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Dialogue in Berlin: Toward a Eurasian 'New Deal'
A Conversation With Rabbi Arthur Hertzberg
George Bush's Middle East Policy Paradox

**Democrats Defend FDR's
Legacy From Bush, Wall St.**



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Winter 2004

The Follies of the Economic Hitmen: Re-Animating the World's Economy

Lyndon H. LaRouche, Jr.

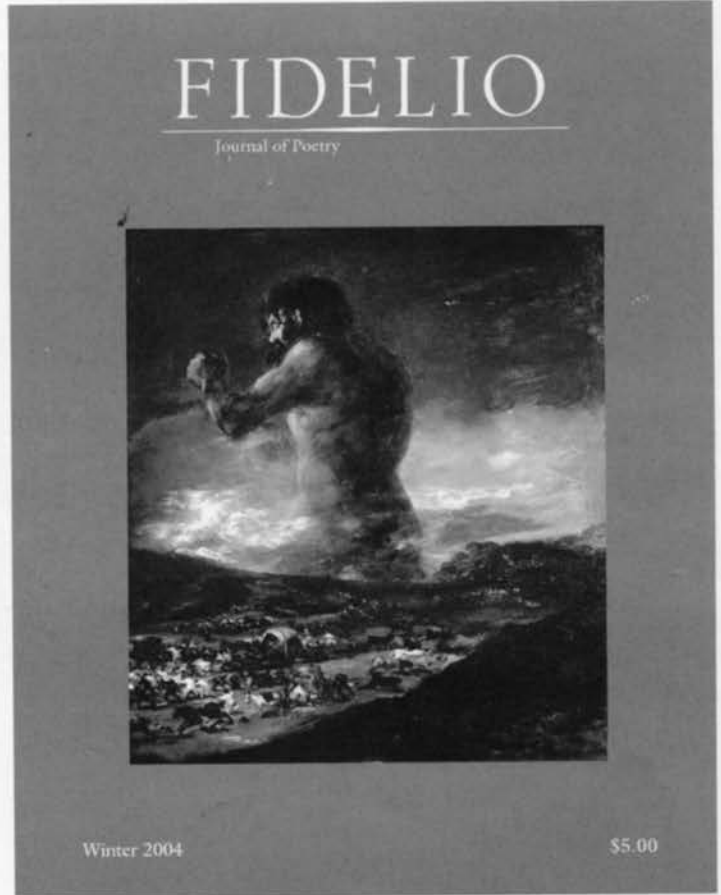
We must think of the abiotic, Biosphere, and Noösphere as physical capital, which we must build up, in the order of those relative priorities, to create the expanded preconditions for not only growing populations, but a higher standard of living, of higher productivity per capita and per square kilometer, of general development, and longevity of those populations. We must qualify ourselves, increasingly, to manage this Riemannian universe, as we were God's gardener.

Francisco Goya, the American Revolution, and the Fight Against The Synarchist Beast-Man

Karel Vereycken

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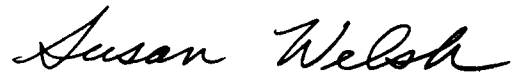
From the Associate Editor

Readers of *EIR* and supporters of the LaRouche movement can be justly proud of the new combativity being shown by the Democratic Party, restored to its traditional role as the party of Franklin D. Roosevelt (see *Editorial*). The fights that are currently raging against Bush's Social Security privatization, against the policies behind the nominations of Alberto Gonzales and Condoleezza Rice, and against the imperial wars being waged upon nations in Southwest Asia, Ibero-America, and elsewhere—all these are documented in this issue. In each of these battles, LaRouche is playing a crucial policymaking and organizing role.

Our *Feature* continues coverage of *EIR*'s Jan. 12-13 Berlin seminar, at which the international participants received—some of them for the first time—a vivid sense of how LaRouche is influencing policy of the anti-Bush/Cheney forces in America, and the fact that a positive change in U.S. statecraft is indeed possible. We have speeches by dignitaries from China, India, the United States, and Russia, and LaRouche's dialogue with them. In future issues, we shall have more on the global economic crisis, the role of the United Nations, and other areas of discussion.

Of particular note is our conversation with Rabbi Arthur Hertzberg, a leader of the world Jewish community who—as he notes with irony—has *never* been invited to one of Bush's Prayer Breakfasts, due to his opposition to religious fundamentalism of *any* denomination. As an indication of the shifts in Democratic Party circles, we also provide excerpts from Bill Clinton's recent interview with journalist Charlie Rose, in Davos, Switzerland. Because this hard-hitting and fascinating interview by the former President has received scant attention in the press, and is not otherwise available, we have transcribed it as a service to our readers.

Our international reports include unique contributions on Iraq and Ukraine, by regional observers Hussein Askary and Konstantin Cherenmykh, respectively. Both authors are well known to *EIR* readers for their lively and informative journalism.



EIRContents

Cover This Week

Senate Minority Leader Harry Reid (right) led a group of Senators in a press conference at the Franklin D. Roosevelt Memorial in Washington on Feb. 3, upholding FDR's Social Security program.



4 Social Security: Dems Defend FDR Legacy From Bush, Wall St.

The moment of unity around FDR's principles was a victory for Democratic forces working with Lyndon LaRouche and the LaRouche Youth Movement, built up for years precisely to revive the FDR principles of physical economic recovery, regulation, and protection as the mission of the Democratic Party.

Documentation: Testimony of James Roosevelt, Jr., to the Senate Democratic Policy Committee, in which he denounces those who invoke his grandfather's name in order to privatize—destroy—Social Security.

National

6 Pres. Clinton Tells Some Useful Truths

Bill Clinton was interviewed by journalist Charlie Rose during the World Economic Forum in Davos, Switzerland.

10 Bush Is Lying . . . On Democracy, Social Security

A conversation with Rabbi Arthur Hertzberg.

15 Intense Senate Fight Weakens Gonzales

17 Congressional Closeup

Photo and graphic credits: Cover (Senators), page 6, EIRNS/Carl Osgood. Cover (FDR), pages 41, 51 (Zhirinovskiy), 55, EIRNS/Stuart Lewis. Page 7, swiss-image.ch/Remy Steinegger. Pages 10, 11, 14, Courtesy of Rabbi Hertzberg. Pages 18, 19, EIRNS/William Salisbury. Page 23, Library of Congress. Page 24, PR News Photo. Page 25, arttoday.com. Page 26, LaRouche PAC. Page 27, EIRNS. Page 33, EIRNS/Chris Lewis. Page 35, Hal A. Cooper. Page 37, EIRNS/Maria Schmitz. Page 39, EIRNS/John Sigerson. Page 43, Iranian mojahedin website. Page 45, U.S. Air Force. Page 51 (Brzezinski), EIRNS/Philip Ulanowsky. Page 64, LaRouche in 2004.

Feature

- 18 Dialogue at Berlin Seminar: Toward a Eurasian ‘New Deal’**
At *EIR*'s Jan. 12-13 Berlin symposium, leaders from Eurasia, Africa, and the Americas came together around a revolutionary perspective for lifting humanity from the depths of poverty and an onrushing new fascism.
- 19 Dollar Fall Originates in U.S. Extravagance**
Speech by Dr. Su Jingxiang of the People's Republic of China.
- 20 ‘The Globe Is Facing a Discontinuity’**
Speech by Maj. Gen. Vinod Saighal (ret.) of India.
- 22 Dialogue**
Lyndon H. LaRouche, Jr. replies to points raised during the morning panel on Jan. 12.
- 29 The U.S.A. Confronts a Multipolar World**
Speech by Dr. Clifford A. Kiracofe, Jr. of the United States.
- 32 Future Prospects for U.S.-Eurasia Relations**
Speech by Prof. Stanislav Menshikov of Russia.
- 37 Dialogue**
At the close of the seminar on Jan. 13, LaRouche puts forward a “Vernadskyian” standard of how to manage the planet's raw materials resources in the future.

International

- 42 Strategic Analysis: Bush's Middle East Policy Paradox**
Vice President Cheney, the neo-con cabal inside his office, and Cheney's policy controller, George Shultz, have no qualms about unleashing chaos and sectarian warfare in the world's biggest oil patch.
- 44 Iraqi Elections: Fish or Fowl?**
Outside the “fishbowl” of Iraqi election politics, the reality is that change will be decided in Washington, not in Iraq. A shift in U.S. policy away from perpetual wars and fascism, to principled cooperation among a community of sovereign nations for economic prosperity, is the last hope for Iraq and much of Southwest Asia and the world. Hussein Askary reports.
- 47 Separatism Unleashed Against Bolivia and Its Neighbors**
- 49 Project Democracy Targets CIS for More Regime Change**
- 50 Ukraine: A Postmodernist Revolution**
By St. Petersburg analyst Konstantin Chermnykh.

Economics

- 60 Behind Privatization Door Lurks A Killer: ‘Tax Simplification’**
The proposals for a national sales tax or a “flat tax” would sharply reduce taxes to the wealthiest 20%, while increasing the burden on everybody else.
- 63 Schwarzenegger Gears Up To Impose Fascist Populism on Californians**
- 65 States Line Up on Medicaid Fight Against Bush Intent To Kill Off Poor**
- 67 Indonesia: Develop Infrastructure or Lose National Sovereignty**
- 69 Pinochet's Chile Model Still ‘Screwing Mexico’**

Departments

- 71 Report From Germany**
Monetarists Demand Even Deeper Cuts.

Editorial

- 72 A Phase Shift Toward Roosevelt**

Social Security: Dems Defend FDR Legacy From Bush, Wall St.

by Paul Gallagher

When George W. Bush, in his Feb. 2 State of the Union, made explicit his threat to bankrupt the Social Security system, the Democratic Party—led by its members of Congress—was extraordinarily united in a national fight to defend this legacy of President Franklin Roosevelt from privatization and looting. Democrats had called on a prominent grandson of FDR to denounce the Bush attack; their Senate leader, Harry Reid of Nevada, answered Bush on the evening of Feb. 2 with a proposed “Marshall Plan to rebuild America’s economic infrastructure”; Reid and New York Senator Charles Schumer went to the FDR Memorial the next morning to reject Bush’s scheme; and the Congressmen reached out to form a national coalition to mobilize the party’s constituencies to save Social Security from Bush and Wall Street, as Sen. Ron Wyden of Oregon put it.

The moment of unity around FDR’s principles was a victory for Democratic forces working with Lyndon LaRouche and the LaRouche Youth Movement, built up for years precisely to revive the FDR principles of physical economic recovery, regulation, and protection as the mission of the Democratic Party. LaRouche had focussed on the coming Social Security privatization battle since November, putting out 600,000 copies of a LaRouche PAC pamphlet exposing Bush’s Social Security privatization as “a foot in the door to fascism.” LaRouche emphasized on Feb. 3 that the Democrats, though united, “have to keep moving” in a national popular mobilization against Bush, working with LaRouche’s movement at every step. Otherwise, they’ll be picked off by a pressure-and-propaganda drive, on which Wall Street-funded privatization lobbies will spend hundreds of millions of dollars in February and March.

But if Bush—propelled to privatize by demands of a bank-

ing faction represented by George Shultz and Dick Cheney—is defeated by the Democratic mobilization, he will become an instant lame duck. Economic recovery policy will be on the table, open to LaRouche’s Rooseveltian “Super-TVA” policy and proposals like Senator Reid’s infrastructure Marshall Plan.

‘Choose: Roosevelt or Pinochet?’

In a significant sign of the shift in the Democratic opposition, party strategist James Carville, on CNN’s “Crossfire” program on Jan. 27, confronted his debating opponent Robert Novak, repeatedly, with a simple challenge about privatizing Social Security: “I support a Social Security system thought up by Franklin Roosevelt; you’re supporting one thought up by [Chile’s] Gen. Augusto Pinochet, an international criminal. Choose: FDR or Pinochet?” Conservative Novak was reduced virtually to silence.

That morning, the *New York Times*—“borrowing a page from Lyndon LaRouche,” as ABC News reported it—had published a devastating front-page exposé of Chile’s 25-year experience with privatized Social Security. Its main conclusions were two. First, half of those retiring in Chile fall “below the minimum” and get nothing at all from the private accounts they’ve contributed to. They have to be paid a retirement minimum by the government. The *Times* reports that Chile now spends 26% of its entire government budget providing such minimal old age benefits—a larger share than in 1981, the year Social Security was privatized. Second, Chile’s private accounts have been a profit-making bonanza for the companies, known as AFPs, that manage them—fees collected are as much as one-third of the value of the private accounts—while forcing workers to retire into poverty.

Even those older Chileans with higher incomes and steady jobs, who contributed 10% of their salary for more than 20 years, are now retiring with far smaller pensions than their colleagues who stayed in the old Social Security system. The failure of Pinochet's privatization—"imposed at the point of a bayonet," wrote a *Wall Street Journal* columnist on Feb. 3—has created a new term, "pension damage," and an Association of People With Pension Damage, 157,000 members and growing.

On Jan. 28, with both the *Times* exposé and LaRouche's pamphlet circulating around Capitol Hill, the Senate Democratic Policy Committee held its first oversight hearing—on Social Security, making clear that defeating privatization is the Democratic leadership's first priority. One panel exposed Bush's privatization scheme itself; the second, a "whistleblowers'" panel, exposed the outrageous Bush Administration use of Social Security employees, official publications, and tax dollars brazenly to push lies about a "Social Security crisis," and explicitly to promote privatization.

Here, FDR grandson James Roosevelt, Jr. denounced White House strategist Karl Rove's use of film clips of President Roosevelt signing the Social Security Act, in Republican propaganda ads to dismantle it. "This is a disgrace and an insult to my grandfather's memory," Roosevelt said. "These acts are outrageous."

At the hearing, Democratic Senators Barbara Mikulski (Md.) and Ron Wyden (Wash.) pointed to Wall Street interests as the driving force of privatization.

'Opening Shot in a War'

Then on Feb. 1, the Congressional Democrats launched a public war and a "war-room." Leaving no doubt that beating Bush on Social Security privatization is by far their top priority, Rep. Sander Levin of Michigan chaired a 9:00 a.m. strategy session, bringing together Congressional staffs and "outside groups" for an election-style mobilization to stop Bush. LaRouche representatives were invited and attended, among about 100 people representing 30 or so labor, left, and progressive groups and dozens of Congressional offices.

"Wednesday night will be the opening shot in a war," said Levin to begin the meeting. "We're going to win. We have no choice but to win. . . . If they take Social Security, there's no barrier left in this nation. This is really *it*." Repeatedly, Levin stressed to the meeting, "We will not be lured into proposing alternatives to meet a 'crisis' which does not exist."

The meeting announced that Democratic Representatives will be holding town meetings against privatization in their districts throughout the country in February, and speaking at public meetings organized by political and labor groups and on campuses; Congressional staff gave out a target list of Republicans in the pro-privatization, anti-privatization, and "flip-flop" categories. And it announced counter-demonstra-

tions against Bush on his five-state tour—called by some, his "on the road to fascism tour—to drum up support for dismantling Social Security.

These counter-demonstrations—led by Democratic Congressmen and state legislators—were organized in states, such as Nebraska, where the Democratic National Committee had not organized anything during the Presidential election campaign.

On the afternoon of Feb. 1, Senator Minority Leader Reid challenged the President in a tough press conference at the Capitol. Reid stated definitively that he has the votes in the Senate to stop Bush's Social Security privatization scheme. "I don't know of a single Democratic Senator" who will back it, Reid said, thereby making clear to members of his own party how critical it is to stand firm and defeat the dismantling and stealing of Social Security. "President Bush should forget about privatizing Social Security. It will not happen," said the Minority Leader.

As Reid spoke, he and House Minority Leader Nancy Pelosi were organizing a Capitol-steps mass rally for Feb. 3 at 9:00 am, to "stand up against privatization of Social Security." This first rally was dominated by its LaRouche Youth Movement contingent.

Documentation

'Privatization Will Collapse Social Security'

From the testimony of James Roosevelt, Jr., former Deputy Commissioner of Social Security, to the Senate Democratic Policy Committee Hearing on Jan. 28. His grandfather, President Franklin D. Roosevelt, was quoted by a biographer as saying, "We put those payroll contributions there so as to give the contributors a legal, moral, and political right to collect their pensions and their unemployment benefits. Those payroll taxes are so that no damn politician can ever scrap my Social Security program."

My grandfather, President Franklin D. Roosevelt, founded Social Security for very simple but important reasons. He believed that the only enemy that could ever defeat the United States of America was fear itself. He and my grandmother, Eleanor, looked at America and found fear of want—particularly, after retirement or loss of a parent. In fact, not just during the Great Depression, but as late as 1950, when a majority of retirees were just beginning to receive Social Security benefits, nearly half of all Americans over 65 years old were below



Pres. Clinton Tells Some Useful Truths

Former President Bill Clinton was interviewed by U.S. journalist Charlie Rose during this year's World Economic Forum held in Davos, Switzerland, Jan. 26-30. EIR transcribed these excerpts from a taped version of the interview on the Davos website. His remarks provide an insight not only into the history recounted, but into the former President's developing thinking. The "Charlie Rose" show airs on Public Television.

"Invoking the spirit of FDR, Senate Democrats demand the President not add trillions to the debt in a risky privatization scheme," said Senate Minority Leader Harry Reid (center) and Sen. Charles Schumer at the FDR Memorial in Washington on Feb. 3. President Franklin Roosevelt's policy principles have been brought back to the center of a Democratic Party, under tremendous pressure to give them up. The battle could "lame duck" George Bush.

the poverty line. Today, thanks in large part to Social Security, only 8% are—tremendous progress.

FDR believed that Social Security should be simple, guaranteed, fair, earned, and available to all Americans. He knew that people who are very successful may also suffer unpredictable reversals that can impact them in retirement. That's why he rejected financing Social Security out of general tax revenues—subject to budget negotiations—and he rejected borrowing to fund its start-up. Instead, he insisted on a payroll tax shared equally between employer and employee. President Roosevelt was adamant that Social Security was insurance, to assure basic needs in retirement. I repeat: Its success lies in the fact that it has always been an insurance plan—not a welfare plan.

As a former Wall Street lawyer, my grandfather knew very well the risks and rewards of the stock market. . . . That's why he proposed creation of the Securities and Exchange Commission. But Social Security was—and is—something different. It is the guaranteed basis of a secure retirement. It is the guarantee of independence for retired Americans. It is the guarantee that the basic needs of older Americans will not have to be provided by their children, while they try to provide for themselves and their own children. That's the way it was before Social Security. And the risk is that we will return to those burdens if the guaranteed benefit is eliminated. Drastic changes which divert the payroll tax to privatization will almost certainly eliminate that guaranteed benefit by imposing trillions of dollars of new costs on the government, and creating massive Federal debt. Privatization threatens to bring about the collapse of the entire Social Security system.

Clinton: . . . Iran's a whole different kettle of fish—but it's a sad story that really began in the 1950s when the United States deposed Mr. Mossadegh, who was an elected parliamentary democrat, and brought the Shah back in—[comments in background—Rose says "CIA"] and then he was overturned by the Ayatollah Khomeini, driving us into the arms of one Saddam Hussein. Most of the terrible things Saddam Hussein did in the 1980s he did with the full, knowing support of the United States government, because he was in Iran, and Iran was what it was because we got rid of the parliamentary democracy back in the '50s; at least, that is my belief.

I know it is not popular for an American ever to say anything like this, but I think it's true [applause], and I apologized when President Khatami was elected. I publicly acknowledged that the United States had actively overthrown Mossadegh and I apologized for it, and I hope that we could have some rapprochement with Iran. I think basically the Europeans' initiative to Iran to try to figure out a way to defuse the nuclear crisis is a good one.

I think President Bush has done, so far, the right thing by not taking the military option off the table, but not pushing it too much. I didn't like the story that looked like the military option had been elevated above a diplomatic option. But Iran is the most perplexing problem . . . we face, for the following reasons: It is the only country in the world with two governments, and the only country in the world that has now had six elections since the first election of President Khatami. [It is] the only one with elections, including the United States, including Israel, including you name it, where the liberals, or the progressives, have won two-thirds to 70 percent of the vote in six elections: two for President; two for the parliament, the Majlis; two for the mayoralties.

In every single election, the guys I identify with got two-thirds to 70% of the vote. There is no other country in the world I can say that about, certainly not my own.

Rose: But, but those are the guys who are in power, and is the power held by another party?

Clinton: Okay, so here's the problem. Under their constitution, the religious council, headed by the Ayatollah Khomeini, has the authority over intelligence funding, terrorism funding, and has the power to invalidate laws and scratch candidates from the candidate lists, so the people that represent the . . . 30% or one third, can negate much of this two-thirds to 70%. And the President is in the middle, getting whipsawed, and the people underneath him, supporting him, get more and more disillusioned.

Now, they still kind of like the West in general, and America in particular, because we don't represent what they don't like about the governing of Iran since Ayatollah Khomeini. What no one can answer is, number one, how would those two-thirds react if some military action were taken?

Rose: What would you guess?

Clinton: It depends on what it is. . . . Everybody talks about what the Israelis did at Osirak in 1981, which I think, in retrospect, was a really good thing. You know it kept Saddam from developing nuclear power. . . . It is not clear to me that that option is available in Iran, and it's not clear to me that if we did a lot more than that, and a lot of civilians got killed, that you wouldn't . . . lose the two-thirds you've got. And also, you're not fooling with Iraq. You know one of the reasons—you can say whatever you want, but one of the reasons—we did this, is that this guy didn't have the capacity to hurt his neighbors and the United States. Iran is more than three times as big. They have a very sophisticated network. . . .

So . . . I still hope there is a diplomatic solution. It is madness. There is an elected government in Iran supported by two-thirds of the people that wants a rapprochement with the West. . . . And we can't get there. It's crazy.

Rose: If the Israelis might want to do it, what should the United States say?

Clinton: Well, the question is, first of all, I think we ought not to do "it," any "it," until we have exhausted all reasonable diplomatic efforts. (Keep in mind, again, this is heresy.) The reason you should not want Iran to have an active nuclear program is not that they might not have a bomb. India has bombs. Pakistan has bombs.

Rose: Israel has bombs.

Clinton: Yes, but so what happens? Well, you know what my number one worry between India and Pakistan was? In the beginning, when they started these bomb-building programs, we knew more about their programs and their doctrines than they knew about each other. Plus, the Pakistanis—a lot of their people in their military intelligence service—were tight with the Taliban, and I was worried about the security of the materials. . . . But deterrence still works just like it did between us and the Soviet Union. So, if Iran had a nuclear



Bill Clinton at Davos, Switzerland on Jan. 27. On Israeli Prime Minister Yitzhak Rabin and the effort for peace with the Palestinians: "I still believe we'd have made it if Rabin had not been murdered in 1995. The guy that killed him got what he wanted. That's my honest belief, but as all of you who know me know, I am very partial to him and I miss him every day. I think we would have made peace if he had not been murdered."

weapon, the main thing it would do is cast a pall over the Middle East, but they would have to think a long time before they'd use it because they would be toast if they used it.

So, what is the real worry? . . . If you have ever seen these facilities, the real worry is the same worry we had with Pakistan: What if the people representing the third in Iran that had the religious council, decide that fissile material should be smuggled out of Iran and given to a terrorist group?

We now know this. You can get on the internet and see this. If you have basically a cookie's worth of fissile material, and you put it into a traditional bomb, you can amplify the destructive power by 100-fold, or more; so the reason you don't want Iran to have an active nuclear program is, given

the present state of play, you will never know whether the materials are secure, or are being transported to terrorist networks.

Rose: But the question is, and it comes to the Oval Office and it comes to other places, if they are about to have it, and they say that by the end of 2005 it may be too late, what do you do if negotiations haven't worked? I mean, what's the hard call for a President of the United States?

Clinton: 1981 . . . Israel bombed a nuclear reactor that was ostensibly set up to generate power at a place called Osirak in Iraq. They took it out, and it served the desired purpose. It delayed Saddam Hussein's ability to develop nuclear power for a considerable number of years. Now, keep in mind that I haven't seen any intelligence in four years now. Some people think I didn't [see] any before then. . . .

Rose: What kind of intelligence are they talking about?

Clinton: Or they thought I didn't have the intelligence to understand the intelligence, but anyway, that was then; this is now. I don't know that there is a target in Iran, which could be taken out with one or two bombs with almost no civilian casualties, right? I don't know if that option is available now. It may be, I just don't know. I'm not saying it is.

Rose: What everybody has said is that it is much more difficult.

Clinton: It's much more difficult. They are a much more formidable foe, and I am not entirely convinced that what our British, German, and French, and other friends are trying to do won't work, and, you know, there ought to be some sort of mega-deal there.

You know the religious council in Iran has not entirely shut down democracy, they haven't totally invalidated everything they have tried to do. I think there is still a lot of internal back and forth going on there. I personally believe that we ought to give some final vigorous push to diplomacy to try to deal with this.

Rose: What's the carrot and the stick, though, if you talk about diplomacy? What do you give them? You say there will be no economic sanctions, or no kinds of sanctions of any kind, we'll give you an opportunity to participate, we'll encourage you to participate in global trade. . . .

Clinton: Yes, all of the above, and there are lots of other details. The British, French, and Germans had a whole deal worked out there, and then the Iranians didn't stay with it, and they wanted to go back, and, you know, it was kind of back and forth, but a lot of this involves how you define national greatness.

Rose: What do you mean?

Clinton: Well, I think every country's image of itself is rather like a person's image of himself or herself. It is the

product of the accumulated dreams and nightmares of your family. Think about it. I remember I had a screaming match with Boris Yeltsin one time when he was telling me I couldn't expand NATO, and finally, I grabbed him, and I said, "Boris, look at me: All the time we spent together, you really think that I would send American jets to an airport in Warsaw and use that base to bomb Russia?" I said, "look at me. Do you believe that?"

He said, "No, I don't, but a lot of old ladies in Western Russia do." He said, "Look, it's irrational, of course it is; but it's irrational to you because you live in a big country protected by two oceans. You were never invaded by Napoleon and Hitler." He said, "Everything we do is affected by these nightmares."

Similarly, the Chinese, with whom I worked and was very close, and I got them in the World Trade Organization, they did things I thought were nuts and self-defeating in fighting political dissent and stifling debate, and having no dialogue with the Dalai Lama, which I thought was not just morally wrong, but didn't make sense. You know to crush the Tibetan culture, I just didn't get it, you know, and I talked to them, they said we do a lot of things that look crazy to you because our number-one nightmare is internal disintegration, and you never had internal disintegration in your country.

So, all I am saying, if [the Iranians'] image of their national greatness either does, or does not, require them psychologically, and in terms of where they are going, to have nuclear weapons: If they ever use them, they would be toast! You know that's why nobody ever used it in the Cold War. But we don't want them to have [them] because even if they never used it, it would affect the politics in the Middle East, number one. And number two, the more people that have these weapons, the more nuclear material you have around, the more vulnerable it is to pilfering. It is a serious problem. The one thing we have not done a good job of since 9/11 is that we haven't spent nearly enough money and done nearly enough work to contain the nuclear, chemical, and biological substances in the world. So that's where we are, but I don't have an easy answer.

Rose: [Asks about Israel-Palestine]

Clinton: Well, first of all, let's talk about what has happened. Mr. Abbas, whom I have a hard time not calling Abu Mazen, has been elected. He won, as far as we can tell, a free and fair election that President Carter and many others observed, and he has gone out of his way to try to not only speak against, but work against the terror.

Ariel Sharon has said he is going to get out of Gaza and has given up his party's governance, for a national unity government with his old personal friend and political foe, Shimon Peres. This is good, and you've got America and Europe—Tony Blair has given that great speech yesterday about this—eager to get involved again. And whenever the regional pow-

ers like Egypt and Saudi Arabia and the Americans and Europeans, whenever we're all involved, fewer people die. Whenever we get out and just let it fester, more people die. So the first thing I would say is, we should all get involved again. Even if we don't succeed in making a peace, fewer people will die, and fewer bad things will happen.

Okay, so, what should be done now? The Prime Minister of the Palestinians has done what he said he would do, and assuming he continues to do it, I think that they should work together and effect the Gaza withdrawal as promptly as possible.

Rose: What he did, is said he would take the initiative in dealing with security issues—

Clinton: That's correct, and he is doing a good job, and assuming that continues to be done in good faith—and believe me, the Israelis will know whether it is and so will we—we should proceed with Gaza, number one. Number two, then everybody will want to take a deep breath because the coalition government that Ariel Sharon has, is still not the government of Ehud Barak, or Yitzak Rabin, and time has passed and there are more Israelis in the territories on the West Bank, number one.

Number two, the Palestinians are larger, younger, and poorer in numbers than they were when we began this in 1993. What we must not do, is let delay destroy the prospect of peace. I agree you can't rush into this, but let me remind everybody, a lot of the harshest critics of the Oslo agreement, which was signed on the lawn of the White House in 1993, are in danger of supporting a process that repeats its biggest weakness.

The biggest weakness of Oslo was this: And I supported it, and I still support it, but the biggest weakness was, these two parties that had been at each other's throats for a long time have decided to make peace. They are going to do easy things first and hard things last. They are going to resolve big territory last, Jerusalem last, right of return last. We are going to do the easy stuff . . . and we will trust each other during the easy things, and it will become possible to do the hard things—that was the whole concept, right?

By the way, I still believe we'd have made it if Rabin had not been murdered in 1995. The guy that killed him got what he wanted. That's my honest belief, but as all of you who know me know, I am very partial to him and I miss him every day. I think we would have made peace if he had not been murdered.

Rose: Why would it have been different? What was he prepared to do, that Ariel Sharon—

Clinton: No, no, no. I think Barak went maybe even further than Rabin would have, but Rabin was there earlier in time; you didn't have as many scares, and Rabin had a certain standing that was unparalleled in the psyche of the Middle East, in the mind of Arafat, and others. I wrote about this

in my book. . . . I think it would be a mistake now to say now, okay, we've done Gaza, let's take a time out and reinstitute the Roadmap, and I am not critical of the Roadmap—that's President Bush's Roadmap—that's not what I am saying. We had a timeout for the Intifada for the last several years, during which nothing happened. If you put the Roadmap back now without accelerating the timetable, you are just waiting for the Palestinians, again, to become younger, poorer, and more numerous.

So what should be done? There has to be a second stage in which the U.S., Europe, and others put some serious money into the Palestinian territories. Not just into the government, but into the entrepreneurs, maybe setting up some NGO [non-governmental organization] entrepreneur-to-entrepreneur deal. These people can't keep getting shafted. The enemies of peace were really smart—when they saw what we decided to do at Oslo, every time we'd do something good, we'd start chugging along, the Hamas or the Islamic Jihad or somebody would blow up a bomb, and they [Israel] would close Gaza. The Palestinian economy would collapse, even though 90-some percent of the Palestinian population had nothing to do with anything like that.

So, we have got to set up an independent pipeline of funds and development—it's not very expensive, we're talking about a tiny amount of money here, to make a huge, huge difference, to make something good happen. I think we need a timetable that is realistic, to see whether the current national unity government in Israel and the Palestinians can make agreements over the long term.

But my opinion is worthless. What's really important is that the Palestinians and the Israelis agree on something. I'm just telling you what I think. My gut [feeling] is that we need to not let the thing just simmer. I've never seen, never, in all these years I've been watching it—it seems like delay has always been our enemy there.

Rose: [asks about debt question]

Clinton: I'll say something else that is sort of improper: I think we should do a lot more with debt relief. If you get debt relief, if you're running any country, what you get is the relief from making the debt service payments, and it's worth just as much as aid to you. But if Bill Frist is putting together a budget, almost all foreign debt has been already discounted. So, let's say we loaned a billion dollars to somebody; there's somebody in our government to tell you what he really thinks the debt's worth. If they say, "Well, there's only a 50% chance they'll repay it," that means that for \$500 million, we can give \$1 billion worth of debt relief. All the rich countries have similar systems, and if you actually have to make these decisions, and people are pleading for the money, it really matters. So I think there has to be a really serious round of debt relief, that goes way beyond the level that we stopped with on the Millennium Debt Challenge.



Bush Is Lying . . . On Democracy, Social Security

Rabbi Arthur Hertzberg is well known as a historian of Judaism and of American Jewry, a feisty intellectual, and a voice of influence in the fight for justice in the United States and Israel. Now retired, he is Bronfman Visiting Professor of Humanities at New York University.

In the course of his long career, Hertzberg served as president of the American Jewish Congress (1972-78), as vice president of the World Jewish Congress (1975-91), and as a leading representative of world Jewry in interfaith dialogues. His most recent books are The Fate of Zionism: A Secular Future for Israel and Palestine (HarperSanFrancisco, 2003) and A Jew in America: My Life and a People's Struggle for Identity (HarperSanFrancisco, 2002).

Rabbi Hertzberg spoke with EIR's Michele Steinberg and Marjorie Mazel Hecht on Jan. 27 and 31, 2005.

EIR: We just inaugurated the President, who thinks he has a mandate as the “war President”? What is your perspective on the second Bush Administration?

Rabbi Hertzberg: I think on the question of this war President—if he’s a war President, I’m the commander of the American Air Force.

In fact, I have more *right* to think of myself as a commander of the American Air Force, because I actually *served* 26 months, during the Korean War, in uniform, as an Air Force chaplain. That is true! I don’t have to fiddle around, with “where are the documents?”

Now, the point of the matter is, this man is a war President, by dint of being a *liar*, and *surrounded by a lying inner circle*—which is now becoming the Cabinet.

Look, the great war Presidents of our country, and I’ll think only of the 20th Century: The war Presidents were, who? They were Eisenhower. They were, before that, Roosevelt, who had been Secretary of the Navy. They were, after that—let’s be perfectly honorable about it—both Nixon and Kennedy, who actually served in World War II.

This man *was not* on active duty! What gives him the mandate of being the war President? And I say this, as someone who *did* serve!

My perspective on the second Bush Administration is, that for all of his big talk, it’s going to be a failure. He is *not* going to get out of Iraq with clear-cut victory or clear-cut reconstruction, during his second term. It’s going to take

longer, if at all. *And*, he is not going to re-make our domestic agenda. He’s not going to gut Social Security, because the country won’t let him. He doesn’t have the support. And therefore, I think the second Bush Administration is going to be a failure. And probably, a disaster.

EIR: Please say more on the question of Social Security, because you were a young man, and close to the Franklin Roosevelt inner circle, when Social Security was enacted. And that’s being destroyed right now. As one who was there, tell us how important Social Security was, for the elderly poor.

Rabbi Hertzberg: The Roosevelt suggestion, the Roosevelt enactment of Social Security *was a moral revolution* in our country: We were assured that we would never reach the very depths of poverty. And to be told, that we are now going to gamble it, on Wall Street, is nonsense!

May I tell you a personal story? About 25 or 30 years ago, when I was getting old enough to think seriously about making provisions for my older years, the man who line advised me—a very great man, a great Wall Street financier and a man of great moral principles—said to me the following: “I will let you put half on Wall Street, and I will invest it for you. But, remember, you can lose it, as well as make money on it. The other half, you’re going to put into bonds, you’re going to put into the safest possible kind of investment, so that if everything else goes to hell, you will still be able to eat.” I have followed that principle. And I know funds I have backing the secure money, plus the worth of my Social Security account, is what I know I will always have to eat on. Everything else is speculative.

And to be driven into speculation, by this guy—who, by the way never made any money on Wall Street, either! It was handed him, by family friends. To be driven into Wall Street, unless I can go into it with a clear head—it’s a gamble.

My daughter, by the way, started off her Wall Street career after business school by being an intern first, at Goldman Sachs. And she was an intern on the trading desk, and was on the trading desk for 15 years. She never forgot that the man who was running the trading desk, beside whom she sat—he was mentoring her—he used to welcome them all when they came in about 7 in the morning, with a well-known formula: He said, “Welcome to the Grand Casino.”

EIR: Another question that came to mind, from your remarks about the Bush Administration being a failure, despite grandiose talk, is one that's always coming up: What can honorable people do? They see a malaise, especially because of the Gonzales nomination, not only because it affirms a policy of torture, but because Gonzales again says the President is above the law, even the Constitution.

Rabbi Hertzberg: On Gonzales—I've been thinking about him. And I think, that we cannot sit around and simply deplore it. We can certainly support the Democrats who are going to make life harder for these people. But remember, on a partisan vote, Gonzales won his confirmation, essentially, from the Senate Judiciary Committee, 10 to 8.

