

# EIR

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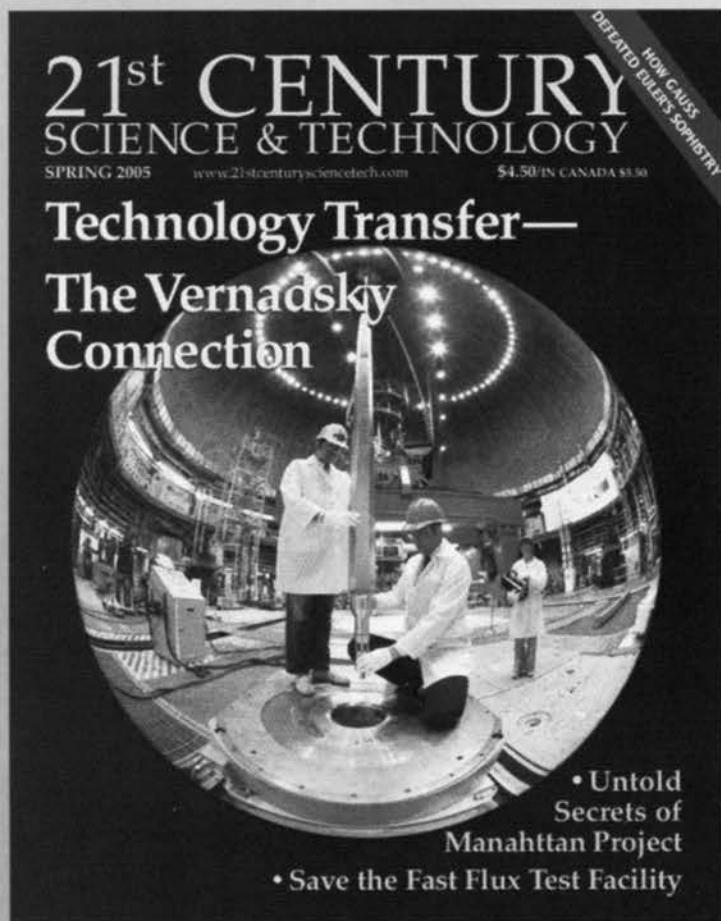
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**LaRouche's Emergency Policy:  
'Recreate Our Economy!'**



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by Lyndon H. LaRouche, Jr.

In this summary, prepared for circulation at a conference in Bangalore, India, on May 26-27, 2003, economist and statesman LaRouche lays out the cultural preconditions for a new kind of technology transfer that will lead to world prosperity.

#### • Some Words About the Noösphere

by Vladimir Vernadsky

Vernadsky's 1943 work develops his conception of the human mind as a geological force.

#### A TRAGEDY IN THREE ACTS

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by L. Wolfe

Drawing on original research, historian L. Wolfe shows that the dropping of the bomb on Japan was the result of a conspiracy of political and moral opponents of Franklin D. Roosevelt, aiming to control the post-War world with the ultimate weapon of terror.

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by Dr. Robert J. Moon

A moral decision by American scientists to slow production of plutonium is one of the untold secrets of the Manhattan Project, revealed here for the first time by a leading nuclear scientist who was a key participant in the Project.

#### SCIENCE AND THE LAROCHE YOUTH MOVEMENT

#### • How Gauss Defeated Euler's Sophistry

by Michael Kirsch

The paradigm shackling the minds of people today, such as free-trade economics, has similar roots to the mental disease which shackled 18th Century mathematics. The author reports how a study of Carl Friedrich Gauss's 1799 paper on the Fundamental Theorem of Algebra can free the mind from such slavery.

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## From the Associate Editor

**P**aul A. Volcker began a 1978 lecture by invoking the dictum of economist Fred Hirsch, that “controlled disintegration in the world economy is a legitimate object for the 1980s.” All the world knows that Volcker, as Federal Reserve chairman, proceeded to implement this program, raising interest rates to double-digit levels, wiping out huge swaths of industry and agriculture worldwide. It was one of the milestones in the post-1971 plunge of the U.S. economy to its current “junk bond” status.

Lyndon LaRouche and *EIR* blasted Volcker at the time, as leading a plot by the financier oligarchy to destroy industrial nation-states, and to usher in a fascist “post-industrial” society under their control. That’s exactly what happened.

Now, in a *Washington Post* op-ed on April 10, Volcker opines that the disintegration of the economy is no longer so controlled as he had hoped. Today, he writes, in view of the U.S. Federal and current-account deficits, “altogether the circumstances seem to me as dangerous and intractable as any I can remember, and I can remember quite a lot. What really concerns me is that there seems to be so little willingness or capacity to do much about it. . . . I think we are skating on increasingly thin ice.” His solution? More fascism: It “really boils down to the oldest lesson of economic policy: a strong sense of monetary and fiscal discipline.”

There it is, on the record. Whom do you believe, Volcker or LaRouche? Whose advice will you take to find the way out?

In this issue, we feature two major pieces by LaRouche which address specifically the question of what must be done, notably in view of the imminent collapse of General Motors and the machine-tool capability of U.S. industry that is tied up with the auto sector. Everything you need to know is there. The key issue, as LaRouche points out in a webcast discussion with Democratic leaders (see *National*), is who will provide the leadership to get the job done?

Don’t miss the hot story in Anton Chaitkin’s “Investigation.” Taking off from LaRouche’s point that the “religious right” is really a drive to establish unconstitutional state-based religion—a theocracy—he shows how Enron’s Ralph Reed, along with other friends of House Majority Leader Tom DeLay, are implementing this policy.

*Susan Welsh*

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## AN EMERGENCY RECONSTRUCTION POLICY

# Recreate Our Economy!

by Lyndon H. LaRouche, Jr.

April 2, 2005

At this moment the U.S.A. is gripped by the greatest world monetary-financial crisis of more than a century. Although the U.S. economy itself has been in a process of uninterrupted decline for more than three decades, the majority of our citizens have been in a state of denial of this reality of the onrushing disaster, until most recently. Therefore, the illusion still rampant among leading institutions and the population generally, is that the presently onrushing collapse of the U.S. economy itself dates about the time of the 2001 inauguration of President George W. Bush, Jr. Although George W. Bush, Junior's Administration's policies have aggravated the problem in the extreme, there are no solutions for the threatened sudden, and very deep collapse of the economy, which do not depend upon recognizing that those mistakes in policy and popular opinion which have caused this crisis, have been chiefly the policies which have been supported, or tolerated by our government, and by the majority of the nation, until a recent time.

To convince the population to recognize the actual remedies for today's onrushing deep depression, we must identify those causes as the policies which the majority of popular opinion has considered acceptable, or even demanded, for more than a generation. Until popular opinion is willing to take the blame for its own mistakes of no less than three decades, no solution for the presently onrushing breakdown crisis of the world economy would be possible.

Presently, we hear a growing number of proposals for fixing today's dying U.S. economy. These proposals include some useful observations, but all proposals for merely "fixing" this or that problem within the U.S., or European economies piece by piece, will fail, and that immediately, and that in an awful way. Suggestions of that kind will fail, almost

inevitably, because of what they do not say: *You can not heal what you have killed; you can not fix what you have already destroyed.*

So, we must replace the present policies of our government, substituting new policies which are consistent in principle with those which gave us the once excellent economy of more than a generation ago: an economy which the U.S. itself has willfully destroyed since the first inauguration of President Richard M. Nixon. We, as a nation, have destroyed our own economy, by adopting and implementing, or merely tolerating policy-changes which experience has now shown to have been lunacy. These are lunacies which have reigned like obsessions, increasingly, over our economy, and over the policy-shaping trends of our government and leading political parties, for about thirty-five years: in other words, since approximately the aftermath of the death of former President Dwight Eisenhower, and the beginning of that Richard M. Nixon Administration which was run and ruined by the likes of George Pratt Shultz and his crony, Henry A. Kissinger.

Therefore, forget about attempting to talk the garbage into reforming itself; remove it. Replace the foolish laws and misguided majority of popular opinion which, over more than thirty years, have combined their efforts to create what has now become today's mortal threat to the existence of our republic.

To begin, today, our economy faces a similar, but far, far more serious problem than that which had been bequeathed to incoming President Franklin Roosevelt as the ruinous legacy of the Coolidge and Hoover administrations. Under Roosevelt, reconstruction of what emerged by Spring 1945 as the most powerful economy the world had ever seen, our U.S. economy of Roosevelt's last years, was built by salvaging the foundations of agricultural and industrial power which were temporarily ruined, but still standing in March 1933. The



*“For most parts of the United States, the great productive economy which we had, still, had thirty-five years ago, is long gone,” LaRouche writes. Left: Detroit’s famed Ford River Rouge auto production complex, during better times.*



*Right: A closed Ford River Rouge plant in 2003. Where have those skilled and semi-skilled workers gone?*

difference today, is that we have spent more than three decades, since the beginning of the Nixon Administration, in uprooting the greatest part of that great agro-industrial power and infrastructure which had been still standing when Nixon entered office. In large part, many of the elements of a potential U.S. economic recovery which existed thirty-five years ago, no longer exist to be fixed today.

So, today, we face a new challenge for reconstruction of our presently dying economy. The situation which Franklin Roosevelt addressed with great relative success, was less severe than that which faces us as the ruined state of our national economy today. The underlying principles expressed by Franklin Roosevelt’s successes remain the same; but, radically new kinds of problems must be recognized and taken into account in crafting our designs for a general recovery. [See *endnote.*]

During most of the years since the beginning of 1969, we have been told, and told, and told, over three decades, that our economy has been growing, has been more and more prosperous. The evidence today is, that all those official and other published stories of growth and recovery have been lies; we have bigger lies on this account from our government and

Federal Reserve System today than ever before.

Look about us, county by county across the U.S.A. Remember the farms, the infrastructure, the industries, the health-care standards, and so forth, which could be found, about thirty years ago, as a per-capita, per-square-kilometer standard of reference in the conditions of each county. Pull out the photographs taken in most of the great wealth-producing counties of the former agro-industrial regions of our nation thirty-odd and more years ago. Then, holding those pictures before your eyes, see the same locations today.

For most parts of the U.S., the great productive economy which we had, still, thirty-five years ago, is long gone, especially since the mania of deregulation and monetarism under 1977-1981 National Security Advisor Zbigniew Brzezinski. [See **Figures 1-12.**] Thus, while half the currently reported financial wealth of the population is concentrated among what has become increasingly a hopelessly debt-ridden upper twenty percentile of our family households, the conditions of life of the lower eighty percentile has been consistently down, down, down since about 1977. Our industries are gone, or vanishing, and their productive employment with it. Private pensions is a category which has now almost gone out of

existence for the lower eighty percentile of our population, while poor foolish, and ever-lying sadist and Federal Reserve System stooge, President Dubya, tries to sell to what he must hope are the dumb suckers, more of that same doomed paper today.

Simply said, the official reports of the progress of the U.S. economy have been faked, that ever more wildly, over the entirety of the recent three or more decades, as under the succession of Federal Reserve Chairmen Paul A. Volcker and Alan Greenspan.

So far, today's strongest popular political reaction to this decades-long pattern of national economic suicide has come to the surface around the fight to defend Social Security and health-care against the rapacity of Augusto Pinochet's former crony George Pratt Shultz, and Shultz's puppets, such as the George W. Bush, Jr. Administration and that pot-bellied relic of the stone age, the California "Governator," Arnold "Conan" Schwarzenegger.

Now, a titanic change is in the making for the very, very near future. The onrushing collapse of the section of the economy typified by the General Motors complex, when combined with the acute over-ripeness for bust-out of the monstrously speculative U.S.A. and United Kingdom mortgage-bubble markets, produces an effect which intersects the biggest international "Ponzi Scheme" in modern world history, the vast bubble in financial speculation conducted by those super-vast, predatory financier interests whose principal investments are now intended to steal control of the future petroleum and other raw-materials supplies of the entire planet. That is the same bubble of giant financial hoaxes being expressed as the soaring prices in the housing and fuel markets of the present moment.

The precondition for preventing the onrushing chain-reaction collapse of the physical economy of the world from occurring, is to recognize that the present world monetary-financial system itself, the IMF system in its present form, is doomed to an early general collapse. That IMF system itself can not be saved; whatever happens to our economy, for better or worse today, the way the U.S. and international economy has developed since the mid-1960s, is something which will never recover, as that form of economy, or anything like it, within several lifetimes yet to come. If we do not replace the present, implicitly bankrupt system and its policies, by a system based on the same principles used to create the national recovery organized under President Franklin Roosevelt's administration, there is no future worth mentioning for your community or your family—during the decades yet to come.

In the meantime, today, George Pratt Shultz's close association with the forces behind the neo-Nazi, death-squad-linked, Augusto Pinochet of the 1970s and 1980s, is an image of the kind of thinking which the accelerating present world financial crisis prompts in circles typified by Shultz still today: replacement, on a global scale, of democratic forms of self-

government by dictatorships echoing the Mussolini, Hitler, Franco, and Pinochet models of earlier times.

Those policies of Shultz, et al., policies such as the desperate effort of President George Bush, Jr. to loot Social Security, reflect the same thinking around today's U.S. Federal Reserve System which Bank of England asset Hjalmar Schacht represented in bringing Adolf Hitler into power in 1933 Germany. We are therefore in a race, to return to the kind of policies, under President Franklin Roosevelt, which enabled the U.S. not only to escape the fate of Nazi rule in continental Europe, but to defeat a Nazi power which was on the verge of establishing an empire over the world.

Tough language? Yes; but, among those who know the facts, only wishful dreamers and whimpering cowards would choose any different language than I have employed here.

### **Using Resources Which No Longer Exist**

You will be told by people who have yet to learn their lessons of experience, that there are clearly available resources which could be mobilized to allow us to fix this or that problem without any more radical change in the present economic system than that. Some of those reports may seem to be almost factually true, on condition that you deceive yourself by limiting your attention to some very narrowly defined parts of our overall national economic crisis. But, they are also as misleading as outright lies would be; they are instances of statistical fraud, intended or not, fraud crafted by fallacy of composition.

The problem is, that if we take all of the interdependent problem-areas, such as providing adequate health-care facilities for an emergency, the conflicting demands to be made can not be met, simply because many different proposed solutions are relying upon resources for their program which would have to be taken away from the shrinking mass of resources currently existing among each of a dozen or more, worthy but competing areas of national emergency problems. The illusion that we could fix each of our problems without overturning the present system, is what we used to call a "blind men and the elephant" problem, a fallacy of composition; the fellow who proposes to fix the one problem is overlooking a dozen or more equally deadly problems which are each and all counting upon drawing down the same resources which vitally needed solutions in the other areas would require.

For example, as many well-advised people, in or out of government, would warn you, passing a law which guarantees the citizen's right to access to health care, will make him find himself in the kind of disaster which many Canadians face under that nation's much-praised, present health-care policy. The right to health care may exist on the statute books, by law; but the means to deliver that health care to all who need it simply do not exist, physically, in all of the most crucial categories. As Queen Marie Antoinette is reported to have said of the poor of that time, "Let them eat cake." The same would have to be said about any similar, legislated, but un-





*The shutdown of the U.S. steel industry is the hallmark of the “globalization” era. Left: The Bethlehem Steel blast furnace at Sparrows Point, near Baltimore, in the 1970s.*



*Right: A closed portion of the Sparrows Point complex in 1983.*

funded “universal health-care plan” coming out of the U.S. Congress today.

What we require, in the area of health care, for example, is a Hill-Burton-law-modelled policy of building up the health-care capacity to levels adequate to provide the care the wishful ideologues in Congress and elsewhere might propose to guarantee. The effective denial of needed health care to returning U.S. military veterans of Iraq, is typical of the fraud rampant under the current Bush Administration. Morally, you can not legislate the existence of a promised delivery of services, if the capacity to deliver those services as promptly as implied do not exist, and if you fail to provide for the creation of the capacity to perform as the law is read as promising. Government must not allow it to be said, that it has promised something, by stated policy, which, by the currently common sophistry of practiced policy, it refuses to provide.

What is presently true of the health-care system which has been savaged by the Nixon Administration’s repeal of the Hill-Burton law, is also true in nearly every area of economic concern in the U.S.A. today. We have a prevalent policy which says, liberally, on the one hand, “Promise them anything, but give them Arpège,” and, on the other hand, we have the right-wing cannibals of the Congress who would solve

that problem with a policy of, “We must stop giving them Arpège.”

You can not provide safe water without rebuilding our nation’s water-management system up to standards of the pre-Nixon, pre-Brzezinski era. Without a major national infrastructure-rebuilding program, which must be funded largely through long-term government-created credit at permanently low interest-rates, this U.S. economy would never recover from the presently onrushing catastrophe.

For example, this means vast investments in generation and distribution of power under very high energy-flux densities at the point of generation. This means a shift out of today’s lemming-like run into vast over-emphasis on highway transport, back to the technologically modern frontier levels of safe, high-speed transport of passengers and freight by rail and kindred means. This means, a shift out of petroleum-fueled highway vehicles and local energy supplies, into the general use of hydrogen-based fuels, fuels chiefly produced within regions, as byproducts of high-temperature-reactor, re-regulated, state-wide power systems.

This means radical changes in national educational policy, toward emphasis on universal excellence, away from recent trends and national statutes attuned toward President

Bush's passion for dumbed-down school systems, systems designed for an educational program which leaves most graduates far behind the curve of both even simple literacy, as also of modern science and technology.

It means that a reborn U.S.A., and Europe, too, must cease to be an unproductive parasite sucking on the globalized produce of the world's desperately poor peoples, and, instead, serve as a fountain of scientific and technological progress which a revival of our once leading cultural development will enable us to deliver to nations which desire fulfillment of their right to access to the same technological progress.

We must adopt, thus, a mission of supplying the stimulus and assistance needed to uplift the general population of this planet from that planet's swamp-like regions of poverty, disease, and ignorance. These are the economically depraved conditions which we, through the policies insisted upon by financially powerful policy-influencing circles of the U.S.A. and Europe, have promoted, and strictly enforced over a period of about a half a century, in regions such as Asia. The U.S. and other influential agencies have demanded, that these Asian nations must abandon crucially essential, large infrastructural and other technological progress for the often virtually slave-labor kinds of employment opportunities which visiting tourists might wish to enjoy at seaside and kindred hotels and entertainment complexes where they are waited upon by the miserably poor.<sup>1</sup>

These and related foundations of general economic recovery are not matters of existing things which need to be fixed. They represent our vital interest in creating what, unfortunately, presently does not exist to be fixed.

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## 1. The Rebirth of the U.S. Economic System

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There is no way in which there could be a survival of the U.S. as a republic, under a continuation of President George W. Bush's combination of tax-free rides for the rich, combined with savage budgetary austerity against absolutely necessary programs for U.S. economic survival, and combined with the lunatic utopians' U.S. defense strategies seen as part of Bush's foreign policies and strategies. To bring the U.S. national economy above budgetary breakeven levels, without massive, capital expenditures, would be impossible. The only remedy is to use U.S. government-created long-term credit, a process of credit-creation which will require the immediate introduction of a number of the perfectly feasible measures which the present Bush Administration and Federal Reserve System have forbidden. These indispensable actions, like the

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1. The case of two projects for Southeast Asia are relevant, the Kra Canal and the Mekong development program, as is the case of the suppression of Secretary of State William P. Rogers' development program for Southwest Asia.



*President Bush at the U.S. Treasury Agency's Bureau of Public Debt in Parkersburg, West Virginia, on April 5, in a grand-standing tour for Social Security privatization. The file cabinet holds the \$1.7 trillion in Treasury securities that make up the Social Security trust fund. Bush proclaimed that there were no "real assets" there. "There is no trust fund. Just IOUs that I saw firsthand."*

recovery measures under President Franklin Roosevelt earlier, go against everything which the Coolidge, Hoover, and Bush Administrations have represented. They go against everything for which the present Federal Reserve System, the present International Monetary Fund, and the present World Bank stand.

Are you going to continue to tolerate those Bush and Federal Reserve dictates, or, do you prefer that our republic shall outlive the presently onrushing, world-wide, general monetary-financial collapse?

Do not waste your own time, or your neighbor's, arguing that there is any way that the U.S. economy can continue to exist under a continuation of presently operating national and international monetary-financial policies. The entire system is now on the brink of a general breakdown crisis from which it could never recover in anything resembling its current form. Time has run out for debating that issue. The greatest world-wide financial crash in modern history is hanging, like rotten-ripe fruit, ready to drop from the tree at any moment, sooner or not much later. Either prepare to make the kind of changes which memory of President Franklin Roosevelt suggests, or

be prepared to experience the virtual economic death of our own and many other nations, very soon.

For the moment, at least, you still do have the freedom for making that very specific kind of choice. That is about as much democracy as the inescapable reality of the present situation has not already taken away from you.

Do not blame me for delivering what some of you might regard as an ultimatum. Nature itself is now hastening on the way to deliver that ultimatum to you personally. It is, in fact, what you, by your stubborn negligence, by the way you voted, or the way you did not vote, have finally delivered to your own doorstep. As might be said of Iraq today, it is President Bush's and your own "Appointment in Samarra." What I propose as an alternative, is the only option left available to those who would prefer to survive. Sometimes, life is like that. Science is always like that. At some points in time, the fate of empires, and of entire nations such as our own, is like that.

I outline the needed remedies for our situation, step by step, as follows. I explain this in a way needed to make the explanation as easily understood as possible without leaving out anything essential.

## **What We Must Do**

The Federal, state, county, and local governments of the territory of the U.S.A. have a vast accumulation of worthy projects in major maintenance and building of basic economic infrastructure. Many among these are authorized for expenditure as soon as funding is brought forward. The implementation of a sizeable portion of these hundreds of billions of dollars' worth of large accumulation of absolutely necessary and worthy public or private U.S. domestic investments in basic economic infrastructure, would be sufficient to bring the current level of net national income far enough above national breakeven-point, to allow us to bring the presently onrushing monetary-financial crisis of the U.S.A. under control.

The biggest physical obstacle to such recovery measures is the shortage of organized skills and sources of supply to fulfil a sufficient number of such assignments to accomplish the immediately intended result. There is the additional problem, that we must choose a combination of such options which do not conflict fatally with one another in their competition for our scarce present resources. For example, a large chunk of these programs involves the participation of the U.S. Corps of Engineers. We have, presently, a generation's worth of waiting work to be done with participation by the Corps, beginning right now, but there are presently limited resources for that effort.

For example, one of the largest components of our national productive capacity, both for the so-called private and public sectors, is concentrated in the machine-tool-centered capacity of our current aerospace and auto industry. At a time when it would be futile to attempt to maintain current levels

of sales of new automobiles, we must think in terms of keeping the high-technology aspect of those industries fully operating, by diversifying the work-load to include urgently needed national programs in infrastructure, such as a new, urgently needed, national railway grid for passengers and freight, as a shift from the threatened early physical breakdown caused by post-World War II overemphasis on highway transportation.

The general objective of initial, stop-gap adjustments of that type, is to concentrate on mobilizing useful programs which are intended to preserve and strengthen the vital high-technology end of our national productive capacity, by mobilizing what are presently threatened with becoming lost productive resources, while we still have the option of keeping those vital capacities alive.

Thus, although the presently skyrocketing petroleum price is not a reflection of current shortages in petroleum supplies, but, rather, a reflection of wild-eyed speculation in monopolistic efforts to buy up the world's future petroleum stocks, we must begin to shift out of excessive dependency on combustion of petroleum products as a source of power for our nation, and the world at large. At the same time, the highway congestion and related logistical problems of our excessively highway-dependent national economy, require a marginally very large and rapid shift into mass-transport of goods and people, and a shift toward regionally produced hydrogen-based fuels to replace today's relative dependency on consumption of petroleum and natural gas as fuels.

There are also other major objectives to be served by such a reform, but what I have just said gives you the gist of the matter.

Similarly, we have a major water-management crisis, requiring immediate restoration of collapsing systems which use waterways and reservoirs for essential purposes of transportation, production, and human consumption.

We need, immediately, large-scale programs of development of basic economic infrastructure which combine the utilization and expansion of cadres of highly skilled operatives and technologies, but which also absorb large numbers of otherwise unemployed semi-skilled and unskilled labor as an integral part of the same programs. The maintenance and expansion of the ranks of the highly skilled production operative, and the upgrading of the unskilled and less skilled through the same programs which are led by the most skilled, strikes the balance needed for large-scale expansion of productive, rather than services employment, on which the initial phase of a recovery-effort must be premised.

Among the most urgent tasks to be taken on right now, is to put together a consolidated list of all of the relevant productive resources available and investments ready to be made. We must now determine how this combination of possibilities could be put together as a general emergency recovery program for the nation as a whole.

To conduct such a program requires a very large amount of long-term credit at basic rates of about 2% simple-interest



*“Lessons learned under President Franklin Roosevelt, from the 1930s recovery-process and the war-time age of the legendary ‘Rosie the Riveter,’ come into play in relevant modes of policy-shaping” for a national recovery program. Here, women in defense production, 1943.*

per annum over periods of about a quarter-century. This requires a return to a fixed-exchange-rate form of international monetary system, otherwise no general recovery would be possible. Lessons learned under President Franklin Roosevelt, from the 1930s recovery-process and the war-time age of the legendary “Rosie the Riveter,” come into play in relevant modes of policy-shaping.

There are tricky features to this kind of effort, especially as a matter of the need to coordinate the physical implications of a national effort along those lines. However, the principle of the business is broadly as I have just summarily described it.

### **1.1 How To Deal With the Monetary Crisis**

Now we come to the really sticky part, the part about handling the world’s existing financial-monetary system. This brings us to a crucial matter in principles of international and constitutional law.

The world is presently dominated by the floating exchange-rate form of present monetary-financial system, the present International Monetary Fund (IMF) system. This system, is, in fact, presently bankrupt, hopelessly bankrupt in its present form. It is kept alive, in the sense of a life-support system, chiefly, by a skyrocketing mass of sheer financial-derivatives and other fraud, including the forms of Enron-like, or comparable practices addressed by the New York State prosecutors.

Typical of the principal means being used currently to

postpone the general financial collapse for just another few steps ahead, are the flow of funds now being diverted to support needed for the British and U.S. mortgage bubbles. Typical of the onrushing disasters are the continuing efforts of President George Bush to carry out the mission assigned to him by the Federal Reserve System, to loot the U.S. Social Security system, and that gigantic effort to grab future control over all of the world’s principal mineral resources which is reflected in such forms as the present petroleum-price bubble.

This monetary-financial system is the greatest single obstacle to organizing a recovery from the presently onrushing financial crash. If that obstacle is not overcome very soon, the world as a whole is already on the brink of a planetary new dark age. Any recovery of the presently collapsing U.S. national economy depends upon immediate, and extensive reforms of that monetary-financial system.

This IMF system is, organically, what is best described in the language of biology as a kind of financial-monetary slime-mold. It is a mass of individual monetary-financial systems which, as in the comparable case of a slime-mold, is composed of individuals, and is yet a single form of existence which controls the fate of all those apparent, participating individualities of which the system as a whole is apparently composed. To understand some of the most essential, controlling features of that system, you must study the image of the life-cyclical behavior of a biological slime-mold, and apply those lessons from the domain of biology to the present form of the IMF system as a whole.

The principal apparent elements of which that monetary slime-mold is composed, are so-called “independent central banking systems,” of which the present form of the U.S. Federal Reserve System itself is one rather special sort of variety. In fact, more emphatically in western and central Europe than the U.S.A. itself, these so-called “independent” systems are independent chiefly in the sense that they, as a type of rogue privateer, control governments, rather than the relevant governments controlling them by proper principles of law. In fact, these systems are corporate instruments for common control, by the international system as a whole, a control, by private interests, exerted over national monetary-financial systems. These systems are controlled by syndicates which are composed of a concert of the members of a private club, a private financiers’ oligarchy. This is the essential characteristic of the present, floating-exchange-rate form of IMF system.<sup>2</sup>

Therefore, at the same time that a private financiers’ oligarchy might be identified with a particular nation, it also functions as an inseparable part of an international entity. This entity, is a kind of financial slime-mold. It presents itself to analysis as in the likeness of a international, planetary slime-mold. Hence, the remarkable similarity of the IMF system as a whole to the metamorphical life-cycle of a global biological slime-mold, the great blob which is currently eating nations and their people.

To understand how to deal with the crisis caused by the world’s present form of monetary-financial system, we must understand that the private aspect of that slime-mold was not originally a product of modern civilization. It is a modern continuation of a feudal species of parasite, a continuation of the very same slime-mold which controlled the European medieval world under the reign of a symbiosis between the financier-oligarchy of Venice and its military ally and instrument, the Norman chivalry. This medieval system was known as the “ultramontane” system, under which national governments of that time, to the extent these were permitted to exist as kingdoms or the like, were under the domination of a greater power, a form of world government, an empire, or as we say today, “globalization.” This was the arrangement which was enforced by the use of its chiefly military arm, the Norman Crusaders, the Norman social formation as typified by the House of Anjou or the Habsburg dynasty later.<sup>3</sup>

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2. This arrangement may be compared to the form of legalized piracy practiced, as “privateering,” under the legal pretext of “letters of marque.” In the present case, under a practice in keeping with the same Lockean doctrine of “property” (“shareholder value”) used to hold Africans in slavery, the IMF system issues the equivalent of “letters of marque” to private financier syndicates which swoop in, since the 1971-1972 break-up of the Bretton Woods system at the Azores conference, to loot the targetted nation.

3. During the medieval period, the doctrine of law used to maintain the Venetian-Norman system was the purely fraudulent dogma of “The Donation of Constantine.” This was the entirely fraudulent assertion, that the Emperor Constantine had donated the power to rule over the western part of the Roman Empire to the Pope. The Crusades, beginning with the Albigensian Crusade and Norman Conquest of England, were the beginning of that medieval system, which ruled Europe, largely through the conduct of Crusades, until

That medieval system had crashed in what is known to historians as Europe’s “Little Dark Age,” or “New Dark Age” of the Fourteenth Century. That system collapsed then for internal reasons which are genetically similar to the causes for the presently onrushing collapse of the present, floating-exchange-rate form of world monetary-financial system. The famous case of the Venetian House of Bardi and its thieving picaresque agents, nicknamed “Biche” and “Mouche,” were figures comparable to the powerful financier groups and their Enron-like bandits of today.

This crash of the financial system led by the House of Bardi, created the situation in which the forces committed to founding true sovereign nation-states, seized this opportunity to establish modern European civilization, and modern history. This change occurred through a process centered in the mid-Fifteenth-Century, great ecumenical Council of Florence, in which the design of the modern nation-state, such as Louis XI’s France and Henry VII’s England, temporarily superseded the feudal form of political organization. This occurred as the policy of Cardinal Nicholas of Cusa’s *Concordantia Catholica* and *De Docta Ignorantia*, which incorporated, but also superseded the intention of such works of Dante Alighieri as the latter’s anti-ultramontane *De Monarchia*. This was the birth of modern European history out of the evils of feudalism.

Unfortunately for us still today, the resurgent power of the same Venetian financier oligarchy which had dominated the medieval world of the Crusades, was able to regain much of its former power through the radiating, disruptive impact of the Ottoman conquest of Constantinople.

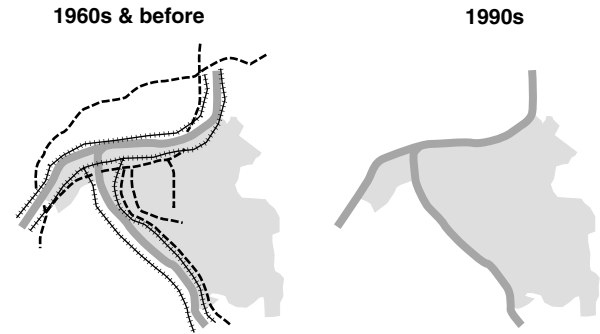
The efforts of the Venetian slime-mold system to eradicate the institution of the modern sovereign form of nation-state republic, following the fall of Constantinople, were expressed by the religious warfare which dominated and ruined Europe from the 1492 expulsion of the Jews from Spain until the 1648 Treaty of Westphalia. Since that time, to the present, European civilization as a whole has been dominated by a conflict between two principal forces within European culture as a whole: the sovereign nation-state, as typified by Louis XI’s France and Henry VII’s England, and also by the Declaration of Independence and Federal Constitution of the U.S.A., versus the modern continuation of the Venetian financier-oligarchy’s model of an empire, as the latter is typified today by the global financier hegemony of the Anglo-

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the aftermath of the Fourteenth-Century “Little Dark Age.” The actual authority was not the Pope, but the Venetian financier oligarchy and its Norman partners. Under this doctrine only the Emperor could make law, whereas kings and other lesser potentates ruled and made local rules only by the consent of the agency acting in the capacity of the Emperor. The fraud of the “Donation of Constantine” was exposed as a fraud during the proceedings of the Fifteenth-Century great ecumenical Council of Florence. The alternate concept of *Concordantia Catholica* defined the principle of law under which truly sovereign nation-states such as Louis XI’s France and Henry VII’s England were constituted as the first true nation-states. That Council of Florence was the dividing line between medieval and modern European history.

FIGURE 1

**Then and Now: Public Transit, McKeesport, Pennsylvania**



Dutch Liberal system as typified by the 1763 establishment of an empire-in-fact of the British (e.g., Anglo-Dutch) East India Company.

Since the aftermath of the referenced February 1763 Treaty of Paris, the global history of modern European civilization has been dominated by a persisting controversy between two opposing political systems. On the one side, there has been what is represented by the founding of the U.S.A. as a Federal Constitutional republic. On the other side, we have the revived form of political systems controlled by the financier oligarchy which is, today, an oligarchy which is still an outgrowth of the same slime-mold-modelled Venetian financier-oligarchy.

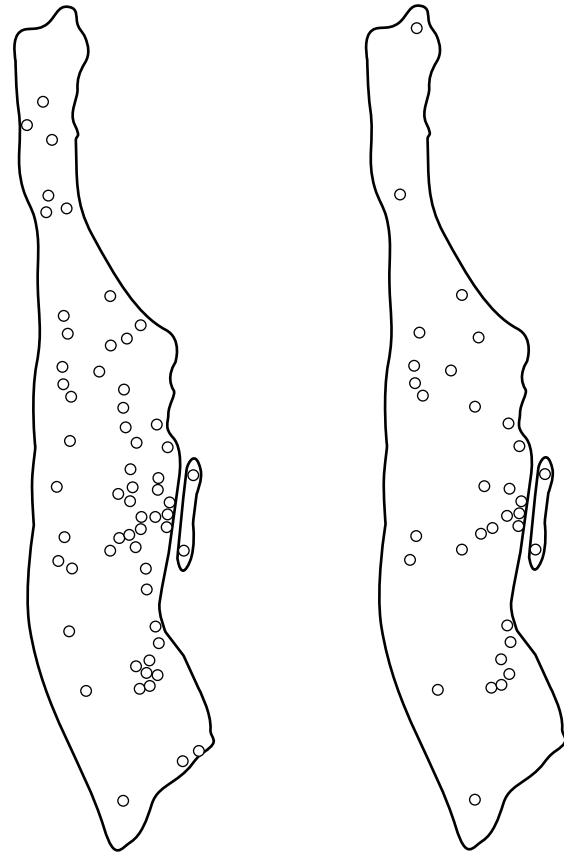
However, the long wave of erosion and decline of Venice's and, later, of its Habsburg client's state power, a decline which continued over the course of the 1648-1848 interval, resulted in the Venetian financier oligarchy's relegation to the ostensibly more limited role within the development of a new form of that same financier slime-mold, the Anglo-Dutch Liberal model of intended world government. The latter form of financier-oligarchical government, emerged as what became the leading power over Europe with what I have already referenced, the February 1763 Treaty of Paris, the treaty which established the British East India Company of Lord Shelburne et al. as a de facto empire.

The combination of the French Revolution, which, contrary to French popular myths, was orchestrated by forces coordinated from Shelburne's London, and the Napoleonic Wars, defined a period of history which ended only with U.S. President Lincoln's victory and the expulsion of the French forces under British Lord Palmerston's Napoleon III from Mexico. The influence of the 1863-1876 consolidation of the intended goal of the U.S.A. as a leading, transcontinental form of sovereign economic power, created a situation of global conflict between the Liberal and American systems.

The 1863-1876 emergence of the U.S.A. as a leading

FIGURE 2

**Then and Now: Hospitals in Manhattan, New York, 1960 and 1994**

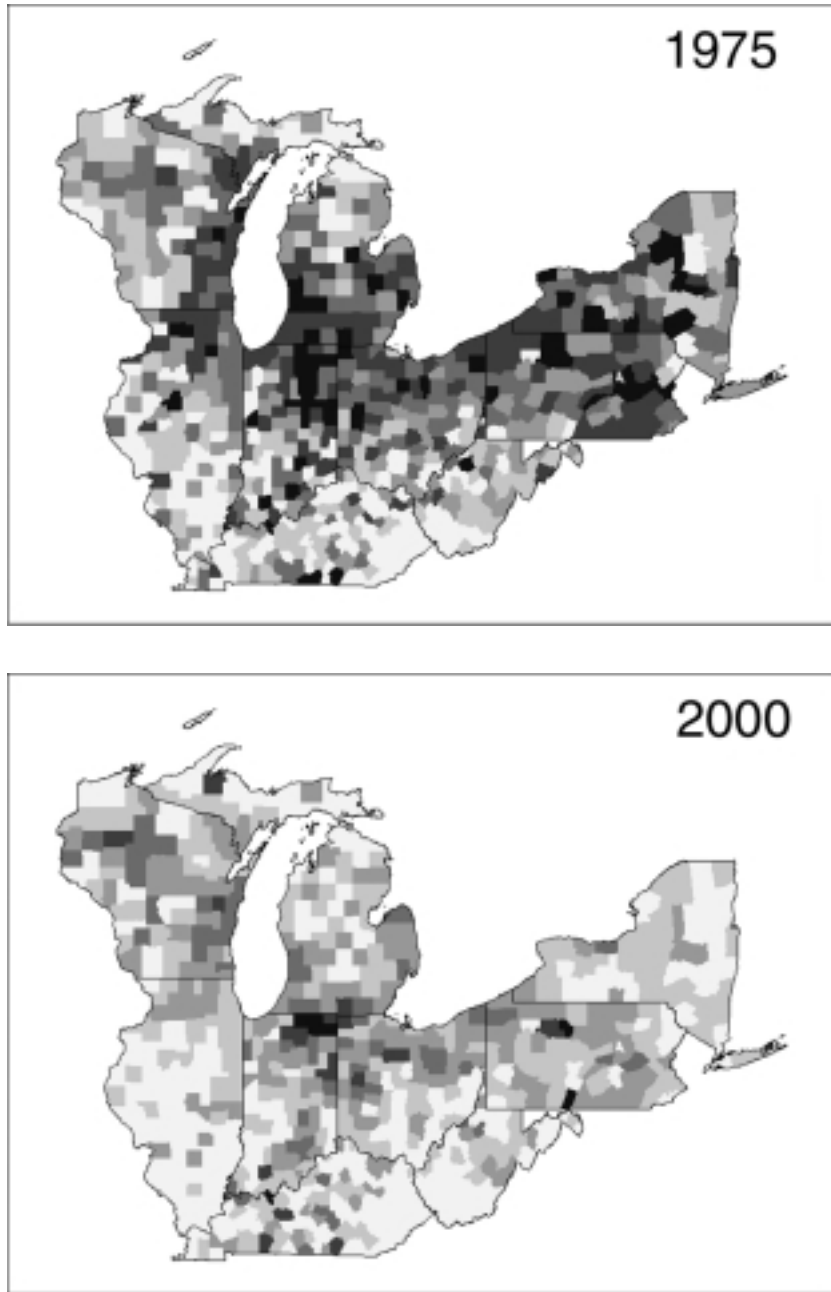


agro-industrial power of the world, provoked the adoption of essential features of the American System of political-economy as the basis for the great, late 1870s economic reforms, modelled upon the successes of the American System, undertaken by Bismarck in Germany, in Japan, in Mendeleev's Russia, and elsewhere. As in Germany and Japan, these great economic reforms were made in personal coordination with the man who was Abraham Lincoln's associate, and the greatest economist of that century, Henry C. Carey. This rise in the power of a group of leading nations in Eurasia, as pro-American rivals of the British Empire, prompted the circles around the Prince of Wales, later King Edward VII, to set his nephews, the German Kaiser and Russian Czar, into preparing war against one another, with what the imperial policy of Edward and his Liberal Imperialist Fabian Society thus bequeathed to Europe as World Wars I and II.

