

# EIR

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Will the BAE Scandal Bring Down Dick Cheney?  
Subprime Losses Fell Hedge Funds, Threaten Pensions  
PLO Advisor: Without Water There Can Be No Peace

**LaRouche Takes On BAE:  
World's Biggest Loose End**



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# EIR

## From the Assistant Managing Editor

‘T his is going to strain some of you a bit,’ Lyndon LaRouche declared at the opening of his June 21 webcast (see *Feature*). Indeed, with most people struggling just to get through each day, as the world around them spins out of control, it might seem that LaRouche’s demand that we express our humanity by discovering and imparting universal physical principles, is asking too much. Yet, it is precisely because we continue to cling to failed axioms about how the world works, that things have reached this point.

For example, how many of you accept the fact that increasing numbers of U.S. cities and states promote gambling to fund their budgets? And that our entire financial system is based on gambling? If you doubt it, check out where your pension fund (if you’re lucky enough to have one!) is invested. As Paul Gallagher points out in our *Economics* lead, pension funds are about to be sucked into the biggest black hole ever, as the hedge-fund-triggered financial blowout detonates.

And how many of you are aware of the sensational scandal that has erupted in recent weeks over the British aerospace firm BAE Systems? As Jeffrey Steinberg writes in this week’s *Investigation*, the “Scandal of the Century” could bring down Dick Cheney, and is already being probed by the U.S. Justice Department. Going far beyond the public record on BAE, is EIR’s continuing investigation, including the links of Saudi Prince Bandar, who is at the center of the BAE scandal, to 9/11.

If you are willing to entertain a further assault on your closely held assumptions, do read our interview with Dr. Shaddad Attili, an advisor to the PLO, who, like LaRouche, and unlike most so-called “experts,” sees the question of water as the key to Middle East peace. And before you mutter, “Oh, things will never change,” check out the exciting developments in Denmark, in support of great infrastructure projects, as part of the global land-bridge.

As LaRouche said at the webcast: “They don’t yet have a world dictatorship. And therefore, we, as citizens of the United States and other nations, have to act and say, ‘We’re not going to let you *have* that power! *We’re going to stop you, now!*’”



## Cover This Week

*Lyndon H.  
LaRouche, Jr.  
addresses a  
Washington  
webcast on  
June 21, 2007.*



EIRNS/Stuart Lewis

### **4 BAE: The World's Biggest Loose End**

Lyndon LaRouche, addressing a Washington webcast, laid out the strategic significance of the scandal surrounding British defense giant BAE Systems, its bribery of Saudi Prince Bandar, and the role of Dick Cheney and others in creating a \$80-100 billion slush fund for use in covert operations, over two decades. This scandal occurs at a time of global financial collapse, “the end of a period of history,” LaRouche said. The BAE affair provides us with the opportunity to act—starting with the impeachment of Cheney.

But in addition to this strategic briefing, LaRouche did something “rather different” this time, as he explained. He delved into the core scientific/epistemological issues—from Nicholas of Cusa to Einstein—ignorance of which has prevented citizens and leaders from acting effectively to save their nations. “I’ve not said this in this form, in this kind of audience, because it would not have been appropriate earlier,” he said. “Why? Because the public was not scared enough, and not shocked enough, to realize that changes had to be made.” But now, the time is here.

## Investigation

### **34 Will BAE Scandal of Century Bring Down Dick Cheney?**

This is a London scandal, not a Saudi scandal, since it reveals the way the inner system of Anglo-Dutch power operates. Cheney is in deep trouble with his London friends, because he was supposed to prevent the real story of the BAE scandal, the existence of a \$80-100 billion secret fund, from ever seeing the light of day.

### **37 Is the Sun Setting on Bandar's Covert Career?**

### **39 Prince Bandar and 9/11**

### **40 Chilean Fascist Pinochet Was Also BAE's Man**

### **41 Will BAE Scandal Sink U.K. End Run on U.S. Arms Law?**

## World News

- 42 Missile Defense: Cheney's Nuclear War Doctrine**  
Vice President Cheney is implementing a new, offensive nuclear warfare doctrine designed to promote an Anglo-American military empire. And Russian President Putin knows exactly what he is up to, and has outflanked him—at least for the moment.
- 44 India-U.S. Military Alliance Threatens Trilateral Cooperation**
- 46 Behind the GOP/FBI Vendetta vs. Murtha**  
The White House got caught with its pants down when it tried to close down the National Drug Intelligence Center, solely because it is in the district of Iraq War opponent Rep. John Murtha (D-Pa.). Just last year, the White House had praised the work of the NDIC.
- 48 75th Anniversary of FDR's Nomination: At the 1932 Democratic Party Convention, Roosevelt Calls for a 'New Deal'**  
After winning the Presidential nomination in 1932, Roosevelt addressed the convention—the first time a nominee had done so—because he believed that the American people had lost faith in their government, in their leaders, and in themselves, and needed to see decisive leadership so that control of the party could be wrested from the bankers who ran it.
- 49 FDR: 'Restore America to Its Own People'**  
The full text of Roosevelt's speech to the Convention.

## Economics

- 54 Subprime Losses Fell Hedge Funds, Threaten Pensions**  
Some big hedge funds have started to fall apart because of the U.S. subprime mortgage meltdown, leading to warnings of a systemic financial blowout.
- 56 PLO Policy Advisor: Without Water, There Is No Viable State, No Peace**  
An interview with Dr. Shaddad Attili.
- 61 Danish Maglev Plan a Challenge to Germany**

## Book Reviews

- 37 Is the Sun Setting on Bandar's Covert Career?**  
*The Prince: The Secret Story of the World's Most Intriguing Royal*, by William Simpson.

## Interviews

- 56 Dr. Shaddad Attili**  
Dr. Shaddad Attili is a Policy Advisor on Water and Environment, for the Negotiations Support Unit of the Palestine Liberation Organization, Negotiations Affairs Department. Trained as a geologist, he was recently appointed as the head of the Palestinian delegation on the Steering Committee of the Red-Dead Canal Feasibility Study.

## Departments

- 63 Banking**  
Wall Street's Toxic Waste.

## Editorial

- 64 Cheney on the Ropes**

**Correction:** The headline of the interview with Dr. Nils-Axel Möerner in the June 22 issue of *EIR* should have been: "Claim That Sea Level Is Rising Is a Total Fraud."

## LAROUCHE WEBCAST

# BAE: The World's Biggest Loose End

*Lyndon LaRouche delivered an international webcast on June 21 in Washington, D.C., which was broadcast in full over the Internet, on [larouchepub.com](http://larouchepub.com) and [larouhepac.com](http://larouhepac.com), where it is archived. Some 200 people attended the meeting in the nation's capital, while hundreds more participated over the Internet. An expansive two-hour discussion followed LaRouche's opening remarks. Here is an edited transcript.*

**Debra Freeman:** Good afternoon. On behalf of the LaRouche Political Action Committee (LPAC), I'd like to welcome all of you here today. My name is Debra Freeman, I'm Mr. LaRouche's spokeswoman here in Washington and nationally.

Since the last time we gathered in Washington, Mr. LaRouche has certainly been very busy. Just prior to the G-8 meeting, Mr. LaRouche visited Russia and did a series of appearances there, the results of which I think were reflected in the G-8 meeting, and which we will discuss during the course of today's discussion. Mr. LaRouche visited Italy, where he had the opportunity to speak with members of the Italian Senate, and again, the results of that trip were reflected in events internationally.

But probably no story is more compelling right now, than the scandal that broke at the G-8 meeting, the scandal surrounding BAE, which some people here in Washington are calling the "Scandal of the Century," despite the fact that there is almost no discussion of it in the U.S. press. The implications and what is behind that scandal, I think will be a subject that will merit much discussion during the course of this afternoon.

I know people are very anxious to hear Mr. LaRouche, and I know that Mr. LaRouche is anxious is to talk to you. So, without any further introduction: Ladies and Gentlemen, Lyndon LaRouche.

**Lyndon LaRouche:** As the BAE scandal mounts, even in the U.S. press now, the time has come, as the Walrus said, "to

speak of many things"—not of cabbages, but of kings.

What I'm going to do today, corresponds to the reality of the occasion: that things which I have said in other locations earlier, as in classes and various programs, will be reflected here, but they have not been presented in this way, before an audience of this type, an international audience of this type. So, this is going to strain some of you a bit, because we're dealing with areas in which the problems that confront mankind are mankind's acceptance of certain things as being assumably true, almost self-evident; and confining what they think is possible, to what they consider to be self-evidently true. And suddenly, what they consider to be self-evidently true, is no longer true! *And really never was.* But its truth has caught up with them.

We have come to the end of a period of history. The BAE crisis expresses that, reflects that—does not embody it, but expresses it symptomatically.

Now, we've come to the point, therefore, that where people have ordinarily operated, especially in the present generations, on the assumption that some things were self-evident, that you would start from agreement to self-evident things that almost everybody, considered educated or influential, believed. And that these things would persist and go on forever, more or less. And therefore, we need not worry about the need to make sudden deep-going changes in current policy, we merely had to adapt to variations in terms of the current trend. It's like the people who believe in the principles of Euclidean geometry. Now, Euclidean geometry was, from the beginning, a farce—in fact, it was a fraud, which many people have believed ever since. It's like modern Cartesian thinking. Most thinking about economics today, among professional economists, involves a more or less insane version of Cartesian thinking. That is, a mechanistic, statistical thinking where you start from certain statistical assumptions and project these out and say, "What date is the crash coming?" or "What date is

this going to happen?” or “What date is that going to happen?” And society doesn’t function like that. But people believe that.

## A Financial System Based on Gambling

As a matter of fact, the great danger of a financial crash today, is that most people, in what they call economics, believe actually not in economics: They believe in gambling. It’s called a financial system. It’s a gambling system. And people understanding that, ever since Galileo came up with this idea about gambling as the basis of discovering how markets would work, everyone has tried to get a better statistical system for gambling. Like breaking the bank at Monte Carlo, making a killing at Las Vegas, probably one’s own. And therefore, these guys who are running the financial world today, depend on the assumption that they’ve got a “better system”—as they used to have at the race tracks, a “better system” for handicapping the horses. And it would really handicap the bettor, in the end, as he found himself on the street without cash—and being pursued by his lenders.