Therefore, no, I think that the battle is going to be in the courts. I don't think that Gonzales should be allowed to do anything to maintain that the President is above the law or the Constitution. But, they're in power, and they can do what they want, *without raising it as a Constitutional question.*

Now it's all very true, that we are not necessarily in front of a friendly court. But, I know enough people in that court, through the years, to know one thing: There's always somebody who surprises you, who rises above what they thought they appointed him for, and stays with the separation of powers, and with the right of the law to decide.

I was thinking, this morning, after I got your interview questions, about Hugo Black—who had been a Ku Klux Klan member? You know that, don't you? And yet, he was critical to the Supreme Court's unanimity on race. I was thinking again, of Earl Warren, who as Governor of California sent the Japanese to concentration camps, and as Supreme Court Justice was thoroughly ashamed of it.

And I think that there is, within the American spirit, something which doesn't let it go that far. I think for instance, now, of the swing votes in the Supreme Court: Sandra Day O'Connor. Remember, she was a Republican local state chairman, etc. But she has been pretty firm on civil liberties. I knew Souter, somewhat, when he was on the bench in Vermont, I was then at Dartmouth, next door. Souter was appointed on the idea, that he was a conservative. He ain't.

Therefore, I continue to have hope in the Supreme Court. And I would keep this guy, Gonzales, tied up in the courts, defending what he's doing.

EIR: Let me ask you to comment a little bit further, on some of the policies he's responsible for. Seymour Hersh has written a book about Abu Ghraib, and he just recently delivered a lecture in New York at the Stephen Wise Free Synagogue.

In his lecture, Hersh discussed the investigative work that he did on the My Lai massacre in Vietnam. I was very moved by this, because he said, now, 35 years later, "I'm again visiting the parents" of young soldiers who came back killers. He interviewed some of Calley's compatriots, who would not shoot, who didn't want to shoot the civilians. And, there's a lot of cases out there. . . .



Rabbi Hertzberg (right) with Father Landranco Serrini and the Venerable Lungril Namgyal in the cloisters of the Franciscan monastery next to the St. Francis Basilica in Assisi, in 1986. They were at a meeting on the religious imperatives for conservation.

Rabbi Hertzberg: I'm on Hersh's side. He's a great man! I'm on Hersh's side. I just mailed off a letter to Barbara Boxer, wrote it this morning. I wrote two political letters this morning—as a retired country gentleman, who now teaches at the university, and writes books.

May I, semi-sidebar, tell you this? I said to Barbara Boxer that I had the privilege of meeting her once, some 25 years ago, when she was a young member of Congress. She hadn't yet ascended to the Senate. And I was towards the end of a six-year tenure as president of the American Jewish Congress, a most left-wing organization, in the establishment. I wrote Barbara, and said: Look, when I met you first, you were the one member of Congress who was gung-ho for something for which no one else quite had the courage then: Which was to create in Washington, a Jewish lobby, a Jewish representation, of people who were opposed to then-Prime Minister Yitzhak Shamir's anti-Arab, anti-Palestinian views. (Remember, he was the very hard-line Prime Minister.) But, you were the most forthright of the lot. And nothing that you have done since, including what you have been doing lately, undercuts the attitude of the young woman I first met 25 years ago. May I express my complete support and offer you whatever help I can, in the causes in which you are fighting. More power to you, and may God bless you.

I sent Sharon a letter that will surprise him. I sent him this message verbally, but I also wrote him.

I'm paraphrasing: Dear Mr. Prime Minister, I've been in opposition to you for a lifetime. But, I find you now, as the

one person in Israel, who is capable of leading Israel towards peace and living together with the Palestinians. And, for that change, you are in the process of being beaten up within your own Likud party, but you are now the national leader of the Jewish people. More power to you. And again, if there is anything I can do to be helpful, please feel free to call on me.

EIR: Do you think Sharon is in the process of making the kind of change that Rabin made?

Rabbi Hertzberg: Nobody is in the process of making any changes that we can be specific about. But, he is in the process of saying, “I cannot sit on Gaza. And I cannot ultimately sit on the West Bank, except maybe I could chisel a little bit here or there. I have got to accept the idea, that the Palestinians are here to stay.” And that is an important acceptance.

I don’t know what the shape of the peace, that he may block out, will be. It’s going to come after a lot of back and forth, with his Palestinian partners — and yes, with the United States. But, something is happening which we did not predict.

EIR: I know the last time we spoke [*EIR*, April 23, 2004], you said —

Rabbi Hertzberg: I was very, very angry.

EIR: Yes. You said, he and Bush would burn in Hell.

Rabbi Hertzberg: Well, obviously, he is going to burn on a much gentler fire.

EIR: Aha! So, you’ve lowered the temperature on Sharon.

Rabbi Hertzberg: I don’t know where Bush is going — yet.

But, Sharon obviously — I wrote somewhere in the last several months, that Sharon has adopted, essentially, the position of the Labor Party: that the Palestinians are here to stay. Let’s see what kind of deal that the majority of Israel could live with, we can make with them. I think that’s what’s going on, at the moment.

EIR: Many American Jews think that the survival of Israel depends on supporting a tough stand against terrorists who kill Jews, and that there’s no Palestinian partner for peace. What do you say to them?

Rabbi Hertzberg: If you support that attitude toward Israel, then you are going to have war forever. There is no opportunity for peace, and, at the end of it, you are outnumbered.

As a matter of fact, Sharon has come around to understanding that there has to be a two-state solution, that there has to be some decent equality for the Palestinians, and that most of Israel understands that. There is now a stable two-to-one majority in Israel for a Palestinian state. And as a matter of fact, Sharon has moved to that majority, and he is now having trouble with his own Likud Party, which is split because he is too reasonable in their view, and he has turned too liberal.

EIR: In your most recent book, *The Fate of Zionism*, you talk about the two-state solution, returning the Arab lands that were taken in the 1967 war, as the only way to peace.

Rabbi Hertzberg: Look, the hard-line Jewish position is based, to this day, on the idea that the Palestinian Arabs somehow or other will either accept third-class status, or they will pick up and go away. Now, this *isn’t happening*. There are several million Arabs in the undivided land of Israel — the numbers are a matter of dispute, but the numbers are substantial. The Palestinians aren’t going away, among other reasons, because the Arab states are not admitting them with any great enthusiasm. Therefore, unless there is a solution which gives the Palestinian Arab a stake in the region, which is not worth destroying, you are not going to have peace.

EIR: In the post-war years, you worked with Nahum Goldmann, the head of the World Jewish Congress, and others who were Zionists but who opposed the Israeli expansionism we’ve seen in recent decades. Can you talk about this earlier period?

Rabbi Hertzberg: Well, you remember that I tell the story in my most recent book, *The Fate of Zionism*, that I heard David Ben Gurion give a lecture in Israel right after the Six-Day War in 1967, where I had given the warm-up speech, in which he said that if we don’t give back almost everything except East Jerusalem that we have conquered in the Six-Day War, it will lead to disaster.

I have never been a dove because I’m some kind of woolly-eyed liberal. (I am that too, but that hasn’t led me to my conclusion.) I have been a dove from the very early period, because I recognized that the Palestinians weren’t going to go away, and they weren’t going to remain passive. And all of these predictions were correct. And we’d better now act on them and make peace. And evidently now, we’re beginning to move in that direction.

EIR: It’s about time. . . .

Rabbi Hertzberg: Now, Sharon himself has adopted *our* policy. Sharon has moved toward a two-state, peaceful solution. . . .

I was one of the founders of Peace Now. I was then a resident in Israel. In fact, the first announcement of the formation of Peace Now was an ad in 1980 in an Israeli newspaper, signed by professors and intellectuals. I was the only one who was listed in that ad, who didn’t carry an Israeli passport. I was then visiting professor at the Hebrew University, teaching Jewish history. And in the mind of Israel now, and to some degree even then, I’m not quite an outsider.

EIR: Natan Sharansky, the former Soviet dissident who is now Israeli Minister of Social and Diaspora Affairs, has emerged as a “resident philosopher” at the Bush White House and the Rice State Department, with his book *The Case for Democracy: The Power of Freedom To Overturn Tyranny*.

I regard Christian and Jewish fundamentalism, and all other forms of fundamentalism, as the enemies of God—and I hope you'll quote me on that: "As the enemies of God."

What do you have to say about this?

Rabbi Hertzberg: This is pure and unmitigated nonsense on both sides. First of all, let's talk about Sharansky. There has always been the question of how did he get out of the Soviet Union. I mean, he's the only one they ever let out in return for a spy of their own. And, do you know, that there has been at least one Israeli author, who wrote a book arguing that Sharansky was a double agent? There was a libel suit about the book; the author lost it, and the publisher paid Sharansky some reparations.

But, some 15 years ago, I went to the Soviet Union, and I was one night the guest of that great man Sakharov, in his house. It was a surreal occasion, because a Russian government car drove me there; I was a guest of the Russian Academy of Sciences. And the condition of my coming was that I could freely move about and see whomever I wanted to.

I was in Sakharov's house—and this has never been printed—and I asked Sakharov about Sharansky, with whom he had been, years before, very close. He and his wife, Yelena Bonner, who now lives in Boston, told me that their relationship with Sharansky was over. I pushed a little, and they would say nothing more than that. But they no longer felt that Sharansky was quite the fighter for human rights that he had been, or that they thought he had been, when he was younger.

So, now, let me tell you what is my problem with the Sharansky position. This prating nowadays by both the Israelis and the Americans about wanting democracy is pure and unmitigated nonsense.

Israel does not want democratic elections in Jordan, or in Egypt, or anywhere in the Arab world. The proof is that the Palestinians just had a democratic election the Sunday before last in Gaza. And what did that democratic election produce? Do you know?

EIR: A Hamas win.

Rabbi Hertzberg: Exactly. It was 60-plus—between 60 and 70% Hamas, and 30% al-Fatah. Hamas would win an election in the West Bank. If it were totally free, Hamas would win an election in Egypt. It would win one in Jordan. I know these two Arab countries.

What Israel wants is friendly states which can be dealt with. And anyone who says anything else, including Sharansky, is making myths.

Now, what about the Americans? Do the Americans want

democracy in the Middle East? Do the Americans want the oil wells of Iraq and of Saudi Arabia controlled by regimes which are revolutionary, and which are Islamic fundamentalist?

Mr. Bush wants that like he wants a hole in the head. And therefore, this conversation about democracy is pure, unmitigated, public posturing. Both these states want a Middle East under reasonable control for their purposes: America for oil, Israel for states on its border which are not warlike. At the moment, there is some parallelism of interest, but the parallelism has nothing to do with democracy, and both Sharansky and Bush should get Condoleezza Rice to take some Listerine with which they should wash out their mouths.

EIR: She could use some too. . . .

Rabbi Hertzberg: What's left over, she can use herself.

I'm saying that they're lying. They are lying on both sides. Sharansky is an opportunist of the first order. What is this business that "Israel wants democracy in the Middle East"? It wants a democratic election in Jordan? To bring in Hamas? Who are they kidding? Who is Sharansky kidding? Do the Americans want democratic elections to bring in Hamas? Hamas is the popular majority now in the Arab world—Hamas and the like. Is it to our American interest? Is it to our Jewish-Israeli interest? Of course not.

EIR: I'd like to go to a subject that we discussed a bit last week: the question of religious fundamentalism, rising across major religions.

Rabbi Hertzberg: That is a horror. Let me tell you a story. Some 10 or 15 years ago, I was invited to Tokyo—the only time I've spoken in Tokyo, to an inter-religious meeting, of a variety of opinions in the traditions which are not Biblical. And the question was: What is it, that Biblical religions hold in common, and more important still, that they have in common with the *non*-Biblical religions?

And I said: The great disaster is, that we are now increasingly identifying ourselves by what we assert as *our* truth, *our* virtues, *our* right, *our* powers. And therefore, we are making war, and not peace. That the function of religion, at its most serious, is *not* to encourage the believers to say, "I'm right and you're wrong," because "I'm right and you're wrong" means war, means holy war, and the most disastrous of holy wars. I think what we must change over to, is the notion that what religions have in common, is their duty, and their



Rabbi Hertzberg (center) meeting with the vice rector of the Zagorsk Monastery of the Russian Orthodox Church in 1987. At right is an interpreter from the Oriental Institute.

passion for defending the defenseless, whoever they are, whatever tradition, wherever they come from.

And therefore, I regard Christian and Jewish fundamentalism, and all other forms of fundamentalism, as the enemies of God—and I hope you’ll quote me on that: “As the enemies of God.”

Jewish fundamentalism, Christian fundamentalism teach them, that they are right about everything, and we and those who don’t agree with them, are going to fry in Hell. Jewish fundamentalism is teaching that Jews can fight with guns and with civil war, against being relocated off the West Bank, and disobey the orders of their government. That is the call to *jihad*, to several kinds of *jihad*.

Moral values, if you want to use them correctly, *begin* with love of your fellow man. And if they teach, not love, but hatred; if they teach you to be certain that your fellow man is part of what the Christians once called, when they wanted to beat up on Jews, a part of the “Synagogue of Satan,” then it is the call to *war*, it is the call to *fascism*, and *it makes God into Hitler!* Quote me.

It is one’s religious duty to stand up to all of this.

EIR: If you think of how Rabin was killed, he was killed by a Jewish fundamentalist—

Rabbi Hertzberg: Who had been encouraged by a rabbi! And the rabbi taught him, that Rabin, by being willing to give back some land that God had personally given to the Jews, was a traitor, a religious traitor.

There are 250 rabbis who have said that lately, about giving back the bulk of the West Bank. And that’s got to be stopped! That kind of religion has to be called what it is: It is the *religion of religious fascism*, whether it’s Christian fundamentalism in America, or Jewish fundamentalism in

Israel, or Muslim fundamentalism in the Hamas, etc.

EIR: You’ve said it all, right there!

Rabbi Hertzberg: It’s got to be fought in every one of its manifestations. And I say this, not as a secular person, but *as a rabbi*. Emphasize that. I am a rabbi. I am an Orthodox rabbi. I was *ordained* an Orthodox rabbi, at the age of 18. I am writing a book on the Talmud, right now. This isn’t being said, out of some liberal prattle: It’s being said from the very essence and the heart of our religion.

May I tell you a story?

It’s a Talmudic story and a magnificent one. The Torah reading of this weekend—the weekend passed by—is the passage in the *Book of Exodus*, which talks about the drowning of the Egyptian army, which chased after the Jews as they were crossing the sea. Now, the water came down; it was held up for the Jews, and then came down on the Egyptians. And then, the Bible itself has the song of triumph and of gratitude to God, that the Jews sang when they saw this miracle.

But the Midrash, the moralistic part of the Talmud, says, that the angels up in Heaven joined in this song. And God said to them—follow this carefully—God said to them, “Shut up.” And they said, “Why?” And He said, “My children have just drowned in the sea. Never mind that they’ve done wicked things, but they are still My children. And you stand here, and sing songs of triumph?” And so, the very passage in the Bible, of the song that the Jews sang, when they were triumphant over the Egyptians and saw them drowned, is *denied* in the Talmud, which says, that God didn’t let the angels sing the song.

EIR: That is a story that I wish the President and his Christian fundamentalist supporters could understand.

Rabbi Hertzberg: May I make a point? The President gives Prayer Breakfasts. He almost invariably has at them, from the Jewish community, the most Orthodox hard-line rabbis he can find, or that can be found for him (the few of them). The liberals are under-represented, or not represented at all.

Now, I have no eagerness, whatsoever, to be invited to the Bush White House. But, I find it strange, that in four years and innumerable religious exercises at the White House, someone as un-anonymous—*un-anonymous*—as I am in American religious life, as a leader of Jewish thought, and state, and opinion, has never been asked.

That’s not a comment on me. That’s a comment on him and the people who advise him! That’s a comment on his desire *not* to hear the story from the Midrash.

EIR: Well, it reminds me of something else: Some time ago,

I was extremely impressed by your intervention—you were interviewed by National Public Radio, after you had been in communication with a number of Christian ministers, including from Bush’s own denomination, who had tried to speak to him about peace, instead of war. And, if I’m not wrong, he refused an audience.

Rabbi Hertzberg: Absolutely! They don’t want to hear, what doesn’t back up their prejudices. And religion in America is not hard-line religion. . . . Religion in America, is religion in which we take each other seriously, and allow each other to be who we are.

EIR: I’d like to discuss some of the solutions we’ve been examining. *EIR* just held a seminar in Berlin on the economic crisis facing the whole planet. There, Mr. LaRouche pointed out that a call for a religious dialogue isn’t going to bring peace. Instead, he proposed a new Treaty of Westphalia, based on the benefit of the other, through economic development.

You have always insisted that economics is essential, but how do we get there?

Rabbi Hertzberg: Well, may I make a comment on that?

I think that the Peace of Westphalia is an excellent image, but we can’t take it far enough. The Treaty of Westphalia was among specific people all of whom belonged to the Christian tradition. . . .

The difficulty is, that what we are trying to make peace with right now, are people of the West, Western religion, who have undergone the Renaissance, the Reformation, and who now live with a very healthy sense of the need for economic development in the less-fortunate parts of that world; and the Muslims, who have not undergone that history, or very much of it. Therefore, we have got to emphasize economic development, hoping that *that* will trump the aces of fanaticism.

In other words, I am working right now, in two or three projects with friends of mine, where they are trying to get Jews, and Israelis, and Palestinians to work together, in joint endeavors. And some of this has become fairly successful. I think the emphasis has to be now, on education and economic development. This is the long journey, that is shorter than preaching at it. Than preaching, “Hey you guys! Why are you so fundamentalist?”

You see, a large part of the problem, is that young people are being born into the world and growing up without much hope. And so, they become murderers, they become suicide bombers, etc. We have got to increase the amount of hope.

EIR: I think you know that LaRouche’s program for Mideast peace certainly had the economic component, in terms of development, water—

Rabbi Hertzberg: I believe that profoundly. And it will make a very good subject for him and me to talk about, when next we’re at lunch.

Intense Senate Fight Weakens Gonzales

by Edward Spannaus

After three days of Senate floor debate on the nomination of Alberto Gonzales for U.S. Attorney General, 35 Democrats and one Independent (Jim Jeffords of Vermont) voted against the confirmation of Gonzales—far more than anyone would have imagined when Bush first offered the nomination. Only two Attorney General nominees in U.S. history have received more opposing votes.

On the first day of debate, Minority Leader Harry Reid (D-Nev.) announced that there would not be a filibuster, but that there was a consent agreement which would allow ten full hours for Senate Democrats to debate the nomination. When asked what kind of a message this sends to the President, Reid responded: “I think it sends a message that the chief legal advisor to the President has a real problem when he starts.” After the agreed-upon three-day schedule was announced in the Senate, Judiciary Committee Chairman Arlen Specter (R-Pa.) took to the floor to acknowledge that Gonzales was being weakened by the debate: “It is still my hope he will be confirmed with some bipartisanship, but it will not be the kind of strong vote that would have given him a much stronger position as Attorney General.”

For weeks after Nov. 10 announcement of the Gonzales nomination, not a single Democrat had expressed an intention to oppose it, and a number of Judiciary Committee Democrats even spoke favorably of the nominee. Although Lyndon LaRouche immediately called for blocking the Gonzales nomination (see *EIR*, Nov. 26, 2004), his call was not echoed by any Congressional Democrats until the point of Gonzales’s confirmation hearing on Jan. 6; when the Committee finally voted on Jan. 26, all eight Democratic Senators on the Committee voted against the nomination—unexpected even the day before.

How the Fight Developed

What had happened? First, the White House and Gonzales himself were their own worst enemies. Their stonewalling of the Committee’s questions and document requests—and particularly Gonzales’s implausible memory lapses regarding crucial decisions involving prisoner interrogation techniques—created a backlash.

Secondly, during December and January, new revelations about prisoner abuse and torture kept pouring out. Most damaging were the documents concerning the pervasive torture and abuse at Guantánamo, many of which came from FBI

agents who were eyewitnesses to torture and who had put their observations and complaints in writing.

Third, when 12 retired generals and admirals issued a letter on Jan. 4, raising their serious concerns about Gonzales's role regarding the torture memos and the rejection of the Geneva Conventions, this added a significant new dimension to the fight. One of the 12, retired Adm. John Hutson, presented powerful testimony against Gonzales's confirmation at the Judiciary Committee hearing (see *EIR*, Jan. 21).

And finally, a significant factor operating in the background was the widespread discussion of the precedents—even the precise legal arguments—from Nazi Germany, for the Administration's actions regarding treatment of prisoners of war, and its discarding of the Geneva Conventions and other treaty obligations. *EIR*'s interview with international law expert Scott Horton, published Jan. 18 in *EIR Online* and in the Jan. 28 print edition of *EIR*, was used by prominent military figures to put convince Senators to oppose the Gonzales nomination.

No One Above the Law

During the three days of debate, Senate Democrats repeatedly took to the floor to stress fundamental Constitutional principles, especially regarding the role of the Executive and the Senate. With respect to the President, the crucial point was that he is not above the law, and he cannot simply override a law with which he disagrees. As to the Senate, it has a Constitutional obligation to examine a Presidential nomination closely—as opposed to the absurd charge made by numerous Republicans that Democrats were only opposing Gonzales because they are secretly biased against Hispanics.

When the debate began on Feb. 1, Sen. Patrick Leahy (D-Vt.), the senior Democrat on the Judiciary Committee, said that nothing is more basic in this country than the principle that no one is above the law; but Gonzales believes the President can override the law, and can authorize others to override the law. "This is as extreme a view of Executive power, as I've ever heard," Leahy declared. "Since the time of George Washington . . . we've always maintained that, in our country, no one is above the law: not the President, not a Senator, not a judge, no one."

Leahy pointed out that it's been up to the courts to provide what little check there has been on this President's unfettered power, since Congress has failed to perform any real oversight. A number of others also spoke to this point.

Sen. Mark Dayton (D-Minn.) noted that an Attorney General is entrusted to uphold the laws, not reinterpret them or ignore them, nor instruct the President that he can reinterpret them or ignore them. "There is no election mandate for secretly ignoring or reinterpreting the laws of this Nation, or acting contrary to those laws or in violation of the Constitution of the United States," Dayton warned. "Unfortunately, there is tragic precedent in this country's proud history, for the demise of administrations who deviated from the rule of law,

who considered themselves above the law or beyond the law. . . . This occurred more often than not during second terms, even after receiving that most special of electoral mandates: re-election."

Most eloquent on this point, was Sen. Robert Byrd (D-W.Va.). Referring to the argument in the most infamous of the "torture memos"—written at the request of Gonzales—Byrd said the White House believed that the President, as Commander-in-Chief, can declare a law invalid if he disagrees with it. "What an astounding assertion. . . . A President is placing himself above the Constitutional law—in effect crowning himself King!

"Has the White House no appreciation of the struggle this nation endured upon its creation?" Byrd asked, quoting from Alexander Hamilton's explanation, in *Federalist* No. 69, of how the American system is distinguished from the British monarchy: "There is no comparison between the intended power of the President, and the actual power of the British sovereign. The one can perform alone, what the other can only do with the concurrence of a branch of the Legislature."

Byrd continued: "No one man or woman, no President, not his White House Counsel, nor all the attorneys in the Office of Legal Counsel of the Justice Department, can, on their own, act in contravention of a law passed by Congress. No President can nullify or countermand a United States law, or shield from prosecution those would commit, or attempt to commit, torture. But that was the result sought by this White House."

Byrd noted that under Article II, Section 3 of the Constitution, the President has a legal duty "to take Care that the Laws be faithfully executed." But, "the President, and his Counsel, must be held accountable for not only *failing* to faithfully execute our laws, but for also trying to undermine, contravene, and gut them."

In contrast to many supporters of Gonzales, who ranted how terrorists are not entitled to any legal protections, an important statement was made by Sen. Chris Dodd (D-Conn.). Citing the recent 60th anniversary of the liberation of Auschwitz, Dodd recalled that his father had been a participant in the Nuremberg Tribunals which soon followed. Dodd noted that there were loud calls for summary executions, rather than trials, of the Nazi war criminals, coming from, among others, Winston Churchill. Yet the United States stood up for something different, Dodd said; we insisted at Nuremberg that the rule of law, not the rule of the mob, was the rule. "Even those despicable and depraved human beings," who were responsible for the Nazi terror, "were given an opportunity to retain counsel and to testify in their own defense.

"We were different. It did not depend on who the enemy was. It depended on what *we* stood for," Dodd said. "At that very moment in history, the world learned something very important about the United States of America . . . that this nation would not tailor its eternal principles to the conflict of the moment."

Dems Pre-empt Bush's State of the Union

House Minority Leader Nancy Pelosi (D-Calif.) and Senate Minority Leader Harry Reid (D-Nev.) appeared at the National Press Club in Washington, D.C., on Jan. 31 to rebut President Bush's State of the Union speech—two days before he was to deliver it. Pelosi laid out three principles that Democrats will adhere to in considering any proposed changes to Social Security: First, changes must not add to the deficit; second, no changes can begin by slashing benefits; and third, any changes must be fair, and not create a two-tiered system that treats current retirees different from younger workers. "Democrats will not allow this Administration to turn this proud entrepreneurial achievement of the New Deal into a raw deal for millions of Americans."

Reid called for an exit strategy from Iraq "so that we know what victory is and how we can get there; so that we know what we need to do, and so that we know when the job is done." He also blasted Bush's conduct of the war on terrorism and noted that the regions of the world that are prone to ideologies of hatred "are often places where people go hungry and live without hope."

Reid invoked Franklin Roosevelt, who said in 1945, "We have learned that we cannot live alone, at peace; that our well-being is dependent on the well-being of other nations, far away." Reid added that Roosevelt also said, "The only way to make a friend is to be one."

In response to a question from *EIR*, Reid called for a Marshall Plan for the United States. "Every city in America has blueprints stacked up, waiting to have the money to do something about sewer systems, water systems, bridges, dams, highways. . . . And if we

spent \$10 billion on the infrastructure of this country, we would create half a million new jobs. These are high-paying jobs, and the spin off from these jobs would be significant." He reiterated that terrorism breeds where people are destitute. "Terrorism really has incubators where there is no hope for people," he said, "and we have to step in and do things; to develop water projects. . . . There's billions of people every day who drink the water that makes them sick, and this is being ignored and I think it's to the detriment of our country."

Sensenbrenner Proposes Immigration Bill

As expected, House Judiciary Committee chairman James Sensenbrenner (R-Wisc.) has introduced legislation with the immigration provisions that he championed last year, but that were removed from last year's intelligence reform bill. The bill would establish a uniform rule for all state driver's licenses so that they could be considered as identification for Federal purposes. This would include prohibiting states from issuing aliens with driver's licenses that have expiration dates later than the dates their visas expire. It would also "tighten" the asylum system to stop abuse, waive Federal laws so as to allow the completion of the San Diego border security fence, and make aliens deportable for terrorism-related offenses.

Sensenbrenner expressed confidence, on Jan. 26, that the House GOP leadership would give him the vote on the bill that they promised him last fall, although he was not so sure about the Senate. His problem may not be with the leadership, however, but rather with a rival bill sponsored by Govern-

ment Reform Committee chairman Tom Davis (R-Va.). The stand-alone bill Davis introduced on Jan. 26, covers only driver's license standards.

The Democrats, meanwhile, are hoping to be able to debate more comprehensive immigration legislation. House Minority Leader Nancy Pelosi said at the National Press Club on Jan. 31, that little fixes here and there are not enough, nor will it work to attach the Sensenbrenner bill to the supplemental appropriations bill for the wars in Iraq and Afghanistan.

Senate Minority Leader Harry Reid complained that while the Bush Administration has been focussed on security, immigration services have been starved of resources to the point that "it's going to take years before you can actually get your citizenship."

Senators Push for More LIHEAP Funding

With severe winter weather blanketing much of the country, and oil still near \$50 per barrel, the Low Income Home Energy Assistance Program (LIHEAP) is under more pressure than usual. In response, the Department of Health and Human Services announced, on Jan. 31, that it would be making an additional \$100 million in assistance available to the states, which is half of a \$200 million allotment granted by Congress, last fall.

The HHS announcement came four days after a letter to President Bush, signed by 50 members of the Senate, Republicans and Democrats, urging him to release the entire \$200 million. "Without emergency assistance," they wrote, "low-income seniors and families will face impossible choices this winter: whether to heat their homes or to eat. . . ."

Dialogue at Berlin Seminar: Toward a Eurasian ‘New Deal’

by the Editors

Future generations, if a New Dark Age is averted, will surely look back on the Jan. 12-13, 2005 Berlin symposium as an historic turning point, when leading circles from Eurasia, Africa, and the Americas came together around a revolutionary perspective for lifting humanity from the depths of poverty and an onrushing new fascism. What American statesman and *EIR* founder Lyndon LaRouche presented, in his Jan. 12 keynote address, as a New Westphalia system of sovereign nation-states, taking up the challenge of a global economic revolution, to manage the world’s strategic raw materials in the interest of mankind, not the interests of private oligarchical cartels, formed the basis for two days of non-stop Socratic dialogue, among an impressive array of leading individuals from dozens of nations.

While LaRouche’s opening remarks, and those of his wife



Lyndon LaRouche greets Dr. M.K. Saini from India in Berlin on Jan. 12.

Helga Zepp-LaRouche and *EIR* editor Jeffrey Steinberg, are already in broad circulation (see *EIR*, Jan. 28), the importance of this seminar cannot be assimilated without an appreciation of the interchange which occurred among the participants. To this end, we are privileged to have received permission from numbers of the dignitaries present to publish their remarks. In this issue of *EIR* we are including several of those contributions, as well as responses by Lyndon LaRouche to not only those presentations, but to other remarks. More speeches and selections from the dialogue will be published in future issues.

Lyndon LaRouche’s opening statement focussed on three strategic points. First was that, in light of the terminal phase of collapse of the world financial breakdown, but despite the insanity and revival of literally fascist policies in the Bush Administration, the solution to the crisis has to emerge from the United States. Fortunately, LaRouche emphasized, there is a major shift already in process through the intervention of the LaRouche political movement, which gives hope that the Bush-Cheney regime can be brought under control through institutional forces committed to restoring the U.S. Constitution. This involves important circles in the U.S. Congress, including Republicans, as well as the retired and active duty military and intelligence services, diplomats, and intellectuals. A successful battle will require returning to the tried-and-true model of the Franklin D. Roosevelt Presidency — both in his domestic policy based on the General Welfare, and an international “New Deal” for cooperation among sovereign nations.

This argument was a major focal point of discussion throughout the two-day seminar, especially as LaRouche’s point was deepened through the presentations by two other Americans present, Dr. Cliff Kiracofe (published below), and Jeffrey Steinberg. Both of these statements had a major impact on the participants, some of whom were otherwise

strongly skeptical about the potential for moving the situation within the United States, but who found both the reassertion of the American System tradition, in Dr. Kiracofe's remarks, and Steinberg's vivid description of the impact of the LaRouche political movement on recent developments in U.S. politics, highly encouraging. (See the speech by Prof. Stanislav Menshikov of Russia, below.)

The other major focal points of LaRouche's initial presentation were directed more to the global economic situation, and its solution. In this area, he not only reiterated his long-standing New Bretton Woods proposal, for bankruptcy organizing of the current global financial-monetary system, but also began to develop a new concept for approaching the handling of raw materials globally, especially within the context of Russia's special scientific capability in dealing with this question. This capability, as LaRouche elaborated in the discussion period excerpted below, derives uniquely from the work of Russian scientists Dmitri Mendeleev and Vladimir Vernadsky, whose contributions survived even under the difficult conditions of the Soviet period.

Keeping this context in mind, the reader will find the partial dialogue which we present here, both enlightening and provocative.

Dr. Su Jingxiang

Dollar Fall Originates In U.S. Extravagance

Dr. Su Jingxiang, associate professor, is vice director of the Center for Globalization Studies, China Institutes of Contemporary International Relations. He gave this presentation to the Berlin seminar on Jan. 12.

There is a growing need for international cooperation due to the world economic problems due to the "extravagant consumption" situation in the United States. At the present time, the United States is an enormous consumer of world raw materials, goods, and capital flows. While during the past year, as the U.S. dollar has depreciated, the U.S. trade deficit with China has become an issue of contention. However, it is important to understand that China is not a wealthy nation, that it has great problems of poverty and development. The better focus of the United States would be expanding high-technology investment in China.

China has the world's largest population, and is in urgent need of more hard infrastructure, including transport, energy, and city-building, and soft infrastructure, especially education, to develop. For this development in a globalized world,



Dr. Su Jingxiang with Lyndon LaRouche.

China maintains a policy of promoting multipolarity and peaceful cooperation. Economic cooperation should be promoted. This would be a productive method for developing relations with the United States. China is now striving to find new methods and patterns of development, in the context of its national reform and growing integration in the world economy. The proposal for cooperation among nations, to enhance that development, would be most welcome to China. China needs fast economic growth, because of the challenge of the huge number of young people entering the workforce every year.

China's government knows that the greatest challenges to the nation, is not from other nations, such as the United States or Russia, but China's own big internal problems, including the huge income gap between the cities and the countryside, where most Chinese live. China's foreign policy is to develop friendly relations with the United States, the EU, India, Russia and other nations. For this reason, the Chinese side does not react to the "China threat" theory being promoted by some in the United States.

China is facing very rapid changes of its economy and society. Now, the influence of the U.S. and U.K. dominates economic policy, but the government does know that these "ideas" are of no great use. What is of great importance, are the "physical economy" ideas of Lyndon LaRouche.

According to statistics from the U.S. Department of Commerce, the trade deficit with China stood at US\$124 billion in 2003. U.S. foreign debt is \$3.6 trillion. The U.S. has only 5% of the world's population, but soaks up 20% of the world's exports, including the \$133 billion in oil they import. Canada sold US\$54 billion more than they bought from U.S., and Mexico \$41 billion more! In the opinion of some research institutions, if things develop in accordance with the trends of recent years, the U.S. trade deficit with China would reach \$330 billion in five years.

Nations do not calculate their balance of international

payments with countries one by one; but rather its trade with the entire external world. Therefore, the essence of the U.S. trade deficit “problem” with China is the overall U.S. trade deficit with the outside world. The U.S. trade deficit reflects, to some degree, its economic history as a nation. In the 100 years’ time after its founding in 1776, the United States had suffered consistent trade deficits. Beginning from 1876, as it became a real industrial power in the world, America witnessed trade surplus for the first time, and this situation continued through to 1970. Commodity trade deficit again emerged

China is facing very rapid changes of its economy and society. Now, the influence of the U.S. and U.K. dominates economic policy, but the government does know that these “ideas” are of no great use. What is of great importance, are the “physical economy” ideas of Lyndon LaRouche.

in the United States as of 1971 and in the ensuing 30-plus years, a trade deficit all along assumed a trend of sustained expansions. This is the same 30-year period in which U.S. industrial production has declined more and more, and it has become a huge consumer of international production.

Trade deficit is the result of the counting of balance of payments. According to the accounting principle of the balance between income and expenditure, a country must have the means of payment, if what it buys in the world market surpasses what it sells. Historically, various countries usually make up this difference with gold or silver. But in today’s world, the United States possesses a kind of privilege, which enables it to pay around \$400 billion worth of trade gap annually with U.S. dollars it issued. But this kind of privilege is only a necessary condition allowing the incessant expansion of the U.S. trade deficit; its ample conditions lie in the aspect of demand, i.e., the unlimited pursuit of extravagance.

Extravagance is a relative concept: exquisite product, splendid house, elegant environment, and even sport, art, and the vanity of nationals can all be listed in the category of extravagance, so long as the level of consumption surpasses the level of output. From the perspective of sociology, consumption is the aim of production; consumption and luxury are the real objectives which people are pursuing. The essence of trade deficit is that the total value of a country’s consumption surpasses the gross value of its production. That is to say, the American society as a whole has long been in a state of extravagance, either in quantity, or in quality or in both. In

history, what any hegemonic country, or core country pursues, is by no means the maximum welfare for the whole world, but rather is extravagance for its ruling clique and all its nationals, the United States is no exception.

Britain became a world factory in the middle of the 19th Century and was a productive society. Later, the country gradually changed toward a nonproductive society. Today, Britain’s manufacturing industry has long been lagging behind that of the United States, Germany, and Japan. The United States was also the world factory 20–30 years post World War II, but, over the past 30-plus years after the 1970s, the process of U.S. change from a productive society to a nonproductive society, has been visibly speeded up. Mr. Lyndon LaRouche has often described the economic and social processes behind this transformation of the United States. Today, America’s advantageous position in the world economy has switched over to the fields of circulation and finance. In the future, perhaps the United States may use its service trade surplus to offset its commodity trade deficit, but the United States can in no way shake off its dependence on foreign commodities. Extravagance has gone deep into the bone marrow of U.S. society, the real objective of the U.S. government’s foreign policy can only be how to maintain and further raise the extravagance level of the U.S. society as a whole for the longest possible period of time.