Plotting to create such wars on the continent of Eurasia had not been new to the British Empire. It was the Anglo-Dutch Liberals' orchestration of the so-called Seven Years'

FIGURE 3

**U.S. Industrial Belt, Decline in Manufacturing Workers as Percent of Workforce, by County, 1975-2000**



Source: Bureau of Labor Statistics. Map produced by MapInfo.

*Darker tones show greater percentages of manufacturing workers.*

War against Britain's intended pawn, Frederick the Great's Prussia, which had so weakened the nations of continental Europe that the British East India Company was able to establish virtual imperial power at the February 1763 Treaty of Paris.



This setting, in the aftermath of the U.S.A.'s power and influence as a great nation, thus defined the strategic setting of conflict for the consequent two World Wars of the Twentieth Century. These have been wars erupting from within what has been established, as the present parliamentary systems of wars-ruined western and central Europe, as the dominant form of national government there still today. That conflict persists to the present day, in the form of virtual warfare, by allied forces of Anglo-Dutch Liberalism from within and outside the U.S.A., against the American System under our Federal Constitution. This, as former Secretary of State Henry A. Kissinger explained to his London audience of May 1982,<sup>4</sup> was the way in which British Liberal circles in Britain used its agents inside the U.S.A., such as the circle around George Pratt Shultz in the Nixon Administration, or Brzezinski as Kissinger's successor later, to orchestrate our national policies and international affairs in such a way as to prompt us to destroy that great economic power we had acquired through the reforms under President Franklin Roosevelt.

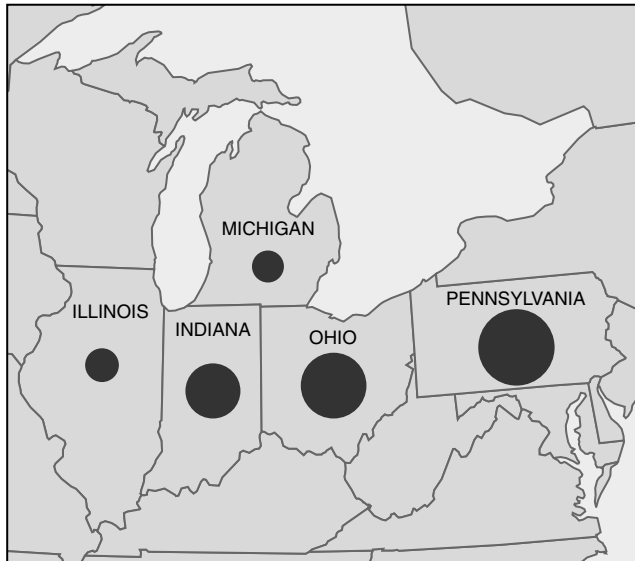
Meanwhile, despite the efforts to establish a true Presidential republic on the continent of Europe, as, for example, under President Charles de Gaulle of France, the European parliamentary system is essentially one in which the financier-oligarchical slime-mold continues the pattern of the British Eighteenth-Century model of a political system under the

4. Henry A. Kissinger, "Reflections on a Partnership: British and American Attitudes to Postwar Foreign Policy, Address in Commemoration of the Bicentenary of the Office of Foreign Secretary," May 10, 1982, Royal Institute of International Affairs (Chatham House), London. The full text is in *EIR*, Jan. 11, 2002.

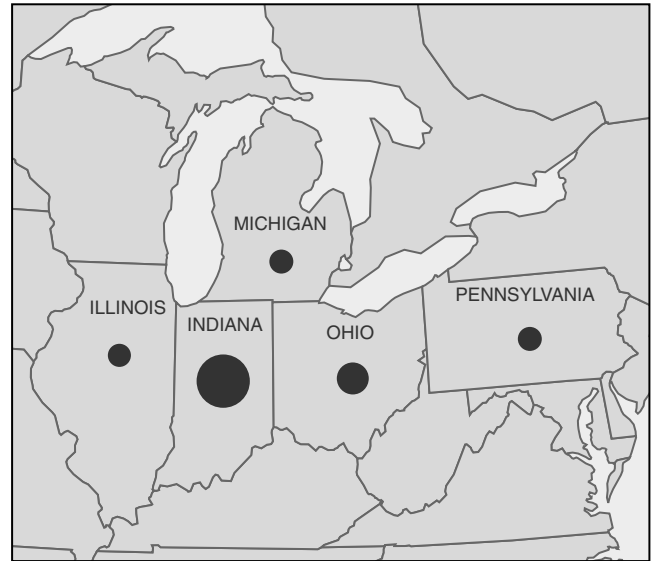
FIGURE 4

## Decline of Annual Raw Steel Output in the Five Top Steel-Producing States, 1973-2003

1973



2003



Source: U.S. Geological Survey.

*These maps show the relative decline in output of raw steel tonnage in Illinois, Indiana, Michigan, Ohio, and Pennsylvania, the top five steel-producing states, shown by the shrinkage of the circles from 1973 to 2003.*

effective control of a philosophically Liberal form of central banking system, a Liberal system which is in fact a creature in the feudal slime-mold tradition.

The struggle to maintain a national banking system in the U.S.A., has been a reflection of the struggle to defend our constitutional system from the overreaching control of the international financier-oligarchical slime-mold which has been far more powerful, globally, than our republic, during most of the past two centuries.

This history summarizes the most essential parts of what it is indispensable to know about the problem which is presented to us by the presently onrushing collapse of the present form of what is essentially a Venetian model of slime-mold system.

Therefore, in times of great crisis, the instinct of all knowledgeable U.S. patriots is to assert the principle of the sovereign nation-state, as expressed by our Declaration of Independence and Federal Constitution: that we must not tolerate any authority in law on this planet higher than the principle of the sovereign nation-state republic. The consequence of that essential principle of our republic, is the principle of national banking, as opposed to the so-called “independent” central banking systems which have, once again, ruled and ruined the world since about the time of the inauguration of our President Richard M. Nixon.

Therefore, throughout all of our national history to date,

our combined domestic and foreign policy on matters of economy in general, and trade and finance in particular, such as that expressed by Treasury Secretary Hamilton, has been crafted in recognition that our constitutional system of government, which is based naturally on the principles of national banking, was obliged to operate, most of that time, within the bounds of that alien reality of what had long been the greater combined power of that Venetian-style international financier oligarchy which dominated Europe.

### The Lesson From the Soviet Conflict

The experience of the long, nuclear-armed state of post-FDR conflict between our U.S.A. and the Soviet Union contains a lesson which must be learned and applied to the present situation. This pattern of our republic’s conflict, as a combined symbiosis and conflict with European Eighteenth- and Nineteenth-Century Liberalism systems, was extended to our relationship with the Soviet Union. The Soviet Union no longer exists, but a brief look at the problem it represented for U.S. foreign policy helps us to define the principled approach in law which must be taken to deal with the slime-mold problem outlined above.

The most essential background to be considered in studying U.S. relations with the Soviet Union, is the following.

Karl Marx had been absorbed, from his days as a student in Berlin, as a British asset of the Giuseppe Mazzini “Young



Europe” complex organized and controlled by Britain’s Lord Palmerston. Young Europe recruit Marx, had been subsequently indoctrinated by the British East India Company’s Haileybury School in the merely mythical “scientific authority” of wretches such as Physiocrat François Quesnay and the Haileybury School’s Adam Smith, Jeremy Bentham, and David Ricardo. Although Marx was something of a genius in working critically within the bounds of the system of British political-economy, the system itself was, unfortunately for him, incompetent. This corruption in his education had relevant consequences for Marx’s own economic and social theory.

This British Foreign Office control over Marx’s miseducation in economics, under the direction of the British Foreign Office’s Urquhart and by Marx’s sometime controller Frederick Engels, led to the Marxists’ adoption of such pathological doctrines as the “official Marxist” Twentieth-Century myth of Imperialism. The latter doctrine of “orthodox Marxism” attributed the phenomena of imperialism to industrial capital, rather than, as the more intelligent Rosa Luxemburg and our own State Department veteran Herbert Feis have recognized, international loan operations by the Anglo-Dutch Liberal form of the traditional Venetian financier-oligarchy.<sup>5</sup>

The relevant point, bearing on U.S.A.-Soviet diplomacy, of this background on Marx’s personal history, is the following.

Under the influence of Britain’s Frederick Engels’ Thomas Huxley-like doctrine of the “horny hand of labor,” the “official Marxist” doctrine became the radically reductionist assumption, that the economic progress of modern industrial nation-states’ economic power, was a virtually biological epiphenomenon of the working-class, rather than being an expression of fundamental scientific progress generated through a relevant form of an “intelligentsia” expressing those natural creative powers for scientific and Classical-cultural forms of discovery of universal principle which distinguish *all* persons from lower forms of life such as the great apes. This result of populist and Marxist ideologies congruent with Frederick Engels’ influence over Karl Marx, became what proved to be ultimately the fatal flaw of a Soviet Union, in which the frontier achievements of Soviet science’s military applications were contrasted with that lugubrious, ideology-driven, bureaucratic dullness which was the crucial factor in the ideologically driven aspects of the collapse of the Soviet civilian sector generally.

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5. The degree to which a Karl Marx sponsored by Palmerston’s agent Mazzini was duped by Marx’s British Library controller Urquhart, is typified by the embarrassing book by Marx himself, in which he accused Palmerston of being a Russian agent! Urquhart was, at relevant times, operating within the “British Museum” as the coordinator (“corresponding secretary”) of the far-flung agent-network of Mazzini’s “Young Europe” and the “Young America” which later spawned the Confederate States of America. It was the same Mazzini, Palmerston’s agent, who created “The First International” at a London meeting, where he personally handed the leadership of the new association over to Karl Marx.

Thus, this point of ideological agreement on the principles of philosophical reductionism, between the materialism of the doctrinaire Marxist and the kindred empiricism of the Anglo-Dutch Liberal currents of the world, were reflected in Karl Marx’s own foolish deprecation of the Leibnizian American System of political-economy, as in Engels’ leading role in prompting Marx’s own foolish, uttered depreciations of the American System economists, Hamilton, the Careys, and Friedrich List.

By pragmatic instinct, Lenin, for example, proposed adopting the model of the U.S. economy’s achievements as the technological model to be studied and followed by the young Soviet Union. However, the indicated philosophical differences between the U.S. Declaration of Independence and Constitution, on the one side, and both Liberal and Marxist forms of philosophical reductionism, on the opposing side, were always the chief, recurring obstacle to our efforts to establish durably satisfactory relations between the U.S.A. and the Soviet system. The systemic root of this problem in diplomacy, came from the implications of this reductionist element of ideological coincidence between the Marxists and populists, on the one side, and, on the other, the complementary, pro-British, anti-American element of common roots of otherwise diverging Marxist and British Liberal ideologies.<sup>6</sup>

Marxist theology of that reductionist variety was often a crucial factor in the recurring tendency among socialist systems and political currents, toward endemic preference for the British ideology expressed by fervid U.S. hater Bertrand Russell against the legacy of the U.S. Constitutional tradition, and also even the U.S.A. as such. On this point of ideology, the traditionally fascist element among followers, such as Britain’s fascist G.K. Chesterton, of Franco’s Hispanidad dogma, and Yankee-hating leftists, often converged, or “swapped ideological spit,” as the saying goes.

This was a pivotal, if often less widely understood problem for President Franklin Roosevelt, who was not a socialist, but a Yankee in his family’s Hamiltonian tradition. Roosevelt, in dealing with the rising industrial trade-union movement during the second half of the 1930s, and later, like his wife, had to consider the factor of socialists in the union and related movements, but was no leftist himself. It has continued as a challenge to U.S. foreign policy to the present time. Our contemporaries’ own failure to understand the fallacies underlying this conflict, has often worked against the best interests of our nation, and is a problem which also arises in other disguises in dealing with certain important aspects of our republic’s foreign-policy problems and major blunders in several areas, still today, when the Soviet Union is no more.

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6. The case of the powerful influence of Britain’s fiercely anti-American, Cambridge school of systems analysis, as via the Laxenberg, Austria-based International Institute for Applied Systems Analysis, and the related pro-British orientation of the Andropov circles, typify the savagely destructive effects of the influence of British radical-empiricist modes of thought in fostering the self-inflicted aspects of the collapse of the Soviet economy.



*President Reagan announces the Strategic Defense Initiative on March 23, 1983. "Had Andropov merely accepted the offer to discuss the proposal directly, world history would have changed for the better, for all parties concerned, and that immediately."*

The world has entered a phase of its development, as the instance of thermonuclear arsenals merely typifies this, in which the empiricist doctrines of Thomas Hobbes and his like can no longer be tolerated. In today's world situation, the existence of civilization on any part of this planet and the adoption of the principles of the 1648 Treaty of Westphalia become synonymous. Rather than statecraft based on the presumption of peace through negative principles, such as the Bertrand Russell gang's creation of the lunacy of Mutual and Assured (Thermonuclear) Destruction (MAD), there can be no durable form of constructive relations among nations, except on the basis of common positive, rather than merely negative principles.

The most dramatic example of this problem is the case of the foolish Soviet General Secretary Yuri Andropov's reckless rejection of U.S. President Ronald Reagan's public proffer of cooperation in a Strategic Defense Initiative (SDI), an offer which the President had made in a live television address of March 23, 1983. I had been on the inside of the discussion of this with the Soviet government, conducting a back-channel on that President's behalf, and had warned the Soviet government, a month prior to President Reagan's address, that rejection of the President's offer, were he to deliver it, would mean a collapse of the Soviet economy "in about five years." It took six years, rather than my 1983 estimate of approximately five, before the onset of that disintegration of the Comecon which led, rather quickly, into the break-up of the U.S.S.R. itself. Any doubts, still today, of the President's sincerity in making the offer, are simply incompetent, counterproductive babbling.

Had Andropov merely accepted the offer to discuss the proposal directly, world history would have changed for the

better, for all parties concerned, and that immediately. President Reagan's object was simply to secure an agreement by which to efficiently rid the world of nuclear-armed missiles. I shared the President's outlook on that entirely; but I also understood, as did leading military and other circles within both the U.S.A. and western Europe with whom I consulted in our common effort on this account, that the possibility of securing his goal in this matter depended on forcing the world to return to the policies of a science-driver economy in such a way as to change the character of the strategic conflict in a crucial way. From my discussions with them during this period, this point was understood by leading military circles of France, in Germany, and in Italy, among others. By making possible the outflanking of missile-borne thermonuclear barges by an agreed commitment to a "crash program" of qualitatively superior technologies on all sides, we would create a new kind of global balance of power, in which cooperation in scientific-technological progress of economies would be a dominant self-interest of all nations involved.

Had Andropov simply said, "Let us talk about what you have offered," a qualitative shift in the geometry in world politics and strategy would have followed, more or less inevitably. Whatever Andropov's twist of mind in reacting in the reckless manner he did, the lesson of that experience is the role of a lack of ability to grasp the advantage of a positive basis for agreement, an incompetence, a cultural defect with profound moral implications, which was exhibited as clearly by the opponents of the President's proffer even within his own administration, and within the Democratic Party, as by the sheer reckless folly shown by Andropov. On both sides, the opponents of the SDI proffer were acting as barbarians unwilling to test the waters of a civilized solution to the most

urgent problem immediately before them,

As President Reagan made his offer, the sharks, in his own administration, in the Democratic Party, and elsewhere, were waiting in hope that Andropov would, in fact, summarily reject the President's offer. This opposition to the President's policy came from those in both U.S. parties who had a vested factional interest in the "post-industrial" doctrines which the 1971-1972 wrecking of the Bretton Woods system had been designed to bring about. A cooperative crash-program dedicated to the dual-use application of the higher order of physical principles expressed in the SDI proposal, would have meant a return to the kinds of international economic policies which the Nixon administration's action of 1971-1972 had been intended to destroy.

*So, after we have taken into account the fact that the 1945-1989 conflict between the U.S.A. and U.S.S.R. was artificially induced by the co-thinkers of Winston Churchill, Averell Harriman, Harry Truman, et al., the ability of the war-makers to arrange and maintain that nuclear-weapons conflict over decades, depended upon the lack of a developed philosophical basis for a shared affirmative principle of cooperation on technological cooperation between the U.S.A. and U.S.S.R.* This source of difficulty was not unique to the case of U.S.A.-U.S.S.R. relations. So far, the relations among states on this planet, including within the UNO itself, are based, still today, essentially on a notion of balance of deterrence, rather than efficient, as distinct from merely romantically sentimental, notions of the common aims of mankind. So, the Soviet Union is now long past, but the Hobbesian philosophical source of the conflict which had been associated with its existence remains as a curse upon the world at large today.

The basis in demonstrable moral law for dealing with the crucial problem which monetary-financial "slime-mold" represents in the present crisis, lies in a principle which is denied among empiricists and monetarists alike: *the principled difference between man and ape*. I explain.

Put to one side the question, whether the similarities of form between man and ape do, or do not reflect the emergence of human intelligence from an internal development of a group of species associated with the outward form of the higher apes. Notably, the potential relative population-density of a higher ape on this planet during any part of the approximately two millions recent years, represents a potential not in excess of millions, whereas we represent more than six billions today. Man is not a different species of animal, but a qualitatively different order of existence, based on the function of human cognition which is absent in all the beasts. The relevant, scientifically, experimentally crucial functional distinction of man from beast, lies in those cognitive powers of the individual person through which the discovery of experimentally validatable universal physical principles of the universe changes society's practice in ways which increase the potential relative population-density of a specifically human culture.

These relevant discovered principles are of two types,

those of physical science and those which we associate with the ancient Greek notion of Classical forms of artistic culture. The first type refers to man's interaction with the world around him; the second type refers to the discovery of principles of social cooperation which are essential to the social realization of the benefits of those discoveries in the form of increase of the society's potential relative population-density.

Even from a bare notion of social benefit, it is the power of the individual human to discover and transmit such discoveries of universal principle, which makes the existence of each person implicitly in the vital interest of society as a whole, in the presently continuing interest in the outcome of earlier, as much as present and future generations. The benefits of scientific progress typify this. The discovery and transmission of such discoveries express what we regard as the cognitive immortality of the mortal human individual.

This notion appears within U.S. constitutional law in two congruent expressions. First, as Leibniz's "the pursuit of happiness," which serves as the crucial positive principle of law, in rejecting the doctrine of John Locke, in the 1776 U.S. Declaration of Independence, and the concept of *agapē*, as from Plato's *Republic* and from such sources as the Christian Apostle Paul's *I Corinthians* 13. The latter is expressed as an integral part of the supreme principle of law presented by the *Preamble* of the Federal Constitution, the superior obligation *to promote the general welfare*. It is also expressed, in other words, as the central principle of law, *the advantage of the other*, in the 1648 Treaty of Westphalia,

To bring those principles effectively into play, we must assure the immortality of the worthy contribution of the individual through the creation of sovereign nation-state republics. By this means, we assure to the individual the immortality of his or her contribution to the welfare of mankind. To that purpose, if we are wise, we endow crafted forms of government with a durable commitment to the principle by means of which the continuity of such wealth of ideas that links the past, present, and future of humanity is affirmed. The power thus embodied in a constitutional form of sovereign nation-state must therefore be embedded in the mission of government, and exert supremacy over all other forms of agreements respecting government.

This arrangement therefore requires that relations within and among states must be based on shared commitment to affirmative principle, rather than a silly, Kantian negation of the merely negative principle of conflict.

The matter of law posed by the Venetian-style slime-mold form of monetary-financial system today, must be addressed from this principled vantage-point.

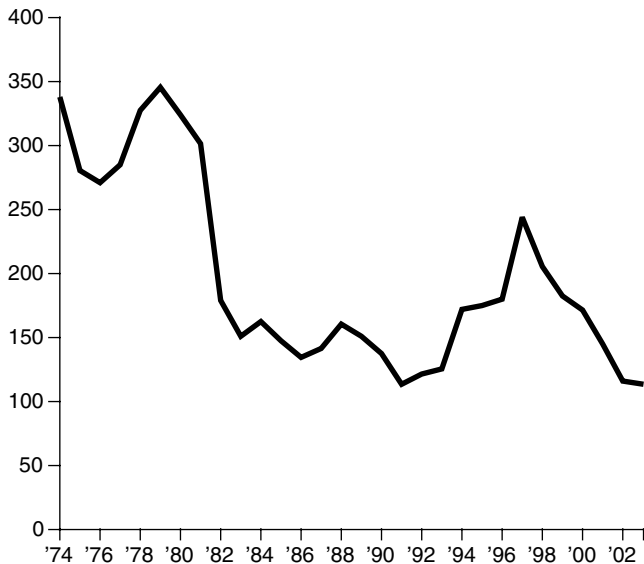
## **1.2 The Issue of International Law**

Once we affirm the principle of the sovereign nation-state as the highest form of law of government, the financial institutions become merely subjects of the law of and by governments so constituted. In the one case, the required form of government is that of an individual sovereign state. In the

FIGURE 5

**Decline in U.S. Machine Tool Output, 1974-2003**

(Thousands Units Shipped)



Sources: Association for Manufacturing Technology; U.S. Census Bureau.

second, it is a concert of agreement among individual such sovereign nation-states, or an international monetary system in which an assembly of financial institutions is accountable to the superior authority of a concert of sovereign states. All relevant law and its application is properly subject to the universal principle of the promotion of the general welfare, otherwise known as *the common good*.

These considerations provide us the only tolerable approach under natural law toward solving the crisis represented by the presently onrushing collapse of the world's present monetary-financial system.

Under that notion of law, most of the existing central banking systems are merely private, bankrupt entities, subject to being taken in receivership, for reorganization, by relevant governments. The principle of natural law which applies to such situations, is the obligation of the government to promote the general welfare by whatever means are available to accomplish that result.

Today's IMF is essentially bankrupt in fact. The fact that it is used, together with member governments, as a vehicle for promoting the uttering of fictitious credit, that even in such extreme forms as financial derivatives, enables it, as it is said, "to paper over" its actually perilous financial condition, until now.

The action by Federal Reserve Chairman Alan Greenspan, in the aftermath of the October 1987 New York stock-market crash, to unleash a flood of what have no more intrinsic

merit than gambler's side-bets, financial derivatives (e.g., hedge funds), is the most monstrous of the mechanisms by which the hopeless bankruptcy of the IMF is papered over with the delusions of its admirers. The mixing of the nominal proceeds of financial-derivatives transactions with the regular accounts of the financial market, has now unleashed a degree of overall inflation by worthless assets within the system, such that the potential inflation points either, to straight up, or to a puncturing of the overinflated balloon which leads immediately to a general breakdown crisis of the system as a whole. We are presently bumping up against the self-defined limits, the characteristic internal boundaries, of that IMF system as a whole.

The relevant principle of natural law for such a case, even a far less severe case than the present situation, is that the public interest must be preserved by action of sovereign government to take the bankrupt system into receivership for financial and related reorganization. Now, instead of the IMF slime-mold's putting nations into bankruptcy, the nations, as sovereigns, take the responsible action in the interest of the common good, to take the currently bankrupt IMF system into receivership for reorganization.

The typical victim of today's popularized ideology may follow my argument here up to a certain point; but, then, as if he had experienced a jolt, he blurts out, "But, that is all wrong. You can't do that; that is against everything I have been taught to believe"—*since ancient Babylon*. He (or, she) is a victim of brainwashing in the Liberal system. It is virtually impossible to induce him (or, her) to break with that brainwashing simply by asserting the need for a different system than he has been conditioned to believe is self-evidently right. You must change the subject of the discussion, as Alexander Hamilton did, for example, in his famous three reports by the first George Washington Administration to the U.S. Congress. You must say, "Forget money for just a moment. Let us look at how an economy functions in purely physical terms," as Hamilton did in his December 1791 report *On the Subject of Manufactures*, in which he focussed attention on the nature of economic development of a national economy in terms of the interdependent actions of a rural agricultural and urban industrial economy through the medium of development of the basic economic infrastructure by means of which their interaction is integrated.

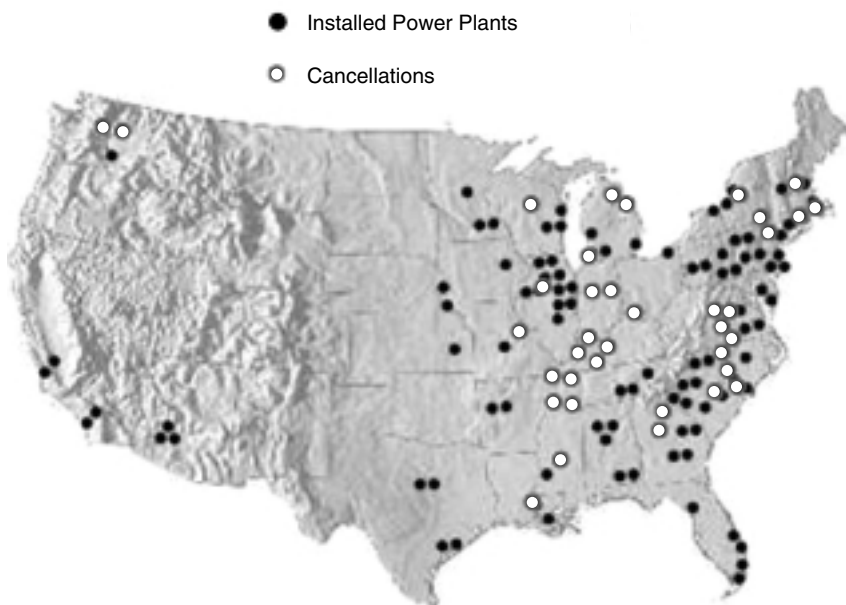
Monetary systems, and their institutions, must be designed and regulated for the mission of ensuring the long-term, per-capita physical-economic effects which are consistent with the universal moral principle of the promotion of the general welfare.

**Some Relevant History of the Matter**

In the economic history of the U.S., the role of money issued by a sovereign was first defined in practice by the Massachusetts Bay Colony by the creation of a form of scrip which was allowed to circulate only in a prescribed way, as

FIGURE 6

**U.S. Nuclear Power Plants, and Cancellations Since 1980**



Source: Nuclear Energy Institute.

credit, within the colony’s economy. This was highly successful, as the spectacular progress of the development of technology and prosperity ensured within the colony, up to the point that London-based Anglo-Dutch Liberal interests suppressed the colony’s rights.

These early and subsequent developments, which led into the crafting of the principles of the American System of political-economy as the cornerstone of our constitutional system of government, were in fact reflections of the recurring periods of influence of the work of the scientist Gottfried Leibniz in shaping what became the characteristic outlook expressed by our constitutional republic’s creation. Some remarks on that background material are necessary at this point; it is necessary to clear away certain widely accepted myths which tend to prevent competent insight into the causes of our nation’s economic troubles of today.

In all the most prudent practices in our North America since that time, we have tied money issued by the uniquely sovereign authority of governments to a price of monetary gold, as President Franklin Roosevelt induced the use of a gold reserve system, not a foolish gold standard system, under the Bretton Woods agreements. However, as Hamilton points to the crux of the matter, the maintenance of the value of currency relative to monetary-reserve gold, demands that various forms of regulation must be imposed on the economy by government, to prevent a debasing of the currency. The regulatory measures instituted under President Franklin Roo-

sevelt’s administration are typical of the measures required then, and also again today.

Money is an idiot, which knows no lawful principle. It is a necessary, blunt instrument of modern society, but one whose behavior must be controlled by government, to prevent its reckless, brainless impulses from leading our nation into the swamp of ruin which currently popular “free trade” doctrine has put our republic today. Since the founding of our republic, especially after the menacing chaotic situation allowed under the original articles of our confederation, all of the successes of the American System, including even its bare survival under extremely hostile circumstances abroad, have depended upon that set of the principles of regulation of a money economy which separate the American System of political-economy from the Liberal habits which have usually dominated, and often ruined European systems.

The forms of regulation required are those which were destroyed capriciously, by a lunatic campaign of deregulation, under the direction of the Trilateral Commission team lead by Zbigniew Brzezinski during the 1977-1981 Carter Administration. Those actions under Brzezinski et al. then, actions situated within the context of the Nixon Administration’s prior wrecking of the Bretton Woods agreements, are chiefly responsible for turning the U.S. economy into the mass of inflation-ridden wreckage it is today.

It was the combination of the floating-exchange-rate monetary system, which occurred through Shultz, Kissinger, et al., under President Nixon, and deregulation of the economy under the direction of Brzezinski’s Trilateral Commission’s policies, which is chiefly responsible for the wrecking of the U.S. economy over the course of the recent three decades.

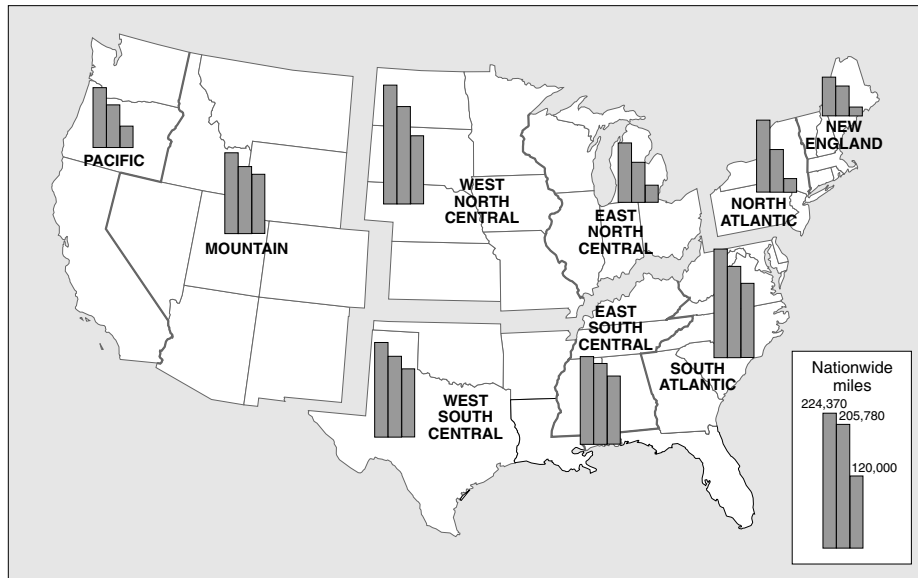
Take the need for a progressive income-tax, for example.

The proper regulatory function of a progressive income-tax, is to give income gained in the form of usefully retained earnings in production a qualitatively more favorable consideration than income which is extracted, as money, from production for economically frivolous purposes. This must also recognize that incomes required for reasonable levels of household consumption should be taxed at relatively much lighter rates, if at all. The general intention must be to induce the population to save, by investing in productive improvements in the economy, and also to punish those who corrupt our national currency and credit by diverting large parts of monetary circulation and credit into practices which tend toward the ruin of the nation as a whole over the medium to long term.

FIGURE 7

## Decline in Railroad-Track Mileage, 1950, 1970, and 2000 by Region

(Miles of Track)



Source: Association of American Railroads.

Similarly, tariff regulation in matters of interstate commerce, such as airlines, railways, and highway transport, must be shaped to such purposes as promoting the existing and improvement of these functions, and, also, by ensuring that all areas of the nation are able to function in fair competition with others, rather than causing the principal activities of the economy to become congested in a few major markets, while leaving the rest of the nation more or less to rot away by negligence. Look at the way we have destroyed our airlines, our railway system, and so on, under the impact of the orgy of deregulation set into motion during Brzezinski's tenure.

The result of the needed regulatory measures by aid of government action, is the promotion of what has been called formerly a "fair trade" system of pricing. The included purpose of such "fair trade," as opposed to the reckless dogmas of "free trade," is to promote the protection of useful capital investments, and standard of living of households, from the foreseeable effects of allowing the free roving by predatory financial power roaming like pirates under the banner of "the price is right!"

These free trade doctrines which have been used to destroy the U.S. economy, in those and related ways, over a period of slightly more than three decades, have been explicitly copied from the 1776 ranting against the independence of the United States by Lord Shelburne's propagandist Adam Smith. These were the dogmas which Smith adopted by pilaging the intellectual products of his pro-Satanic predecessor Bernard Mandeville, and the writings of the Physiocrats

Quesnay and Turgot,

Smith was very clear in his *Wealth of Nations* attack on the Americans. The pro-Satanic Mandeville of today's Mont Pelierin Society, insisted, as the Society's Milton Friedman has done, that the encouragement of private vice was the source of the public benefit of what is wrongly credited to "free trade" today. The Physiocrats Quesnay and Turgot, from whose writings Lord Shelburne's lackey Adam Smith had pilfered and appropriated most of what he claimed to be fruits of his originality, had based the notion of *laissez-faire* on magical powers presumed to inhere in a titled landlord's status. The use of "the magic of the marketplace" is an apt reflection of the Gnostic, or so-called Faustian principle by which one man is made rich, and the other poor. There is no sane basis for any of the doctrine of

"free trade"; the doctrine itself is, like gambling manias, a form of superstition peddled to the credulous.

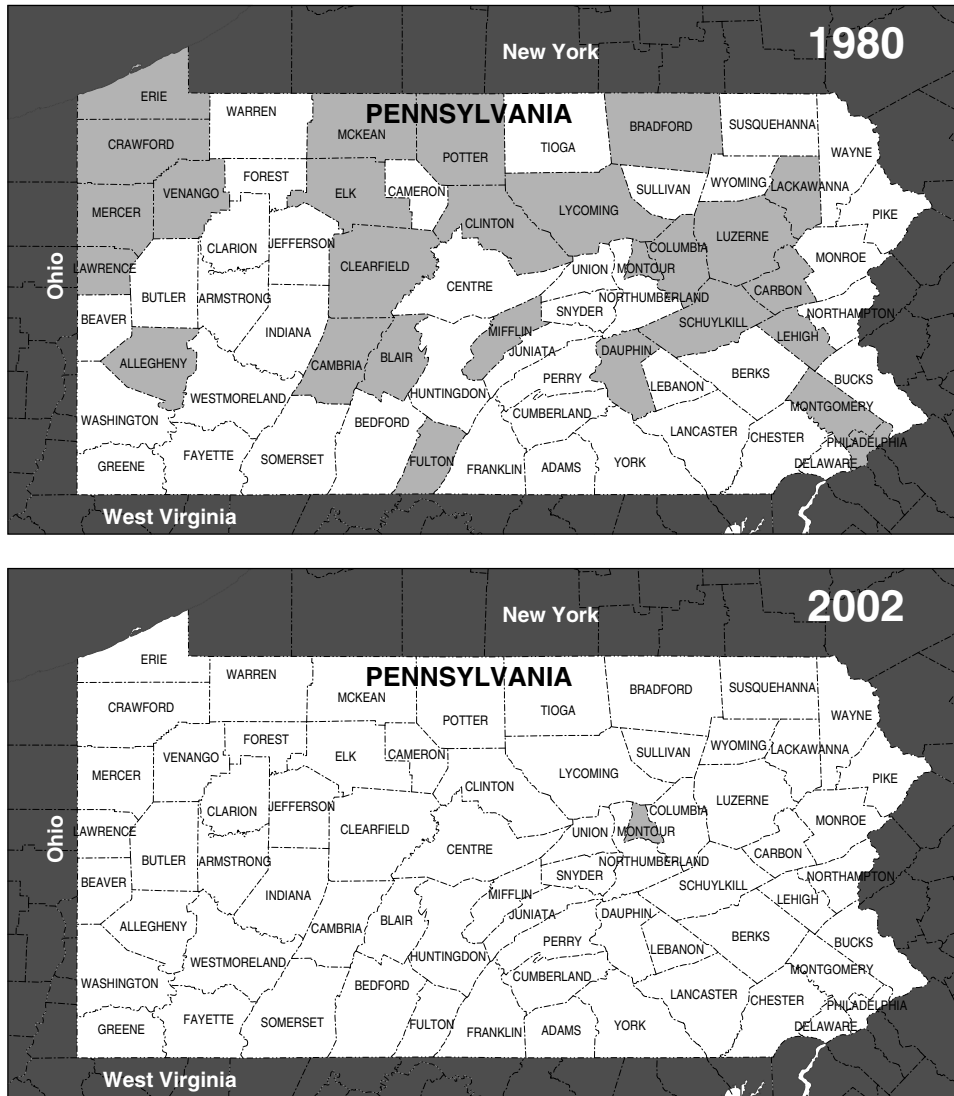
The development of a competent science of political-economy, was chiefly the work of Gottfried Leibniz over the interval 1671-1716. The outcome of that work was what was known as the science of physical economy. It was this work of Leibniz, as transmitted into the circles of James Logan and the circles of the Winthrops and Mathers of New England, and the circles of Benjamin Franklin, and others, later, which provided the basis for that American System of political-economy whose principle is reflected in the successive craftings of U.S. Declaration of Independence and Federal Constitution.

