatise anyone who did not know that he was an American might imagine that he was an Englishman or a Scotsman, who had never embraced the delusion so prevalent on this side of the Atlantic, that as the resources of America are not half developed it is competent to American statesmen to run riot in wild experiment and set at defiance the dearly bought experience of older communities. Mr. McCulloch is, as far as his



The U.S. Centennial Exposition in Philadelphia in 1876 displayed a vast array of inventions and industrial improvements that came about as the result of the work of the American System proponents, against the British free-trade faction. The Exposition was lampooned by the American Tories. Inset: Henry C. Carey, the economist who led the fight for American System economics.

published opinions testify, a worthy successor of Adam Smith, Mill, Ricardo and his quasi-namesake the late J.K. McCulloch.

Lincoln chastised McCulloch for the article. Three days later the President was assassinated; a virtual coup d'état within the executive branch of the government had been perpetrated by the British.

Contemporary revisionist history has promulgated the myth that Andrew Johnson, Lincoln's successor, angered the Congress because he committed himself to carrying out Lincoln's "lenient" policy toward the South. In fact, Johnson's Inaugural Address marked a total reversal of Lincoln's economic policy.

... The present law of tariff is being rapidly understood. It is no longer a deception, but rather a well defined, and clearly recognized outrage. The agricultural labor of the land is driven to the counters of the most gigantic monopoly ever before sanctioned by law. From its exorbitant demands there is no escape. The European manufacturer is forbidden our ports of trade for fear he might sell his goods at cheaper rates and thus relieve the burdens of the consumers. We have declared by law that there is but one market into which our citizens shall go to make their purchases, and we have left it to the owners of the market to fix their own prices. The bare state-

ment of such a principle foreshadows at once the consequences which flow from it. One class of citizens, and by far the largest and most useful is placed at the mercy, for the necessities as well as luxuries of life, of the fostered, favored, and protected class to whose aid the whole power of the government is given.

... Free trade with all the markets of the world is the true theory of government.

Almost the entire Johnson Cabinet were either outright British agents or corrupted by British ideology: the President, Secretary of War Stanton, Secretary of State Seward, and Secretary of the Treasury McCulloch. In a celebrated speech in Fort Wayne, Indiana in late 1865, McCulloch announced his intention of reversing the American System. His policy was to rapidly contract the national currency and return the nation immediately to specie payments and direct taxation of productive wealth (looting) to pay off the national debt.

Within the context of a policy which called for destroying the nation's industrial base to pay off foreign debts, any positive program for reconstruction of the South was impossible.

The Case of David Ames Wells: How British Counterinsurgency Worked

The Whig congressmen and senators around Henry Carey opened a counterattack in defense of Lincoln's program that is responsible for the growth of American industry and the

scientific development which turned this nation into the most advanced technological nation in the world. The fight, in its conscious terms, was the American System versus the British System which was slowly being adopted as U.S. banking and credit policy. The fight lasted into the early part of the twentieth century. William McKinley summed up more than a hundred years of history when he wrote in 1896 that “there has existed a fight between two social systems.” He made clear in his book, *The History of Tariff Legislation From Henry Clay to the Present*, that those two systems were the British and the American.

The traitor, the agent-in-place, who carried out the most devastating British operation against the Lincoln Administration—next to the assassination of the President—and the American System was David Ames Wells, the head of the Special Commission on the Revenue.

Wells was appointed to the position by Lincoln, after the President read one of Wells’s pamphlets, *Our Burden and Our Strength* (1864). He was ordered to review the nation’s currency situation and to formulate proposals for implementation at the end of Civil War hostilities. It is important to note that Wells was appointed to the Treasury post at the behest of Henry Carey. Throughout the war, Wells professed himself to be a committed protectionist. His pamphlet, *Our Burden and Our Strength*, was, in fact, very similar to the pamphlet written earlier by Elder.

One of the first acts of Treasury Secretary McCulloch was to begin—again—selling the 7:30 bonds, first tried unsuccessfully by Chase. The 7:30s and the new 10:40s were sold by Jay Cooke, August Belmont, and investment banker Joseph Seligman. They represented further leverage for the British to begin “consolidation” of the U.S. debt.

In terms of policy, the principal difference to be understood between the 5:20 bonds, and the 7:30 and 10:40 bonds, was that purchase of the former was an investment in the future growth of U.S. industry, in the development of natural resources, and in the mechanization of agriculture. The latter two bonds were a part of a debt payment policy which included contraction of the currency, heavy taxation, and the removal of the tariff barrier; in short, a loan to the government which would be paid by looting present and future production, and labor power.

McCulloch’s proposed reversal of U.S. policy was seen as crucial by the Bank of England, and the Rothschild and Baring banking houses. Opposition to British looting policies at home and abroad was growing stronger with every success at restoring the American System in the U.S. At the end of 1865, the panic provoked by the bankruptcy of the Overend Gurney company threatened to bring down the Bank of England and with it substantial portions of the British Empire. McCulloch’s “immediate return to specie payments” meant a bail-out of the Bank of England, a fact whose significance leading Whigs well understood. At the height of the “Overend Gurney” panic, McCulloch released some \$30,000,000 in U.S. gold to England as part of the bail-out.

David Wells, however, was the most important British “agent-in-place” in this bail-out operation.

The day following congressional approval of his appointment as Special Revenue Commissioner on July 17, 1866, Wells wrote the following letter to Boston cotton merchant and Cobden Club member Atkinson:

As you know the tariff bill is laid on the shelf until next winter, and on the whole I am not sorry for it. I sent you a copy of the Senate bill, with the House amendments. . . . I have changed my mind respecting tariffs and protection very much since I came to Washington and am coming over to the ground which you occupy. . . .

Just a few weeks before, New York Congressman John Griswold, an iron manufacturer, and Henry Carey got the following communiqué from the United States Consul in Liverpool, Thomas Dudley. The communiqué was read by Griswold from the floor of the House and printed in all the protectionist press.

They are making great efforts on this side to repeal our tariff and admit British goods free of duty. If effort and money can accomplish it, you may rest assured it will be done. The work is done through the agents of foreign houses in Boston and New York. Their plan is to agitate in the western States, and to form free-trade associations all over the country.

The first series of reports by Stephen Colwell, also a member of the Revenue Commission, was devoted to attacking British free trade and warning the United States Congress on what the British were up to.

Thinking that Wells was still a patriot, Colwell addressed the following note to him:

I took these reports to the Secretary only from the proof to let him know what was coming. I intended to submit them personally to my colleagues before reporting them to the Secretary. . . . Our conversation was wholly as to the one upon high prices. I believe he agreed with the others, but the one on high prices evidently annoyed him. He thought it would operate unfavorably upon his plans and views in reference to Wall Street. I regard my views, though differing widely from his, as vital to the interests of the country, and to our revenue system, whatever shape it may take.