Maj. Gen. Vinod Saighal (ret.)

‘The Globe Is Facing A Discontinuity’

Maj. Gen. Vinod Saighal (ret.) of India was, among his other responsibilities, the head of the UN peacekeeping forces in Gaza for eight years. He gave this presentation to the Berlin seminar on Jan. 12. Subheads have been added. In a future issue, we will publish a longer contribution, in which he develops his views in more depth.

I must compliment Mr. LaRouche for his presentation. I’ve been reading his papers over the years, and to the best of my knowledge, in the last hundred years of U.S. politics, I have never come across any Presidential contender having articulated his views so concisely, cogently, and clearly. I have a slight difference of opinion with him, because the past is not going to project into the future at this point in time. In fact, the new book I am working on, is titled *The Future as Discontinuity*. The globe is facing a discontinuity.

Kautilya, a few thousand years ago, in his *Arthashastra*, said, it is the nature of power to assert itself. And we’ve been

seeing this throughout history. What the United States is doing now, is nothing out of the ordinary. The difference is, at this point in time, as never before in history, power is concentrated at a single point on the globe. Any decline in this power, is going to affect the globe. So therefore, at this point in time, regardless of what evil that has overtaken the United States, a catastrophic decline of U.S. power is in nobody's interest: not of America, America's friends, and America's adversaries. I have said that in almost all my books, which have sold more in the U.S.A. and Canada, and the West generally, than in India.

Now, I am going to be flagging off two points: the impending financial crisis, and externalities that impinge on the likely U.S. decline, which translates into a temporary global decline—unless we're prepared for it.

The Elites Can Delay a Financial Breakdown

Taking first the financial crisis: Don't you think, ladies and gentlemen, that the powers that control the U.S. establishment today, as so clearly brought out by Mr. LaRouche, are aware that their policies, their economic policies, are pushing the United States into a head-long decline? Do you think they're not aware of it? Do you think there's not a deliberateness to it? The answer is: They're aware of it! And they are preparing to take over and benefit from a global collapse!

Today, the United States is hugely indebted to the powers that hold the global financial reserves: China, Japan, Saudi Arabia. Do you not think that these countries know that these reserves—in the case of China going up to \$800 billion—are not worth the paper they're written on? Does Japan not know it? Does Saudi Arabia not know it? But, they are all part of the global system. The governing elites of China, Japan, Saudi Arabia, have been co-opted into the system. So, they're not in a position to pull the rug from under the feet of the United States, and bring in that collapse—because a collapse of the United States *ipso facto* translates into a collapse of China's ambition to be a global power by about 2025. So, China is not going to do it. Although these U.S. Treasury receipts may be worthless pieces of paper, China is using those assets to build itself as a global power. The same is the case with the others I'm referring to. Where I differ with Mr. LaRouche is: The collapse is not necessarily imminent; the decline can be artificially stretched for some time.

Once again, who are the people pushing for this decline? I think Mr. LaRouche knows them. Today, in the United States, they are putting their money into an area which is already defunct—as known to them. The National Missile Defense (NMD) effort, over the period of its life-span of 25 years, is going to cost \$1.2 trillion. Kindly see, who are the people who have bought up and control the firms and entities that are going to support this NMD system. They speak of an axis forming around China, India and Russia threatening the United States.

Ladies and gentlemen, as I have written in my books, this triangular relationship is a laudable enterprise—but it's a non-

starter. Just go to the establishments who run China, India, and Russia. Take the establishment that runs India. Where do you see India sacrificing its bilateral relations with the United States in order to augment this triangular relationship, beyond a point? Where do you see the Russian establishment, in the ascendant after the Yeltsin years, going to sacrifice its bilateral relations with the Atlantic community, to build up China and the triangular relationship? Go to Beijing: Where do you see, in the establishment currently running China, the bilateral interests of China being sacrificed to build up the triangular relationship? I don't see it, at all.

In the manner which Mr. LaRouche proposes this triangular relationship, I'm all for it. But, look at the people who are running China. their wards, their sons and children. Do you know how many billions of dollars they've invested into joint enterprises with people from Taiwan and the United States?

We must appreciate the subtle change that has taken place in the outlook of the middle classes who have been slowly sucked into the maws of free market capitalism in one country after another. The essence of capitalism being self-indulgence, conspicuous consumerism, and instant gratification, parts of society experiencing greater affluence have joyfully taken to the "who cares what happens tomorrow" syndrome. Something similar is happening at the other end, due to extreme deprivation by people who are starving and who do not know where their next meal is coming from.

Will U.S. Society Implode?

My greatest worry, is an implosion of U.S. society; America's demoralization over the longer term, if its policies that are being followed in the Middle East continue for any period of time. In September 2003, when Abu Ghraib was not yet known, en route to a conference here in Berlin, I was passing through London and the BBC asked me to come for a live presentation. I said, when people talk about American casualties and the body bags—there were 600 U.S. casualties at that time—this means nothing. For people who are ready to invade another country, 600 casualties are no casualties; 50,000-100,000 casualties might be different. *But*, I said, the problem that America is going to face, is the psychological disorientation that has come about in the people you have deployed in Iraq. A psychological disorientation deriving from what they were told about Iraq, and what is happening there in reality—and this I said before Abu Ghraib.

The psychological disorientation has already gotten into these 150,000 people in Iraq. Once they go back to America, it will diffuse through the bloodstream of American society and will demoralize America. Throughout America's history, there have been parades in New York and Midwestern towns when the soldiers returned from foreign wars. They were welcomed back as heroes. This time, when the soldiers go back from Iraq, there are going to be no yellow ribbons on the trees. They're going to slink back! They will not be welcomed as heroes. You've destroyed them psychologi-

cally in Iraq—which in turn is psychologically wrecking and demoralizing America. . . .

Sri Aurobindo, the great philosopher-sage, a little before his death, had presciently warned humanity on the need for urgent remedial action. In April 1950 in a Postscript Chapter to *The Ideal of Human Unity*, he wrote: “The indwelling deity who presides over the destiny of the race has raised in man’s mind and heart the idea, the hope of a new order which will replace the old unsatisfactory order, and substitute for it conditions of the world’s life which will in the end have a reasonable chance of establishing permanent peace and well-being. . . . It is for the men of our day and, at the most, of tomorrow to give the answer. For, too long a postponement or too continued a failure will open the way to a series of increasing catastrophes which might create a too prolonged and disastrous confusion and chaos and render a solution too difficult or impossible; it might even end in something like an irremediable crash, not only of the present world-civilization but of all civilization.”

The digression, not being a descent into pessimism, should serve to highlight the urgency for immediate action, to very simply resume the destiny of humankind from the handful of people who have taken control of the levers of power in the superpower and some nations around the world. An enlightened leader with the attributes required to reverse the dangerous decline might not find it possible today to come to the fore and win election to the office of the President of the United States. The interests that have taken an iron grip over the Washington establishment, the media, and wealth formation will simply not allow such a species to co-exist.

Yet, as I said, the challenge before the world is not so much to diminish U.S. power—a catastrophic decline at this juncture not being in anybody’s interest—but to change U.S. mindsets and channel America’s amazing vitality toward productive ends—ends that will allow for the speedy revitalization of the planet. Once again, the globe is facing a discontinuity.

Dialogue

Here are excerpts from the discussion that followed the morning panel on Jan. 12. The moderator was Michael Liebig.

Michael Liebig: [thanking General Saighal] And you presented the crucial concept of *discontinuity*. I would propose that before we engage in the general discussion, I would ask Lyn to comment, because a number of very specific points were raised within the last 45 minutes of so. And then open the floor for general discussion.

Discontinuities and Revolutions

Lyndon LaRouche: Fine. Well, simply to concentrate upon what the General just said—it’s true, but it’s not true.

What you have to take into account in history, is the factor of mass insanity. That’s how discontinuities occur: They occur in revolutions and outbreaks of mass insanity. That’s how discontinuities occur: They occur in revolutions and outbreaks of mass insanity.

The government of the United States today, the present government, is a case of mass insanity. That’s where the discontinuity lies.

Yes, you’re right about the returning troops—that is a factor. That is a coloration, which betrays something much bigger.

Look, you have a President of the United States, a position which is presumably the leading power in the world: The man is clinically insane! And stupid! Not merely wild—but *stupid*. You have Cheney, a gum-chewing version of something or other. The man is—he’s a thief! He was picked off a campus, he was a wreck; picked off a campus as a high school football star, rescued by his wife, who’s a British agent, and picked to go into this track of representing these corporations, and these [types]. Yes, he’s a thug. He’s a killer. But you can find that on the streets of New York, in terms of the organized crime types. He’s no different.

The point is, the government of the United States is clinically insane. Look at the reality: We’re bankrupt. We’re hopelessly bankrupt. Now, these financial derivatives are not something they can roll over. They have to be cancelled. The whole system’s coming down. So, it *is* an absolute discontinuity. This is what might be called, a classical revolutionary situation, in the United States and the world. That’s what I’m dealing with. I’m a revolutionary, of a special kind. This is my meat—I may be a little bit old, but this is my meat, this is what I’m good at. And we’re trying to make a revolution in the United States.

Look, this happened before in U.S. history. You had a role by John Quincy Adams, who, when he grew out of his father’s and mother’s influence, became not only a skillful diplomat, but a bit of a genius. John Quincy Adams in a sense created the United States: It was his work as a diplomat who defined the United States as a continental nation, from the Pacific to the Atlantic and with northern to southern borders. One of his protégés, Abraham Lincoln—at the time that he died, Abraham Lincoln had been his protégé; Abraham Lincoln represented John Quincy Adams in opposing Polk on the war with Mexico. Abraham Lincoln was a revolutionary. He re-enacted the American Revolution, one of the greatest changes in world history, by any individual.

We had others who were of a similar temperament and qualities: Franklin Roosevelt was a revolutionary. He didn’t change anything in the Constitution, he *upheld* the Constitution. His policies were those of his ancestor, Isaac Roosevelt, the founder of the Bank of New York, the collaborator of Alexander Hamilton. And Roosevelt proceeded from an understanding of a Hamiltonian principle of the American System.



John Quincy Adams: “a bit of a genius,” who in a sense created the United States.

Now the key thing we have, as an asset, as I said before, in the United States: The asset we have is the American System of political-economy. It’s the only system that works! Now, other countries have at times, for example:

Germany, 1877: Bismarck, the reforms of Germany, the effect of the work of Abraham Lincoln.

Japan, 1877: Reform in Japan, American reform.

Russia: Reform in Russia, by Mendeleyev, coming back from the Philadelphia Centennial [Exposition]. The industrialization of Russia.

France: In the 1870s, 1880s, began to develop in this same industrial mode, which had not occurred earlier, even though the time of Carnot and so forth would see things were moving in that direction.

So, the world has suddenly reached the point where the American System, the influence of Lincoln and the aftermath of Lincoln, had changed the world. Northern Italy had changed. Italy was becoming a nation, and northern Italy became an industrial power. Germany changed, became an industrial power for the first time, under American influence. Japan became a power in the Pacific, under American influence. The same ideas with Sun Yat-sen, on the ideas of a new China. Read Sun Yat-sen’s works—the same thing.

So, you come into a time, in which these ideas may prevail, and they prevail in a revolutionary way as they did in these cases.

On the other side, you have an ancient regime, which is impossible, it’s insane. The people who support Bush are clinically insane—or, just terribly frightened. You should see these people, they’re insane! That’s mass insanity! They sit, and they say, they’re voting for Bush to protect their prosperity, when they’re in a state, which in the recent five years has gone from an agro-industrial-power state to a bankrupt state.

So, they’re clinging to insanity.

This is the phenomenon in history. I call it the “fishbowl syndrome,” and it’s characteristic of all societies. That, the human being is intrinsically revolutionary, by nature—but doesn’t often act that way. He’s revolutionary in the sense, that animals are limited by their genetic and related conditioning. They can not go outside the framework of this set of axioms, to choose their behavior. They may act violently, they may act otherwise. But they can not *change* the situation.

Man, with his power to make fundamental discoveries of principle, is able to change the laws of human behavior. So, when you come into a situation where an existing geometry of behavior no longer works, the people who *cling* to that geometry, will go collectively insane, because no longer does the geometry work. Whereas, this becomes the opportunity for the revolutionary, is that where the idea which *should* have been adopted as a corrective, now comes into play.

Exactly what we have in the United States—as I’m sure that Dr. Kiracofe may have something to say about it, because we’re going through a similar experience—is, in the United States, we have a force of sanity. It’s not a force which is united by exact agreement on every detail, but it’s almost like an instinctive agreement, that these are the things were good in our history, these are the things that we must introduce now, to *replace* this mass insanity. And, if the United States does that, now, the test is going to be this question of the Social Security reform.

A Very Short Fuse

The final stage of this system—and it *will* collapse; it will not be prolonged. They *can’t* prolong it. They may think they’re going to prolong it, but they’re not going to: It’s finished. There’s no way this system, in its present form will exist. The holdings of China, and other countries, in the U.S. dollar, are worthless now. And that worthlessness will express itself—violently, very soon, and rapidly.

So, we’re coming to a point, that what these guys will go for, what they have in mind—I know their minds—is dictatorship. World dictatorship. What they have in mind, is not fighting forces. What they did to Iraq, is what they *intended* to do to Iraq. Now, a lot of our military friends said from the beginning, this was a catastrophe, a military catastrophe. But they said, therefore, it shouldn’t be done because it *was* a catastrophe. But, some people who did it, did it because they *wanted exactly that catastrophe*. The purpose was not to subjugate Iraq. The purpose was not, in a sense, to humiliate it, control it. *The purpose was to destroy the entire Middle East!*



A revolutionary: Abraham Lincoln, shown here with his son Tad, in a statue in Richmond, Virginia commemorating his visit there at the end of the Civil War, April 1865.

Imagine the effect—because the next target in line, is Saudi Arabia! Now Gulf oil, what’s the cost of Gulf oil, as opposed to petroleum from other parts of the world? This region has an 80-year supply! At present rates. *Known* supplies. (What does Russia have, in terms of supply? What about the North Sea oil?) This is one of the richest, most long-lasting, cheapest parts of the world! Now what happens if you destroy the whole region? What happens to the price of petroleum? What happens to the economies of the world?

This insane madman—he’s insane, but they intend to do what they’re doing. And we have before us, in my view, we have a very short fuse, a very short opportunity, in which to move to save civilization. We have people in the United States, enough of them, who could form a government; who could, in fact, be called in to do the job of government. We could deal with the problem. The question is, in my view, are we going to be able to do it? Because, if we fail, if we in the United States do not do what I’m determined we *shall* do, I guarantee you: a Dark Age for all the entire planet.

You’re right about the discontinuity. We’re sitting, as of now, in the weeks before us, we’re sitting on the edge of a discontinuity. And this discontinuity will be decided—it could have been decided this past week. But, when people stood up in the Congress, and said, “We do not support the certification of Bush in the vote for Ohio,” that was a turning-point, in the politics of the United States. Now, the fight will be on two things: The Gonzales issue, the question of Abu

Ghraib—that’s important. It’s not decisive: The Social Security question is decisive. If we lose the Social Security question, if that goes through, then we’ve lost. And if we’ve lost, the world’s going into Dark Age.

If we *win* the Social Security issue, then Bush is a lame duck. And the government will now fall back into the hands of the Congress, through a combination of Republicans and Democrats. Under those conditions, we have a change.

So, I say, I’m a revolutionary. You’re right: There is a discontinuity. But, there’s also a revolutionary opportunity.

LaRouche responded to the remarks and questions of four individuals at the close of the morning’s panel:

The first person asked what impact the emergence of a Russia-China-India alliance would have inside the United States, whether it would be healthy or not.

The second individual spoke at length about his view of the strategic situation, noting that in the short term, Bush, who he thinks has gained new legitimacy from the election, faces two crises—finding a way to exit gracefully from Iraq; and solving the Palestinian-Israeli conflict. He also stressed that it is important for Europe to become a regional power, including militarily, and that Turkey not be excluded, because of its importance in encouraging a democratic trend among Muslim countries.

A third speaker expressed disagreement with LaRouche’s view that the free-market economy was a threat.

A fourth questioner asked what the role of Africa would be in the context of a Eurasian Land-Bridge development.

The Future for Africa

LaRouche: I'll take the last one first, because it's very easy to deal with as a matter of principle. When I say "Eurasia," I'm not excluding Africa, in the sense that Africa's a characteristic problem. Of course, there are two parts, Northern Africa and Sub-Saharan Africa.

But, in Sub-Saharan Africa, the problem, of course, is genocide. And the problem there is also associated with raw materials, as raw materials are of the biological nature, and also the mineral nature. Therefore, the question of providing justice for Africa, would mean that a global approach to raw materials, would also cover Africa the same way: that Africa would have protection of its role as a raw materials region, and must have the same kind of protection. My view, when I emphasize Eurasia, Eurasia to me is — United States support for Eurasian development is the key to changing the world.

And the problem of Africa, is a big problem, because it goes back to — essentially, the modern European problem with Africa goes back to the time of the Grand Inquisitor of Spain in 1492 and afterward, when Spain introduced the idea that Africans were animals, and therefore could be hunted down and captured to be slaves. This happened in Spain. It happened in Portugal. The British and Dutch picked up the process from there. The British dumped it, because it was less profitable than drug trafficking into China. And this is the problem.

We have, in the case of Africa, especially Sub-Saharan Africa, we have a moral problem, of European civilization which has not recognized the criminality of that decision, to say that one part of humanity is less than human. Spain did the same thing to the Mexicans. It said: Well, they're not totally unhuman, but they're irrational, and therefore, they have to be managed as if they were cattle — which is the system of peonage, which we saw in Mexico.

These crimes against the nature of humanity, are the problem. My view is that a Eurasian agreement is the key to establish an international agreement, for dealing with this kind of problem in Africa. And it ties into the question of: How shall Africa have the right to develop, and makes its contribution to the world's raw materials supply, as a sovereign act, under that same kind of protection we would expect for Eurasian nations?

The 'Free Market' Is for Monkeys

On the other ones — let's take them in reverse: Don't believe in the free market. I know about the free market. First of all, and what we have to do in this, as in some of the cases that were raised by our friend from France, we get away — when we start to talk about economics, I've talked about things that assume economics, we tend to wander to insanity, because the current ideas about economics in the world, are



Franklin D. Roosevelt: "He didn't change anything in the Constitution, he upheld the Constitution."

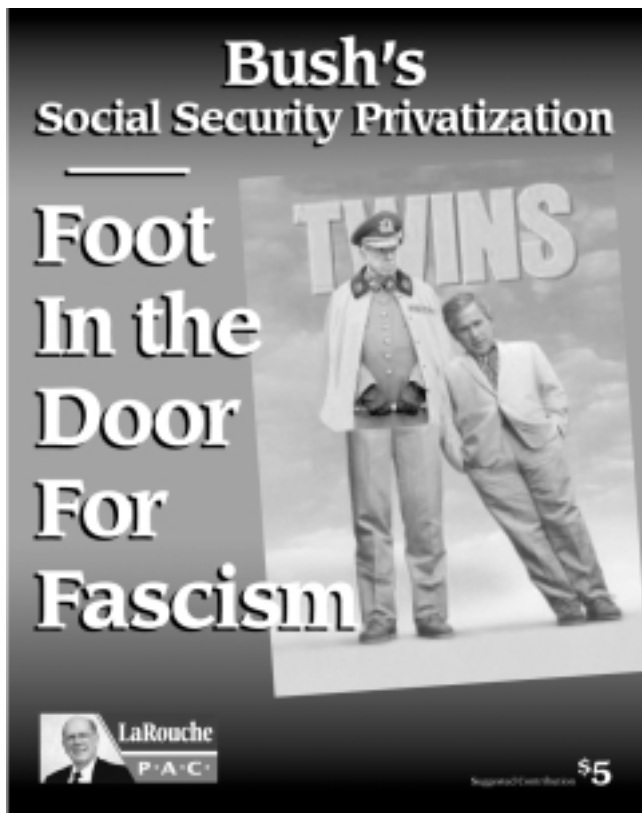
generally insane.

The world is dominated by the Anglo-Dutch Liberal system. The Anglo-Dutch Liberal system is not new. It is actually a continuation of the Venetian system which ran Europe from about 1000 A.D. until the New Dark Ages in the 14th Century. The Venetian model — it was the Venetian financial oligarchs, in alliance with the Norman chivalry, which ran Europe. What you're looking at today in the Anglo-Dutch model, is a direct continuation, a transplanting of the Venetian model into the Anglo-Dutch area, around the British Empire. It was these people that invented the idea of free trade.

Now the idea of free trade was developed by some really idiotic people, such as Mandeville. And all of the free traders are clinically insane. The one thing they avoid fundamentally, is the question of truth. The first thing is the truth about man: What's the difference between man and an animal? *No free trader can tell you.* They can't tell you.

Economy is based on the fact, that the individual human mind is capable of discovering universal physical principles, which no animal can do. Economy and profitability and growth are based on the application of this quality of the human mind, by society, to improve its practices in ways that no monkey could do it.

Free market is fine for monkeys! It's not good for human beings. All free-market theory is clinically insane. It denies that. It also denies something which is related to that: It denies the principle of truth. The free market says, "Let all practices



The LaRouche PAC's blockbuster pamphlet: "If we win the Social Security issue, then Bush is a lame duck."

compete. And let's see which one works out the best." It takes no responsibility for foreknowledge of the consequences.

In a regulated society, we promote those things which are beneficial to society, and we should do it on the basis of truth. What you're living in Europe today, and the United States today, is, you're living in a society whose culture is that of sophistry! For example, the real ugly thing in Europe, comes out of the immediate post-war period, when Nazism was introduced, again, in the form of the Congress for Cultural Freedom, in which people who were Nazis, but who weren't qualified for Nazi Party membership because they had Jewish birth certificates, such as Theodor Adorno and Hannah Arendt, went to the United States, where, in Columbia University, they were turned loose; where their brand of fascism, their brand of Nazism, was brought back in the form of the anti-Communist movement of the Congress for Cultural Freedom—saying, "Nazis are the best anti-Communists, therefore, look the other way, when they do this, or this."

It's like the question of the use of the term "terrorism," which came up in the discussion. There *is* no such thing as "terrorism" as an international movement! The fight against "terrorism" is a fraud! Terrorism is a practice of many different kinds of people. Terrorism is *what the United States is doing at Abu Ghraib!* So therefore, should we kill the Presi-

dent of the United States, because he's practicing terrorism, by his order, in Abu Ghraib?

Terrorism was practiced in Europe by NATO! Shall we kill NATO? Who did the terrorism in Italy, in the first half of the 1970s? It was NATO!

But, the problem is: We're in a *sophist society*, in which we no longer say, "Truth is important." I know a lot of truth. I've had the privilege of discovering a lot of truth about what happened in recent history, because of my work, and the nature of my work. And I can tell you, the problem with society today, is people don't believe in truth.

Take the case of *The Authoritarian Personality*: The basic principle, the basic doctrine of the Congress for Cultural Freedom, is, *there is no truth!* This was the doctrine of Hannah Arendt! This was the doctrine of Adorno. Adorno was worse: Destroy anything that looks like truth—especially in music. This kind of thing.

So, the problem today, is in economics, is there is no principle of truth being practiced in the teaching and practice of economics, by government. So therefore, we don't apply the idea of scientific truthfulness, we don't have the idea of scientific truthfulness, in the sense of a scientific debate on certain grounds, of what is good. We also don't recognize that the question of freedom is not a question of arbitrary freedom, of arbitrary choice: It's the question of the freedom to discover truth.

For example: the right of dissent. We must have dissent in society—not because we want dissenting, but because we want the freedom of dissent, especially among young people, in order to force us to look at ideas that society's overlooking. So you have to have channels of expression of dissent. Yes, we have to have a society which is consenting to dissent, which provides channels of expression for dissent; which provides a forum in which young people can get up, and insult the government—which is probably good for the government, often. We need dissent.

But, the idea of free market—Mandeville's idea, is that the promotion of vice, promotes the public good. But what we need is, we need regulation. In the United States, we had that experience.

National Sovereignty and the Principle of Truth

On some of these other questions, like our French friend raised. Again, this question of truth: Do we believe in a principle of truth in government? What is the relationship of a principle of truth, to the idea of national sovereignty? What is wrong, with taking a group of Europeans who have different language-cultures, and ramming them together, and saying you now have one nation, or one political unit? What's the difference between that, and having a system of fraternal collaboration among perfectly sovereign nation-states?

My view is that, language as such, is defined, essentially, and the nation-state is defined actually, by the argument which

Southwest Asia



The countries highlighted here are the four principal states identified in “The LaRouche Doctrine,” whose cooperation is required to create a zone of stability in the region as a whole.

was made by Dante Alighieri, on his correlation between the definition of the function of language, of the national language, and the function of the nation-state, as in his *De Monarchia*.

The question of truth, is a question of the ability of the human mind to discover truth, rather than being taught how to behave. This means, as I lay it out in these papers,¹ the function of irony in art, and in the use of language, is the means by which a people, finding the experience of irony in the experience of their own language in dealing with an unfamiliar idea with a pre-existing language, are forced, through irony—or Rabelaisian irony, preferably, just to get a good expression of it—to discover a meaning, a concept, an idea, which did not exist before. But, it’s an idea that corresponds to reality.

Now, the way we do this—and we see this, especially in the language side of Classical artistic culture—we see that the people use a language, which has its own peculiarities, and they use that language in an ironical way to develop ideas that correspond to their discovery of truth, like scientific truth. And good Classical art does have the quality of scientific

1. Lyndon H. LaRouche, Jr., “Toward a Second Treaty of Westphalia: The Coming Eurasian World,” *EIR*, Dec. 17, 2004; and LaRouche, “The Dialogue of Eurasian Civilizations: Earth’s Next Fifty Years,” *EIR*, Jan. 7, 2005.

truthfulness, as Shelley and so forth could demonstrate.

Therefore, I think the key thing is, we have to realize the importance of promoting the full realization of a *Classical* conception, a *Classical artistic* conception, of the sovereign nation-state. Because our objective should be to bring the individual citizen: Let’s take the fellow in India, the poor one, of the 700 million poor; or the many poor in China, or similar parts of the world: How are we going to get them to become equal to us? We have to let them, using *their* language, their experience, to educate them, to bring them *up*, so that they identify themselves as citizens, not as semi-citizens. We have to have a development of people. And the sovereign nation-state, which takes the language-culture, the national

culture, and uses that as a medium of *irony*, to raise the level of participation of the fellow who has no education, or very little education, raise him up to a level of thinking.

We know this from experience. We’ve seen this. And therefore, I think we have to say, that the function of Europe should be a federation of respectively sovereign nation-states, or respectively sovereign *cultural* formations of nation-states, in which the richness of the language-experience is used to develop ideas through the mechanism called irony. As opposed to the so-called Cartesian method, which denies the existence of irony. . . .

The key thing is, the Baghdad issue: Look, the United States went into a war, which is a crime. Regime-change is not a legitimate purpose of government. Sending an army in, because you don’t like a regime, to change a regime, is not a legitimate instrument of warfare. The United States went in for regime-change. That’s what they went in for—not because there were any weapons of mass destruction. There were none, or none, significant. *They want in, because they want to start a war.* In which Baghdad was the first target. Syria was a target. All of Southwest Asia is a target. China’s a target. North Korea, obviously, is a target. Russia’s also a target.

In Russia, you have irregular warfare that is being conducted by American and other forces against Russia, through the North Caucasus. It started with Brzezinski, who launched

the attack on the underbelly of the Soviet Union in Afghanistan; which created the forces which are called “terrorist” forces today—drug forces; these forces, armed with drugs, expanded drugs, operating out of a base in Afghanistan, and in the North Caucasus, targetting the south of Russia, the south of the former Soviet Union, is a menace all over Europe.

This process is ongoing, now! And, as long as we tolerate this, we get this situation.

Now, what do you get in Baghdad? Yes, Bremer came in, and destroyed a rational solution for a war which had been already made. By firing the Iraqi Army and firing the Ba’ath Party, he destroyed any possibility of a constructive reconstruction of Iraq. By continuing the policy they conducted with that, in that way, they destroyed the place!

Now, the point is, we should be out of there. The United States should be out of there. But, the problem is, we’ve created a mess, which is insoluble. The mess is a threat, not only to there. But, as mentioned, the question is: You can’t solve the problem of Southwest Asia without settling the Israeli/Palestinian question. It can’t be done. I think it could be done, from the United States, with the support of Europe. We *could* find solutions. We’re working on some of these things now. There are possibilities. But, without including Turkey, Azerbaijan, Armenia, Iran, and Southwest Asia as a whole, including Egypt, into this combination, there *is* no possibility of stability in the Middle East. There *is* no possibility of avoiding an explosion of the whole Arab oil-producing region, and the consequences that means. Yes, it’s right.

But, to do that, we have to have some sense of truthfulness, and some sense of culture, and some sense of the value of the nation-state. I think, if we would affirm that in some way, that we could find, that we could rally the people of Iraq into some enterprise, which would be an international, cooperative enterprise to rebuild that nation. And I think that’s what we have to do.

Nations Are Not Governments

On the question of [an India-Russia-China alliance and its impact in the United States]. Let’s change the focus a bit. There’s been much discussion about nations, here, nations identified with governments. I don’t identify nations with governments. A nation is a *process*. Some of the nations here, have gone through a process, of becoming nations. And the nations were created by people—by a people.

Or, the case of India, for example: the case of Tilak, the meeting with Tilak and Gandhi. They had a famous meeting, which gave Gandhi, after Tilak’s death, but gave Gandhi a new perspective on how to deal with the people of India, which was realized by Nehru’s development program for India. So, India developed a concept from its people, of becoming a nation. Now, the split of Pakistan and India, was horrible.

But the idea of *becoming* a nation: that we have to think of nations, not as something which is fixed, not as a container, in which people are rattling around. We have to think of na-

tions, as something which should be constantly in the process of *becoming*. When a nation has a bad government, it becomes—like the case of China. China has gone through many such becomings. And when you identify with China interests, you don’t mean the government, as such. You talk about the government, yes, but you talk about it in terms of the interests of the Chinese people. You talk about India, you talk about the interests of the people of India, not the accidents of a particular government.

And the thing in Europe, in particular, in applying this to United States: The United States is not a property of its government, of the incumbent government. The United States is more my property, than Bush’s. I’m an American—I don’t know what Bush is! I don’t even know what his species is, after the drugs he took.

So, the point is, that inside the United States, you have a tremendous amount of goodwill, but you have a problem which you have in other countries. In the past period, since 1977, the lower 80% of family-income brackets have had a catastrophic decline in income; such that, today, the upper 20% of family-income brackets have a greater total income, than the total of the lower 80% of family-income brackets. The result has been, that in a breakdown in the political system, the American citizen, generally, in the lower 80% is not in the system, he’s not in political system—he’s outside. He goes to the political system, by threatening the politicians or promising to support them if they will give him one thing, or take away one thing. Single-issuism is a result of that process. The citizen is no longer concerned about what kind of a government he has. He’s concerned about what *he, personally, gets* or doesn’t get, from that government. So, he’s begging, like an underling at the door, like a dog barking at the door of the house. Hmm? The upper 20%, the politics of the upper 20% is largely controlled by the Baby-Boomer syndrome, the outgrowth of the Congress for Cultural Freedom’s impact on the internal United States.

But, again, we’re all human in the United States, and you can not wipe out, from us, a tradition which we have—which I have, for example, my family background: I have a conscious connection that goes back now over 200 years. Makes me pretty old! But, I have the living memory of members of my family with whom I’m associated going back now over 200 years. So, the culture, the cultural experience of our nation lives in me—as it does in most nations. A cultural experience that goes back *centuries* actually, culturally.

And what we represent, as the United States, is *the idea of our becoming a nation*. And the way we respond, given the fact that 80% of our people are largely demoralized, and about much of the upper 20% are pretty corrupt—but I saw something like that, back in the 1920s, when I saw a very corrupt nation I was born into.

But, we’ve come out of it. And I know that the way we function, is, we have certain images of our historic past—heroic images, of the American Revolution; of the Massachu-

setts Bay Colony earlier, which was actually the beginning of a republic; our memory of Quincy Adams, partly; especially our memory of Abraham Lincoln; our memory of Franklin Roosevelt: These kinds of things are what identify United States. And anyone who's conscious who cares in the United States, thinks in terms of these points of reference.

We think in terms of our relationship to European culture. Most Americans came from Europe. They came from every part of Europe. They found a land of opportunity (prior to 40 years ago). They became a part—the United States is a repository, chiefly of European culture. It's now getting, also, an Oriental, Eastern Asian culture as well; but it's primarily a European culture. We represent a distillation of European culture. Our instinctive reaction toward Europe, is to say, "It's good." Well, our ancestors came from there—most of our ancestors came from Europe. And so, when we look at Europe, our attitudes are of that type.

So, if you have a government like Bush's which doesn't care, a reactionary fascist government, in fact—that's there, it's true. But, the American people are not like that. The American people, unfortunately, over 80% of them, think like underlings, largely because of what has been done to them, especially since 1971. And that's bad, and it's sick. But, they're good. And they can be reached; they're reachable—except for a few nuts. And any European can reach them. They have a conscience: Just approach them the right way.

So, you don't have a problem with the United States. You have a problem with the *government* of the United States. And it's a thing we have to deal with.

Dr. Clifford A. Kiracofe, Jr.

The U.S.A. Confronts A Multipolar World

Dr. Kiracofe, a former senior professional staff member of the U.S. Senate Committee on Foreign Relations, teaches at Virginia Military Institute, kiracofeca@vmi.edu. He presented this paper to the Berlin seminar on Jan. 12.

I am delighted to be here today with you in Berlin and heartily thank our hosts for this fine opportunity for constructive dialogue.

In an increasingly multipolar and multicultural world, a recurrence to constructive American foreign policy traditions is necessary if Washington is to avoid increasing isolation and irrelevance. The Bush Administration's alien neo-imperial mindset must be rejected by Americans concerned about a



Dr. Clifford A. Kiracofe: "The Bush Administration's alien neo-imperial mindset must be rejected by Americans concerned about a future worth looking forward to."

future worth looking forward to, and Lyn is certainly leading the way on that one.

Today, major geopolitical developments are taking place at the great power level, as well as within regions, and Eurasia in particular, as the world defensively adjusts to a hegemonic American foreign policy. Intensified Chinese relations with Iran, ASEAN, and Latin America suggest prudent strategic calculations as do intensified relations between Russia, India, and China; as well as India's most recent arrangements with Iran, in the all-important energy sector.

Will the United States continue a neo-imperial foreign policy during the second George W. Bush Administration? Observers who expect continuity say yes, while others note the shifting correlation of forces at the opening of the 21st Century may well constrain Washington's advocates of an extreme forward policy. An understanding of several prominent schools of strategic thought in United States policy debates—primacy (also termed dominance), cooperative security, and selective engagement—is essential to realistic answers to such fundamental questions.¹ Structural domestic factors influencing United States policy, particularly in the Middle East, also must be taken into consideration. A frank assessment may well indicate that it is beyond the power of the United States to pursue further a neo-imperial policy and that such a policy undermines its long term national security interests. Nonetheless, the second Bush Administration appears poised to continue the policy of its first four years, and strategic thought in the United States is in disarray owing to lack of consensus and theoretical sophistication. This lack of consensus itself raises questions about the ability of the United States to develop and effectively implement a long-term comprehensive, systematic, and integrated national strategy to advantageously manage its security interests in an increasingly complex multipolar world.

When the so-called "bipolar world" ended with the collapse of the Soviet Union during 1990-91, a sharp policy debate emerged in the United States. At issue was the nature of the post-Cold War international system, "unipolar" or

1. Barry R. Posen and Andrew L. Ross, "Competing Visions for U.S. Grand Strategy," *International Security*, 21 (1996/87).

“multipolar,” and the implications for United States policy. Within this context, there were profound differences about the implications of the systemic change for United States foreign policy and grand strategy. Three strategic options emerged: “primacy,” “cooperative security,” and “selective engagement.” Isolation, although not a serious strategic option for the United States, has its advocates at the margins of the policy debate.