But what you’ve got today, as was typified in the calamity that occurred in August through October of 1998, was that the bettors now rely upon mathematics. And computers have helped them to do this: They can now bet faster, they can do mathematics faster than ever before, statistics faster than ever before. But they’re all trying to find the best system of gambling. And they’re all competing to get in on what they believe is the best system of gambling. The result is that, when all the gamblers come close to the same system of gambling against each other, but they’re all gambling according to the same formula, what happens? They all go down together, in one big flop!

And that is what we saw a forecast of, in the events of the LTCM collapse in 1998: a general collapse of the system based on confidence, and competition, using the same system, as a world system *which doesn’t work at all*. And they all went bankrupt.

And President Clinton and his Secretary of the Treasury [Robert Rubin] collaborated with others to organize a bailout,



Portrait by Ottavio Leoni, 1624

*The financial system has been a gambling system ever since Galileo (inset) came up with the idea of gambling as the basis of discovering how markets work. But what happens when they’re all gambling according to the same formula? “They all go down together in one big flop!” Here, the Chicago Board of Trade.*



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to postpone the inevitable collapse of the entire world system, which was implicit in what happened in September-October of 1998. We have never paid the bill for that bailout. We have been bailing things out more and more ever since. And we now have reached the point, that the system is about to collapse.

And the BAE collapse is not the cause of the problem, it is a symptom of the problem: Is that more and more, under a system which was established, a change in the system established with the election of a non-person as a President, George W. Bush, Jr., under his chimpanzee keeper, the Vice President, that the world was being run, more and more by what is behind the BAE. The BAE is actually better known as the British Empire. Some people call it the “Brutish Empire.”

Now, not all the people in England are guilty of this. Many of them, even who are Brits or who believe in the imperial system, or the British Empire, or whatever, think that what is being done now by BAE is insane. They think that other things are insane: They know that the idea of global warming is a

hoax—they know that. They know it’s totally unscientific, and could not be sold to a society in which science was still known as a subject for most people of that generation. And therefore, not because they are anti-British, but because they know that the system which is being run by the Blair government and its associates in the British system, being run by Blair’s friend Cheney, and others, that this system is clinically insane. And therefore, they object to it. And they raised objections to it, which are registered in places like the London *Guardian*, called Guardian Unlimited these days, and the British BBC, and other locations.

There was virtual silence on the subject of this, at least to its substance, inside the United States itself. It was only in the past three days, that there has been any appearance in the major English-speaking American press, of *anything*—even hinting at what has been the *ongoing reality of this Bush Administration, since before the President was sworn in, in 2001*. The world has been living under a system, which is the 9/11 system, which already existed, as I warned at the beginning of 2001, *before* President George W. Bush was inaugurated for the first time in January of 2001. Where I said: The world system has reached the point, that an onrushing collapse of the system is now in process. We can not determine exactly when or how this will occur, but we know the following two things: Number 1, we know that this President and this Presidency can not deal with this crisis. *Therefore*, we must expect that the entire world will be subjected to the kind of thing we experienced in February of 1933, when Hermann Göring, the man behind the throne, the sort of Dick Cheney of the Hitler Administration, orchestrated the burning of the Reichstag as a terrorist event. And this terrorist event was used on that night, or the following day, to install Hitler with dictatorial powers, which Hitler never lost, until the day he died!

And I said then, the danger is that something like this *will occur*, under present trends in the United States, and it *did occur*: And it was called 9/11.

Now, without going into the details of what we know and what we don’t know about how 9/11 was orchestrated, we know that the only means by which this kind of thing is orchestrated, is found in *one* location: in a financial complex which is centered in the identity of the BAE. Now, that’s the mystery of 9/11. How it was done, the mechanics—that’s irrelevant. We’ll find out. And everybody in and around government, who understands these matters, knows that! And that’s where the heat is here.

We’ve come to the point, that an entire system, is collapsing. That system, at this point, because of the complicity of the present U.S. government, and the complicity of the leadership of the Democratic Party, as well as the Republican Party, because of this, we are living under a one-world system, called generically “globalization.” It’s a preparation for the new Tower of Babel, under which there are no nations, and in which languages begin to become babble.

Under this system, what controls it? It’s called “globaliza-

tion”; it’s called the “global warming crisis”; it’s called these various kinds of things, referring to these things. It’s a one-world system! It is not consolidated, but every obstacle to this one-world system is crumbling. Every government of Europe—and you will see soon in France, that this is also true, there—every government in Central and Western Europe is today ungovernable. They may or may not be called, at the present time, “failed states.” But they are at the brink of being failed states, which can no longer govern themselves. They are in the process, in Europe, of surrendering, from the Russian and Belarus border westward, they’re surrendering their powers of government, to international agencies and supranational agencies. Germany, since the passing of the Schröder Administration, no longer really governs itself. Italy is struggling to maintain an appearance of government, under conditions in which government is not possible as long as the euro continues to exist. France: We saw the newly elected President of France, Sarkozy, had a meeting with the President of Russia, and came back giggling like a silly girl on a drunk.

You’re in this kind of world!

## **We Live Under a Dictatorship**

Now, there are other characteristics of this world. We have entered into a period of generalized warfare. Now, this did not start now. What we’re seeing now is the culmination of a process which has been going on, actually since the time that Kennedy was shot. Since the time that Kennedy was shot, there’s been a change in world politics, a change in direction in world politics, which was signaled by the launching by the U.S. war in Indo-China. And that led into what became 1968, which was the general breakup of the Democratic Party, and you had a new kind of government under parties since then.

The lower 80% of the U.S. population, the adult population, which had had a dominant influence under Roosevelt, and continued to have a strong influence in the United States until that point, began to lose its power. The upper 20% of family-income brackets are the ones who control politics today. And the upper 20% that control politics today, are controlled by an upper 3% that control the greatest concentration of money we’ve ever seen percentile-wise in world history.

We live under a dictatorship, in which the lower 80%, the conditions of life, in our own country, are that nature. And the Democratic Party reflects that. It no longer responds to its own political base. The Republican Party is, in a sense, breaking up. Because they can not accept the Bush Administration and what it represents. And it’s looking for a new destiny, either in one of several directions, and there may be an upheaval. You have candidates, including Presidential candidates in the Democratic Party for whom I have personal respect as individuals, intellectually. But their performance as candidates, so far, is *no less than disgusting!* Especially given the real conditions.

You have a majority of the Democratic Party base, is call-

ing for the impeachment of Cheney—suddenly. They want a sudden impeachment, not a long process. And that could be arranged for them. You could walk to Cheney with the right message, and you say, “Dear Dick...” And he would go out with a sour face the next morning and say, “I’ve decided my potato patch is being neglected. I’ve got to resign and get back there and take care of those potatoes!” That’s the way a corporate president usually goes out suddenly, you know. He’s suddenly got an urge to get back to the potato patch. And they let him do that. And everybody knew he’d been fired. So, a message that he could not refuse would be given to Cheney. He would not be impeached; he wouldn’t have to be impeached, he’d resign. And that could be orchestrated, if you wished to do that.

If the Democratic Party had the *guts*!

But the Democratic Party can’t function. Why? Look at all the money that is being spent on the Democratic candidates? Whose money is it? It’s your money, they don’t have. It’s fake money! It’s hedge fund money. It’s borrowing against banks and other institutions now, to create a mass of credit, which is fake credit—it’s a promissory note—to go out in the world, and say, “We’re going to buy this, we’re going to buy that, and we’re going to buy that. We’re taking over your corporation!” Why? “We’re going to buy your stockholders. And therefore you can’t prevent us from taking over your stockholders. *We have a mass of money that says, we can buy your stockholders.* Therefore, we own your corporation: Turn it over, buddy! Turn it over, buddy!” They don’t have real assets there! These are fake, inflated assets—largely artificial. And they move in, as these hedge funds, and they take over.

Well, what’s the center of this thing? The center of this is the Cayman Islands, the British monarchy’s Cayman Islands and similar locations run by the same organization, the British Empire, in its modern form, which is expressed by BAE. And a few hundred billion dollars, which are associated with BAE-related operations, now become multiplied by these kinds of markets into a gigantic fund, which controls, in financing, many of the operations which are controlled. And look at the contributions to the Democratic Party candidates, and Republican candidates, for President! Look at the composition of the funding for these candidacies! Look at the funding of the Democratic National Committee, the campaign committee: Who’s doing it? George Soros? Well, he’s one thing. Nazi Felix Rohatyn, that’s another thing. He’s nominally a Democrat. He’s a Pinochet Democrat! He’s the guy who headed up a financial institution which was the backing of Pinochet’s taking over and setting up a dictatorship in Chile. And Pinochet was an integral part of BAE, and the operation. He was also part of a death squad operation which ran across the Southern Cone of South America, and these kinds of things.

So, we’re in this kind of period. Now, this didn’t start recently. But we’re seeing now, this culmination of a concentration of power under the Bush-Cheney Administration, a concentration of power under the leadership and control of the

powers that control the British Empire. That’s the situation. *This empire*, this gambling system, is now in a process of collapsing. It’s at the verge of collapse. It is therefore *moving*, to take total world power. Because if you take total world power, then nobody can say otherwise. And your problems are solved: You decide what money is and what isn’t, because you have a world dictatorship.

*They don’t yet have a world dictatorship.* And therefore, we, as citizens of the United States and other nations, have to act and say, “We’re not going to let you *have* that power! *We’re going to stop you, now!*”

And history intervenes at times, to present us with the opportunity to do this, the occasion to do this. That time is now. And that’s what my subject is today.

And therefore, because of that, what I shall say to you today, is rather different than what I have said, in terms of quality of subject matter in public occasions of this type, earlier. Because what I said earlier, which I’ve said to smaller audiences, in print, and so forth, internationally, repeatedly, and I’ve said it plainly enough, I’ve not said in this form, in this kind of audience. Because it would not have been appropriate earlier. Why? Because the public was not scared enough, and not shocked enough, to realize that changes had to be made.

## The Difference Between Man and Monkey

You know, people are not as smart as they think they are. Human beings have great powers of intelligence that no other living creature has. They create science, they create the mastery of the universe, they create the changes in culture, which raise the conditions of life of mankind. But sometimes, they behave like silly children. And the more adult, and the more adulterated they become... [video clip of chimpanzees] the more “perfect” their childishness becomes!