Thus Colwell, along with industrialists and congressmen led by the Pennsylvania contingent of Senator Moorehead, Representative Thaddeus Stevens and Representative William Kelley, began an attempt to impose a congressional dictatorship of sorts over the nation’s economic policy. Their goal was the passage of a higher general tariff law while McCulloch was stripped of his power to contract the currency.

One of Colwell's reports which was not suppressed by McCulloch and Wells is his *Claims of Labor*. It warns against any attempt by the Secretary of the Treasury to adopt a system of economics modeled on the British System, since it would wholly exclude as a consideration the labor theory of value. It reads in part:

The interests of that immense majority of men who do not merely labor for their living, but whose industry and skill produce all that is called wealth . . . deserve to be studied directly and specially, and not merely as incidents of national wealth. No system of social economy can be trusted which suppresses or overlooks the duties which men owe to their fellow men; and no system of social duties can for a moment be compared with that which was propounded by Him who gave the commandment "Love thy neighbor as thyself."

The prevailing systems [the Manchester school—A.S.] take wealth for their subject and treating it under the special topics of production, distribution, and consumption, proceed to develop it mainly from a commercial point of view. The production of wealth is its appearance in the channels of commerce, that is supply; its distribution is commerce; its consumption, its movement to the consumers, that is demand.

In fact, however, the producers and consumers are substantially the same. In a state of advanced civilization, the extreme division of labor makes it necessary to institute a system of exchange of products which involves that complicated movement for the assortment of products which is called trade; an agency which is not designed to promote the interests of that class of men called merchants, but to promote the comfort and well-being of all classes of society, especially that largest class, of which those who labor for a living are the members. This is the class that furnishes the producers and the chief part of the consumers. The point of view, then, from which to regard social industry is not trade, but labor and social well-being. Trade is but one of the branches of this industry, a department which becomes more important as civilization advances, but can never be otherwise than subordinate to the interests of the great body of producers and consumers. Merchants form a necessary class, but their private interests prompt them to make the largest profits possible out of their agency. It is therefore assuming a false position to study the interests of those who produce by the light furnished by those who merely assort and distribute the commodities of industry.

In late 1865, after Colwell learned of the British anti-tariff scheme, he successfully organized the wool growers of the West and the wool manufacturers of the East into one lobbying association which could act in concert with the nation's industrialists, centered around the Pennsylvania Iron and

Steel Association. Their chief spokesman was John Williams, editor of *Iron Age* magazine; they were backed by the *New York Tribune* and the Washington-Philadelphia newspaper chain owned by an associate of Carey's, John Forney. Forney, who had been Secretary of the Senate, had drafted his Pennsylvania papers in support of Lincoln, silencing those who would "dump Lincoln" from the Republican slate in 1864.

Although the vigorous campaign led by Carey was only partially successful, both the House of Representatives and the Senate received memorializations from industrialists nationwide to legislate against McCulloch's contraction policy. The memorializations were the result of a series of open letters from Carey to McCulloch and Massachusetts free trader, Congressman Henry Wilson.

The nation, however, was still awaiting the reports of the Special Revenue Commission headed by David Wells.

By the time Carey published his letters to Wilson, British plans were well underway. Edward Atkinson wrote to Carey on November 11, 1867, offering his opinion of the open letters.

I will frankly admit that I am rejoiced at its publication as it will achieve no New England men from any supposed or implied obligation to vote for protectionist measures next winter, as many of them did at the last session against their own conviction. We have had to bear the odium of what I call the Pennsylvania policy and we can join the Northwest and the new South in promoting a simple revenue system and speedy return to specie payments.

Atkinson could afford to be cocksure; Wells had been in England all that summer on a "fact-finding mission" to give some depth to his upcoming revenue report. In his letters to McCulloch and Atkinson, Wells said that he was gathering information to refute Carey's *Harmony of Interest*. Thus, he met with Thomas Baring of the Baring Brothers investment house, John Stuart Mill, and various representatives of the Cobden Clubs—the most vociferous international proponents of free trade.

This was no mere fact-finding mission, but an effort to make the British System the policy of the American nation. On July 10, 1867, McCulloch instructed him:

I have been hearing from time to time favorable accounts of yourself and the work which you are doing in the way of obtaining valuable information in regard to the industry and the revenue system of England. I have no question that your visit will be of great service to this Department and to the country. . . .

Two days later, he wrote:

I am greatly pleased to learn that you have been so handsomely received by Mr. Gladstone, and am not a

little gratified by the assurances which you give me that my administration of the Treasury is approved by intelligent men in England. . . . Some of our high tariff men are very apprehensive that you will become too much indoctrinated with free trade notions by a visit to England.

Up to the time Wells left for England, he was still professing protection as his policy with the intent of delaying effective action during the difficult years of the Andrew Johnson Administration. Before his departure, he wrote to Carey:

I hope to join your Vesper circle of worshippers on Sunday eve; but as I may not be able to leave I will make a provisional appointment for Monday eve. There seems to be a most persistent and determined effort on the part of some to brand me as with the ranks of the free traders; or to make the country believe that I am dangerous and disloyal to the best interest of American industry. Now I am determined not to be sent out of the ranks of my old friends and supporters. . . . Invite a few of your intimates over, say McMichael, Lewis, Reeves, Blodgell, Baird, and Tucker, or whoever else you may think proper and let's talk this matter over. I will state how matters look from my . . . views and hear what you all have to say; and see if we can agree.

When Wells returned from England to the U.S. in 1867, he was still publicly insisting that he was a protectionist; in his private letters to James Garfield, Edward Atkinson, and Thomas Baring, he confessed that he was a British free trader.

In the fall congressional session of 1867, the industrialist faction led by Carey succeeded in stripping McCulloch of his power to contract the currency. Legislation was framed to perfect the tariff system that had been set up during the war and an interconvertible bond measure was introduced allowing the 5:20 bonds to be redeemed in Greenbacks and setting at 3.65 percent the interest rate on the government-funded debt which was the credit-generating base of the national banking system.

On November 7, 1867, Edward Atkinson wrote McCulloch to warn him of the Whig proposal for controlling the national banks.

The only point of danger is the plausible scheme of substituting legal tenders for banknotes. If you allow me to say what I intended before I learned from Wells that it would probably coincide with your views. I think you will be supported in a bold and determined stand for specie payment at the earliest moment and at any cost. . . . That the banks must be used as the agents to promote the end in view and not destroyed and that the government cannot assume the function of a bank by issuing a convertible currency.

Throughout the summer before, *Iron Age*, the unquestioned spokesman for U.S. iron interests, the developing agribusiness in the Midwest, and the tool and dye industry, wrote editorial after editorial urging the formation of industry and labor alliances, and issued sharp attacks against British System economists.

At issue was the fact that while there had been a substantial rate of growth of U.S. industry under the Lincoln Administration, under McCulloch the production of wealth in the nation was being sharply curtailed. As Carey put it, "Lincoln had 'wed' the nation's treasury to the producers of wealth"; the hallmark of Lincoln's economic program was the protective Morrill Tariff. Under McCulloch, the supply of currency was being steadily contracted, the national debt was being sold to the Rothschild and Baring banks by way of New York, and heavy taxation of industry was promised.