The Clinton Administration adopted cooperative security, which stresses multilateralism but also recommends coercive diplomacy and intervention. And we’ve discussed the Balkans here, today, in the Yugoslav case. Selective engagement stressing moderation, prudence, and a certain multilateralism was the earlier approach of the George H.W. Bush Administration, as reflected by Secretary of State James Baker. But the George W. Bush Administration adopted primacy, a neo-imperial strategy which had in fact been promoted at the end of the George H.W. Bush Administration by then Secretary of Defense Richard Cheney and his assistant Paul Wolfowitz. The strategy of primacy is closely associated with the extremist neo-conservative policy network which operates in both political parties, among hardline Republicans as well as among hardline Democratic circles.

The extremist neo-conservative policy network was guided, in part, by Zbigniew Brzezinski’s geopolitical ideas, particularly as he expressed them in his 1997 book, called *The Global Chessboard*—and the central concept of that, is of course the strategic encirclement of Russia. This extremist foreign policy network was endorsed and protected by Vice President Richard Cheney, in the first George W. Bush Administration, which is why this particular network of intellectuals has had such great influence. It’s protected by the Vice President himself, who for decades has relied on these individuals for his own defense and foreign policy positions. Former National Security Advisor Condoleezza Rice—a student of the father of Mrs. Albright, another Secretary of State of ours—who is now our Secretary of State, was supposed by many to be aligned with the selective engagement camp, but she quickly fell into line with the primacy or the hegemonic camp. It is an open question today whether the second Bush Administration will be constrained during the next four years, by external and internal factors, to move away from primacy and toward selective engagement in a multipolar world. My own comments today, proceed from the view that the post-war international system is multipolar.

The thoughtful British specialist Barry Buzan suggests the emergence of an international system—“international society” as he phrases it—composed of one superpower and four great powers (EU, China, Russia, Japan), with India as a “rising transregional” power.² Some, however, may consider

2. Barry Buzan, *The United States and the Great Powers. World Politics in the Twenty-First Century* (Cambridge, England: Polity Press, 2004).

the “superpower” category overrated or distorting, as the criterion usually considered is primarily military. The United States has well-known and significant economic problems, that Lyn has been very forceful on emphasizing, such as persistent budget deficits, unsustainable current account deficits, unemployment, deindustrialization, and a low savings rate. Additionally, the United States has significant internal social issues such as mass illegal immigration (and we’re talking in the millions), crime and growing prison populations, an aging population (demographics), and rising poverty. Finally, “soft power” assets of the United States are increasingly called into question as world opinion rejects Washington’s perceived neo-imperial foreign policy, imposition of economic globalization, and imposition of alien cultural “values.”

The international system, therefore, well may be considered to contain a number of great powers of varying weight and varying regional and global reach. As international life is dynamic, not static, international relations are conducted in a constant flux and the older Russian term “correlation of forces” is not without a certain utility today in a world of rapid change.

Friedrich Meinecke

As we are meeting in Berlin, I think it appropriate to recall a great German historian, Friedrich Meinecke. With the Bush Administration’s neo-imperial *Machtpolitik* [power politics] in mind, let us consider a few key points made by Meinecke in the wake of World War I.

The fundamental modern European academic analysis of “reason of state,” the realist theory of politics, is *Die Idee der Staatsräson*, which was written by the German historian Meinecke in 1924.³ Meinecke was the student of the towering figure of German historical realism, Leopold von Ranke. Meinecke, the German realist, is clear about the relation of the state to the international system. He says, “It is only within the family-like community of States that the individual State itself can prosper in the long run”—the point, I think, that Lyn certainly was making earlier in the day.

Indeed, Meinecke affirms that the European sense of community, “which provided the underlying assumption for Ranke’s assessment of the European power-conflicts, and which was the fine beneficial after-effect of the mediaeval idea of a *Corpus Christianum*, must be recovered once again.” Meinecke the German realist does not reject the idea of an international organization to promote peaceful relations among nations, and Meinecke the German realist does not reject reason. He says of the ideal of the League of Nations,

3. Friedrich Meinecke, *Machiavellism, The Doctrine of Raison D’État and Its Place in Modern History*, Douglas Scott, trans., (London: Routledge, and Kegan, Paul, 1957). A helpful analysis of Meinecke is presented in Richard W. Sterling, *Ethics in a World of Power, The Political Ideas of Friedrich Meinecke* (Princeton: Princeton University Press, 1958).

that it is “part of the very essence of reason that it should strive to exert its influence over nature and set up such an ideal for itself.”

Meinecke rejects the glorification of violence and the power struggle, stating, “the naturalistic forces of historical life will be sufficient to ensure that we do not achieve peace on Earth so quickly; there is no need to strengthen them further with any doctrine which glorifies war and power-conflicts,” which is precisely the doctrine that neo-conservatives are operating on in Washington, today. Further, Meinecke rejects crude Darwinian and Spencerian analogies employed in describing the international system. He says that the moral justification of the strong over the weak “could now be easily misused” and it could be “replaced and coarsened by a Darwinistic naturalism—all the more so when the Nietzschean doctrine of the Superman arrived.” Meinecke, in 1924 said, “Together with the false idealization of power politics, there must also cease to be a deification of the state.”

International Law

The rejection of international law and international institutions is another feature of the Bush neo-imperial agenda.⁴ Why? This is very important to understand. This traces back to the influence of Carl Schmitt, the Nazi professor of law and juridical studies, on the contemporary American intellectuals and the neo-conservative movement. If you want to know why Mr. Gonzales, who’s now nominated for Attorney Generalship, rejected the Geneva Conventions, you have only to examine the relationship between Carl Schmitt’s legal philosophy, and the neo-conservative—and also, some of our law schools have even gone so far as to start teaching and reviving Carl Schmitt’s legal doctrines, if you can imagine that, here in Europe; it’s hard enough for us to imagine that, at home.

As one of the greatest American authorities on international law and United States diplomacy, John Bassett Moore, wrote a century ago, “besides exerting an influence in favor of liberty and independence, American diplomacy was also employed in the advancement of the principle of legality. American statesmen sought to regulate the relations of nations by law, not only as a measure for the protection of the weak against the strong, but also as the only means of assuring the peace of the world.”⁵ The Bush Administration’s rejection of international law as mere “legalism” is in line with the

4. For an insightful analysis of the evolution of the law of nations see, Garrett Mattingly, *Renaissance Diplomacy*, Chapter XXVIII, “Law Among Nations,” pp. 245-256. On contemporary use of force from a European perspective, see Barbara Delcourt, “Usage de la Force et Promotion des Valeurs et Normes Internationales Quel(s) Fondement(s) pour la Politique Européenne de Sécurité et de Défense?” *Revue Études Internationales*, 34 (2003).

5. John Bassett Moore, *American Diplomacy* (New York: Harper and Brothers, 1905), pp. 251-252.

Nietzschean *Machtpolitik* of Nazi Germany and Carl Schmitt, and does not square with the traditions and practice of the United States, which has respected the role of law in international relations and sought to enhance it.

We’ve talked a little bit about American history today. I’d like to perhaps conclude with two historical points, trying to tie us into the European cultural experience. I would point out that in the 19th Century, American international legal thought and diplomatic approach was influenced in no small way by the studies of state systems, the international systems of different periods, by distinguished professors at Göttingen University. I am referring, particularly, to the work of Prof. Arnold Hermann Ludwig Heeren (1760-1842) and his *Handbuch der Geschichte des Europäischen Staatensystems*. In this regard, I would note that an English translation of this work was published in the late 1820s by Prof. George Bancroft (1800-91), the great American historian who had studied under Heeren and others at Göttingen himself for two years, and who had also received his Ph.D. there. Bancroft was a friend of many great German scholars, including Wilhelm von Humboldt. And our Congress selected Professor Bancroft to give the official eulogy on the death of Abraham Lincoln.

Toward Recovery of American Diplomatic Tradition

The political, economic, and military struggle of the European powers—Portugal, Spain, Holland, France, and England—for supremacy in the New World was the cauldron from which the United States ultimately emerged. As Prof. Armin Rappaport has pointed out, a study of the diplomatic history of the United States “does not properly begin in 1776 with the declaration of American independence but reaches back into the colonial period to the time of the earliest settlements.”⁶ Indeed, Prof. Max Savelle has emphasized the early origins of American realism, a realism that does not exclude elements of “idealism,” such as a commitment to the principle of legality. Savelle argued the “early United States diplomacy becomes a synthesis of American, English, and European elements.”⁷ During the first half of the 17th Century, the Thirty Years’ War was raging in Europe and the Westphalia settlement was achieved. “It is particularly in this first half-century of settlement,” Savelle wrote, “that the peculiarly American policies may be said to most clearly to have had their origin.”

A recovery is needed of earlier American perspectives informing its former constructive non-imperial foreign policy tradition, as best embodied by President John Quincy Adams, once our former minister to both Prussia and to Russia. Such

6. Armin Rappaport, ed., *Essays in American Diplomacy* (New York: Macmillan, 1967), p. 1.

7. Max Savelle, “Colonial Origins of American Diplomatic Principles,” *Pacific Historic Review*, 3 (1934).

a recovery would include a review of the positive relations developed with India, China, Russia, Japan, and the Middle East during the 18th and 19th Centuries. At that time, the United States operated quite comfortably within a multipolar and multicultural international society.

I would point out to our friends here from India and China, that our commercial relations with both India and China both began in the year 1784. And thanks to our French friends in India, we were able to negotiate for commerce in Pondicherry, in that particular time — so it was through our French friends, rather than our British rivals.

The first commercial voyages abroad after the War of Independence and Revolution were to China and India in 1784. The first American ship to reach India in this era was the *United States*, which cleared Philadelphia on March 24, 1784 and reached Pondicherry on Dec. 26, 1784.⁸ Trade with Russia reached back as far as the days of Peter the Great, when Virginia tobacco was sold via London.⁹ During the same era, in the Middle East and North Africa, relations were established with Morocco and later with Oman. Constructive commercial and cultural relations were further developed in the Middle East during the 19th Century.¹⁰

We can only imagine how shocked George Bancroft, and many other great Americans of the past including President John Quincy Adams, would be by the depravity of the present Bush Administration, by its neo-imperial policy, and by its reckless disregard for not only international law, but for the long term national interest of the United States itself.

Hopefully conferences such as ours today will provide a basis for a continuing dialogue among cultures and for the construction, in the tradition and spirit of Westphalia, of an international system concerned with the peace and progress of the sovereign states that comprise it. In this regard, I might mention one example of international cooperation, which sometimes people do forget, is the level of scientific cooperation that's been achieved with Antarctica. And that was even at a time during the so-called Cold War.

Thank you for your kind attention.

8. G. Bhagat, *Americans in India 1784-1860* (New York: New York University Press, 1970), pp. xxiii-xxvi.

9. Alfred W. Crosby, Jr., *America, Russia, Hemp and Napoleon. American Trade with Russia and the Baltic, 1783-1812* (Columbus: Ohio State University Press, 1965), pp. 2-3; Benjamin Platt Thomas, *Russo-American Relations 1815-1867* (Baltimore: The Johns Hopkins Press, 1930).

10. George Antonius, *The Arab Awakening* (Beirut: Khayat's College Book Cooperative, 1955); E.A. Speiser, *The United States and the Near East* (Cambridge, Mass.: Harvard University Press, 1947); William R. Polk, *The United States and the Arab World* (Cambridge, Mass.: Harvard University Press, 1965); Hermann Frederick Eilts, *A Friendship Two Centuries Old: The United States and the Sultanate of Oman* (Washington, D.C.: Sultan Qaboos Center, The Middle East Institute, 1990); W. Morgan Shuster, *The Strangling of Persia* (New York: The Century Company, 1912).

Prof. Stanislav Menshikov

Future Prospects for U.S.-Eurasia Relations

Professor Menshikov, doctor of economic sciences, is affiliated with the Central Mathematical Economics Institute of the Russian Academy of Sciences and is co-chair of Economists Allied Against the Arms Race. He is the author of major works on the world economy and the Russian economy. He was introduced by Jonathan Tennenbaum, who opened the panel on Jan. 13 with reference to Johannes Kepler's revolutionary thinking about astronomy. Here is Prof. Menshikov's presentation. Subheads have been added.

I want to start with saying that seminars like this, or conferences which I attended before, are always — for me, personally (I don't know about others), a source of inspiration. And I am thinking not so much of stars, at this moment, but of what is happening in today's world. The world is full of discussion of what's going to happen with the dollar and all this discussion is, of course, at a very low level.

That's one reason why I took my stick and came here, because I knew that here, the discussion would be at a high level — or at a deep level (whichever way you want to look at it). And so it is. And it is, in two respects.

Rethinking the U.S. Situation

Before I go to the "scholarly" side of it, I want to say, that for me, some of the discussion here was an eye-opener, about the political activity of the LaRouche movement. Some of you were present yesterday, remember when I first spoke, I came up and said, "Look, I'm a pessimist, because I don't see that anything is going to change in the United States. I don't see those changes coming. Now that Lyndon is not going to run any more for the Presidency, I don't see any chance for any great changes."

And then, listening to what happened after that, particularly to Jeff Steinberg's intervention,¹ I really understood what the movement was doing today. And I think it is extremely important, that people around the world know more about that aspect of it. Not just about the scientific aspect; not just about the in-depth analysis of what's going to happen, with the dollar and the world economy — and of course, with the world politics, geopolitics, and so on.

But also with what is being done now, to make George

1. See *EIR*, Jan. 28, 2005.

W. Bush a lame duck, very soon after he became President for the second term. And what Jeff was saying yesterday, particularly, about the youth movement—but also about the other things, like the real meaning of the “Gonzales case”; because I was kind of skimming through the newspapers all this time, and I quite frankly didn’t understand what it meant, in a deep sense, a political sense. And now I do, and I think it’s very important.

Now, being a pessimist, I do recall what happened at the time of the Vietnam War. I remember arriving in the United States, at the beginning of the war, or when it was just starting, and talking to young people then, and all the young people, with their hair cut very close to their skin and everything—the old way, you know; not the long-haired people who appeared a couple of years later—they were all very “patriotic,” talking about the Vietnamese: “These are bandits, these are terrorists who have to be eliminated.”

And then I came back in a couple of years—what has happened? A form of revolution, of the young people. I came to Princeton, and Princeton University is not exactly a left-wing place—and what I saw there was a real revolution of these young people who were there. And I remember, Herbert Marcuse came there, in the big auditorium, and was talking as if he was a Marxist, you know—“production relations,” “productive forces.” And the young people sitting there with their mouths open, listening to this—for them, this was a prophet, that spirit. It all happened within a few months, or a few years at that time.

So, if we now see that there’s a beginning of the youth movement in the United States, I think it’s very important. Look, it is the *youth*—including the middle-class youth, and even part of the lower elite part of the youth—who really tipped the scales and made the United States to bring about peace in Vietnam, finish the war, and take its forces out. And that was a big change, and of course, not just in terms of geopolitics, but also changing the U.S. society at that time, giving hope for the future.

So, what LaRouche is doing today, and what the LaRouche movement is doing today, I think is extremely important. But, as people said yesterday, more information has to be brought about it around the world, because we know very little about it, due to the kind of media we have—and we talked about that. I think that’s one point that’s giving me a lot of inspiration.

The Economic and Financial Crisis

The other one, of course, is the dollar crisis, and the falling apart of the financial system. Here, I want to bring you back to one of the basic economic truths that Lyndon LaRouche has been propagating for the last decades: that there’s a monetary side to it, and there’s a physical side to it. So, when we were talking yesterday about the dollar, for various reasons, we were discussing mainly the monetary side of it, the mone-



Dr. Stanislav Menshikov: “I took my stick and came here, because I knew that the discussion would be at a high level.”

tary-reform side.

But, what does it mean in physical terms? In physical terms, it means—well, to bring you back to the two deficits: the internal, Federal deficit, and the external deficit—which are the immediate causes for the recent fall of the dollar. But, what do these deficits mean? They mean that the United States is living beyond its means; that it is consuming more than it is producing; consuming more *physically* than it is producing. And it is spending more, than it is *earning!* And that means that it is living in debt—not just in money terms, but that means that it has been, for quite some time, living at the expense of the rest of the world—beyond its means. When you live beyond your means, you’re living at somebody else’s expense. The United States has been living at other countries’ expense.

Now, how was this possible? Was it always that way? Not necessarily. Immediately after the Second World War, the United States was not a deficit country. It was not a debtor country. It was actually the largest creditor country in the world. It was a country that exported billions of dollars of capital to the rest of the world. It was a country that was, in the Marshall Plan, giving a lot of aid to other countries. Now today, if you look at it, it’s a net debtor, not just in the sense that it has accumulated the debt, but that this debt is increasing every year. It’s living in debt *every* year.

And so, the conclusion is, that one can not really solve the monetary issue, without solving that basic underlying imbalance that exists, not just in the United States economy, but in the world economy, because the U.S. is a major part of the world economy. And the basic imbalance of the U.S. economy, means that there’s a basic imbalance in the world economy. That has to be solved. And I think LaRouche has

to be complimented for pointing us to this particular aspect of it.

Going Beyond Geopolitics

Now, yesterday, I was particularly struck, also, by the intervention of Professor [Hans] Köchler from Austria, who reminded us about the fact that the breakdown of the bipolar world—and that, of course, the end of the global confrontation between the two nuclear superpowers—brought about the end of the big influence in the world of the Arab and other Third World countries. He was stressing that point. Why? Because, the other pole, which means the Soviet Union, was a source of attraction to (and support for) those countries, and they had the objective—so to say, not just material, but also other support from that other pole of the world.

I would like to remind people that that the bipolar world was not just a geopolitical reality. Helga was right in saying yesterday, we have to go beyond geopolitics, because that's not the most important side of it. It was not just confrontation between two superpowers, in the sense that these are nuclear superpowers. It was a much longer confrontation between two systems, two social systems. One of which, usually people call the "communist system," but I prefer to call it the "socialist system" or "centrally planned system"; which was the alternative to the market system, that *broke down*, actually, in the '30s, at the time of the Great Depression.

But the social system continued to exist, and continued to show a different way, a different alternative to the world. And we talked today, about the fact that in the 1990s it imploded, it broke down. But for a long time, it was a source of inspiration for the whole world. Actually, elements of socialism crept into the capitalist system, into the pores of that system. The welfare state was nothing else—I mean, it was other things of course, but it was also an attempt to give a reply, to answer the challenge of socialism or of communism.

And many other things were responses to that challenge: Remember, Kennedy said, initiating the lunar exploration program—why did he do that? Did he need to occupy the Moon? Was he looking for weapons of mass destruction there? Or for Saddam, hidden somewhere or other? No, of course not! Man in the Moon; Saddam in the Moon. No—of course not! That was an attempt to overtake the Soviet Union, that took the initiative in space—*suddenly*, being far back generally, economically and technologically, but it suddenly came forward, with the *Sputnik*, with Gagarin and the *Sputnik*, and everything, and that was a major challenge. This was not simply technological.

I was active at that time, as an author, already, and a journalist, and I visited the United States, and I found a *very deep* impression that it [the Soviet space program] created. Why? Because this was a system that was challenging capitalism, and the most developed country of capitalism, in a very important way.

Now, what happened when the bipolar world fell apart?

With the falling apart of the Soviet Union, it was an end to that particular situation, and now, for the first time in many decades, the United States as the leader of the so-called "free world," found itself in a position to dictate its will, without being really contested by anybody. That's the new situation.

And, coming into that situation, the two deficits suddenly became extremely important: I mean, the end of the bipolar situation led to the basic imbalance in the world economy. I don't want to go into this in detail, because I think it's really rather obvious. Because those two deficits appeared before, they were there before, but in a small way. They became important in a big way, and this physical discrepancy became important in a big way, as the years of the unipolar world went on.

And, when we say that we have to think more about changing this basic imbalance, that also means that we have to go back to the multipolar world. It doesn't necessarily need to be a bipolar world; but, it has to be a multipolar world. Because Mr. Putin is also saying what I'm saying, but I don't think he means exactly what I mean. And I don't think he's doing much to bring about that multipolar world.

But, I think that's the future, because, if you're talking about the United States versus Eurasia, the idea of the Eurasian Bridge, what is it? It's basically the idea of a multipolar world; it's the same thing. It's a situation in which *both* the United States *and* Eurasia, are important, and they work together, they cooperate. They're not confronting each other. It's not the Bush idea of taking over Eurasia, but the new idea, the LaRouche idea of cooperation between those two big systems. Not the communist system, but the other system, because Eurasia is *not* the United States. It's different from the United States, and in itself, it's a multi-faceted society.

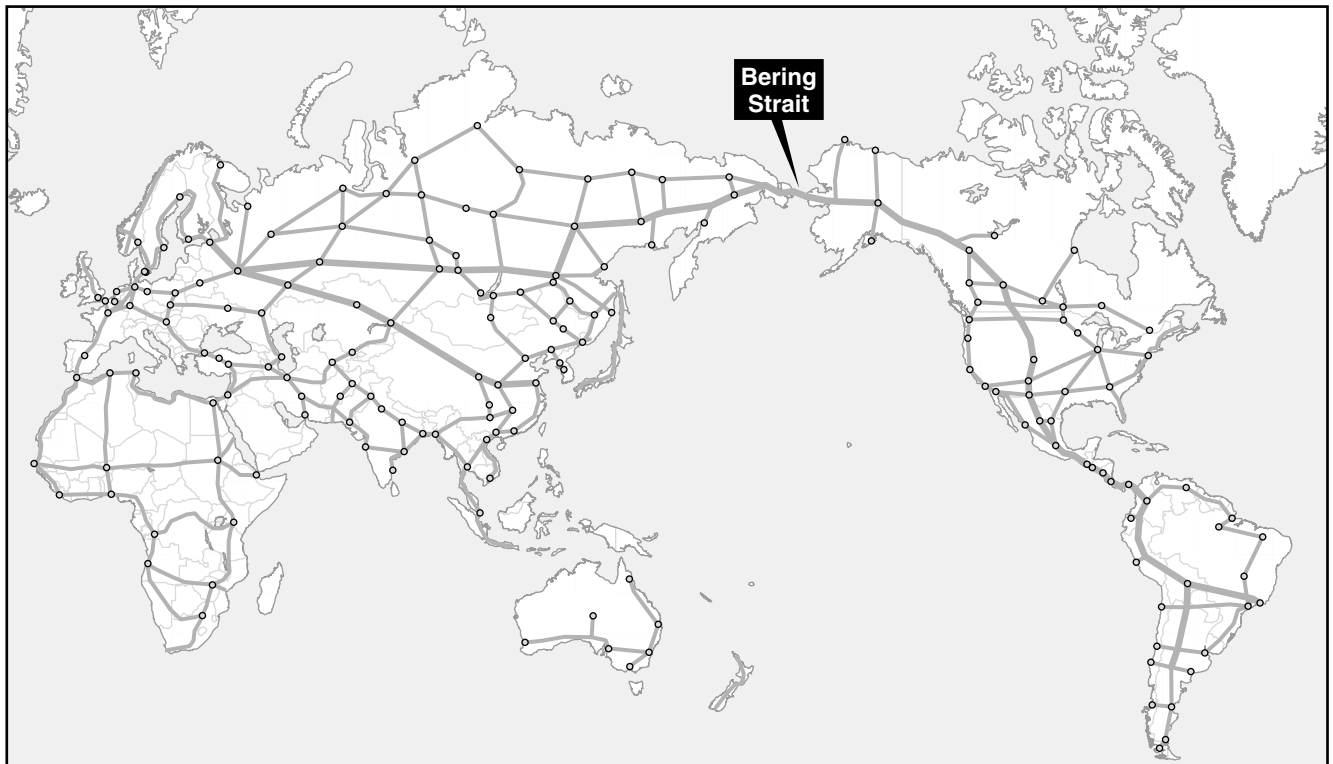
And, another source of inspiration is the program, or the package so to say, that Lyndon LaRouche is developing for the future. Well, of course, he's a realist, and says that this can only come with a basic change in the governments of sovereign nations, and I agree with you—yes, the governments have to be different. They have to be changed.

But, what are the essential parts of this program? Some of these elements I heard for the first time here, so I'm thinking in that direction. Because, before that, we were always hearing from Lyndon, that the basic thing is the New Bretton Woods system, right? That's the monetary system, a basic change in the financial system in the world—and I agree with him! That is a very important area.

What Kind of Raw Materials Cooperation?

Now, he has added to this, two elements, one of which—so to say—he threw in without discussing it, basically, in a large way, and I think we should think about that, maybe already bring in a few ideas. And that is, the deal on resources, natural resources. It's a very important thing. Because, yes, of course, some nations are endowed with a lot of natural resources. Others don't have that. And, one of these nations

The Eurasian Land-Bridge: Proposed Links to a Worldwide Rail Network



This sketch by Hal A. Cooper illustrates Dr. Menshikov's point about a multipolar world: "It's a situation in which both the United States and Eurasia, are important, and they work together, they cooperate. They're not confronting each other."

that can not live without outside resources is, in fact, the United States. And one of the sources of their expansion in the world—so to say, in the Bush way—is, of course, being sure the United States is not cut off from oil, or other sources of energy in the world. And that brings it over into the Caspian area, and plans for the Caspian area; it brings it, once again, into the Middle East, which has been, of course, attempted already in the 1920s, immediately after the First World War; but not in a big way because the British and the French were around at that time.

But, so, it is a United States problem. Energy, the energy problem, *is* a United States problem. And many people who are talking about the new relations between Russia and America, in terms of the partnership and so on, are also thinking that Russia will become part of this "energy bridge," so to say, and be a new source of energy for the United States.

But, I don't think that's exactly what LaRouche means, when he's talking about an energy deal, or a raw materials deal. Because, that's a kind of a one-way approach; that's an approach from an American side, as seen through American eyes. Now, if you look at it from Russian eyes, you see a different situation, because, at the moment, as Russia sees it, exports of oil and gas are an additional source of growth

and prosperity for Russia, as a source for reconstructing and resurrection of Russia as a major power. And there are crucial national interests involved there.

So, I think this idea needs development. You just can't simply agree to divide global natural resources between major powers. On what basis? What would be the basis? Does this mean that Russian resources, also Middle East resources, the resources of other countries, will be a kind of an object of a deal to divide, spheres of interest, so to say? A new kind of world cartel, dividing those resources, in the interests of a few nations? Or what kind of agreement will that be? I mean, we have to bring a bit more concrete substance into that idea.

I support it. I think it's a very important thing, because raw materials and resources have been sources of war and friction between countries, so it *has* to be solved. It has to be solved. But, one has to develop this, in the way that LaRouche developed the New Bretton Woods system, and we have to develop, also, this idea.

And the second idea that he brought in, part of the program, and I think it's very important—but he did it "on the way," so to say, yesterday, in one of his comments: And that is, the deal for major investment projects in the world, for 40-50 years ahead, to bring up the world economy. We can call

it a physical investment, or capital investment deal. And that, again, needs an international agreement between sovereign nations, in any case.

And, it is, as we saw yesterday, very deeply connected with the dollar situation, and with the suggestions for solving that situation.

An Economy of ‘Compassion’

I would just enumerate a few additional things that, perhaps, could also be added to this program. Now we have three elements: the monetary system, the resources system, the global capital investment system. And we know what’s behind all those things.

Now, I think we should add a few points. One point: there has to be a major change in economic policy. We talked about that, so to say *en passant*, yesterday. Which means that we have to, first of all, put a big cross over the current economic policies, of what are called “neo-liberalism,” or “liberalism,” which really means minimization, or bringing to a minimum, the role of the state, the role of government intervention in the economy. The dogma of that, that the market is the god—what LaRouche, yesterday, was talking about.

The market economy, as he explained it, is a myth in many ways: this idea, that this is a system that brings the optimal solution to all problems. No, it doesn’t. And, in fact, the greatest economies of the last centuries have shown, that it does not necessarily bring an optimal solution, and even the optimal solution is not the optimal solution for everybody. And he said, the real economic system of the future, is the system which is looking for the truth. And, Helga added, “and love.”

Well, I’ve been a proponent of an economy of *compassion*, using some of the ideas of Buddhism. Compassion, instead of putting the profit motive as the *basic motive* for the economy. Not just the profit motive, but *maximization of utility*, for example. This is really saying—this is another way of saying that the basis of human existence is greed; that the main aim of existence is greed. And LaRouche, yesterday, said, “No. That is for the apes!” So, you could call the “market economy” as the “ape economy.”

And “human economy” is a different economy. It isn’t there, *yet*. The communists tried to do something about that. I mean, they had a noble idea—which of course, was destroyed by the gulags and other things.

So, this still has to be developed, but, one point, one way of developing, is of course, crossing out the neo-liberal economic policies of today. And, of course, that doesn’t mean that Bush is following neo-liberal policies. When he wants to increase expenditures, he’s a Keynesian, so to say—a “*bastard Keynesian*,” same way as any other. Well, the “bastard Keynesian” is a term that I didn’t invent. . . .

Reagan was also a bastard. Look at him! The so-called “Reagonomics”—what is the source of that? He said, “Balance the budget,” right? Did he use a balanced budget? No! He increased military expenditures, and the budget went into

tremendous deficit for the first time. And that helped raise the economy of that time. Nobody blamed him for not balancing the budget. Why? Because, you know, when the economy surges, everybody has a job, and companies have profits, and nobody blames the government—that’s a nice policy.

Now, today, in Europe—as LaRouche, again, yesterday said, they’re stuck in this stupid Maastricht agreement. Well, but remember, we’re sitting in Berlin, right? Germany was the proponent of that system. Why? Because it looked at Italy, it looked at the other currencies, and it was afraid that those countries in the European Union would bring down the common currency, and they would be a source of destabilization. That was the idea. That’s where the Maastricht agreement came from. That’s where these limitations on deficits came from.

But, today, when the European economy is in a prolonged depression, the situation is absolutely different: You can’t stick to that Maastricht agreement. And poor, lazy King Chirac, as yesterday, [Jacques] Cheminade called him—it was he who called him, I think. [from the audience: “*le roi fainéant*.”]. Yes, well “lazy king,” was the way he translated it. So, poor Chirac says, “Well, you know, we kind of have to rethink Maastricht, tra-la-la.” But, they don’t have the political will to say, “Well, look, this is the time.”

And they’re listening to the stupid Prime Minister of Holland, who, in Holland, everybody is ridiculing for his policies—who said, “no, no, no, no.” Because, at the back of Balkenende, who is the Prime Minister of Holland, is what you would call the “right-wing conservatives” and what they call the “neo-liberals”—what is “conservative” is called “liberal” in the Netherlands.

Lyndon LaRouche: “Liberally conservative.”

Menshikov: Right. No, liberal! Mr. Zalm [Deputy Prime Minister and Finance Minister] who sits there, and says “No, no, no, we can’t do that, because that’s socialism. No, no, no, you can’t have a deficit!”

What you mean, you can’t have a deficit? The U.S. is living on deficits! But Netherlands said, “No, no, we can’t.”

So, there’s no political will in Europe to change that. And poor Chirac and poor Mr. Schröder are following that particular path, and preparing themselves a *grave*, social crisis.

And, that’s what’s happening in the world. Okay, so, the economic policies have to be changed, and that’s not just in the United States, it’s worldwide.

Two other things, we completely forgot to talk about. One is arms expenditure: This has to be brought down! Consider the enormous waste that is now being performed, by using how many trillion dollars or more on armaments, unneeded armaments? What are these armaments for? For crushing poor Iraq? You would need much less—you don’t need that enormous military budget, or whatever they’re spending for that purpose. That is not needed.

And I am co-chair of an organization called ECAAR-Russia: “ECAAR” is Economics Allied for Arms Reduction,

that's a worldwide organization, with affiliations in the United States and other countries, and we have been promoting this idea for a long time. But, of course, nobody in the Bush Administration really is listening to us. And, they have been trying to crush down this movement. But, anyhow, I think that the LaRouche movement has to take a position on arms reduction: Because there's a lot of stuff here, that has to be just wiped out. It's a big waste of economic resources—in the world, not just in the United States, but around the world. And a source of danger, of course, to security.

And then, LaRouche yesterday was talking about this tremendous financial cancer, in terms of short-term forms of various financial paper—like . . . financial derivatives. That really is a recent development. And he quoted the figures, and these figures are really true. What is it? Twenty or 30 times larger in the world, than the world GDP, right? And, that's a cancer! That is one of the cancers of today's world economy. And it's not just stupidity. It's not just a mental case. This is brought about to prolong the major imbalance in the world economy, and also make the financial oligarchy of this world continue deriving its riches.

Now, something has to be done about this, and there have been various suggestions. We haven't explored any of these, but I think we should. There's been a so-called "Tobin tax" proposal: a tax on all financial speculative deals made in the world. So, whenever a bank changes money, and they change money not because they're serving the clients but because they're speculating, they're playing with the market, they have to pay a tax.

Of course, this was discussed, never accepted. But there has to be a program to curtail financial speculation. Whether it's a Tobin tax, or some other tax, I don't know—it's not important. That is one way of driving the resources out of speculation, into physical investment, and investment in real physical, productive economy.

Well, I've been talking too long, but one reason is, that there are very many ideas that are worth, I think, discussing, and I thank you very much for giving me the chance to express these ideas—in addition to all the other ideas that have been expressed here, which are very informative and worth thinking about. Thank you very much.

Dialogue

Here is some of the discussion that followed the concluding seminar panel, on Jan. 13.

Some Positive Features of the Soviet Era

Dr. Yuri Gromyko: [somewhat paraphrased] I have a question to Mr. LaRouche, because it's very important, for the implementation which Mr. Menshikov put on the table. It's exactly the problem of decolonization, decolonizing efforts, including by the Soviet Union. Because Lyndon

LaRouche stressed yesterday, that exactly FDR's initiative was directed against the British, his decolonizing efforts. But then Roosevelt died, it was the Truman period. Also Stalin died.

But also, the Soviet Union made a tremendous effort to organize a real decolonizing initiative. Not only an ideological pocket-game. Because, for example, we have the University of Peoples' Friendship. The main target of this university was exactly to develop scientific people, to develop new industry in the Third World, and there were tremendous efforts to achieve some of this. And it was exactly connected to the sovereignty of nations, you see, because it was necessary to develop educational institutions in the Third World, independent from the British, from other countries; industry, and also science.



Dr. Yuri Gromyko

And it's really important, because it is well known from Immanuel Wallerstein's argument, who exactly said what Professor Menshikov said. He said, that exactly after the collapse of the Soviet Union, there is a different possibility to do something in the world. Desperation in the Arab world appeared, because there had been huge assistance from the Soviet Union.

So, I guess it's very important also for the position of the Russian side, if we are going to have real sovereignty in Russia. We have, till now, in my opinion, the African Institute, South American Institute, Arabic Studies Institute—we are the best experts in these fields. And there was such an idea that it's necessary in the Third World to develop independent industry, science, education, to help these countries to become sovereign countries.

Also, will you speak about the pattern of the so-called American economy? Three key elements of this economy: the first, state central bank, not privatized; long-term investments, the possibility to have long-term investments; and the possibility to plan social development of the common good, the possibility to have social infrastructure.

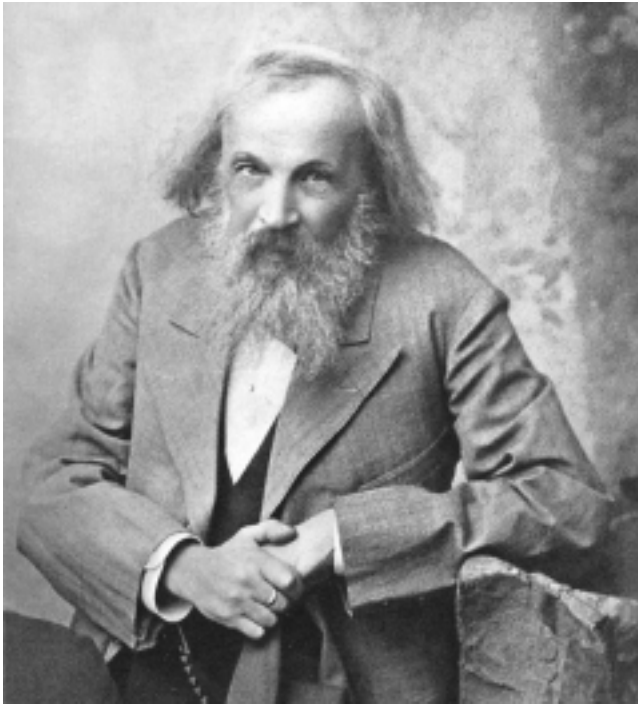
It's exactly the very important element of so-called "socialism" and "social economy."

So, what's your understanding of the difference between the so-called pattern of American economy and socialist approaches?

Thank you very much.