Now, what form does this take? We have a basement operation out there, nearby, and people have been going through in groups of five, six, or seven, at a crack, in reliving the experience of making the fundamental discoveries, a linked series of fundamental discoveries which embrace the entirety of scientific progress of European civilization, from the time of the ancient Pythagoreans, about the time of the 7th Century B.C., up to the present time; or up to a recent time, when we still practiced science. And so, we have young people going through, step by step, working through, experiencing—not being taught, to pass an examination on this subject or that subject—but going through the process of making discoveries themselves, which are a replication of the experience of earlier scientists, and making the discoveries on which the scientific achievements of European civilization, globally, have depended. From the time of the Pythagoreans, from the time of Solon of Athens, the time of Thales, up to recent times. The achievements of progress of European civilization, with fits and starts all along the way, especially those of modern civilization.

Now, therefore, in dealing with the difference between



man and the monkey, as the core of what I'm talking about today: That we have to get beyond the assumption that what we have experienced, and what has become generally accepted opinion, so-called "self-evident rules of behavior," of the recent generation, or the recent one or two generations, the idea that this "self-evident knowledge," which is taken as self-evident, as common sense among most people in society—this is nonsense. But people believe in it. And they believe that there's no possibility of a course of action, which could occur, which would be accepted, would be allowed to occur, outside the framework of so-called "self-evident truths." Which generally broke down to "generally accepted current popular opinion."

So therefore, when you present them with evidence, that the present *system* itself, the system to which they are accustomed, is in a process of self-destruction and collapse, they say, "Ah! You're silly! You must be some kind of a nut—what's this?" They will say, "Everybody knows you're wrong!"

But it's the *system* that's wrong! And what everybody knows, is what's stupid!

*But!* As long as long as people believe that popular opinion, or what passes for popular opinion, among the most recent couple of generations, what they get from the textbooks, what they get from the so-called authorities, what they hear from, you know, "people in the know"—that this is the boundary condition which determines what is "acceptable behavior," by the individual or by the group in society, and therefore, people limit their choices of action to what they believe are *acceptable premises of action*. They don't question the premises themselves, just the same way that foolish people in school accept Euclidean geometry as being science, or Cartesian mechanistic forecasting as science.

So, until this kind of assumption is called into question, you do not say publicly, in the manner I'm speaking now, that "the system is coming down!" Because now the time has come, you have to *accept* the fact—if you're sane—that the system is coming down. And one by one, like tenpins in a bowling alley, Senators and others, who two weeks ago would have rejected what I was saying now, will *shudder*, and say, "I'm afraid he might be right!"

The time has come: *The system must change*. It is not within the framework of these so-called current traditions, or current public opinion, that mankind has a future. We're on the verge of a global dark age.

## The 'Military-Industrial Complex'

Now, the signs of this, have been coming at us for a long time. Look at the area of Southwest Asia, and some other places, and look at what we call "prolonged warfare."

All right: Kennedy was killed. He was killed for a reason. It was not by a lone assassin—it may have been a loan shark,



*This 1933 Nazi eugenics poster is headlined "We are not alone," with the flags of other countries supporting eugenics, including the United States and Great Britain. The Nazi eugenics murder program "is the same thing as global warming today, exactly the same ideology, rewarmed with a new name, but with the same intention," LaRouche said.*

but not a lone assassin. He was killed to get him out of the way. Because, what Eisenhower had identified as the "military-industrial complex," in his outgoing address as President of the United States, is the process, which is the same process which we identify in the press today as the BAE phenomenon. It's a process that actually came into being under Hitler, and Mussolini, which was stopped by the intervention of Roosevelt.

On the day Roosevelt died, or a few days later, when Truman discovered that we had nuclear weapons, and decided to drop these nuclear weapons on the civilian populations of two cities, of a defeated Japan, before allowing the surrender to occur, we had entered a new age, to which Dwight Eisenhower, as outgoing President, referred to as the "military-industrial complex."

The military-industrial complex came out of a division in Anglo-American policy during and after the war. Remember, that Hitler was put into power, like Mussolini, largely from Britain and the United States. For example, Averell Harriman, from Brown Brothers Harriman, together with the head of the Bank of England at that time, was responsible for the sponsorship of making Hitler a dictator of Germany. When Roosevelt became President, over a period of time, Roosevelt induced the British to finally give up this idea of backing a Mussolini and Hitler. The financial establishment of Wall Street in that

period, was behind Hitler, as they had been behind Mussolini, and their intentions were exactly in that direction.

Their intentions were the same thing as global warming today: It was called then, “eugenics.” Get rid of the excessive people, particularly the ones whose skin color you didn’t like. They weren’t bleached enough. Eugenics: It was a program of murder. This was the program on which the Nazi party was founded, eugenics—which is the same thing as global warming, today, *exactly the same ideology*, rewarmed with a new name, but with the same intention.

So, these guys put Mussolini into power; they put Hitler into power. They intended to establish a world dictatorship, in which the United States would destroy itself as a power—because we were a power, then—and in which they could run the world, as a one-world power. Which has always been the intention, since 1763, since the British Empire actually was created by the Treaty of Paris, in February 1763, by the British East India Company.

And what you’re seeing today, with BAE, you’re seeing a corporate structure in the heritage of the British East India Company—the Anglo-Dutch Liberal East India Company—which created the British Empire, and for many years, when the monarchy was simply a fixture attached to it, the Anglo-Dutch East India Company, the Liberals, through banking, controlled the entire British Empire. The occupation of India by the British Empire, was done by a *private company!*—the British East India Company. China was destroyed: By what? By the British East India Company, with the opium trade and similar kinds of things. The world was controlled by this financial octopus, this new Venetian empire. And that has run things.

The United States has emerged as the only significant challenger to this issue of empire, since 1763. That was the division. In 1763, the word came down about the Treaty of Paris. And the ranks of the leading circles in North America were divided: One group, the patriotic group, gathered around Benjamin Franklin, this group created the American Revolution, and the American System, whose roots had already been developed inside the Americas before then. And we had a character, an anti-oligarchical character, which was different than that of Europe.

And the other faction, which is still the so-called Wall Street faction and similar types today, were the people who joined with the British East India Company against Franklin and company. And their goal has always been to re-absorb North America into the British System as a part of the English-speaking system. That’s been their purpose. And they’ve worked from *inside* the United States to destroy those aspects of our system, which are embedded in our Constitution and Declaration of Independence.

Other parts of the world have had importance, and do have importance. But it’s the challenge between two English-speaking societies, that of the United States, as the model republic, and that of the British Empire, as the opposition, the

Anglo-Dutch Liberal opposition: That has been the dominant feature of all the major wars on this planet, since that time.

So, we now come to a point, that the British Empire in that form, has consolidated itself to the point, that it will either fall, now, in this form, in its attempt to impose an empire, or the whole planet will go into a dark age: That’s where we stand.

So, now the time for change is obvious.

Now, remember how this thing [the breaking of the BAE scandal] happened: For weeks, there was no *whisper* of this issue, inside the press of the United States, the leading press; among the politicians, members of the Senate had *no idea* that such a thing was going on—but it *had been* going on! It was going on! It was the secret behind the Vietnam War. It was the secret behind the great war in Southwest Asia, between Iraq and Iran, during the 1980s. It was the first U.S. Iraq War. It was the Afghanistan occupation, continuing. It is the new Iraq War. It is the spread of war throughout all Southwest Asia. It’s all a struggle for the British Empire! And the struggle to corrupt the United States, and destroy it.

Now, what happened? In the history of the United States, when Abraham Lincoln led a fight to defeat the British Confederacy—and the Confederacy was nothing but a tool of the British East India Company interests—when we won that war, we established in the United States, a scheme which had been defined by John Quincy Adams when he had been Secretary of State: to define the United States as a continental nation, from Atlantic to Pacific, with northern borders, Canada, and southern borders, Mexico. That had been our intention. When Lincoln led the victory over the British and French, in the freeing of the United States, and of Mexico, from this oppression, the United States emerged with a wave of immigration from Europe, with a transcontinental railway system and other developments. We emerged as a power which could no longer be destroyed by invasion of foreign forces.

We also emerged over the period 1865-1877, as a leading influence for reform throughout Eurasia. We had, 1877, Japan: an economic reform, organized from the United States. Russia, same period, organized from the United States, under Mendeleyev’s leadership. Germany, under Bismarck, 1877-1879, the Bismarck reforms, under the influence of the United States, directly, and Henry C. Carey in particular. And similar things in other parts of the world. We became a challenge, *not* as a threat to establish an American empire. We became a challenge, because we were promoting, in Asia and other parts of the world, the development of sovereign nation-state republics, which would use the advantages of our experience, for their own, independent development, and cooperation, and mutual defense.

To defeat this, the British Empire organized two World Wars, starting with the Sino-Japanese War of 1894-95. And the continuous war of the British Empire through its toady, Japan, between 1895 and 1945, was a continuous part of this process. The destruction of China, which *threatened* to become a great power, was one of the purposes of this operation.



*“Balls of rage rolling in the streets”: the 68er generation, and rioting at the 1968 Democratic Party convention in Chicago.*

So there had been a global struggle: We had one world war; we had a Second World War, for this purpose! We went through a so-called Cold War, which involved the same issue.

We now have come to the final stage, of a threatened destruction of the world order, in order to create a new Tower of Babel, called “globalization,” or “global warming,” under the leadership of these financier interests, which are imperial in origin.

### ‘No Old Men Among You’

Now, this issue, is one that the politicians, the poor foolish politicians who run our country, refuse to understand. They have no long memories! If you read Plato’s *Republic* and his *Timaeus*, you recall his report of a visit with the Egyptian priesthood, who said to the Greeks, “You Greeks are intelligent, you’re fine. But you have no old men among you.” By which the Egyptians meant, “you had lost your identity in the processes of history which gave birth to you.” We, in the United States represent the outcome of the birth of European civilization, a birth which was accomplished largely through the influence of Egypt, or certain forces in Egypt. This is where our science came from, which was called among the Pythagoreans, *Sphaerics*, which relates to physical astronomy. This is where our culture began, as typified by the case of Solon of Athens, with the first conception of a true nation-state, a nation-state of the people. And our power has been, largely, that we have been, in the United States, in that conscious tradition.

The founders of the United States, the authors of our Declaration of Independence, the authors of our Federal Constitu-

tion, the leaders of the veterans of the Revolutionary War, the Cincinnatus Society, all understood, that the root of our republic, lay in the precedence and lessons of Solon of Athens’ reforms. Those are the terms in which they spoke of it. We were an attempt to free mankind as a whole, not by conquering it, but from the inside, from a division of mankind into two classes, of rulers and animals, human animals, human cattle. Most people in most parts of the world, in most societies have lived, not as human beings, but as human cattle. Under the ban from knowledge, as knowledge, as specified by the case of Zeus, Olympian Zeus, of the *Prometheus Bound* story.