The essential, physical-scientific basis for the successful circulation of these conceptions as the basis of the American System, had their physical-scientific origins in the Classical tradition of pre-Aristotelean, ancient Greek physical science, as expressed by the concept of *power (dynamis)* of Thales, the Pythagoreans, and Plato. This was the same concept central to such work as the founding of modern experimental physical science by Cardinal Nicholas of Cusa, as his *De Docta Ignorantia*. This work was the founding of the modern physical science whose mainstream is represented by the continuity from Cusa, Luca Pacioli, Leonardo da Vinci, and Johannes Kepler, into the work of Leibniz and of such as Gauss and Riemann after Leibniz.

This conception of *power* has taken its modern form since the work of Leibniz, through the work of a student, Carl

FIGURES 8a-b

**Pennsylvania: Counties Meeting Hill-Burton Standard of Hospital Beds per 1000 Persons, 1980 and 2002**



Source: Pennsylvania Department of Health.

Gauss, of the same Abraham Kästner, a one-time host of Benjamin Franklin, who had been a key part of the process of delivering to Benjamin Franklin the anti-Locke, Leibniz concept, of “the pursuit of happiness,” which served as the keystone of natural law embedded in the 1776 U.S. Declaration of Independence. Gauss’s attack on the rabidly empiricist ideologues D’Alembert, Euler, Lagrange, et al., in Gauss’s 1799 doctoral dissertation, was his affirmation of the same concept of *power* central to the work of such as Cusa, Pacioli, Leonardo, Kepler, Leibniz, et al., the concept of *power* employed by the Classical Greek science. This is the concept of *power* (*Kraft*) central to Leibniz’s science of physical econ-

omy, on which my own original work in economics was based. This is the concept of *power* which was arbitrarily excluded by all of the work in economics in particular, and in science in general, of the empiricists and their modern positivist and existentialist followers.

I summarize the role of the notion of power in the American System of political-economy here, because it has an indispensable role in enabling the economists and statesmen of today to grasp the principles which must be employed to effect a successful recovery of an otherwise now virtually doomed present economy of the U.S.A.

**Economy As Physical Science**

The key to a science of physical economy is what may be recognized from Aeschylus’s *Prometheus Bound* as the Promethean principle, the same principle we encounter in the *Book of Genesis*’s definition of man and woman as made equally in the image of the Creator, and assigned to duties consistent with those *powers* (e.g., *dynamis*) with which mankind is uniquely endowed. By means of the unique capacity of the human individual to discover those efficient, universal physical

principles which are beyond direct perception by the senses, such as Kepler’s unique discovery of a principle of universal gravitation, mankind is enabled to increase both the number and quality of existence of the typical human individual, an increase implicitly measurable per capita and per square kilometer of the Earth’s surface.

It is this conception of power, as recognized by the Pythagoreans and Plato, which is the basis for a science of physical economy: the increase of the productive powers of labor, per capita and per square kilometer.

Here we meet the crucial point of difference between a mere mathematics and a physics, the difference between the

FIGURE 9

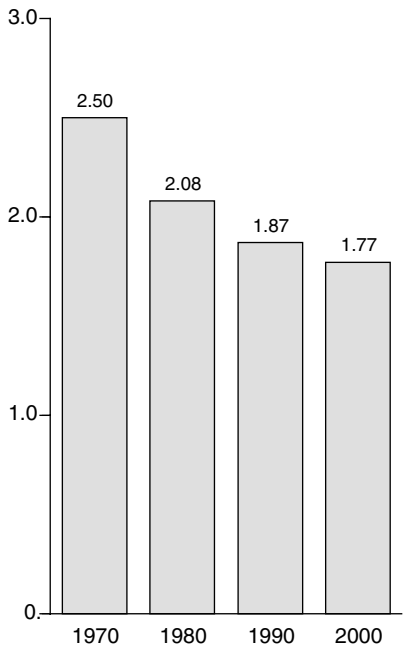
**Depopulation, Deindustrialization, Poverty in 10 Michigan Cities**



Source: *EIR*.

FIGURE 10  
**10 Leading Michigan Cities:  
Population Falls by 29%**

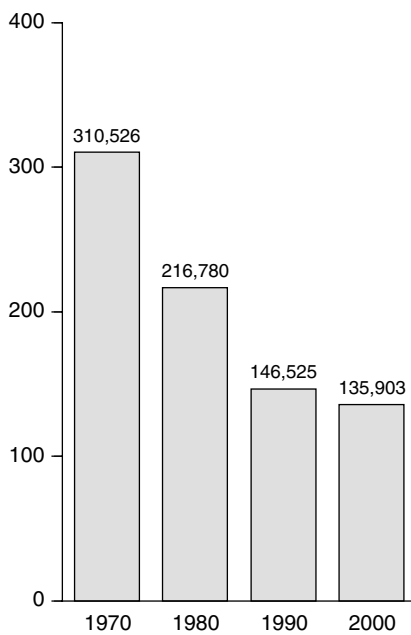
(Millions)



Source: Dept. of Housing and Urban Development, *EIR*.

FIGURE 11  
**10 Michigan Cities:  
Manufacturing Workforce  
Falls by 56%**

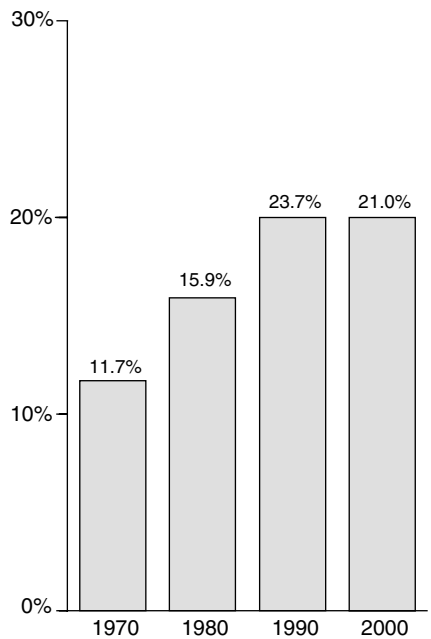
(Thousands)



Source: Dept. of Housing and Urban Development, *EIR*.

FIGURE 12  
**10 Michigan Cities: Poverty  
Rate**

(Percent)



Source: Dept. of Housing and Urban Development, *EIR*.



relatively passive mere Astronomy of Copernicus and the active Astrophysics of Kepler. It is the difference between observing the motion which has occurred, and conceptualizing the principle—the efficient power—which generates that motion. *In the first, passive discipline of mere mathematics, such as that of D’Alembert, Euler, Lagrange, Cauchy, et al., the effort is made to discover rules by which observed motion will be repeated. In science, such as that of the Pythagoreans, Plato, Kepler, and Leibniz, as distinct from mere mathematics, the objective is to discover the efficient power by which to produce a manifest effect which has never appeared to us in the universe before that time.* That distinction between mere mathematics and physical science defines the notion of *power* in the sense of *dynamis*, or Leibniz’s use of *Kraft* in his science of physical economy.

That is the issue of physics (e.g., anti-Euclidean geometry) posed by Gauss’s attack on the errors of principle by D’Alembert, Euler, and Lagrange. That is the significance of Riemann’s habilitation dissertation, his treatment of Abelian functions, and his emphasis on the conception of Dirichlet’s Principle.

In the science of physical economy, our primary focus is on two forms of physical action, beyond the ken of a bald mathematics. The first, is universal physical principles through whose employment mankind’s power in and over nature is increased per individual. The second, is those principles of Classical artistic composition whose relevant application is the organization of that social cooperation in use of physical principles which is necessary to translate the application of physical principles into the cooperative social effect we might recognize as social-economic progress in the improvement of the human condition. Both are universal physical principles in type, and belong, ontologically, to what Gauss, Riemann, et al., define for mathematical physics as the complex domain.

It is the transmission of these principles of the class signified by *powers*, which is the means by which increase in man’s power over nature, per capita and per square kilometer, is accomplished, as through production.

The principal forms of expression of physical-economic progress in society are agriculture, industry, and infrastructure. The characteristic feature of progress is those forms of technological progress which revolutionize the activity of society in ways which translate the application of power to the increase of the productive powers of labor per capita and per square kilometer. Infrastructure either creates the precondition for such progress in production and consumption, or enhances the expression of the applied productive powers of labor in some necessary way.

In first approximation, physical-economic progress is the result of the injection of principled expressions of scientific-technological progress into the point of production or infrastructure. Actually, the way in which this application must occur to be efficient in modern society, is the ordering of the

way in which principled elements of scientific-technological progress are injected into the successive stages of ordering an extended production process, which might be represented by a process-sheet representing stages of production over a significant lapse of time, such as years.

The relevant point of view for understanding this process-view of technological progress in production is best typified by the standpoint of the connection between the work of the experimental scientists and the tool-makers, the starting-point of the process of injecting technological progress into the process represented by the process-sheet cycle as a whole. Looking at the matter from that vantage-point, we are compelled to recognize that it is the injection of technological progress along the pathways depicted by such process-sheets, which is the necessary standpoint from which to study and manage the benefits of technological progress along the pathway mapped by the process-sheet. Scientific-technological progress is, thus, the primary expression of the action on which the success of a modern economy depends.

This shows the way in which the process of education and circumstances of family and other aspects of social life must be ordered to make possible the desired rates of technological progress in society. The economist must therefore avoid the relative intellectual sterility of the mere accountant or mathematician, and adopt the active standpoint of the physicist-toolmaker’s view of the successive stages of injection of technological progress, at a certain rate, along the pathways which corresponds to the process-sheet. The role of the household standard of living is defined in terms of the rate of intellectual progress this production-cycle implies.

The determination of estimable “fair price” levels within an economy follows from the study of medium-term and long-term cycles of investment in physical capital in those terms of reference. The money-price of the standard of living of a household, as reflected in the standard of living of a community, serves then to define the unit of reference through which the physical standard of living is correlated with a price-determination of that “basket of physical consumption.” Clear thinking on that subject serves as the needed point of conceptual reference for thinking about the relationship between money values and actual physical values.

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## 2. Financing a General Recovery

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Organizing a financial recovery from the present state of virtual bankruptcy of the world’s present monetary-financial system, has two overlapping phases. There are certain limited, stop-gap measures of a type which must be taken, even within the bounds of the present monetary-financial system, as distinct from the broader actions which require putting the existing system into general receivership for reorganization in bankruptcy.

Take the short-term case immediately at hand, the onrush-

## Education Specialty: Post-Industrialism

During the last 50 years, more and more Americans have been getting undergraduate, graduate, and post-graduate degrees—but in what? Even as our population grew, the percentage of people in their twenties with college degrees has more than tripled, from 7% in 1950 to something more than 22% today. In simple totals, we have, today, about one and a half times as many doctorate and bachelor degrees conferred each year than we did in 1970. The number of masters degrees conferred each year has just about doubled since then. But, what areas of study have kept pace with these increases? And, thereby, which areas of the U.S. productive economic capacities have continued to be renewed and replenished; and which have, on a relative basis, been diminished or degraded for lack of new graduates?

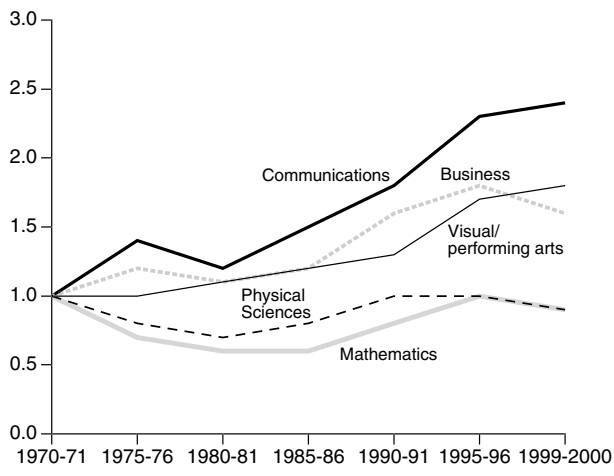
The greatest relative drop in doctoral degrees conferred since the 1920s has been, far and away, in the physical sciences. In the 1920s, '30s, and '40s, fully one-fifth to one-quarter of all doctorates conferred were in the physical sciences. By the late 1970s, only 10% were; and today, fewer than 9%. The simple numbers of master's and bachelor's degrees conferred annually in the physical sciences, from the 1970s to today, have dropped by 50-60%.

In agriculture and natural resources, doctorates conferred annually, as a percentage of the total doctorates, are now below the levels of the 1920s and '30s, having peaked in the '50s and '60s.

Engineering doctorates, overall, have increased from 1% of the total doctorates conferred annually in the early 1920s to 12% in the mid-1960s. A drop to below 8% by 1980 recovered by the 1990s and 2000 back up to mid-1960s levels. However, only half of these are U.S. citizens and can be expected to remain in the country. Also, increas-

FIGURE 1  
**Doctoral Degrees Conferred in U.S.,  
Changes Since 1970-71**

(Indexed to 1970-71)



Source: EIR.

ingly, engineers are being trained in business practice or in IT, rather than in areas of the physical economy.

So, what about the services and the IT sectors? These areas have either kept pace with, or far exceeded, the overall increases seen in degrees conferred. The number of business degrees conferred annually, including bachelor's, master's, and doctoral, were 2.5 times greater in 2000 than they were in 1970. Not surprisingly, the number of computer and information sciences degrees conferred in 2000 was close to 12.5 times the number in 1970. And, the armies of college graduates in the fields of parks, recreation, leisure, and fitness studies have swelled in ranks by 12 times their 1970 levels.

These figures come from the U.S. Department of Education and the National Center for Education Statistics.

—Judy DeMarco

ing collapse of a group of entities fairly described as a “General Motors Complex.” We must not be so negligent as to allow that precious productive capacity to be disassembled. Therefore, we must create a “cover” under which the complex is taken into receivership by an entity created by the Federal government, to ensure that essential productive facilities and their employees are held together as a productive capacity.

In this example, the intent will be to create certain new projects, such as in the domain of essential infrastructure requirements of the nation, which will absorb those parts of productive operating potential not presently required for cur-

rent product-lines of the combined facility taken into tow in this way. A suggested alternative for this purpose would be to create a national program for shifting current passenger and freight requirements from highway to rail, or rail-like modes. I choose this example because it is a likely prospect for very early action, which incorporates several leading features of a large category of options for bringing current national product output, in piecemeal fashion, up to the level of breakeven of the national economy on current account.

The most attractive feature of that option is that it applies essential, leading high-technology potential at the front-end

of a growth-driver program, an application which utilizes the employment of a nationally essential, highly skilled, toolmaking segment of the labor-force for a program which generates employment opportunities for a larger population of skilled, semi-skilled, and unskilled labor in the same areas in which the highly skilled occupations are located. It is the kind of program which transmits advanced technologies from the front-end of a program of production, down the chain of subsequent elements in the process-sheet which reaches the intended end-product. This permits the introduction of enhanced technologies at subsequent points in the chain down-line.

It is also an option which has beneficial multiplier effects on suppliers and others whose economic activities intersect the principal axis of the program's sequence. It is the intended acceleration of upgraded technologies along the chain, which provides the anticipatable high-gain in rate of economic return needed to make the project a premium choice of national mission-project.

The object of selecting a key project such as the type needed to prevent a General Motors crisis from becoming a national economic disaster overall, is to set a pattern which can be used as a guide for crafting other project-programs which will tend to become relatively most beneficial.

Parallel to this option for the GM case, we have numerous cases in which urgent action is needed on already specified infrastructure projects, such as those for the U.S. Corps of Engineers.

One of the urgent motives for launching such projects, the urgency of the GM-complex case put aside, is the need to create economic credibility for the idea of an economic-recovery program. Call it the get-out-of-bed principle; if Johnny is getting out of bed on time in the morning, we might tend to believe that he is more likely to arrive at work that day. We as a people, as a government, must convince ourselves and others that we mean business about actually having a general economic recovery, rather than sitting about wailing over the fact that we seem unable to do anything to stop the current hemorrhaging under the Bush Administration. The recovery will require very large masses of long-term credit, much in the quarter-century and longer category; if we can not convince ourselves that we are committed to see that work through to a successful outcome, our ability to mobilize the credit needed will tend to fall toward zero. Getting started on the journey is the first, essential, political-psychological step toward reaching our destination.

Some things, like that, can be, and must be started immediately, even under the present international-financial monetary conditions. However, proceeding with these preliminary actions depends upon our confidence in our commitment to go all the way with a general reform of the national and international system. We must move now, to convince ourselves that we intend to succeed in the long run; but, to engender confidence in immediate actions of that sort, we

must have confidence that we have a workable long-term plan for the journey toward our destination a generation or more ahead.

The ability to generate and sustain the masses of long-term credit needed for a general reorganization and recovery of the world's monetary order, depends upon our willingness to accept nothing less than the replacement of the intrinsically bankrupt, present, floating-exchange-rate monetary system, by a fixed-exchange-rate system congruent with the essential features of the original Bretton Woods system. The essential differences between then and now are four.

First, the U.S.A. is no longer capable of carrying the new fixed-exchange-rate system as the U.S. dollar was used to back up the original Bretton Woods system. There must be a consort of principal guarantors of the new system.

Second, the growth of the world's population, and other qualitative changes, such as a new perspective on the challenge of providing raw materials, present us with problems which did not exist in that form and degree a half-century ago. Today, especially with the currently rabid speculation on future control of the planet's essential raw-materials assets, new measures of regulation to end such speculation are needed as a precondition for a stable new world monetary order.

Third, the pivotal feature of a successful new world monetary system, will be the emerging relationship between western and central Europe, on the one side, and the Eurasia group centered upon the triangular cooperation among Russia, China, and India. This prospect in Eurasia as a whole is now the pivot on which the rational organization of the set of relations within the world economy now depends. As a side-effect of this, the composition of world trade will tend to shift from emphasis on final products, to trade in intermediate products among nations.

Fourth, the conduct of trade among nations will be based upon a span of two generations in principal long-term trade-agreements among nations. The need for increasing capital-intensity in developing assured supplies of greatly increased requirements of raw materials, will be among the leading determining considerations in defining a fifty-year cycle as the basis for long-term trade agreements. There will be a similar effect generated by the increased ration of long-term capital investment in high-speed, land-based modes of transportation of passengers and freight across not only vast continental spans, but, as the implications of a Bering Straits link of Asia and North America implies, intercontinental spans.

## **The New Role of the U.S. Dollar**

Now, look at the indispensable future role of the U.S. dollar in the context of what I have written here up to this point.

The present world monetary-financial system is based on denomination of the U.S. dollar as a reserve currency. Any precipitous collapse of the value of that dollar, whether spon-

taneous or negotiated, would create a situation under which a chain-reaction collapse of the entire planet into a new dark age, comparable to that of Europe's mid-Fourteenth-Century "Little Dark Age," would ensue immediately. The possibility of a transition from the present planetary situation of imminent general collapse of the entire system depends upon fixing the value of the U.S. dollar at approximately its current valuation, and a comparable fixing of the standard for gold reserves under a fixed-exchange-rate system. There exists no sane alternative to these measures at this time.

For example, when we take into account the vast amount of U.S. dollar holdings currently outstanding in nations such as China, Japan, Korea, and elsewhere, any presently virtually inevitable, early chain-reaction collapse of the dollar's valuation, if permitted to proceed, would, in itself, create an impossible situation for all parts of the planet today.

The only way in which a "new dark age" variety of global collapse could be averted, is to create a new, fixed-exchange-rate, gold reserve, world monetary system which is built around the starting-point of fixing the price of virtually all leading currencies at approximately their price at the current instant. This requires, essentially, immediate action which converts short- to medium-term *legally and morally legitimate* claims, *as if automatically*, against the dollar, into long-term claims against the dollar held as a reserve currency within a gold-reserve-based, fixed-exchange-rate system comparable to the original fixed-exchange-rate system launched by 1944-1945 agreements.

U.S. economic, financial, and monetary policy must *therefore* be changed now to conform to the requirements of supporting that general monetary agreement. Any sane government of the U.S. would agree to this readily, recognizing that this is the only available means for preventing a collapse of the world economy, including the U.S.A. itself, into a deep, deep pit of despair.

This must be accompanied and expressed by physical-economic-policy reforms within the U.S.A. and among nations, which conform to meeting the obligations implicit in that altered role for the U.S. dollar as a global reserve currency. This also means a general revision of trade and tariff agreements among nations in ways needed to support the replacement of the presently, so-called "globalized," "free trade" order by a "fair trade"-based order. This change will be supported by nations which wish to survive, simply because their survival depends upon the adoption and faithful implementation of such new agreements.

The quality of these reforms as constituting a long-term valuation of the world's reserve-currency-based system, depends upon crafting arrays of trade and related treaty agreements among principal nations of the world on the basis of quarter- to half-century commitments to building a global economic basis in long-term physical-capital formation in basic economic infrastructure, and upon the novel, but presently indispensable included feature of a global raw-materials

development, supply-and-pricing policy.

The pattern for such complementary monetary-financial and economic reforms is emerging from growing long-term cooperation between the principal industrialized nations of western and central Europe with the long-term Eurasian development perspectives implicit in growing relations between such nations of western Europe with the programs emerging around the Russia-India-China Triangle. The same principles must be extended to Africa, especially sub-Saharan Africa, and to the coordinated development within the Americas, and also elsewhere. It is the accumulation of long-term development agreements of such forms which provides the foundation for securing the stable long-term valuations needed within the newly reformed system as a whole.

Without these emergency actions to change the world system now, a prolonged planetary new dark age were the inevitable outcome of the adoption of any contrary opinion.

## Endnote

However, critical sticklers for the details behind General Johnson's design for National Recovery Act ("The Blue Eagle," or NRA) should note the following. The underlying principles of Franklin Roosevelt's approach to the challenge of the 1930-1945 interval remained the same commitment to the Hamiltonian tradition which he reflected in a paper written in the context of his Harvard graduation, and during the later studies of the American System, which occurred during his struggle to overcome the impact of poliomyelitis. However, although that President's policies were an explicit alternative to, and opposition to the Nazi regime under Hjalmar Schacht's Hitler, at that time the Coolidge and Hoover administrations, and much U.S. popular opinion, had been pro-fascist. So, his first campaign for the Presidency and the NRA days expressed influences of the fascist ideology of both Republicans and American liberals, such as John Dewey, et al., of that time. For example, the leadership of the Democratic Party at that time, which was openly, even savagely anti-Franklin Roosevelt, was essentially pro-fascist, like the so-called neo-cons and similar "conservatives" today. So, the ideology of the late 1920s, under Presidents Coolidge and Hoover, contained a lot of faddish leaning toward the impression of Mussolini's regime at that time. It was with FDR's alliance with John L. Lewis's campaign for industrial democracy, which provided the social-political basis for FDR's ability to wean the U.S.A. majority opinion from the relics of fascist sentiment. So, the viable currents in the Democratic Party of today, are tending to break with the strong anti-FDR influence expressed by the Congress for Cultural Freedom's destructive influence in creating the "cultural paradigm shift" exhibited among the generation of university age during the late 1960s and 1970s. With President FDR, it was the "Hamiltonian" legacy of which came to the fore in the evolution of the Presidency during that period. This was not a change in FDR's personal outlook; it was a change in the currents of public opinion with which any President of the U.S.A. is compelled to deal politically. For purposes of comparison, you might consider the different kind of example from my own case; to understand me today, you must look into the crucially formative, virtually "genetic," pre-1949 phases of my own original discoveries in the Leibnizian science of physical economy. In the case of every significant figure in history, there are deep structures which persist, and also relatively superficial phases which reflect a period of adaptation to the cultural setting in which that figure found himself or herself. In my adult lifetime, I, too, have had to ally with constituencies whose axiomatic opinions I did not fully share, as in certain alliances I adopted in good faith in my repeated role in opposing pro-fascist currents in our own nation, such as those pro-fascist currents associated with the Truman Administration and with the Nixon Administration and its current since.

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FROM LYNDON H. LAROCHE, JR.

## Emergency Action By the Senate

*April 13, 2005*

**1.1** An increasing number and variety of relevant specialists have been joining an international chorus which is warning, in effect, that an ongoing, systemic economic collapse of the world's presently reigning, monetary-financial order, has now entered its terminal phase. As some leading voices in government, and relevant others, have indicated, since September 1998, the world has entered a period of historic crisis, when the time has come that nations must act in support of a common interest, to create a new financial architecture for the world at large.

**1.2** Although a unified majority opinion on the design of a new permanent financial architecture, has yet to be formed among relevant authorities, certain stop-gap actions not only may, but must now be adopted and implemented, to forestall the presently threatened, irreparable damage to our physical economy. That damage is only typified by the presently accelerating crisis of the U.S. automobile industry. Any liquidation of the present structure of the physical productive capabilities of that industry, especially its vital machine-tool sector, would mean both the end of the U.S.A. as a leading physical economic power, and related kinds of chain-reaction damage to the world economy as a whole. Emergency action to avert that outcome must be taken now.

**1.3** The international complex of machine-tool-dependent physical production, as typified by the presently troubled General Motors and associated enterprises, is now at the verge of not only financial bankruptcy, but also, the threatened physical dissolution of the machine-tool and other essential and related physical-economic elements of the related, present productive capacity. This is the case, not only in North America and Europe, but the world at large. The leading implication of the ongoing financial and physical economic con-

dition of that and related industries, is that government must now be mustered to act in accord with the implied, relevant principled, constitutional obligation of our modern nation-state. That imperative is the essential, constitutional obligation of the modern sovereign form of nation-state, to promote the general welfare, both as individual republics, and in concerted action among nations.

**1.4** The point has been reached, at which certain qualities of remedial action must be taken through the initiative of the U.S. Federal government. Without some action by our government, there is no adequate means to prevent an early plunge of both the U.S.A. and world economy into the depth of what would soon become an incalculably deep and prolonged world crisis. This is a crisis as deadly, or probably more deadly than that associated with the Great Depression, tyrannies, and wars of the 1929-1945 interval. There is nothing comparable to that presently onrushing crisis, in severity, in the experience of relevant living persons in the U.S.A., during their lifetimes. Unless corrected, the present crisis would now become quickly far worse than what was experienced in western Europe or the Americas during the so-called Great Depression of the 1930s.

### **2.0 The Need for Action by the Senate**

**2.1** Responsible government will not postpone remedial action to some future time that fulsome general agreement on reorganization of the monetary-financial system might have been reached among a relevant combination of leading nation-states. Certain stop-gap remedial, emergency actions of durable value must be adopted and implemented now. These forms of required emergency action will have the functions of both ameliorating the kind of ongoing damage to our productive potential which the crisis of the General Motors complex only typifies, and setting into motion certain measures



*Lyndon LaRouche advises the Senate that it is the most appropriate instrument “for setting into motion presently indispensable steps of remedial action, despite the presently manifest reluctance of some relevant circles in the Presidency, and elsewhere, to grasp the urgency and systemic characteristics of the present national and world crisis.” Here, LaRouche addresses a Washington webcast conference on April 7.*

of economic reconstruction which will have lasting value for the physical economy of our own and other nations over a generation and more to come.

**2.2** It would not be difficult to show, that the situation of the U.S. Government at this present moment is such, that some of the most essential of the immediate remedies required must be set into motion through included actions consistent with the combined explicit and implicit Constitutional powers of advice and consent of the U.S. Senate. We are gripped by what is already, clearly an ongoing, accelerating existential crisis of our own, as other nations, a crisis whose dangerous implications are tantamount to circumstances of onset of general warfare.

**2.3** The role, assigned to the U.S. Senate, of providing advice and consent to the Executive branch, is, presently, the most appropriate instrument, at this moment, for setting into motion presently indispensable steps of remedial action, despite the presently manifest reluctance of some relevant circles in the Presidency, and elsewhere, to grasp the urgency and systemic characteristics of the present national and world crisis.

### **3.0 The Special Role of the U.S. in This Crisis**

**3.1** Although the constitutional organization of our Federal Republic was a reflection of leading intentions among the finest currents and individual minds of Europe at that time, the circumstances of world affairs since the 1789-1815 period of wars in Europe, prevented the establishment of a system of republics there based upon the same class of constitutional principles adopted by the circles of the chief architect of our

independence, Benjamin Franklin. Thus, although important elements of the American System of political-economy were adopted and copied for economic reforms in leading parts of Eurasia,<sup>1</sup> beginning 1877, European governments have been modelled chiefly on reforms of the parliamentary system, rather than a Presidential system such as that which our own Constitution prescribes. Consequently, the potential positive role of the U.S. in this present situation is unique.

**3.2** This feature of the war-torn modern history of European civilization, has left the governments of Europe chiefly under the hegemony of a network of private financial powers otherwise known as “independent central banking systems.” Two so-called “world wars,” and related experiences of Europeans during the past century, have aggravated the im-

impact of this point of difference between the outlook inherited from the American System of political-economy and the effects of the combined legacy of a contrary legacy of a parliamentarism subjected to the superior authority of privately controlled central banking systems over governments in Europe, still today.

**3.3** Our constitutional system, known as the American System of political-economy, is premised implicitly on the included role of a system consistent with the notion of national banking, which provides our form of constitutional government with the power of its Executive, acting in concert with the separate and distinct authorities and responsibilities of the Senate and House of Representatives, to create relatively vast masses of long-term credit for the immediate and long-term expansion of our national economy. This creation of new productive capital can be accomplished, under our system, without interference by that concert of private financier interests known as “an independent central banking system.” Under our constitutional system, this outpouring of debt-based long-term credit must be used, chiefly, not only to create expanded productive employment, but to create new long-term capital investment in improved basic economic infrastructure, as also in agriculture, and manufacturing.

**3.4** It was the use of this constitutional authority under the administration of President Franklin Roosevelt, which enabled us to conduct a two-front, sustained war, to lead thus

1. With the influence of the world’s leading economist of that time, Henry C. Carey, in locations such as Germany, Russia, Japan, and elsewhere, following the 1876 Philadelphia Centennial.

in defeating and crushing what would have been otherwise a world-wide imperial tyranny of the Nazi system. It is that same constitutional mechanism which is crucial for our necessary role in defeating the presently threatened world-wide monetary-financial and physical-economic collapse.

**3.5** The present situation has been complicated by the recent conflict which has arisen between the U.S.A. and our foreign partners in Europe and elsewhere, since that conflict in relations between Europe and the U.S.A. which was provoked by the Bush Administration during 2002 and later. A Europe, for example, which, earlier, had become habituated to relying upon the U.S. leadership's role in addressing common problems, has been driven into the worst relations between the U.S.A. and Europe in more than a half-century. Under the present conditions of crisis, our urgent national-security interests require that we must take steps now to restore our republic's role as a leader among equals, in its earlier, decades-long collaboration with those nations which had previously relied on their trust in our leading role as their partner in common cause.

**3.6** This recalls the fact to our attention, that, against the fact of the conditions which have been shaped by trans-Atlantic relations since approximately 1776, there have now arisen recently presently important new developments in Eurasia which offer excellent opportunities for the kind of U.S. future relations with Eurasia which a general economic recovery of the U.S.A. itself now requires. Provided we take action to control, and to avert the worst effects of the onrushing general monetary-financial collapse, thrusts in the direction of needed reforms from within circles in Europe and some leading nations of Asia, with a critical role of continental Europe, are the emerging basis for a general long-term economic upsurge of our planet over more than a half-century to come.

**3.7** These emerging new relations within Eurasia represent the nucleus of an expandable, collaborative international initiative of the type the present crisis-situation requires. This should prompt our own government to offer a new, supporting initiative by a U.S. acting once again as first among freely consenting equals. This would be an initiative which must be sparked from within the deeply rooted, historical cultural legacy of the American System tradition as echoed, typically, by the role of President Franklin Roosevelt. There are leading forces within Europe and its partners in Asia, which are poised to act in concert with us, on the condition that we do our part, by supplying the spark of initiative on behalf of the interest of all these nations, which they, in fact, require from us. We of our United States must become, once again, the spark which ignites the world.

#### **4.0 The Emergency Measures for the GM Case**

**4.1** The principal interest and objective of the U.S. Government in the current panic among leading automobile manufacturers of North America and Europe, is to ensure that the

continued employment of the labor-force associated with that industry remain as functioning, each and all in their present localities of employment, whatever is done with the financial architecture associated with the present ownership of that set of enterprises. The loss of the tool-making and closely related capabilities of that sector of the industry would be a strategic disaster of incalculable, chain-reaction consequences, within our nation, and also the world at large.

**4.2** The relationship between the machine-tool and related elements at the front end of the process-sheet of the production cycle in these industries, and the much larger mass of technicians and operatives employed relatively downstream in that process, is an integral relationship. It would be gross incompetence to assume that the employment of the one could be separated from the employment of the other, or that the ratio of less-skilled operatives to highly skilled machine-tool and related technicians and operatives could be reduced without relatively disastrous effects.

**4.3** To that end, the U.S. Senate must employ its power of advice and consent to attempt to ensure those present productive capacities are kept virtually intact as a whole.

**4.4** It is a real, if unpleasant fact, that the recent level of production of automobiles exceeds the justified scale of operations of that production under conditions of the present national and world markets.<sup>2</sup> Yet, at the same time, were we to reduce the number of machine-tool and other operatives presently employed, in place, in these industries, we would incur a national economic disaster of qualitative, rather than only quantitative effects. The only available remedy is diversification of the relevant productive potential to a broader mixture of suitable forms of production, shifting large portions of current employment into, especially, the domain of essential capital goods of production and basic economic infrastructure.

**4.5** Therefore, in the present situation, it is necessary to separate the operations of the technological productive potential represented by that industry and the communities associated with the relevant enterprises, from the financial difficulties of the relevant corporations. Whatever disposition is made of the relevant troubled financial corporations, the productive potential of the industrial labor-force of the industry must be held together, essentially intact, in their present locations. The Federal government must create the interim vehicle under which the unbroken continuity of physical operations is continued.

**4.6** The relevant choices of alternate market for this purpose are, for the present time, chiefly in the category of basic economic infrastructure. Typical markets are defined by the

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2. Under present world-market conditions, the needed volume of units sold could be achieved only by net prices which represent a current operation of that set of firms below breakeven. This is a situation comparable to the state of the U.S. industry on the eve of the 1957 Recession, but by a perilously far greater margin.



need for repair, large-scale expansion, and improvement of our national railway systems; maintenance and improvement of water-management systems now nearing the point of breakdown through decades-long neglect of maintenance and improvements; urgently needed investments in the production and distribution of power; and the now becoming urgent diversification of energy sources for automotive and other major uses toward regional production of synthetic hydrogen-based fuels.

**4.7** A crucial consideration is the fact that the tool-making front-end of the automotive industry is rightly habituated to the rapid development of products at the high end, and beyond, of currently practiced technology. The level of technology embodied in this industry's tool-making component is sufficiently advanced, that there are few leading areas of product type of capital goods for which this industry can not be appropriately employed for early response in the form of suitable products, especially in capital-goods categories.

**4.8** In general, it is in the current and foreseeable national interest, that diversification of the application of this productive capacity be concentrated in the high end of today's technological progress in development, where the highest rates of gains in national productivity as a whole can be obtained downstream in the national economy as a whole.

**4.9** It must also be recognized, that under the rapid programs of deregulation launched toward the close of the 1970s, increasingly large areas of the U.S.A. were left as economically fallow, to rot, while industry and population were concentrated in a shrinking portion of our national territory, and while the essential features of competition and diversity in sources of product were shrunk. This has occurred to the effect that there has been a presently catastrophic, decades-long collapse of the physical standard of living and physical output of the lower eighty percentile of our population's households. The corresponding task today, is to broaden the development and use of areas of our nation, to the effect of increasing net physical output per capita and per square kilometer through the nation's counties.

**4.10** Therefore, the U.S. Federal government must intervene, on behalf of the national and related interest, to ensure that the productive potential of this industry, with its featured high-technological front-end in the process-sheet cycle, be held together in place and intact.

## 5.0 The Urgent Return to the American System

**5.1** The chances for success of these and related measures require, that the reforms we make must be selected to conform to the potentials which are deeply embedded in the history of those developments which define the distinctive characteristics of our economic potential today. To that end, consider the following.

**5.2** The American System of political-economy was premised, since the leadership of the Winthrops and Mathers

in the Seventeenth-Century development of Massachusetts Bay Colony, on capital and other physical improvements in the expanded use of that colony's territory. Similar practices were employed in Pennsylvania and in the Eighteenth-Century development of Virginia under leaders such as our first President George Washington. Our leading economic concerns, in these and other parts of our emerging republic, were as described by Treasury Secretary Alexander Hamilton's *On the Subject of Manufactures*, as the development of the physical productivity achieved in land-areas through emphasis on improvements in basic economic infrastructure, agriculture, industry, and commerce. Our best achievements as a nation have been expressed by a long-ranging emphasis on the development of our fiscal and monetary systems according to the requirements of physical improvements in our economy. This was the characteristic advantage in outlook of what became known as the American System of political-economy, as compared with the physical-economic development of the productive powers of labor in Europe.

**5.3** Our national outlook to this effect was consolidated during John Quincy Adams' term as Secretary of State. Adams consolidated an outlook which had been already embedded in the outlooks of the Massachusetts, Pennsylvania, and other colonies, and among states of the republic. To establish a durably viable and secure nation, we must develop as a transcontinental republic with implicitly defined northern and

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southern borders, while also adopting the policy, as crafted by Secretary Adams, which President James Monroe presented as what became known thereafter as the Monroe Doctrine. Under that Doctrine, we were committed, as President Franklin Roosevelt re-affirmed this later, to a community of principle among the respectively sovereign states of the Americas.

**5.4** At the time of Secretary Adams' crafting what became the essential features of the policy-shaping of our Department of State, we, like all parts of the Americas, had been the target of efficiently malicious intentions by the principal leading forces of Europe, the British Empire-in-fact and the continental powers associated with Prince Metternich's Holy Alliance. It was only in the aftermath of the Fall of France's Emperor Napoleon III, that nations of continental Europe moved, led by our friend Czar Alexander II, significantly toward the adoption of what was known to them as the American System of political-economy. It was the revival of the policy of the American System of political-economy under the leadership of President Franklin Roosevelt, which expressed the great advantage inhering in the American System of political-economy over the rival systems of Europe.

**5.5** That history should be recognized as key for the adopted mission which our republic should affirm in seeking to define a route of recovery from the perilous condition in which we find both ourselves, and the planet considered as a functional whole, amid the perilous crisis in the world of today. To wit, to grasp the historic implications of the present General Motors crisis, consider the following comparison of the events of 1929-1945 with the period before us today.

**5.6** During the 1928-29 interval of the outbreak of what became the Great Depression of the 1930s, our President Herbert Hoover responded to the 1929 stock-market crash with the worst available choice of policies, under which the U.S. physical economy was collapsed by approximately one-half over the interval preceding the March 1933 inauguration of President Franklin Roosevelt. That experience under Hoover's policies then, has an ominous import for the implicitly more deadly international monetary-financial crisis of today.