Global Cooperation in Raw Materials

Lyndon LaRouche: Let me talk this out, because there are several things—Professor Menshikov also introduced some questions which he wanted some answers to. And we



Dmitri Mendeleev's pioneering work on the Periodic Table laid the basis for breakthroughs still to be achieved.



Vladimir Vernadsky's conception of the Noösphere is "the greatest revolution in policy which has been introduced to this planet, in terms of conception of social policy."

have people here in the room, who can, in a sense, partially address the common features of this problem.

Let's go to the relationship of Russia and China, in the context of what I propose as this primary materials condition for a new world financial-monetary system. Now, where did this idea develop? You have China, which has contributed one thing: It contributed what was natural to China, coming out of its past history, and the struggles of past history, including the case of the famous developments in the 1960s: that China realized, that with a growing population, it had to transform China; it had to use technology to do that; it had to concentrate on large-scale infrastructure development *first*. The Three Gorges Dam is typical of that requirement. Without managing the water, the territory of China, the infrastructure, there is no possibility of solving the mission of China for its own people for the next 60 years. Not possible.

So therefore, China requires not only capital development, technological development; it still now is *importing* a lot of its technology. The policy is a right policy, but there is a dead end to it. You've got to go beyond importing technology in a world which is running out of technology to import, into generating it!

Then go to Russia. Now, Russia's a broken-down country now: It's been raped, looted, it is regularly raped. It gets up in the morning, and it's raped again. I don't care who does it—it's raped—that's the first event in Russian history, every morning. That's been life, since the fall of Gorbachov.

So, the problem is now, there are raw materials in Asia, tremendous amount of primary mineral resources in Asia,

compared to the Southern Africa Shield—which has *less* than Asia, much less rich; there's the Patagonian tip in Argentina, which is another great source; underneath the Amazon River system, there are great resources.

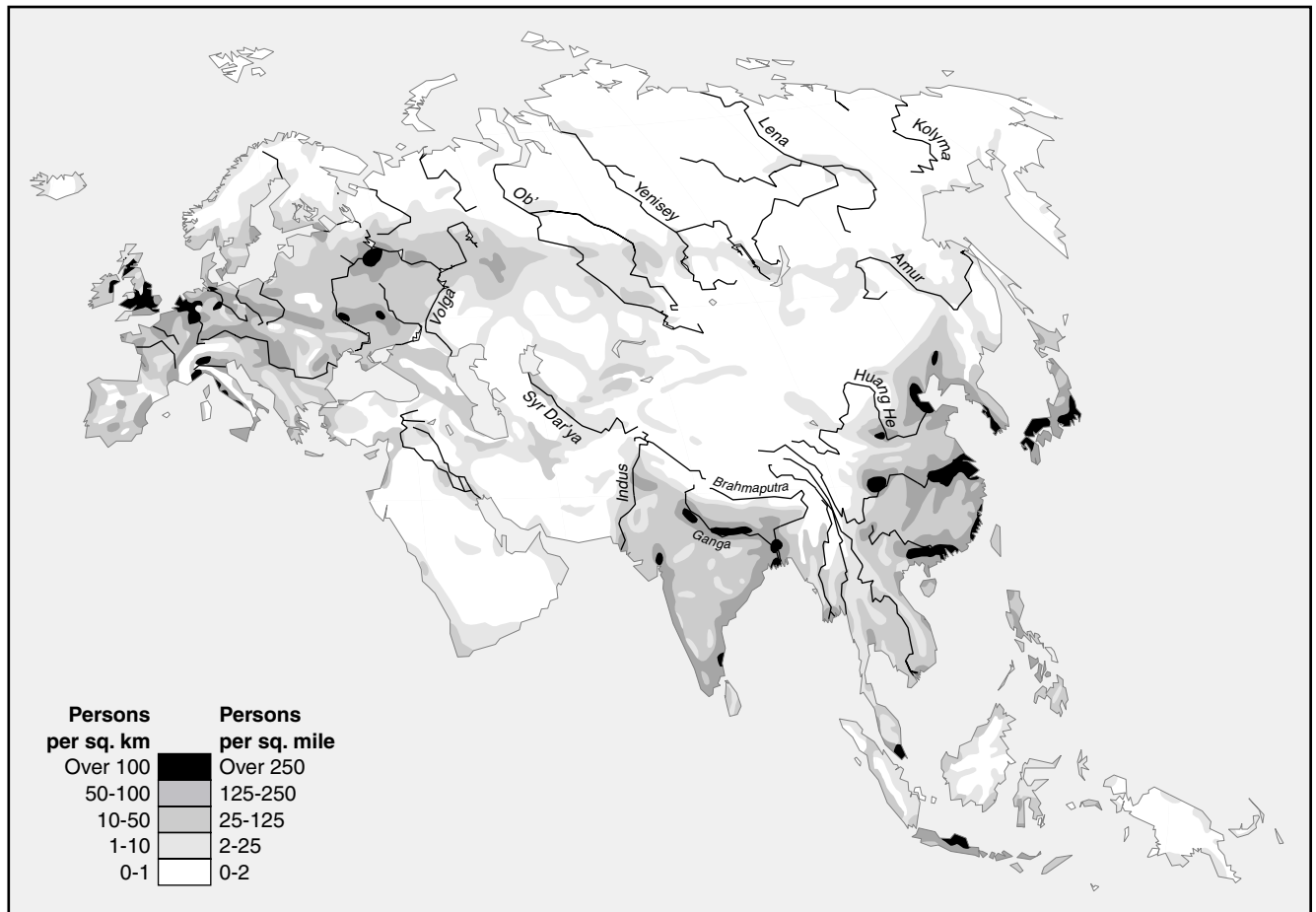
But, what's Russia's position? Does it control this territory, directly or with Kazakstan? Is that what the significance is? No! It's, *no one can develop these resources without Russian science!* That's the point.

See now, therefore, you have the largest nation of the planet, in population, China; Russia which still represents in a sense, the largest territory of any nation on the planet, if we include Kazakstan. And Russia has science, but China can not develop this area, because it doesn't have that science. In the Vernadsky Geological Museum, we have an assembly of people from various professions, but all dealing on, what? On the theme of Vernadsky!

So, why is Russia absolutely indispensable to the rest of the world to make this work? Because of, particularly, two scientists, two Russian scientists: one, Mendeleev; the second, his successor, Vernadsky. And Mendeleev did not really address many of the questions that Vernadsky did. Vernadsky's conception of the Noösphere, is the greatest revolution in policy, which has been introduced to this planet, in terms of conception of social policy.

Now, Jonathan [Tennenbaum], among others, has been involved in this Mendeleev question: that the development of the so-called Periodic Table by Mendeleev already represented a great idea; but, what Mendeleev presented initially was a first approximation. Then, in his later work, Mendeleev began to raise questions about the so-called "magic

Population Density in Eurasia in 1990, and Major Northern Asia River Systems



EIRNS/John Sigerson

numbers.” You can not explain the physics of the Periodic Table by magic numbers, the distribution of neutrons. It doesn’t work. It’s a fantasy! It’s a toy, it’s masturbation.

But, the question of what do you do, about these so-called “magic numbers,” the fallacy of the Mendeleev table, as understood, is crucial. Why? Which we dealt with in the 1970s, and 1980s, in part of the work of the Fusion Energy Foundation, of which I was a founding leader. We concentrated on this thing.

The point is, is I attacked the competence of modern science, as practiced. Modern science is essentially Cartesian science. It’s reductionist science. It explains everything in terms of little hard balls. It does not understand the universe is a developing universe; that there is no such thing as fixed science. There’s a developing process: that man is changing the universe, and man’s science must keep up with the changes which man is introducing into the universe.

Now, the question of raw materials: We’re talking about the transmutation, on a grand scale, of mineral materials—in

particular. Transmutation, mass transmutation. This is what is buried in the second phase of the Mendeleev work, which is unresolved. This question is posed on a higher level, from a different standpoint by Vernadsky. So therefore, you need the people in Russia who have more knowledge than they know they have.

Because, they were trained—the Soviet system was essentially, a philosophically reductionist system in science. The crippling of Soviet scientists, was the fact of the influence of official reductionism: so-called historical materialism, Marxism-Leninism. It crippled science.

But, nonetheless, despite that, because, in the case of the development drive, in the Soviet Union, which considered itself a backward country whose very existence depended upon technological progress; therefore, with a strong tradition in certain areas of scientific work in Russia—especially around metallurgy, the byproducts of the study of metallurgy, typified by Mendeleev in particular, and his real successor Vernadsky. That, in Russia you had an economic system,

which was a bummer! Because of Marxism-Leninism. It did not believe in scientific progress. It did not believe in a Platonic conception of the way the universe is organized. It was so-called “anti-idealist.” But, when it came to building a *military* system, and the supporting civilian system, to make the Soviet Union a power, relative to Western Europe and the United States combined, which had *much* more resources for this thing, that Russia *outpaced* Western Europe and the United States in certain areas of scientific application, *under the guise of military mission*.

So therefore, the Russian scientific community, which is now mostly in its 70s and 80s, still represents embedded within it, a capability which is more than what it really knows. And we got, in this meeting we had recently in Moscow with the Vernadsky Geological Museum, we had a sampling of these kinds of scientists, mostly in their 70s and 80s: *They are the people who know how to manage the world’s raw materials*.

Now therefore, the fact that Russia, in this role, and Russia with its access, in cooperation with Kazakstan, to the richest concentrations of deposits on this planet, *knows how to manage things in that area*. Nobody else does. They don’t know it perfectly, but they have the base knowledge.

Then, also, this involves simultaneously, large projects which the ecologist movements crushed, in Russia—like the Ob [River] development, to move part of the water from the Ob down into the Lake Aral area, to transform the whole character of Central Asia. So, large-scale water management. Dealing with the *tundra areas*, which you have to deal with, to get at this raw material problem. It’s a Russian problem. The Russians have done the most work on this thing, even though the work’s not completed.

So therefore, now you have China, whose very existence beyond two generations depends upon this. India’s probably not as conscious of this, yet, in the way that China is. But therefore, you have Russia, which has the means, in terms of giving the vector for development in this direction—it’s the basis for defining a global system of cooperation. Because, the great crisis which affects all economy, as it’s now defined, is access to so-called categories of raw materials, including petroleum. And petroleum is the least important of them.

All these minerals: You have a grab by powers, to grab control of the world’s raw materials. Not to *use* it, but to *monopolize it*, as a kind of monopoly—*against* the human race; to control world politics, by control or monopoly of raw materials. We have to break that.

So therefore, you have a situation in which two countries, each with a different impulse: China has to deal with a population question, and a territory question—that requires mineral development, and scientific development. Russian has a monopoly, in a sense, on giving the impetus to the development, which in the area proximate to China, can address that problem. So there, we take the problem. We say: Well, India may

not be concerned with this much, right yet—but they will be! Because if you have 70% of the Indian population that is increasingly *desperately poor*, despite those who have a better life, then this problem has to be solved. You look at Southwest Asia, Southeast Asia—the same thing. Pakistan is *desperate*, to save that country from self-destruction.

So therefore, you have Asia.

Now, Europe needs this. Europe has run out of so-called raw materials of this type, relative to its population. Therefore, Europe needs not just access to raw materials, it needs a *science-driver program*, to go beyond the limitations faced by Mendeleyev, in the later part of his work on the Periodic Table. We have to deal with the systemic management of the resources of the planet. Western Europe can only survive, by a combination of Europe through Russia, with the India-Russia-China cooperation.

The Key Is the Development of Ideas

Therefore, the question is forced on us. I think that’s the way history functions. The problem here, which is what Professor Menshikov touched upon, as in the youth role: What I’ve done in the case of the youth role, is not simply start a youth movement. Many people have tried to start youth movements, and they didn’t work, and they won’t work. Because they don’t know what a youth movement is.

The basis of the youth movement that I developed, was the concept of ideas. Now, in universities today, there are no ideas. Ideas may stumble out of some mind, here or there. But the universities are not organized to promote the ability of students to develop and master ideas. They’re to master textbooks, or to master existing doctrine. Or to learn how to run a computer, which is a sort of an infinite loop effort—you just play with numbers, to the extreme. It’s a nightmare.

So, they said, “How do we start a youth movement?” I started first, and I said, “You start with Gauss. With Gauss’s 1799 *attacking* Euler and Lagrange (among others, as well d’Alembert and so forth). The *attack*, the *denunciation*, of Euler as a fraud, of Lagrange as a fraud, of Cauchy as a fraud, of d’Alembert as a fraud, of Voltaire as a fraud, his whole network a fraud—is key to civilization today. Because, the idea of empiricism, which is the prevalent ideology of liberalism, is, “We will allow scientific progress to occur, as technological progress, but we’ll not allow people to know *how to generate scientific progress*.”

So therefore, I said, “Okay. You’ve got to know what an idea is. So, let’s take this, and let’s take Gauss’s attack on Euler and Lagrange in particular, and implicitly Cauchy and all the others of the same type; and take that, and once the youth understand what an idea is, then, they can understand everything else, from the standpoint of the *history of ideas*. Of actual ideas.”

Now, what happened, with the case of the Mendeleyev case, is, Mendeleyev’s discovery of the Periodic Table, as it’s called, was an act of genius in insight. But the effort was,

particularly after the death of Alexander II in Russia, it was an attempt *to crush*, from the outside and inside—an attempt to crush the scientific impulse in Russia. And the history of Vernadsky is typical of that particular history: He was in the school, when the crushing program came down, politically. And he becomes an international figure of this type.

So, the crushing of the idea of ideas, of scientific ideas, is what the problem is.

And today, we're in a society, where people say, "You have to learn in the same way, that in the medieval period, you're taught a lie, called the astronomy of Claudius Ptolemy"—which was not a mistake, it was a lie, an intentional lie. Because the knowledge of Aristarchus of Samos existed. And in fact, the fraud of Claudius Ptolemy was based in large degree on faking a reworking of the work of Aristarchus of Samos.

So, the problem today, is a cultural problem. And in the youth movement, the two things I've emphasized, are two sources of ideas: One, man looking at physical nature, the individual mind looking at the natural processes, which we call physical science. The second, is how the mind deals with the fact that, to accomplish anything in life, you have to work *through* society, through human beings, social processes. And therefore, I took this question of Bach's *Jesu, meine Freude*, as an example of a very advanced scientific conception of communication, which many people don't even begin to understand—even professional musicians. Even though some stumble upon it by good taste, by accident almost.

So, the key thing here: We need a society which is based on ideas. We have to use the challenges, such as the challenge of China's challenge to the world by its development. The challenge to Russia, of finding the role to play in respect to China and other countries, on this issue, which is a global issue. And realize, that in all these areas, we're talking about a revolution in the physical composition of the planet. We're talking about developing what is possible: systemic transmutation of material; inventing *new kinds* of materials, which are not used now, so that we can guarantee to the entire human race in the future, that whatever they need, *we will be able to provide*.

So, what we need to do, is start from the top down, not from political authority, and scientists begging at the doors of political authority. We have to have movements, which are based upon movements of ideas among people. Especially young generations, upcoming. As they come into about the age of 18, where they pass over from adolescence to young adulthood, is the time of the richest development of the future



The LaRouche Youth Movement chorus sings Bach's motet "Jesu, meine Freude." LaRouche chose this advanced choral work, along with Gauss's Fundamental Theorem of Algebra, as the foundations of intellectual work for his youth movement.

adult personality. We have to imbed in the core of the youth of that generation, its commitment to a *growing, changing universe*, in which man is willfully changing the universe, as man was intended to do. That's the difference between man and a beast; and this idea.

And so therefore, we say: Go backwards. We take the Russia paradox, take the China paradox, put the two together, and look at the world in terms of the relationship of Russian and China; and then at the Eurasian relationship in that—and, suddenly!—it's all clear, what we must do! But, what will make it work, is a commitment to *driving fundamental scientific progress*, and getting rid of the stranglehold of the reductionists—the ones who stopped the continuation of the work of Mendeleyev, on the Periodic Table for the second phase; those who've tried to block the work of Vernadsky. And that was deliberate: In the post-war period, even after Vernadsky was dead, he was classified by Rand Corp. as the most dangerous person in the Soviet Union, even after he was dead: Because—

Q: Really?!

LaRouche: Official, yes! Because his ideas were so powerful.

And I use Vernadsky here, because Vernadsky represents, in his treatment of the Noösphere, precisely those conceptions which people pass over, or try to comment on, but don't really understand. Vernadsky is the frontier of applied science, that is, *as science*.

And that's the way this has to be approached. We have to change the human race, from the way it is now, into a human race which is based on ideas.

Strategic Analysis: Bush's Middle East Policy Paradox

by Jeffrey Steinberg

Any non-crazy person attempting to assess the Bush Administration's current policy towards Southwest Asia, quickly concludes that it is time to reach for the Excedrin headache pill. All at the same time, Team Bush is pursuing three contradictory policy objectives:

First, it is promoting a peace agreement between Israel and the post-Yasser Arafat Palestinian Authority, based on a two-state solution. Top Bush Administration officials insist that a Palestinian state must be a "viable, contiguous territory," incorporating the Gaza Strip and as-yet-to-be determined portions of the West Bank.

Although there are some claims that top Bush officials, including Secretary of State Condoleezza Rice, have put pressure on the Sharon government in Israel, to "not play the usual games," and at the last minute sabotage the scheduled Gaza withdrawal, well-placed Washington and regional sources voice skepticism that Team Bush will do anything that seriously ruffles Sharon's notoriously easily ruffled feathers.

The second policy objective is conducting covert destabilization operations against Iran, from bases in neighboring countries — with involvement of Israeli commandos, who are extremely active in the Kurdish region of northern Iraq.

On Inauguration Day, Vice President Dick Cheney removed any wisp of ambiguity from U.S. policy, by going on MSNBC radio to threaten Iran with military action, either from Washington or Israel. Cheney didn't even bother to cite Iran's nuclear weapons ambitions as a pretext. He just stated categorically, that Iran was committed to the destruction of the state of Israel, and Israel would act unilaterally, unless the international community cleaned up the problem first. Cheney was clearly declaring that U.S. policy is nothing short of aggressive "regime change" in Tehran. And Cheney's timetable for military action against Iran, according to a recent Seymour Hersh piece in *The New Yorker*, could

be as early as Summer 2005.

On Jan. 26, UPI national security correspondent Richard Sale reported that the U.S. Air Force is already conducting provocative overflights inside Iranian air space, aimed at forcing Iran to light up its air defenses, thus enabling the U.S. to obtain more precise targetting information for future bombing raids.

Sale reported, and *EIR* independently confirmed, that guerrillas from the Mujihadeen El Khalq (MEK), an Iranian exile group still on the U.S. State Department's list of Foreign Terrorist Organizations, are now operating inside Iranian territory, with the backing of Israeli and U.S. Special Forces teams. The MEK commandos, expected soon to begin sabotage operations in Iran, have bases in southern Iraq, near Basra, and, according to one Egyptian source, are now operating, in league with Israeli military personnel, in the Kurdish region of northern Iraq.

Experienced Middle East hands in the Pentagon and State Department are horrified at the Keystone Cop "regime change" schemes being activated by Washington and Israel. Vincent Cannistraro, former head of the CIA's Counter-Terrorism Center, told UPI's Sale, "It's very, very, very dangerous." A retired senior Naval Intelligence official warned that Israeli and American special operations officers, backing the MEK, stand zero chance of effecting a positive shift in Iran, and such operations open the prospect of a major regional explosion.

All the experts acknowledge that, in response to an American or Israeli attack, Iran will launch asymmetric retaliation, likely targetting vulnerable Persian Gulf neighboring states with large Shi'ite populations. Bahrain is particularly vulnerable to such attacks, and the Eastern Province of Saudi Arabia, where most of the oil reserves are located, is predominantly Shi'ite. A shock to Saudi oil production would blow



Guerrillas from the Mujihadeen El Khalq (MEK), an Iranian exile group still on the U.S. State Department's list of Foreign Terrorist Organizations, are reportedly operating inside Iranian territory, with the backing of Israeli and U.S. Special Forces teams.

out the world economy, through skyrocketing petroleum prices and supply cuts.

Planned Chaos

Yet, at least a faction inside the Bush Administration, associated with Vice President Cheney, the neo-con cabal inside his office, and Cheney's policy controller, George Shultz, has no qualms about unleashing a prolonged period of chaos and sectarian warfare in the world's biggest oil patch. This group, made up of self-professed Malthusian physiocrats, sticks to the infamous mid-1970s Henry Kissinger national security doctrine, enshrined in National Security Study Memorandum 200, which called for radical depopulation of 20 Third World states, to secure American control over their strategic raw-material wealth.

Even Tony Blair's Great Britain cannot go along with the latest Iran insanity coming from Washington. Sources on both sides of the Atlantic say that Britain will not side with the "chaos faction," but will ally with continental Europe, in refusing to abet the American war schemes against the ayatollahs. This will further serve Britain's interests in deepening its beachhead in Shi'ite-dominated and oil-rich southern Iraq.

The third contradictory facet of Bush policy towards Southwest Asia centers on Iraq. The Egyptian source reported that there is a deal between Bush and Sharon, linking an Israeli withdrawal from Gaza to an assurance from Washington that there will be no strong government, ever again, in Baghdad. To assure this, Washington has given Israel the green light to deploy large numbers of military and intelligence personnel into the Kurdish region of northern Iraq. They are training and backing the insurgency operations of the MEK against Iran, but also establishing other economic and political roots

in the Kurdish soil.

This has created a deep rift between Israel and Turkey. According to the Egyptian source, at a recent international conference, the Turkish Foreign Minister refused even to greet his Israeli counterpart, Silvan Shalom. Turkey is convinced that any further autonomy concessions to the Kurds will only fuel larger independence efforts, including efforts to grab Turkish, Syrian, and Iranian Kurdish territory to forge a Kurdistan state.

Further contributing to the prospects of a break-up of Iraq into at least three quasi-separate states, was and is the presence of Ahmed Chalabi on the Shi'ite election slate, promoted by the Grand Ayatollah al-Sistani. While final results of the Iraq election will not be known until the second week of February at the earliest, it's no secret Chalabi is pressing for the Prime Ministership of Iraq, and is also targetting Sunni Muslims for renewed purges from the military and civilian bureaucracy—an effort to out-Bremer Bremer. (Coalition Provisional Authority chief Paul Bremer, on orders from Deputy Secretary of Defense Paul Wolfowitz, ordered the dismantling of the Iraqi Army and state bureaucracy in 2003, thus fuelling what became the nationwide coordinated insurgency).

A break-up of Iraq, a new military action against Iran, and asymmetric Iranian retaliation in the Persian Gulf, is hardly a recipe for peace and stability. And giving Israel a base for waging irregular warfare against Iran, Syria, and Central Asia is hardly a wise strategy for securing a just and meaningful settlement of the Israel-Palestine conflict. But that appears to be the policy path of the Bush-Cheney Administration.

And you thought it couldn't get any worse than the Iraq invasion to capture non-existent weapons of mass destruction and stop the non-existent Saddam/al-Qaeda terror alliance!

Iraq's Election: Was It Fish, or Fowl?

by Hussein Askary

Two weeks before Iraq's Jan. 30 elections for a national assembly, my sister-in-law and two nieces, ages 4 and 6, were sitting in a bus in Baghdad when an American convoy drove by. All cars had to move to the right, to clear the way. The bus driver, not noticing the last Humvee in the convoy, moved to the left lane, cutting off the last vehicle. A hail of bullets penetrated the bus from the front, killing the driver and the two passengers in the front row and wounding all in the second row. My sister-in-law survived with a wound on her face from glass splinters. Her two daughters also survived, because they were small and sitting low in their seats.

Ten days before the election, which was the period of Eid, the Muslim year's most important feast, this family, like most families in Baghdad and other cities, had no water, no electricity, no adequate health care, no security, and no jobs. That, after almost two years of the Anglo-American occupation of the country! The irony is that my brother was enthusiastically planning to vote in the elections on Jan. 30.

Different Iraqis have different reasons for voting in or boycotting the election, and most of them are sound and reasonable, as long as you are swimming inside the Iraqi fishbowl and can't see what is going on outside it. The majority, especially supporters of the political-religious parties allied under the 196 slate, voted in large numbers in south and central Iraq, with the belief that this would lead to the creation of a sovereign government and the end of the American-British occupation. This is what Ayatollah Ali al-Sistani, the supreme Shi'a religious authority in Iraq, placed all his authority and credibility on.

Another by-product of the elections, according to the Shi'a majority, although not admitted explicitly, is that they will finally have control of the government in Iraq, after many decades of Sunni control. The Kurds voted massively, but with an explicitly implicit agenda, as it were: that of creating an independent or semi-independent Kurdish state in northern Iraq. The officials in the Kurdish region even set up mock referendum ballot boxes, where a majority voted for Kurdish independence. The Shi'a and Sunni groups with a secular tendency, who support Interim Prime Minister Ayad Allawi's slate, believe that his government, with heavy political and military support from the Bush Administration, is better than the unknown.

The majority of Sunnis who boycotted the elections in the provinces in the west and northwest, where the participation was 0-10%, had strong reasons for doing that. They believe these elections will rubberstamp and legalize the criminal policies practiced against them by the occupation forces in the last two years. These are policies which turned Fallujah into ruins, and set the country on a course of sectarian and ethnic strife.

That is the view from inside the Iraqi fishbowl. There are others inside the fishbowl who have completely lost their brains, such as the new Mayor of Baghdad, Ali Fadel, who told the *New York Post*: "We will build a statue for Bush. He is the symbol of freedom." Fadel became Mayor after his predecessor was assassinated on Jan. 4, accused of pro-American loyalties. "We are especially grateful to the soldiers of the U.S.A. for freeing our country of tyranny," said Fadel, who travels around Baghdad in a \$150,000 armored SUV.

"Freedom from tyranny" à la George W. Bush, there is much of in Iraq—but there is no water, no electricity, no health care, and above all, no security.

Voter Suppression Not Only in Ohio

Following Election Day, many groups filed complaints about irregularities and clear voter suppression. This was most apparent in Kirkuk, the oil-rich multi-ethnic city in northern Iraq, which the Kurds claim as a purely Kurdish city. Turkmen and Assyrian-Chaldean Christian groups filed complaints with the Independent Election Commission, accusing Kurdish officials in the city of a pattern of preventing Turkmen and Assyrians from voting.

For example, in one polling station, Kurdish officials confiscated the ballots from three voting centers, moving them to an unknown location. Kurds with no accreditation were "guiding" the voting process for many voters inside the voting centers. In another, more critical case, thousands of Assyrian and Turkmen voters never had the chance to vote, because polls were never opened in their areas. The Kurdish groups particularly targeted the Turkmen in Kirkuk, because they constitute the second largest ethnic group in the city. The Turkmen and Arabs there anticipate a wave of attacks from Kurdish militiamen, leading to ethnic cleansing after the elections.

This has prompted the Turkish government to issue a very strong statement threatening to intervene militarily if necessary, to defend Turkey's "kinsmen" inside Iraq.

The Reality

Looking from outside the fishbowl, many Iraqis realize that these elections were held under circumstances that mean they have no legitimacy. The scenes of optimism and enthusiasm broadcast on the day of election around the world were an act of desperation by a great number of Iraqis, who want to be relieved from the current nightmare by any means. The reality, however, is that change in Iraq will be decided in

Washington. A change in U.S. policy away from perpetual wars and fascism to cooperation among a community of sovereign nations for economic prosperity and progress, is the last hope for Iraq and much of Southwest Asia and the world.

There are many dangers surrounding these elections, both for Iraq and for the region. The deepening of sectarian and ethnic divisions could be one of the immediate results. The policy of the Bush Administration has been directed towards this end. This was done by demolishing the institutions of the Iraqi nation-state: the military, security, economic, and administrative institutions. It was aggravated by subjecting one religious group to a massive military onslaught, humiliation, and torture. The destruction of the sovereign nation-state and carving up of all the Mideast nations into mini-states along ethnic, sectarian, and tribal lines (in order for the employers of Dick Cheney's controller George Shultz to grab the raw materials of the region) has been and is the policy of the neo-conservatives in the Bush Administration. This can only be stopped by an alliance of patriotic American forces, such as Lyndon LaRouche is proposing and doing, to reclaim the United States as a constitutional free republic.

Another aspect of the dangers posed by this division of the country is the continuation and aggravation of the insurgency in Iraq. This might leave the U.S. occupation forces two choices: increasing combat operations with too few, and exhausted, troops, or withdrawing from the towns and cities, leaving a new Iraqi government to use its Iraqi troops to do the awful job of fighting the insurgency in the so-called Sunni triangle. These Iraqi forces are made up mainly of Kurdish and Shi'a Iraqis, and such fighting would mean civil war. This in turn might force the U.S. troops out again to fight the insurgents themselves, Vietnam-style.

An interesting insight was added to the international upbeat reactions to the election, by the writer Sami Ramadan in an op-ed in Britain's *Guardian*. Ramadan recalls that "on Sept. 4, 1967, the *New York Times* published an upbeat story on presidential elections held by the South Vietnamese puppet regime at the height of the Vietnam war. Under the heading 'U.S. encouraged by Vietnam vote: Officials cite 83% turnout despite Vietcong terror,' the paper reported that the Americans had been 'surprised and heartened' by the size of the turnout 'despite a Vietcong terrorist campaign to disrupt the voting.' A successful election, it went on, 'has long been seen as the keystone in President Johnson's policy of encouraging the growth of constitutional processes in South Vietnam.' The



Iraqi Interim Prime Minister Ayad Allawi casts his ballot on Jan. 30 in Baghdad. Most Iraqis who voted, are hoping for stability and an end to the occupation. The crucial decisions are not really being made in Iraq, however, but in Washington.

echoes of this weekend's propaganda about Iraq's elections are so close as to be uncanny."

On a positive note, it seems that the Iraqi insurgents did not carry out any major terror campaign, in spite of the suicide attacks on several voting centers by alleged followers of al-Qaeda's Abu Musaab al-Zarqawi. Al-Zarqawi is regarded by many Iraqis as a strange and murky un-Iraqi phenomenon, created to undermine the credibility and honor of the patriotic Iraqi resistance.

A Washington source reported to *EIR* that the Iraqi elections were not seriously marred by violence because the Iraqi insurgents chose not to carry out a full-scale destabilization. The only incidents were linked to the Zarqawi group, which is hated by the legitimate Iraqi nationalist resistance, the source reported. In fact, according to the source, a leading figure in the Zarqawi group, named al-Kurdy, was killed by the Iraqi resistance for engaging in targeted attacks on Shi'ites.

In mid-December, the Iraqi resistance informed the U.S. military, through cut-outs, that for Election Day, there would be a 48-hour unilateral ceasefire, which came off on schedule. The incident demonstrated the high degree of coordination and nationwide discipline of the resistance, the source explained. The most significant attacks on the eve of the elections, which were overshadowed by the election euphoria, were of extremely symbolic nature. First the U.S. Embassy, occupying Saddam Hussein's most fortified palaces, was rocked by a mortar attack, killing two and injuring a number of U.S. diplomats and guards. On the day of the election, a British AC 130 cargo airplane crashed north of Baghdad, resulting in the death of 16 British soldiers, the

highest one-day death toll on the British troops since the invasion in March 2003. Insurgents webcast a video showing the debris of a burning airplane and claimed the attack.

A similar assessment was provided by Indian intelligence sources, who reported that there is widespread agreement among Sunnis and Shi'ites, that there is no prospect of national reconciliation and unity, while the U.S. occupation remains. Thus, the fact that the elections came off without massive disruption is not necessarily "good news" for the Bush crowd, as it could hasten the move to get the American forces out.

Surprises are possible, if Iraqi patriotism overcomes the current differences, so that the U.S.-British occupation would face a joining Shi'a-Sunni insurgency. For thousands of years, different ethnic and religious groups have lived together in what is now Iraq, including Christians who played a key role in the Islamic Renaissance during the Abbasid Caliphate.

What Is Coming Next?

There are already calls for national reconciliation and dialogue throughout Iraq. Even members of the puppet government have been forced to pronounce their willingness to help convene a conference of national reconciliation. There also promises of allowing Sunni political figures to be part of the coming government, although they boycotted the elections.

Two days after the elections, on Feb. 2, the Association of Muslim Scholars, the highest Sunni religious authority in Iraq, issued a statement saying the election "lacks legitimacy because a large portion of these people who represent many spectra have boycotted it." As a result, the group, which had given out a call to boycott the election, pointed out that the new leadership lacked a mandate to draft a new constitution and should be considered a temporary administration.

This statement nonetheless moderated the position of the Association by saying it "respects the choice of those who did vote, and will regard the coming government (if established through agreement among the parties that participated in the election process) as only a caretaker government with limited authority." This was interpreted by well-informed Iraqi experts as a signal that the Association will be open to cooperating with a patriotic, elected Iraqi government until new elections are held. This would help in minimizing the tension among the Iraqis themselves. The Association's leadership had met with U.S. officials in Baghdad and suggested it would participate in the elections if the U.S. Administration outlined a definite timeline for withdrawal from Iraq. (This, Bush said he will not do.)

Meanwhile, leaders of the Iraqi Provisional government, which included President Ghazi al-Yawar, Sunni elder politician Adnan Pachachi, and Finance Minister Adel Abdul Mandi, agreed to pursue the participation of all political, ethnic, and religious groups in the new government. President

Ghazi al-Yawar has urged political groupings not tainted by violence to take part in the formation of a new Iraqi government and constitution as soon the electoral result were made public.

After the results are announced, the newly elected Iraqi National Congress will convene. Its first mission is the selection of a Presidential Council, composed of a President of the republic and two Vice Presidents. That composition would likely be the same as the current one, with a Sunni President and one Shi'a and one Kurdish Vice President. The President would then appoint a prime minister who, in his turn, would select a ministerial Cabinet (government).

The second, and thornier, mission of the National Congress is to supervise the drafting of a permanent constitution for the republic of Iraq. An existing 1958 constitution was already available, but the U.S. Administrator of occupation, Paul Bremer, nullified it. He authorized the drafting of a new Transitional Administrative Law (TAL), which turned Iraq from a unified republic into a "federation" of different provinces.

The danger is that the Kurds are adamantly demanding that the TAL become the basis for the constitution. There are several crucial elements in the TAL that appeal to the Kurds' ambitions of independence. The first is the federation, giving the Kurds control over their geographic territories in the north. The second is the point which says that any three neighboring provinces of Iraq's 18 provinces have the right to join forces to veto any new laws they don't approve of, in a proposed constitution. This chaotic "principle" has the potential of making the drafting of the Iraqi constitution an impossible mission.

The first draft of the constitution would be approved by the Iraqi people through a referendum to be held in October. If it wins approval, it would be ratified by the National Congress as the permanent Constitution. New elections then would be held in December 2005 to elect a new National Congress and a new government to replace the provisional government and congress.

If the Iraqis were left to decide their own future, with support from the international community, their historic background and character would enable them to find ways to keep the nation united and start the process of rebuilding. But they now exist in a world facing the prospect of a New Dark Age of perpetual religious wars on a global scale. There are solutions to the crisis in Iraq and Southwest Asia in general. The best has been outlined in the publication by LaRouche, "Southwest Asia: The LaRouche Doctrine" (see *EIR*, April 30, 2004) and other writings, as a basis of a world-wide dialogue among civilizations based on long-term economic development cooperation. However, this requires putting the brakes on the Bush Administration's current criminal policies, and bringing the potentials of the United States to bear in bringing peace and development around the world. Let's do that together, and now!

Separatism Unleashed Against Bolivia and Its Neighbors

by Gretchen Small

EIR warned on July 9, 2004 that the nest of Cheneyac neo-conservatives at the American Enterprise Institute (AEI) in Washington, D.C. had set out to shatter Bolivia, in order to foment anarchy, war, and chaos throughout all of South America. How better to reduce the population of the region, eliminate the nation-states through which peoples could defend their interests, and then grab their resources?

That AEI-centered operation against South America is now “go,” kicked into motion by the “town hall meeting” held Jan. 28 in Santa Cruz, Bolivia, to demand the Santa Cruz department’s autonomy.

“This is the first day of national autonomy! Autonomy now!” Rubén Costas, head of the Santa Cruz Civic Committee, roared to the crowd of 170,000-350,000 people who gathered for the town meeting. The crowd waved, not the national flag of Bolivia, but the green and white flag of Santa Cruz, as they chanted “Autonomy! Autonomy!”