Now, the birth of European civilization, with Athens, was a threat to the imperial forces of Eurasia. And therefore, an operation was run, quite similar to an operation run against the people of the United States, at the end of World War II, which produced the Baby-Boomer generation—a brainwashing operation, mass brainwashing operation, called sophistry; or called, in the case of the post-war generations of Europe and the United States, *existentialism*. This corruption denied the existence of universal physical principles, which were knowable to the mind of the human individual. And said, “You don’t know anything. You only know what is generally *accepted*, or will be generally accepted. You *know* the consensus! You don’t know whether it’s true or not. You know you have to obey it, because it’s on top. And if you want to get ahead in this world, you have to submit to the consensus.” There is no question of certainty of knowledge, there’s no scientific certainty in it.

So therefore, what happened? We had, in our country, at the time that Roosevelt died, we had children who were what came to be called “the white-collar class,” from 1946 through

about 1958. And these young children, who generally would orient toward the military-industrial complex types of people and that sort of thing, became the “Golden Generation” of the 1960s. They no longer believed in science. They no longer believed in truth. *They believed in being accepted.* They believed in a consensus:, a white-collar consensus. They didn’t *like* working people. They didn’t *like* farmers. They didn’t *like* science. They liked mathematics, but not science, hmm? They liked to calculate. . . you know. They didn’t like to earn money, they liked to grab it.

So, they became a generation which exploded under the influence, from Europe, of the existentialist conditioning. And they exploded in the middle of the 1960s, following the assassination of Kennedy, which was a blow of demoralization to the American people at that time; and the following of the assassination of Kennedy with the launching of the Indo-China War. This demoralized the American people. You saw the balls of rage rolling in the streets in 1968, in Europe and the Americas, and elsewhere.

So this generation, the white-collar generation, which *hated* working people; they hated trade unionists, they hated blue-collar people; they hated farmers; they hated science. Now, that doesn’t mean all of them were against science, or all of them were against agriculture and industry. *But!* They understood one thing: They had no principle. They had a principle of “going along to get along,” a principle of accepting the *consensus* of their generation, their particular stratum.

And this became the Golden Generation, which more and more, reshaped the country. For example: 1968. Nineteen sixty-eight, the revolt of the 68ers destroyed the Democratic Party on the white-collar versus blue-collar issue! So, the Democratic Party was smashed, by its own complicity in the Vietnam War. And by this, therefore, we got a virtual dictatorship, under Nixon. It wasn’t Nixon’s dictatorship, it was a group of people: It was the military-industrial complex. They took us over.

And bit by bit, they destroyed everything. They destroyed agriculture, they destroyed our monetary system, on which our strength had depended. They destroyed the farmers, they destroyed the industries, they destroyed science. And they got more and more power, and more and more fantasy.

And my generation began to die out. We don’t have a generation of scientists and engineers of the type we had, still, back in the 1970s: We don’t *have* that any more! We have a fraction of that! We don’t have a scientific-industrial capability any more. We have a little bit of it, surviving in the military sector, of military production, predominantly. We’ve lost it. We’ve shipped our industries, our agriculture overseas. We’re destroying our farmers! We’re growing crops to make *fuel!*—not to feed people, in a world shortage of food.

## The Face of the Enemy Is Exposed

So, we’ve come to the point, *the system doesn’t work!* And the breakdown is now obvious. And the face of the enemy has exposed itself, in the BAE. And the exposure of the BAE, has

come not from the Americans, it has come, largely, from the ranks of the British. The same faction in Britain, which opposed the global warming swindle. It’s a complete fraud: There’s no scientific basis for global warming. It’s all a fraud, a hoax. But Baby-Boomers don’t know any better! They keep suckin’ on the bottle!

But, a group in England, in Britain, which recognizes that the British Empire is sending itself to Hell, objected to global warming, just as they objected to this operation, this Iraq War, and similar kinds of wars; just as they objected to this kind of financial operation, the BAE swindle.

So, a section in Britain, itself, through the BBC, through the *Guardian*, and through others, made this issue clear! And gradually, this thing spread here.

We were on top of it, of course, from the beginning, because we knew it; we understood it. But up until about three days ago, you could not find any large constituency for what I’m saying now about BAE, in the Congress of the United States or in any other part of the United States—you couldn’t find it. You had a *pall of stupidity and ignorance*, control the minds of the Senate, the House of Representatives, and more. That doesn’t mean they’re not intelligent people, but they *believe* in consensus. They believe in adapting to what they consider popular opinion. They believe in “going along to get along.” They believe that so-called “traditions,” confine what is allowed and what is not allowed in society: that you have to work within the bounds of those limitations.

And I say today, we’re now going to have to proceed; it having been shown that the whole culture we have stinks and is doomed. It’s a sinking ship, and don’t try to get a better stateroom on the *Titanic* simply because some people are leaving it.

Therefore, the question is, what is human nature? Why should we believe that mankind, which has allowed this swindle to dominate humanity for so many centuries, that there’s something in mankind today, that would enable people who have made the biggest fools of themselves imaginable, would suddenly become brilliant and make the right decision about the future of mankind? I have to tell you: On this question, I’m an optimist. I believe in mankind. Just because he cleverly made himself appear to be so stupid, doesn’t mean he’s quite that stupid. Time for the stupidity act to end.

All right, now therefore, what I’ve said so far, is a preface for what I’m about to say. And the question is, human nature: Is man an ape? [video clip of chimps] Now, is that man? It could be Frederick Engels, but not man! George Bush would give you a good imitation of that.

All right. Now, we want to get to this question. The question, is this first question which we put on the board. You had a book which was written a long time ago, it’s called the Book of Genesis; it’s called the First Chapter of Genesis. Now, in it, there are three sentences, three verses, which I want to call your attention to, and present these, not as some kind of arbitrary religious belief, of some Hebrews off there in the Sinai

Desert (where they're not allowed to function, today, or something). Anyway, but, actually, as an observation by knowledgeable people, presumably Moses of Egypt, who, looking at reality, are describing what they see as the reality of the circumstance in which they're living. And they state: There are certain things we can see, and they sum up in these three verses. That mankind, as Vernadsky would agree, from a scientific standpoint, mankind is not an ape, nor is mankind a form of animal life. We have a bodily form of animal life, but we also have powers, as thinking powers and creative powers, which no animal has.

These creative powers endow us with a certain quality of potential immortality. In what sense? That, we are capable, as mankind, of discovering the lawful composition of our universe. We call these "universal physical principles," for example: such as Kepler's discovery of the principle of universal gravitation, which he uniquely discovered.

And therefore, mankind, as having these powers, the power to discover universal physical principles, uses these powers to increase mankind's power to exist *in and over the universe*, as no species of animal can. Every animal species has a potential relative population density, which is characteristic of that species, which varies with the environment in which the species operates, but can not be willfully changed by a member of the species. Mankind is capable, through the discovery and realization of universal physical principles, of changing the universe. And in these three verses from the closing portion of the chapter of Genesis, you have—just think, not of someone preaching a doctrine, or an arbitrary belief—but someone simply saying, "Here is what the truth is, about ourselves. Man and woman are distinct from all forms of animal life, in that they have these powers and responsibilities, in the universe, the power to *change* the universe for the better. We have a stewardship in the universe, that of mankind."

And therefore, human life is immortal, in that sense.

## Genesis 1:26-28

And God said, Let us make man in our image, after our likeness: and let them have dominion over the fish of the sea, and over the fowl of the air, and over the cattle, and over all the earth, and over every creeping thing that creepeth upon the earth.

So God created man in his own image, in the image of God created he him; male and female created he them.

And God blessed them, and God said unto them, Be fruitful, and multiply, and replenish the earth, and subdue it: and have dominion over the fish of the sea, and over the fowl of the air, and over every living thing that moveth upon the earth.

## The Birth of European Civilization

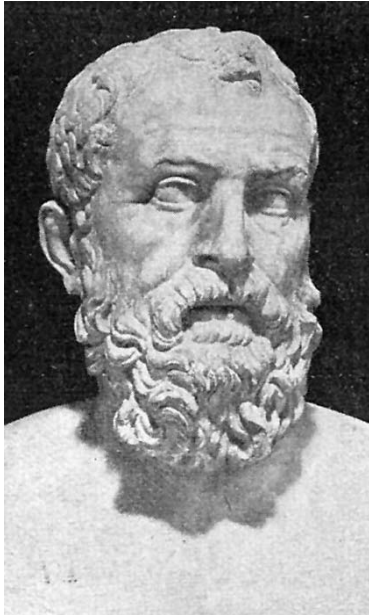
For example, go back to the history of this issue of creativity. Go back to the history itself: What we have as European civilization was born about 700 B.C. Europe had been in a prolonged dark age for some period of time, and under the initiative of a revival of civilization, in Egypt after a dark age, Egypt reached out to places such as Ionia, where there was a maritime culture. But this region—you have an area there which is Magna Graecia, Greece as such, including the part into Ionia, which is the Greek culture. It allied itself with the Etruscans, who dominated an area from about the Tiber northward, to about the island of Elba and inward, which was the leading maritime culture of that time. They probably were a branch of the Hittite culture, which had been the only iron-processing culture in the whole Mediterranean region of that period. And then, in the north of Africa, you had this one area of Cyrenaica, the area of Egypt's maritime culture. This is called Cyrenaica to the present day. It's this area, which is a rich area, potentially, and was rich at that time. And it was known for such people as, later Eratosthenes, who was actually of Cyrenaican extraction, and who was a representative of the Platonic Academy at Athens, and was the leading scientist of Egypt. He died just before 200 B.C., which was about the time the Roman Empire was coming up, and civilization was being destroyed.

So, our birth of civilization is located essentially in a struggle centered in this area, from about 700 B.C. to about 200 B.C., from the time of the Pythagoreans and the emergence of Solon and so forth, into those times.

But in this, there was a struggle, and the struggle was typified by the Cult at Delphi, the the Apollo-Dionysos Cult of Delphi, which was tied to the surrounding region of that area, which was dominated by imperial powers, such as Babylon, such as the Persian Empire, the Achaemenid Empire, and other kinds of empires.

So, at this point, the significance of the birth of European culture, is a revolt typified by the role of Solon in Athens, the image of Solon, on which the idea of the United States was premised: an image of what man could be, an image of a republic, a true republic. Against a system, under which 80% or more of the human population of any area, were essentially treated as human cattle. This is the distinction, the good distinction, of European civilization: Its greatest heritage comes from this emergence, at least in known history, the emergence of this idea, of this conception.