**5.7** In the entire period, 1928-1933, from the fall of the Mueller government of Germany through the establishment of the Adolf Hitler dictatorship, in February 1933, the ruinous common policies of the U.S.A. and principal western European governments had been policies of fiscal austerity comparable to those in place in most of Europe and the U.S.A. itself today. These policies had been dictated chiefly by the Bank of England under Montagu Norman and its Manhattan financier partners. The formation of the Basel, Switzerland Bank for International Settlements (BIS) typified the situation of Germany and other nations under the austerity regimes of the Bruening and von Papen ministerial governments. These were the policies of Montagu Norman's Hjalmar Schacht and other authors of the installation of the Adolf Hitler dictatorship in Germany; they were also the policies of Andrew Mel-

lon and the Herbert Hoover Presidency. The application of these policies of "fiscal conservatism" in Europe, then, made possible the success of Montagu Norman's Hjalmar Schacht and others in installing the Hitler dictatorship in Germany. The fiscal-conservative policies of the Hoover Administration were the cause of the collapse of the U.S. economy by approximately one-half during the interval between the 1929 stock-market crash and the March 1933 inauguration of President Franklin Roosevelt. Only the election and policies of that President Roosevelt enabled the U.S.A. to escape the kind of political fate which overtook Germany under Hitler. Only Roosevelt's leadership made possible the defeat of the threatened Nazi world empire under the Adolf Hitler which Montagu Norman's Schacht had led into power. Similar, fiscal-conservative trends in practiced policies, have dominated the fate of the U.S.A. and Europe during the recent years.

**5.8** We must not continue to make that same kind of mistake, as was made under Hoover and the Bank of England of Montagu Norman, again, today. We must learn the relevant lesson of history.

**5.9** Prior to the Fifteenth-Century founding of the first modern nations-states, those of France's Louis XI and England's Henry VII, the history of Europe was dominated by the rule of oligarchies and their lackeys, who reigned over a general mass of the population held in the actual or virtual status of subject human cattle, as under the medieval system which reigned over Europe under the Venetian-Norman alliance of the pre-1400 centuries. The rise of modern nation-states of the form known as commonwealths, combined with the promotion of scientific progress and its benefits for development of agriculture, manufacturing, and basic economic infrastructure, has been the characteristic achievement of modern European civilization, despite the negative forces of financier and other forms of oligarchism which have never yet been removed from the internal and external practices of globally extended European civilization as a whole.

**5.10** The creation of the U.S. constitutional republic has been the leading edge of the continuing effort to reconstitute our planet as a true community of respectively sovereign nation-states committed to the primary function of promoting the general welfare of humanity. The qualified achievement of the 1648 Treaty of Westphalia, in defining peacefully constructive relations among peoples as a mutual commitment "to promote the others' benefit, honor, and advantage," is the notion of the true commonwealth which we must seek to bring to fulfillment. We must accomplish this now, in an age imperilled both by the reality of nuclear weapons and the recent resurgence, as by so-called neo-conservative circles, to promote the revival of that mode in religious warfare which was outlawed by the Treaty of Westphalia.

**5.11** Under the American System of political-economy, which was the suitable outgrowth of Europe's struggle to establish a system of cooperation among sovereign commonwealths, the emphasis is not primarily upon financial and monetary interest, but, rather those forms of interest ex-

pressed as invention-driven progress in the physical conditions of life per capita and per square kilometer of territory. This intended system is premised upon the promotion of those same creative powers of the individual human mind which we associate with fundamental discoveries of universal physical principle, by means of which there is the possibility of the increase of the productive powers of labor. For us, the economic function of the republic is to provide those conditions of law, and improvements in basic economic infrastructure, under which the fruitfulness of the creative powers of the individual are fostered to the benefit of society as a whole.

**5.12** Under that American System, it is those physical and related goals, rather than financial interest, which are the essential premises of law bearing upon economy. For us, money, even our own currency, is essentially an idiot, whose behavior must be regulated in ways to promote the intention for which our republic is constituted. The monopoly over the creation and regulation of the circulation of money is the essential power of sovereign government which must be used and protected in that function of regulation over monetary-financial systems. It has been the abandoning of that principle of our American System of political-economy, and replacement of that principle by the defective monetarist notions of European independent central banking, which was the principal cause of the ruin of our republic's economy under Coolidge and Hoover, and the fresh ruin of that economy from approximately 1971 to the present date. Just as Hoover's policies of fiscal conservatism ruined the U.S. over the relevant interval, so kindred thinking adopted by the administration of President Nixon, set the presently onrushing ruin of our economy into motion thirty-odd years ago.

**5.13** To understand economies and how they function, or fail, we must abandon the delusion that economies can be treated like lawyerly business forms of social contracts. An economy is essentially a system, in the sense that physical science is a matter of systems defined by underlying, adopted assumptions of universal physical principle. The designing of contractual agreements, such as adopted laws, must be premised fundamentally on notions of scientific principle, first, and the crafting of appropriate law as the servant of such universal principles, second. As in space travel, so in economy, the adoption of contractual agreements which violate universal physical principles, will lead to a crash in due course.

**5.14** The present form of economy, since approximately 1971, is now crashing, that for physically lawful reasons. It is time to depart the realm of the accustomed lawful superstitions of the recent thirty-odd years, to return to those principles of physical economy, known as the American System of political-economy, which have repeatedly rescued us from the consequences of that folly expressed by the European model of independent central banking system. Law must now conform to efficient universal physical principle. What we choose now, will determine whether or not we shall be punished by our cumulative folly of the recent three decades.

# A GOP Revolt Against Bush-Cheney Insanity

by Jeffrey Steinberg

In March, the four-year vise-grip that the Bush-Cheney White House had enforced over Congressional Republicans came to an end, when the White House demanded that \$16 billion be slashed from Medicaid payments in the FY 2006 budget. Seven moderate Republican Senators joined all 44 Democrats and Independent James Jeffords (Vt.) to deliver a blow to the Administration's killer austerity schemes. And days later, it took a last-ditch White House effort to prevent a bipartisan Senate defeat of the entire Bush-Cheney budget, by convincing Sen. Susan Collins (R-Maine) not to abandon the Administration.

Addressing a group of Democratic Party and trade union leaders on April 9, Lyndon LaRouche summarized the state of affairs in the following blunt terms:

"You know people talk about, 'George Bush is the President! You can't do anything for four years.' *Bunk!* I'm not sure he's going to be there much longer. They may carry him out, or just lock up the rubber room and keep him in there. But, if the American people, particularly the lower 80%, is convinced this guy is bad news, and convinced that Dick Cheney is worse news, and convinced that George Shultz is some kind of an enemy alien (which he probably is), and that Schwarzenegger should be sent back to Austria, to punish the Austrians for producing him—if the American people get that idea, I don't care who's President: The American people will run the country. Not by running it as President, but by putting the pressure on, which means that the politicians in the Congress, a majority in the Congress; by getting a combination of Democrats and Republicans, in the Congress, especially, first, in the Senate, to agree that something is needed by the country, really agreed—and they're getting disgusted even on the Republican side with Bush, and what he represents—that power in the Congress, brought about by the activation of the people, will control the country. You don't need to wait for the next election: The guy in the rubber room will do what he's told. And you'll have the advisors who tell him that.

"Because, with what we know about the situation, with the crimes that have been committed by the Bush Administration, there is enough evidence out there, it's already in the pipeline in the legal system, to bring about the impeachment of Cheney and Bush, it already exists; all you need, is the atmosphere of public opinion, which says, 'These guys have got to go,' and the mechanisms to get rid of them and the people who will do the job, are there. What you need, is the voice of public opin-

ion. And I'm convinced that the Democratic Party which has to lead in this, will not get that, without turning their attention away from the cowardly attitude about suburbia, to begin to concern themselves more actively about the condition of life of the lower 80% [of income brackets] of our people, who have been kept out of the equation, and driven almost crazy, by the conditions they've been subjected to."

## The Bolton Nomination

Days later, the Republican insurrection against the White House bubbled again to the surface. During two bruising days of confirmation hearings for UN Ambassador nominee John Bolton, Senate Foreign Relations Committee chairman Richard Lugar (R-Ind.) gave Democrats wide latitude to grill Bolton on a number of scandals, including abuse of State Department and CIA officials, who offered intelligence assessments that countered his neo-con views; and his lobbying activities for Taiwan.

The second day of the Bolton hearings was taken up with testimony by Carl Ford, the former head of the Bureau of Intelligence and Research (INR) at the State Department. Ford, who resigned in late 2002, documented a string of instances in which Bolton abused intelligence analysts, and tried to get them fired for providing what proved to be accurate assessments of the nearly non-existent Iraq Weapons of Mass Destruction program, and Syria's non-existent nuclear weapons program. Ford called Bolton a "serial abuser" and made it clear that he considered the former State Department arms control chief totally unqualified to handle the UN post.

Sen. Lincoln Chafee (R-R.I.), a moderate, is considering a "no" vote on Bolton. If the Democrats vote against Bolton, as is expected, and Chafee votes "no," Bolton's nomination would be killed in committee. According to one well-placed Washington source, the White House is scrambling to salvage the Bolton nomination.

The vote on Bolton had been expected before the end of the week of April 11, but in another snub to the White House, Lugar acquiesced to a Democratic request to delay it, until the committee received written answers from Bolton, and from three senior intelligence officials.

The day after Lugar agreed to delay the vote, April 14, the *New York Times* published new revelations, that Bolton had sought to obtain surveillance data on other U.S. government officials, which had been obtained by the National Security Agency (NSA). Sen. Christopher Dodd (D-Conn.) had asked Bolton about the requests, and Bolton had admitted to making them. Dodd has asked that the State Department and NSA provide full details, including the names of the officials whom Bolton was apparently spying on.

## Cheney and Addington

Another potential headache for the Administration, former CIA contract employee David Passaro, on trial in North Carolina for the death of an Afghan during interrogation, is subpoenaing David Addington, the chief counsel to Vice

President Cheney, and a prime architect of the Administration's torture policy. Passaro also has subpoenaed Attorney General Gonzales, former CIA Director George Tenet, and other Department of Justice officials.

Passaro claims that his actions were consistent with the Administration's guidelines on interrogation methods. His lawyer cited an August 2002 Justice Department memo, which asserted that a person acting pursuant to the President's wartime powers, even in violation of U.S. laws, could not be prosecuted.

Cheney's troubles don't end there. Washington sources have told *EIR* that three major criminal probes, all centered around the Iraq War, and all implicating the Vice President, are expected to come to a head this Summer. The first is the leak of the identity of Valerie Plame, a long-time undercover CIA officer, and the wife of retired Ambassador Joseph Wilson. *EIR* has reported for nearly a year that the Plame-Wilson case implicates top officials in the Vice President's Office, who were behind the illegal leak to syndicated columnist Robert Novak in July 2003, just days after Wilson penned a *New York Times* op-ed, revealing the hoax of purported Iraqi attempts to procure uranium yellowcake from Niger. Ambassador Wilson was one of three officials to separately conclude that the story was phony. The Wilson trip had come as the result of a query by Vice President Cheney, who had been informed about the alleged Niger government documents.

The second scandal involves the authorship of those forged Niger government documents. Cheney, in particular, used the "proof" of Iraq's quest for nuclear weapons to bludgeon members of Congress to vote in favor of war powers in October 2002. Sources say that the forged documents came out of the Iraqi National Congress (INC) of Ahmed Chalabi, and were funnelled through the Italian military intelligence service SISMI by a well-known Washington neo-con, who has been on the SISMI payroll for a long time.

The final scandal, still under investigation by the FBI, centers around the American Israel Public Affairs Committee (AIPAC) and Pentagon desk officer Larry Franklin, who served in the Office of Special Plans, the secret Pentagon unit that "stovepiped" intelligence to Cheney to make the case for the Iraq invasion. Franklin was caught in FBI surveillance at a meeting between AIPAC officials and an Israeli Embassy official, which triggered a probe of whether Israeli officials were engaged in espionage, and had again penetrated the Pentagon.

Lyndon LaRouche, in his April 7 webcast, pronounced President George Bush a "lame duck." However, a weakened Bush-Cheney team is also a dangerous thing. Out of desperation, Bush and Cheney are capable of unleashing a major "diversion," to take the pressure off themselves, with Iran, North Korea, Venezuela, and Syria topping the latest White House potential target list. And with homeland security in a shambles, no one can rule out another 9/11 attack, which Bush's spin-meisters, led by Karl Rove, would jump on, to revive Bush's ill-gotten image as a "war President."

# Is Sharon's Visit the Calm Before the Storm?

by Michele Steinberg

Israeli Prime Minister Ariel Sharon came to the U.S. April 10 with a "wish list" which includes: a U.S. action against Iran which permanently removes *any* nuclear technology—including production of energy for civilian purposes; President George W. Bush's blessing for the creation of "Greater Jerusalem," including a massive expansion of Israeli settlements around the city; and the desire that the Administration begin condemning Palestinian President Abu Mazen (Mahmoud Abbas), so that after the unilateral Gaza withdrawal, Sharon could return to his insistence that Israel "has no partner for peace negotiations."

Forget the thousands of articles that played up the "rift" between the U.S. Administration and Sharon over the expansion of the illegal settlements. If there was any real "rift" between parties during Sharon's visit to the United States, it was between Vice President Dick Cheney and Secretary of State Condoleezza Rice, not between Bush and Sharon. Indeed, Sharon got almost everything he wanted.

While it was clearly a setback for Sharon to stand beside the little man who is President of the United States, and hear him say, "I told the Prime Minister of my concern that Israel not undertake any activity that contravenes 'road map' obligations or prejudices final-status negotiations. . . . Israel should remove unauthorized outposts and meet its road map obligations regarding settlements in the West Bank," Sharon was unfazed. Bush's statement was completely pro-forma, and for those who know Dubya, he never "really got going" about shutting down Israel's vast West Bank settlements, compared to, say, Social Security privatization, or Iraqi weapons of mass destruction. What he said was only "for the record," and for now.

Sharon immediately said the opposite, telling reporters, "We are very much interested [in] the contiguity between Maaleh Adumim [settlement] and Jerusalem." Bush didn't say a word.

In order to understand what actually went on, observers should ask: where was Condi? Secretary of State Rice was somewhat invisible at the main Bush-Sharon meetings. Was it because Sharon was so displeased with her statement of March 25 that Israel's announced expansion of 3,500 new housing units that would unite Jerusalem and Maaleh Adumin, was "at odds" with U.S. policy? Rice told the *Los Angeles Times*, "We will continue to note that this is at odds with American policy."

But whether Rice is nothing more than the designated

"hard cop" against Israel for the edification of Arab world, is a question frequently asked by international leaders. Condi and National Security Advisor Stephen Hadley (her former deputy) met with Sharon for more than two hours on April 10 at a Waco, Texas "bar and rib joint," and they emerged "grim-faced," said the *Cleveland Jewish News* in an April 15 article. But were the tough words against Sharon genuine? And even if they are, will Rice be overridden by Dick Cheney, who can call upon both the neo-con Likudnik sympathizers, and the Christian fundamentalist fanatics in the Bush-Cheney coalition?

The answer lies not in the bilateral U.S.-Israeli relationship, but in the general malaise of the Bush Administration. Bush is a "lame duck," stuck with an Iraq quagmire, with uncontrollable national deficit and rising national debt, and unable to sell his cherished "privatization" of Social Security to the population. But, a weakened Bush Administration is a dangerous one (see preceding article). The Cheney crowd knows only one way to achieve unity, and that is through fear, and Cheney's office and the new Administration is stacked with adherents to the "Clean Break" war plan of the neo-cons. That war plan, spelled out in a neo-con document presented to then-incoming Israeli Prime Minister Benjamin Netanyahu in 1996, says that after Iraq, the United States must force regime change in Iran and Syria: i.e., more wars.

## An Attack on Iran Coming?

One surprise feature of the Sharon-Bush summit is that Sharon brought along his top military advisor, Maj. Gen. Yoav Galant, who is scheduled for a major promotion in June—probably to become commander of the Northern Territory. Galant came armed with satellite photos of Iranian nuclear installations, and with the report that Iran is just "one technological step away" from enriching uranium, a step that would give Iran the capability for nuclear weapons.

Sharon discussed Iran twice with Vice President Dick Cheney—once in Crawford, with Bush present, and then on April 12 in Washington, D.C., where the "real meetings" took place.

After the Cheney meeting, in an interview with CNN's Wolf Blitzer, Sharon laid out his marching orders to the United States on Iran: "We have to make preparations to bring Iran to the [UN] Security Council. . . . The Iranians should be limited in time. And . . . all the preparations would be done in order to be able to make—to create a major pressure."

Asked if Israel will launch a unilateral strike as it did against Iraq's nuclear reactor in 1981, Sharon boasted of how proud he was to have been part of the 1981 attack. In language which is music to Cheney's ears, Sharon said, "Just imagine what could have happened if . . . Iraq under Saddam Hussein would have had atomic weapons."

"Have you ruled out a unilateral military strike on Iran?" asked Blitzer again.

"We don't think *that's what we have to do* . . . the danger

is so great that it should be an international effort . . . we exchange intelligence . . . but it's not that we are planning any military attack on Iran."

That is, *if*, as Vice President Cheney said on Jan. 20, the United States takes care of the Iran nuclear "problem" first.

However, the Sharon-Galant stunt with satellite photos and hysterical warnings that Iran was about to reach a "point of no return," met with icy rejection from Condoleezza Rice, who told the *Wall Street Journal* on April 14 that the Israelis had provided "no new revelation" on Iran's nuclear program. Nor did she agree to Sharon's demand for a deadline.

### Forecasts of Provocations To Come

Sharon is planning major provocations against the Palestinians, right after the scheduled Gaza Strip withdrawal in July, warned a prominent analyst with close ties to Egyptian military circles, in a discussion with *EIR*. In fact, these are designed precisely to stop a Palestinian state from being created. Behind the scenes at the Crawford meeting on April 11, the sources noted, was a full campaign by Sharon of verbal attacks against Palestine National Authority President Abu Mazen, while here in the United States. The attack is aimed at demonizing Abu Mazen—i.e., giving him the Arafat treatment. This would weaken Abu Mazen, and boost the showing of Hamas, the militant guerrilla group which does not accept an Israeli state, in the July elections for the Palestinian legislative assembly.

Sharon would use a significant vote for Hamas to justify cutting off the peace process, on the grounds that there is still no "peace partner" in the Palestinian camp. Once Israeli troops have withdrawn from Gaza, the source added, Sharon will claim that Israel is now more vulnerable to mortar and other attacks, and will retaliate with provocations in both the West Bank and Gaza. This is all in line with the boasting by Sharon's top advisor and envoy to the United States, Dov Weisglass, that the Gaza pullout is aimed at blocking a final settlement, and finishing off the Road Map.

A Washington-based diplomat expressed similar concern, forecasting that there would be a period of calm leading up to the Gaza pullout, at which point he expected all hell to break loose. He said that senior Bush Administration officials had formally assured certain Arab governments that Bush would express "U.S. anger" at the Israeli settlement expansions in the West Bank, but beyond that, there are no guarantees of what will happen.

Even more bluntly, Hanan Ashrawi, a member of the Palestinian legislature, in an April 11 briefing in Washington, declared that Abu Mazen is being undermined, as he was in 2003.

"We are seeing a repetition, unfortunately, of a very serious mistake made earlier when there was a previous cease-fire when Abu Mazen was Prime Minister," she said. "There was no recognition, no cooperation. We're seeing now, again, Sharon coming to Washington with a list of grievances and

gripes and complaining and repeating the same mantra there is no Palestinian partner, the Palestinians cannot deliver security to Israel. . . ."

All of the praise for the Gaza withdrawal is nothing but a means to "circumvent the Road Map with all its problems," she added. "And it is by definition unilateral . . . it gets rid of what Sharon calls a demographic threat and a security threat in Gaza. It gets rid of 1.3 million Palestinians. . . . But at the same time, he transformed Gaza into a massive collective prison, because you are going to have Israelis controlling the air space, the territorial waters, and the land crossing point, which means an instant transformation of Gaza into a prison, a pressure cooker that's liable to blow up, particularly if it's isolated from the rest of the world."

### Greater Jerusalem

Before his trip to Crawford, Sharon played up the threats to his life by Jewish extremists. "All my life, I have defended Israel," Sharon repeated several times before his meeting with Bush; "now, I have to have security to protect myself from Jews." It was a bit of melodrama to demonstrate that Sharon was taking tremendous risks in order to give Palestinians a bit of land. Nonetheless, the threat is real, and so violent from Jewish settlers in Gaza and the West Bank, that they are being called a "threat of civil war" in the Israeli press.

But, in return, Sharon demanded many concessions, especially the approval of the settlement expansions of "Greater Jerusalem," which is synonymous with the "arabesque" of the apartheid wall that is being built, turning West Bank Palestinian cities into open air prisons. According to a briefing given by an Israeli attorney, Sharon has *always* had a view that Jerusalem must absorb hundreds of square kilometers of territory in the West Bank. Today, this amounts to a "clover leaf pattern" that shoots northeast to absorb one settlement, southeast to absorb another, and eastward to connect the settlement of Maaleh Adumin to East Jerusalem. The building of 3,500 new homes in the "corridor" from Maaleh Adumin to Jerusalem, as proposed, would likely cause an eruption of a new Palestinian war against Israel. The Palestinian people simply would not stand for the permanent separation of the major areas of Ramallah and Bethlehem from one another, into isolated cantons.

Sharon and Deputy Prime Minister Ehud Olmert, who was also in the United States to promote Greater Jerusalem, say the expansion is allowed according to the April 14, 2004 letter to Sharon signed by Bush. And Bush did not deny it.

**"Who Is Sparking A Religious War  
in the Mideast?"**

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# Physical Economy Is Only Issue in Arnieland

by Harley Schlanger

There is no question that the Schwarzenegger Project, which was launched by George Pratt Shultz in the summer of 2003, along with the recall of former California Governor Gray Davis, is in trouble. After a year of smooth sailing in office, with a fawning press contributing to favorable ratings in the polls, the kick associated with having a Hollywood action hero as Governor is rapidly diminishing.

A poll released last week by the Survey and Policy Research Institute of San Jose State University shows a steep drop in support for the man who would be Governor. Schwarzenegger's approval rating, which had been 59% in January, plummeted 16% by April, giving him a 43% job approval rating, just as he is pressing ahead with a campaign to gather petition signatures to place his so-called Four Reforms of state government on a special election ballot this November. Greeted by swelling crowds of demonstrators at every campaign stop, and finding an intensifying level of combativeness among his Democratic opponents in the legislature (spearheaded by the relentless organizing against him and his "reforms" by the LaRouche Youth Movement), Arnold Schwarzenegger backed down last week, withdrawing his proposal to privatize the state public employees' pension funds, CalPERS and CalSTRS.

## The Terrible Terminator Backs Down

Although he tried to place a spin on it—there are flaws in it, he said, which we will fix so we can place it on the ballot next spring—there was near-unanimous agreement among reasonable observers, that this was a significant defeat for Arnie. The replacement of the well-regulated and respected public pension plans with individual 401(k) plans had been the centerpiece of Shultz's efforts to virtually eliminate state government and the legislative process. Were the four "reforms" to have passed, through the initiative process, it would have broken the back of the unions in the state, and there would be no remaining legislative impediments to the brutal austerity Schwarzenegger is preparing to ram down the throats of Californians.

As he experienced the bitter taste of defeat for the first time as Governor, he was hit with another first—a media assault, launched by a London tabloid, featuring a most unflattering photo of an out-of-shape, flabby body in a skimpy

swimsuit on the beach. The once fearsome, über-muscled Terminator had morphed into the "Tummy-nator," as he was dubbed by columnist Bill McEwen of the *Fresno Bee*. Both gravity and steroid abuse appear to have caught up with the former macho man.

"Forget Mr. Olympia," McEwen wrote, "and think Mr. Krispy Kreme. . . . Somebody should have told him to keep his shirt on—if only to maintain the illusion that he is a superman capable of stemming government red ink with a couple turns of a movie prop spigot."

This bad week for the one-time media darling took a turn for the worse when his wife, Maria Shriver, told her friend Oprah Winfrey, on national television, that she wants her hero to return home. Public service is too demanding, she told Winfrey, when asked about the possibility of a Presidential bid: "I want him back home, actually."

The incredulous Winfrey responded, "You want him home?" Shriver repeated, "I want him back."

This exchange prompted speculation that Arnie may not even run for reelection as Governor in 2006!

## The Shultz Agenda

It was the aging fascist George Shultz, backed by a gang of thieves and marauders—including Lord Jacob Rothschild, Warren Buffett, and other figures in the corporate cartels who wish to destroy the regulatory powers of the state—who, back in 2003, declared Schwarzenegger to be the man to impose their agenda on California. They were looking for someone who, as former GOP Governor Pete Wilson said, "had the stomach" to push through anti-union and anti-human budget cuts, to "improve the business climate" in the state.

In the recall campaign, Arnie appeared to be their man. He used his celebrity and larger-than-life image to draw large crowds, then whip them into a frenzy. I will "Terminate Davis," he growled, to whoops of approval from frightened and disoriented suburbanites. I will crush the "special interests" which are raising your taxes and bankrupting the state, he ranted, while a new car was pulverized by a wrecking ball, to symbolize his commitment to repealing the increase in the car tax, and loud music blared, creating the environment of a post-millennium Nuremberg rally. Once elected, he moved rapidly, pushing for a radical, free-trade transformation of a state already severely damaged by the effects of thirty years of post-industrial policy.

The California which Schwarzenegger took over was no longer the state of vast infrastructure projects launched by Franklin Roosevelt and the New Deal, and advanced by Gov. Pat Brown during the late 1950s and early 1960s. It was no longer an industrial colossus, as it had been built to be during World War II and the post-war years, nor the center of advanced agriculture, which provided fruits and vegetables to much of the country. It was a state that had seen the loss of hundreds of thousands of productive jobs in auto, aerospace, steel, and rubber, and the deterioration

of its water and power systems, along with its rail and highway transportation grid.

Further, because of the Enron shock of 2000-01, which had created the crisis that triggered the recall of Gov. Davis, the Houston-based energy pirates and their allied firms had looted billions of dollars from the citizens and businesses of California, ultimately leading to the bankruptcy of one of the state's leading utilities, and a loss of more than \$70 billion to the state's economy.

For Shultz, who had greatly advanced the transformation of the nation into post-industrial utopianism with his destruction of the Bretton Woods system during 1971 to 1973, this was a good start.

### **Arnie's Role: Terminate Government**

Shultz was now entrusting into Schwarzenegger's hands the job of finalizing the transformation of the state into the wreckage of a full post-industrial Brave New World. This is a topsy-turvy world, in which government exists to serve the bankers and investment brokers, the insurance, pharmaceutical and energy cartels, the HMOs, and real estate speculators.

In this world, those who produce goods or vital services—workers in manufacturing, construction, agriculture, transportation, power and water management, nurses, teachers, police and firefighters—are the “special interests.” Meeting their needs—for decent wages, affordable housing, quality education, reliable transport, and health care—detracts from the requirements of the business community, according to the Chicago School economic dogma of Shultz, et al. These requirements include low wages, no benefits paid by employers, no government regulation, and little or no taxes.

Arnie was chosen to enact policies that would maximize the short-term profits of the business cartels, while convincing the average working stiff that he was doing this for their benefit. Thus, he would be the “People's Governor”—just as Goebbels had proclaimed Hitler the “People's Chancellor.”

An example of how this works was the announcement last week by Chevron Texaco that they had acquired Unocal for \$16 billion. Unocal is one of the leading producers of liquefied natural gas (LNG), with control over significant supplies in Asia. Chevron Texaco officials are betting that they can use their clout inside the Schwarzenegger administration to get the state to allow construction of LNG terminals along the coast, and then shift to electricity produced by LNG. At the front of the line to build these terminals would be Bechtel, which has long-term ties to Shultz. To complete this picture, note that one of the “reforms” that Schwarzenegger intends to include in the next package of ballot initiatives, is a more far-reaching deregulation of the state's energy market.

Chevron Texaco has given \$222,200 in campaign contri-

butions to Schwarzenegger. Arnie's chief of staff, Patricia Clarey, is a former lobbyist for Chevron Texaco. If the plan outlined above goes through, then Chevron Texaco will soon be in a position to do exactly what Enron and the other energy pirates did in 2001: “game the market” by withholding electricity, to drive up prices. Chevron Texaco has some past experience with this, through its 27% stake in Dynegy, one of Enron's former partners in crime.

### **It's the Physical Economy, Stupid**

The problem which no one is addressing, including the Democratic opponents of the Governor, is that there has been an accelerating shrinkage in the real, physical economy. A much-hyped report that state revenues had increased over the last three months, thus easing somewhat, for the moment, the current budget deficit, offered some “good news” for the beleaguered Governor.

However, press reports failed to note what produced the increased revenue. Most of it came from post-industrial sectors, which are weak and unsustainable, for example, from “entertainment” and tourism, such as theme parks and casinos, which provide low-wage, low-benefit employment; from expansion in the low-wage textile and apparel industry; and from a momentary expansion in some computer/information-related businesses in the so-called high tech sector. (The short-term growth in this sector is highly unstable; note that it was the popping of the high-tech speculative bubble in 2000-01, in addition to the looting by Enron, et.al., which produced the crisis which cleared the way for Arnie's emergence in 2003.)

The other source of increased revenue is from the highly inflated housing bubble, as real estate prices continue to soar, offering short-term gains in employment in construction, and speculative profits from new home sales and refinancing of existing homes. This bubble will not last, a reality which was acknowledged in the latest survey released by the Anderson School of Management at the University of California, Los Angeles (UCLA). The authors of this report warned that the popping of the real estate bubble will have devastating effects, not just in the greater Los Angeles area or the state as a whole, but nationally.

Thus, the real problem facing California is not merely that its citizens were duped into voting into office a Governor who has become a parody of the characters he played on the big screen. It's that they are stuck with a Governor who has a fantasy of wielding Hitler-like power, and who is governing on behalf of a grouping headed by Shultz which has Hitler-like policies: dismantling those programs that provide for the general welfare, to channel more short-term profits to corporate cartels.

This policy direction, in a state with a growing population and a shattered real economy, is a prescription for disaster. Defeating Arnie will not be enough to save California—but it would be a good start.



# The Only Solution Is for Dems To Show Leadership, and Rebuild the Economy

*The following dialogue occurred during the question-and-answer period of the April 7, 2005 webcast given by Lyndon LaRouche in Washington, D.C. The discussion was moderated by Debra Freeman.*

**Freeman:** Lyn, the first question was submitted by a Democratic consultant here in Washington, who has been heavily involved in the fight to save Social Security. He says: “Lyn, my question to you is perhaps an obvious one, and to be honest, I’ve gotten the answer delivered at various volume levels by those who speak for you at various points.

“But, I think it would probably be useful to put the question to you personally, especially before this broad public audience. You’ve repeatedly asserted the need for the convening of a meeting similar to FDR’s 1944 Bretton Woods conference, in order to craft a new financial architecture to replace the current one, which seems to have ceased functioning. But the bottom line is this: I can’t think of any collection of scoundrels among those alive today, who would be more hostile to this idea than those who are roughly referred to as the Bush Administration.

“But, the problem that we face, is that it seems that this issue just is not going to wait for four years. So, how do you proceed with a Presidency that is so hostile to the principle that you’re expounding?”

**LaRouche:** Aha! That’s a nice question! I like that.

There is an answer. The answer often lies, when you look at somebody else, and ask them for an answer; you should first look at *yourself*. Maybe *you* are the problem, not them.

In the case of the Democratic Party, I would say the Democratic Party has been the problem. Now, the first obstacle to curing the problem represented by Bush, is to pretend, yourself, that you don’t think it exists. If you accept what Bush is doing, a principle he’s doing—and you’re not willing to admit that you’re accepting that, then you are actually continuing that.

See, Bush is a very vulnerable person. I’m being myself: I say the man is a psychopath, not to insult him. That’s a statement of fact, it’s not an insult. When I see a slime-mold, I call it a slime-mold. I call it a worm, if it’s a worm. The President is a psychopath. The man is not in the real world. We have seen that! Those who watch him, watch his behavior, know *he is not in the real world*. And therefore, he is not able

to respond to things because he is not in reality. He’s living largely in a fantasy life.

Now, that has complications, because when you get a wind-up toy, and you turn it loose, the wind-up toy may do something you don’t like, which you didn’t expect. But you built it in, by turning it loose. And Bush is like that. He’s not in the real world. He doesn’t know what he’s talking about most of the time. He doesn’t care. He cares about how *he feels* about what he’s saying, not what the effect is, in practice, of what he’s saying.

Cheney’s a sociopath. That does not mean that Cheney’s a genius, or a superpower. He’s not. He’s a very defective, weak person. Condoleezza Rice—a bully, but her bullying shows how weak she is. I mean—you know, she still thinks she’s running a football team in California, for George Shultz or something. She shows *weakness*, not strength. Bush is *weakness*, not strength.

Shultz, hmm? Shultz is more the problem.

Now, the problem we have, is, we say, “We have to respect this; we have to respect that.” The thing—in Congress, the habit of, “Go along to get along”: This is what causes the problem. “But people won’t accept that.” “You can’t change Bush.” You *can* change Bush! We can deal with that problem.

All you have to do is have a majority in the Congress, starting with the Senate. This problem’s going to be brought to heel, real quick. Why? The problem here is that we have people who are Democrats, who don’t believe in the people! These are the ones who talked about, you know, “stick to suburbia.” That’s how Gore succeeded in losing the election, which was a shoo-in, if Clinton had been running again. They were talking about this option, “Ignore the poor people.”

The country has been operating, this country of ours has been operating since 1971-72, increasingly, on “ignore the poor”! We have 80% of the family-income brackets of the United States, who’ve been in a collapsing condition of life since 1977. And the Democratic Party has turned its back on these people, and the issues that they represent. It turned its back on the question of deregulation. It was done by the Democratic Party!—under Brzezinski. The living standard of most Americans was hurt more by what was done by Carter—not because Carter understood what he was doing—but because Brzezinski and his crowd, the Trilateral crowd, deemed it necessary.



We urgently need to rebuild our water system, and we could immediately begin with the small water projects. “We can do those right away,” said LaRouche. Here, the Bonneville Lock and Dam project on the Columbia River, between Washington and Oregon.

So the Democratic Party *turned its back* on the majority of the people in the United States, in its actions! Refused to recognize what it had done, when the pain and suffering caused by these policies cut in; and said: “This is a new way of life. We have to learn to live with it.” And what did you hear from the Democratic Party, in the 1996 period-2000 period? What did you hear? You didn’t hear Clinton, you heard Gore. And Gore was “suburbia”—or being an alpha dog or a beta dog. That was called “losing an election by dogged determination.”

So, we turned our back on the people.

What I’ve insisted upon, all along, is we don’t turn our back on the people. But the Democratic Party leadership said, “We are turning our back on the people—and you’re against us. You’re sabotaging our efforts to betray the people.” And then, the Democratic Party complains about losing elections! And then, they say, “We’d rather lose elections.” Or some of them did. So the problem is, what you need to do is show leadership. And the problem is, as the consultant (who I think I know) knows very well, when it comes to Democratic Party leaders, there’s *not much guts around*. They will not take a chance on appealing to the people. They will not take a stand on the kinds of issues that affect the people.

For example, health care. *Everybody knows*, in the leadership of the Democratic Party, *everybody knows*, that the whole health care—this promise of medicine, universal right to health care, is a fraud! As long as you maintain the HMO system, your idea of promising health care is a fraud. Because, what are we doing? We are not *limiting* people’s right to health

care. We are doing worse. We are *destroying the source of health care!* How many hospitals have been shut down in the United States since 1973? How many clinics are shut down? How many physicians have been put out of practice, in terms of numbers? What kinds of care can’t you get any more, because it doesn’t exist? What medication that should have been developed, has not been developed, because it doesn’t fit the program of the drug companies?

So, what we have done, is we have *destroyed* the existence of the physical health care, which people want to promise they can have universal access to. And that is done by practically every health care bill—except for one we’ve got coming up now out of Conyers—that’s gone through the Congress. That has been the Democratic policy.

Go through everything else. Democrats will not stand up, and get the support of the people by any other way, except by addressing the real problems of the people, making clear what the *cause* of the problem is; getting the facts out, so they can understand. People don’t *understand* what their problem is, the average person—they *don’t* understand what their problem is. They understand the pain they feel. They understand the effects they feel. But they don’t understand how this problem came into existence! They don’t understand what the cure is.

But, we who are in leading positions in the Democratic Party, or similar institutions, have the ability to know how the problem was created. We have access; we have the friends; we have the government bureaucrats, all of the other people who have the facts. There’s no excuse for our not knowing what caused the problem, for long. And once we know what the problem is, we should say what the problem is.

And, if you have a majority of people in the United States who are really determined to have an election, or to have a government they want, and you’re willing to provide the kind of leadership they need for that purpose, you’re going to get it. I don’t care who’s the President of the United States. We impeached Nixon, didn’t we, virtually? Nobody in the United States, up to this point, could resist a serious mass sentiment from among the people of the United States. I don’t care who’s incumbent in government.

The problem is we lack guts, among our political leaders. And they blame the people, saying, “the people aren’t ready to support us.” Why should they support you? Are you going to go to war under the leadership of a general who you know to be a gutless wonder? And the problem is we have too many gutless wonders, in the leadership of the Democratic Party.

I guarantee you, that if I had been elected, we wouldn’t have any problem. Or if I had been treated better by the Demo-

cratic Party during the course of the campaign, *we wouldn't have this problem today*, I guarantee you!

**Freeman:** Okay, the next question, that was submitted via the internet, is from the Harlem office of a leading Democrat, who is out of the country. They ask: "Mr. LaRouche, after listening to what you said today, there is no doubt that the structure of the U.S. economy has changed. And probably it hasn't changed for the better. In listening, we would have to agree with you that access to affordable housing, health care, and other such things has, for a variety of reasons, reached the level of crisis. We are also obviously concerned about the loss of America's productive capacity—not simply our productive output, but actually what we are capable of producing, what our potential is, both in terms of our industrial output, and also our agricultural output. But the fact is, that even if you argue that it's been largely fueled by the growth of consumer indebtedness, I just don't see how you can say that the American people's overall standard of living has not increased. We have more cars, more computers, more access to technology. And certainly that does represent a feature of an increased standard of living. Please comment on this."

**LaRouche:** Well, the point is, you have to face reality. This is the suburban view of reality, not the view of the lower 80% of the population.

Take the facts. See, people have bemused themselves by this illusion about suburban plenty, about this "better," that "better," this "better." It's *not* better. The net effect is not there. There are economic principles which have to be understood.