Costas’s speech was a classic fascist, sophist’s harangue: “Bolivia is being refounded. Welcome, everyone, to the new Bolivia,” he declared in between attacks on the corrupt “bureaucratic elite” of the state which keeps “the People” down. “This is a change, a revolution of peace, of love. . . . This is the revolution of democracy. . . . Democracy here and now!”

The crowd acclaimed the formation of a Provisional Autonomous Committee, charged with negotiating the transfer of powers and resources from the national government to the department. “The lion has awakened!” Costas exulted.

Santa Cruz’s move marks a turning point in the Americas. Under accelerating conditions of international crisis, the decades’ worth of policies designed to take down the nation-state have reached one of their objectives; the very existence of these nations is now called into question. Bolivia’s ongoing crisis is a dramatic demonstration of American statesman Lyndon LaRouche’s warning, that *no* nation will long endure under this international system. Unless a concert of nations, led by a United States restored to the principles upon which it was founded, rapidly moves to change the international system which has crushed sovereignty, there will be no stopping the chaos now unleashed in the Andes.

The “lion has awakened” not only inside Bolivia, but in its neighbors, too. Separatist movements are under way in Ecuador and Peru, also. The neo-conservative oligarchs who

dominate the business and political elite in Guayaquil, Ecuador’s second largest city and main port, organized a march on Jan. 26, at which Mayor Jaime Nebot told tens of thousands of marchers—some carrying signs calling for “Independent Guayaquil”—that “Guayaquil’s patience is gone,” as he demanded autonomy for the city.

So, too, one day after the oligarchs in Santa Cruz held their “town hall meeting,” 10,000 Quechua and Aymara Indians marched in Puno, Peru, demanding autonomy. Announcing the formation of a “Movement for Quechua-Aymara Regional Authority,” leaders of this MARQA movement bragged that they had sent two representatives to Santa Cruz, to observe the town hall meeting directly. The movement insists the economy of their would-be autonomous region, extending across the Altiplano of Peru, must be based upon the establishment of a tax-free, free-trade zone—a telling twist on the defense of “traditional Indian ‘customs.’”

Who Woke the Lion?

EIR emphasized seven months ago the importance of an article in *Latin American Outlook* magazine, issued by AEI in June 2004. Provocatively entitled “The Last Days of Bolivia?” it pronounced: “If current trends continue, we may witness the first major alteration of the South American political map in more than a hundred years.” AEI’s Mark Falcoff forecast that Bolivia would soon break apart, divided along its “perhaps irreconcilable” racial and geographical fault lines, into two countries, each defined by their principal export product: the coca-exporting highlands, and the oil- and natural-gas-producing lowlands, the latter led by Bolivia’s richest department, Santa Cruz. In AEI’s twisted view, the coca nation will be largely Indian-dominated; the lowlands, of more “European” stock.

Falcoff then gave an interview to a Chilean newspaper, in which he signalled to Bolivians that the AEI crowd in Washington backed the split, declaring that he was sure Chile, and implicitly the United States, would recognize a “Republic of Santa Cruz.”

It was the second AEI *Outlook* in six months which had argued the imminence of Bolivia’s demise, but it was not the first time foreign financiers had projected the elimination of Bolivia as a nation. In July 1990, Citibank president John

Reed declared flatly during a trip to Brazil that “Peru and Bolivia will disappear.” Reed made this declaration in the context of pressing Brazil not only to pay its debts, but to adopt policies which favor foreign takeover of the economy. To add emphasis, he threatened that the Soviet Union, too, might disappear, if it didn’t heed these policies. In January 1992, Bolivian radio, television, and print media featured the warning from *EIR*’s Ibero-American Editor Dennis Small, who visited Bolivia to organize support for freedom for the then-imprisoned LaRouche, that Reed’s threat reflected the *intention* of the financiers behind the IMF system to destroy the nation-state worldwide, and that is why LaRouche was leading the battle to replace the IMF system.

“Time will tell if Small was speaking the truth or not,” Channel 3’s TV announcer remarked.

Time Is Now Telling

Thirteen years of privatization, cutbacks, and increased drug trade later, Bolivia is at the point of breakdown. The majority of its people are jobless and hungry; many who could, have left the country in hopes of finding work. Over three decades of post-industrial looting have reduced the Bolivian state to “an intermediary between the NGOs and the multinationals,” as one Bolivian official commented to *EIR*. Now, the official added, the state appears to be slated to become simply the negotiator among autonomous entities.

The Santa Cruz leadership swears they are not separatist, but just want a greater share of the wealth produced from “their” resources in “their” department. By talking up the need to secure “economic justice” for the department, the Santa Cruz Civic Committee has mobilized students, trade unionists, and local leaders who ought to know better. Some 33% of the Gross National Product is produced in Santa Cruz, including agricultural and industrial goods, and most of Bolivia’s gas and oil. (No one from Santa Cruz has stepped forward to claim “their” part of the country’s inflated foreign debt, however.)

There is nothing spontaneous about this “people’s revolution.” Running the Civic Committee as their façade, is an alliance of the privatized oil and gas, mining, and utility companies, with the particular backing of the National Revolutionary Movement (MNR) party of former President Gonzalo Sánchez de Lozada. During his first term of office (1993-97), Sánchez de Lozada, a Rio Tinto Zinc executive who had lived outside of the country for decades, ran the privatization of the state-sector companies (called “capitalization” in Bolivia) to largely foreign interests—his own Rio Tinto Zinc included. His second term abruptly ended in October 2003, after only a year and a half in office, when mass protests forced his resignation.

The committee’s core group is formed by radical free-traders of the most lunatic sort. Take the case of the Santa Cruz’s Chamber of Industry, Commerce, Services, and Tourism (CAINCO). CAINCO’s Santa Cruz-based Liberty, De-

mocracy, and Development Foundation (Fulided) is an appendage of the feudalist Mont Pelerin Society, whose ideologues are running President George Bush’s “Pinochet-II” Social Security privatization drive. Fulided is a key part of the international network of Mont Pelerin Society think-tanks run by the U.S.-based Atlas Foundation, bringing the international “stars” of this network into Santa Cruz to lecture local leaders on how to end those pesky state regulations which interfere with private profits. (The Mont Pelerin Society, opponents of government in general, espouses Bernard de Mandeville’s satanic doctrine that the practice of “private vices brings public virtues.”) CAINCO’s operation overlaps with AEI directly in another of the Atlas Foundation’s front groups, the International Foundation for Liberty (FIL), in which both institutions are members, on whose Academic Advisory Council AEI’s Falcoff serves (along with former Bolivian President Jorge Quiroga), and of which Fulided’s Oscar Ortiz is an associate director.

Imposing the Law of the Jungle

Reflecting the pessimism engendered by decades of worsening living conditions, the majority of political movements in the country are now organized around particularist interests: ethnic origin, coca-growers, private profits, regional issues, etc. Each contends for a bigger share of a non-existent pie, most with greater resources at their disposal than the government charged with defending the national interest.

A fuel price hike decreed by the government at the beginning of January—a conditionality imposed upon it by the International Monetary Fund—provided the pretext the Santa Cruz crew had been seeking. (The Santa Cruz gang had already charged a Pre-Autonomy Committee to draw up the statutes for autonomy, *before* the fuel price rise was ever announced.) The price hike set off mass protests across the country. Radical leaders of those ostensible bitter enemies—the *cocaleros* (coca-growers) and the Santa Cruz oligarchy—joined together in their demand that President Carlos Mesa be ousted, the which would ensure chaos and create conditions for a possible military coup.

Faced with an insurgency which he did not have the power to defeat, President Mesa on Jan. 28 announced two major concessions to Santa Cruz: that he had signed a decree convoking direct elections of department governors (under Bolivia’s Constitution, governors must be appointed by the President); and that a national referendum would be held, *before* a planned Constituent Assembly where a new Constitution is to be drafted, on whether all departments should be granted autonomy.

The latter is violently opposed by the “popular” jacobin forces, however, who also advocate autonomy for their particular interests, but believe they can control power, if the Constituent Assembly is held *before* autonomy. Thus, a new round of national strikes and protests has been kicked off against the Mesa government.

Project Democracy Targets CIS for More Regime Change

by Elisabeth Hellenbroich and Mary Burdman

Warnings sounded by Russian representatives at *EIR*'s Berlin seminar of Jan. 12-13, about a new wave of destabilizations in Russia and other Commonwealth of Independent States (CIS) nations, were echoed on Jan. 25 by CIS Executive Committee Chairman Vladimir Rushailo in Dushanbe, Tajikistan. He said that a "Georgia" (December 2003) or "Ukraine" (December 2004) scenario of regime change may unfold in any CIS member country, "and it may happen in non-member countries, too, as we have seen many times."

Rushailo is heading up Russia's team of observers of the run-up to Tajikistan's Feb. 27 parliamentary elections. Kyrgyzstan will also hold elections that day. The Russian newspaper *Nezavisimaya Gazeta* of Jan. 24 wrote about Roza Otunbayeva, former Kyrgyzstan Ambassador to London, as a likely "Burjanadze" (Georgia) or "Tymoshenko" (Ukraine) figure for Kyrgyzstan, referring to female activists who played a high-profile role in regime change in those two countries. Elections in Moldova will be in March.

The issue of "regime change" also came up in a discussion with Georgian President Mikhail Saakashvili, published on Jan. 25 in the German daily *Frankfurter Allgemeine Zeitung*. Saakashvili and the new President of Ukraine, Victor Yushchenko, have issued a Carpathian Declaration, which calls the changes in their countries the "beginning of a new wave of European liberation, which will lead to the final victory of freedom and democracy on the European continent." But the "spark of revolution," Saakashvili said, will extend beyond Europe's geographic boundaries, to all countries of the former Soviet Union. He mentioned Kyrgyzstan by name. Newly named Ukrainian Prime Minister Yulia Tymoshenko has promised "to peacefully export the [Ukrainian] orange revolution wherever possible."

Kyrgyzstan's President Askar Akayev, in his Jan. 11 State of the Nation address, talked about Western-funded organizations having trained Ukrainian and Georgian NGOs [non-governmental organizations] in advance of their countries' contested elections. Akayev said that "our homegrown instigators" had "quite skilled trainers, who have learned to make revolutions of various colors out of provocations"—a reference to the marketing imagery used in Ukraine and elsewhere, as elaborated by Konstantin Cherenmykh in the accompanying article.

The Russia correspondent of *The Hindu* newspaper of

India reflected concern in the region over the activation of these regime-change scenarios in central Eurasia, in a Jan. 31 article that called U.S. support for them "a threat to peace and stability." Ukraine's orange revolution "now threatens to spill over to Central Asia, with potentially dire consequences for regional stability," *The Hindu* article said, adding that Kazakhstan has been targeted, as well as Kyrgyzstan. The paper pointed out that Russia has an important new air base in Kyrgyzstan, while economic cooperation with energy-rich Kazakhstan is vital to Russia and China. Opposition victories could weaken such regional organizations as the Shanghai Cooperation Organization, the Collective Security Treaty Organization, the Eurasian Economic Union, and the Organization of Central Asian States. Also, emphasized *The Hindu*, such "revolutions" could set off bloody conflicts in the region, which is plagued by drug warlords, ethnic conflicts, and tensions over scarce water resources.

The Hindu article stated that a planned "tulip revolution" in Kyrgyzstan had been promoted by U.S. Deputy Assistant Secretary of State Lynn Pascoe, a "moving spirit" of support for the "orange revolution" in Ukraine. (Pascoe became Ambassador to Indonesia at the end of 2004.) U.S. Ambassador to Kyrgyzstan Stephen Young has called for a "peaceful transfer of power" there, and promised financial aid to ensure a "fair election," the paper said.

The economy is the key to Kyrgyzstan, where nearly half the population of 5 million live below the poverty line. Akayev said in a recent interview that Kyrgyzstan has been targeted, despite democratic institution-building. "I am sure this technology will not work in [dictatorial] Turkmenistan," he said, "but it may work in Kyrgyzstan, which has established such fundamentals of democracy as numerous opposition parties, free media, and over 5,000 non-governmental organizations."

During his January trip to the United States, Russian Defense Minister Sergei Ivanov warned that Russia would "sharply react to the export of revolutions to countries of the CIS, no matter in what colors these revolutions may be draped." He added, "Today we have military presence in all CIS countries, with the exception of Turkmenistan and Uzbekistan."

President Akayev of Kyrgyzstan and President Nursultan Nazarbayev of Kazakhstan had late-January consultations with Russian President Vladimir Putin.

Ukraine: A Postmodernist Revolution

By Konstantin Cheremnykh, a physician in St. Petersburg, Russia, and a close observer of Russian and Ukrainian politics.

Introduction 1: On Crafts

In human civilization, crafts have traditionally existed to bring about progress. Blacksmiths, farmers, musicians, and space pilots, in different ways, express man's power over the universe. Within a nation, a talented craftsman reflects the traditions of that people, contributing to the nation's glory, as well as to the world's treasury of science, technological development, and culture.

Any professional community will agree that the greatest achievements in metallurgy, agroindustrial technology, medicine, architecture, music, or poetry belong to those who enable people to elevate their identity and quality of life to a level worthy of a human being.

Others, regardless of their mastery of formal skills, are of particular, rather than universal importance. Thus Alexander Pushkin is a part of global civilization, not merely Russian or European, while Fyodor Dostoevsky is not.

At the same time, it would be incorrect to call Dostoevsky a part of Russian culture. It is even less correct, to consider the element he represents, although it developed on Russian soil, to be characteristic or typical of Russian culture. Among those in globally extended European civilization who read, edit, analyze, and interpret Dostoevsky's writings, the people who admire them represent a certain layer within the world's educated—I wouldn't say intellectual—community. That is a particular layer of educated persons who, for some personal, family, or subcultural reason, are focussed on the pathology of the human mind.

This layer of educated persons resides, actually, not in the universe, but in an artificially constructed edifice, from which they observe humanity through colored glasses, like people in *The Wizard of Oz*. Through these glasses, they see humanity as a combination of degenerates of various kinds, each lacking some particular feature or possessing a particular mental deviation. They collect humans like butterflies, and stage experiments with individuals and the masses. "Masses" is a term they have found it expedient to adopt from Marx.

Entomology was a favorite pastime of the emigré Russian nobleman and poet Vladimir Nabokov, another great student of mental and physiological perversion. His characters, like their author, are always fixated on tiny details; he disintegrated any object or living organism, or human soul, into

minute particles. In his studies of Russian literature and public life, this heir of the degenerate and therefore self-doomed Russian noble Establishment practiced a sophisticated revenge on the culture in which he had grown up. His biography of Nikolai Gogol, like his documentary novel about thinker Nikolai Chernyshevsky, *The Gift*, is a practically anatomical study, which is supposed to prove that its subject was mentally crippled from a young age.

In his verse drama about Wolfgang Amadeus Mozart and Antonio Salieri, Pushkin described the intention of such perverse talents as follows: "I have measured harmony by means of algebra." The parallel alludes to the kind of algebra, which is satisfied with formal solutions, but neglects the essence of things, the motives of the mind, the project of the Creator. The best specialists in such algebra are traditionally talented in chess—a game in which the greatest skill is to manipulate the opponent.

Introduction 2: Chessplayers

The ancient game of chess, which became an internationally recognized sport only in the 20th Century, has analogues in other fields. The skill of manipulating another human being, or a nation, for the purpose of cornering him, reached disproportionately great dimensions in the long period of that great evil game, known as the Cold War. Professionals developed the skill of manipulating events by using myths, more than facts, and nurturing the myths as a permanent source of income and status in the Establishment.

In some cases, one would find a striking similarity between the Cold War knights of darkness and the objects of the hatred they spread, as in the case of Zbigniew Brzezinski, who campaigns against a Russian empire, but expresses an imperial outlook himself.

Similarly, the successors of a subclass of Soviet propagandists are obsessed with the evil influence of the United States. They collect true facts about particular degenerates within the U.S. Establishment, and attribute them to America as a whole. The heritage of this subclass has emerged in a new, particularly ugly form in Vladimir Zhirinovskiy's Liberal Democratic Party of Russia (LDPR). Its shadowy financial base, mostly comprised of local gangsters, allows some former professional "Americanologists" to survive and even flourish, spreading their rhetoric of irrational hate and mistrust.

There are numerous examples of how these two sets of heirs interact, with “one hand washing the other,” as the Russian saying goes. The most recent case was Ukraine, where, at politically crucial moments, the Russian parliament was represented by visiting lunatics from the LDPR, whose in-your-face “Russian nationalism” was surely greatly appreciated by the manipulators of anti-Russian lunatics within the opposition camp.

In Russia, the LDPR for ten years has occupied the niche of political alternative to both the “reformist” liberals and “conservative” Communists, effectively blocking the emergence of any clear vision or productive policies in the national interest. During this same period, dozens of Western post-Sovietologists have made a career of exposing Russia’s chauvinist intentions and imperial designs, without attempting to research the Russian and international financial backers of the pseudo-patriotic LDPR. Why? Because it is perfectly convenient.

Sergei Kolesnikov, one of Zhirinovskiy’s closest associates, sits on the board of the English Club of Moscow, and the Club’s foreign sponsors have no objections—despite the exposed connections of this person with the Solntsevo criminal community. In a serious attempt to reshape the State Duma [parliament], Vladimir Putin—despite furious warnings from the West—managed to get rid of Anatoli Chubais’s Rightist Alliance, but Zhirinovskiy’s party is still there. Unlike the political movement of patriotic economist Sergei Glazyev.

The political conflict in Ukraine, where Zhirinovskiy’s people came to the forefront of Russian political support for the candidacy of Prime Minister Victor Yanukovich, while Rightist Alliance leader Boris Nemtsov took the side of opposition candidate Victor Yushchenko, illustrates the left-right games, played on the stage of the former Soviet Union by international entomologists.

Introduction 3: The Youth

Cold War psychological warfare techniques, designed for the Communist enemy, today are used against the minds of



Vladimir Zhirinovskiy, leader of the Liberal Democratic Party of Russia, which thrives on anti-Americanism.

children. Today’s Russian or Ukrainian child learns the word Pokémon usually before he studies his ABCs. Older school-children waste their time in computer clubs, learning the “skills” of computer games, and with them—the skills of irrational violence.

Most affected are urban teenagers in places with high unemployment and low-paying jobs, where the parents have to work at several jobs, leaving their children practically alone. A surrogate world is at hand, with fascinating bright colors, foreign words, and brilliant heroes, whose major skill is to exterminate other human beings as efficiently as possible.

The values of their fathers have been ruined; what was supposed to replace them turned out to be a combination of failed hopes and false promises, so the parents have nothing with which to encourage their children. Meanwhile, the mass media denounce the values of labor and boost the values of a sweet life, which, for most of the parents, is unattainable.

The adolescents, however, believe that all the benefits of this vivid, sweet world are open for them—just wait for a miracle, and it will happen. But they are too impatient to wait, and when a person arrives from the paradise world they see on TV and says, “Why don’t we make a revolution?”—they are ready to follow him without any doubt. They have learned from the virtual reality world of the media that revolution—sexual, in particular—is something nice, easy, and doesn’t hurt. Older guys from eastern Europe—from Yugoslavia and Poland, as well as Georgia—with experience in street demonstrations as well as street fighting, assure them it is so.

Déjà Vu

In Russia, there is one prominent politician who likes to deal with young people on the level of the virtual reality they are so attracted to, and speaks their postmodernist language: playboy Boris Nemtsov, co-chairman of Rightist Alliance Party, with Chubais and Yegor Gaidar. After his party failed in the 2003 State Duma elections, Nemtsov had more free



Zbigniew Brzezinski, who campaigns against a “Russian empire,” but expresses an imperial outlook himself.



thing seemed artificial, as if generated by a computer design program.

“These young guys look like zombies,” a Kiev friend of mine remarked. The next day she phoned her friend, who works at the Ukrainian Embassy in Moscow. Her interlocutor was reluctant to comment. “All the phones are tapped,” she said.

By whom? By the guys in orange clothing? By fugitive intelligence officer Mykola Melnychenko (purveyor of tape-recordings, which implicate President Leonid Kuchma in various crimes)? There is no answer. But a wave of similar coverage swept the Kiev TV programs, as if they were all made by the same producer. Before the “orange revolution,” TV journalists used to

time, and no obligations to the President of Russia, who had dared to refuse to falsify the results of the vote in favor of the rightists. Ukraine’s Presidential elections were a nice opportunity for the outflanked Russian rightists to take revenge: Putin was openly supporting Prime Minister Yanukovich, while the team promoting Yushchenko was gathering a lot of youth under democratic slogans and, for some reason, bright orange banners.

The Russian liberals did not realize, however, that the game in Ukraine went far beyond any ordinary election campaign. Nemtsov’s remarks, reported by Russian web correspondents from Independence Square in Kiev, where he visited pro-Yushchenko demonstrators just after the Nov. 21, 2004 second round of voting, indicated how unprepared he was for the scene upon which he arrived. The opposite side, endorsed by the Kremlin, was even less prepared.

The intentions of the authors of Georgia’s Rose Revolution, the December 2003 overthrow of President Eduard Shevardnadze, to reproduce their scenario in Kiev, were well known. Operatives who had been involved in Georgia, could be seen in Kiev for some months before the elections. A number of news agencies published interviews with anonymous figures from the Pora! youth movement, a replica of Michael Saakashvili’s Kmara! youth movement in Georgia. And yet, Moscow strategists, as well as most of the Kiev population, were startled by the huge street gatherings of people dressed in orange, marching from one state office to another and occupying them in a carefree Bolshevik manner, albeit without weapons. The design was familiar from Tbilisi—including volunteer militias that seemed to sprout from nowhere, fully clad in special, expensive-looking uniforms; including the sudden appearance of religious symbolism; including threats to legislators, that if they failed to vote in the revolutionary spirit, they would not be allowed to leave the parliament. Ordinary citizens had the same impression, that the whole

complain that state officials were instructing them how to cover events, handing the journalists special guidelines known as *temniki*. Now, the *temniki* vanished, but some new kind of censorship arrived. The same thing had happened in Tbilisi.

It is true that under Leonid Kuchma’s rule, some mass media were closed. In 2003, this happened to the famous “Criminal Ukraine” website, whose editor-in-chief, Igor Yeltsov, had been physically assaulted for his dossiers on Ukraine’s business clans. Nonetheless, his site continued to operate—until he published a dossier on ex-Prime Minister Yushchenko and his financial partners, and criticized the U.S. war in Iraq. According to other Ukrainian sources, the site was closed on personal orders from Gen. Vladimir Satsiuk, deputy head of Ukraine’s intelligence agency, the SBU.

During the election campaign, this general hosted a private party, at which the guests included Yushchenko and Supreme Rada [parliament] deputy David Zhvania—a longtime friend of fugitive Russian tycoon Boris Berezovsky. This was the very event, after which Yushchenko was hospitalized with evidently severe poisoning; and, though in early November Yushchenko received a Moscow guest from Berezovsky’s circle, the inner circle of the newly elected President does not trust Berezovsky and his group. Zhvania’s role on Yushchenko’s team, as well as that of his close partner Roman Bessmertny, has declined spectacularly. Moreover, though “official” suspicions in the poisoning of Yushchenko fall upon the SBU and certain Moscow connections, his loyal associates especially mistrust Zhvania.

Berezovsky’s relations with the Ukrainian opposition had already been reported in early 2004, when Russian media discussed Berezovsky’s intrigues as a factor in the emerging political opposition movement. But his influence in Kiev is greatly exaggerated. The scene was being prepared by more serious interests.



Newly elected Ukrainian President Viktor Yushchenko, leader of the “orange” revolution.



Victor Yanukovich underestimated the character and organizing potential of the force behind his rival, Yushchenko.

Two Truths

Any political game involving the masses, exploits their dreams and troubles. In Ukraine, the second largest of the former Soviet republics, the hopes and troubles were on the surface. The fact of a qualitative difference between the advantages and the troubles of eastern and western Ukrainians was on the surface, too. Hardly another ex-Soviet country was so open to the world, and so democratic in terms of its political system. Any analyst could obtain detailed information about the major political figures, the most important economic assets, and the structure of the shadowy clans where the two spheres were tightly interwoven.

These clans actually emerged over 40 years ago, and gained real weight during the “cooperatives reform” (when the establishment of private businesses, specifically co-ops, was permitted), carried out by Soviet leader Mikhail Gorbachov in the late 1980s. That policy depleted the budget of the Soviet Union and helped to predetermine its collapse. By 1986, revenues at a major Soviet steel plant in Donbass, Ukraine, were being shared according to the formula, “Five days of the week, we work for the Union budget, two days for ourselves.” The income from those two days, according to sources familiar with the case, conveniently slipped into the pockets of two persons: Yefim Zvyagilsky and Vladimir Grinyov. Coal industry executive Zvyagilsky later (1993-94) became acting Prime Minister of Ukraine during Leonid Kravchuk’s Presidency, while Grinyov invested his fortune in arms trade deals, including some that went sour, with fatal consequences for high-ranking banking officials in Ukraine, according to Kiev sources.

The era of globalization put demands on the Ukrainian economy and all of its managers, whether operating in Lugansk in eastern Ukraine or in Lutsk to the west. Thus it is not possible to explain the political fault lines in today’s Ukraine simply in terms of clan warfare. The business elites of

Donetsk, the southeastern Ukrainian coal and steel area, were generally considered to be backers of Yanukovich in the Presidential elections. Yet it is widely, if unofficially, recognized in Ukraine, that in the Autumn of 2002, top Donetsk business figures were seriously considering a political deal with Viktor Yushchenko. Why? Because the eastern regions sell most of their wares to consumers abroad, in the West, not to the so far largely theoretical Eurasian Economic Community (Russia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan), which anti-Russian propagandists hype as a “revival of the Soviet empire.”

Still, the eastern and western Ukraine have their own truths—not really originating from their different language and family relations with the Russians, as is believed in textbook Ukrainology.

In the so-called transitional period after the break-up of the Soviet Union, the personal fortunes of tycoons on the make directly depended, as did the survival of the industrial assets of the ex-Soviet economy, on keeping those industrial capacities in operation. The rich men of western Ukraine, who later preferred to settle in Kiev, the capital, rather than provincial Lviv in their own region, derived their income from trade turnover. In the language of Ukrainian officials, they were known as “transit kings”—a reference to the transshipment of Russian oil and gas, as well as cheap consumer goods, across Ukraine.

Rage against the *nouveaux riches* is much higher today among impoverished western Ukrainians, than it is in the eastern part of the country. Another reason for this is that many of today’s big property-owners and officials in eastern Ukraine were once coalminers themselves, and the miners are a community with customs, traditions, and superstitions of its own. The Moscow daily *Kommersant*’s correspondent was challenged by a sitting judge on Ukraine’s Constitutional Court: “Do you know what it means when the longwall goes down? No? Then, you are probably from the other side of the tracks.” The judge comes from Donetsk.

Since Soviet times, the major trouble for western Ukraini-

ans has been unemployment. For eastern Ukrainians, it was exhausting and extremely hard labor. In independent Ukraine, the difference between these two mindsets has only increased. In addition, the easterners have become closer in their outlook to the inhabitants of the adjacent Rostov Region of Russia, while the westerners found much in common between themselves and their closest trading partners from the former Comecon members, which are now the depressed countries of eastern Europe.

Meanwhile, the governments of those neighboring post-Comecon nations have been regularly fed promises of future economic miracles, to arise from their unique role in trade: oil transit most of all, and particularly after the enlargement of the European Union. When this enlargement finally came to pass, the most negatively affected party was private business in western Ukraine.

EU enlargement really did present an opportunity for Russia to establish closer political and economic relations with western Ukraine. But, in accordance with the “liberal empire” model, promoted by ex-privatization czar, now right-wing politician Chubais, this policy was entrusted to Russian tycoons, while professional diplomats tended to more distant foreign affairs. As Ukrainians were preparing to elect their President, the leadership of Russia was discussing the vitally important prospects for Russia to be recognized as a “market nation” by the government of Chile.

“We haven’t noticed any activity by the Russian consulate here,” an activist of the Russian community in Lviv (western Ukraine) told me four years ago. “The two foreign entities that are really active here are the consulate of Poland and the Hassidic Jews from the United States.” Since that time, nothing has changed—except for the elimination of the Ministry of Commonwealth of Independent States Affairs by President Putin.

When the struggling Lviv Auto Plant, which had once produced buses for the whole U.S.S.R., was bought out by a daughter company of Russian billionaire Roman Abramovich’s Millhouse Capital, Ltd., it did little to encourage love for the Russians on the part of residents of Lviv. This kind of expansion of Russian influence could only contribute to justified rage, intensifying it with irrational and blinding envy.

From the standpoint of Moscow analysts, the economic problems of Lviv, stemming from EU enlargement, could only make the task of “subordinating Ukraine” easier. And that would be true, if the Donetsk (eastern Ukraine) economic community really considered itself an agency of Moscow’s influence in Ukraine.

But, that was not the case, and it hadn’t been for at least the entire period since independence, beginning in 1991. During those 13 years, the eastern regions, deprived of financial support from the collapsed Soviet budget, have been surviving by their own efforts. The success of Don River Basin (Donbass) industries, so spectacular in the last three years, encouraged the Donetsk community to fight for independence from the

Russian oligarchs. Unlike the poorer western regions, resource-rich eastern Ukraine could withstand the pressure from Russian metals concerns, which wanted to monopolize such key manufactures as, for instance, manganese alloys.

Yanukovich’s government blocked the Russian company Severstal from acquiring the giant steel works at Krivoy Rog, when it was privatized. It did not allow Russian Aluminum to take over Zaporozhye. It prevented Russia’s Lukoil from purchasing a controlling stake in Oryana Chemicals, in the town of Kalush. Yanukovich did everything he could to increase the power of Ukrainian business interests—and in this, he had the approval of Putin, who had finally recognized, from what had happened after Georgia’s Rose Revolution in 2003, the vicious fallacies of Chubais’s “liberal empire” construct. The overconfident Yanukovich, however, underestimated the desires and capabilities of more distant economic interests, as well as the character and organizing potential of the force behind his rival.

At the same time, well-to-do Kiev also had its grudges against Donetsk. During Yanukovich’s rule, many Kiev-based trading firms were taken over by interests from eastern Ukraine, often by their criminal side. At the same time, it was rumored in Kiev that Yanukovich, if elected President, would start by firing, and perhaps prosecuting, the mayor of Kiev. The scene for the “orange,” pro-Yushchenko demonstrations, which broke out after Yanukovich claimed victory in the first running of the second round (Nov. 21), could not have been prepared without the backhanded involvement of Mayor Omelchenko.

One more reason for Kiev’s 75% support of Yushchenko’s candidacy, according to local sources, was his campaign style, featuring promises of miraculous and immediate solutions to all problems, as opposed to his rival’s emphasis on hard work. The miracle was associated by the city’s middle and upper class with the American citizenship of Yushchenko’s wife, Kateryna Chumachenko, a former Reagan White House and State Department official. They imagined that she would help to “break down the wall,” put up by the European Union.

The Two Marionettes

People in the “hatred business” speak a language with two dialects: one for themselves, the other for potential dupes, particularly the populations of target countries. Not the whole population, but those layers deemed useful for the purpose at hand. In countries where a formal democratic system figures as part of the scenario, this means the mass of voters.

In the insiders’ dialect, the figure selected to match the illusions and dreams of the anticipated voters is called “the client.” This person needs to be prepared by a select community of foreign-trained advisors, to behave in accordance with notions of Western liberal democracy, so that he may be presented to “the masses,” using an array of manipulative techniques, as the embodiment of that liberal democracy. The



President Mikhail Gorbachov and President George H.W. Bush in 1990. The period of Gorbachov's regime saw the introduction of "neurolinguistic programming" (NLP) as a method of political dirty tricks.

most effective techniques are marketed to the small community of professional manipulators under the label of "neurolinguistic programming" (NLP), which is essentially a mixture of already known mass hypnosis methods and the teachings of Russian physiologist Ivan P. Pavlov.

A parasitical community of political technologists, practitioners of NLP and related tricks, was already planted in the Soviet Union, before its collapse. It happened around the time of Soviet leader Mikhail Gorbachov's personal conversion to radical environmentalist ideology, in the period when Gorbachov was also introduced to George H.W. Bush's crony, the Rev. Sun Myung Moon. The first batch of foreign instructors worked through the Free Congress Foundation (FCF) under the direction of Paul Weyrich, who was president of the Kriebler Institute of the FCF at the time. The original clients included the future head of Russian President Boris Yeltsin's Information Ministry, the first democratic mayor of Moscow, and business figures like computer-importer Artyom Tarasov, who was under investigation for financial fraud already at that time.

In Leningrad (St. Petersburg), the first institution to promote political technologies was named "Ecology of Personality." It was designed for the task of pre-selecting future democratic leaders from the ranks of exceptionally loyal Soviet junior scientists and journalists.

In Kiev and Donetsk, the relevant infrastructure already existed—in particular, at the Donetsk-based Artificial Intelligence Institute, which exists to this day, thanks to Western contracts. One of its by-products was the infamous White Brotherhood sect. A similar project, the Church of Apocalypse, was planted in western Ukraine, employing former

specialists from both Moscow and Kiev. One of them, a Professor Kudin, became an advisor to Alexander Moroz, chairman of Ukraine's Socialist Party.

In the post-Soviet era, the most sophisticated centers for influencing "mass psychology" were developed not in Kiev, and not in Tbilisi, but in Moscow—a much more convenient and secure place for Western tutors. After all, it is easier to find a perfectly Western entertainment and relaxation establishment in Moscow, than in the center of the mining region, with its undeveloped environmental protection and all. VIPs need VIP conditions.

Victor Yanukovych and Victor Yushchenko were promoted by two rival Moscow institutions, represented by image-makers Gleb Pavlovsky and Alexei Sitnikov, respectively. It is well known that the Kremlin was dissatisfied with the earlier "technological" efforts of consultants Pavlovsky and Marat Gelman in Kiev, during the Supreme Rada campaign, when they worked on behalf of Ukraine's United Social Democratic Party (USDP), and actually in favor of their chosen "client" Victor Medvedchuk, leader of the USDP. Nonetheless, the choice of Pavlovsky to "prepare" the new client Yanukovych, the new Victor (the name was probably more decisive than his biography), seemed inevitable. After all, Gleb Pavlovsky was working hard to shape the new Civic Congress, the decorative body established by the Kremlin, which was to serve as a basis for the future Public Chamber, an integral element of the Kremlin's revised political system in Russia. Also key to the establishment of the Civil Congress had been Sergei Markov, a top figure at the Moscow English Club and the Carnegie Foundation's top Russian talking head for a decade, and Lyudmila Alexeyeva,

an aged emigrée entomologist from the U.S. National Endowment for Democracy (NED).

The same “bipartisan” NED was very active in Ukraine, where it was represented by more influential persons, like Nadia Diuk and Adrian Karatnycky, president of Freedom House, whose grandmother had come to the United States from Ukraine in the 1930s. And there, the NED was visibly on the side of the other Victor, Victor Yushchenko.

Adrian Karatnycky had organized international media campaigns around the infamous brutal murder of Ukrainian journalist Georgi Gongadze; efforts to prevent Yushchenko’s replacement as Prime Minister in 2001; and the flight to the United States by intelligence officer Mykola Melnychenko with his surreptitiously recorded tapes discrediting President Kuchma.

As a veteran of the anti-Soviet movement in Poland, where he had been deployed as a specialist on trade unions, Karatnycky was in continuing contact with the half-forgotten Polish former labor leader and ex-President Lech Walesa, probably promising him a political comeback on the wings of Ukraine’s liberation from “dictatorship.” To bolster the case that Ukraine was a dictatorship, Freedom House declared it a “non-free state” in 2003. According to Karatnycky’s theory, dictatorships may be “partial” and even “formally democratic.” Among Islamic states, for example, he recognizes only one “truly democratic state,” namely Mali. All the others are evidently candidates for regime change.

Businesswoman Yulia Tymoshenko, Yushchenko’s election ally, has always been regarded by Karatnycky as a “true democrat,” even when Interpol sought her arrest on an international warrant for suspicion of serious economic crimes. From Karatnycky, that meant Interpol was “under pressure from dictatorial regimes.”

Despite their international experience, despite the Ukrainian background of Karatnycky, Diuk, et al., despite support from Freedom House board member Zbigniew Brzezinski, their regime-change project for Ukraine still needed specialists from Moscow.