The nation's manufacturers found it nearly impossible to get loans for investment in plant and machinery. What money the iron industry did get was used to convert almost entirely to the Bessemer process that allowed for the production of steel.

Carey's open letters attacking McCulloch and the British free traders were distributed by these industrialists all over the country and were reprinted in three-fifths of the nation's newspapers, according to contemporaries.

Reflecting the pressure coming from the nation's manufacturers, Senator John Sherman took the Senate floor on January 9, 1868, to comment on congressional suspension of McCulloch's currency contraction powers.

It will satisfy the public mind that no further contraction will be made when industry is in a measure paralyzed. We have the complaint from all parts of the country, from all branches of industry from every state in the union that industry for some reason is paralyzed and that trade and enterprise are not so well rewarded as they were. Many perhaps erroneously attribute all this to the contraction of the currency—a contraction which I believe is unexemplified in the history of any nation. One hundred and forty million dollars have been withdrawn . . . in less than two years. It may be wise, it may be beneficial, but still so rapid as to excite a stringency that is causing complaint, and I think the people ought to be relieved from that.

This will strongly impress upon Congress the imperative duty of acting wisely upon financial measures for the responsibility will then rest squarely upon Congress and will not be shared with them by the Secretary of the Treasury.

It will encourage businessmen to continue old and embark in new enterprises when they are assured that no change will be made in the measure of value without the open and deliberate consent of their representatives.

The London *Daily News* of January 28, 1868, displayed

its chagrin to the world.

In all questions relating to the tariff and taxation, both houses were largely influenced by the lobby which represented various interests looking for special protection, and which invariably succeeded in shutting out students and economists. These gentry have, in fact, had full swing for the last five years, and perhaps they succeeded in imposing on the country a system of taxation [tariffs] which perhaps has every fault which any system of taxation ever had, with some which no system has ever had and against which no economist ever thought of warning the world.

In late December 1868, Carey wrote to McCulloch, signing his letter “Alexander Hamilton.”

In the first place I do not agree with you in your sweeping denunciation of our legal tender circulation, except so far as it is subject to terrible abuse such as has been experienced in the currency of every age. In this country we have never had a paper money simply and truly, only nominally based on a specie platform. . . . The U.S. Bank did not give us specie, its notes were current almost on the same fundamental hypothesis, which has given useful circulation to the Legal Tender issues.

. . . It was not as a mere war incident that Legal Tenders were put into circulation, that necessitous ingredient would not have given them currency, it was the intellectual acknowledgement that the power and right to issue Legal Tender notes was nothing more than the plain and enlightened exercise of a high sovereign prerogative, never to be doubted although always to be deployed with the most severe and scrupulous discretion—as a sacred trust. . . . To revert to the Legal Tenders, permit me to ask a single sober question. What should we do, if Europe were to become involved in a general warfare, with any other currency than that which we now have? In less than three months we should be disgraced with the charge of bankruptcy for the non-payment of specie.

The Pendleton Plan

It soon became clear to the British that merely an “agents-in-place” operation would not suffice to break the Whigs’ grip on the Republican Party. What was needed was something more, an arousal of popular opinion to give their agents in Congress more maneuvering room and to force the national banks to support the various debt-refunding schemes. As Atkinson expressed the matter to Wells, “Jay Cooke was hurting the cause because he was willing to compromise too much” with the Whigs on the refunding issue.

The national banks were established to utilize the 5:20 bonds (the government-funded debt) as a basis for issuing

credit. The enacting legislation allowed for only the interest on the 5:20 bonds to be payable in gold coin; the bonds themselves could be purchased with Greenbacks. The 5:20 bonds under Lincoln’s Administration represented the basis for issuing long-term, low-interest loans to industry. Thus, if the Rothschild-Baring refunding measures were to be enacted, the grouping of bankers essentially identified as the Jay Cooke wing of the Republican Party had to be shaken loose from Whig control. The Democratic Party was mobilized.

George Pendleton was an Ohio “Copperhead” Democrat and Jacksonian congressman. During the Civil War, while the American System measures were being debated, he professed that “God had ordained gold to be money.” Later, in the Ohio elections of 1867, Pendleton led the Democratic Party on a campaign to tap the old Jacksonian populism that was deep seated in the Midwest, especially among the backward butter-nut farmers. Pendleton campaigned on a platform that called for only the 5:20 bonds to be paid off in Greenbacks and outright repudiation of interest on the bonds. He raised the old Jacksonian cry about getting rid of the national banks and the funded debt.

Henry Clay Dean, another old Jacksonian and “Copperhead,” inundated the midwestern press with articles attacking Alexander Hamilton, Nicholas Biddle, and the funded debt. He, too, wanted to bring back the days of Jacksonian pluralism.

The platform adopted at the Democratic Party convention for the 1868 presidential election was the Pendleton plan *in toto*. August Belmont made sure that the Democratic presidential candidate, Horatio Seymore, was a “hard money” man.

This populist agitation forced a change in the Republican Party which gave the upper hand to the “liberals.” The campaign platform of Republican candidate Ulysses S. Grant called for an early return to specie payments and the payment of all government obligations in gold. The demagogic propaganda attempted to brand the Carey faction as “repudiationist,” no different than the Democrats.

Sufficient pressure had thus been built up to push Jay Cooke behind a refunding measure which would allow the British banking group to purchase the entire U.S. debt. The scheme followed by Senators Sherman and Sumner called for a new bond issue to be sold primarily in Europe; the principal and interest would be gold-backed. The special feature of this funding scheme was that it would allow the network of national banks to trade in their 5:20 bonds for the new issue, which would both increase the national indebtedness and, at the same time, destroy the productive capacity of the nation.

Pennsylvania Congressman William D. Kelley wrote to Carey describing the situation in Congress.

I have no idea that the funding bill will get through in any shape. For myself I will not vote for a bill that proposes to pay our bonds abroad and in foreign cur-



A Baldwin locomotive on display at the Smithsonian Institution in Washington, D.C. Railway production was key to the global effort by Henry Carey's faction to promote economic development.

rency or to extend our debt without option on the part of the government over a period of 40 years.

Senator Charles Sumner, writing to Carey, answered the Whig protest.

I am sorry that the bill I have introduced seems to you likely to prove ruinous. I cannot think that you are right. And though I have had long conversations with many opposed to my place and have received many letters from many more . . . what Congress will do remains to be seen—it certainly should not adjourn without adopting some measure to bring about the desired result but the opposition to all measures to maintain the National honesty is very strong, and may prevail.

Even John Stuart Mill, although sensing a British victory, wrote a long article for Edwin L. Godkin's *Nation* saying how unfortunate it was that the Democratic Party was advocating such financial heresy.

The Whig leader of the House of Representatives, Thaddeus Stevens, had few alternatives but to attempt to run a "congressional dictatorship" in the absence of an effective executive like Abraham Lincoln. He was determined to industrialize the South, breaking up and confiscating the large southern plantations as a step in industrialization. He opposed the refunding measure.