My way of explaining it is to simply point to the county-by-county physical statistics on the condition of life of the American people, and on looking at the collapse of the actual physical standard of living, of the lower 80% of our population. There has been no period, since 1971-72, in which there has been a net improvement in the condition of life of the people as a whole of the United States, or the United States as a whole.

What has happened is, that people may get more money for buying junk—they can get that at Wal-Mart, for example—maybe. But if you look at the thing in reality, take it *county by county*. Take photographs. Just get your photographs. Take every part of the country, county by county. Get photographs from all over the country. What was there? Look at the main center of the city, or town there. Look at the farms that were there, that are not there any more. Look at the



*"As long as you maintain the HMO system, your idea of promising health care is a fraud," said LaRouche. "We are destroying the source of health care! How many hospitals have been shut down in the United States since 1973?" The Greater Detroit Hospital, shown here, is one of those which has been shut down.*

*destruction* of our economy. It's *not* better. It's been worse every step of the way.

What happens is, the figures that are reported are fake. I dealt with this in 1982-83. There was a new series of fakery by the Federal Reserve System. You know, our statistics on what's going on in the United States, the reports—it's fake! For example, a car was increased in value in 1983. How? Well, it got a small, little thing called a spare wheel, stuck in the trunk, instead of a spare wheel. This was something you were supposed to limp along the highway on, till you got to the next gas station. And this was called better. So, they valued the car as being *higher, in value*, because of this change. And you would get 60%, 40%, or 50% improvements in the value of a product from year to year, based on this kind of fakery done by the Federal Reserve System. What has been reported as improvements in income, statistical reports by the U.S. government and similar agencies, have been fake! Other agencies, then, take U.S. and similar statistics, and they do an interpretation of these statistical reports—in other words, they interpret fakery!

But get back to the hard rock. The hard rock of physical analysis of the U.S. economy, is to go county by county. Look at the conditions of life, physically, county by county. Look at the farms. Look at the physical standard of living. Look at the quality of education. Look at the quality of health care, as needed—not some gimmick, not some tinsel: And this country is poorer than ever before.

We are, in fact, bankrupt, as a nation. Look at our debt, our

Federal debt overhang. Look at our foreign-exchange deficit. Look at how much we depend on imported goods supplied by the cheap labor, virtually slave labor, of people from abroad, which is sold at Wal-Mart and similar places, to people who have no jobs, or no real jobs, and can ill afford to buy even the junk produced at slave labor wages from abroad. We are being *destroyed*. And the problem is, that too many of our people get sucked in, by this dream-language propaganda, that things are better because of all these things. Things are worse.

That's why the Democratic Party—as I said before—has lost the support of the people! Because most of the people belong to the lower 80% of family-income brackets. And you look at the higher brackets, the upper 20%, most of those people think they have something—they don't own anything. Their credit card debt, and similar kind of debt, will kill 'em!

Look, you've got people in Northern Virginia living in shacks, shameful shacks—minimum of \$400,000 mortgage, generally running \$600,000 to \$1 million, now. People who are working several jobs, to try to maintain those shacks. Those shacks are about to collapse in value, to half or one-third of the present value; where the occupant who's about to lose the job with which he's paying the mortgage, is about to face foreclosure. And we move people from all over the country, into certain areas, such as the Washington area or certain parts of California—we move them into high-priced shacks, which are based on Hollywood-set shacks—you know, the kind of shacks Hollywood would build to destroy for a film? That's what they're living in—plastic shacks! You should see the way they're built. They're not fit for human habitation. But the price is \$600,000 and up in Northern Virginia. And it's occupied by people who are living a fragile existence, on debt. They're about to be crushed! *That* is the reality of America! And what people call prosperity, is really the necklace of debt hanging around their neck.

**Freeman:** Lyn, this is a two-part question which was submitted by the staff of the Democratic leadership of the Senate. I'll go through both parts, and you can deal with it as you wish.

It says: "Mr. LaRouche, we would agree with you that the state of this nation's infrastructure has been in a state of disrepair, before the arrival in Washington, D.C. of George Bush. In fact, I would say that it dates back to the plague of Reaganomics and the deregulation that accompanied it. These problems clearly have accelerated as a result of the greed and idiocy of this current Administration. I would say that the paradigm is what occurred in California around their energy crisis. You simply mention the name Enron and people have a clear idea of what I'm referring to.

"But I'm not sure that I completely understand what you are saying. It would seem to those of us here, that even before a move to reform of the financial system, that Democrats should put proposals forward for infrastructure reconstruc-

tion. We're not at all convinced that some members from the other side of the aisle, at least in the Senate, won't come over and support such enabling legislation for public/private infrastructure projects. But even if these proposals were not immediately successful, they certainly would provide a clear directionality, and the basis for organizing the American people around a positive perspective.

"Number two: Beyond the question of infrastructure, there is a growing demand, especially from the House of Representatives, and from the Congressional Black Caucus, for a basket of emergency legislation" (and by the way this question was also submitted by the staff of the Congressional Black Caucus). "It would seem that we do need a basket of emergency legislation in light of the current situation, to provide some security for people's homes, for people's access to health care, for their access to transportation, and some way beyond simply guaranteeing Social Security, to replace the pensions that seem to be lost in the wake of industrial bankruptcies.

"Would you please comment on whether or not you think this is viable and feasible?"

**LaRouche:** My intention here today, and what I'll be doing otherwise in support of what I do here today, is that, I have an understanding of the international financial-monetary and economic situation, which I know is lacking in any other person in the Democratic Party. An overview. And I have a coherent view of what has to be done.

Now, my function today, of course, is manifold. First of all, I'm presenting what we have to do, and this is coming on much faster than most Democrats are willing to think is going to happen. Because you could be up in the morning, on any given day in the coming weeks, and in that morning, you will find out, the world as you thought it existed the day before, no longer exists. We're at that point.

So that, the idea of trying to go ahead, gra-a-a-dual-l-l-y, and working our way toward acceptance of some new idea piece by piece—forget it! You're not going to have that opportunity! I'm not denying you the opportunity. Reality is denying you the opportunity. If you don't like that, blame reality, don't blame me!

But, in the process, I understand that there is a lot of reluctance, because there's a lot of lack of knowledge of this area, that I have knowledge of. But, what I'm concerned about, is that we're able to get a focus on Social Security. Because I was involved with those who warned of this Social Security threat, and proposed that the Democratic Party pull itself together around this Social Security question. Which it did! To the credit of Barbara Boxer and others, who played their roles at critical points in the whole process.

But then, you turn around and you say, "Well, if the Democratic Party—once you get through with Social Security, we have no unity." I say, "Oohhhh, that's our problem: You're looking at Social Security as a single issue." You have to also look at the other things, which are really the same thing. Is

not health care the same issue? Isn't health care a big part of Social Security? Look at Social Security, the structure! You can not separate the question of health care from Social Security. You may separate them for the purposes of legislation. But you can't separate them in the sense of principle and intent. They are different things for different purposes.

So, health care is the next one. How many people in the United States are affected by health care? That's pretty universal, isn't it? So therefore, Democrats ought to be able to come to some kind of agreement on health care. And I think what John Conyers and his crew are doing in health care legislation, is a stepping-stone toward what needs to be fixed next, in this direction.

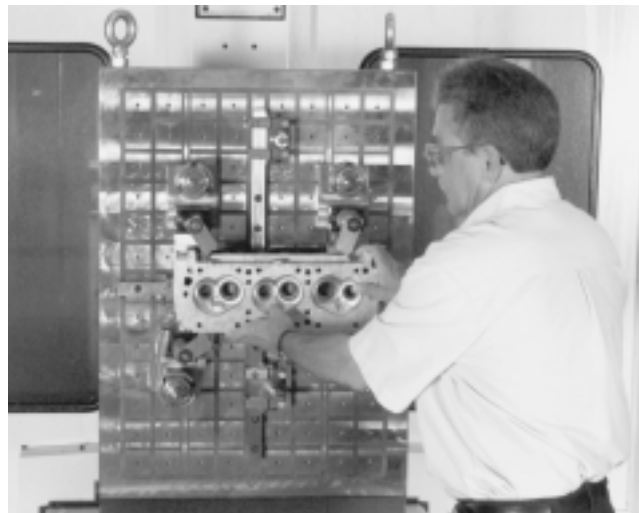
There are other things that are needed right now.

What we need in the Democratic Party, is a working-out—rapidly—not of piecemeal suggestions, but of trying to put this whole thing into some kind of perspective. We have human rights issues, all kinds of issues. I suggest, that these are not independent issues. They all pertain to one thing, generally: the principle of the general welfare. Everything—health care, the way people are treated, economics, the condition of the land, the condition of our relationship with foreign countries, also. These are all questions which have a certain intrinsic coherence.

The problem is, where we get plagued, as a party—as a people—is we get divided. Because one gets one spin on this, another one a different spin, and the correlation of the commonality of interest is not expressed. The job of the Democratic Senate Committee people, for example, the Caucus, should be: We've got to give this thing coherence. We've got to address the *whole person* of the citizen. We've got to put this together in a way that works.

For example: People come up with projects on infrastructure. Well, we've got an easy one. Senator Reid has been a promoter of infrastructure. We have what I support—we have a whole group of infrastructure projects which are urgently needed, Corps of Engineers projects, similar kinds of things. They involve *billions of dollars of immediate investment* which is needed, right now. Much of this is authorized, but not yet funded. If we were to fund enough of these infrastructure projects—which are on the state books, or the Federal books, or the local city books—if we could fund enough of these things, we could create an increase of the level of employment in the United States, which would enable us to bring the budget back into balance; that is, in a manageable way. Obviously, we have to do it, but the problem is resources. If we go ahead with one project, we find out that doing that project means you kill another one. So, what we need is a coordinated plan, not just say go ahead with all infrastructure—we want to go ahead with all infrastructure; but it's not feasible. We have to have a workable plan, of how we can handle this situation.

For example: all the small water projects. We can do those right away. We've got Corps of Engineer projects which are



*We have today “a limited number of high-technology generators,” said LaRouche. Apart from automobiles, General Motors “is a machine-tool factor, one of the biggest in the world,” which we can't afford to lose. He pointed out that the General Motors technology experts can produce locomotives. Here, a research engineer with GM R&D demonstrates a machine which can be easily reconfigured to process 4-, 6-, and 8-cylinder heads on the same machine.*

high priority, like the Ohio River project; high priority right now. It should go ahead right now, the Louisville operation. Other things of that type. They should go ahead.

But we've got to take the total picture, and say, “How many of these things can we fit together with the existing resources?” We have to look at other things. We have areas of the country which have a water crisis, a *drinking water crisis!* These are areas of concern. You have systems which are 100 years old, which are breaking down. Moss and everything else is in there. And people are trying to drink that water. This stuff has to be fixed.

So, what we need in the Democratic Party—and the party is a good instrument, as it's overlapped with the Congress—and some Republicans, to do it, is to get teams of people to take these areas, and say, “Let's say, this is something we could do. This is the optimal thing we can do. We can do it now. All we need is the funding. Now let's work on the funding next, but let's have a policy of what we want to do.”

So, in these areas, what we need is, we need some degree of coordination, informed-thinking coordination, of how we put together things we know can be done. And I know that in the Congress, Congressional committees and people who have been in the Congress associated with it, and others, *do have this knowledge.* They have it. We have to coordinate this, and pull it together with a mission-orientation, and say, “Let's put together a *package*, and let's go with a working package. And let's see how we can jam projects through, one after the other, as a working package, as fast as we can go.”

So, my view is, what I'm trying to do, by giving a coordi-



*“If you want to employ people who are semi-skilled and unskilled, you have to start from the most skilled layer of the operation,” said LaRouche. “If you want to provide the jobs for the unskilled, you’ve got to take the most skilled layer . . . first, to lay the foundations of the project.” Here workers assemble engines at Ford’s Cleveland Engine Plant #1.*

nated structure, in which the entire *economic* question—in which the party is weakest, where I’m the strongest relative to the party—is to give the economic overview of the total picture; with the idea that, then, people in the party, in groups, can, as task forces, take the pieces and begin to put the jigsaw puzzle pieces together in the way we need them.

So, I encourage that to the maximum. I’m fully for it. But don’t assume there’s a conflict between that, and what I’m proposing—the urgency of what we have to deal with immediately coming up. We do need both—both approaches. But they have to be coordinated. They have to be integrated.

**Freeman:** Okay, Lyn, a follow-up question from the Senate Democratic staff: “Mr. LaRouche, beyond the question of funding for infrastructure, would you please address the fact, that were we to actually embark on a reconstruction effort, it would seem that we arguably lack the plant and equipment to produce the primary materials, like steel, for instance, to supply such an effort. How do you proceed?”

**LaRouche:** Okay. Now, this involves a nice little conspiracy, but we’ve got some things to start with. This goes to real economics, as opposed to financial manipulation.

Now, as I’ve emphasized in a number of writings—and will emphasize more on this, because people need an education on this, so we’ll have to give them more education on it: The way you start, now, is you start upstream. Now, upstream means several things. Upstream means, first of all, that the creation of any product, any produced product, can be represented by a process sheet, where you start from the first step of planning to produce the product, laying the foundations of producing it, all the way up to getting into production and

delivering the final product. Now, the first place to look at, is upstream, at that beginning of that process. Because the process sheet of this type, say, for the steel industry or a nuclear plant, or something of that sort, this involves up to a decade of the cycle. For example, I said earlier today, that a 30-year cycle is approximately the cycle for a nuclear power plant. And you must add at least five years to that to actually produce it. You must then have, actually as we would have to, if we were going to produce plants today, good ones today, we would have a preparatory stage, of getting to produce some of the materials we would require, to even start construction on some of these plants. Because the materials don’t exist: We’re going to have to create the facilities.

All right. So, you start at the high end, for two reasons. First of all, because you have to think about capital cycles, which are based on technology. So you want to have the most advanced technology possible, introduced at the front end of a process of developing a product. And this is the way you lay the foundation. If you want to employ people who are semi-skilled and unskilled, you have to start from the most skilled layer of the operation, which is the *driver* of the operation, and that enables you—for example, 10% of the labor force you have involved, may be highly skilled. 90% is semi-skilled and unskilled. So, if you want to provide the jobs for the unskilled, you’ve got to take the most skilled layer, the front end of the thing, first, to lay the foundations of the project, because that’s where the technology lies. Because production is technology. So the flow of technology is the way to get it going.

Now, what do we have? What we have today, is a limited number of high-technology generators. Typical is what is im-

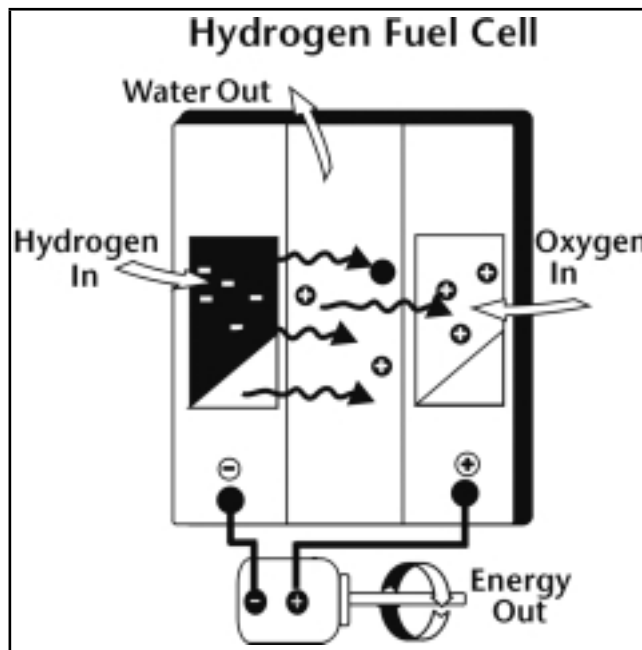
mediately on the table, *right now*: That's why I put General Motors right on the front of the list. Because General Motors, apart from being an automobile manufacturer, is a *machine-tool factor*, one of the biggest in the world. We're in danger of losing it! If somebody shuts down General Motors, what happens to that machine-tool capability? What happens to the United States if we lose it?

Therefore, my first concern is to save—forget the management! Probably the place is mismanaged up and down. Maybe clean out the top management, all of them. Phss! Away! You probably get a few machine-tool producers in there instead, you get the place moving! But, what they have, in the industry, is they have “can-do people.” You want to produce a railway system? Let's save Amtrak. Let's go beyond Amtrak; let's get the funding back for Amtrak. Now, what do we want to do with Amtrak? Just keep it happy? No! We have to rebuild the transportation system of the United States. That means fast-rail in local areas, all these kinds of things. We have to do it. How are we going to do it? Where are you going to get the locomotives? Where are you going to get the steel? You have to start at the front end. One of the front ends—who can produce locomotives? *The General Motors technology people can produce locomotives.*

We have to change the fuel system in the United States, from petroleum-powered fuel systems, to other forms, including hydrogen-based fuels. Can we do that? Yes. Who can do that? Well, General Motors was working on that, but they shut it down. We know we need to change the system. As I said before, we don't want to have a petroleum dependency for fuel in this country. We want to have diversification for higher-technology fuels. Hydrogen-based fuels are much more efficient. They're much cleaner. Hydrogen-based fuels—guess what the waste product is? Water! Not exactly a pollutant. So therefore, we want to do that. Who can do that? Well, the same kind of people, represented by the tool capacity of General Motors. They can produce that kind of thing.

Therefore, we have to say: “Okay, we're going to accept the fact that the automobile industry does not have the market to continue to produce this number of automobiles for sale. So what? We can take part of that capacity, and put that capacity at the front end into the tool industry: We can make locomotives, we can make other kinds of things.” Now, if we employ these guys, for every guy who's a tool specialist, you have a much larger number of people who are the skilled, semi-skilled, and unskilled labor who get jobs because these guys [specialists] are at work. So, that's the most efficient way.

So, what we have to do now, is look at what we *can* do, with existing resources, not try to design a perfect system, but get it moving: *Because, if we put the U.S. economy back above breakeven level, we can manage the crisis.* If we continue to operate, by cutting things down, and shutting things down, when we're already operating below breakeven, we don't



*“We have to change the fuel system in the United States, from petroleum-powered . . . to other forms, including hydrogen-based fuels,” said LaRouche, noting that General Motors was working on that until they shut it down. Hydrogen-based fuels are more efficient and cleaner. Here is a diagram of how a hydrogen fuel cell works.*

have a chance. If I'm President of the United States, and I can get the economy above breakeven, in terms of current operations, I can find a way to manage the situation. If I'm losing more and more, below breakeven, I can't manage it.

So, the key thing now is to save the U.S. economy, and to start to move upward, as opposed to downward. We're not in a “fix-it” mode. We have to accept the fact that we can't fix things that don't exist. We have to be in a rebuilding mode. An expanding, rebuilding mode. So we will do things, not because they're the highest priority in terms of end result: We'll do things, because they're things we can do. Our first job is to get the economy growing again, expanding, developing.

Therefore, we will take what is most urgent, that we *have* to do, and we'll do that the best we can. Then we'll take what we have as *possibilities*, and we'll go full steam with them, because we have to get above breakeven level. And, once we're above breakeven level, and people are working, we'll be able to balance our budget and so forth: Once we can do that, then we can manage. But until we get to that level, we can't manage.

So accept concentrating on things that are feasible, which get us above breakeven, using potentials that we don't want to see go down the drain, such as the tool capacity of General Motors. And go upward. Don't look for a perfect solution. Look for an improvement.

## Richard Perle Hit On Iraq War Lies

Richard Perle, who was one of the leading neo-con voices supporting the invasion of Iraq, was raked over the coals at a House Armed Services Committee hearing on April 6, and by a Republican, no less, Walter Jones of North Carolina. Jones began his attack by quoting a line from Perle's prepared statement, which he had declined to read to the committee, wherein he said, "There's reason to believe that we were sucked into an ill-conceived initial attack aimed at Saddam himself by double agents planted by the regime, and as we know the estimates of Saddam's stockpile of weapons of mass destruction was essentially wrong."

Jones said he was "just amazed" at that statement, and then began grilling Perle on his relationships to the neo-con apparatus that was planning the war and developing the fake intelligence that was used to justify it. Jones included the infamous "Clean Break" document prepared in 1996 for then-incoming Israeli Prime Minister Benjamin Netanyahu by the Policy Counterterrorism Evaluation Group headed by David Wurmser in the office of Undersecretary of Defense Douglas Feith.

After Perle lied, by denying he had any involvement in the "Clean Break" apparatus, Jones attacked the lies about Iraqi WMD that Perle helped to perpetrate, noting the frustration others have expressed to him because of the claim that Saddam Hussein was about to build a nuclear bomb, and so forth. "I will tell you I share this frustration," Jones said (at which point he was near tears, according to news accounts). "I've taken it upon myself to write letters to every family in America that's lost a loved one, and I sign them, by the way, myself. I have signed over 900 letters. . . . I am just incensed with this statement and I can-

not believe you [referring to committee chairman Duncan Hunter (R-Calif.)] would even allow that [WMD charge] to be printed, to be honest with you."

The following day, Jones told an interviewer from *Middle East Online*, "If I had known then, what I know today, I wouldn't have voted for that resolution [which in October 2002 authorized the President to go to war in Iraq]. Absolutely not."

## 'Bunker Busters' Face Uphill Battle

Last year, Rep. David Hobson (R-Ohio), the chairman of the House Energy and Water Development Appropriations Subcommittee, successfully shot down the Bush Administration's plans to "study" the development of so-called "bunker buster" nuclear weapons, by removing \$27 million in funding for the program. The bunker buster, technically termed "robust nuclear earth penetrator," however, has returned in the Fiscal 2006 budget, though on a much smaller scale. The Administration has asked for \$4 million for Fiscal 2006 and anticipates spending \$14 million on the program in 2007. National Nuclear Security Agency administrator Linton F. Brooks told the Strategic Forces Subcommittee of the Senate Armed Services Committee, on April 4, that the agency is now only looking at one type of existing warhead for possible conversion into bunker busters, rather than two. "If the funding is provided," he said, "we will gain enough knowledge to know whether the United States should further investigate the concept."

In the House, meanwhile, another effort is under way to kill the program. Rep. Edward J. Markey (D-Mass.) is

seeking support for a resolution he plans to introduce to strip funding for the study out of the budget. He, so far, has 89 co-sponsors. Markey told a reporter, on April 8, that "pursuing new nuclear weapons while telling other countries not to is like telling your kids not to smoke with a cigarette in your hand—no country will take our non-proliferation urgings seriously."

## Halliburton's Overcharges Hidden From the UN

Rep. Henry Waxman (D-Calif.), in an April 11 letter on Iraq reconstruction, addressed to House National Security Subcommittee chairman Chris Shays (R-Conn.), reports that, not only are Halliburton's overcharges on its Iraq oil contract greater than previously thought, but the Bush Administration has been hiding the evidence of those charges from the International Advisory and Monitoring Board (IAMB), the UN body charged with monitoring U.S. stewardship of the Development Fund for Iraq (DFI). The subcommittee has recently acquired five unredacted audits of six task orders executed by Halliburton's KBR unit showing \$212.3 million in overcharges by Halliburton (mostly for the transportation of gasoline into Iraq from Kuwait and Turkey), out of \$1.69 billion of work. Previously, the Pentagon was only making available redacted versions of the audits, not only to the subcommittee, but also to the IAMB.

According to Waxman's count, the redacted audits blacked out more than 460 references to overcharges by KBR, making them practically useless to the UN agency. Furthermore, according to Waxman, the redactions came at the request of Halliburton itself, which claimed that they were nec-



essary to protect proprietary information. However, as Waxman points out, overcharges found by government audits are not proprietary information, but are government information subject to the Freedom of Information Act.

Waxman's letter came one day before the National Security Subcommittee held its third hearing on the UN Oil for Food program, whereas none so far, have been held on the U.S. abuse of the DFI. In his letter, Waxman noted that the reputation of Congress has "suffered from the perception that Congress is eager to draw attention to UN faults but reluctant to examine the mistakes and mismanagement of a Republican Administration."

Waxman's call for hearings was seconded by Rep. Dennis Kucinich (D-Ohio), the next day in the subcommittee hearing. He demanded to know why former Coalition Provisional Authority head Paul Bremer has not been called to testify, and demanded an end to the hypocrisy. Both he and Waxman praised Shays for pursuing the undeducted audits and for agreeing to have a hearing in June.

## **D**emocrats Seek New GI Bill of Rights

Congressional Democrats are challenging the implicit assumption in the Republican budget, that military personnel and military veterans are too expensive, by offering up a package of provisions to improve access to health-care services and education benefits for veterans of both active duty services and the reserves. It also would make available to 400,000 eligible veterans concurrent receipt of retiree pay and disability pay; protect the income of reservists who currently

lose pay when they are activated; and include provisions on active duty end strength, and on insuring that troops have adequate equipment and supplies when they go into combat.

On April 12, House Minority Leader Nancy Pelosi (D-Calif.) evoked the memory of Franklin Delano Roosevelt who said that the original 1944 GI Bill "gave emphatic notice that the American people won't let our veterans down when they come home."

Pelosi also said that many of the provisions in the package are supported by Republicans, including one, a bill on concurrent receipt, sponsored by Rep. Mike Biliarakis (R-Fla.). Pelosi indicated that while no Republicans have endorsed the package as a whole, she thinks the Democrats can get pieces of it through, as they have in the past with the partial fix on concurrent receipt two years ago, and the increase in the death benefit more recently.

Flanking Pelosi were Reps. Ike Skelton (D-Mo.) and Lane Evans (D-Ill.), the ranking Democrats on the House Armed Services Committee and Veterans Affairs Committee, respectively; retired Gen. Wesley Clark; and freshman Rep. John Salazar (D-Colo.). Clark, after having given the package a ringing endorsement, said, "It's got to go through. . . . Now, the American people, especially those who served and their families, are watching to see if we have the courage to follow through on the promises made to do what's right."

## **S**enate Begins Debate On War Supplemental

The Senate began debate on the Bush Administration's Iraq War supplemental spending request on April 11. The Senate Appropriations Commit-

tee reported the bill, on April 6, with \$74.4 billion in spending, about \$500 million less than the request, and about \$2.4 billion less than the House-passed version.

Disagreement between the House and the Senate is not likely to be over the numbers, however, but rather on amendments concerning immigration. The House attached the so-called "Real ID Act," which would establish nation-wide Federal standards for state-issued drivers' licences and other identification, to its version of the bill before passage. That bill has little support in the Senate and is not part of the Senate supplemental bill. That's not going to stop some Senators from adding other immigration provisions, however. Sen. Larry Craig (R-Id.) has already stated his intention to bring up an amendment on agricultural guest workers, which has some support among Democrats.

Senate Majority Leader Bill Frist (R-Tenn.) told reporters on April 12, that he was encouraging his colleagues to postpone the debate on immigration to a later time. "I think rather than a piecemeal approach on the supplemental," he said, "it would be in the best interest of this country . . . to take all the various interests, all the various immigration concerns and address them at one time in a comprehensive way."

Democratic Leader Harry Reid (Nev.) indicated that the presence of the Real ID Act in the House bill could, itself, be a real obstacle to passage of the supplemental. He warned that unless the Democrats can get some assurance that that would be taken out of the bill, in conference with the House, he would not be able to come to an agreement with Frist to limit amendments. "I would rather this were a clean supplemental bill," he said, "But they've created the problem, we haven't."

## Republican Budget Resolutions In Search of a Dollar Blowout

by Paul Gallagher

For a nation approaching a \$750 billion annual rate of deficit in its trade and current accounts, and facing multiple warnings of the threat of a collapse of its currency, the Bush Administration's proposed U.S. Federal budget for 2006—in both its current forms as Republican Senate and House budget resolutions—is an exercise in dangerous economic incompetence.

The problem is not the size of its projected Federal budget deficits through 2010, as such; these projections, in any case, mean little, as made clear by the White House's recent years' claims, vs. the ensuing real budget deficits. The trade and current-account deficit is now far larger, and represents a massive flight of productive, well-paid jobs from formerly strong U.S. industrial sectors. Former Federal Reserve Chairman Paul Volcker raised the alarm on April 11 that that deficit is only being funded by the United States taking in 80% of the capital flows of the entire planet; former Treasury Secretary Robert Rubin has been warning that this process—in which the United States is taking on over \$1 trillion in new foreign debt annually just to finance these deficits—can blow out the dollar financial system.

The worst incompetence of the budget resolutions is not the Federal deficits. It is the Administration's and Republican Congressional leaders' attempt to shut down avenues for Federal investment in the essential categories of industrial capacity and economic infrastructure—transportation, power, water, trade infrastructure, hospitals, schools—which could raise real productivity and avert such a dollar collapse.

### Budget Cuts' Absurd Logic

From 1970-2000, total Federal tax revenues and total Federal expenditures had each varied within the same relatively narrow range between 20% and 22% of so-called Gross Domestic Product of the economy. In 2000, Federal revenues were 20.9% of the GDP. But since 2001, Bush's

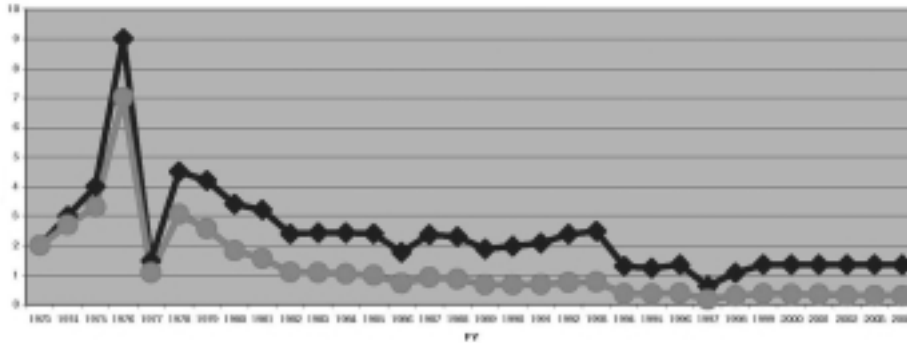
aggressive upper-income tax cutting has reduced Federal tax revenue abruptly, to only 16.8% of GDP, the lowest level since the early 1950s, while GDP itself has slowed down drastically.

Despite the virtual zero growth in jobs and the decline in real wages over the past four years, the Social Security and Medicare payroll taxes alone have come to be producing over 40% of this shrinking Federal tax revenue, while dedicated to support about 35% of Federal spending (Social Security benefits and Medicare health benefits). At the same time, military expenditures, including fighting two wars and “transforming” the military to fight in any number of other worldwide conflicts, have mushroomed to \$500 billion this year and next, nearly one-quarter of the total budget; the five-year budget resolution in the Senate proposes to increase this by roughly \$40 billion a year. There is also \$40 billion in Homeland Security spending. Interest payments on the Federal debt take another 10%.

As a result, the Bush/Republican leadership's determination to severely “cut Federal budget spending” for the five fiscal years 2006-10, would be a worse-than-fool's errand—even were they not aiming for further, suicidal, upper-income tax cuts at the same time, and ignoring the ballooning current-account deficit and clear warnings of a dollar blowout coming. What they are proposing to cut, the so-called “domestic discretionary” spending that remains aside from military/Homeland Security spending and mandated entitlement programs, amounts to less than \$500 billion out of the \$2 trillion-plus Federal budget. And the amount they claim they are trying to cut by FY 2010, from that less than \$500 billion funding—for transportation, education, space exploration, agriculture, scientific research and development, public health, care of veterans, aid to states and cities, postal service, and so forth—is \$204 billion, nearly half! And this, while intending to enact

## Clean Water Infrastructure Investment

(\$ Billions)



*Infrastructure investment collapse: The funding of the EPA's Clean Water State Revolving Fund is down to one-fourth the levels of the 1970s; and inflation-adjusted, to less than one-tenth of those levels once reached. This year, the funding was cut by a further one-third. The bigger line shows Congressional appropriation levels; the lighter line shows appropriations in constant 1973 dollars.*

further tax *revenue cuts* of \$129 billion in those five years, primarily by extending cuts in dividend and capital gains taxes. They are even planning—having adopted an amendment to the Senate budget resolution by Sen. Jim Bunning (R-Ky.)—a tax cut for better-off retirees, to cut Social Security payroll tax revenues by \$20 billion annually, even while George W. Bush proclaims at every opportunity that Social Security is going broke. The Social Security revenue that would be thrown away, currently funds Medicare health insurance.

On top of this delusional plan to decimate the low-hanging fruit of “domestic discretionary” spending by nearly half by FY 2010, the White House also wanted to start cutting the most vulnerable entitlement, Medicaid, whose poorer recipients have been rapidly growing in number because of the decline in jobs and wages, and the withdrawal of health insurance coverage by more and more employers, large and small.

### Not Enough of a Revolt

The complete futility of this austerity strategy, is causing rank-and-file Republicans in the Senate, and some in the House, to desert the leaderships' budget resolutions on funding for key responsibilities of government. The biggest revolt, in early March, came when the Senate, on an amendment by Sen. Gordon Smith (R-Ore.), rejected outright the Administration's \$14 billion in cuts aimed at the Medicaid programs. Also likely to be beaten, is an attempt to cut out one-third of the FY 2005 funding level from the FY 2006 budget for Community Development Block Grants, which provide employment in the improvement of cities and neighborhoods. The proposed complete elimination of the budget for Amtrak national rail passenger service has split off Republicans including key Pennsylvania Sen. Arlen Specter. And even the

Homeland Security budget proposal has drawn a Republican revolt. Though the White House called for an increase of \$2 billion for FBI and other Federal anti-terrorism and Patriot Act activities, it cut by nearly \$1 billion the level of aid to traditional, local “first responders” like police, fire departments, and emergency medical departments. The Senate voted to restore all of that funding, in an amendment by Republican Sen. Susan Collins of Maine.

And the 2.4% cut (in real-dollar terms) from FY 2005 to FY 2006, in the budget for the Veterans Administration, is being fought by a bipartisan coalition in the Senate.

But the central insanity of the Republicans' current budget resolutions is that they virtually bar investment in critical new economic infrastructure, which could drive a U.S. recovery from industrial and economic collapse. Spending on development of high-speed rail corridors across the United States is reduced to zero, just as is Amtrak passenger rail (high-speed corridors under development in Florida and California have been killed by Governors Jeb Bush and Arnold Schwarzenegger). The overall budget for the Army Corps of Engineers, central to U.S. infrastructure construction since the 1930s, is proposed to be 11% below FY 2005, and not much more than half of what the Corps requested. The full funding potential of the Corps has been reduced by layoffs of its engineers and shutdown of some of its divisions. Environmental Protection Agency funding for the extension of clean water delivery systems is to be cut by one-third below FY 2005; that for watershed dams is almost completely eliminated. The overall Transportation Department budget is reduced.

And the White House and Senate resolutions schedule \$27 billion to be cut from national funding of education by FY 2010, in comparison to FY 2005, redirecting what remains away from development and early enrichment programs and toward the false panacea of national standardized testing in all grades.

This senseless White House budget strategy is one factor causing George W. Bush to lose his hold on the reins of power he seemed to have on Nov. 2, 2004. These cuts, if made, cannot affect the onrushing U.S. debt crisis, but can further destroy the U.S. physical economy. On the other side, the “ready-to-go” infrastructure investment requirements defined by governors and mayors and others, await up to several trillion dollars in Federal credits—and *that* strategy, of infrastructure investment, could remove the threat of dollar collapse the United States—and the world—now faces.

# Rebuilding Waterways Is Badly Needed, Unfunded

by Richard Freeman and  
Mary Jane Freeman

America's nation-wide waterways system needs an emergency mobilization to save it. Water-management—especially the inland waterways system of rivers, ports, and harbors—is, due to age and obsolescence, on the verge of breakdown, which could so severely disrupt goods transport, as to cause paralysis of the U.S. physical economy. Half of river lock and dam systems, essential to navigation are 50-90 years old, with crumbling infrastructure causing “unscheduled unavailability”—shutdown. On an integrated series of river systems, this could prove fatal.

The George W. Bush Administration's Fiscal Year 2006 budget, presented by the Office of Management and Budget (OMB), is driven by ferocious budget slashing, which intensifies the crisis brought on by 30 years' systematic and gross underfunding of construction, operations, and maintenance for waterways.

Lyndon LaRouche has proposed (see *Feature*) that the U.S. rebuild its water-management and waterways system to “standards of the pre-Nixon, pre-Brzezinski era. Without a major national infrastructure-rebuilding program, . . . this U.S. economy would never recover from the presently on-rushing catastrophe.” This policy would include the retooling of the auto industry's embedded advanced machine-tool capacity and its skilled workforce, to produce goods that are necessary for the economy's development, including magnetically levitated train systems, power transmission systems, and goods that could be used in the rebuilding of waterways. We review here a first-pass list of critical, ready-to-go water infrastructure projects, that would be considered for construction immediately under such an economic reconstruction mobilization.

**Table 1** and **Figures 1** and **2** show these projects' location, total cost over their lifetime, and the funding amount—in most cases zero—that the Bush Administration has provided to fund them in the FY 2006 budget. The construction of these projects would be directed by the U.S. Army Corps of Engineers—America's leading water infrastructure-building agency. They are part of a growing category of Corps projects that are called “authorized, but non-funded.” In the budgeting process, when a project receives *authorization*, it is deemed valuable, but that is only the first step; the project must also receive *appropriation*, the second step, under which the money is actually disbursed so that it can be spent, and construction can actually take place. A Corps of Engineers told

official *EIR* April 6, “The Army Corps has \$40 billion worth of projects that have been authorized, but are not appropriated, non-funded.”

LaRouche proposes credits to build the \$40 billion “authorized, but non-funded” projects, and consider building several other worthy waterways projects that have sat on drawing boards for decades.

## Waterborne Travel

Today, America can ship internal waterborne freight to most places in the nation, upon a water navigation system that is 12,000 miles (20,000 kilometers) long, directly bordering 38 of the 50 states. (Figure 1's map shows, in an inset, the Columbia/Snake River system in the Northwest states, principally Washington and Oregon; it also shows, as part of this nation-wide system, the East and Gulf coast ports and harbors, and coastal shipping lanes which carry domestic freight.) This system transports 500 billion ton-miles of goods annually, which represents about 15% of U.S. intercity freight transport (excluding petroleum going through a pipeline). Rationally, it should transport 25% of America's internal freight. Of course, some of these goods exit through American ports as exports to other countries.

Water transport's advantage does not exist for goods that need to arrive in 24-48 hours. However, when delivery time is from half a week to a few weeks, especially for bulk goods, its efficiency stands out. The Army Corps reported, “One jumbo barge has the same capacity as 15 railroad cars or 58 trucks.” Further, because transport by ship/tow boats utilizes the natural buoyancy of water for support, the cost of transporting a certain weight of goods a defined distance is a mere one-tenth that of transporting the same goods the same distance by truck.