Now, the struggle inside Greece itself, has been the principal font of our understanding of history, that is, European history begins approximately about 700 B.C. That is, a conscious history that we are dealing with a society organized around ideas and a consciousness of these ideas. So, the struggle, the difference between the form of society, in which mankind, all mankind, is treated as being human, as having these powers of creativity, in which there was development of the totality of the society as human.



*The Republic established by Solon of Athens, who lived from 640-559 B.C., formed the basis of European civilization and of the founding of the United States.*

Now, what is this difference between man and the beast? The difference between man and the beast, is essentially that of the discovery of a universal physical principle, that's the exemplification of this. The work of the Pythagoreans was typical of this. The work of Plato and his circles was typical of this.

But on the other side, the order was, as is presented dramatically in the middle section of the *Prometheus Trilogy* of Aeschylus, that the god, the evil god, the Zeus of Olympus, decrees that mankind shall not know the secret of the use of fire. Including such things as nuclear fission. And that man must therefore be maintained as human cattle. And the tradition of most cultures has been to condemn most of humanity to the condition of human cattle. In modern society, this takes a special form, it's called empiricism: in which you deny the knowledge of the existence of a principle—I'll come to this—and in place of this idea of principle, in modern society, we have the idea of liberalism, which is what the Anglo-Dutch Liberal system is based upon.

Therefore, the key thing here, to understand, is what do we mean, by the discovery of a universal physical principle? This is the simplest modern example of what we mean by a universal physical principle. [Animated figure of Earth orbiting around the Sun (see [wlym.com/~animations](http://wlym.com/~animations)).] Which some people in this room understand, because they're well educated. They educated themselves.

What we're looking at here is an image, and this is an image based on actual data, an image of the Earth's orbiting of the Sun. Now, this orbit, even though it may appear to be circular, is not really, truly circular. It's actually elliptical. Now, you get the closeup, and let's describe this orbit. Because the discovery of this orbit by Kepler, is actually the foundation of all competent modern, physical science. This is not the com-

plete discovery. Now, as you get to the smaller area, you're in an elliptical area. This planet's moving along an elliptical course: What does that mean? But it's not just an elliptical course. There's a principle involved. The *rate* of motion is changing. What is governing the change of the rate of motion? Well, Kepler called it "equal areas/equal times": That is, the sector, or the sector defined by the position of the Sun with respect to the planet, sweeps out a sector of the ellipse; and the *rate* of movement within the ellipse corresponds to the relative area which is being generated: equal area/equal time.

Now, what this means is, is that there is a principle operating here, for which this is only the shadow. The actual movement of the planet, according to equal area/equal time, is only the shadow of something, of a principle. What is that principle? The principle is what we call an "infinitesimal." Now, contrary to idiots, the infinitesimal is not a dot. The infinitesimal is a rate of change in the smallest degree—a rate of change of velocity, of angular velocity. So, it's a rate of change of the velocity, not a rate of change of a size of a dot.

Now, this discovery by Kepler, was attributable to a discovery made earlier by a predecessor whom he much admired, the fount of modern physical science: Nicholas of Cusa. And Nicholas of Cusa, in an exhaustive study of what the Italians had brought back from Greece, from certain libraries in Greece, demonstrated that Archimedes had made a great mistake. Archimedes' notion of the construction of the circle by quadrature was false. You could not, by successive approximation of getting smaller and smaller intervals, smaller and smaller polygons, you could not approach the truth of the existence of the circle. The existence of the circle involves the same principle as the principle of the sphere: It's a *rate of change* in the dynamic, in the motive of action.

## Modern Science Begins with Kepler

So, this discovery is the foundation of all modern physical science. Or the implications of this discovery are the basis for modern science. As Einstein said back in the 1950s, if you take the development of physical science, which begins with the discoveries by Kepler, it extends as a continuing process through the work of Bernhard Riemann, which is the extent of all modern physical science.

Now, this science—Kepler's discoveries are not only the beginning point of all competent modern physical science. They contain, continuously, the foundations of the process of discovery, of all modern physical science. *If you don't know Kepler, you don't know physical science.* You may know how to report about it, you may know how to describe the experience of seeing it happen. You may know how to make a picture of it. *But you don't know what it is.*

And you have to go back to Kepler, because *no one*, ever in the history of successful modern science, *ever went a step forward by excluding Kepler.* Kepler is embedded in the foundation of science, just as those who preceded Kepler among the ancient Pythagoreans and the followers of Plato, they are



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*Nicholas of Cusa (1400-1464)*



www.arttoday.com

*Johannes Kepler (1571-1630)*



*Pierre Fermat (1601-1665)*



*Gottfried Leibniz (1646-1716)*



*Johann Bernoulli (1667-1748)*



*Abraham Kästner (1719-1800)*



Library of Congress

*Carl Friedrich Gauss (1777-1855)*



*Bernhard Riemann (1826-1866)*

*The foundation of competent modern physical science was built on the work of these thinkers, and continuing progress requires reliving their crucial discoveries.*

*embedded* in the work of Cusa; they are embedded in the work of Kepler. They remain an integral part of the *human knowledge of science*. It's not something you left behind, and went on to something else. It's something which is *in there* at all times, and never departs! It is truly universal. And that's the difference.

So therefore, as Einstein said, you start with Kepler, and there's a continuity of development, unbroken development, from Kepler through the work of Riemann, in terms of physical geometry. And all competent physical geometry, all competent modern science—including modern economic science!—can only be obtained from Riemann, by that method.

So you have Kepler's work, starts it. Kepler poses a problem—now go to Fermat. Now, Fermat—I give the dates here to give you some sense of lapsed time. Fermat made a discovery which was called a principle of least action. And this principle of least action became crucial in shaping the thinking of 17th-Century physical science. In the end of the 17th Century, Leibniz, who was the discoverer of the calculus—Leibniz's calculus is based on Kepler. It's based on Kepler's principle I just indicated to you, the principle of gravitation—the same principle as gravitation. The infinitesimal is the constant rate of change of the action, as you see in the case of the Earth's orbit.

So, the question came up—in Fermat's work: What is the actual pathway of least action, in physical space-time? And therefore, through the work of Fermat, applied to the challenge posed by Leibniz, we had the development of what was called the universal physical principle of least action. Which, again, is an integral part of science, and the Leibniz principle of universal physical least action is an integral part of all competent science, today. It never went away; it's there; it's expanded; it's improved upon: But it remains there, *vibrating*. Pushing. Always motivating. Every student who comes along, who learns science, has that in their mind; it's in their mind, vibrating, constantly.

Then you get from Fermat, this development around Leibniz, and there are many people involved in this. So, again, Leibniz sets this into motion, together with a fellow called Jean Bernoulli, which defines this as a field of science, the modern sciences, based on this conception. And it's based on the catenary. I'll give you an example of this—we didn't put this on the screen, but... Back, shortly before Nicholas of Cusa, who was the founder of modern science, you had a fellow called Brunelleschi, Filippo Brunelleschi, in Italy, in Florence. Now, Florence Cathedral was not completed at that point; it had a hole at the top, where there was supposed to be this dome, called a cupola. And the problem was, that if you were going to build this dome, to complete the cathedral, you wouldn't have enough wood in Italy available to build the supporting structure around which to erect this dome. But then, if you look as I did, some years ago, on this Brunelleschi thing, and you look carefully at the structure of that cupola, and you find the hanging-chain formation in there, the shape

is in there: that Brunelleschi used a hanging chain as the guide for constructing the cupola, without using all that wood that wasn't available.

So, this hanging-chain phenomenon is called the catenary. And the significance of the catenary was actually discovered fully, by Leibniz and Bernoulli. And it's the underlying principle of the principle of universal least action, which is embedded in all science. It's sitting there *vibrating* to the present day! You can't get rid of it. You can't go any further without it.

And this led, then, to the later developments, beyond Bernoulli. Now you get Kästner and Gauss. Now, who's Kästner? Well, Kästner's a very important appearance in American history. Kästner was born in 1719, in Leipzig, which is about three years after the death of Leibniz, who had also been born in Leipzig. And he became a leading teacher of science. He became the leading teacher of mathematics, and the history of mathematics in Germany, and he still is a foundation of a competent education in mathematics to the present day. But Kästner, among his other students, was a prominent influence on a number of important historical people, historical in the sense of the American Revolution. Because in the 1750s and 1760s, there arose a revolt against some disgusting things by two fellows, one, Moses Mendelssohn, and his friend, Gotthold Lessing, who was also a great artist, and so forth. And their intervention against corruption in science in the Berlin Academy, was the foundation for the development of the Classical culture in Germany, and spreading into other countries, in the late 18th Century.

And Kästner was the guy who inspired this. Shakespeare was revived, actually in German, from ruin, by Kästner, who got his young friends to proceed in organizing around this. And we have Shakespeare today because of Kästner.

Kästner was the first proponent in modern science of an explicit anti-Euclidean geometry for example. He died in 1800. And he was the inspirer, one of the key inspirers of Gauss. And you don't understand Gauss's work, unless you understand the work of Kästner, for various reasons that some people working in the basement now are beginning to understand.

## **Beyond Gauss, to Riemann**

Then you have the next case: You go beyond Gauss, the basis for the conception of modern science. And the question that Gauss posed in this issue of dealing with the asteroid problem, was, the idiot in science will write a formula and tell you this formula is responsible for this particular trajectory phenomenon in physical science. But that's not true! In *no* science is that true. In so-called mathematical science, or based on mathematics, it's assumed that the form that you can describe mathematically, is the cause of its existence. Whereas, in point of fact, as in the case of Gauss, who posed the same question which had been posed in a different way earlier by others, the question was: You have a trajectory, a planetary



trajectory. *What moves it?*

Don't assume the description of the pathway it takes when moved is the cause of that motion. What moves it? And the secret for how the trajectory is determined is determined by *that which moves it*. And this leads to some wonderful things, which I won't go into here, but which we're doing down in the basement. If you ever get lucky, and get promoted into the basement, you will find out about such things. I won't tell you! I don't tell people secrets in the basement—maybe a few, here and there. But they find out for themselves. But it's a magic basement. If you get in that basement, and you work hard, the discovery will overwhelm you.

All right. Now, this leads to, again, the completion of what Einstein described as the first phase of all modern science. This is the 1950s, Einstein. What is it? Riemann.