It was Stevens who, to the annoyance of abolitionist Harriet Beecher Stowe, insisted on granting suffrage to the freedmen as a means of creating an alliance of the freedmen with enlightened southern Whigs and assuring the ascendancy of the Republican Party in the South.

He did not lead the impeachment move against President Andrew Johnson as most historians suggest. He did, however, sponsor the bill upon which the impeachment case rested.

Johnson had been replacing Whig officeholders with southern Confederates of the worst sort. Stevens pushed through Congress a bill requiring congressional approval of presidential hiring or firing of Cabinet members.

A letter from Cobden Club member Edward Atkinson to Treasury Secretary McCulloch attests to Stevens's character—and also what the agents themselves were up to.

I am endeavoring, in connection with some others known as extreme radicals, to give such direction to the reorganization of the South as shall prevent the creation of an exclusive Black men's party and also to kill the scheme of confiscation. I also hope we may be able to secure the election of a Southern delegation who shall not be under *Thad Stevens's* lead on tariff and currency questions, but of this I am not hopeful. The new men from the South will be likely to be the very men who will follow Stevens even to prohibition of imports. They will be misled by the desire to establish manufactures and to diversify employment.

. . . I am led to make certain suggestions to you by the rumors of a diversity of opinion between you and the President. You must now feel assured that the President's policy is dead; even any merit which his views may have had will not be recognized . . . your fame and reputation will rest on your successful administration of the Treasury. A large section of the Republicans desires to see financial and all revenue questions separated from party questions. If you have reason to do so and can separate yourself from A.J. [Andrew Johnson—A.S.] and let it be known that while you do not fully approve the action of the Congress you will submit to its decision and desire to work in harmony, you will be able to secure such support for your plans for administering the Treasury as will insure success. . . . Only give the Republicans who hold sound views on financial questions a chance to support you as the Secretary of the United States Treasury and not as a member of the present cabinet and you can almost dictate future policy. . . . I don't expect an answer to this.

The refunding bill failed in Congress.

After the election of Grant to the presidency, Special Commissioner on the Revenue David Wells was ready with his report, on which the nation was depending for a more thorough inauguration of the American System. It was released on January 5, 1869. Although cloaked in protective phraseology, the report directly attacked the American System as inequitable. British newspapers, especially the *Times*, would later say that Wells "felt his countrymen would be more willing to adopt free trade could it only be called by some other name."

The report attacked “special interests groups” and called for contraction of the currency and an end to the tariff on iron because it hurt the producers of penknives in New England. The problem of unemployment in the country was due to overproduction as a result of advances in technology, the report alleged.

Two letters written by Wells in 1867, before his trip to England, provide irrefutable evidence of his British agency. At a meeting held by the Iron and Steel Association on January 16, Wells protests,

I desire here and now, unequivocally and unreservedly, to declare that, in the British sense of the word, there is no free trade about me . . . and it has been my fortune to sit at the feet of that great teacher of political economy Henry C. Carey, and learn from him the great principles on which these doctrines are founded—the complete and universal harmony between all the producing interests of the country.

But just two weeks later, Wells wrote in a letter to the leading Social Darwinist and exponent of the British System in the U.S., Arthur Laymen Perry:

I have been intending to write you for some time past and tell you confidentially of the change which my recent intimate connection with the tariff legislation has produced in my opinions, in respect to Free Trade and protection . . . and am about prepared to place myself on the ground occupied by you and Walker. The time has not come however for me to distinctly avow my sentiments. I am accumulating a store of facts, which private individuals could not obtain, and which when made public will I think go very far toward settling our future commercial policy. To provoke opposition now, would probably close the door to some important investigations; so for the present I must work on silently. In the present discussion of the tariff in Congress, New England—and especially Massachusetts—went almost always for the most extreme propositions. There was a lack of moral courage on the part of Dawes and Boutwell . . . which prevented them from acting or speaking according to their convictions. The members of Congress from New England are, for the most part, inclined to liberal views—Boutwell is an old free trader—but they are afraid of their constituents, and think that public opinion will not sustain them in anything contrary to the requirements of the Carey school. Dawes might be punched a little for his course. . . . I urged him to come out boldly, and declare that while Massachusetts would be just and generous, yet she would not agree to endorse everything labeled protection to American industry. He however . . . made a speech in which he took the strongest ground for protection. I have written hurriedly . . . and perhaps not

clearly; but I think you will get my views in the main. Are there any documents which you wish sent you? If so let me know.

Wells wrote to Perry again on March 11, corroborating all that the Whig consul in Liverpool Dudley had warned about British plans to finance free trade clubs and promote western agitation.

I have arranged with Atkinson, Raymond of the *New York Times*, Nordhoff of the *Post*, and several writers and editors of the West that during the next six months there shall be an earnest discussion of the subject [free trade—A.S.] kept up through the papers: and a more vigorous attempt than ever made to change public sentiment, and my main object in writing you is to ask that you will commence at once and write every week an article for the *Springfield Republican* on the subject—short and pithy. Ridicule will I think be fully as effective as argument.

Before the spring 1867 session of Congress adjourned, Senator Sherman pushed through the Senate the Wool and Woolens Act which had been passed sometime before by the House. The measure as passed by the Senate afforded high duties for the wool and wool-growing industry. Wells urged President Johnson not to veto the measure because its passage opened possibilities of winning the wool growers away from supporting the protection demands of the iron industry—the old divide-and-conquer routine. Wells had prepared the nation’s free trade press for the release of his revenue report. They were ready to print and distribute thousands of copies all over the country with the aim of provoking the labor movement to oppose the “special interests of the industrialist.”

Congressman Kelley wrote to Henry Carey on January 9, 1869:

I meant to find time to ask you what you think of Wells by this time. I regard his report supplemented by Walker’s letters as the most insidious Free Trade document that has ever been published in this country. I have all along assured you that his protectionism was affected and that he meant to cause harm. I think even Greeley sees that now, though his faith in him was so great he endorsed the report unconditionally before he had read a word of it. . . .

In his report, Wells aimed straight at the humanists in the U.S. in general and Henry Carey in particular.

No nation acted on grounds of liberality or humanitarianism in framing financial legislation. Enlightened selfishness was a satisfactory basis for policy. Though other countries sought to protect industry, the method employed especially in England differed greatly from

what was called protection in the United States. The British aim is to remove burdens to cheapen cost, and reduce prices. Our method on the contrary is to levy a tax, thereby increasing cost and reducing consumption. The one method to be called a bounty to the consumer, the other a bounty to the producer; one the method of abundance, the other of scarcity or privation. . . .

The Wells plan to subjugate the U.S. economy to the British Baring and Rothschild banking houses was trumpeted in all the free trade press in the country, including August Belmont's *Democratic World*. At the urging of Belmont, Wells wrote to Manton Marble, the editor of the *World*, during the Grant-Seymore race. Wells was then writing tracts for the Grant campaign and so was being attacked in the *World*. Wells's letter concluded by saying:

Besides I shall want your aid and that of the *World* next winter, when I expect the Republicans will be about ready to hang me.