Decisive in the functioning of the navigation system are 242 operational deep- and shallow-draft Army Corps and Tennessee Valley Authority (TVA) navigational locks. They overcome the river's “natural” water level, to facilitate ships' movement. The Army Corps reports: “Each dam on a navigable river. . . has at least one lock chamber to enable river traffic to go safely from one pool to the next. The lock chamber is essentially a concrete box fixed into the riverbed with two matching gates at each end that close at an angle directed upstream against the river flow. The gates can open or close only when the water level is the same on both sides. One set opens to let the watercraft enter, and then closes to allow the water level in the chamber to be raised or lowered depending on the direction of travel. The other set of gates then opens to let the boat leave.”

With the series of locks and dams spaced along the river like a ladder's rungs, they raise or lower a ship to enable it to journey on the river.

## Building the Locks and Dams System

The principle of making government improvements in water and other infrastructure was supported at the founding

TABLE 1

**Status of Ready-To-Go Inland Waterways Projects**

Name, Location	Total Project Cost	FY 2006 Bush Budget Request	Efficient Funding Level
<b>Construction Projects</b>			
Chickamauga L/D, Tenn.*	\$315,000,000	0	\$10,000,000
Inner Harbor Navigation Canal, La.*	\$770,600,000	0	\$25,000,000
Kentucky Lock Addition, Tennessee River, Ky.*	\$639,700,000	0	\$40,350,000
J.T. Myers L/D, Ohio River, Ind./Ky.	\$227,000,000	0	\$5,000,000
<b>Major Rehabilitation Projects</b>			
L/D 3 Upper Mississippi River, Minn./Wisc.*	\$48,800,000	0	\$5,300,000
Lockport L/D, Ill.	\$112,200,000	0	\$2,480,000
<b>General Investigations</b>			
Ohio R. Main Stem Study (includes Emsworth, Dashields, Montgomery Locks) (study only)	\$ 51,300,000	0	\$1,000,000
Upper Mississippi/Illinois River	\$2,600,000,000	0	\$24,000,000
Greenup L/D, Ohio River, Ky./Oh. (study and construction)	\$226,000,000	0	\$3,500,000

L/D = Lock and Dam \*Designated "Priority Infrastructure Project" by the Waterways Council, Inc.  
Source: U.S. Army Corps of Engineers; Waterways Council, Inc.; *EIR*.

of the United States. In his 1791 *Report on Manufacturers*, U.S. Treasury Secretary Alexander Hamilton said that government should have responsibility for and make significant investment in "internal improvements," as he called infrastructure. He showed they would increase productivity, economic activity, and tax revenue to an amount greater than the costs to build the projects.

In 1804, the networks of Benjamin Franklin and Hamilton founded the Army Corps of Engineers (with its twin, the U.S. Military Academy at West Point, New York) for the specific purpose which it has carried out, using science for nation-building. It participated in and/or directed the earliest canal and railroad building. In 1824, Congress entrusted to the Corps the authority to clear snags and make improvements in rivers to make them navigable; and in 1885, the Army Corps built the first of what would be 46 locks and dams on the Ohio River system.

During the 1930s, President Franklin Roosevelt implemented the greatest combined undertaking of water-management projects—hydro-electric power, flood control, river navigation—in America's history. It featured a magnificent series of locks and dams on the Mississippi, Tennessee, and Illinois Rivers, and other waterways.

However, during the mid-1960s, the City of London-Wall Street bankers imposed a post-industrial-society policy shift upon the United States, which has made it a parasitical consumer society, dependent upon importing physical goods for its survival. Funding for the Army Corps was cut dramatically: The allocation/appropriation of funds to it for construction of all water projects—river management, ports and harbors, etc.—plunged from \$4.6 billion in 1968 to just \$1.5 billion in 2005, a fall of two-thirds. The underfunding continued through Democratic and Republican administrations.

Speaking in Kyoto, Japan on March 18, 2003, Robert Pietrowsky, director of the Institute of Water Resources of the Army Corps, asserted that the U.S. waterways system is "already a generation behind in channel design or lock capacity at key U.S. load centers and system choke points."

However, the Bush Administration has unleashed the cost-accountants at the OMB to carve up the Corps water projects much further, using a procedure it calls "Performance-Based Project Rankings." In many budget areas, a listing and analysis of benefits is undertaken before the project is commenced. However, the OMB uses this procedure for particularly nasty purposes. The OMB writes in the FY 2006 budget about the Army Corps that, excepting aquatic restoration projects, "In all mission areas . . . projects are ranked based on their remaining benefits, relative to their remaining costs." In turn, "The performance rankings will determine what level of funding projects will receive," and "low performance projects will receive reduced funding levels, and in some cases, may be suspended" (emphasis added).

The OMB budget asserts that much of Congress's authorized funds for the Army Corps' projects, "was for work on projects with relatively low [performance-based] benefits or [work that is] outside the Corps' three main mission areas." The OMB says that *authorized* Army Corps projects have reached \$50 billion, but that only \$15 billion meets the criteria that OMB has decided to set. The OMB statement implies that the remaining \$35 billion in authorized projects falls short of the criteria to receive funding.

**Figure 3** shows the lunacy of Bush's OMB policy: The engineered design life of a lock chamber is 50 years. Currently, 121—half—of America's waterways' 241 operational lock chambers equal or exceed the engineered design life of the locks. Within 10 years, two-thirds of the locks will be in

FIGURE 1

**Critical Ready-To-Go Waterways Projects**



Sources: U.S. Army Corps of Engineers; Waterways Council, Inc.; EIR.

that condition. This will produce the the breakdown of the waterways system. The OMB approach is intended to intensify the crisis. This makes adopting LaRouche’s mobilization absolutely essential.

The “authorized, non-funded” projects represented in Figures 1 and 2, are but a portion of the 30 projects that fall in that category and should be funded. The OMB may say that these projects don’t meet its criteria, but they are indispensable. For most of them, the feasibility, environmental, and other studies are completed; they just await start-up. We look at three listed projects.

- *Emsworth, Dashields, and Montgomery Locks on the Ohio River:* Funds are being spent and work is ongoing on the Emsworth dam, but funds are not being spent to rehabilitate the locks on any of these systems. The work on the Emsworth dam exemplifies the problem in this area overall. Congress has authorized and given \$75 million in funding for a project to repair/rehabilitate the decrepit dam. An Army Corps official reported April 6, “The dam has 14 gates. Even as we work to rehabilitate the dam, every year, one of the gates breaks, and has to be fixed. But to fix the gate, you have to set the bulkhead [to hold the water flow in that area]. But

FIGURE 2

## The Upper Mississippi River System Locks and Dams



Sources: U.S. Army Corps of Engineers

the bulkheads are in such condition, that it is not safe to work next to them. So, we have the gate out of the water, put it on a pier, raise it 50 feet into the air, just to fix it.” He reported, that in the case of repairing dams, the money comes in so slowly, that the Corps has to spend extra money to keep them functioning while under repair, which takes away from its ability to spend on other things.

If the aged lock of the Emsworth combination is not fixed, this creates enormous problems. The map shows that this lock and dam lies on the Ohio River, immediately to the west of Pittsburgh. The Corps official stated, “The Emsworth lock and dam forms the critical lock pool that runs into Pittsburgh. Problems in this lock and dam directly affect Pittsburgh; and if it doesn’t work, navigation traffic from the Monongahela River through to the Ohio River doesn’t function.”

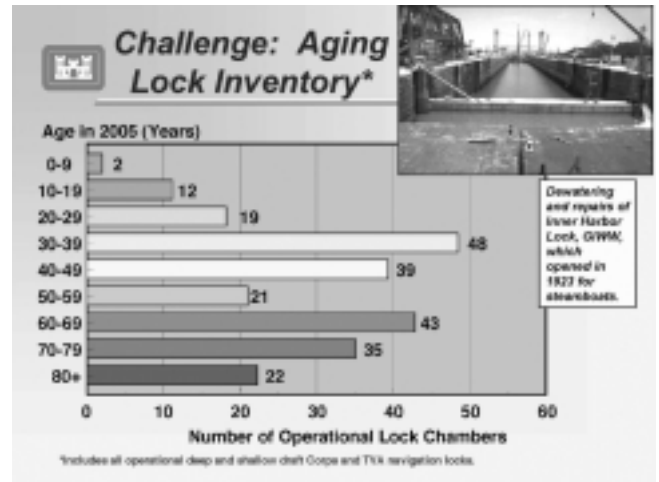
Pittsburgh has the highest freight traffic of any American inland port.

- *Chickamauga Lock and Dam on the Tennessee River*

Built in 1940, this lock and dam, which powers a hydroelectric generating plant, needs to double its lock chamber’s size from the current 360-by-60 feet, and be rehabilitated. But

FIGURE 3

## Aging Lock Inventory



Source: U.S. Army Corps of Engineers.

the OMB treated this as an entirely new project, and made it justify itself on a “performance-based cost-benefit analysis.” An official reported, “There are existing navigation, industrial, and other projects in this area that are already dependent on this lock and dam. The Chickamauga Lock and Dam actually could show a good cost-benefit ratio. But the OMB simply went down the list of projects, based on the cost-benefit ratio, and decided how much total funds to spend. When it reached the cut-off line for the funds it was willing to spend, it gave no funding to projects below that level. The Chickamauga Lock and Dam was cut off.”

- *Upper Mississippi River system (Locks and Dams 14-18, 20-22, 24-25) and Illinois River system (LaGrange and Peoria).* The nearly 2,000 mile (3,333 kilometer) Upper Mississippi system comprises that section of the Mississippi, the Missouri, and the Illinois rivers. Most of the inland waterborne trade of such major Midwestern cities as Minneapolis, Chicago, and St. Louis travels on this system. All but seven of the system’s 38 locks and dams were built before 1940, under FDR, and thus are 65-70 years old. Moreover, most of the lock chambers are only 600 feet long, whereas barge-tows routinely are 1,100 feet, and must break in half to pass through the locks. These Upper Mississippi system locks and dams need new 1,200 foot lock chambers and 1,200 foot guidewalls to be efficient. But so far, there has only been spending of some money for a study, and none for actual construction of a project of such importance.

The construction of most “critical, ready-to-go water infrastructure” could start up immediately. They would prevent the breakdown on America’s vital inland waterways system, and actually increase the productivity of the entire U.S. transportation system. These projects would generate tens of thousands of jobs in construction, and in production of goods for them.

# A Call for a New, Just Monetary System

*The following resolution, which was crafted in collaboration with Lyndon LaRouche's political movement in Italy, passed the Italian Chamber of Deputies, on April 6, 2005. It was introduced by Rep. Mario Lettieri, who cited LaRouche's New Bretton Woods proposal in motivating the passage.*

### **The Chamber of Deputies,**

Whereas: The recent crash of the Parmalat company, with a hole of 14.3 billion euros that must still be accounted for, certainly reveals a lack of effective tools and controls regarding financial operations and the behavior of certain participants in economic activity, such as auditing companies, ratings agencies, advisors, companies that float stocks and bonds, etc.; after the crash of the LTCM fund, Enron, and then the Argentine bonds (the International Monetary Fund is largely responsible for the bankruptcy of Argentina), as well as Cirio, Parmalat, and Finmatica, to mention only the most sensational cases, it should be clear to everyone that we are faced with a truly systemic crisis;

This is a financial crisis that is not limited to the stock markets or the people who work in the financial sector, but rather, directly affects the living standards of millions of people, destroys productive economic capacity, negatively affects employment, and often leads to the disintegration of the pensions of people who have worked productively and honestly for their entire lives;

The Investigative Survey Commission on the Parmalat case will undoubtedly produce many important results and ideas in order to prepare a set of interventions aimed at improving the functioning of economic mechanisms, with greater controls and more guarantees of propriety, and defending the interests of all those people who participate in economic processes in a productive and honest manner, and at the same time giving them responsibility;

Given the internationalization of financial markets, one nation by itself, or even Europe alone, is not able to guarantee the control and application of stronger rules in a decisive manner;

The financial and banking crises raise widespread worries not only among small investors (in Italy alone these crises have affected one million people and their families) and serious companies (tens of thousands of small and medium-size businesses have recently been involved in financial derivatives operations, with significant losses), but also among the governing classes of the various countries in-

involved. There is a crisis of the entire financial system, in which hedge funds, that are beyond any sort of rules or control, are taking on an ever larger role. In fact, it is estimated that the entire financial bubble, counting all financial derivatives and all other forms of existing debt, is equal to about \$400 trillion, compared to a worldwide GDP of slightly more than \$40 trillion;

In the meantime, the most recent data officially reported by the Bank for International Settlements in Basel, not only indicate a widening of the gap between the real economy and the purely financial economy, but also reveal a true explosion of the financial derivatives bubble and other forms of debt. In addition to this fact, the exponential rate of growth of these financial and speculative figures is a further source of concern. The BIS [Bank of International Settlements] report "OTC (Over the Counter) Derivatives Market Activity in the First Half of 2003," published on Nov. 12, 2003, admits the following notional values of OTC derivatives, in billions of dollars: June 2002—127,500; December 2002—141,700; June 2003—169,700; that is, an increase of \$42 trillion in 12 months!; and the BIS report for 2004 indicates the notional value of OTC derivatives as reaching \$220 trillion as of June 2004, thus representing an increase of \$50 trillion in only 12 months!

In addition to the main Italian banks involved in the Cirio and Parmalat cases, the three American banks involved in the Parmalat matter—JP Morgan Chase, Bank of America, and Citigroup—are themselves most responsible for this dizzying growth, as can be seen from the reports of the American government institute known as the Comptroller of the Currency: in June 2003, JP Morgan reached the level of \$33.3 trillion in derivatives, with an increase of \$4.5 trillion in only 6 months; Bank of America reached \$14.3 trillion, and Citigroup \$13 trillion. A year later, JP Morgan Chase alone brought the total of its derivatives operations up to \$43 trillion, an increase of \$10 trillion in only 12 months! This is quite a distortion, if we consider that U.S. GDP is about \$11 trillion.

### **Commits the Government:**

To act in the relevant international venues in order to create a new financial architecture, aimed at avoiding future financial crashes and the repetition of speculative bubbles, and thus dedicated to the main objective of supporting the real economy; and to take all necessary initiatives to reach, as soon as possible, together with other nations, the convocation of an international conference at the level of Heads of State and Government, to create a new and more just global monetary and financial system.

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# China Takes Precautions Against 'Financial AIDS'

by Mary Burdman

The debate about China's overdependence upon foreign capital and investment—its vulnerability to catching “financial AIDS,” as *EIR* warned many Chinese policymakers before and after the 1997 Asian financial crisis—is a national hot topic again. The new-generation government in Beijing has set up a group of institutions to develop a “scientific approach” for the future of the economy, and these discussions are certainly reflected in recent harsh warnings from some leading authorities in China's national financial system. Guo Shuqing, as director of China's State Administration of Foreign Exchange (SAFE), made several very blunt statements in March about the dangers posed by flows of “hot money” into China, the “excessive speculation” in real estate, and the problems posed by China's over-dependence on low-cost exports. In a widely covered interview on March 19 with the national Chinese media, Guo Shuqing—who is also a deputy-governor of the People's Bank of China, and has now taken over the corruption-troubled China Construction Bank, one of the four big state banks—said: “Indiscriminate support of exports and foreign capital influx has created short-term economic problems.” These problems include “excessive speculation in the property market and the economic decoupling of the fast-growing coastal areas with the rest of China.”

The split between the coastal regions and its impoverished hinterlands, is the classic weakness of the Chinese economy. In the 19th Century, the foreign-controlled “treaty ports” brought the opium scourge into China; and foreign control of trade, industry, and railroads, led to the nationalist revolution of 1910. After World War II, the vast economic gulf between the coastal cities and the interior, and widespread speculation in anything and everything possible, fed into the hyperinflation which spelled the end for the beleaguered Kuomintang (KMT) regime of Chiang Kai-shek. The situation was aggravated in 1948, when the United States, under President Harry Truman, began dumping manufactured goods in the cities as “aid” for the collapsing KMT. This killed any possibility that the KMT government could salvage what remained of Chinese industry, after the brutal 13-year Japanese occupation. The first measures taken by the new Communist government after October 1949 were to bring order to the currency and banking system, and then gradually launch an industrialization program. Despite the turmoil and frequent disasters of Mao Zedong's regime, keeping financial stability has been a fundamental policy of the People's Republic.

Late last year, at the time of the spectacular collapse of

China Aviation Oil (CAO) in Singapore, because of speculation on oil price derivatives, Beijing put out a series of warnings about international hedge funds which were speculating on the up-valuation of the Chinese international currency, the renminbi, which has been pegged at a fixed rate to the U.S. dollar since 1994. This time, Guo Shuqing said that the SAFE had traced foreign money getting into China disguised as funds for trade or investment, but used to buy financial assets and property. As just one example, he said the SAFE had “found the phenomenon of one single (overseas) person buying up to 100 houses in coastal cities. This is apparently speculative activity.”

## Downgraded Delegation to IMF/World Bank

It is well known in Beijing, that the greatest pressure is being put on the renminbi by U.S.-based hedge funds. It is quite possible, that this knowledge is behind China's decision to send only unofficial observers to the IMF and World Bank meetings in Washington this month, as a well-connected Beijing banker told *EIR* on April 8. The U.S. Treasury had announced on April 5 that “senior Chinese officials have told the U.S. Treasury they will not be coming to Washington for the Spring meetings.” Chinese Finance Minister Jin Renqing and People's Bank of China (PBOC) Governor Zhou Xiaochuan did participate in the G-7 meeting in London in February, and high-level officials have been invited to observe G-7 meetings in recent years. China is not a member of the G-7, and it is participating with the status of a developing nation, the Beijing banker said. “It is not logical for the G-7 to invite China to meet the developed nations, when it is still a developing nation.” This is the last year of China's “transitional” status as a member of the World Trade Organization (WTO), in which it is treated as a developing nation—which is its real status. At the end of 2005, the relative benefits China gets in the WTO, because of this status, will be ended.

The real point is, that the United States, Japan, and other developed nations are demanding China accept the equivalent of a “Plaza Accord”—the forced upvaluation of the Japanese yen which led to the Japanese crash in the early 1990s. China will “eventually” give “more flexibility” to its exchange-rate mechanism, the banker said, first by widening the band at which the renminbi trades, and the target could be within 18 months to two years. However, as Prime Minister Wen Jiabao has emphasized, “We will change the exchange-rate mechanism—when it is not expected!” To protect the financial system, the PBOC has set up departments to deal with money laundering and speculative inflows, under deputy governor Li Ruoguo, noted for his strong statements to the United States earlier this year, to get its own financial house in order before it pressures other nations. The PBOC is particularly concerned about U.S.-based hedge funds, as well as the “underground” funds getting into China, to speculate on black market exchange rates and interest rates. “China wants to avoid the possibility of financial crisis, especially due to speculation,” the Beijing banker said.

To make the point clear for those reluctant to understand it, on April 7, Foreign Ministry spokesman Qin Gang said at a Beijing press conference that “the U.S. should find reasons from its own country to address the economic imbalance” with China. He was reacting to the U.S. Senate proposal to use tariffs to force a renminbi upvaluation. If a country such as the United States cannot support its deficits with domestic savings, “it can only depend on the savings of foreign countries,” Qin said. “When determining whether the currency is or is not undervalued, you do not only take into consideration bilateral trade, but multilateral trade as well. China has trade surpluses with the United States, yet is experiencing a big trade deficit with many of its Asian trading partners.” A large portion of Chinese exports are produced by China-based factories funded by foreign companies, including U.S. companies—which take most of the profits.

### Systemic Risks

The situation also has to be cleaned up on the Chinese side. On March 11, Guo Shuqing made what the Chinese press called a “rare, stern” admonition to regional and local governments not to encourage foreign investment “haphazardly.” Some officials and economists had previously been dismissive of the impact of speculative inflows, but Guo was frank and clear. Speaking during the yearly session of the National Committee of the Chinese People’s Political Con-

sultative Conference, he said China might see “no end of trouble for the future” unless local governments become acutely aware of risks. “China pays great attention to speculative funds,” Guo said. “Foreign exchange administration departments and other macro-economic departments are investigating the issue and will punish illegal activities severely.”

The overall inflow of capital into China is “normal and legal,” Guo said, but there are “worrisome” problems, especially “fake foreign investment.” The balance of payments statistics for 2004 showed, under “net errors and omissions,” an inflow of some \$20 billion. Once inside China, speculative investment means trouble. Very high housing prices might make the cities look “prosperous,” but do not encourage real investment, he said. Rising prices pose great risks for local financial institutions, enterprises, and individuals, who will “suffer huge losses” when the bubble bursts. “Capital inflow is an important part of China’s overseas economy. We hope relevant sides join hands with us to restrain speculative capital,” Guo said.

He also cautioned on the rapid growth of outstanding foreign debt, which went up 18% year-on-year, to \$228.6 billion by the end of 2004. Of this, 45.6% is short-term. While China’s foreign reserves, at \$609.9 billion, could cover the national debts, for individual companies, too much foreign currency debt could snowball to a level posing “systematic risks.”

### Correct the Globalization Mentality

Guo Shuqing is also taking on the fundamental question of China’s economic future. Over-reliance on the “processing” trade, and cheap exports, has been a “hot topic” for years in China, and has certainly not cooled down since China entered the WTO. In his March 19 interview, Guo emphasized that China “should gradually reduce the preferential treatment to exports and seriously review our foreign investment policy.” Excessively favorable policies to exports and foreign investment were useful right after 1979, when Deng Xiaoping launched the “opening-up” policy to bring China into the world economy. But the opening-up methods have brought problems, including the “erroneous” belief that a consistent trade surplus was desirable.

“This mentality should be corrected,” Guo said. Prosperity has grown in the coastal regions, but not China’s economy overall. Most exports are low-added-value, from foreign-owned and controlled firms. Exports of relatively higher added-value, and particularly of Chinese inventions, are a “persistently low” proportion of the total. “This kind of export growth is not sustainable,” Guo said.

China’s overall dependence on exports and imports has skyrocketed in recent years. In 1970, its foreign trade dependence ratio was minuscule, at only 5.0%. By the end of 2004, the rate had surged to 70%. In the first ten years of the “opening-up” policy, 1978-89, there was relatively stable growth, from \$20.6 billion to \$111.7 billion over ten

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years, and the ratio of trade dependency rose from 8.9% to 24.8%. Things were much more turbulent during the 1990s, which culminated in the Asian financial crisis. But since 2000, with China's accession to the WTO, dependence on trade shot up, from 43.8% in 2000, to 60% in 2003, and to 70% in 2004.

Another big problem is rating exports as more important to the economy than imports. Policies excluding high-grade imports, have actually discouraged Chinese manufacturers from upgrading production with imported equipment and technology, Guo said.

Meanwhile, an entire "foreign" economy has grown up, physically based in China, but in reality only one branch of the globalized system. "More than half of China's exports, and an overwhelming majority of high-tech manufacturing and trade, are generated by foreign companies," Guo said. This "separate" economy has far more transactions with other foreign companies—inside China and outside it—than with the domestic Chinese economy.

One result is the explosion of China's forex reserves and trade surplus. China's foreign reserves have shot up 300% since 2001, and such huge holdings can cause problems. After the Asian financial crisis, there was a national debate in China at the highest level, on whether foreign reserves were essential to protecting the financial system, or whether strong exchange and other financial controls—under the government's sovereign control—were the better guarantee. Now, with the huge reserves making China vulnerable to the financial crisis in the United States, the answer is becoming clear.

Guo emphasized that managing these vast holdings "reduces the independence of the country's monetary policy." The People's Bank of China has been spending excessive amounts of renminbi to buy the big foreign currency holdings of commercial banks, amassed due to the trade surplus and investment inflow. This has dominated PBOC policy, which had been to try to control money supply. The whole situation is becoming unbalanced, and "China needs a strategy for more of a balanced development," Guo said.

He put forward some beginning measures for balancing that development. Due to its rapid growth from a very poor level, China has an energy crunch; in its own interests, it should cut production of energy-consuming exports. It should also cut exporting the resources China needs. As of April 1, Beijing ended its 13% tax rebate on steel billet and ingot exports, which will considerably reduce these exports this year. Iron ore is urgently needed in China, the world's biggest steel producer, and it is facing 70% price hikes from the international cartels.

But of greatest importance in what Guo said, is that he stated that China—while restricting low-level, redundant, or speculative investments—must call on the industrial nations to relax restrictions on their technology exports to China. This is, at least in approximation—the basis for the "Eurasian Land-Bridge" approach of Lyndon LaRouche.

## German Investments in Russia Reach New Phase

by Rainer Apel

The "Week of Russian Industry" at the Hanover Industrial Fair, which began on April 10 with speeches by German Chancellor Gerhard Schröder and Russian President Vladimir Putin, and ended on April 16, brought considerable progress in economic relations between Germany and Russia. Among the deals signed in Hanover, the joint ventures in the railway and natural gas sectors mark a new phase in cooperation: Whereas relations in the past were predominantly characterized by Russia being the raw materials supplier and Germany the supplier of machines and other industrial equipment, now German companies are beginning to make long-term investments in Russian industry.

Not only because Russian natural gas covers 40% of Germany's needs, is the partnership agreement between Germany's Wintershall firm and Russia's Gazprom important. The agreement, which gives Gazprom a 49% share in, and the respective revenue from, the 2,000-kilometer German pipeline grid owned by Wingas, a daughter company of Wintershall, is mirrored by the same share granted by Gazprom to Wingas in the Baltic underwater pipeline, which will be built between Vyborg and Greifswald during the next five years. An even more substantial aspect of the Gazprom-Wintershall agreement is that both firms will jointly explore the new giant Siberian gas field at Yuzhno Russkoye, which has enough reserves to cover all of Germany's natural gas needs for five or more years. Gas will also be exported from there to other European countries.

### High-Speed Rail

The other outstanding German-Russian deal is the one between Siemens and RZD (Russian Railways) on the realization of the high-speed railway route between Moscow and St. Petersburg. The route will be completed by the Spring of 2008, and will be served by 60 trains, travelling at speeds of up to 300 kilometers an hour. The trains will be based on Siemens' Inter City Express (ICE) system, modified for the wider Russian track gauges and made of special materials that can resist the harsh Arctic climate in Russia's northern regions. Most of the components of the trains will be produced at Russian firms, which belong to a joint Siemens-RZD venture. According to RZD director Gennady Fadeyev, the joint venture will create up to 100,000 jobs in the Russian rail-tech sector, and enable Russia to build up a modern machine-building industry. This will lay the groundwork for future



*Russian President Vladimir Putin (left) and German Chancellor Gerhard Schröder inspect the Russian exhibition at the Hanover fair on April 11.*

expansion of the high-speed railway grid, from Moscow to Nizhny Novgorod, Rostov, and Kiev, as well as from Omsk to Novosibirsk, and from St. Petersburg to Helsinki, Finland. At least another 120 trains will be needed, for these routes.

Two important deals were signed between the German agri-tech producers Fendt and Claas, on joint ventures with Russia's Agromash, for the production of tractors and harvesting machines. President Putin made special mention of these deals, saying: "Already, a tractor is produced that Germany can be proud of. Fifty percent of its components are from Germany, 50% are from Russia, and a Russian bank finances the entire project. The more projects of this nature there are, the sooner we will achieve important results both for the Russian and for the German economy."

Another deal in the railway sector was signed between the German rail transport firm Railion and Russia's RZD, concerning the promotion of containerized freight transports on the Trans-Siberian rail route, to develop this as an alternative to sea routes for 25% of all Asian-European freight during the next decade.

### **The Need for a Grand Design**

Although the scope of the deals in the railway sector still lags behind the potential of the Eurasian cooperation that the LaRouche movement is calling for, these German-Russian developments mark the first time in 14 years that Germans have begun to envisage in-depth industrial cooperation with Russia. In a political environment prepared by the LaRouche movement's campaign from 1989 on, for a continental Eurasian grand economic design after the fall of the Iron Curtain, Detlev Rohwedder, director of the Treuhand Agency that was to organize the modernization of the former Communist East

Germany's industry, proposed to turn the core of eastern German industrial cooperation with the Soviet Union into the foundation of in-depth expanded cooperation between the reunified Germany and the Russian-Soviet economy. But Rohwedder, whose plans ran opposite to what the neo-liberal Anglo-Dutch bankers had in mind for Russia, was assassinated on April 1, 1991, and grand designs for German-Russian cooperation disappeared from the official agenda.

In Hanover, Putin hinted at a potential grand-design approach in German-Russian partnership, saying on April 11 that it "can be deepened by bilateral and multilateral contacts and cooperation, and also by the creation of joint plants, not just in our own countries, but on global markets as well." Putin added that he was "certain that in the future,

we will be able to talk about the formation of a full technological and production alliance between Russia and Germany."

But for that to really occur, Russian and German leaders have to begin publicly associating with the political force represented by LaRouche. Had he and his movement in the United States not remoralized the opposition to the Bush team, by picking a fierce fight on the war, industrial investment, and Social Security issues, the President would not be the lame duck that he is right now. And if Bush were not boxed in, the Germans and Russians would not have the strategic maneuvering room that they have now, for building their mutual relationship.

## **Germany Must No Longer Neglect India**

by Rainer Apel

During the 1950s and 1960s, even into the 1970s, German industry's engagement in India was one of its biggest in the world outside Europe. But since the 1980s, this engagement has been on a steady decline, and appeals by Indian politicians and businessmen to the Germans to get more involved, have mostly fallen upon deaf ears. Direct investment by Germany in India is ridiculously low, at about \$125 million during the last few years. The Joint Indo-German Commission on Economic and Industrial Cooperation did not meet

for five years after its 14th session in 2000, and its 15th session took place only this April. German Economics Minister Wolfgang Clement and about 60 representatives of the German business community flew to New Delhi for the gathering on April 4-5.

The rediscovery of India by the Germans is owed in part to the fact that in 2004, India proved to be the steepest-rising export market for German industrial goods among all non-European Eurasian trade partners: Indian imports from Germany, especially of industrial machines, increased by 34.7%. Clement and his Indian co-chairman at the Commission, Finance Minister Palaniappan Chidambaram, resolved that the trade volume between their countries be doubled by the year 2010, from the 6.25 billion euros in 2004. The Germans also committed themselves to visibly upgrade their direct investments in India.

In an interview published just before the arrival of the German delegation, Chidambaram said, "We regard Germany as the leading economy in Europe," adding that German industry had "enormous opportunities for investments in sectors such as sea ports, airports, roads, and energy." But German companies, he said, were lagging behind companies from Korea, Japan, and even Malaysia, in terms of engagement in India, and it is India's view that "it is important that Germany does not miss the opportunity."

There are, Chidambaram said, "big deficits in the Indian infrastructure, and that is precisely why we say investors should enter the infrastructure sectors. There is a deficit in airports, a deficit in power production. . . . So, my deficit is Germany's opportunity." He added that the potential of German-Indian cooperation is "still very far from being tapped."

During the opening events of the Commission's session on April 4, Chidambaram elaborated on the infrastructure issue: He said that his country wants to spend tens of billions of dollars over the coming ten years for development of transport, energy, and other infrastructure. India was prepared to absorb foreign direct investment in the range of \$150 billion for projects like roads, ports, airports, power, housing, and telecommunications. Health and bio-tech are included, as well. German industry's engagement, however, has been fairly "disappointing" in recent years, Chidambaram added, pointing to the low average direct investments of \$125 million per year.

Probably the biggest current engagement of Germany in India is in the construction of the fifth stage of the giant thermal power-generating complex in the state of Andhra Pradesh. The project, designed for a total capacity of 1,950 megawatts, will begin operation in March 2008. The construction of the German-funded component with 660 megawatts will begin in May 2005—talks on that have been going on since 1997, and the decision to accelerate the deal was made after German Chancellor Gerhard Schröder's India visit in October 2004. In terms of technology, the project

is the most modern one in this category, in India. What is particularly interesting is the funding mode for this German project: 30% of its construction expenses, which is 83 out of 280 million euros, will be covered through a longer-term loan by the German state-run Kreditanstalt für Wiederaufbau (KfW, Reconstruction Finance Bank), at an extremely low interest rate of 0.6%. With that, this state-subsidized loan is almost 5% below the usual rates on the private banking market.

India's giant energy needs are illustrated not only by the repeated power blackouts at companies, homes, and administrative offices, but also by the government's announcement, coinciding with the arrival of the German delegation in New Delhi, that it wants to electrify large non-urban areas in order to supply 78 million rural households with electricity, by 2009. Germany could assist in that and related power-developing projects, by having the KfW invest billions of euros, if the Germans would only stop hesitating, and make up their minds to engage.

For reasons unknown, railway development was not addressed during this two-day visit of the Germans. But along with the already-stated commitment to assist India in the modernization of its seaports, Germany could also supply railway technology. Even if it were not the state-of-the-art maglev technology (in which Germany excels, and which it has supplied to China—although it does not use it domestically, due to irrational ecologist opposition), modern conventional railway systems would be important to develop the Indian end of the Grand North-South Corridor, the direct rail commodity route from St. Petersburg on the Baltic Sea to Mumbai on the western coast of India, which will begin operation this June. (Ideally, the Pakistani end could also be developed.)

An entirely new rail corridor could cut through India from Mumbai to Madras on the eastern coast, making the route available for additional big shipments from and to the regions around the Indian and Pacific Oceans.

A grand project like that would be an ideal complement to that other project which Germany is much interested in right now: the big railway line for commodity transport along the Arabian shore of the Persian Gulf, which the German Chancellor endorsed during this tour of the Gulf four weeks ago.

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## India and China Agree on Set of Historic Accords

by Mary Burdman

Chinese Prime Minister Wen Jiabao called his April 9-12 visit to India “historic,” when he spoke to the Indian press after his extensive talks with his Indian counterpart Manmohan Singh in New Delhi. On both sides, the results of trip were considered to be even better than had been expected—and Wen Jiabao had said already in November 2004 that his visit to India was the most important diplomatic event on his agenda. The agreements reached were wide-ranging, dealing with overall relations, economic cooperation, and, most crucially, the long-standing border conflict between the world’s two most populous nations.

It seems clear that China-India relations are being seen by both sides in their strategic context. Wen Jiabao went to the four leading nations of South Asia: Pakistan, Bangladesh, Sri Lanka, as well as India, on this trip, emphasizing improving economic as well as political relations with all four. Then, during his final extensive discussion with senior members of the Indian press on April 12, the Chinese Prime Minister expressed China’s “positive view” of trilateral cooperation with Russia and India—the “strategic triangle” of Eurasian nations—on “issues of common concern.” Wen said that China, India, and Russia, as influential countries in the world, share “identical and similar” views on many issues. These issues include promoting democratization in international relations and safeguarding international security and stability.

However, he was also emphatic that this “cooperation and coordination” was by no means an alliance and not targeted at any other country. This statement was clearly taken with an eye to the reaction of the United States to the closer collaboration. As Lyndon LaRouche noted, these leading Eurasian nations are consciously making moves, knowing well the chaos which is weakening the George W. Bush Administration. But confrontation with the United States itself is not their agenda.

### Resolving the Border Issue

Besides making steady progress toward developing a relationship based on trust, the highlight of Prime Minister Wen Jiabao’s trip was to ensure a speedy resolution of the Sino-India border dispute. Both sides decided to make “meaningful and mutually acceptable adjustments” to their respective positions on the boundary question to arrive at a “package settlement” which will be “final,” covering all sectors. This agreement was signed by Special Representatives for the boundary question, M.K. Narayanan, India’s National Security Advisor, and Chinese Executive Vice Foreign Minister Dai Bingguo. It said that both would give due consideration to each other’s “strategic and reasonable interests,” and the principle of mutual and equal security. The two sides agreed on a three-tier process, beginning with an accord on the guiding principles at the first stage, an agreed framework in the second, and actual delineation of the border in the third. Both sides will exchange maps as soon as possible. Another accord was a protocol on developing confidence-building measures in the military field along the Line of Actual Control (LAC), which has been completely peaceful since the early 1990s.

Narayanan said the agreement was “one of the most significant documents” signed by the two countries. The two sides have worked out an 11-point road map for resolving the disputed 3,550 kilometer border, which “shows a lot of give and take on both sides. . . . We are very hopeful that this document would be the starting point of a major process in the settlement of the boundary dispute between India and China.”

Critical to the achievement of this agreement was the fact that Wen’s delegation carried with it a map which showed Sikkim (an independent Himalayan Kingdom that joined the Republic of India in 1975, but which China did not recognize as a part of India until 2004), as a part of India. The 1962 border clash, which arose out of a festering border dispute,



*Chinese Prime Minister Wen Jiabao places a floral tribute at the memorial to Mahatma Gandhi during his April trip to India. The visit saw new trade and other agreements between the two countries.*

was the major part of the estrangement of these two large nations. According to most Indians, only the resolution of the dispute can lay the foundation for strong and meaningful India-China relations.

In September 1993, the late Indian Prime Minister P.V. Narasimha Rao, during his visit to China, signed an agreement on Border Peace and Tranquility, and set up the India-China Expert Group of Diplomatic and Military Officers to assist the Joint Working Group to resolve the border dispute. The process has been in progress for years and has not yielded much, but it has helped to maintain peace and tranquility along the borders. Then, in 2003, during Indian Prime Minister Atal Behari Vajpayee's visit to Beijing, it became evident that both sides were more than willing to progress speedily to strengthen economic and trade ties, and implicitly accept the existing status along the borders.

### **Expanding Economic Ties**

The two sides called for increasing the bilateral trade volume "to US\$20 billion or higher by 2008," and noted that the ministerial-level India-China Joint Economic Group (JEG) "has also recommended an India-China Regional Trading Arrangement," as well as a Financial Dialogue Mechanism. The agreement covers cooperation "in the field of energy security and conservation, including, among others, encouraging relevant departments and units of the two countries to engage in the survey and exploration of petroleum and natural gas resources in third countries," and the importance of expanded military ties.

Indian Petroleum Minister Mani Shankar Aiyar himself proposed further cooperation in the vital field of energy. "There

has been no separate detailed consideration of energy cooperation between India and China, [but] in my interactions with Chinese officials [on the sidelines of the summit] I raised the issue of extending the Iran-India gas pipeline to South China via Myanmar," Aiyar said on April 11. This plan would extend the 2,600 km pipeline from Rajasthan in India eastwards all the way into Myanmar via Bangladesh and then on to China. Aiyar also said that India and China "have the option to compete or collaborate with one another to secure better deals" on oil and gas supplies.