The key Moscow name in the campaign of the Western “client,” Yushchenko—Alexei Sitnikov—was made public by *Kommersant Daily*, Russia’s major business paper, owned by Boris Berezovsky. This paper is wealthy enough to send its special correspondent to Hongkong, where a conference for VIP financial and public figures was organized by Rosbusinessconsulting (RBC) news agency. On Nov. 15, 2004, *Kommersant* journalist Alena Antonova filed her report on a crowd of VIPs, who spent their free time at a Buddhist temple, a local bar called The Devil’s Advocate, and local brothels, where they could “get acquainted with the local skills of transvestites.”

The VIP crowd included former and current Russian Central Bank officials, top business figures from the service industry sector, and a young man who boasted about his success as political consultant to Yushchenko. This person, Alexei Petrovich Sitnikov, Doctor of Sciences (Psychology), is the

best specialist in the practical application of NLP in Russia. He heads the Moscow-based Institute of Communication Management and represents Russia in the International Public Relations Association (IPRA).

Thus, the pathetic rhetoric of Pavlovsky, who portrayed his opponents in the Yushchenko camp as mere creations of the EU-NATO apparatus of influence, should not be taken at face value. Wasn’t Pavlovsky himself part of the same apparatus of influence, back in 1993 when he exposed Boris Yeltsin for dictatorial methods, in an NED-issued monthly magazine? Didn’t his deputy, Maxim Meyer, chair a conference of experts from the Soros Foundation, the Ford Foundation, and a dozen other institutions, on the eve of the Russian State Duma 1999 elections, when all of these guests were obsessed with the task of outflanking the Communist Party?

In those 1999 efforts, Pavlovsky’s skills attained their apogee: He was even reported to have counterfeited an Israeli passport for Communist Party chairman Gennadi Zyuganov, in order to discredit him in the eyes of his “masses.” Three days years later, he would select Victor Medvedchuk, who happens to own a Tel Aviv-based law firm, for the function of Kremlin satellite in Kiev.

U.S. taxpayers, whose millions were spent in Ukraine through the NED, could ask whether the whole costly electoral effort there, waged under slogans of “fighting corruption,” served the purpose of elevating Tymoshenko, the close business partner of ex-Prime Minister Pavel Lazarenko, now jailed in the United States for embezzlement, to the post of Ukrainian Prime Minister.

Russian taxpayers, in turn, might ask if economic concessions worth \$800 million/year, granted Ukrainian producers in the framework of the Eurasian Economic Community, were justified, under conditions where the Ukrainian side, once again, is unable to guarantee meeting its obligations, due to political instability. Couldn’t those concessions have been linked with some reasonable guarantees in foreign policy? Isn’t the Supreme Rada considering a law that would allow NATO to operate on Ukrainian territory in “a situation of necessity”?

Both, finally, could ask: What about other options for Ukraine’s Presidency, which wouldn’t polarize the country? There were several options, like Oleg Dubina, former general director of Krivoy Rog Steel Plant, or Vladimir Radchenko, head of the Security Council. But the Kremlin insisted on the figure of Yanukovich.

‘I Don’t Care About European and American Interests’

Various American websites attribute the design of the “Pora!” (“High Time!”) movement, the key instrument for organizing the “orange revolution” in Kiev, as well as the similar “!!!” movements in eastern Europe, to Prof. Gene Sharp, founder of the Albert Einstein Institution at Harvard University, and author of the 1973 book *The Politics of Non-Violent Action*.

Sharp portrays himself as an independent scholar, with a background of researching the Gandhi movement in India. The Mahatma would be aghast, if he could see the lessons of his struggle for independence from Britain being dismembered into particles and reassembled at Oxford, where Professor Sharp worked for several years — for the opposite purpose of reimposing colonial rule.

These self-styled neo-Gandhians openly represent themselves as “postmodernists.” The future masterminds of the Ukrainian revolt cooperated simultaneously with the likes of Freedom House and with radical postmodernist leftist entities like Italy’s Radical Party. Ukraine’s orange soup was stewed according to a right/left recipe, “with involvement of both U.S. parties,” as the “revolutionaries” boast today.

The key operatives in such operations usually hide under pseudonyms, like Subcommandante Marcos, the masked leader of the Zapatista insurgents in Mexico. No wonder: They violate, and teach others to violate, the laws of nation-states, as well as international legal agreements. They involve school-age children, who have next to no understanding of what they are doing. In both Georgia and Ukraine, they organized illegal militia units, which underwent special training at sports schools. For the postmodernists, such practices are justified by their goals.

Sharp, the theoretician of non-violent resistance without borders, looks more like a British gentleman, than a passionate leftist. The foot-soldiers of the projects he has promoted — in Myanmar, Peru, Serbia, Georgia, now Ukraine, potentially Belarus and Albania (where the “Myaft!” movement, analogous to Georgia’s Kmara! and Ukraine’s Pora!, has appeared) — resemble the Romantic nationalists of Lord Palmerton’s “Human Zoo” of insurgencies in the 19th Century.

One such operative, an American blogger hiding under the nickname Discoshaman (as in, “disco” + “shaman”), posts regular reports from the Kiev scene. Recruiting young guys, including teenagers, into anarchist activity, teaching them how to paralyze government institutions, high schools, libraries, and courts, he confesses on his website (called “Le Sabot Postmoderne,” French for “The Postmodern Clog”) that he is a conservative, not a leftist.

The Harvard-Oxford patrons of such campaigns emphasize that their activity is similar to so-called “viral marketing,” practiced in the state-of-the-art virtual economy of the entertainment world, as by spreading an epidemic of “buzz” about a new CD.

For sure, one special skill practiced by Discoshaman and his cronies, is lying. The people rallying under the orange banners were not supposed to think: They just had to adopt the slogans prepared for them. “Yanukovych is a KGB agent,” he prompts. The next day, this will be a slogan of the crowd. “Jonathan Steele is wined and dined in Putin’s Kremlin,” Discoshaman says about a British reporter who exposed NED funding of the orange movement.

Guru Sharp is happy to conclude that new communication technologies have created great advantages for the postmod-

ernist non-violent movement, and ridicules traditional governments, which find themselves helpless before whatever “rose” or “chestnut” brand of “virus” has been planted in their soil.

Professor Sharp himself wouldn’t like to reside in any of the countries where his technology is being used. He prefers quiet places like Britain or Norway. His disciples are more sincere. The anonymous Discoshaman, the conservative tutor of teenage anarchists, declares, “I don’t care a bit about American or European internal politics. Not a jot.”

Yulia Tymoshenko, preparing herself for the role of Ukraine’s Margaret Thatcher (or, according to U.S. observers, “a mixture of Thatcher and Audrey Hepburn”), promises to expand “her” revolution to Moscow. In the crowd, you see Nemtsov, co-chairman of Rightist Alliance. Harry Kasparov, the “democratic chessplayer” from Baku, is ready to help. New horizons arise in feverish postmodernist brains, before the whole of Ukraine is even conquered.

Triumphantly returning to the United States right after the failed Nov. 21 second round of the Ukrainian elections, when President Kuchma under international pressure was dropping his support for Yanukovych, Karatnycky reported that he had been dealing with both sides — in eastern and western Ukraine. He only forgot to mention the Crimean Tatars, whom he and especially Nadia Diuk had been courting for years. A bloody Tatar-Russian clash happened in Crimea in December.

Jesse Walker, interviewing Gene Sharp for a Nov. 30, 2004 feature on Ukraine in *Reason* magazine (“free minds and free markets”), carelessly admits that a split of Ukraine is quite possible. “In eastern Ukraine, where the population is more conservative and is culturally closer to Russia, there’s been talk of seceding if Yushchenko prevails. They’ve been holding their own rallies; some areas have instigated a tax revolt. One potential outcome, if the secessionists really represent local public opinion, is two competing peaceful movements for change.”

A nice gnostic game. What will be the result? One “potential outcome, of course, is civil war. There’s no guarantee the secessionists will stick to Pora’s peaceful tactics, and there’s no guarantee Yushchenko will remain nonviolent if he takes office. Even a peaceful transformation can have a brutal aftermath.”

Should we care about this? — asks Walker. Not at all. “Still [sic — K.Ch.], the very experience of overthrowing a government this way — of building independent institutions, diffusing power through civil society, and learning first-hand that it’s possible to say no to authority — unleashes something that’s hard for any politician to control,” triumphantly concluded Walker.

The person nicknamed Discoshaman, in commentary reminiscent of an intelligence report, said: “You also have to remember that Yushchenko isn’t the democracy movement, and the movement isn’t Yushchenko. The protesters have been docile so far, but Yushchenko doesn’t have carte blanche

in negotiating. They could choose to take unilateral action. PLEASE NOTE for the record that I am in no way threatening or advocating any sort of specific direct action.”

This conservative friend of anarchists, whose appearance evidently corresponds to the revolutionary spirit (“I am so tired, my clothes need washing”), is still afraid of losing his job. Otherwise, why should his remark to the top organizers be noted for the record?

Some Russian officials, referring to recent articles in the *Guardian* and the *Independent*, are convinced that the orange chaos in Kiev is nothing but a product of the U.S. State Department. Others think the whole thing is commanded not from Washington but from Brussels, referring to the activity of EU official Javier Solana.

Meanwhile, Mr. Discoshaman ridicules all such “conspiracy theories,” insisting that the orange mess in Kiev is “genuine.” Echoing his argument, Jack DuVall, head of the U.S.-based International Center on Nonviolent Conflicts, told Walker, “You can’t just parachute Karl Rove in to make a revolution,” adding, as Walker summarized his words, that “the U.S. government is hardly the only institution that has aided the uprisings.” DuVall sits on the board of the Arlington Institute (“we use most sophisticated information technologies . . . and develop scenarios of likely futures”) with ex-CIA chief James Woolsey, who is also a board member of Freedom House.

What DuVall says about the limited role of the U.S. government is true, for the Discoshamans and Dick Morris, Gleb Pavlovskys, and Alexei Sitnikovs are a part of an international conglomerate of networks that don’t care about nation-states at all. Sitnikov said once, “It is we [the image-makers] who have guaranteed liberalism in Russia.” Not Yeltsin, not even Chubais. They are old-fashioned and outdated.

In 1996 in Moscow, I came across a brochure distributed by the International Republican Institute to help conduct election campaigns. The authors instructed the “American conservative” youth organizers: “You are to be able to express your world-outlook in three phrases, and an idea—in three words.”

Now, one word is enough, and the world outlook has fallen by the wayside. Dress yourself in orange, green, pink, or whatever else Discoshaman tells you to wear, go out on the street and shout aloud:

Pora!
Kmara!!
Myaft!!!

A Sign of Weakness

In the period of the “orange revolution” in Ukraine, the national budget had lost 1 billion hryvnas in revenue by Dec. 1, 2004. If a drunken person trashes his neighbor’s house, the court forces him to pay for the damages. Who is going to pay for the disorder created in Ukraine by a combination

of egoistical interests, combined with the egoistical political desires of anti-Russian and Russian nationalist luminaries?

Early on, some analysts tried to assure the Kremlin that any outcome of the Ukrainian election would benefit Russia. Victory for either candidate would bring stability, whereas a dysfunctional Ukraine undermines whole sectors of the Russian economy. But Vladimir Putin’s too vocal support of Yanukovych—based on belief in his own popularity in Ukraine, as the political technologists told him—dragged Putin into a trap between domestic public opinion, which blames him for political impotence, and the popularized Western view of his “imperial ambitions.”

Does the U.S. State Department benefit from Ukraine’s chaos? The first decision made by the Supreme Rada after expressing no-confidence in the Yanukovych government, was that the Ukrainian battalion should be pulled out of Iraq.

What other major players might benefit? Transnational oil companies, which had been advertising the Odessa-Brody pipeline as an alleged milestone for Ukraine’s independence (circumventing Russia in oil shipments)? Or their opponents, who proposed to use the same pipeline in the opposite direction (increasing Russian exports)? Neither one. Odessa is pulled eastward, while Brody is in the heart of western Ukraine.

NATO? The last exercises of NATO forces were conveniently conducted at the Yavoriv Range near Lviv, without any obstacles from official Kiev. If Ukraine were really to split in two, the eastern government would hardly follow the above-mentioned concession to possible NATO actions on its territory. And the ships of the Black Sea Fleet, along with the coastline from Kerch to the Danube, will be unlikely to sail under orange flags.

The industrial oligarchs? No, they are losing revenue every day.

The trading oligarchs? But they need eastern products to trade.

Cui Bono?

First: those emotional, but not very insightful political figures across eastern Europe, who for decades have dreamed about a new opportunity to see Russia humiliated—most often for irrational reasons, and always with no regard to the Russian people as such. This includes some church circles, whose disputes have more to do with real estate than with differences of creed.

Second: those individuals who managed to extract fortunes from the disaster of the early 1990s, and have been waiting for a similar situation of disorder, which would allow them to extract huge fortunes from “the revolutionary economy.”

Third: economic circles which had never been interested in the economic survival of Ukraine. Those include some Russian steel interests that covet Ukraine’s coal and steel capacities, as well as a number of East and West European

companies, whose representatives in the Eurobureaucracy view Ukraine as just a market for cheap and low-quality Polish-produced goods.

Fourth: politicians who capitalize on the alleged “essential discord between the East and the West,” most of them people with shadowy pages in their biographies from the early post-Soviet transition period: Zhirinovskiy, Tymoshenko, et al.

Fifth: the international community of political technologists, feeling itself a real master of the historical process, which has allowed them to trample national and international laws in a new fashion.

The virus, cultivated in postmodernist laboratories using the latest design, infected into teenagers, and implemented by non-governmental and anti-nation-state international networks, can't be cured by traditional well-intentioned rhetoric. It can only be confronted by an international force of reason, represented by nation-states.

Somebody more serious, too.

Definitely, the World Wildlife Fund, whose project of the “Danube Wetlands,” supported by Prince Philip’s Environmental Council of Religions, was undermined by Prime Minister Yanukovich’s decision to construct the Danube Canal—which is vitally necessary, by the way, for the economic development of western Ukraine.

Those influentials who use such conflicts for their own elevation at the global level, sowing hatred against among the “target masses” against the “target nation,” or putting up iron curtains for the purposes of large-scale trade around them, by means of convenient deals with similar degenerates on the other side (compare the war business/peace business industry around Iraq and Palestine; or the history of East Germany or Cuba).

Those particularly Anglo-Dutch types, for whom people in Ukraine, Myanmar, or Peru, by definition, are inferior races, deserving to be kept in backwardness and exploited as human cattle.

Generally, the criminal circles, which always benefit from political and economic disorder, in an easily shaped combination with the most cynical part of the trading community. They have traditionally used politicians from the first cate-

gory, above, as a watchdog and mouthpiece for their interests. Mikhail Gorbachov, who handed the whole U.S.S.R. to international criminal interests, recently declared that “a new Berlin Wall” has fallen in Kiev.

Such a combination of desires is significant enough to make a split of Ukraine possible.

Meanwhile, the “orange revolution” in Ukraine was condemned not by Belarus and Armenia alone. Also condemning it was China, which is not as easy to neglect as the legitimate Presidencies of transitional Russia and especially Ukraine.

The EU functionaries, who hurried to support what is supposed to be the West’s case against what is supposed to be Moscow’s case, would insist that this pressure is based upon principles. That is true. Evil also has its principles—according to which Lithuania and Armenia (and potentially western Ukraine) are pressured to close their nuclear plants, while George Soros et al. promote the creation of non-recognized criminal states in other parts Eurasia, such as potentially the Ferghana Valley in Central Asia, Xinjiang in western China, and so forth.

Even in Britain, some voices warn that the supposed “case of the West” endangers the West itself, or at least the European community. Peter Unwin, former Ambassador in Hungary, does not believe that the force of chaos in Ukraine corresponds to European interests:

“Look at all this, lastly, in terms of western Europe’s interests. Do we really want to see the EU take in 50 million Ukrainians as well as 70 million Turks? Do we want a union so disparate that it can never make itself effective as a political voice in tomorrow’s world? Do we, for that matter, want an EU facing an implacably hostile Russia, hostile to us because we have so recklessly forced our way into Russia’s back yard? American neo-cons may want that, but we should not.”

But most EU figures seem to be obsessed with their own careers. The demonstration of obedience to the outside manipulators of the Kiev events is evidently seen by Aleksander Kwasniewski and some others as a career-advancing chance to get adapted to new rules of the political game.

Such behavior is always regarded by Freedom House’s ideologists as a symptom of weakness, which is a pretext for a stronger attack. Will ex-anarchist Joschka Fischer, the German Foreign Minister, succeed in dealing with “something that’s hard for any politician to control”?

It seems doubtful. The scene has changed too much since Mr. Fischer’s rock ‘n’ roll youth. The new, computer generation won’t regard him as one of their own. The virus, cultivated in postmodernist laboratories using the latest design, infected into teenagers, and implemented by non-governmental and anti-nation-state international networks, can’t be cured by traditional well-intentioned rhetoric. It can only be confronted by an international force of reason, represented by nation-states—if their leaders don’t want to bequeath their legacy to the brainwashed shock-troops of contending oligarchies in a new Dark Age.

Behind Privatization Door Lurks A Killer: ‘Tax Simplification’

by Richard Freeman

President George W. Bush and radical Republicans in the House and Senate are planning to roll out a “total overhaul” of the U.S. tax code, and perhaps use the “Social Security debate” to ram it through Congress. According to those involved, the reforms are designed to massively reduce taxes on the upper 20% of America’s families by income—especially the super-wealthy upper 5%—while steeply increasing the tax burden on the lower 80% of families. But they would also cause sharp drops in government revenues, forcing deep cuts in vital Federal social and infrastructure programs.

Radical tax reformers such as Grover Norquist of the Mont Pelerin Society’s satellite, Americans for Tax Reform (ATR), say the purpose of the current reforms is to reduce the role of government, towards providing police and national defense functions, and little else. Norquist would privatize just about everything, from education to infrastructure. On Pat Roberston’s “700 Club,” he proclaimed “My goal is to cut government in half in 25 years, to get it down to the size where we can drown it in the bathtub.”

In his Feb. 2 State of the Union address, the President ranted, “Americans are burdened by an archaic, incoherent tax code. I’ve appointed a bipartisan panel to examine the tax code from top to bottom.” Bush demands reform and “simplification” of this “archaic, incoherent” tax code, exactly as he uses the non-existent financial crisis of Social Security to demand its “reform.” The tax code is indeed too complex, and could benefit from *positive* changes; but what Bush means is only that taxes on the speculative flow of the capital gains and dividends of the wealthiest families are allegedly “too complex.” Bush’s proposed means of simplification: Eliminate those taxes!

On Jan. 7, Bush appointed the Commission on Tax Re-

form. The political network run by George Shultz, leading Wall Street banks, and the financier oligarchy’s Mont Pelerin Society—with its interconnected circle of think-tanks like the Cato Institute, FreedomWorks, Americans for Tax Reform, etc.—is both directing the push for Social Security privatization, and shaping the work of this Commission to push for radical tax reform. The Commission’s two co-chairmen, former Senators Connie Mack (R-Fla.) and John Breaux (D-La.) are hard-wired into this operation. This Commission’s final report is due July 31.

The heart of the matter, in the fight over tax reform—whether rational, or, as Bush recommends, dangerous—is the General Welfare Clause of the U.S. Constitution, which foresees need of the sovereign nation-state to advance the common good in the interest of past, present, and future generations. This formed the wellspring for Alexander Hamilton’s highly successful American System of economics. Drawing upon this, President Franklin Roosevelt made remarkable accomplishments in the period of 1933-45, defeating the Great Depression; doubling the output and employment of the U.S. productive economy; establishing the pro-development, fixed-exchange-rate Bretton Woods monetary system; etc.

Despising the General Welfare clause, banking forces behind Bush are moving to “reform the tax laws” in order to expand speculative financial flows at the expense of the productive economy, and try to save their dying financial system.

Consumption-Based Taxes

The leading tax-reform forces in the Bush Administration advocate a “consumption-based tax,” whose meaning will

become clear. They would abolish the income tax now in force. The principal consumption-based taxes these groups are promoting are a national sales tax and a “flat tax.” (There exists a third consumption-based tax, the Value-Added Tax — VAT. Each country in Europe has a VAT, sometimes in combination with an income tax. While some who are shaping Bush tax reform policy would consider a VAT, the overwhelming majority reject, and often ridicule it, because it would not fully allow the austerity measures they have in mind.)

The tax cut package—the so-called Economic Growth and Tax Relief Reconciliation Act—that Bush jammed through Congress in 2001, is a significant step down the path towards either a national sales tax or a flat tax.

The advocates of these new taxes make the following distinction, which is key to their approach. They call wages and salaries “consumption,” because a worker consumes his or her wages or salary in the purchase and consumption of goods, like a home, food, and clothing. They then call a whole other category of income “investment or savings.” In this category they include: a) dividends from stocks; b) interest from bonds or bank accounts; c) income from rental properties; d) capital gains from the sale of a stock or asset that has appreciated in price; and e) inherited money from a parent or other relative. This they call “income,” and say the government *should not ever be permitted to tax it*, because if it did so, it would be taxing savings or the investment funds needed to make America grow. A government so petulant as to tax these sources of income (a through e), is hindering growth. This is their main line of attack on the income tax.

In the U.S. economy as presently functioning, the income from the above-mentioned sources derives increasingly from speculation, and is concentrated to an unprecedented degree among the wealthiest 10% of the population. Bankers and financial operatives themselves could not write a better argument. In fact, bankers wrote the tax reform, and adding some mumbo-jumbo, intend to sell it to workers making less than \$30,000 a year, as if it benefitted the whole economy, which it does not.

President Bush has already bought into the argument. Speaking in Niceville, Florida in August 2004, he told a carefully orchestrated “Ask George Bush” campaign forum, “You know, I’m not exactly sure how big the national sales tax is going to have to be, but it’s the kind of interesting idea that we ought to explore seriously.” Already by that point in 2004, Rep. John Linder (R-Ga.) had introduced H.R. 25, a model bill to create a national sales tax system (NST). Its promoters say that it will be applied, at the sales level, on all the consumption purchases that every individual makes. The hucksters selling the NST make a long Boy Scout-like list of pledges about it—that it will be simple (not complex), modern (not archaic), equitable, etc.—and end with their pitch that,

of course, the NST will lower tax rates. But that is simply not true.

To determine what the NST will charge on every purchase, let us look at Linder’s H.R. 25, which is already marked up. The Washington, D.C.-based Institute on Taxation and Economic Policy did an assessment of the National Sales Tax in September, 2004. It reported:

H.R.25 confusingly advertises its sales tax rate as 23%, but that’s rather disingenuous. On a \$100 purchase, for example, sales-tax proponents tell us that the tax would be \$30, which most people would accurately call a 30% tax rate. The so-called 23% figure comes from dividing the sales tax by *the cost of purchases plus the tax*. To be sure, \$30 divided by \$130 does equal 23%, but no ordinary person would think of computing a sales tax that way [emphasis in original].

But this is only the beginning of the problem. The Institute’s study also reported: “Allegedly, almost a third of the projected sales-tax revenues are supposed to come from taxes that the government will pay to itself. Build a road, pay yourself a tax. Buy some planes from the Air Force, pay yourself some more. And so on. . . . Without these phantom governmental tax payments, the sales tax would have to jump to 42% to break even.” Nor does that end it. “In addition,” the study concluded, “a quarter of the remaining sales taxes are supposed to be paid on things like church services, free care at veterans hospitals and a variety of hard-to-tax financial services like free checking accounts. If we disregard the supposed taxes on these items, the sales tax rate would have to climb to 50% or more.”

That is stunning. Let us assume, that with give and take, in actuality, the national sales tax rate comes out to 40%. Many state and local governments also have sales taxes, ranging from 2%, up to 7%. Examine a purchase in America’s largest city, New York. An individual making a \$100 purchase would have to pay \$40 in NST, and \$7 in state and local government sales taxes, for a total tax of \$47: half the value of the purchase.

The national sales tax is regressive, because it hits those with the lowest incomes the hardest. A worker making \$30,000 or less per year must spend almost all of that on purchases of goods and services for his family; they can save very little, if anything. But for a person earning \$200,000 or more per year, the total purchase of goods and services, even including luxury items, will be a much smaller percentage-share of total income than for the worker earning \$30,000. The wealthier individual will be able to save or invest some of that \$200,000 earnings, which portion should be *untaxed*, say NST advocates.

The Institute on Taxation and Economic Policy’s brief found that there is a great disparity in the level of tax paid

TABLE 1

Shares of Taxes on Long-Term Capital Gains

| | 2004-08 | 2009-14 | 10-Year Average 2005-14 |
|------------|---------|---------|----------------------------|
| Lower 20% | 0.0% | 0.0% | 0.0% |
| 2nd 20% | 0.0% | 0.2% | 0.1% |
| Mid 20% | 0.2% | 0.6% | 0.5% |
| 4th 20% | 2.3% | 3.2% | 2.8% |
| Next 10% | 3.4% | 4.5% | 4.1% |
| Next 5% | 4.8% | 5.6% | 5.3% |
| Next 4% | 17.4% | 18.8% | 18.2% |
| Top 1% | 71.9% | 67.0% | 69.0% |
| Top 5% | 89.3% | 85.8% | 87.2% |
| All | 100.0% | 100.0% | 100.0% |

Source: Americans for Tax Justice.

under a national sales tax:

- In virtually every U.S. state, the lower 80% of Americans by income bracket would pay much higher taxes. Nationwide, these tax *increases* would average \$3,200 per year. The lower 80% would end up paying 51% more in sales tax than they now pay in Federal taxes.

- The highest-income 1% of taxpayers would get average tax reductions of about \$225,000 per year.

Coming In Short on Revenues

The United States could not function with a national sales tax of 40% or higher (and then with a state and local government sales tax on top of that). What some NST promoters intimate they will do, is set the NST at a lower level—a still exorbitant 30-35% effective rate—that would bring in far less revenue than the current income tax does, or than is necessary for the U.S. budget to break even. This would create a large revenue shortfall, setting the conditions to force fierce budget-cutting.

The flat tax idea was developed by Robert Hall and Alvin Rabushka of the monetarist nest, the Hoover Institution for War and Peace at Stanford University. In the 1980s, a version of it was introduced into the Congress. Its most noted proponent is former House Majority Leader Dick Armey (R-Tex.), who, along with Sen. Richard Shelby (R-Ala.), introduced this into Congress in 1995, as part of the Contract on America. (Billionaire publisher Steve Forbes ran on the flat tax in his 1996 Republican Presidential campaign.) Armey is sporting the flat tax about, as the founder and head of the Institute for Policy Innovation, and also as co-chairman of the Mont Pelerin Society-run FreedomWorks (another of whose co-chairmen is R.J. Reynolds heir C. Boyden Gray).

Armey's flat tax would assess a uniform 20% rate of taxation on everyone, which, he says, would be reduced, after two

years, to 17%. We will see that this 17% tax rate, by design, would not adequately replace the revenue generated by the current U.S. tax code, nor permit the U.S. budget to break even.

There are two phases to this tax cut. For populist purposes, Armey claims that his flat tax would help the lower-income population, by offering a personal allowance deduction of \$32,000 to a family of four; below that, such a family allegedly would not pay taxes. But there is a glaring hole: Armey's flat tax deliberately does not generate the same level of revenue as does the current tax code; either government programs would be massively slashed, or he would have to lower the tax allowance deduction to \$20,000 or less.

Armey vigorously directs his tax-cutting to the wealthiest 20% of the population. Currently, the top U.S. marginal tax rates, depending on level of income, are 37.6%, 34%, 29%, and 26%. Armey would slash all these rates to 17%, and would *exempt from taxation entirely, all of our "a to e" forms of unearned income listed above.*

To see how this benefits coupon-clippers, bankers, etc., examine **Table 1**. Under continuation of current law, the lower 80% of the population by income is projected to pay only 3.4% of long-term capital gains taxes, because 96.6% of the profit from sale of stocks, art work, etc., goes to the upper 20% of families. It is even more concentrated than that: The upper 5% of households, by themselves, garner 87.2% of all long-term capital gains and pay 87.2% of capital gains tax. The upper 20% of families also earn more than half of all interest income, more than half of all dividends, inherit more than half of all assets and property, and so forth. The flat tax wipes out all imposts on this, offering them the greatest tax bonanza in history.

Who will pay the flat tax? The answer is that the middle class will pay a much greater tax. One reason is that it would eliminate the most common itemized deductions of the middle class, such as interest on home mortgages, health-care expenditures, and charitable contributions.

But Armey's proposal really aims for deep budget cuts.

A tax proposal that brings in the same revenue as the current system, is called revenue neutral. The Texas-based pro-flat tax National Center for Policy Analysis, in its "Tax Briefing Book," states, "If the Armey plan for tax simplification were completely revenue neutral, it would require a tax rate in the range of 19-20%." (In reality, analysts point out it would actually require a tax rate of 25% or more to be revenue neutral.) The briefing continues, "Establishing a rate of 17%, therefore, constitutes a tax cut. *The loss of revenue is paid for by capping government spending, including so-called entitlements*" (emphasis added). In fact, the loss of revenue could cripple the functions of government—Grover Norquist's ideal. The progressive nature of the tax system would be destroyed; one final tax bonanza for the wealthy would bring government to its knees.

Schwarzenegger Gears Up To Impose Fascist Populism on Californians

by Harley Schlanger

The booing in response to President Bush's lies about Social Security during his State of the Union address, combined with the sharp grilling of Condoleezza Rice by Senate Democrats during her confirmation hearing, demonstrate that blatant dishonesty to promote disastrous Bush Administration policies will no longer receive a free pass in the U.S. Congress. This growing feistiness of Democrats in Washington, in defense of Constitutional principles, raises a compelling question for Democrats in California: How much longer can Gov. Arnold Schwarzenegger expect a free ride, as he continues to use lies and bully-boy tactics to push through the fascist agenda given him by his controller, George Shultz?

While Arnie continues to get rave "celebrity" reviews from most of the state's still star-struck press, a recent poll indicates that his alleged luster is beginning to dim. The poll, released by the Public Policy Institute, shows that while 60% of those polled approve Schwarzenegger's overall performance, there is obvious fraying at the edges. In particular, Schwarzenegger's budget, which includes killer cuts in health care, human services, and education, is highly unpopular. When asked if there is more trust for Schwarzenegger or the legislature in managing the budget, only 29% supported Schwarzenegger, while 35% backed the legislature. Further, the approval rating for the former bodybuilder has dropped to 34% on education, with 51% oppose his efforts to stiff teachers and the children in the state.

Corporate Cartels Are for Arnie

This precipitous drop in support on several specific budget issues may explain why Schwarzenegger launched a nasty, aggressive attack on opponents at the end of January. Baring his teeth, he growled to the editors of the *Los Angeles Times* about the "punks" who would dare block him, while accusing Democrats of obstructing his "reform" agenda.

To counter this potentially growing opposition, Arnie announced plans to raise \$100 million—\$50 million to put a series of referendums on the ballot, to "go to the people," over the heads of the legislative punks, if they refused to knuckle under to him; and another \$50 million towards his 2006 re-election fight. These funds will come from corporate interests nationally which are counting on Shultz's puppet to make the state more "business-friendly": insurance companies, for-

profit health companies, telecommunications firms, and real estate and banking interests. All lobby heavily in Sacramento.

With money from these interests already rolling in at record levels, Schwarzenegger repeated his claim that opposition to him is coming from "special interests," while asserting, "I cannot be bought." But in fact, a review of the initiatives he is trying to ram through makes it clear that the only beneficiaries of his "reforms" would be these corporate interests.

Schwarzenegger's agenda includes the following "reforms," all of which bear the paw-prints of George Shultz. Besides having been the major force behind the fascist privatization of pension funds in Chile under military dictator Pinochet, Shultz has been the principal pusher of the "Chile model" for privatizing the U.S. Social Security system adopted by Bush.

First, Schwarzenegger is moving to turn the well-managed public employee retirement funds in California, CalPERS and CalSTRS, into risky, private 401(k) plans, by 2007. In its coverage of the current Schwarzenegger offensive, the *L.A. Times* reported that, by transforming the nearly \$300 billion state pension funds into private accounts, the "windfall could be huge" for Wall Street investment houses.

Secondly, in addition to budget cuts already announced in an address to the legislature—Arnie admitted they would be draconian—he would impose an automatic mechanism that would cut spending across the board when the budget is in deficit. With the state facing a deficit of more than \$8 billion for 2005-06, and overall debt at record levels since the Governor floated \$15 billion in new debt at very high interest rates, an automatic system of slashing expenditures poses an existential risk to health care and human service programs, and would sound a death knell for future, necessary infrastructure projects.

Third, Schwarzenegger plans to shut down allegedly redundant regulatory agencies. While the agency set up to oversee this restructuring claims it would save the state \$32 billion over the next four years, officials in the nonpartisan budgetary review office deny this, saying savings would be minimal, but damage could be massive.

If the legislature does not accept these "reforms," the Governor has threatened to initiate petition drives, backed by \$50 million, to put referenda on the ballot in November.

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The Return of the Beast

I admired Hitler. . . because he came from being a little man with almost no formal education, up to power. And I admire him for being such a good public speaker and for his way of getting to the people and so on. . . We can't live without authority. Because I feel that a certain amount of people who were meant to do this and control, and larger amount, like 99% of the people, who we have to tell what to do and how to keep order. That is why I am all for it. . . I feel if you want to create a strong nation and a strong country you cannot let everybody be an individual, because everybody has his own opinions and you can't just stick together as a strong nation. Then you have to tell people what to do and you can't just let them float away. In Germany there was a lot of unity. The German soldiers were the best, and with the police force and everything. . .

America. . . There is one thing I don't like here and that people go on their own little trips too much. The unity isn't there anymore. And I don't think it's too much the people's fault. I think it's because we don't have a strong leader here. . .

To speak to maybe 50,000 people at one time and have them cheer, or like Hitler in the Nuremberg Stadium, and have all those people scream at you and just being in total agreement with whatever you say.

—Arnold Schwarzenegger, from 1977 transcript of interview with George Butler.

This leaflet was circulated by the LaRouche campaign during the fight against the Recall of Democratic Gov. Gray Davis in 2003. Those who thought LaRouche was exaggerating about Arnie Schwarzenegger's fascism, now have reason to think twice.

Fascist Roots

While many Democrats still shy away from accepting the judgment of Lyndon LaRouche that Shultz's policies are fascist, and that Schwarzenegger is the perfect instrument through which to destroy the political process in California in order to impose fascism, a serious evaluation of his character and rise to power, leave's little room for doubt that LaRouche is right.

Schwarzenegger's childhood fascination with Adolf Hitler cannot be dismissed as mere fancies of an immature youth. His father was a member of the Nazi Party in Austria, who served in the SA, the notoriously brutal Brownshirts. No amount of tribute poured by Schwarzenegger into the coffers of Rabbi Hier of the Wiesenthal Center can clear his father. As for the Governor personally, he admitted that he identified with Hitler in his interview with George Butler in 1977. "I admired Hitler," he told Butler, "because he came from being a little man with almost no formal education, up to power. And I admire him for being such a good public speaker and for his way of getting to the people and so on."

This infatuation with Hitler included his identification with the "leadership principle" (*Führerprinzip*) that the Nazis touted as the basis for Hitler's alleged ability to unify and move the Germans. Arnie sees himself as bringing this princi-

ple to the United States. In that same interview, he said, "America. . . There is one thing I don't like here and that [is] people go on their own little trips too much. The unity isn't there anymore. And I don't think it's too much the people's fault. I think it's because we don't have a strong leader here."

Schwarzenegger clearly associates the obsession with power, being the strong leader, with the rush one gets from controlling a crowd, as Hitler did at Nuremberg. "To speak to maybe 50,000 people at one time and have them cheer," he said to Butler, "or like Hitler in the Nuremberg Stadium, and have all those people scream at you, and just being in total agreement with whatever you say." This has been his experience, since he first announced that he would run for Governor in the 2003 Recall campaign. Further, the self-image he projects, of a populist battling against powerful interests, is something else shared with Hitler. He must know, as did Hitler, that his rise to power has been paved by wealthy oligarchical interests typified by Shultz, which are ultimately responsible for his policies.

To argue that Schwarzenegger is unaware of the consequences of his brutal policies, is to ignore his own words. "I am well aware there are lives behind these numbers," he said, when presenting a budget which will lead to a dramatic increase in premature deaths of the elderly, the poor, the chronically ill, and the disabled.

As with Hitler, Arnie's victims—those least able to defend themselves—are belittled by him as underachieving parasites, while elected officials who would defend them are smeared as acting on behalf of "special interests." He appeals to the Hobbesian "self-interest" of the millions of formerly middle-class Californians who are frantically trying to keep a roof over their heads and food on the table. "Give me your support," he thunders, at Hollywood-scripted, Nuremberg-style rallies, "and I will protect you from the 'girlie-men' of the legislature."