The Wells report rallied what was later known as the liberal Republicans; James Garfield, William Cullen Bryant, the Free Trade Leagues, and the Social Science Associations all began applying pressure on President Grant to name Wells as the new Secretary of the Treasury. In private, Grant's two New York merchant friends Stewart and Seligman put the pressure on too.

This latest and most dangerous coup attempt did not go unanswered by the Carey Whigs, the nation's industrialists, and the labor movement. Carey answered Wells in twelve public letters printed in the *New York Tribune*, *Iron Age*, and the rest of the nation's protectionist press.

. . . To whom, however, are to be attributed the oft-repeated misstatements by which the committee had been deceived? No name is given, but you of course refer to me, the statements thus controverted having been first published over my own signature, so early as 1851, and since then many times republished; and the committee having been misled, if misled at all, by no other than myself. To me, therefore, it is that you have thus thrown down the glove, and I now take it up prepared on the one hand to prove the accuracy of the views you have thus called in question; or, on the other, to admit of having through a long series of years misled my fellow citizens. Admit that such proof be furnished—that the "mere assertions" be now proved to be real "historical truths" fitted for even your own acceptance, where I beg to ask, will you yourself then stand? Should it chance to be proved that it is not I that am required to impale myself on the horns of a dilemma which leaves but a choice between the admission of gross carelessness on the one hand, or grosser dishonesty on the other, does it not follow necessarily that you must be compelled to

take the place you had prepared for me, and thus furnish yourself the proof required for establishing the fact that you are wholly disqualified for the office of public teacher?

To the Swedish and German press, Carey declared that Wells had been bought by British gold. In their press, William Sylvis and the National Labor Union attacked Wells as a British agent. Sylvis was particularly upset about the attempt to degrade U.S. labor to the state of labor in Great Britain.

William Sylvis was the leader of the National Labor Union which was fraternally connected to Karl Marx's International Workingman's Association. In 1866, Sylvis brought his Pennsylvania Iron Molders Union out in favor of protection. In 1867, he began printing editorial attacks on British economists in the *Chicago Workingman's Advocate*:

The whole system of political economy from beginning to end is an apology for tyranny and the whole tribe of political economists are humbugs . . . and at their head stands the prince of humbugs, John Stuart Mill.

The manufacturer, the farmer, the businessman of any kind needing money, must pay from 10 to 30 percent for the use of it. In many cases the profits of his business are less than the rates of interest demanded. To borrow would be ruinous, therefore his business must languish or, what is very frequently the case, a reduction in wages is made. This reduction does not always go into the pocket of the employer, but into that of the money lender. Thus do employer and employee suffer from this system of legal robbery called interest on money.

There were many differences between the NLU and the Carey Whigs, but they agreed on one basic point: as long as the Whigs were leading a strong fight against British credit policies, they had an ally in the labor movement.

Wells did not go unrewarded for his efforts; he was elected president of the Cobden Clubs in the U.S. The Whigs in Congress first planned to remove him from office by discontinuing his salary, but finally decided to simply let the office expire. The four years of damage done by Wells and McCulloch gave the British room to maneuver, and the nation was still without an official economic policy.

McCulloch's contraction policy toward money supply had made any attempt at southern industrial reconstruction virtually impossible. Because of the refunding schemes, the national banks had become a major rallying point for Jacksonian populism across the country which demanded an end to the funded debt.

The political-economic geometry which subsumed the debates of free trade versus protection gave the Whigs some leverage on the question of tariff legislation. Their victory in the tariff battle, afforded a modest rate of economic growth and an occasional increase in the supply of money in the face

of British determination to control the U.S. economy.

Wells did not get the Treasury post under Grant; Whig propaganda prevented the New York banker Seligman from accepting the post when it was offered; and Congress further opposed Grant's appointment of New York merchant A.T. Stewart. A compromise finally gave the post to George S. Boutwell.

The "liberals" William Cullen Bryant, David Wells, Amasa Walker, and Charles Graham Sumner, began to "Watergate" (using twentieth century terminology) the Whig influences within the Grant Administration. The 1869 Black Friday scandal of Jay Gould and Jim Fisk is probably the most notorious. The two drove the price of gold to the sky and then quickly sold their shares, collapsing the market. That gold-cornering operation was, in point of fact, run by the New York banker Seligman.

During congressional hearings—a whitewash by James Garfield—Seligman's role in the affair was downplayed: after all, he was only Gould's "broker." The affair tied in with efforts by the free traders for so-called currency and civil service reform.

In the flurry of investigations, Grant pushed through Congress the refunding scheme which McCulloch had failed to have legislated. Treasury Secretary Boutwell formed a consortium of Jay Cooke and the House of Rothschild in London, Seligman and Morton in New York, and the Baring Brothers to begin selling the U.S. debt to Great Britain. The new bond issue offered the national bankers the possibility of trading in their 5:20 bonds for the new 10:40 bonds, increasing drastically the amount of future debt the country would have to pay to the British.

Carey, Kelley, and others repeatedly warned that such a policy would only lead to a new depression. They set their sights on the 1872 elections and a Whig Congress. Kelley, especially, was relying on the working class in England to begin forcing changes in the British System.

In 1871, he wrote to Carey:

Mr. Dudley is right in his estimate of the influences British manufacturers will put forth in our next campaign. They can afford to spend several millions pound sterling to control our election. The question is vital with them. Should we elect a protectionist President and Congress in 1872, England will have to modify her revenue system and perhaps her fundamental institutions. Things in that country cannot continue as they are unless they can monopolize our markets. . . . But how shall we make those whose interests it is to secure this election understand and perform their duties? Will you not impress the importance of such contributions to the South as I propose to Mr. Wharton and all the Gentlemen who gather under your hospitable roof?

Carey then wrote to John Forney, the former Secretary of the Senate:

You are going to Washington on a business of a most agreeable kind. Let me try to add to it a little of the useful, presenting for your consideration and that of your friend a brief exhibit of what is going on around us, and of the consequences that may reasonably be anticipated from its continuance.

The country is producing too much of all the good things of life, coal, iron, food, wool, cotton, cloth, houses, etc. Why is it so? Because our financial policy is destroying the demand for labor of body and of mind and, as a necessary consequence, the power of purchase. Look where we see diminishing power of consumption and with every further step in that direction we shall hear more and more of overproduction.

For five years past the financial affairs of the country have been controlled by men in and out of the Cabinet, in and out of Congress who have been troubled with such an excess of knowledge that they could learn nothing whatsoever. For years they howled contraction. Finding that not the answer they now howl resumption not seeing that by thus destroying confidence they are daily making it more and more impossible that we should resume. Sangrado like, they have bled the patient until he can scarcely stand, and now deny him food until he shall prove his ability to walk. Free banking is, they say, a good thing and we shall be allowed to have it after resumption, yet are they daily diminishing that power of production to whose increase alone can we look for power to resume the use of the precious metals. This is a great country, but it is at this moment governed financially by as small a set of charlatans as anyone has yet produced. Some of them read books and imagine they are learning something, but, as the farmer said, the more cows his calf sucked the greater calf he grew.