India and China have done very well in recent years in their overall, as well as bilateral trade. China's overall trade in 2004 was close to \$1,100 billion, while India, not much of a trading nation, had overall trade of close to \$180 billion. But bilateral trade between these two giants, consisting of more

than 2 billion people, has remained a minuscule \$13.6 billion. Despite the fact that even the \$13.6 billion amount is a tremendous improvement over the \$3 billion figure in 2002, there is no question that both India and China will have to move into areas of export and import of machinery, machine tools, and other high-ticket items which they presently procure mostly from the West.

Reports indicate that Wen Jiabao and his delegation have proposed joint exploitation of the natural resources in Central Asian countries, through tie-ups with India's state-owned ONGC and Oil India, and setting up a oil and gas hub in Ladakh in northern Kashmir. It is evident that in such a joint cooperative effort, ONGC and Oil India can share their expertise in oil well exploration and cost accounting with the China National Petroleum Company, in return for Chinese investments and assistance with heavy equipment.

While both India and China should cooperate to open up new oil fields and assure oil and gas supply for their developing future, it is also important to note that the Bush Administration is making a geopolitical assessment of these developments, and putting into place arrangements to ensure control over maritime oil lanes across the world. On the other hand, both India and China have developed the full nuclear-fuel cycle, and both have great need for electricity to supply steady power to millions, and water desalination for domestic and industrial water uses for their growing economies. For a lasting and meaningful friendship, India and China have no choice but to move quickly into utilizing each other's strengths, and to maximize their scientific and technological capabilities.

One concrete result of the growing trade, is that both

China and India have begun renovating the historic Stilwell Road which was built in World War II to supply Yunnan province in southwest China from the city of Ledo in northeast India. The road runs 1,220 km via Myanmar to China. It has fallen into total disrepair in many areas, but when opened, will shorten the trade route—which currently has to go by sea—by almost 5,000 km.

The fundamental issue is the composition of trade. Primarily, China exports manufactured goods to India; India exports iron ore and steel to China. Wen Jiabao landed in Bangalore, India's high-tech center, and called for cooperation to create an "Asian Century in Information Technology."

## Making History

When Wen Jiabao left New Delhi, he said the visit had produced "rich results," and everyone could see "all the smiles" on his face. Wen said that Dr. Singh had told him when they met on April 11, "We two are making history." When asked his own assessment, Wen Jiabao said: "It is better to say it is an historic visit. We all believe that China's stability and development is in the interest of India, India's stability and development is in the interest of China. The stability, development, and prosperity of South Asia is in the interest of the whole world." The two nations achieved three important results: First, was their joint statement on their strategic and cooperative partnership, which meant "we have actually taken this relationship to a new level," Wen said. Second, was the agreement on the boundary; and third, the five-year plan for the all-round economic cooperation and trade.

Of real importance to India, was Wen Jiabao's positive response supporting India becoming a permanent member of the United Nations Security Council. In his public statements, Wen Jiabao said that "China reiterates that we attach great importance to the . . . role of India in international affairs, because India is a very populous and important developing country. We fully understand and support the Indian aspiration to play an even bigger role in international affairs, including in the United Nations."

Wen Jiabao also said China has a "positive view" on India's cooperation with the South Asian Association for Regional Cooperation (SAARC), and welcomes cooperation between India and international organizations such as the Shanghai Cooperation Organization and the "10 plus 3" (The Association of Southeast Asian Nations plus China, Japan, and South Korea).

Wen Jiabao met all of India's top leaders, including President APJ Abdul Kalam, United Progressive Alliance leader Sonia Gandhi, and opposition figures. He warmly invited Manmohan Singh to China, for which visit the latter is reported to be "very keen." It is possible the visit will go ahead already this year. Chinese President Hu Jintao has been invited to India, and that visit might also occur this year, although no plans or dates have been decided.

Wen often went beyond his written texts to express politi-

cal support for Indian-Chinese relations. Speaking to students at the Indian Institute of Technology, he extensively quoted Mahatma Gandhi, Nehru, the great poet Tagore, and Deng Xiaoping, and referred to Chinese Buddhist monk Huan Tsang's historic "Journey to the West" to India in 629 A.D., a journey recorded in one of the great classics of Chinese literature.

## A Strategic Partnership

Before Wen Jiabao left Beijing to travel to Pakistan, the first stop on his trip, on April 5, India Prime Minister Manmohan Singh had sent him a letter saying: "As the world becomes increasingly interdependent, it is important for our two countries to join hands to harness the positive forces of globalization and safeguard the interests of the developing countries." This is also the 55th anniversary of the establishment of diplomatic ties: India, under the leadership of Jawaharlal Nehru, was one of the very first nations to recognize the Peoples Republic of China. "Both India and China share the aspiration to build a just, equitable, and democratic international political and economic order on the twin pillars of multi-polarization and multilateralism," Singh wrote. "As two of the world's largest developing economies, the tasks that we face are profound, but our determination is resolute."

Prof. Ma Jiali of Beijing's Institute of Contemporary International Relations, one of China's leading scholars on India, told *EIR*, that China was already "attaching high importance" to Wen's trip to all of South Asia. There will likely be a comment in the two leaders' final communiqué, on creating a "new world order." Both sides "want to see a just and fair" world order, Professor Ma said.

In New Delhi on April 11, the two leaders signed an agreement to establish a "Strategic and Cooperative Partnership for Peace and Prosperity." The Joint Statement said they "agreed that India-China relations have now acquired a global and strategic character." The Joint Statement says the leaders "reached broad consensus on bilateral relations and international and regional issues of common concern. . . .

"The two sides . . . agreed that India-China relations have entered a new stage of comprehensive development." They expressed "satisfaction that . . . the process of building trust and understanding has gained momentum. Rapid growth of trade and economic cooperation has been coupled with the expansion of exchanges and cooperation in other fields." The Statement notes the "breakthrough" visit of June 2003.

The "India-China Strategic and Cooperative Partnership for Peace and Prosperity . . . is based on the principles of Panchsheel, mutual respect, and sensitivity for each other's concerns and aspirations, and equality; provides a sound framework for an all-round and comprehensive development of bilateral relations based on mutual and equal security, development and prosperity of the two peoples; and contributes to jointly addressing global challenges and threats."

*Ramtanu Maitra contributed to this article.*



# LaRouche Addresses Argentine Crisis

*At his April 7 webcast, Lyndon LaRouche received two questions from listeners at a meeting in the Argentine Congress. Here are excerpts from his replies.*

**Q:** Mr. LaRouche, can you identify what other causes, besides the financial changes, that have brought the world to this current situation of crisis?

**LaRouche:** We could say the problem is fascism. . . . What fascism actually was, was an instrument of policy, devised and crafted by a slime-mold, the bankers. And they liked it, and so therefore, you have various kinds and variations on fascism, which have come alive in the world generally, especially since 1971-72, around the world.

Now, the basis of this is the conflict between the idea of the Venetian slime-mold and the human being. Modern society is based on the notion of developing the population, developing the conditions of life, developing man in the whole sense as an immortal being, as a human individual, with certain human qualities which have to be encouraged and nourished, in the individual. And you must provide the kind of society, in which this can occur: decent life by that standard. . . .

The problem is today—you've got two questions. One is a simple economic question, which is essentially a *physical* economic problem, which becomes, then, a financial policy problem. The real issue is not money. Who cares about money? I don't care about money! Money, you have to use; but money is not your life. It's only paper! It's only a creation of government, at best! It's not real. What's real is what you use money to trade, to get physical conditions of life, social conditions of life, personal conditions of life, as a human being—not a question of wealth, but a human being. Your development, your life, your intellectual life, your emotional life. . . .

You see in the case of Argentina: Look at a country which afforded the fourth, fifth highest standard of living in the world in 1945-46, at the beginning of Peron's government, at that time. Fourth, fifth highest standard of living *in the world!* What is it today? Now, what does that mean? In that day, Argentina was not only a wealthy country, though there were a lot of poor people in it. A lot of wealthy people too, relatively speaking. But also, it was a country of high technology. It was a leader in technology in the Southern Hemisphere, in the Southern Cone. What is it now? It's been broken! It's been crushed! Look at children living on garbage. It's been crushed!

What should concern us? The financial matter? Yes, it does concern us; but what does mostly concern us, is *the people!* The condition of the people! The opportunities for development of the people. That is the issue. The issue of economy comes from that. The issue of economy, is the issue of, how do we take care of the people? How do we develop the people? How do we create circumstances for the people? . . .

**Q:** Mr. LaRouche, what's your basic proposal to solve the problem of the foreign debt of the developing-sector countries? Obviously, especially of interest to us, are those of Latin America. Also, what do you think in particular of the recent accords struck by Argentina with its creditors on its defaulted debt?

**LaRouche:** . . . Argentina was placed in an impossible situation. It could not possibly meet the obligations that were imposed upon it. And therefore, it had to take some kind of defensive measure to establish the dignity of the nation of Argentina and its Presidency, its government, its people. I think a step was made which is not desirable in terms of its effect—what it didn't do—but it was a necessary step. . . .

I think one should look at this strategically. You have a new, sudden development in South America. You have, Uribe of Colombia, Chávez of Venezuela, Lula of Brazil, together with the Prime Minister of Spain, have created an agreement on cooperation, which anyone one month before that, would have said was impossible. What does that tell you? Something has happened! . . .

Argentina is *within a strategic setting*—not an Argentina setting with respect to its creditors. Argentina is, also, in the midst of one of the biggest factors in this recent crisis, which is the *Italian* debt issue of Argentina, which came to light, now, where? In Rome, yesterday, in the Parliament, on the question of the debt, on the question of a New Bretton Woods—which is the same issue, as the issue throughout South America. . . .

In Italy, our friends in the Parliament have struck a blow for freedom, for all humanity, in calling for a new financial architecture. . . .

So therefore, now, President Kirchner of Argentina is in a very interesting strategic position. Not with a perfect agreement on his hands, but with a *fighting position*. And like any good commander, what he needs is not necessarily a victory. The first thing he has to do, is have a position on which he can fight, and then maybe he'll get a victory, because he's got a fighting position. He's not all over the place. He now has a strategic position.

And therefore, I would say, that I look at it, from the standpoint of the Mexico election, the Presidential election: The issues posed by the candidacy of the present mayor of Mexico City, and these developments, is all of one piece. And therefore, *it's a very interesting strategic situation*, which fascinates me. It's the kind of situation that I love: Where you can fight a war and win it.

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## In Memoriam

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# Maxim Ghilan: A Fighter for Peace

by Dean Andromidas

Maxim Ghilan, a political collaborator and dear friend of the LaRouche movement for more than two decades, died on April 2 in Tel Aviv. Peace activist, author, strategic thinker, and poet, Maxim dedicated his life to bringing peace between Israel and Palestine.

My telephone calls to Maxim were always at half past ten at night. A review of the facts of the day was transformed into an assessment of future developments in the region. When briefed on a strategic assessment by Lyndon LaRouche, a dialogue on its implications would begin, often lasting an hour, rendering severe damage to the phone bill, but enriching our understanding of the issues at hand. At first it was a once-a-week discussion with our “important source,” but it soon began to be twice a week, and often every day of any given week. The important source soon became a valued collaborator, and then a dear friend. For those first five or six years, Maxim was a voice on the telephone; we had never met in person.

“I brought you a small gift. Its very good coffee. As you can see, it’s from Maxim’s in Paris,” Maxim said with a smile, looking through his thick, black horn-rimmed eyeglasses. So after several years, and what might have been thousands of telephone discussions, Maxim came to Wiesbaden, Germany. Not only did we meet, but Maxim spent two long evenings deep in discussions with Mr. and Mrs. LaRouche, on topics ranging from developments in the Middle East, to broad strategic and cultural questions, out of which Maxim, as was his way, would develop ideas and proposals for new initiatives.

“Well Maxim, tell me about yourself,” I asked during our dinner.

Born in Lille, France, in 1931, his father was a French banker and his mother was German, a Berliner who had been secretary to the German Foreign Minister at the Versailles peace conference. “When Hitler took power, my father was determined to get as far away from Germany as possible. So we moved to Spain,” Maxim said.

The Ghilans soon found themselves in the midst of the Spanish Civil War, where his father served as an official banker for the Republican government. Among his efforts for the Republic’s cause, Maxim’s father organized emergency grain shipments from Romania. After the Fascist Gen. Fran-



*Maxim Ghilan (1931-2005): “It has been a very adventurous, and very frustrating life, but a very satisfying one, because I did precisely what I thought I had to do. There are very few people in the world who can say that.”*

cisco Franco, with the aid of Nazi Germany and Fascist Italy, defeated the Republican government, Maxim’s father suffered the same fate as many other Republicans. He was kidnapped by one of Franco’s death squads and “disappeared.”

In 1944, with his widowed mother and older sister, Maxim arrived in Haifa, Palestine. Under the British Mandate, Jewish immigration was highly restricted, so, still a youngster, Maxim arrived unceremoniously concealed in a potato sack.

Raised in the slums of Tel Aviv, Maxim joined the Haganah, the pre-state defense organization, at age 16, and fought in the war of independence from Britain. After David Ben Gurion signed the armistice agreement, ending the 1948 war, he ordered the sinking of the ship *SS Altalena*, which was carrying arms for the Irgun (also known as the Stern Gang), which had refused to recognize the armistice. The killing of Jews by Jews sent Maxim into the arms of the Stern Gang, after which he was soon arrested and imprisoned by the new Israeli government. It was after witnessing the the brutal treatment of Arab prisoners, including a prison massacre, that he began moving towards the peace camp when he was released. This was in the 1950s, well before “Peace Now,” and at a time when being for peace was often considered being a traitor.

By 1961, Maxim became an advocate for the two-state solution. Always the organizer, he created the first non-com-

munist Arab-Jewish organization in Israel, called Koah Yozem, the start-up force which was affiliated with the International Jewish Peace Union, of which he became director.

### Exile and Work for Peace

In 1969, Maxim went into what would become two and a half decades of exile, but an exile in the service of bringing peace between Palestinians and Israelis.

With secret support from Nahum Goldmann, who then was the head of the World Jewish Congress, and was himself a fighter for peace, Maxim became among the first Israelis to seek contact with the leaders of the Palestine Liberation Organization, at a time when such contacts were illegal and considered treasonous. He was soon told that if he ever returned to Israel he would be arrested, and he was also threatened by the Mossad. This was a time when Palestinian organizations were hijacking airliners, and talking hostages.

For Maxim, the task was not only to make contact, but to convince the Palestinians that the way to their liberation could not be through terrorism, but through dialogue, hard negotiations, and a two-state solution. "It's not enough to reach out to the moderates," Maxim often said. "You have to reach out to the most extreme of your opponents if you want peace."

He forged ties with many of the key Palestinian leaders, including Yasser Arafat, with whom he became friends, as a true Israeli partner for peace. He also saw the assassination of some of these same Palestinians, leaders, who, like himself, made the journey from extremist to peace advocate. There was Issam Sartawi, who was gunned down in 1983, in Portugal, at whose funeral Maxim bitterly said that his murder was "an expression of the struggle of the Israeli-Palestinian peace camp on the one side, and the hawks of the war camp on the other."

Almost ten years later, Abu Iyad (Salah Khalaf), another close comrade in the struggle for peace, and who was considered a potential successor to Yassar Arafat, was gunned down in 1991 in Kuwait. Both were murdered by assassins linked to Abu Nidal's so-called breakaway Palestinian faction. It was an open secret that Abu Nidal ran a murder gang for hire. In 1992, the highly respected author Patrick Seale published a book on the subject, *Abu Nidal: A Gun for Hire*, documenting how Abu Nidal was in the pay of the Israeli Mossad.

Maxim was a powerful intellect, and his strategic thinking went beyond the Middle East. In 1971, he founded the journal *Israeli and Palestine Political Report*, which he continued to publish until his death. It was a journal where both Israeli and Palestinian political authors could publish works oriented to peace.

One fine day in Paris, in 1981, a young man, the late Mark Burdman, who was editor of the *Washington Insider*, an *EIR* publication in Europe, "barged" into Maxim's office and demanded that he work with LaRouche. Thus began a fruitful collaboration with the LaRouche movement that lasted for more than two decades. Over those years, a personal and

## Two Small Tigers

by Maxim Ghilan

Two small tigers, sleek with living joy  
Walk along King George Street  
Sharpen their claws on an African ficus tree  
Transplanted to a Tel Aviv alley

Traditional black stripes  
Twin green glances  
One daring, one less forward  
Softly cruel, gliding on—  
Not quite yet women, soft and fresh  
Tiptoeing high-heeled into our hearts  
Along a street in Tel Aviv

*Adapted from the Hebrew by the author*

fruitful friendship developed between Maxim and the LaRouches.

Seeing the significance of LaRouche's conception that a true Middle East peace can be secured only through cooperation in a regional economic development policy, Maxim published an interview on the subject with LaRouche in his journal in August 1977.

Although deeply committed to a two-state solution, he was extremely critical of the Oslo peace accords of 1993, and made his assessment known to Arafat himself. Although he acknowledged the potential of the so-called "economic annexes" of the accord, a point on which he agreed with LaRouche, he clearly saw the pitfalls in the so-called gradual approach.

### Return of a Israeli Patriot

After an absence from Israel of more than two decades, Maxim returned in 1993, welcomed by old friends and collaborators—but not welcomed by the so-called "mainstream" left, and certainly hated by the right. Nonetheless, he loved being back in Israel, and his lively mind initiated a dozen new projects. He soon gathered around him a circle of old friends and collaborators, as well as new ones, especially young people.

He saw Zionism as a deeply flawed ideology, and knew that if Israel were to survive as a nation—and Maxim deeply loved Israel—it had to become a nation of *all* its citizens, whether Jew, Arab, Muslim, or Christian. Deeply disappointed with much of the Israeli left wing and peace movement, Maxim launched the Hebrew-language political and cultural journal *Mitan*, as an organizing tool aimed at breaking

down the ideological blocks that are preventing his fellow Israelis from making peace with their neighbors.

Maxim loved the poetical qualities of the Hebrew language, and he was an accomplished poet and short story writer, considered as a leading figure among the “State Generation” of poets, those of the first decade after the founding of the Israeli state. In December 2004, he received the Prime Minister Levi Eshkol Prize for Literary Excellence. Although he would accept the prize, he did not avail himself of the opportunity to receive it personally from Prime Minister Ariel Sharon. Maxim’s most recent works, both poems and short stories, will soon be published in Hebrew.

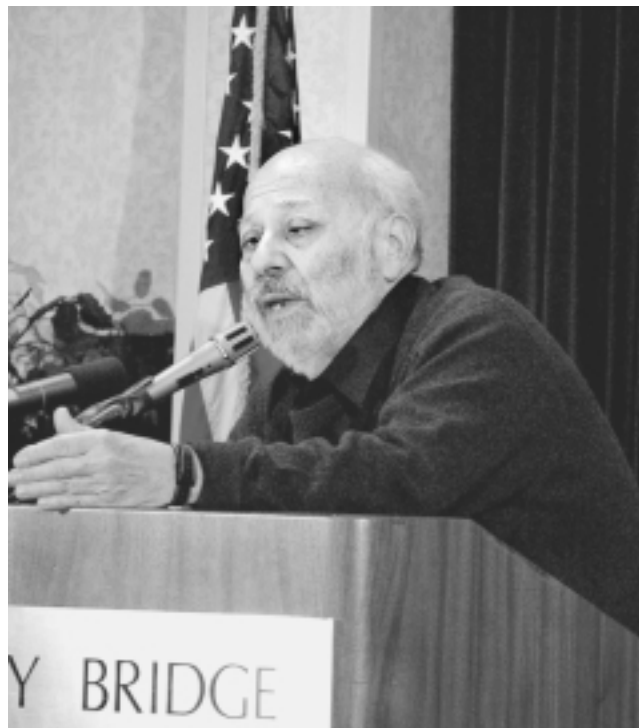
In the last year of his life, Maxim made two trips to the United States where, through meetings with dozens of people, ranging from peace activists to members of the U.S. retired military-security establishment, his insights into the region made a considerable impact. He collaborated closely with the LaRouche movement, addressing several forums, including several memorable briefings to the LaRouche Youth Movement. (See *EIR*, Nov. 26, 2004, for his briefing to *EIR* staff in Leesburg, Virginia.)

His two last trips to America, in November 2004 and February 2005, were also a revelation to Maxim. Through LaRouche and associates, he was introduced to a whole stratum, of current and former diplomats, politicians and intellectuals, who were not part of the American “peace movement,” but whose aspirations for a just peace in the region, particularly between Israel and Palestine, coincided profoundly with his own. In a private discussion with LaRouche in early December 2004, as he prepared to return to Israel, Maxim acknowledged, “I should have done this long ago. I have met the real America for the first time.”

The Americans with whom Maxim met were even more profoundly impacted by his sharp intellect and moral courage. Maxim delivered the most blunt and historically insightful picture of the situation on the ground in Israel, inside the Palestine National Authority, and in broader Southwest Asia, that these leading Americans had ever heard, and it resonated with, and deepened their own experiences and insights. It was as the result of one of those discussions, that Maxim was invited to return to Washington in February 2005, to participate in a closed-door dialogue among a number of leading Israeli figures from all sides of the political spectrum. Maxim stood out from the others, and left a deep and lasting impression on the hundred-or-so Southwest Asia “experts” assembled. Maxim returned to Israel from this second trip to America, profoundly conflicted. He knew that he was on the verge of making some new, great contributions to world history, yet he also knew that his health was rapidly failing.

### **‘I Did Precisely What I Thought I Had to Do’**

Maxim died in the early morning hours of Saturday, April 2, and was buried at Kibbutz Einat, outside of Tel



*Poet, philosopher, and warrior for peace and justice, here Maxim Ghilan addresses a meeting of the LaRouche Youth Movement in November 2004.*

Aviv, on April 5. His funeral was attended by friends and collaborators from all eras of his life. There were the writers and poets, many of them among the cultural pillars of Israel. From the era of the 1950s and 1960s, were the writers, poets, and activists, including the well-known Israeli poet Natan Zach, who helped secure Maxim’s return to Israel in 1993, at a time when the government still intended to arrest him and put him on trial. There was the writer Adam Baruch, who devoted a chapter in his last best-seller to Maxim. For Baruch, Maxim served as a metaphor for the Israeli experience; he wrote that Maxim was a “poet, revolutionary, and freedom fighter.”

Also attending were Knesset members Azmi Bishara and Jamal Zahalka. From another era, there were the young people, including Yousef Asfour, a young Israeli Arab. When he would tell Maxim that he felt more Palestinian than Israeli, Maxim would protest, “But you are Israeli!” For Maxim, being Israeli did not mean being Jewish or a Zionist.

There were many other intellectuals, poets, and political activists, many of whom participated in readings of several of Maxim’s poems and short stories. Abu Mazen, the President of the Palestine National Authority, and Dr. Ramzi Khouri, who had been a close confidant and former director of the Presidential office of Yasser Arafat, both sent letters of condolence, which were read both in Arabic and Hebrew at the ceremony (see *Documentation*).

Maxim is survived by his sister, Evit Ghilan, and many friends and collaborators who will miss him dearly.

As Maxim said in his last interview to *EIR* (June 18, 2004): “It has been a very adventurous, and very frustrating life, but a very satisfying one, because I did precisely what I thought I had to do. There are very few people in the world who can say that.”

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## Documentation

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# Remembering Maxim Ghilan

**Abu Mazen (Mahmoud Abbas)**, *President of the Executive Committee of the Palestine Liberation Organization and President of the Palestine National Authority*. This letter, dated April 4, 2005, was read at Ghilan’s funeral ceremony.

Dear friends, the family of Maxim Ghilan:

With great pain and awe, we received the news of the passing away of the poet, journalist, and great intellectual, the dear friend Maxim Ghilan, who heeded the call of his Creator and ascended with his pure soul to the divine glories, after a rich life of constant fruitfulness and relentless work in the service of peace, truth, and justice. He was, may Allah’s mercy be upon him, a voice for peace, coexistence, reconciliation, and dialogue. We knew him as a loyal friend, who worked with seriousness, passion, and sincerity to enhance Palestinian-Israeli dialogue. And he was one of the most prominent advocates of the necessity of finding a peaceful solution in the region. He was, Allah’s mercy be upon him, a human being in all the sublime meanings of this word.

In sharing with you the sorrow of this occasion, we forward to you our heartfelt condolences and warmest sympathy, praying to Allah to overwhelm him with His mercy and let His peace join his soul. We also pray to Him to inspire you and all his friends and beloved with patience and endurance.

Please accept our heartfelt condolences and sympathy,

**Dr. Ramzi Khouri**, *Deputy Secretary-General of the Presidency and General Director of the Office of the President, Palestine National Authority*. His letter, dated April 4, 2005, was read at Ghilan’s funeral ceremony.

Dear friends and the family of Maxim Ghilan:

I received with great grief the news of the passing away of the dear friend, the journalist and great intellectual Maxim Ghilan, whose pure soul departed to the kingdom of its Creator. He spent a life full of sincere work which he dedicated to serving his people and to truth, justice, reconciliation, and dialogue between the Israeli and Palestinian peoples. He was

dedicated to achieving a just, permanent, and comprehensive peace, under which all could live in safety, co-existence, and stability.

While I send to all of you my warmest condolences and most heartfelt sympathy on this painful occasion, I pray to Allah to overwhelm him with His broadest mercy, and to compensate you with his divine good for this great loss. May Allah bring peace and tranquility to his soul in its sublime abode, and endow you all and his friends with patience and endurance.

Please accept our sympathy and solidarity.

**Dr. Yehuda Atai**, *the publisher of The World of the Bible encyclopedia*.

I always knew him as Maxim Ghilan, a person, a poet, warrior, and philosopher where his words searching, longing for life-love, crying his personal life, his path. Maxim’s poetry has its fleshiness and reality of all the feelings and the lusts. His sonnets and civil-human endeavors were carved for us all through our time and history. He seems like Don Quixote, but Maxim did really help to change and influence reality; he took the stand of a messenger of human feelings and liberties, a present-future man. His eyes, always seeing through, and his spirit were always ready to walk his path.

A man with a mission, a world, and a vision. Last time that we met, he said in his determined—a bit high-pitched—voice, cleaning his eyes with Tel Aviv natural water: “If I would only have more time I would establish here a civil movement to free all political prisoners”—all this while Maxim eats with his luscious-type custom of radiating great pleasure from the taste of two sunny-side-up eggs with cheesy butter and a semi-hot bagel.

Maxim, a dynamic love-life man. Recently, he helped a young poetry publisher who came with a new, independent poetry paper: *Urbania*. Here Maxim published his last poem, naming it: “It is over but yet it is not complete.” In this poem Maxim gave his tribute to life, and he connects his love-life-rainbow from the Yarmuch River in Northern Israel, to the Seine in Paris, and back to Acre, and takes a long breath from this Mediterranean Sea, and tells us that he has no time to finish his report on all that is happening, and he says:

All of a sudden, I will leave  
In an immediate minute,  
It is not imaginary present  
All of a sudden, I will disappear.<sup>1</sup>

Thank you Maxim, for the light, love, and visionary path that you gave us all.

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1. These are the last four lines of a longer Hebrew poem which Yehuda Atai translated into English.

## The Christian Coalition: The Nature of the Beast

by Anton Chaitkin

While many people are squawking about the fact of there being a religious right controlling the government, the reality is that the present government—the Bush Administration and its friends—created a pseudo-religion, like a Roman cult. And it is this religion which is being used as an instrument of tyranny by a rotten government. . . . People talk about the “religious right.” There is no religious right. There is a state-based religion.<sup>1</sup>

\* \* \*

[It is a] delusion, that the array of pro-Bush religious fruitcake collection, built of a partnership, forged in large part by Billy Graham, between Jonathan Edwards/Darbyite Protestant fruitcakes and dark-age fascist, nominal Catholics, is . . . a lobby directed to influence government; it is a Bush-government-created state religion, created and deployed to impose a de facto dictatorship on the U.S.A.<sup>2</sup>

—Lyndon LaRouche, April 2005

A dictatorship needs revolutionaries, to destroy the previous lawful nation, and to terrorize citizens into giving up their liberty.

One cold night in the early 1980s, some young men selected for this role drove through the streets of Washington, D.C. with the windows down, singing an anarchist hymn cynically set to the tune of *America the Beautiful*:

'Tis time to right the great wrong done  
ten thousand years ago,

The state conceived  
in blood and hate  
Remains our only foe,  
So circle brothers, circle brothers,  
Victory is nigh!  
Come meet thy fate, destroy the state  
And raise black banners high. . . .<sup>3</sup>

The raucous singers were Ralph Reed, who later created the Christian Coalition and became a top herder of religious voters; and Grover Norquist, who now presides at regular Wednesday supreme strategy meetings of the Religious Right and other components of the present U.S. regime.

Reed and Norquist, together with their young boss Jack Abramoff, had been put in charge of the national College Republicans (CR) at the outset of the Ronald Reagan Presidency. This trio, Abramoff (CR chairman), Norquist (CR executive director) and Reed (their intern, later CR executive director), formed a covert partnership which has persisted to the present time.

Recently, front-page corruption scandals hitting House Majority Leader Tom DeLay (R-Tex.), have featured Jack Abramoff's wild influence-selling adventures, and Ralph Reed's bold and profitable manipulations of religious groups, with Norquist's key place in the schemes looming on the edge of news coverage. (See box, “A Traveling Partnership.”)

DeLay's accelerating downfall has put the spotlight on these operatives' roles in building up DeLay's dictatorship over the House of Representatives.

Reed and his close allies have been at the center of an apparatus, used by the current Washington regime to attempt the consolidation of a coup d'état; to impose a dictatorship

1. Lyndon LaRouche, personal communication.  
2. The full quote is in *EIR*, April 15, 2005, p. 66.

3. Nina J. Easton, *Gang of Five: Leaders at the Center of the Conservative Crusade* (New York: Simon & Schuster, 2000).



This trio, a covert partnership, associates since their college days in the early 1980s, put together the Christian Coalition and have emerged as leading manipulators of the Religious Right. Left to right: Grover Norquist, Ralph Reed, and Jack Abramoff.

on the ruins of the lawful government, with the Congress a mere rubber stamp, and the independent judiciary terrorized and taken down. The coup attempt continues, now with an edge of real desperation in the face of more determined opposition.

The Reed-created **Christian Coalition** (with televangelist Pat Robertson as its public face) has been the most significant element in the Religious Right as the regime's bludgeon. A searching look at that group's background, traced through the career of Reed—beginning in the College Republicans' 1980s leadership trio—yields some useful insights into the true nature of the beast now confronting the republic.

### The College Republicans, 'On Fire'

Abramoff, Norquist, and Reed first came together in Washington in the Spring of 1981, Abramoff and Norquist having recently left college, Reed still a student. They were determined to ride to power with the pro-feudal faction then seeking to consolidate its power in the incoming Administration of President Ronald Reagan and Vice President George H.W. Bush.

In the College Republican leadership, there was no pretense of religion, no "Christianity"—just the Revolution. The rush of adrenaline came from being plugged in to powerful sponsors, being on the inside, having the perceived authority from the lodge to tear down the hated old order, to instill fear—and get away with it.

We can better appreciate their state of mind if we take a hint from the second inaugural speech of President George W. Bush, on Jan. 20, 2005. With reference to the policy of limitless wars and regime changes, Bush's keepers had written the following for him to read:

"By our efforts, we have lit a fire as well, a *fire in the minds of men*. It warms those who feel its power. It burns those who fight its progress. And one day, this *untamed fire of freedom* will reach the darkest corners of our world."

The phrase, "fire in the minds of men," comes from *The Possessed*, Fyodor Dostoevsky's novel about the "demon-possessed" nihilist revolutionaries of 19th-Century Russia. In the book, the governor of a province looks with despair on a fire they have set, that is sweeping through a town. He says, "The fire is in the minds of men, not on the roofs of houses."

Those nihilists in Tsarist Russia had rejected the view of man as in the image of God, held by the monotheistic religions, while adopting Nietzsche's contemptuous opinion that a man is only his base appetites, a worm, who must be ruled by the stronger, the superman. Abraham Lincoln's Ambassador to Russia, Cassius Clay, wrote in his memoirs, that the nihilists who set fire to Russian cities in the 1860s and issued incendiary anarchist leaflets, were for the most part aristocrats who resented the nation's progress out of feudalism.

As for our young nihilists in Washington, 1981-83, Reed, Norquist, and Abramoff: They were in the vanguard, overthrowing the old industrial America of Lincoln and Franklin Roosevelt. Backed by Richard Mellon Scaife and the Coors brewery family, they made war on labor unions, in the war to destroy the steel mills and machine industry in the northern states, where high wages had been protected by U.S. tariffs; they incited the rabble against civil rights, in a war on the poor.

This was the era of 20% interest rates, as Federal Reserve Chairman Paul Volcker promised the "controlled disintegration" of domestic industry, in the shift to cheap overseas labor. The "untamed fire of freedom" was the unlimited expansion of money fortunes from gambling in the new borderless, radi-

## A Traveling Partnership

*The shadow partners Ralph Reed, Jack Abramoff, and Grover Norquist, have now been dragged into the news with Tom DeLay, as the FBI, a Federal grand jury, and U.S. Senate investigators probe looting of Indian tribes, fraud, and money-laundering.*

*Several trips abroad by the operatives and DeLay are under scrutiny, as small leads into a huge, tangled web:*

### May 2000 Trip

**Tom DeLay** had a week-long golfing vacation in Scotland arranged by **Jack Abramoff**, which was paid for by the casino-owning Choctaw Indians of Mississippi, and the Internet gambling firm E-Lottery, whose funds were funnelled through the National Center for Public Policy Research (NCPFR), a lobbying center for Indian casinos and Social Security privatization, with Abramoff on its board.

Two months after the trip, DeLay broke with other House Republicans and killed a Republican bill that would have outlawed on-line gambling such as Internet casinos. Online gambling interests fought the bill through their Internet Gaming Council, whose strategist and paid consultant was **Grover Norquist**, operating through his lobbying firm, Janus-Merritt. The world's biggest online casino company, Abramoff's client, Israeli-owned Casava Enterprises based in Gibraltar, reportedly contributed \$1.5 million to NCPFR in 2003.

### August 2002 Trip

Abramoff, former DeLay aide **Michael Scanlon**, religion-manager **Ralph Reed**, Rep. **Robert Ney** (R-Ohio), and U.S. government procurement official **David Safavian** took a lavish golfing vacation to Scotland. The trip was sponsored by the NCPFR and Abramoff's private charity, the Capital Athletic Foundation, with money taken from Indian tribes.

Abramoff and his lobbying partner Scanlon are currently under investigation on allegations of looting over \$60 million in fees and contributions from Indian tribes who owned gambling casinos. Representative Ney, the House Administration Committee chairman, was at the time of the trip working on a bold scheme by Abramoff. The Texas Tigua tribe's El Paso casino was closed down by state government action, because of an "anti-gambling" crusade secretly organized by Abramoff, and paid for by rival casinos and run publicly through Reed and his Christian Coalition networks. Then Abramoff arranged for the Tiguas to pay him and Scanlon millions to campaign to reopen the casino. Ney met with the Tiguas soon after the

Scotland trip, promising to amend his national election-reform bill to override the closing of that Texas casino. Ney didn't deliver, and the casino remains closed. (Ney had previously used his Congressional position to help Abramoff and Scanlon to take over the casino cruise line SunCruz, pressuring the line's owner, Gus Boulis, to sell out to Abramoff. Boulis was soon murdered, gangland-style.)

Abramoff's old friend Safavian, as Norquist's partner at Janus-Merritt, had been the registered lobbyist for the Interactive Gaming Council and the National Indian Gaming Association. In November 2004, President Bush appointed Safavian head of the Office of Federal Procurement Policy; he is supposed to see that scandals over military and other competitive sourcing are quieted.

At the 2004 Republican Convention, Reed confessed that he had taken millions of dollars from Indian casino owners in Abramoff's schemes in several states, and that he had passed out great sums to state-level Christian Coalition groups to campaign against gambling interests rivaling the casinos paying Reed.

The Alabama Christian Coalition immediately issued an open letter (Sept. 30, 2004) defending the long close relationship of their leaders to Reed, and quoting from Reed that he had no "direct knowledge" about his partner Abramoff's clients. The relevant issue appears to be Abramoff's victims, the Choctaws of Mississippi, who want to block gambling competition across the state border in Alabama.

Both houses of the Alabama state legislature have now passed versions of a bill that would compel groups such as the Christian Coalition, which buy advertising designed to influence legislation, such as that on gambling regulation, to disclose the source of their funds. A similar Alabama bill last year was killed by a filibuster by Christian Coalition allies. They are filibustering the present bill, astonishingly enough, while simultaneously demanding the elimination of the right to filibuster in the U.S. Congress, in aid of their attack on the judiciary.

### August 2003 Trip

Rep. Tom Feeney (R-Fla.) reported that Abramoff's NCPFR paid for Feeney's Scottish golfing jaunt with Abramoff and with Reed. It had just been announced the previous month that Reed would be chairman of the 2004 Bush-Cheney campaign for the southeastern United States; later Feeney would help out by promoting touchscreen voting programs for use in the 2004 election. A few weeks after the August 2003 trip, headlines began spotlighting the disappearance of millions from Indian casino owners tribal accounts into the lobbyist scams, and the Abramoff-Reed-Norquist-DeLay fabric began unravelling.





*The late Friedrich von Hayek, ideological guru of legions of radical free traders (including Ralph Reed's College Republicans), founder of the Mont Pelerin Society, sought a world government to crush national sovereignty.*

cally deregulated economy. This was the great boom-time of the financiers' "Black Economy" of narcotics, pornography, and casinos.

The ideological gods of those College Republicans were Friedrich von Hayek (whose book *The Road to Serfdom* demanded a world government to crush national sovereignty and usher in the absolute free market), and *National Review* owner William F. Buckley, Jr., the brash dark-ages-fascist Catholic leader whose intrigues would shape Ralph Reed's course into forging the Christian Coalition.

Their spiritual mentor was Newt Gingrich, the new Republican Congressman from Reed's Georgia. Gingrich counseled the College Republicans that the Revolution was at hand. Gingrich was full of the Third Wave fad of futurist Alvin Toffler and Malthusian Jeremy Rifkin: The old days of man dominating and transforming nature are gone; now in the new age, scarce resources will be appropriated by the smart insiders, the cyber-elite. The world's poor are to die by the wayside.

The leadership group reportedly asked each of their cadres going out to build College Republican cells on campus, to memorize a diatribe with the words, "The Democrats are the enemy. WADE into them! Spill THEIR blood! Shoot THEM in the belly!"<sup>4</sup>

The provocative tactics and sneering partisan attitude of these hard-drinking College Republicans did not ingratiate them with President Reagan, and they had no access to him. Soon, the particular avenue through which the trio had taken over the group became extremely messy.