What Riemann did was to free you from the Democratic Party leadership! In 1854, he wrote his famous *Habilitationsschriften*. This is the paper which was used to qualify him as a professor at Göttingen University. And in this paper, he opens up, and he eliminated all assumptions, axioms, and postulates from geometry. And he says that only physical, experimental evidence can define the way that the physical universe is organized. Which is what I do, in my work in this.

Now, what's the point here? The point is, the same thing as Gauss: Motive!

Don't tell me that a mathematical pattern has determined a mathematical pattern. I don't promote masturbation.

What has motivated that? That particular form of existence, that expression of existence?

Therefore, what it comes down to this: That science, instead of being a conception of a predetermined set of principles, so-called self-evident principles which define the universe as a Cartesian model does, or as most economists do, you have to say, "What is the principle that motivates a pattern of action?" What's the principle? And therefore, you define the universe as Einstein does, and as Riemann does implicitly, as composed of principles: universal principles.

What does that mean? That means, for example: It amuses some people to be told, there's nothing outside the universe. Nor does the universe have a boundary which defines its limit. The universe is the expression of the motivations which generate the forms of existence we experience in the universe. And therefore, knowledge of principles, is the derivative.

Now, what does this mean, again, in turn? What does it say about man? Only mankind, among living creatures, can discover a universal physical principle. And by discovering that principle as a motive, governing the way something can act, and using that motive, that principle, *you can change the universe in which you're operating*. Only man can do that. The monkey, the chimpanzee, can not do it. The typical professor at a university can not do it. No matter how much he monkeys around with science—he can't do it.

Therefore, instead of seeing the universe as being a Cartesian manifold, or a Euclidean manifold, stretched out in all

directions, you see the universe as bounded by the principles, not by an area, but by the principles which control all that happens within it, all the motives, the principles. Mankind can discover these principles, but by discovering a principle which has been previously unused by mankind, mankind is able to increase *man's power to exist in the universe*, and is capable of *changing the geometry of the universe in which we live*. The ability to get beyond the population level of several millions of individuals at any one time, of a monkey, of an ape—a gorilla, or chimpanzee: What's the difference between man and the chimpanzee? The essential difference, is man's ability with the human mind, to discover experimentally, by these kinds of standards, to discover the meaning of principle. And *to apply* that principle to previously existing practice, in a way *to change that practice qualitatively*.

This, in science, is called "machine-tool design." What they used to do in the auto industry, when they were allowed to make automobiles in the United States. Machine-tool design. You discover a principle you didn't know before, or you didn't know how to apply before. You apply this principle to something you were already doing. You transform the *quality* of that operation, by introducing that principle: And you change the universe. You increase man's power *to exist*. You increase the density of population you can sustain. You increase the life expectancy of mankind. And you build in the individual a sense of an immortal personality, who is participating in the process of increasing the knowledge of mankind, from generation to generation, in a practical way, for the benefit of mankind.

So therefore, you have this problem: A monkey dies. An ape dies. A current President dies. What's left behind? Nothing. It's gone. It's a sad case, a human being who acts like a monkey, lives like a monkey, doesn't make any discoveries. Doesn't even repeat discoveries made by people before him. Just keeps on going, scratching. Like Bush.

This person has no sense of immortality! We all die. We all have human bodies, we die. The human body fails us, it quits on us. The car quits. Breaks down on the highway—you know, like a typical LPAC car. But the immortal occupant of the car, lives on! Hopefully.

No, so the point is, is that humanity is, essentially, potentially immortal: Because, that which is part of us, as human beings, is not merely this physical animal part that we inhabit. It's what we represent through such means as learning to re-experience discoveries of principle, and carrying them on and on to future generations. To building a better world, to building a better universe. To changing the universe, *simply in the same way*, that the writer of Genesis 1 depicts man's function in the universe. Not simply saying he's got some magical secret here: He's describing the situation of *man in the universe!* Man and woman in the universe, exist to do what? They have a mission, they have a responsibility. This is our mission! We have to make the universe better: We are the servants of the Creator, in making the universe better.

And how do we do that? By making discoveries which are called principles of discovery, the principles themselves. And by mastering these principles, we increase man's power to solve problems, and *we live in those future generations*, which take what we contribute. And it's *alive* in them. The work of Plato, in particular, is alive in Cusa. Cusa is alive in Kepler. Similarly, Leibniz is alive in Cusa, and in Kepler. Riemann is alive, in all of these people.

Those who have done the great works of mankind, who have passed on what their lives have contributed to human knowledge and human knowledge for practice, live on.



*The contributions of man in each historic period live on, giving mankind its immortality. Here, the Egyptian pyramids at Giza, 2550 B.C.*

### The Book of Genesis

In former times, we had an approximation of this: People would just go by the Book of Genesis, for example, or something like that, and say: “What are we living for? We’re going to die. Well, we’re living for”—like immigrants coming into the United States—“we’re living for our children. We’re living for our grandchildren. We’re making a society for our children, our grandchildren. We’re making a better life for our children and grandchildren.”

And this goes on, not merely for two or three generations, which is typical in our experience. This goes on for *thousands of years!* Look at the Great Pyramid at Giza. It was built, when? Somewhere about 2550 B.C. Well, that’s a pretty long time ago, isn’t it? 4,700 years ago. How many generations is that? What about the discoveries that preceded the possibility of the building of the Pyramid of Giza, in terms of the knowledge expressed? What about the generations before? Aren’t they alive? Isn’t the effect of their living, alive in us, today?

So therefore, we had a sense of immortality, in the sense that *we were making the universe better*, for generations to come, and that we express our immortality in living on, in the benefits which we pass on to those who follow. This was our sense of identity, our sense of citizenship.

What happened is, the Baby-Boomer generation has lost that. They don’t believe in their children. They don’t believe in principles. They believe in what they call common sense, or generally accepted ideas. They believe in “go along to get along.” They aren’t motivated by a sense of immortality. The idea of a soldier who dies in battle, for the sake of his nation: It’s real! As opposed to a stone killer, who just goes out and kills for no purpose whatsoever, but just because he’s told to do so.

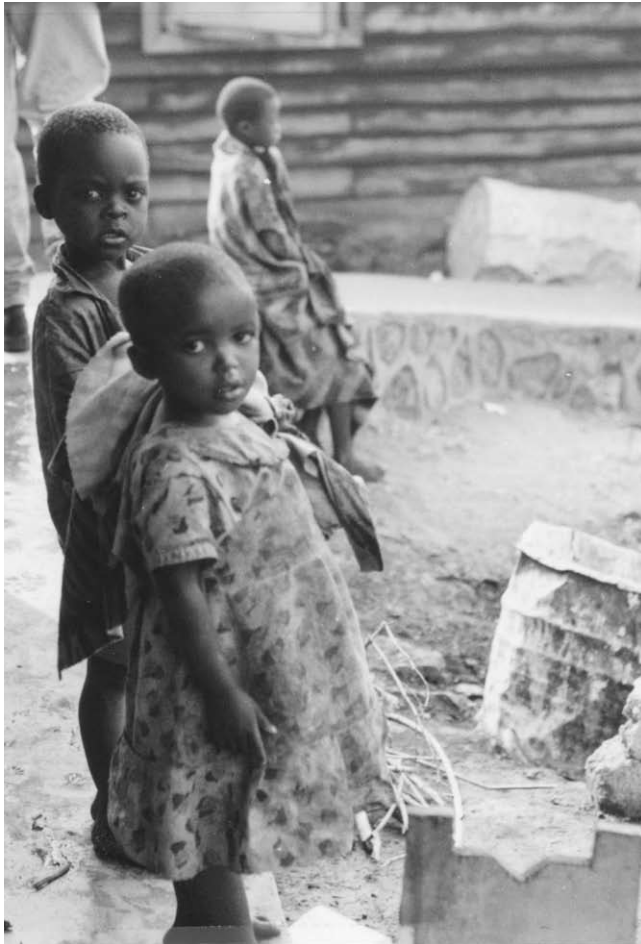
This sense of immortality, this sense of the individual mind as a creative mind, different than the beast, different than the chimpanzee, the sense of an obligation to do some-

thing with your life which is of benefit and realized in future generations; to maintain that which has been accomplished, to keep it alive, and to build upon it: That’s what’s been missing in our society.

And the contrary is, implicitly, the principle of slavery. The enemy of mankind has been a sense of slavery, the sense of slavery which you can read in the *Prometheus Bound* of Aeschylus. Mankind is forbidden to know how to discover, or use, nuclear fission power: fire. That turns man into a beast! The discovery of universal physical principles which improve man’s power in the universe, to solve problems in the universe, medical discoveries, other kinds of discoveries—these are expressions of immortality. These are expressions of citizenship. A citizen is not simply a member of a club! A citizen is a person who participates in society, who’s an integral part of the society, who’s contributing to that society. And who anticipates benefits for future generations.

People struggled against slavery in this country! What’s the meaning of their lives? The meaning of the slave, is the struggle against slavery! And the realization of the success in defeating that oppression. And continuing that process, for a quality of education in life, which that corresponds to: *That is citizenship!* That’s the *meaning* of the Preamble of the Constitution. That’s the *meaning* of the Declaration of Independence, taking it from Leibniz: the concept of the happiness of humanity, the future generations.

And so, we have lost that motive! We live on a planet—it’s not a question of how to make a better society—we live on a planet of over 6.5 billion people. Many of these people are living in absolute misery. *This is not acceptable to us.* This may not be our country, but it’s not *acceptable* to us that they live in misery. We have to change the planet, we have to change the organization of the planet, so that they no longer



EIRNS/Dean Andromidas

*Young refugees in Zaire, 1997. "Can you sleep easily at night, if someone in some other part of Asia or Africa does not have the right to a sense of a human life? Is that not a mission?" LaRouche asked.*

live in misery—they're no longer *compelled* to live in misery.

More important: We don't want to merely help them, like do-gooders. We must empower them to have a sense of their own immortality, their own importance in their own society. Do you know how many people live and die, with no real sense of human worth? Or a sense of human worth denied to them as a form of expression? Does it not bother you, that a human being is not able to *be* a human being? To sense what it is to be a human being? Can you sleep easily at night, if someone in some other part of Asia or Africa, does not have the right to a sense of a human life? Is that not a mission? Are there not many kinds of missions of that type, which inspire people to adopt these missions as professions?

And that's what we've lost.

We lost it in the United States with the Baby-Boomer generation, because the poor fellows were brainwashed. Brainwashed into this utopian, existentialist kind of culture.