Their policy is now, as we are told, to be endorsed by our friend Blaine, who is to place one of them at the head of the Ways and Means, and another at that of the Currency Committee. Should this be done it will as I believe result in the ruin of the Party and of the speaker himself. Three years since all looked to the inauguration of Grant as to the reinauguration of that confidence without which there can be no activity of circulation, nor increase of strength. So far the reverse has been the case, the country having been becoming from day to day more paralyzed.

The *Tribune* has this moment brought me Amasa Walker's letter advocating the establishment of a great monopoly bank in New York. [Seligman was planning to open a house modeled after the London House of Rothschild—A.S.] He should and I presume is well paid for writing all the nonsense of which he has made himself the father. Such men can afford to spend their winters in Washington, but those who have no private axes to grind cannot.

The policy of the next 20 years will probably be

decided in the first week of March and by the speaker's fiat. Can you not see and talk with him on the subject? What shall then be done will probably be determined by the question as to whether England or America shall rule the world.

For his role in pushing the refunding and related measures through the U.S. Congress, Jay Cooke won an agreement with the Rothschilds to help fund his Northern Pacific Railroad project. Former Secretary of the Treasury McCulloch was dispatched to England to set up Cooke's banking house there.

Regardless of his connections, Cooke was an entrepreneur at heart. He poured capital into the development of the roads, the iron industry, and the rails, hoping that McCulloch and the Rothschild and Baring bankers would be able to dispose of their share of the bonds that were floated for the project at a later date.

When the books were opened for the sale of the bonds, neither the Rothschilds nor the Barings sold their bonds. Overextended, the House of Cooke collapsed in 1873, setting the stage for the collapse of 1876.

The Heritage of the Civil War

The Whig fight continued into the twentieth century. The concessions they won made this nation the greatest industrial power on earth.

As early as 1871, the Pennsylvania Congressmen Kelley and Moorehead began lobbying for congressional funding of the 1876 celebration of the U.S. Centennial. They saw the Centennial fair as a means to develop the nation's resources and to bring into practical use its inventions in spite of growing British control of the finances. The measures were opposed by the liberal senators and congressmen from New York and New England. The 1871 Congress refused to fund the fair, but, as former California Governor Ronald Reagan is fond of telling the story today, the 1876 Centennial Celebration gave the nation the electric lightbulb, the elevator, and numerous other inventions, and mechanical and industrial improvements. These advances in technology were the net result of the American System battles the Whigs waged in Congress.

The free trade papers of William Cullen Bryant and others were cynical of the Centennial fair, printing poems like the following by the transcendentalist James Russell Lowell:

Columbia puzzled what she should display
Of True home-make on her Centennial
Asked Brother Jonathan; he scratched his head,
Whittled a while reflectively, and said,
"Your own invention, and own making too?
Why, any child could tell ye what to do;
How all men's loss is everybody's gain;
Show your new patent to increase your rents
By paying quarters for collecting cents;
Show your short cut to cure financial ills
By making paper-collars current bills;

Show your new bleaching-process, cheap and brief,
To wit; a jury chosen by the thief;
Show your State Legislatures; show your Rings;
And challenge Europe to produce such things,
As high officials sitting half in sight
To share the plunder and to fix things right;
If that don't fetch her, why you only need
To show your latest style in martyrs-Tweed;
She'll find it hard to hide her spiteful tears
At such advance in one poor hundred years."

The 1876 Centennial Celebration and the new technologies displayed proves a lie the much touted analysis of the historiographers—and economists like Milton Friedman in his *Capitalism and Freedom*—that the nation became the industrial powerhouse of the world not because the Whigs fought for a policy of protection and credit for industry, but because the British ideology of *laissez-faire* emerged victorious. The celebration clearly unnerved the Rothschilds who, during the height of the fair's activities—and the depression of that year—made a point of sending to President Hayes's Secretary of the Treasury, John Sherman, a little note explaining that they would not buy government bonds on the basis of "speculative activities" as they had lost money before on such enterprises.

America's battle against Britain during the Civil War period left the nation a heritage, a commitment to fully develop and utilize the industrial potential of the U.S. Yet, to the extent that British monetarist control over the credit mechanisms of the country was allowed to remain intact, the war was not won. If the American System is not now restored, adherence to British economic policy threatens to plunge the nation and the world into thermonuclear disaster.

Henry C. Carey

The Harmony of Interest

Henry Carey first published this pamphlet in 1851, after compiling the series of articles he had written for the Plough, Loom and Anvil, a newspaper published by his associate William Skinner and intended largely for circulation in the South and West. The selection which follows is from the last article of the series and served as a rallying cry for the restoration of the American System.

Two systems are before the world; the one looks to increasing the proportion of persons and of capital engaged in trade and transportation, and therefore to diminishing the proportion

engaged in producing commodities with which to trade, with *necessarily* diminished return to the labour of all; while the other looks to increasing the proportion engaged in the work of production, and diminishing that engaged in trade and transportation, with increased return to all, giving to the labourer good wages, and to the owner of capital goods profits. One looks to increasing the quantity of raw materials to be exported, and diminishing the inducements to the import of men, thus impoverishing both farmer and planter by throwing on them the burden of freight; while the other looks to increasing the import of men, and diminishing the export of raw materials, thereby enriching both planter and farmer by relieving them from the payment of freight. One looks to giving the *products* of millions of acres of land and of the labour of millions of men for the *services* of hundreds of thousands of distant men; the other to bringing the distant men to consume on the land the products of the land, exchanging day's labour for day's labour. One looks to compelling the farmers and planters of the Union to continue their contributions for the support of the fleets and the armies, the paupers, the nobles, and the sovereigns of Europe; the other to enabling ourselves to apply the same means to the moral and intellectual improvement of the sovereigns of America.* One looks to the continuance of that *bastard* freedom of trade which denies the principle of protection, yet doles it out as revenue duties; the other to extending the area of *legitimate* free trade by the establishment of perfect protection, followed by the annexation of individuals and communities, and ultimately by the abolition of custom-houses. One looks to exporting men to occupy desert tracts, the sovereignty of which is obtained by aid of diplomacy or war; importing men by millions for their occupation. One looks to the *centralization* of wealth and power in a great commercial city that shall rival the great cities of modern times, which have been and are being supported by aid of contributions which have exhausted every nation subjected to them; the other to *concentration*, by aid of which a market shall be made upon the land for the products of the land, and the farmer and planter be enriched. One looks to increasing the necessity for commerce; the other to increasing the power to maintain it. One looks to underworking the Hindoo, and sinking the rest of the world to his level; the other to raising the standard of man throughout the world to our level. One looks to pauperism, ignorance, depopulation, and barbarism; the other to increasing wealth, comfort, intelligence, combination of action, and civilization. One looks toward universal war; the other toward universal peace. One is the English system; the other we may be proud to call the American system, for it is the only one ever devised the tendency of which was that of *elevating* while *equalizing* the condition of man throughout the world.