Jack Abramoff's father was chief executive of Diner's Club, America's first credit card, used by the jet set in Hollywood, New York, and Washington. It was Diner's Club owner Alfred Bloomingdale, his father's employer and the family patron, who gave Jack Abramoff his entry to higher politics

4. *Ibid.*

and international intrigue. Bloomingdale was an early California backer and confidant of Ronald Reagan, and Reagan as President appointed Bloomingdale to the President's Foreign Intelligence Advisory Board (PFIAB).

Elected and financially sustained as College Republican chairman through Bloomingdale's wealth and connections, Abramoff brought in Grover Norquist, who had been a fellow Massachusetts Republican student activist, as executive director. The 20-year-old Ralph Reed, notorious as a cynical dirty-trickster among Republicans at the University of Georgia, came in first as an intern with Abramoff, sleeping in Abramoff's residence.

Problems developed when Alfred Bloomingdale was accused of taking videotapes of his own sadomasochistic orgies with government leaders and call girls, and these allegations became embarrassing and a serious potential blackmail problem for the Reagan Administration; Bloomingdale's PFIAB access to sensitive intelligence added to the complications. (Bloomingdale conveniently died in 1982.)

## A First Try at State Religion

The Abramoff-Reed-Norquist trio were apprentices serving not the U.S. President, but the faction operating what came to be known during the Iran-Contra affair as a "parallel government," away from public view.

Buckleyite ultra-rightist Catholic Paul Weyrich had founded the **Heritage Foundation** in 1973, and had turned its control over to international financier strategists associated with von Hayek's Mont Pelerin Society. The bankers and feudal spooks at Heritage, with their members in many government posts after Reagan's 1980 election, prescribed the dismantling of public services, an end to government protection for decent living conditions, the crushing of labor unions, and a military-imperial foreign policy coupled with radical free trade—Hayek's "very powerful supranational authority."

Now, it is not so easy to get working people to acquiesce in, let alone actively favor, measures which will destroy their families, steal their pensions, and kill their grandmothers. You have to get someone to whisper in their ears something like, "Homosexuals are going to marry your son." This is precisely what Reed and his Christian Coalition networks were to do in the 2004 elections, to get people to vote for a team that would steal everything from them.

The initiative to accomplish this popular self-degradation was set in motion in the early Reagan years.

The covert **Council for National Policy (CNP)** was established in 1981 to bind religious impresarios and bankers into a new power structure, congruent with the attempt at a dictatorship. (Later, in 1999, Texas Gov. George W. Bush would speak to a secret CNP meeting in San Antonio, on what



*Paul Weyrich*



*President Bush's Faith-Based Initiative promotes a state-based religion, in violation of the U.S. Constitution. Left: The President at the Union Bethel African Methodist Episcopal Church in New Orleans, 2004. Right: Bush visits a Faith-Based Initiative program in New Jersey, seeking to buy off the civil rights movement.*

they would accomplish together in his projected Presidency. To the present time, Bush will not release any details about the speech or the meeting.)

It is worthwhile identifying some of the CNP founders—a choice assortment of pagan bankers, fascist ideologues, and the cheapest, most cynical manipulators of religious mob opinion.

Early CNP directors included Heritage Foundation President Edwin Feulner, a later president of Mont Pelerin, a very close associate of William F. Buckley; Paul Weyrich, founding treasurer of CNP, founding president of Heritage Foundation, anti-Pope ultra-Catholic pioneer of Religious Right marriage with bankers; Rev. Jerry Falwell, whose Moral Majority group was started at Weyrich's suggestion; Gen. John K. Singlaub, through the World Anti-Communist League a manager of relations between old German Nazis and South American dictators; Morton Blackwell, a youth trainer, initially in charge of the Reagan Administration's religious outreach; televangelist Pat Robertson, later chairman of the Christian Coalition; Tim LaHaye, author of the *Left Behind* novels on the End-Times Rapture, founding president of CNP; Thomas Ellis, a wealthy eugenics fanatic and manager of campaigns and funding for Sen. Jesse Helms (R-N.C.), who was the second president of CNP, replacing LaHaye.



*Edwin Feulner*

Reed, Abramoff, and Norquist left the College Republicans in 1984, going their separate ways for new political adventures, but maintaining their unofficial partnership.<sup>5</sup>

Reed now embarked on an experimental, entirely covert assignment, through which the Christian Coalition would emerge several years later. As head of **Students For America**, he would be one of the field leaders for the the feudal Heritage-CNP faction, aiming at dictatorship and state religion.

In this enterprise 20 years ago, the nominal “Catholic,” “Protestant,” and “Jewish” elements of the current Bush fascist fruitcake array all made their appearances, as we shall see.

### 1. The ‘Catholic’ Operation

In the Spring of 1984, William F. Buckley's top lieutenant, Marvin Liebman, devised what came to be known as “Students for America,” and put Ralph Reed in charge of it. Later, after Reed had made headlines with his Christian Coalition, Liebman told colleagues that he was proud of having groomed Reed for his distinguished career.

5. Grover Norquist joined the management of the radical-Muslim mujahedin in Southwest Asia, the Iran-Contra networks of criminals and terrorists “fighting the Soviets” and systematically producing an anti-Western time bomb. The photos of himself waving rifles around, which decorate Norquist's office walls, date from these episodes.

Jack Abramoff did propaganda sponsored by the military service of the apartheid police state of South Africa; and the casinos there, in the Bantustans of the country's slavlike black population, were the models upon which he was to build his fortune out of the misery of American Indians.



*William F. Buckley, Jr. (right) chums it up with Henry Kissinger in 1977. Buckley is a dark-ages-fascist Catholic who promoted the fortunes of Ralph Reed and his mentor, Marvin Liebman.*

Liebman was midwife to the most radically rightist movements of the age. He personally helped to set the global agenda which Reed and his colleagues were to follow, all the way to the present time.

Liebman's 1992 autobiography, *Coming Out Conservative*, gives only a dim, sterilized version of the astonishing life of this covert operative. Liebman's papers from the archives at the Stanford University Hoover Institution, and personal interviews with those who knew and worked with him, have given us a somewhat more complete view.

Liebman was a bullied, fearful child, a victimized Jew who became a Communist and a homosexual, and a Zionist in the camp of the Jabotinskyites who formed the Israeli right. The Nazis killed his European relatives, and he went to work as a strategist and publicist for the managers of fascism. His autobiography laments that the right-wing movement he built became bigoted!

Liebman led a strange crew around Buckley's magazine *National Review*, creating the Young Americans for Freedom and the whole Conservative movement of the 1960s. Younger colleagues have related their shock and puzzlement over discovering that so many of the rightist leaders were homosexuals—or as one old timer recently put it, “self-hating, gay-bashing gays”—led by Liebman.

Liebman formed the Committee of One Million (the anti-Communist China Lobby), and took Taiwanese, Japanese war criminals, Korean putschists, and Sun-Myung Moon agents making up the Asian People's Anti-Communist League, into

a global action team, with the Buckley family networks in Ibero-America, and with the old European Franco/Hitlerite movements in many countries. He helped build the Cuban exile guerrilla group Alpha 66, and the Caribbean-Mexican underground movement of hatred against President John Kennedy.

Liebman boasted in his autobiography that he personally planned a world anti-Communist revolution. He went to Mexico and started a worldwide organization through the networks of Jorge Prieto Laurens and his Guadalajara-based *Tecos* group, a Mexican Catholic “synarchist” gang more anti-Semitic than Hitler.<sup>6</sup> They allied with the Eastern Euro-

6. Just out of Yale in 1951, William F. Buckley, Jr. had joined the CIA and moved to Mexico, where he activated his oilman father's Synarchist Mexican networks. Buckley made his nominal Mexico City station boss, CIA covert operations executive E. Howard Hunt, an appendage of the Buckley family. Buckley moved back to the United States, while Hunt stayed to lead Mexican and Central American covert operations. Hunt would pioneer the organization of the Nazis and far-right Catholics in that region, into the Buckleyite World Anti-Communist League of the 1960s. As a Buckley loyalist, Hunt would shepherd the Cuban exile cadres who were instrumental in the 1961 Bay of Pigs invasion, of interest in the 1963 Kennedy assassination, and all around him in the 1972 Watergate caper. When Hunt was arrested as mastermind of that break-in, Buckley organized his defense and became guardian of Hunt's children.

Hunt's covert CIA operations were coordinated with William Buckley's brother Reid, who had moved to Franco's Spain, and brother-in-law Brent Bozell, who had set up in Spain a pro-feudal, pro-fascist Catholic movement called the Society for the Christian Commonwealth. This Buckley enterprise was transplanted into Front Royal, Virginia as Christendom College, and as



*A Washington for Jesus rally in the 1980s. Religious fundamentalists of all stripes were mobilized behind G.W. Bush in the 2004 Presidential election, keying off “hot button” issues such as gay marriage, and perpetrating dirty tricks to suppress potential Democratic voters, particularly minority voters. Ralph Reed was a chief coordinator of the Bush campaign strategy.*

pean Anti-Bolshevik Bloc of Nations (ABN), which had survived from the Nazi anti-Comintern Axis. In 1966 this whole Buckleyite alliance was christened the World Anti-Communist League (WACL).

Here was the “Catholic” realm into which Reed’s Students for America plunged, when the group carried out campus rallies in favor of Oliver North’s Nicaraguan Contras; and these are the personal ties which brought Reed into the inner sanctum.

WACL’s action enterprise, **Operation Condor**, (1975-83), was the code name for the combination of the intelligence service and secret police of Chile’s dictator Gen. Augusto Pinochet, with the forces of other South American dictatorships, advised by German Nazi war criminals Klaus Barbie and Walter Rauff, to hunt down and murder their common enemies.<sup>7</sup>

As Operation Condor got under way in 1975, the Chilean government arranged with the Buckley family to make Marvin Liebman officially a public relations consultant, the manager of the dictatorship’s propaganda within the United States. Liebman’s American-Chilean Council worked for some four years, as the bodies piled up in South America, until President Jimmy Carter’s Justice Department closed the Council down, because Liebman had not registered as a foreign agent.<sup>8</sup>

the pivot for the Catholic rightists (Paul Weyrich, Antonin Scalia) who were to ally themselves with the Protestant Evangelicals.

7. See William F. Wertz, Jr., “Nazis, Operation Condor, and Bush’s Privatization Plan,” *EIR*, March 25, 2005.

8. At present, very few American religious agencies are promoting the Bush effort to privatize and piratize Social Security funds, which is directly mod-

## 2. Some Peculiar ‘Protestants’

Marvin Liebman wrote that he advised Reed to set up the new movement’s headquarters outside of Washington: North Carolina was the target. But the enterprise became involved in an ugly scandal, and Liebman is at pains to disclaim responsibility for his brainchild, writing that the group took an evil turn to the religious right.

Curiously, Liebman himself had just converted to Catholicism (in 1980), with William Buckley as his godfather. And as if to qualify for this mission, Ralph Reed began reporting that he too had had something of a conversion to “faith,” late in 1983 (a light conversion, by sober accounts.)

Students for America crept into the news in 1985, in the context of allegations that students brainwashed by religious cult leaders were being used as zombie-cadres for international rightist politics.

The *Wall Street Journal* reported (Aug. 16, 1985) on the **Maranatha Ministries**, whose student-soldiers constituted the core members of the Reed organization. *Journal* investigative reporter John Fialka wrote that Maranatha leader “Bob Weiner, Jr. says he called some of his ‘friends’ . . . and suggested that they organize to support . . . aid to the rebel forces in Nicaragua. . . . And so, on the eve of a crucial vote in Congress, the rallies were held on as many as 70 college campuses across the U.S. Events like this have made the little-known Mr. Weiner popular with conservative Republican strategists. Mr. Weiner’s friends are leaders of 50 chapters of the Maranatha Christian Church. . . . [which] has attracted

eled on the pension privatization carried out by Pinochet in Chile after the murder of thousands. Among these agencies are the Acton Society, the Catholic rightist group controlled by Mont Pelerin; and the Christian Coalition.

3500 to 4000 members, mostly of college age. The group . . . imposes unusually strong discipline upon its members. . . [It is] drawing criticism from an increasing-number of angry parents, Maranatha dropouts and other religious leaders. They complain that Maranatha uses a form of mind control that isolated students from their parents, and then guides decisions on such personal matters as career choices, politics, and marriage. Last year, a committee including Baptists, Presbyterians, and other evangelical Christian groups, finished a year-long investigation of Maranatha, concluding that Mr. Weiner's religion 'has an authoritarian orientation with potential negative consequences for members.' The committee added, 'We would not recommend this organization to anyone.' ”

After going through episodes of mind control, psychiatric hospitalization, and youth suicide attempts, the *Journal* article brings in Reed:

“Others defend the church. ‘I think that Maranatha has gotten a bum rap,’ asserts Ralph Reed, a former College Young Republican leader who has formed Students for America to lobby for President Reagan’s policies on campuses. The 4,000-member group, he says, includes over 1,000 members from Maranatha.”<sup>9</sup>

### 3. A ‘Jewish’ Connection

In its founding year, 1984, Reed’s campus evangelicals, Students for America, crowded into North Carolina for their main task, the re-election of Sen. Jesse Helms. Reed met his future wife at the Helms campaign’s victory party. Jesse Helms spoke at Reed’s Students for America 1985 national convention.

Why were Reed’s sponsors at Heritage Foundation and Council for National Policy so concerned with Jesse Helms? He was a far-right, opportunistic southern politician, managed by the sick racist Tom Ellis. But Helms was a demagogic populist. He made noises against the elites, against Kissinger, against Rockefeller. He was neutral on Israel.

Israel was now at the top of the imperial agenda. If you want to make people so crazy they will cheer for their own impoverishment and for unending war, get them to *hope* for the end of the world, coming through an Israel-centered final Battle of Armageddon ordained by God. And the most fanatical advocates of a new one-world empire at that moment were the “neo-conservatives,” with their special relationship to the fascist end of the Israeli political spectrum.

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9. Maranatha began recruiting what would eventually be Ralph Reed’s cult-troops by harvesting the burned-out drug users and sex freaks, the California human wreckage from the 1960s who had become “Jesus People.”

This was an international technology. Efrain Rios Montt was a pastor of California’s “el Verbo” (The Word) church, a zombie factory on precisely the Maranatha pattern, its victims drawn from the “Jesus Freak” street people. In 1982, Rios Montt headed the military junta that overthrew the government of Guatemala, becoming President from August 1982 to August 1983.

After North Carolina Jewish voters were inundated with anti-Helms messages, Helms was informed that he would have to “get with” the pro-Israel program. The gangster lawyer Roy Cohn, Bill Buckley’s pal, muscled into the Helms campaign planning. Cohn was to see to it that wealthy New York Jews did not fund Helms’ election opponent, if Helms joined with the Israel/End-Times alliance.

The Rev. Jerry Falwell, who had just gotten a private jet and the Jabotinsky medal from Israeli Prime Minister Menachem Begin, brought his Moral Majority cadres into a door-to-door crusade for Helms.

And televangelist Pat Robertson, a fanatical Middle East war advocate, was an avid supporter of Helms, who managed to secure re-election with this spiritual support.

After 1984 (and after his 1990 re-election under similar auspices), what may be termed traditional Republican conservatives were purged from the Helms staff, and the political machine of Senator Helms became a powerful international base for the most extreme theocratic rightists.

### The Networks Intertwine

The mid-1980s Reed enterprise was a small part of a first attempt at the nightmare regime that has come closer to success under the current Bush Administration.

Note that in 1984:

- Robert Weiner, who herded Maranatha zombies for Reed’s group, was on the CNP Board of Governors;
- Tom Ellis, for whom Reed’s group worked to elect Sen. Helms, had just been the CNP president (1982-83);<sup>10</sup>
- Gen. John K. Singlaub, co-founder of the CNP and the Reagan Administration’s designated procurer of covert, illegal funding of the Nicaraguan Contras, was as of 1984 chairman of the Nazi International’s “World Anti-Communist League,” in support of whose politics Reed drove his student members.

### The Christian Coalition, DeLay, and Bush

Students for America gave Pat Robertson its Man of the Year Award for 1988. At the awards dinner in January 1989, Reed sat down with Robertson and they began the

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10. The above-cited *Wall Street Journal* article informs us that CNP co-founder “Morton C. Blackwell, a former special assistant to President Reagan, says he suggested that the president write [a] letter lauding Maranatha. ‘I’ve not seen anything in their doctrine which is outside the Christian tradition,’ he says. Mr. Blackwell . . . currently holds intensive, two-day seminars to teach conservative young people how to become political organizers. So far, he says, about 10% of the 400 people who have gone through the seminars have been members of Maranatha. One of them, Claude Allen, directed young volunteers for the successful 1984 campaign to reelect GOP Sen. Jesse Helms of North Carolina.” Note that in January 2005, President George W. Bush chose this same Claude Allen as White House Domestic Policy Advisor, after Senate Democrats stalled Allen’s confirmation to a Federal judgeship.



*House Majority Leader Tom DeLay glad-hands with constituents in Texas. His rise to power was a project of shadow partners Norquist, Reed, and Abramoff. Abramoff became DeLay's financial manager, and supplier of funds from ripped-off Indian tribes.*

discussions which led to their forming the Christian Coalition later that year.

Executive Director Reed, prodigy of the world's most reactionary bankers, had access to money and political networks to start the Christian Coalition on a local and state level throughout the country.

The new organization soon got into gear with a neat, under-the-radar trick. The National Republican Senatorial Committee gave \$64,000 to the Christian Coalition—though the coalition claimed tax exemption as a 501(c)(4) social welfare organization<sup>11</sup>—in October 1990, just before the November election, to keep the captive Jesse Helms in the Senate. The group distributed 750,000 “voter guides,” mainly through churches, on the Sunday before the Tuesday election. Helms came from behind to win.

Reed's professional reputation was now assured. “I want to be invisible,” Reed gloated to the *Virginian-Pilot* in November 1991. “I paint my face and travel at night. You don't know it's over until you're in a body bag. You don't know until election night.”

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11. Ron Fournier of the Associated Press reported on June 10, 1999, that the Internal Revenue Service had concluded years of investigation by finally denying tax exempt status to the Christian Coalition, causing the group to carry out a legal reorganization, through which it sought to qualify some spinoffs as tax-exempt.

The 1994 “Conservative Revolution” takeover of Congress led to another rise in the influence of Reed and his allies. But the headline Revolutionary, the new House Speaker, Newt Gingrich, soon afterwards flamed out politically; and Tom DeLay steadily rose, with the special backing of the Christian Coalition.

DeLay's career and power became at the same time a central project for all three of the shadow partners, Grover Norquist, Jack Abramoff and Ralph Reed. DeLay was by no means a random point of interest.

Tom DeLay staggered into Washington as a freshman Congressman in 1984, a terrible drunk, his life dissolving. Rep. Frank Wolf (R-Va.) approached him with a road to salvation. He reportedly showed DeLay a videotape that made him weep. Tom DeLay then radically changed his life, turning his soul over to higher powers.

But by all reliable accounts, DeLay became a much nastier, a fearsomely un-Christian individual.

Frank Wolf represented an old “black operations” soul-robbing agency known as the **Fellowship Foundation**. Practicing secrecy on about the same level as the National Security Agency, the Fellowship does conduct one public function—it runs the huge annual Congressional/Presidential Prayer Breakfast in Washington, with similar events managed inside the Pentagon and at other government and military sites.



*Pat Robertson provides the public face for Ralph Reed's Christian Coalition, and is a leader of the effort to destroy the Constitutional framework of separated powers in the Federal government.*

The Fellowship Foundation (earlier called International Christian Leadership and a succession of cover names) was created before World War II by the organization of the pro-Nazi Frank Buchman.<sup>12</sup> Sen. H. Alexander Smith (R-N.J.), Buchman's lieutenant who in 1940 had called for a joint world dictatorship of the United States, Britain, and Nazi Germany, brought the Fellowship into acceptance in Washington. In the 1950s, the group was sponsored by former Nazi SS officer, Holland's Prince Bernhard, and the Dutch royal family.

The Fellowship runs a house near the U.S. Capitol, where Congressmen and Senators, who are members, live. For example, Sen. Sam Brownback (R-Kans.), the delirious End-Timer, has lived in the cult's house in Washington. Raytheon CEO Tom Phillips and other figures in the military-industrial complex, pay the bills.

The Fellowship specializes in taking over the lives of potentially powerful individuals who have become somehow ruined, and promising them dominion in the world if they will play along. Watergate dirty-trickster Charles Colson, when he was on his way to prison and suddenly powerless, was recruited, and turned his life over to the Fellowship. Colson's Prison Fellowship Ministries is a subordinate unit of the cult, with its tentacles in most prisons in the United States.

After Tom DeLay was zapped, Charles Colson became DeLay's personal guru. Colson's militancy for the End-Times war on Muslims has made him a congenial companion to Jack Abramoff in their keeping of DeLay—Abramoff has repeatedly led Tom to Israel to call for all-out war against the Arabs.

And Christian Coalition co-founder Pat Robertson was himself a product of the Fellowship magic.

Robertson was the good-for-nothing playboy son of Sen. A. Willis Robertson (R-Va.), the chairman of the Senate Finance Committee. Pat began speaking in tongues and uttering prophecies under the guidance of Harald Bredesen, a master

training agent of the Fellowship group, who had proved himself to the highest circles of British intelligence. Pat Robertson started off as assistant pastor to Bredesen, whose intelligence partners, the Full Gospel Businessmen's Fellowship, raised the money to expand Robertson's and Bredesen's Virginia-based Christian Broadcasting Network (CBN) toward global power status.

In the 1990s, Abramoff became DeLay's main financial manager, the principal architect of the system of political action committees through which Enron (and later donors, such as Abramoff's Indian casinos) made DeLay a colossus. Grover Norquist handled the DeLay/Abramoff machine's relations to Washington's K Street lobbyists and more of the big money.

Ralph Reed moved on in 1997, after eight years as Christian Coalition executive director, and set up in business as a private consultant.

Reed's reputation as a cold-blooded political hit man made him a desirable potential leading operative for the circles then preparing to run Texas Gov. George W. Bush for President. But in the first stage of that project, the junior Bush was to be portrayed as a "compassionate moderate," so Reed could not be brought aboard right away. Could he be kept in the orbit of the Bush managers, and kept happy until needed?

The *New York Times* reported that Bush planner Karl Rove got in touch with the Enron corporation about Reed's virtues, and that Enron thereupon signed up Reed as a consultant. But Reed boasts that while Enron paid him to push Enron's deregulation agenda through the political process, the Bush campaign simultaneously paid him. From early 1999, Reed's Century Strategies was "one of the primary firms used by the campaign."

Reed stayed on with Enron, taking in about \$300,000, until Enron blew up, and the state of California, looted by Enron's deregulation scheme, went into a bankrupt decline.<sup>13</sup>

In the 2004 election, Reed officially ran the Bush-Cheney campaign in the southeastern U.S.—the Old South. Using Christian Coalition networks he still deployed, Reed was a

13. The international financial community pushed hard in the mid-1990s for individual states to allow deregulated looting of the electricity market by energy pirate companies. Enron, bolstered in Washington by Tom DeLay, was the bankers' main political lobbying vehicle for that end.

DeLay became House Whip in 1994, and he then created his first "leadership PAC," Americans for a Republican Majority (ARMPAC), devoted to paying for the election of anti-regulatory politicians. Enron hosted ARMPAC's first fundraising event, in DeLay's hometown of Houston. Of the \$280,000 that was initially raised, the amount that came directly from Enron is secret; but Enron chief executive Ken Lay gave at least \$50,000, and Enron's vice chairman kicked in \$25,000, and Enron soon contributed more than a half million—a large part of the money that DeLay distributed from ARMPAC to pro-deregulation campaigns. Under pressure principally from Enron, California passed the nation's first state electricity deregulation law in 1996. Other states soon followed suit, bowing to the Texas-Washington power axis.

12. See Laurence Hecht, "H.G. Wells and Bertrand Russell: The 'No Soul' Gang Behind Reverend Moon's Gnostic Sex Cult," *EIR*, Dec. 20, 2002.

## George W. Bush Funds Faith-Based Fascism

One of the major vehicles which George W. Bush has used to recruit the foot-soldiers in his state-based religion is his White House Office of Faith-Based and Community Initiative. Bush created this office in 2002 by Executive Order, after the Congress refused to pass legislation which would permit him to transfer government programs to government-paid private religious entities.

Through this vehicle, the Bush Administration has handed out billions of dollars (\$1.17 billion in 2003 and \$2 billion in 2004), according to its official reports, to church groups and charities which are now beholden to the Federal government. So far, the agencies dispensing these funds are the Departments of Health and Human Services, Housing and Urban Development, Justice, Labor, Education, and Agriculture, and the Agency for International Development. The White House claims that up to 10% of all Federal grants (excluding the formula-based grants to states) went to “faith-based organizations” in 2004, up from 8.1% in 2003.

That’s a lot of money for the GOP’s “Get Out the Vote” fund (or, perhaps, “fundeeds”).

President Bush addressed 250-300 representatives of “faith-based organizations” in Washington on March 1, on the eve of the vote by the House of Representatives on a bill which would permit religious organizations receiving job-training grants to make hiring decisions on the basis of employees’ religious beliefs—that is, the bill would exclude religious groups from the anti-discrimination laws enacted under civil rights legislation. Bush threatened, that should the House not pass the bill—“The Job Training Improvement Act,” which Bush is marketing as “charitable choice legislation”—he will continue to put the bill’s provisions into effect, under an Executive Order he issued last year. The Job Training Improvement Act did pass on March 3.

Bush’s speech to those he called “leaders in the armies of compassion” was one long threat to mow down those who refuse to “change America” along his desires. The “culture” of opposition in government that is unfriendly to faith-based organizations will be taken on. Bush said that states and municipalities are dragging their feet on the faith-based front. I told the governors they need to set up faith-based offices, when I met them on Feb. 28, he said.

—Nancy Spannaus

chief coordinator of the Bush national strategy for mobilizing religious mobs and demoralizing minority voters.

### Target: Congress

During the first George W. Bush Administration, Congress was for the most part neutralized. As a result, the blatant

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In 1998, the year after Reed came aboard Enron’s team, Enron lobbyists met with DeLay at his Texas home, and planned with him a national campaign to roll back Federal energy regulations. Enron paid \$750,000 to two of DeLay’s lieutenants—his chief of staff, Ed Buckham—an ordained evangelical minister—and ARMPAC consultant Karl Gallant, who together had formed a private company, Alexander Consulting Group, to run a nationwide crusade for electricity deregulation. The Enron-DeLay arrangement was disguised under the front-group name, Americans for Affordable Electricity. Enron soon hired the DeLay men directly, Buckham for a total of \$370,000, Gallant for \$200,000.

By 2002, Enron and California and thousands of piracy victims were bankrupt . . . and DeLay was crowned House Majority Leader, the wielder of Congressional power without historical precedent.

Buckham, Gallant, and a crew from DeLay, Inc. and The Fellowship continue to run the Alexander Strategy Group as a cosmically connected, nominally private lobbying arm of the DeLay Congressional dictatorship. One Alexander Strategy Group partner, Brian Darling, became a Senate aide—but resigned when he was exposed as the author of the notorious memo on how the Republicans could take opportunistic political advantage of the 2005 Terri Schiavo “feeding tube” case. Republicans had earlier accused Democrats of concocting the memo.

lies that led to the Iraq War, the Abu Ghraib torture policy, and the Ashcroft assault on civil liberties, went essentially unchallenged.

In the Senate, the presiding officer, Vice President Dick Cheney, has been known as “the woodshed”; members who get out of line are sent to him to be whipped.

DeLay has ruled the House of Representatives, installing his own former aide, Dennis Hastert (R-Ill.), as House Speaker in 1999, and making himself Majority Leader in 2002. Known as “the Hammer,” DeLay’s office is decorated with an Old-South-style bullwhip.

- His sponsors created slush funds for secret contributions to be given out to Republican candidates who would be under his sway, and withheld from those who crossed him.
- He took control of the Texas legislature (his candidates getting allegedly illegal corporate campaign contributions that got three DeLay aides indicted), in order to rig Texas Congressional District lines to increase his power in the House.
- The House Ethics Committee repeatedly admonished DeLay, so the Republican chairman of the committee was fired, and two other Republican committee members were kicked out, all replaced by DeLay allies; the House ethics rules were changed to protect DeLay from challenges.
- Democrats have been excluded from the conference



committees which prepare the final version of Congressional bills, such as budgets, so that whatever happens in floor debate or votes, DeLay, Cheney, and their lieutenants privately decide all matters of importance.

Reed played a particularly ugly role in the emasculation of Congress. As chairman of the Georgia Republican Party in 2001-02, he personally coordinated two obscene 2002 campaigns: African-American Democratic Congresswoman Cynthia McKinney, a courageous critic of the regime's coup process following the Sept. 11, 2001 attacks, was slandered as "anti-Semitic" and driven out of Congress; and Reed defeated Democratic Senator Max Cleland, who had lost an arm and both legs in Vietnam, depicting Cleland as unpatriotic and helpful to terrorism.



*Michael Farris, founder of the pro-theocracy Patrick Henry College in northern Virginia, has jumped into the attempt to castrate the judicial branch of government.*

## Target: the Judiciary

With the tempo of public attacks against DeLay rapidly increasing in recent months, he and his state-religion entourage have jumped out to incite mob actions against the judicial branch of government.

Pat Robertson demanded Congressional rule changes or a Constitutional amendment, to disable opposition to confirmation of state-religion fanatics as judges. Using judges who declined to order reinsertion of Terri Schiavo's feeding tube as a pretext, DeLay threatened, "the time will come for the men responsible for this to answer for their behavior." Sen. John Cornyn (R-Tex.) chimed in that the perception that judges are making political decisions could lead people to "engage in violence."

DeLay was the featured speaker to an April 8, 2005 lynchmob-style meeting entitled "Confronting the Judicial War on Faith," run by DeLay's hard-core Texas supporters (calling themselves the Judeo-Christian Council for Constitutional Restoration). "Our next step, whatever it is, must be more than rhetoric," DeLay told the meeting. Michael Schwartz, chief of staff to Sen. Tom Coburn (R-Okla.), said there, that if a judge misbehaves, "then the judge's term has simply come to an end. The President gives them a call and says, 'Clean out your desk, the Capitol Police will be in to help you find your way home.'"

According to the *Washington Post* (April 9, 2005), lawyer Edwin Vieira told the meeting that Soviet dictator Josef Stalin "had a slogan, and it worked very well for him, whenever he ran into difficulty: 'no man, no problem.'" So that no one would miss the point about killing judges, Vieira adverted twice to this Stalin adage about the killing of opponents (the full Stalin quote is "Death solves all problems:

no man, no problem").

Home-schooling advocate Michael P. Farris of Virginia told the DeLay meeting that Supreme Court Justice Anthony Kennedy should be impeached, and that Congressmen who won't impeach him should themselves be impeached. He said judicial power should be nullified by abolishing the use of binding judicial precedents, by allowing Congress to vacate court decisions, and by mass impeachment of judges; and if "about 40 of them get impeached, suddenly a lot of these guys would be retiring." The political point was not left to the imagination. Farris said, "Medicare is a bad idea," and "Social Security is a horrible idea when run by the government."

Farris was the founder of the pro-theocracy Patrick Henry College for home-schooled students, in northern Virginia. The school's namesake, American Revolutionary-era politician Patrick Henry, tried to impose some form of state-enforced religion under Virginia law, which was bitterly opposed by Thomas Jefferson and James Madison. Seeing Patrick Henry as a cheap demagogue, Jefferson wrote to Madison on Dec. 8, 1784, joking that "What we have to do I think is devoutly pray for his death." Jefferson and Madison successfully pushed through a Virginia ban on government involvement in religion<sup>14</sup>—a model for the similar clause in the U.S. Bill of Rights.

Before us in the coming period is a plain test, whether the Founders' beautiful work will be preserved, and the present threat to the life of the republic will be overcome.

14. "Statute for Religious Freedom," passed by the Virginia Assembly, Jan. 16, 1786.

# *A New World Economic Order*

It was much to the chagrin of the financial “experts” at the International Monetary Fund (IMF) and the World Bank, that Argentine President Néstor Kirchner decided to tell the unvarnished truth during his April 13-14 visit to Germany. Kirchner is essentially a *persona non grata* with the IMF, not to mention their private banking compadres, because he has defended his country tooth and nail against the demands of international predators like the vulture funds, with a certain amount of success. Yet, while playing hard ball with private creditors, Kirchner has, up to this point, paid his country’s debts to the IMF.

Now, with the IMF threatening to pull the rug out from under his hard-won victory against the vulture funds, Kirchner is taking off the gloves. Speaking from Berlin on April 14, at the Friedrich Ebert Foundation, Kirchner said that his country had been through “one of the worst socio-economic catastrophes in our history, which exploded at the end of 2001.” He went on to say that this catastrophe “was the product of a political-economic model at the service of proliferation of the corrupt, *genocidalists*, and thieves.”

Kirchner was not exaggerating when he used the word “genocidalist,” a term which economist Lyndon LaRouche has also not hesitated to employ, to describe the IMF. Under the tutelage of that institution, food- and skill-rich Argentina went from being a prosperous producer nation, to being an economic disaster, populated by children who are forced to root through garbage cans in order to obtain their daily food. In the 1980s and ’90s, Argentine governments all “followed the rules,” straight into their financial and economic breakdown-crisis of December 2001.

During his term in office, starting in 2003, Néstor Kirchner has not only had to deal with the consequences of that breakdown, but also with the obstructionist and malevolent behavior of the IMF. IMF officials, such as Anne Krueger (reputed to be Freddie Krueger’s mother), have excoriated the Argentine President for acting to increase wages, refusing to carry out even more draconian budget cuts, and resisting the murderous demands of both private cartels (such as Royal Dutch Shell and other oil companies) and international bankers. Kirchner has had to maneuver and

compromise, but he has not backed down.

After Argentina was successful this Winter in reaching an agreement on a debt writedown on \$82 billion in defaulted debt, with the agreement of 76% of its foreign bondholders, the IMF then moved in to sabotage the deal. Kirchner got mad and threatened to default on the IMF. The issue is not resolved. The war is intense.

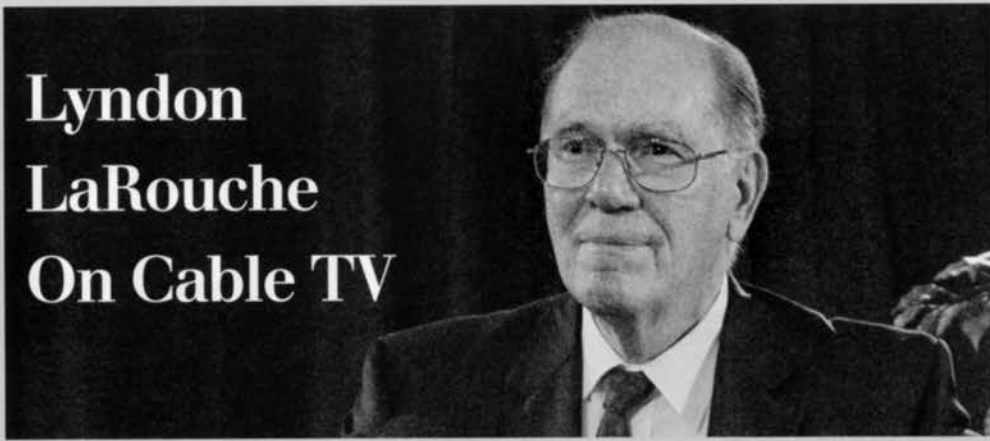
There is no way Argentina can ultimately win this war on its own, of course, and Kirchner knows it. After a meeting with German Chancellor Gerhard Schröder, he insisted that the IMF requires “a restructuring.” He added that Argentina would participate “actively and constructively on behalf of a new world economic order, without renouncing autonomy in its decision-making.”

A “new world economic order” based on principles of sovereignty and economic justice is precisely what is needed to solve Argentina’s problems, and those of every nation. Nations can resist the insane demands of the IMF, but, without a new structure for international economic cooperation, a large portion of the world community cannot get access to the credit and resources which it needs in order to build its way out of crisis.

It is in this context that the importance of the recently passed Italian resolution for establishment of a new world monetary system, modelled on that proposed by Lyndon LaRouche, can be seen. Under the principles indicated in that proposal, nations would agree on a new system of economic cooperation which penalizes speculation, and promotes the development of the “real economy,” physical economic growth for the prosperity of peoples. The kind of theft which major banking institutions carried out against both Argentina, and the small investors of Italy, are attacked in the Italian resolution, as representing the evils which must be ended in a new, just financial system.

During his webcast April 7, LaRouche addressed the core issue, saying that “the time has come, where in Italy our friends in the Parliament have struck a blow for freedom, for all humanity, in calling for a new financial architecture.” To the extent other nations follow Italy’s lead, the days of the “genocidalists” at the IMF are numbered.

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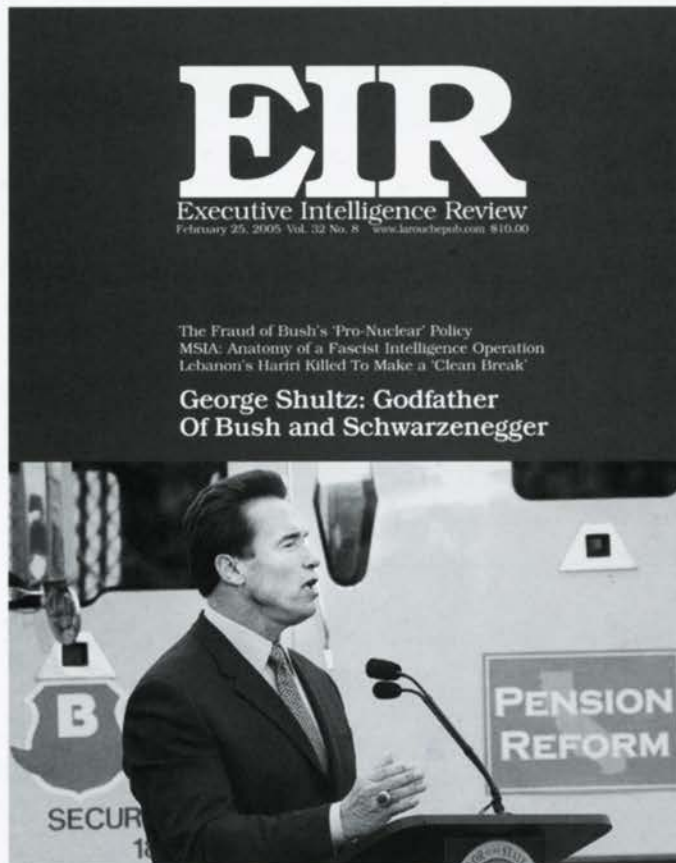
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