Now, that brings us to some concluding points: The key

thing, of course, is, to recognize that this is the problem. We've come to the point, we've been a society of fools. We are travelers on a ship of fools, called *Convention*; called *Conventional Belief*; called *Our Way of Life*. A ship of fools. Guys struggling to get a better stateroom on the *Titanic*, while it's sinking.

And therefore, the key thing we have done: We have allowed our people to become degenerate, as you can see on almost any television. Or you can see it on the Internet, if you want to. We've allowed that to happen. We've lost a sense of life. We've lost a sense of a purpose in life, which is not mortal, but a sense of that which is transcendental. That that good we do, if it's well conceived, lives on after us. And the purpose of life, is to ensure that that happens. *And to ensure that others have the right to live that kind of life!* And that's what's denied. It's denied by an existentialist form of corruption, which has destroyed the United States from the inside.

*Now!* Since we are at the point that everything that people thought they had, in this society, is about to be taken away from them, by the circumstances typified by the BAE, you have an existential question: You want to die as a pig? Or live as a man?

And that's what politics must be, today.

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## Dialogue With LaRouche

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*Moderator Debra Freeman took questions from the Washington, D.C. audience as well as from the Internet.*

### Putin's Mission

**Freeman:** Lyn, thank you.... The first question that we have comes from someone who currently resides in New York, and his question has to do with the current situation vis-à-vis Russia. He says: "Mr. LaRouche, there are two starkly different views of Vladimir Putin currently circulating in the United States. One views him as a world leader who is seeking a framework both for his country and for the planet during the 21st Century. The other paints him as a ruthless man, who eliminates internal opposition, via methods he learned during his days in the KGB, and who rattles a saber internationally. Could you please, as best as you can in a public forum, share your view of Mr. Putin, especially from the standpoint of your proposal for a four-nation agreement?"

**LaRouche:** Well, Vladimir Putin is probably the most intelligent member of his own government, and he has in a sense, transformed Russia from the condition it was in under Yeltsin—which is the same thing practically as Al Gore. Yeltsin was the Al Gore of Russia in more ways than one, and quite literally, as a matter of fact. He shared in some of Al Gore's corruption; Gore was used to bring Yeltsin to power. But, Putin is a man who is caught in a situation in which most people don't think about these things, certainly George W.

Bush doesn't think about these things. He's caught in a position where he sees his function as existential. It's almost a religious view with him, to try to save Russia, a mission to save Russia and to make something of the shards of what had been the Soviet Union. That's his motive. I've seen no malice with him. The usual charges coming from Britain are the just simply gossip repeated. He's Russian, and he reflects Russian history and Russian methods and Russian culture. And some of it you might not like, but that's not the issue. The issue is: Is Putin a prospective partner of the United States, in an effort to save the planet as a whole? The answer is, *he is*—that simple. And most of the stuff that's said against him is nonsense. To say that Russian culture is a rough culture to deal with, particularly with its history; absolutely. So what?

I can tell you some things about U.S. culture right now. You want to talk about tyranny and abuse; abuse of citizens and robbery, let's talk about real estate prices. Let's talk about financial conditions of our citizens; let's talk about health care, and the worsening of health care. Let's talk about the fact that the fabulously rich and super-rich are sucking the blood of the poor, and the poor are increasing greatly in numbers at all times, by the munificence that's spreading this crap by the very rich. You have a guy who's worthless, who goes out and gets a golden parachute of a billion, or something like that. That's the kind of society we're living in. When people are starving to death, and people are getting multi-hundreds of millions of dollars in golden parachutes for destroying society. For destroying your medical care; for destroying your hospital; for robbing your grandparents! Yes, sure, we've got a lot of problems; the world has problems. The question is, it always starts not from what's bad; you have to say, "What's the chance of curing it?"

All right. Now, what's Putin's role? Putin represents Russian culture, and Russian culture is a Eurasian culture, as distinct from a Western European culture, or distinct from the United States.

Now remember, our immediate conflict within European civilization, is we in the United States, when we're sensible, have a strong disagreement and objection to the character of Western European and Central European culture, because we formed the United States to get away from those cultures. We formed the United States to get away from a society which is dominated by oligarchical traditions. The idea of the social equality of man, not in terms of standards of this or standards of that, but the essential worth of the individual; the intrinsic worth of the individual. It must be an equal opportunity for expression of intrinsic worth. And in Europe, *you don't have that!* No part of Europe do you have that. You may have some



Antje Wildgrube

*To a question about the motives of Russian President Putin, LaRouche answered, that Putin repeatedly refers to Roosevelt. "I have my questions about the morals of people who don't like Franklin Roosevelt," LaRouche said. "Don't worry about Russia. Worry about the United States."*

niches of that in Europe, but you don't have that as dominant culture. And you just don't have it in Russia, either. But it's different. Russian culture is Eurasian culture. Russia, since the fall of the ancient Ukraine area, has emerged as a Eurasian culture. It is not Asian; it is also European, but not entirely European. And Russians are different, in that sense, when taken as a whole, not necessarily as individuals, but as a whole. Then you look at—what you have. We have Asian culture. What do we mean by Asian culture? Well, you have India and China, for example. You have other countries, and they have an Asian tradition, which is not like a European tradition.

The challenge before the planet today, is to start from the fact that we're dealing with a planet which is organized in that way. We have European culture. We have the idea of the sovereign nation-state in the United States republic. We have it also in parts of South and Central America, as a strong tradition. In Europe, you have an oligarchical form of European culture. It's still oligarchical in character. You have Russian culture, which is Eurasian culture, and Russia dominates the area from which come the largest part of the resources upon which all of Asia will depend, and Russia has the ability to steer the development of those resources for the expanding requirements of the populations of China, etc., etc.

So therefore, our job is to take these different cultural groups within the planet as a whole, and to bring them together to a common purpose. And the common purpose is to solve the basic problem which threatens mankind right now. Now, therefore, my proposal is a practical one. Don't complain!

Change what you don't like! But change it by agreement with the people you have to work with to get the change. We in the United States—what do we have from Russia? Putin, Vladimir Putin, says again and again and again: Roosevelt, Roosevelt, Roosevelt, Franklin Roosevelt, Franklin Roosevelt, Franklin Roosevelt. And that's what these guys don't like. They don't like the fact that he likes Franklin Roosevelt. *I like Franklin Roosevelt!* I have my questions about the morals of people who don't like Franklin Roosevelt. So, Roosevelt-haters are the problem we have to deal with.

Okay, now. He agrees on what? That the United States, as a European civilization, which we are, Russia which is a Eurasia civilization, must cooperate with leading nations which are Asian culture situations, in order to create a unity of the planet which includes dealing with the problems of Africa. What's wrong with that? In other words, instead of saying we're going to set up some "system," some "code," say we have a *mission* orientation, that the planet requires that the most powerful nations of the world unite, to sponsor a mission for humanity, for generations to come. And that's what's good about Putin. He's willing to do that. Anyone who was *human*, who was President of the United States—we have to get a human being in there, in the Presidential office, soon; I don't think we can wait til the next election—must adopt that mission and say, "Yes! You're right, Putin. Franklin Roosevelt! You're right."

We have to unite, with China and India, as co-sponsoring leading powers of the planet, to create a table at which the other parts of the planet can assemble, to take over the United Nations, and to reform the United Nations in such a way that we can eliminate, by agreement, some of the worst evils which are running the world today, and create a system of cooperation among perfectly sovereign nation-states, in which the dignity of the individual nation-state is guaranteed! And which also is dedicated to solve together certain common ends for future generations of all mankind.

One thing is that we need to have *power*, so that we have fresh water for people to drink. And without nuclear fission, we can't have that water, that power. We need to develop the raw materials of the planet in such a form that we can supply the needs of more than 6.5 billion people on this planet, and those who are coming after them. We need these kinds of things. We need the development of the intellectual power of the individual. We need educational systems and child-rearing protection, and so forth, which give us a greater quality of mankind, in all nations. These are understandable objectives. And if we take these objectives as our standard of behavior, rather than some arbitrary code, and say what contributes to this is good, and what doesn't contribute to this is not so good, and we're going to cooperate to these ends, what better is there? There *is* no better.

The idea of regime-change is tyranny, it's dictatorship. No. I may have quarrels with Putin on many things, but the essential thing is, we've got to bring the nations of this planet

together in a system which deals with these problems. Putin is prepared to make that commitment. China, I know, will make that commitment. India, in its own way. Other nations will join. But without an initiative from the United States in that direction, it won't happen. So don't worry about Russia. Worry about the United States. Because if we had the right President in the White House right now, we would get that deal right now.

## Coverup of the BAE Scandal

**Freeman:** ... This is a question from a Democratic member of the U.S. Senate. He says, "Mr. LaRouche. The British press coverage of the current BAE story obviously is a reflection of some kind of faction fight within British leading circles. My question to you is, what are the sides in this fight, and given that it is a faction fight, why is it not reflected in the press here? Why has it not emerged as a story in the U.S.?"

**LaRouche:** I think that the relevant scoundrels in the British Isles will probably do something horrible to Dick Cheney, not because they don't like what he was trying to do, but because he failed to do it. The very question is a very significant question. Here you have exposure of the fact that the long-standing ambassador from Saudi Arabia to the United States, was a key figure in taking graft to the tune of about \$2 billion, among other things, principally while an ambassador. And that he was also a British agent, functioning under the mask of being something else. So, the question is why and how was the secret kept? There was no real secret about this! You see, this has been known.

Let me be very blunt without saying too much. This is the question, as I indicated today, which has been on my mind, and the mind of a great many other people, since before 9/11. As I said earlier today, this was the question in my mind when I made a public statement, a broadcast statement from here in the United States, prior to the actual inauguration of George W. Bush in 2001, that the economic situation, the pattern of the economic situation is such, that we must expect within the reasonably near future, that someone will try to do to the United States, what Hermann Göring did to make Hitler a dictator in Germany. And I saw that happen on Sept. 11, 2001. I saw it. That is not only my thought. That has been the thought of many people.