* Russia is now raising by loan five millions of pounds sterling to pay the expenses of the war in Hungary. The farmers and planters of the Union are the chief contributors to this loan.

Such is the true *mission* of the people of these United States. To them has been granted a privilege never before granted to man, that of the exercise of the right of perfect self-government; but, as rights and duties are inseparable, with the grant of the former came the obligation to perform the latter. Happily their performance is pleasant and profitable, and involves no sacrifice. To raise the value of labour throughout the world, we need only to raise the value of our own. To raise the value of land throughout the world, it is needed only that we adopt measures that shall raise the value of our own. To diffuse intelligence and to promote the cause of morality throughout the world, we are required only to pursue the course that shall diffuse education throughout our own land, and shall enable every man more readily to acquire property, and with it respect for the rights of property. To improve the political condition of man throughout the world, it is needed that we ourselves should remain at peace, avoid taxation for the maintenance of fleets and armies, and become rich and prosperous. To raise the condition of woman throughout the world, it is required of us only that we pursue that course that enables men to remain at home and marry, that they may surround themselves with happy children and grandchildren. To substitute true Christianity for the detestable system known as the Malthusian, it is needed that we prove to the world that it is population that makes the food come from the rich soils, and that food tends to increase more rapidly than population, thus vindicating the policy of God to man. Doing these things, the addition to our population by immigration will speedily rise to millions, and with each and every year the desire for that perfect freedom of trade which results from incorporation within the Union, will be seen to spread and to increase in its intensity, leading gradually to the establishment of an empire the most extensive and magnificent the world has yet seen, based upon principles of maintaining peace itself, and strong enough to insist upon the maintenance of peace by others, yet carried on without the aid of fleets, or armies, or taxes, the sales of public lands alone sufficing to pay the expenses of government.

To establish such an empire—to prove that among the people of the world, whether agriculturists, manufacturers, or merchants, there is perfect harmony of interests, and that the happiness of individuals, as well as the grandeur of nations, is to be promoted by perfect obedience to that greatest of all commands, “Do unto others as ye would that others should do unto you”—is the object and will be the result of that mission. Whether that result shall be speedily attained, or whether it shall be postponed to a distant period, will depend greatly upon the men who are charged with the performance of the duties of government. If their movements be governed by that enlightened self-interest which induces man to seek his happiness in the promotion of that of his fellow-man, it will come soon. If, on the contrary, they be governed by that ignorant selfishness which leads to the belief that individuals, party, or national interests are to be promoted by measures tending to the deterioration of the condition of others, it will be late.

Europe Must Risk More

This guest editorial is by Max Kohnstamm, an associate of the late Jean Monnet, who remains a participant in European policy discussions. It has been translated from German and slightly abridged.

It is the highest priority that Europe raise its voice. We must prevent our closest and most important ally, the United States, from committing an historical mistake. It is also our duty to warn the State of Israel, that, in the long run, its existence is threatened, and with it, the rich spiritual history of Judaism. Should we remain silent, it would be, for me, as a friend of the United States, and as the son of a Jewish father, to commit treason against America and Israel at the same time.

America seems to ignore what the attacks of Sept. 11 have taught us. Internationally, states no longer have a monopoly on the use, or abuse, of destructive force. This privatization of force, this de-statization of the ability to destroy thousands of human beings, marks an unprecedented revolution. It means the end of the era, in which a certain order was achieved through gunboats or wars. The discovery of poisons, as recently in London, proves that terrorism, in the meantime, has become a different, far more horrible business. There is no protective, ordering state power, even if Washington thinks it could, as the last hegemonic power, stop this process. I believe the U.S. build-up on Iraq's borders is a desperate attempt to save the world order as we know it, but it would be the wrong war, at the wrong time.

America is setting the wrong priorities. Of course, Saddam Hussein is a brutal dictator, who does not recoil from murder, who may have weapons of mass destruction, and may be ready to give them to others. The UN inspectors don't have an easy job. But, it would infinitely cheaper and more intelligent to put Saddam Hussein under permanent observation, even if inspectors remain there for 25 years, than to have the army fight a war for 25 days. Should Saddam Hussein throw the inspectors out, the world community may decide differently.

But so far, we must say: If America conducts a war now, a most dangerous rift between "the West" and "the Muslims" might grow into a religious war, and religious wars are the worst, because they are the most fanatical of all conflicts. A war against Iraq would produce the opposite of what it intends. Instead of stabilizing the Near East, we would further radicalize the Islamic world; and those terrorists who kill, allegedly in the name of Allah, would join together in huge numbers. In the slums of the Gaza Strip or in West Jordan, there are too many who are ready to use force, merely to not become what they perceive as being slaves

of the West.

This reaction would render Israel's existence impossible. Israel cannot exist in the long run, without peace with the Palestinians.

During the German occupation of the Netherlands, I spent three months in a concentration camp. The most horrible thing, was no longer being treated as a human being, but as an *Untermensch*. What is happening to the Palestinians today, reminds me of this, and we risk doing the same with the whole Islamic world. By treating Muslims as sub-human, as "*un-Menschen*," we destroy the foundations of our own civilization.

The West cannot credibly insist that Iraq accept UN resolutions, and at the same time, ignore the many UN resolutions aimed at a peaceful solution of the conflict between Israelis and Palestinians.

Any attempt to stabilize the Near East, must begin with an international peace initiative, which brings Israelis and Palestinians to one table. That is the real priority, which would also weaken Saddam's position in the Arab world. The Europeans, especially, could use their experience after 1945. Remember, the foundation of European unification, which began with the Monnet treaty on coal and steel, was that Germans and French accepted each other as equals. It is correct that the French President and the German Chancellor, together, warn against an Iraq war. The rage of a Donald Rumsfeld over this policy of an alleged "old Europe" simply proves that the message was heard. The conflict with Washington is unifying the Germans and the French. Therefore, Rumsfeld would be my candidate for the next international Charlemagne Prize at Aachen. But the EU must risk more. A permanent crisis in the region necessitates a grand European response.

What is necessary is a kind of Marshall Plan for the Near East. The Germans and French, 50 years ago, experienced how this generous American concept for reconstruction of the continent, forced former enemies to cooperate.

So, as Europe was helped then, so it must now help others. Israelis and Palestinians have no choice but to learn to live side by side. If Europe would offer more than it has done so far, in political and financial assistance, the already unbearably high price of hostility would for both sides, rise even higher. At the same time, such a European initiative for the Near East would be the right signal in combatting terrorism, because the desperation and the misery in the Palestinian camps are the breeding grounds for new violence. Whoever lives in Gaza today, is without hope. To give people the prospect of human dignity, is the right step. A war against Iraq, especially if waged outside the norms of international law, and without a second UN Security Council resolution, would only make the world more dangerous.

The "new Europe" has taken the path of peace. Now, it must open up to others the possibility of finding this path for themselves.