And the frightened suburbanites—their job security and financial stability threatened by the policies drafted by Arnie's controllers such as Shultz—scream approval, as he threatens to "Terminate Davis" and "kick the butts" of nurses, whom he calls a "special interest."

Arnie's smirk is the face of fascism in the United States, and California its testing ground. Will the citizens of this state become "good Germans" of the 21st Century, or will they act to end his career, before he gets the chance to bring his version of "leadership" to the Oval Office?

States Line Up on Medicaid Fight Against Bush Intent To Kill Off Poor

by Linda Everett

Today, an unprecedented 52 million Americans are under the Federal/state health-care program called Medicaid, set up in 1965 as a sub-section of Social Security, to provide medical treatment for disabled and low-income people. The enrollment distribution ranges from 2.3 million in Florida, to under 100,000 in smaller states.

Under the Bush-Cheney Administration, nationwide Medicaid enrollment shot up by nearly 8 million persons from 2001 to 2004, as a direct result of the mass job losses and impoverishment, which are still ongoing. Accordingly, Medicaid spending levels (Federal and states combined) went from \$205.7 billion in 2000, to \$275.5 billion in 2003 (according to the Jan. 26 *Health Affairs*, and has now exceeded the \$300 billion level. In 2004, for the first time ever, state Medicaid costs exceeded state school expenditures. In Arkansas, for example, one in four residents gets health treatment solely from Medicaid; some cities have an even higher ratio. In these poor areas, much of the medical treatment infrastructure is now geared to the increasing roster of Medicaid patients.

The Bush-Cheney response is: Dump the poor and shut down the state infrastructure, in the name of Medicaid “reform” and “cost control.” Already, many states are using Federal waivers (of Section 1115 of the Social Security/Medicaid law) in order to evade provision of entitled care.

Bush’s Fiscal Year 2006 budget is expected to reduce Federal spending on Medicaid, and may proffer Federal block grants to states, as a ruse for imposing severe cuts. The Administration knows these actions will make millions of people sick—or dead. That is their intent. Now the political battle lines are forming, on a bipartisan basis, over exactly this point: Who will go along with harming and killing people? Who will seek a way to save lives?

The map shows where the Medicaid population lives, state by state. Here are state updates on a few of the policy fights under way.

Northeast

New York: Gov. George Pataki, a Republican, has proposed state and county Medicaid cuts, which, together with Federal matching funds to the state program, will slash \$3 billion from the program. Faced with a \$4 billion state budget gap, Pataki wants to cap what counties will spend on the program, because in his state, counties contribute to the costs

of Medicaid services, and run up the total expense level. Pataki wants to limit increases in county Medicaid costs to 3.6% in 2006-07; and by 2008, have in place a permanent 3% cap on growth.

Pataki will cut Medicaid reimbursements to hospitals and nursing homes by \$1.1 billion, in addition to levying surcharges on both. He wants the poor to pay a \$250 co-payment for hospital care. In addition to eliminating mental health services in one program, he’ll limit the number and kind of medications Medicaid will allow. According to the president of the Greater New York Hospital Association, “This is the worst budget I’ve seen in my life.”

Vermont: Gov. James Douglas, a Republican, in a small state with 25% of the population on Medicaid, plans to deal with the \$78 million deficit in the Medicaid budget, by cutting \$21 million out of payments to doctors, nurses, hospitals, pharmacists, and so on. Other actions include imposing some kind of new tax—sales or income—and boosting the monthly premium for Medicaid insurance by \$15 to \$20, for all but the dirt poor.

Midwest

Michigan: Gov. Jennifer Granholm, a Democrat, after making severe cuts over the past year, is specifying the denial of more services and treatments to the state’s Medicaid roster, now in the range of 1.5 million. Proposed cutbacks include prescription drug coverage; adult home care; and physical, occupational and speech therapy (which are critical for recovery from stroke, cancer, accidents, and so on). Already cut are podiatry and adult dental care. Granholm rationalized, “We’d offer fewer bells and whistles, fewer benefits in exchange for the ability to keep people covered.”

Ohio: This state, where one out of eight residents is under Medicaid, projects a Medicaid biennial budget deficit of between \$4 and \$5 billion. Among the cuts being considered by the Ohio Commission on Medicaid, are a 3% reduction in nursing home payments; a freeze on Medicaid reimbursements to hospitals for Medicaid stays; and a reduction of eligibility for Medicaid, to the dirt poor level. For Cincinnati hospitals, for example, Medicaid and Medicare account for 40-50% of revenue, so cuts will mean downsizing institutions, directly creating a contraction and crisis of state medical infrastructure.

Medicaid Enrollment

(For June 2003)



Source: The Henry J. Kaiser Family Foundation.

The shading on the map (see key) indicates the monthly Medicaid enrollment by state, for June 2003; the national total was 40,553,151. Today the total is estimated to be in the range of 46 million (according to Mike Leavitt, Health and Human Services Secretary, Feb. 1). Although Medicaid enrollment can vary significantly month-to-month, the shading still indicates the states which have the highest numbers of poor and disabled; the numbers have risen in all of them.

Indiana: Gov. Mitch Daniel, a Republican nicknamed “the Blade” for his ruthlessness in cutting budgets, wants blanket power to eliminate “optional” Medicaid-allowed health care. This would mean cuts to some of the following: prescription drugs, private nursing home services, physical therapy, laboratory and X-ray services, dental care, and ophthalmology services. This means the sharp curtailment of life-saving medications, diagnostic capabilities, and rehabilitation services after a stroke, accidents, and so on.

Missouri: Gov. Matt Blunt, a Republican, in his budget presented Jan. 25, wants to lower the income level that the parents of a poor family may have and still receive Medicaid treatment, from the present 75% of the Federal poverty level, to 30% of the Federal poverty level. This means that a family of three can make no more income than \$4,701 a year for the adults to be eligible for Medicaid health coverage! Blunt also wants to eliminate those who are medically unemployable but who have not yet received disability payments. Rehabilitation services for adults, and dental and podiatry care are to be cut. (Only pregnant women and children are to be exempt from cuts.) New co-payments and deductibles will be enforced.

Bellafontaine Habilitation Center (serving St. Louis, St. Charles, and Jefferson counties), caring for 400 people with disabilities or mental retardation, is to be closed, eliminating 920 unionized healthworker jobs.

South

Mississippi: A very poor 50,000-person subgroup of the state’s nearly 600,000 Medicaid enrollment, were under Federal court-order protection until Jan. 31, to have their medical treatment maintained, but now they face a cut-off without state action on funding. The week of Feb. 1, both houses of the legislature scrambled to find new funding, with the House voting for a new 50¢ tax on cigarettes. Gov. Haley Barbour, former head of the national Republican Party, has decreed: No new taxes. In other words, cut off medical treatment.

Other Medicaid recipients have had limits to care imposed on them, including the number of hospital stays and number of prescription drugs allowed.

Florida: Republican Gov. Jeb Bush, the President’s brother, has proposed cuts in various forms, for the 2.3 million Floridians under Medicaid, including the ruse of what’s called consumer-driven health, or CDH, which gives each person a delimited amount of money per month, to make “market-based choices” about what “plan” they will spend it on. The “choices” are offerings of packages of treatment, contrived by privateer insurers and health

maintenance organizations (HMOs). Also, Bush decreed that he will allow only the cheapest drugs to be used in Medicaid. Previously, the state allowed Medicaid patients four name-brand drugs a month.

Georgia: Gov. Sonny Perdue, a Republican, proposes \$100 million of reductions in spending for Medicaid and the state’s PeachCare programs, by reducing payments to hospitals by \$45 million. Because payments are matched by the Federal government, this means a loss of \$80 million spent on Medicaid in the state. Perdue proposes cutting Medicaid spending on the blind, elderly, and disabled by \$16 million, by means of “better management” of their conditions. Children in the state’s Children’s Health Insurance Plan or SCHIP, known as PeachCare, will no longer receive orthodontic services.

West

Washington: The state has drawn up a list of covered (A) and non-covered (B) mental disorders, and will cover care only for patients whose diagnoses fall in the covered category. Doctors point out that many on the B list, will be dysfunctional without care. One example, was an individual with mental disability who landed in jail three dozen times and in a hospital emergency room 300 times in the last nine months.

Indonesia: Develop Infrastructure or Lose National Sovereignty

by Mike Billington

Indonesia, the world's fourth largest nation by population, is at a crossroads, brought about not only by the incredible destruction of the far western province of Aceh by the earthquake and tsunami of Dec. 26, 2004. Even before that disaster, Indonesia's recently elected government of President Susilo Bambang Yudhoyono (known as SBY) had convened an "Indonesian Infrastructure Summit" for Jan. 17-18, bringing together government and business leaders from around the world to address the conjunctural crisis facing the Indonesian economy.

Seven years after the massive 1997-98 speculative attack on this once-developing nation—when the global hedge funds and the international banks centered on the IMF destroyed the nation's financial system, looting tens of billions of dollars from the economy and the 240 million Indonesian people—this new government is determined to revive the nation's economic development. However, it is threatened, once again, with being set up for the kill by the "economic hit men" of the now-bankrupt IMF-based financial empire, as it was in the hot-money days of the late 1980s and early 1990s.

The Infrastructure Summit addressed the massive infrastructure deficit across the entire nation, which has become progressively more severe since the 1997-98 financial warfare, and the intense debt-looting in the subsequent seven years. There has been a near-total collapse in productive foreign investment since the crisis, although there was no shortage of looting, with one result being that over half the national banking system is now in foreign hands.

Although the Summit was addressing the pre-existing crisis, the devastation of the earthquake and tsunami dramatically shaped the discussion. The death toll in Indonesia as of Jan. 31 had reached 233,000 (more than 280,000 Asian-wide), with the injured, the homeless, and the orphaned many times greater than that figure. An estimated 350,000 buildings and 500 bridges in Aceh were destroyed, while 91% of the sanitation facilities, 80% of the roads, and 80% of the electricity is out of service or destroyed. Current estimates of relief and reconstruction costs for Aceh alone are \$4.5 billion. As a result, a major emphasis at the Infrastructure Summit was placed on the reconstruction of Aceh, although not to the exclusion of national infrastructure needs.

The Legacy of the Debt

Sri Mulyani Indrawati, the Indonesian Minister for National Development Planning, presented to the Infrastructure Summit the government's ambitious plan for \$145 billion in infrastructure investments over the next five years. She acknowledged that "In the last few years, very little private investment has happened here," while "at the same time, the debt overhang that is the legacy of the crisis [of 1997-98] prevents an increase in debt financing." Unfortunately, having identified the problem, she, and the other government officials at the Summit, accepted this "legacy of the crisis" as irreversible, and to be borne by Indonesia alone, and not by the those who committed the crime. The reality is, that Indonesia has already paid its legitimate debts!

The Nov. 28, 2001 *EIR* published a study of the financial crisis in Indonesia called "Indonesia Has Paid Its Debts!" The report used the premise that the devaluation of the Indonesian rupiah to less than one-third its former value during the speculative assault of 1997-98 was not primarily of Indonesia's making, but was the intended result of the speculators and their backers in the international financial institutions. The report demonstrated that the many foreign investments in power, water, oil, and other large infrastructure projects during the 1980s and 1990s, were of the sort known in the colonial era as "unequal contracts," in which the entire risk was placed on the colony, all debt was denominated in the foreign currency, and even the cost of the product (such as electricity) was set in the foreign currency. Thus, when the national currency was driven to one-third its value through speculation and manipulation, the debts of Indonesia tripled overnight, in rupiah terms, without a single penny being borrowed, while the cost of utilities to Indonesian businesses and consumers skyrocketed, strangling the economy, despite the fact that there had been no change in the physical productive structure (see **Figure 1**).

The study also calculated how much foreign debt Indonesia had actually paid in the three years after the crisis, by computing the dollar value of the payments made in the *pre-devaluation value of the rupiah*. This demonstrated that the \$54 billion in foreign debt service paid between 1998 and 2000 actually cost the nation and the people of Indonesia more than three times that amount in domestic labor, raw materials, products produced and exported, and so on, than it would have if the currency had not been massively devalued. Thus, in terms calculated in the 1996 rupiah, it was as if \$187 billion had been paid in foreign debt, although the nation was credited with only \$54 billion paid. The difference, \$133 billion, was almost exactly what Indonesia still owed to the international creditors—that is, in real, physical terms, Indonesia had paid its debts (see **Table 1**).

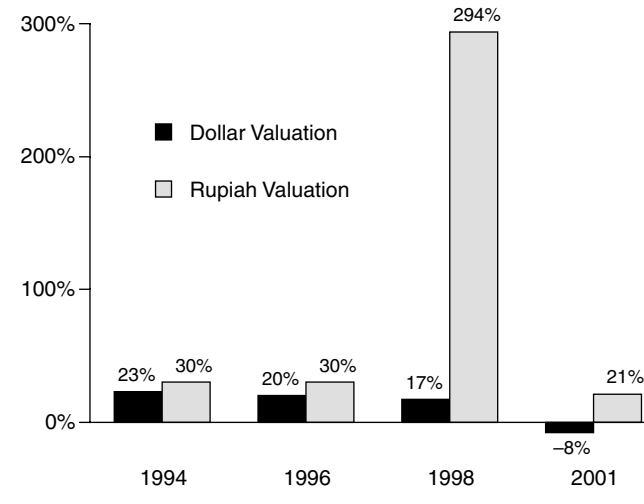
The Privatization Trap

The Indonesian government knows these facts, but does not believe it can simply renounce the illegitimate debt. In

FIGURE 1

Indonesia, Percent Change in Total Debt

(Dollar Valuation vs. Rupiah Valuation, Measured Against Previous Two-Year Interval)



fact, the Minister of Finance, Dr. Jusuf Anwar, in his speech to the Infrastructure Summit, acknowledged the “unequal contracts” of the pre-crisis era and their consequences, referring to the government “guarantees,” which assured the foreign investors full payment in dollars, and full purchase of the output, whether needed or not: “We had disastrous and costly experiences with ‘Guarantees’ or similar instruments under pre-crisis public-private projects, particularly in the power and energy sector,” Dr. Anwar said. He added that the “current level of public infrastructure investment, at \$1.5 billion in 2002, is less than a quarter of the \$8 billion in 1994.”

But will Indonesian officials ignore their own warnings, and accept new versions of the “unequal contracts,” believing that this is their only hope to build the nation’s physical economy? Some government officials are afraid that they will.

Despite the fact that the IMF/World Bank policies imposed on Indonesia during the financial warfare of 1997-98 are now acknowledged to have been a major *cause* of the collapse of the Indonesian economy and banking system (even the IMF itself issued a *mea culpa* about their mistakes in dealing with the crisis), it is these same institutions which Indonesia is depending upon today to organize the proposed infrastructure investments. Nor was there any discussion (at least publicly) of the fact that the IMF-centered dollar-based financial system is now careening into a free-fall collapse, as the take-down of the productive sector in the U.S. and Western Europe has now caught up with the hyperinflationary expansion of national debt, trade deficits, and financial aggregates in the U.S. Indonesia may be negotiating with a corpse.

Indonesia intends to cover between 20-40% of the needed

TABLE 1

Indonesia’s Debt Service Payments

(Billions)

| Year | In Dollars | In Rupiah | Dollar Value Paid If Calculated In 1996 Rupiahs |
|-----------------------------|------------|-----------|---|
| 1998 | \$17.5 | 140,125 | \$58.8 |
| 1999 | \$17.9 | 126,821 | \$53.2 |
| 2000 | \$18.8 | 180,482 | \$75.7 |
| Total | \$54.2 | 447,428 | \$187.7 |
| Subtract total dollars paid | | | -\$54.2 |
| Unaccounted debt paid | | | \$133.5 |

\$145 billion through government spending, depending on the private sector, mostly foreign investment, for the remainder. Unfortunately, the U.S. has long since gone out of the practice of nation building as a government endeavor, even for infrastructure, which by its nature should be the responsibility of governments, not the private sector. One leading American expert on Southeast Asia told a recent Washington forum, after a trip to Indonesia and discussions about the then-upcoming Infrastructure Summit, that China and Japan were offering many billions of dollars of government-guaranteed soft-term investments, while the U.S. would offer only private investments with stiff conditionalities. Thus, Indonesia has been told (by the IMF institutions and their U.S. mouthpieces) that it must make its infrastructure “profitable,” not for the economy as a whole over the long-term, as it should be, but immediately, in the short term, in the form of an assured return to the investor in the infrastructure project itself. This is a return to the “unequal contracts” of the pre-crisis era, and the result will certainly be the same.

One positive partial alternative on the horizon is the growing investment from China, which is widely acknowledged to be on terms far more respectful of Indonesia’s sovereignty and financial situation. China came to the Infrastructure Summit armed with more than \$1.5 billion in infrastructure investment offers, and more can be expected when Chinese President Hu Jintao visits Indonesia in April. Although China’s highly favorable terms of investment are dismissed by many Western experts as an effort to buy its way into a new market, the fact is that China looks at foreign investment the way the U.S. once did—as a means for mutually developing productive economies which will be both friends and trading partners, rather than as a source of short-term profits and political control.

The 20-40% portion of the investment to come from the Indonesian government itself will go into “sectors which are not commercially viable—such as rural roads and specific investments that help the poor and remote communities,” according to Planning Minister Sri Mulyani, while the bulk of the infrastructure needs, especially in power, roads, and wa-

ter, will be offered as privatized investments, with tolls set by “market standards” and through “open competition”—a form of deregulation which is a prescription for disaster.

A sign of the danger involved is the main role at the Indonesia Infrastructure Summit of Michael Porter, a leading member of the arch-synarchist Mont Pelerin Society in Australia, who has promoted himself as an economic advisor to President Yudhoyono. Porter was the chief architect of various privatization schemes in Australia, and in Victoria in particular, but his pedigree goes back to his role as one of the primary players in the 1971-74 destruction of the Bretton Woods system. When George Shultz instructed President Richard Nixon to pull the dollar off gold in August 1971, implementing a speculative floating exchange rate system, then-IMF official Porter was instrumental in getting Germany to go along with the Shultz policy, floating the deutschemark, and he then moved on to influence Australia in adopting floating rates and other aspects of the deregulation of the financial system. Porter claims that President Yudhoyono is preparing to implement privatization/deregulation policies similar to those Porter implemented in Australia.

Indonesia has already implemented several new laws to facilitate the privatization process, including the elimination of the state monopoly on toll-roads, and the deregulation of electricity and water. The disastrous results of privatization of water (the Philippines and Argentina are but two examples) and electricity (California was literally bankrupted by its electricity deregulation fiasco), should serve as a warning that such actions open the nation to devastating economic looting.

However, the Indonesian Constitutional Court recently annulled the electricity deregulation law passed a few years earlier, based on the fact that it is forbidden by Indonesia’s basic law as contained in the Constitution that was adopted with the nation’s founding in 1945. The “Social Welfare” clause of the Constitution, states: “The economic sectors which are essential for the country and which affect the life of the people, must be controlled by the state. Otherwise the control of production might fall in the hands of powerful individuals who could exploit the people. The land, the waters, and the natural resources therein are basic assets for the people’s prosperity and should, therefore, be controlled by the state and exploited to the greatest benefit of the people.”

The meaning of the phrase “controlled by the state” was given a very liberal interpretation under the Suharto regime, allowing the “economic hit men” great leeway—a policy which left the country essentially bankrupt after the 1997-98 crisis. The government determined after that disaster that never again would they provide such unreasonable guarantees to foreign investors, which granted de facto ownership of the nation’s sovereign industries and control of their resources.

Those in the government who are intent on sticking to that pledge of “never again,” are concerned that the new government, under pressure to come up with investments at any cost, may repeat the errors of the past.

Pinochet’s Chile Model Still ‘Screwing Mexico’

by Rubén Cota Meza

As of Jan. 17, 2005, Mexico’s privatized pension funds—the Retirement Funds Administrators, or Afores—were permitted to invest approximately \$13.5 billion in workers’ pensions savings in both foreign and domestic company stocks, as well as in foreign government bonds. Six years after having launched the private pension system in Mexico, the foreign bankers who dominate the Mexican banking system have finally succeeded in getting their hands on a big chunk of the total savings of Mexico’s more than 32 million workers—which as of November 2004 totalled \$39.8 billion—to be placed as bets on the international roulette wheel of speculation, exactly as they had wanted ever since Pinochet’s so-called “Chile model” of private pensions was first installed in Mexico.

In 1996, the alliance of the Revolutionary Institutional Party (PRI) and the National Action Party (PAN), under the direction of then-President Ernesto Zedillo (PRI), “reformed” the Social Security law to create an obligatory private pension system for all workers in the private sector. At the time, it was said that those funds would be invested in national development projects, a deliberate deception to draw the support of PRI-affiliated trade union leaders ever anxious to please the President, in exchange for holding onto their positions of control over the working masses.

Ever since then, the bankers have fought for the right to risk the funds of individual pensions on the international markets, with the new deception that this would yield larger dividends to the supposed benefit of the workers. Now, once again, the PRI-PAN alliance in the Congress has complied, granting a “probationary period” during which 15-20% of the funds can be invested, in various forms, on the international markets.

All of these changes to the Mexican pension system have been approved without any effective opposition on the part of either the labor unions or the political parties. The private pension model that the dictatorship of Augusto Pinochet bloodily imposed in Chile, has been imposed “democratically” in Mexico, thanks to the intellectual impotence of the country’s political leadership.

Enter the LYM

The next step that the bankers and the PRI-PAN alliance hope to take, is privatization of the pension system of the

nearly 2 million public employees affiliated with the Institute of Social Security at the Service of State Workers (ISSSTE).

This time, however, they will face the opposition of the political movement associated with the ideas of Lyndon LaRouche in Mexico, and his LaRouche Youth Movement (LYM), who have begun to circulate thousands of leaflets entitled, "Don't Let Pinochet's Chile Screw You!" The leaflet charges that the so-called "Chilean model" is nothing less than the same fascist economic policy whose implementation required the installation of the bloody Pinochet dictatorship and his death squads.

The playful title of the leaflet, the organizing dynamic of the LYM, and the explosive information on the failure of the "Chilean model," and on the opposition movement that LaRouche is building in the United States against the same efforts by the George Bush Administration to impose Pinochet's "Chile model" there, is beginning to yield its first results.

In a deployment to distribute the leaflet at the headquarters of the Mexican Electrical Workers Union (SME), the trade union that prides itself on being the "most democratic" and "most combative" against the neo-liberal structural reforms, one of the SME leaders ordered security police to expell the LYM members from the union building. Outside, a group of retired electrical workers confronted that particular SME leader and the police, and managed to gain entrance to the building for the LaRouche youth once again, to finish their leaflet distribution.

The next day, at an assembly of SME retirees, that same leader incited those attending to physically expell the LYM organizers from the meeting. And yet one week later, when the LYM returned to the weekly meeting of the retirees, those same workers who had pushed the LYM out the door the previous week, shamefacedly apologized to the youth, telling them: "We behaved very badly with you last week." Others said, "I read your leaflet and what you're doing is very good. I don't understand why our leaders are stopping you from getting it out." One member of the retirees' board said outright, "Forgive me. It's just that Rosendo (general secretary of the SME) ordered that you not be allowed to enter."

Yet another group of retirees invited the LYM members to come speak to their assembly, and after being briefed on the fight against privatization of pensions in Mexico and in the United States, they gave a monetary contribution to aid in printing more leaflets.

National Shame

The fight has just begun. For the regular sessions of Congress which began on Feb. 1, the LYM targetted those legislators who, in the past, have voted in favor of handing over workers' savings to the synarchist bankers and speculators. At the same time, the LYM is planning to distribute thousands of leaflets among the leaders, and rank and file of the public employees unions. One million teachers affiliated with the

National Union of Education Workers (SNTE), who constitute one half of the ISSSTE members, are already one of the LYM's primary organizing targets.

Through its mobilization, the LYM intends to remind the country's political and labor leaders that, in 1973, the Mexican government broke diplomatic relations with the Augusto Pinochet dictatorship, and accepted thousands of people as political refugees, who otherwise would have been jailed or assassinated under Pinochet. Today, a large number of the political leaders who once supported the Mexican government's position and condemned the Pinochet dictatorship, are now promoting the very policies they once repudiated.

The LYM's mobilization will determine whether there is still room in the Mexican political system for shame, and therefore, for national survival. Meanwhile, the LYM is bringing into this fight against fascism, a growing number of youth who will become the new political leadership of the country.

LaRouche's Fight Comes to Mexico

During the first phase of a tour to Monterrey, Mexico City and Querétaro, LaRouche movement representative Will Wertz held meetings in Monterrey with 400 members of four different trade unions who were stunned to learn that, in reality, the so-called "Chile model" is an absolute failure. These trade unionists came to understand that they must support the fight inside the United States, headed by Lyndon LaRouche, against the privatization of Social Security. Some of the leaders of public employees unions pledged that, after hearing LaRouche's warnings on the danger of global fascism, they will oppose the privatization of the ISSSTE pension funds.

Then in Mexico City, Wertz met with a group of congressmen and congressional aides from the House of Representatives' Social Security Committee, where he continued to emphasize Bush's intention of imposing the fascist Chilean model on the United States. Wertz found intense interest in the U.S. developments on the Social Security front, which are also being covered prominently in the Mexican press. He also met with top trade union officials, who responded enthusiastically to his proposal for coordination between the two countries to stop privatization in both nations.

The mobilization against the privatization of Social Security in the United States, and against the privatization of the public employees' pensions in Mexico, comes as a "second edition," albeit expanded, of the mobilization against electricity deregulation in the U.S., and against the privatization of the electricity sector in Mexico, which culminated in the Enron bankruptcy in the United States. This time, the joint Mexico-U.S. mobilization must culminate in a "second edition" of the Lincoln-Juárez and Roosevelt-Cárdenas alliances, in a total defeat of the effort to impose fascism in both countries, and in a change in political direction toward the effective reconstruction of the economies of both nations.

Monetarists Demand Even Deeper Cuts

The Berlin government is being pressured by financiers to move past Hartz IV to a still more brutal Hartz V.

It would have been more than appropriate, if Chancellor Gerhard Schröder, who called for changes in the handling of developing nations' foreign debt after the Dec. 26 tsunami catastrophe, had also backed changes in domestic economic and social policies. After all, the present rigid budget-cutting at home is the equivalent of International Monetary Fund conditionalities for the Third World.

But Schröder has avowed loyalty to the large cuts planned for labor, welfare, and health, in the "Hartz IV" policy that went into effect on Jan. 1, which will institute drastic income cuts for more than 4 million Germans who live on unemployment support or welfare.

Aware of the fact that their Hartz IV package led to huge protests in the Summer of 2004, Schröder's governing Social Democrats have solemnly declared that no further budget-cutting would be put on the table between now and the next scheduled national elections in the Autumn of 2006. But most experts are convinced that the budgetary crisis will drive the government into new austerity. Tax revenues are declining, because of the continued shrinking of production and employment, while ever-rising unemployment keeps burdening the state budgets.

At the end of January, Germany reached an official unemployment figure of more than 5 million—the worst figures since May 1933, the peak of the Great Depression. But even this figure is an underestimate, however, because it does not count numerous categories of job-seeking, welfare-re-

ceiving citizens, including citizens above age 58. Real unemployment is closer to 8-9 million. And, Hartz IV has not created a single real job, only a few jobs in administrative functions that have to do with the management of the program itself.

Not least because of sabotage by the labor union bureaucracy, the protests against Hartz IV almost died down in October 2004, and have not resumed their strength of last Summer. But rage at the budget cuts and unrest about the increasing and record levels of mass unemployment may, all of a sudden, lead to a new explosion of social protests in the Spring.

The financial oligarchy moved quickly last Summer, to make sure that Schröder would not give in to the protests. On Aug. 2, 2004, when the government was giving vague indications that it would be willing to "rethink" the Hartz IV package, a bond-trading cartel led by Citigroup, in a well-prepared conspiratorial move, dumped German government bonds worth several billion euros, within two minutes after the opening of the trading day. The next day, Aug. 3, the German government had apparently been called back to "monetarist reason," offering no more than a few minuscule concessions on Hartz IV. The bond-trading affair is now the subject of an official investigation by oversight boards in London and Frankfurt.

Without that trick to fall back on this time, hardline monetarists have begun a propaganda campaign in favor of "Hartz V"—the allegedly "inevitable next phase of the reforms." A revival of Nazi finance czar Hjalmar

Schacht's post-1933 austerity policy is becoming all too visible in this propaganda drive.

Typical is what the Munich-based monetarist Hans-Werner Sinn said in an exclusive interview published Feb. 2, in the economics section of the *Frankfurter Allgemeine* daily. There, he tried to lure readers into a discussion of the "hard reality," by addressing the fact that the government's unemployment data are manipulated, that there is an actual lack of jobs in the German economy, that Hartz IV will not help to reduce unemployment. But this was only the prelude for Sinn to proceed blatantly with his real agenda, that of Schacht: "We must consequently expand the low-income sector."

Sinn advocated the creation of a partially state-funded low-income sector, as a catalyst to "adjust" incomes generally, "including the medium income levels," to the alleged "realities" of the free market.

Promoted under the brutish slogan "money for cooperation, less money for inaction," Sinn proposed the transformation of the entire public service sector on the municipal level, where the infamous "1-euro jobs" of the Hartz IV unemployment agencies are currently being created. This means that the Hartz IV income of 345 euros monthly, is available only for those who agree to work on such jobs for 1 euro per hour.

So far, some 50,000 such jobs have been created, and Sinn called for all municipal jobs to be transformed into 1-euro jobs, in order to create 2 million jobs in this category. The municipalities should, however, not employ these 2 million citizens themselves, but should auction them off to the private sector industry, on a leasing basis. This would lower the average low-income level by one third, Sinn happily concluded.

A Phase Shift Toward Roosevelt

The phase-change that has occurred within the Democratic Party was probably best represented on Feb. 3, when, in a powerful metaphor that commemorated the best tradition of the Democratic Party, a unified Senate Democratic Caucus, led by Senate Minority Leader Harry Reid of Nevada and Chuck Schumer of New York, stood before the Franklin Delano Roosevelt Memorial on a cold, damp Washington day, and invoked the spirit of America's greatest Democratic President, to voice their staunch opposition to the Social Security privatization scheme that Bush made a cornerstone of his State of the Union speech.

The symbolic gesture was the finishing touch on the shift that has occurred, over the course of the last four years, during which the leading advocate for the Roosevelt tradition in the Democratic Party, Lyndon H. LaRouche, Jr., has taken the lead in battling the disastrous direction taken by the Bush Administration. Although many difficult battles lie ahead, one thing is indisputably clear: LaRouche has won the argument on what the character of the Democratic Party is to be.

It wasn't very long ago that a Democratic Presidential nominee argued that it was time for the Democratic Party to put the legacy of FDR to rest. And, although that nominee was responsible for G.W. Bush's first win, that view continued to be a point of debate during the 2004 Presidential campaign. Indeed, in some of the first public policy debates since the election, Gene Sperling and Bruce Reed, both associated with the Democratic Leadership Council, had indicated that they were willing to negotiate the end of Social Security benefits—that is, until they were beaten into line, and forced to publicly reverse themselves, by a reinvigorated Democratic Party.

Again invoking the spirit of FDR, Congressional Democrats, joined by their friends in the labor movement and other constituency groups, have vowed to take this fight directly to the American people over the next three weeks, in a series of street actions and town meetings across the nation. The turn toward a policy based on Constitutional principle has also been dramatically shown in the way Senate Democrats debated the nominations of Condoleezza Rice and Alberto Gonzales, and

then voted in large numbers against them, to uphold the honor of the United States.

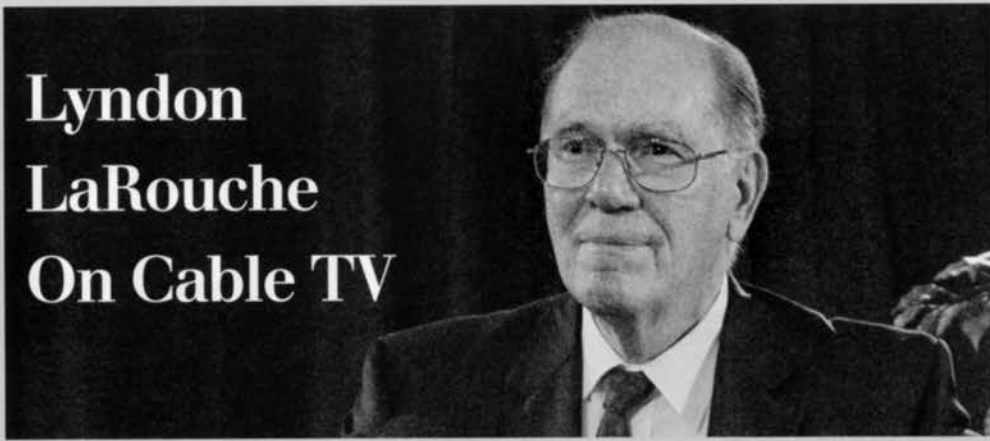
LaRouche has emphasized that winning this fight against the dismantling of FDR's most lasting program, Social Security, is the key to everything, and, in order to win it, the Democratic Party has to escalate, or face virtual extinction. The U.S. population has to be re-educated as to the basic principles of American history and American System economics, and taught how to both fight against the fraud of Social Security privatization, and to fight *for* the programs of infrastructure development and economic growth which were also the hallmark of the FDR years.

So far, the lesson has been primarily applied to domestic policies, but it will soon have to spread to the international domain as well. It was FDR, after all, who pushed through the original Bretton Woods system, devised to provide the mechanism for rebuilding the world economy after World War II, and who established the principles of economic cooperation, not Hobbesian competition, as the touchstone of a true American foreign policy. FDR's vision of the United States cooperating in massive infrastructure development, including greening the desert in Africa and the Middle East, remains the appropriate inspiration for today as well.

Decades of slander against FDR, and the adoption of an anti-FDR post-industrial society, have created potentially disastrous results. Early polls show that a majority of Hispanics and African Americans have been seduced by Bush's hollow promises of the "golden egg" of private accounts, a shocking reflection of how much our poorer citizens have bought into the "casino society" mentality of "every man for himself." Exposing the fraud of this White House pitch will be a focal point of the LaRouche PAC drive to defeat the Social Security privatization hoax.

LaRouche has won the argument on FDR, but winning the war to save this Republic is a much larger task indeed. It's worth quoting LaRouche from his Jan. 5 webcast: "Go for the gut. Get them out. And show people you have the courage to fight. And then, maybe, they'll have the courage to join you in supporting the fight. That's our only chance."

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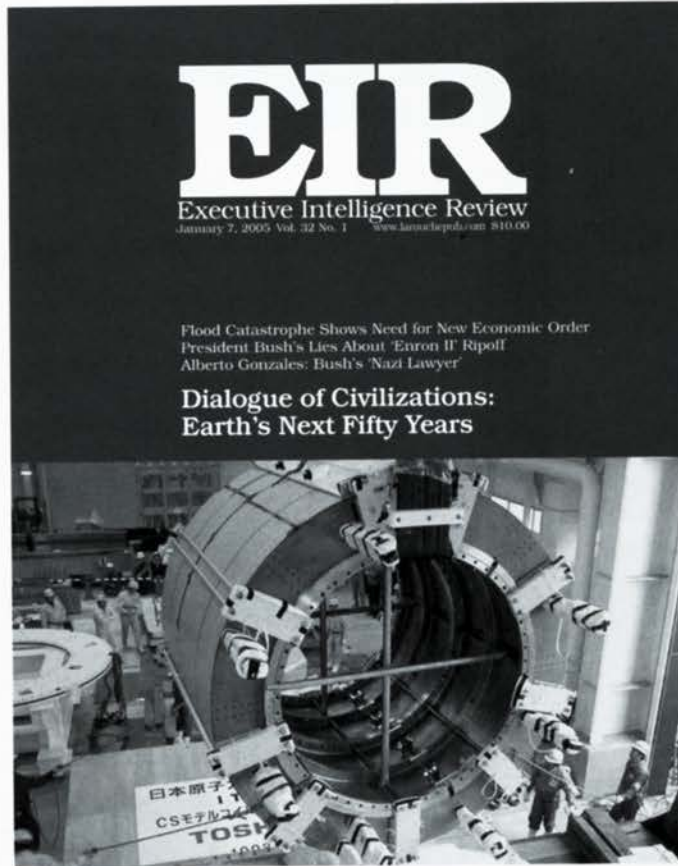
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