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- ERIE COUNTY Adelphia Intl. Ch. 20 Thursdays—10:35 pm
- ILION—Ch. 10 Mon. & Wed.—11 am Saturdays—11:30 pm
- IRONDEQUOIT Ch. 15 Mondays—7:30 pm Thursdays—7 pm
- JEFFERSON/LEWIS Time Warner-Ch. 2 Unscheduled pop-ins
- JOHNSTOWN—Ch. 16 Fridays—4 pm
- MANHATTAN—MNN T/W Ch. 34; RCN Ch. 109 Alt. Sundays—9 am
- NIAGARA COUNTY Adelphia Ch. 20 Thursdays—10:35 pm
- ONEIDA—Ch. 10 Thu—8 or 9 pm

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- AUSTIN Ch. 16 T/W & Grande Sundays—12 Noon
- DALLAS Ch. 13-B Tuesdays—10:30 pm
- EL PASO COUNTY Adelphia Ch. 4 Tuesdays—8 pm Thursdays—11 am

HOUSTON

- Houston Media Source Tuesdays—5:30 pm Saturdays—9 am Mon., 2:10; 5 pm Mon. 2:17; 5 pm
- RICHARDSON AT&T Ch. 10-A Thursdays—6 pm

UTAH

- CENTRAL UTAH Precise Cable Ch. 10 Aurora Centerfield Gunnison Redmond Richfield Salina Sundays & Mondays 6 pm & 10 pm

VERMONT

- GREATER FALLS Adelphia Ch. 8 Tuesdays—1 pm

VIRGINIA

- ALBERMARLE Adelphia Ch. 14 Fridays—5 pm
- ARLINGTON ACT Ch. 33 Mondays—4 pm Tuesdays—9 am
- BLACKSBURG WTOB Ch. 2 Mondays—6 pm
- CHESTERFIELD Comcast Ch. 6 Tuesdays—5 pm
- FAIRFAX—Ch. 10 Tuesdays—12 Noon Thursdays—7 pm
- LOUDOUN Adelphia Ch. 23/24 Thursdays—7 pm
- ROANOKE—Ch. 9 Thursdays—2 pm

WASHINGTON

- KING COUNTY AT&T Ch. 29/77 Mondays—6 pm
- KENNEWICK Charter Ch. 12 Mondays—12 Noon Thursdays—8:30 pm
- PASCO Charter Ch. 12 Thursdays—12 Noon Thursdays—8:30 pm
- RICHLAND Charter Ch. 12 Mondays—12 Noon Thursdays—8:30 pm
- SPOKANE—Ch. 14 Wednesdays—6 pm
- WENATCHEE Charter Ch. 12 Thu—10 am & 5 pm

WISCONSIN

- MADISON—Ch. 4 Tuesdays—3 PM Wednesdays—12 Noon
- MARATHON COUNTY Charter Ch. 10 Thursdays—9:30 pm Fridays—12 Noon
- SUPERIOR Charter Ch. 20 Mondays—7:30 pm Wednesdays—11 pm Fridays 1 pm
- WYOMING GILLETTE—Ch. 36 Thursdays—5 pm

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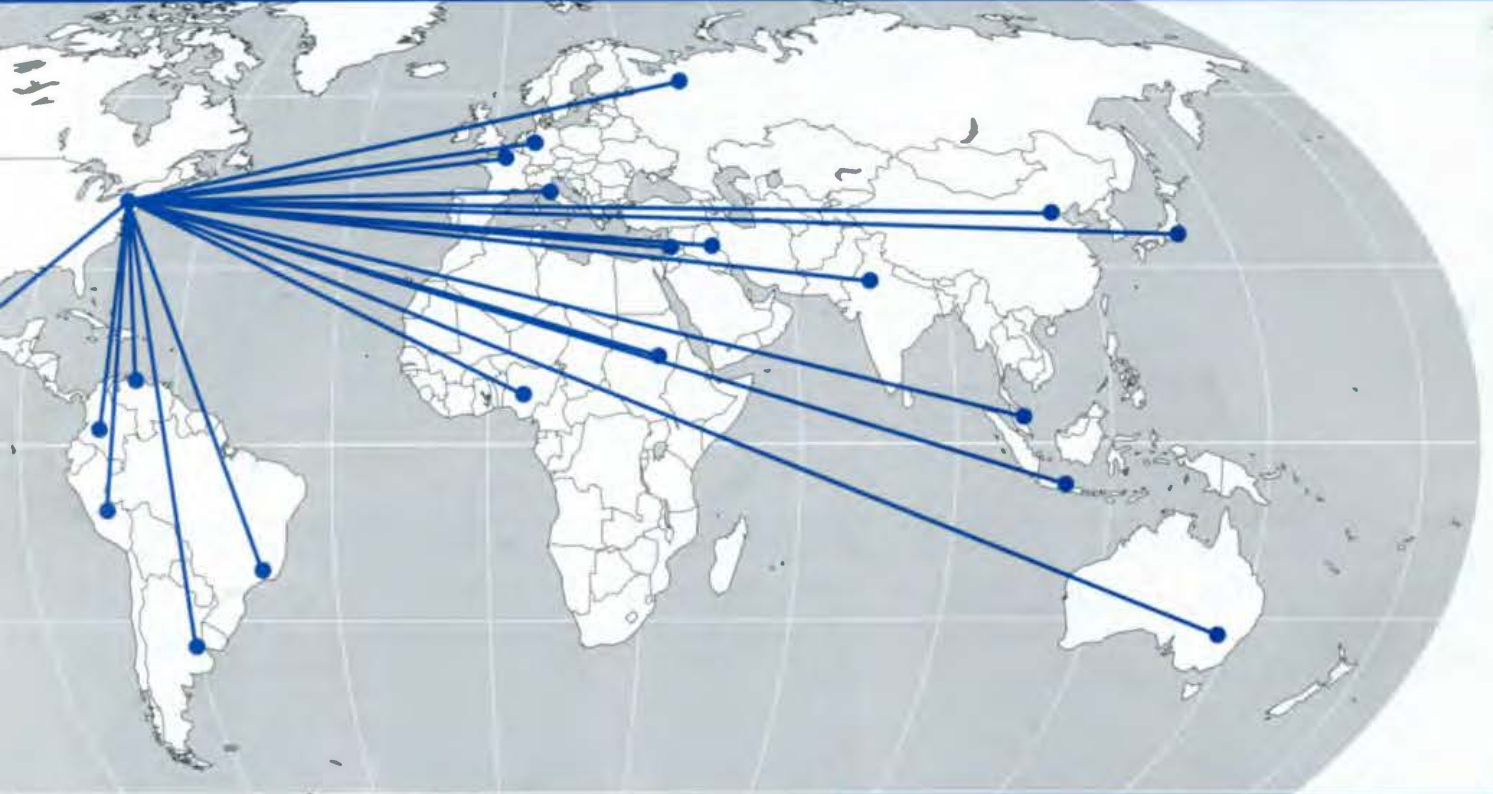
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