How was it done to us? It was known, for example, that most of the dead bodies that showed up, as of evidentiary significance, in the wake of 9/11, were of Saudi or related provenance. Somebody set that operation up! Now, al-Qaeda? Does that help us? No, it doesn't. Al-Qaeda was an asset. Again, he [Osama bin Laden]'s a Saudi. He was an asset of George H.W. Bush and the British, in the operations in organizing the Afghanistan War of the 1980s. Osama bin Laden is a key figure, who was recruited by these guys, out of the Saudis, to *lead* that operation. Al-Qaeda is a product of that operation! It's an operation which was British-American sponsored, and Saudi-sponsored. The dead bodies which were

draped upon the doorsteps, as evidence in the wake of the bombing of 9/11, were largely of this provenance. And the question has been in the mind of everyone, since that time, knowing how this thing works: Wow! What's the evidence? Well, you've got ten prisoners dead. It's hard to get 'em to talk after they're dead!

So that's what the issue is here. The issue is that, therefore, do you think that there has not been a big effort to put a lid on a story as big as this has been, inside the U.S. press? Do you think that this story was not available, and its significance was not apparent—at least to some degree—to every leading press in the United States—television, print? Why didn't they report it? It happened! And did this not involve money? Does not everyone know, that to run an operation like 9/11 was run, it takes many billions of dollars? It takes complicity of a government, or one or two governments? That this is a coup, an attempted coup d'état, in the same way that Hermann Göring set fire to the Reichstag in order to make Hitler a dictator? Wasn't there an effort on the evening of Sept. 11th, in the evening discussions, to ram through legislation, or ram through orders, which would establish a dictatorship in the United States, that didn't quite succeed—almost succeeded but not quite? And, have we not been run and dominated by this ever since then, by the apparatus which was put into effect on the pretext of 9/11? Don't you think that everybody who is cognizant in the United States, at every position of power, has not had these thoughts, repeatedly, persistently, over these intervening years? Do you not think that everybody who saw the evidence as it's come out now, who is in an appropriate position of power to understand how these things are done, has not had these thoughts? Do you not think that they were terrified, to death practically, of being involved in exposing this?

All right now, on the British side: On the British side, there is an angle. I don't know the answer in terms of having inside information of that type, but inside information of another type. I've been around for a long time, as some of you know. I've got about as much mileage as most people have. So therefore, I have as much experience as most people have, and I've been a target myself a number of times, and know how these things work. So, there is a crowd which I know in Britain. The same crowd which is opposed to the global warming swindle of Al Gore and company, which is the same as the Hitler program of eugenics. And these people have been the leaders inside the United Kingdom, in organizing things such as you saw on television, this Channel 4 in London, on scientific exposure of global warming as a swindle. It's a complete fraud! There is no scientific evidence which corresponds to any of this! It's all one big damn lie! And only stupid and wishful people believe it.

So, some people in London, and I know their types—and in Scotland also (the kilt was invented before toilet paper!). The Scots are a very practical people, you know. They're practical people in the sense that they are British, and they're patriotically British. But they also consider, is this a good



White House Photo/David Bohrer

*“Blair does not work for Cheney. Cheney works for Blair,” LaRouche said, so now Cheney is in trouble because he's failed to keep the lid on the BAE story. Here, Blair and Cheney at 10 Downing Street, the Prime Minister's residence and office.*

idea, or is this a lousy idea, or is this a terrible thing to do, which we shouldn't do? Is this in the interests of our nation, such as it is? And their answer is no!

Now, it's very clear. People who oppose this BAE thing in Britain, are very clear, and it generally overlaps the same people. Against the BAE swindle, against this stuff, and against the global warming swindle. The same people! And their concern is, they think about the future. Because obviously, anybody in the United States who says global warming, blah blah blah: They're not thinking about the future of the United States. Because, if you do the things that are proposed under the global warming thing, you're going to destroy the United States. You're going to destroy the planet. You're going to cause more death than the planet has ever seen before! And you're coming up with that as a political idea? The kind of idea that can only come from people like Al Gore. It's a gory idea!

The British system is an evil system. It's an empire. But

you have people who live within it, who have not abandoned all other human qualities, simply because they have the defect of being British. And they react—well, look, I’ve got a lot of British ancestors, you know. The greater part, apart from this French ancestry by way of Quebec, most of them come from Lancashire, from the time of the Norman conquest and things like that. One part has been in this country since about the time of the first half of the 17th Century, in New England and so on. Another part came over in the middle of the 19th Century. So, I’ve got hordes of ancestors, hordes of relatives of British Isles progeny. And also some Irish, too, I’ll have you know! They snuck in by way of Maine.

But anyway, the point is, you have people who are human beings, who happen to be in a bad culture, as most of our ancestors of European provenance, came from bad cultures. We came here to build a good culture, but we came from bad cultures, or defective cultures, and so give the lads in Britain a chance. They’re fighting on these issues for the right thing, and probably for the right reasons, and if they had not done this and made this fuss, if they had not acted with the BBC and the *Guardian* as they did, we would probably not have been able to break this story, even though the story was there all along. So they broke the story, we—myself, my friends—were smart enough to understand this thing, so we did our job. But we were doing our job, and no one in the Congress seemed to know a damn thing about this thing. The biggest story in recent times, the biggest scandal, and they didn’t seem to know a damned thing about it. So, suddenly, with CNN three days ago, and some other things, suddenly the thing has broken.

Now, what this means is, that Cheney is in deep kimchee! First of all, because one of Cheney’s functions was to be a control agent, to control the United States for London, under his wife’s direction! His wife is practically a British imperial agent. He too. So now, his role has been depreciated greatly. He has failed to put the lid on the story. The story is now out. Cheney is in deep kimchee, and those who don’t want to impeach Cheney are also in deep kimchee too.

## Tony Blair and Dick Cheney

**Freeman:** Another BAE question, sort of, from someone with, I suppose, an interest in employment prospects for former heads of state. “Lyn, why is everyone trying to find a job for Tony Blair? First, there was the Sarkozy proposal to create a permanent paid position for him to run the EU. Now, an astounding proposal, reportedly initiated and guided by Vice President Dick Cheney, to make Tony Blair the special envoy to the Middle East for the U.S. government. *What are they thinking?* Is this some kind of attempt to buy Blair off, in light of the BAE scandal? I can not fathom why anyone, even Bush-Cheney, would propose Blair for this post, or *any* post in which he would speak for the United States. Perhaps you *can* fathom a reason. I’d like you to comment on it.”

**LaRouche:** Well, you have to know, you’ve got to get the

thing right. Blair does not work for Cheney. Cheney works for Blair. What’s Cheney? Cheney is a human failure. A complete failure in life, and his wife, who became a British asset, if not a British agent—you see, they were out there in Wyoming, and he was the lug from the football team, sitting sullenly and admiring the campus *Queeeeen*, who later became his wife, and he went out and he flunked out of college, couldn’t get a decent job, was a drunk, bad driver, and so forth. All these charming qualities. And so she decides that she wants this thing as something on her mantle, as sort of a trophy, the former football lug. And so, she was the one who got the leading contacts. She did her work, with a British fellow who was actually the spiritual founder of the Fabian Society, and she became an attachment, an American attachment, of the British Fabian Society. And like a certain Senator from we don’t know where, but he’s from Connecticut technically, she is a British asset. She played a key part in all his appointments, largely which came from London, including some of the juicy business things he got in the process, were through her. *She* is the boss in the family. And as I’ve said often, I think she locks him up outside at night, except on two occasions when she gave birth to daughters. So, *she* got him the connections, and he is a British asset. Typical British asset.

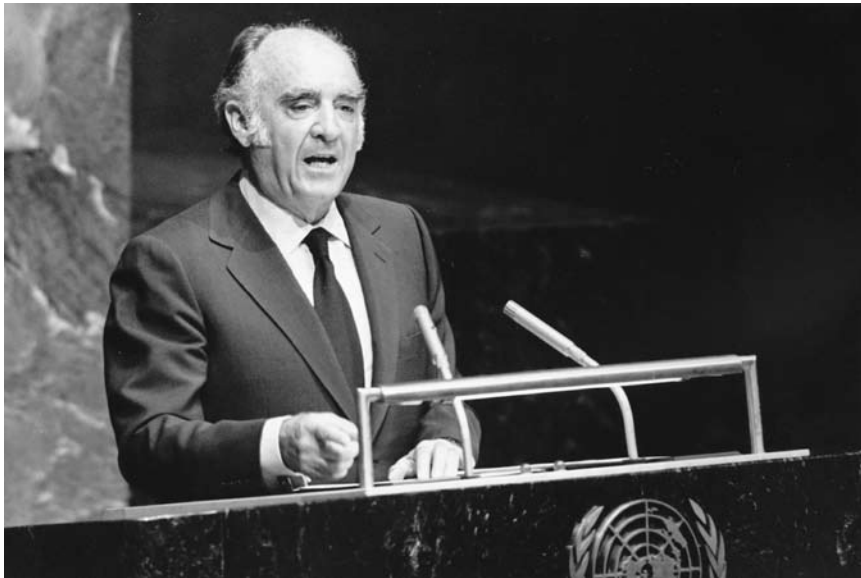
And the word is, of course, that former Saudi Ambassador Bandar, is also a British agent since the age of 16. So, you’re dealing with an empire, the British Empire, and Blair has to go from the prime ministry. He’s just worn out all the rugs to walk on there. And they have various roles. Sarkozy wants him to be the head of the European Union, as a new kind of institution which is part of the world government on the European continent. These other positions. And this is simply the faction which Blair has worked for. Blair, not Bush, not Cheney, orchestrated the war in Iraq. Blair! The Blair government. The Blair government lied. The Blair government kills, and Bush says, “Yesssir”!

So, Cheney is in trouble, because he’s failed, he’s failed to keep the lid on this story. And I don’t think Blair’s going to make it, under these circumstances, not with this scandal, because all the bridges could come down with this one. And we are not going to be idle, in the meantime.

## A Global Fight: The Case of Mexico

**Freeman:** I’ll come back to BAE questions. . . . This is actually a question on method, and interestingly, we have almost the same question coming from two different parts of the world, and from people who play a very different role. One is from Mexico, from somebody who sits on the council of the PRD but who identifies herself as a LaRouchista, and the other is from Glenn Isherwood, who’s a leader of the LaRouche Youth Movement [LYM] in Australia.

First, the way our Mexican friend poses the question: “Before anything else, I’d like to express my appreciation for your concrete and very sharp message. My question is related to the BAE story: How does one connect this discussion of the



EIRNS/Philip Ulanovsky

*President José López Portillo is a hero of Mexico, LaRouche responded to a Mexican questioner. “and if you don’t defend him and his honor, you’re not defending Mexico.” Here López Portillo addressing the United Nations General Assembly, Oct. 1, 1982, defending his country against the financial oligarchy.*

BAE scandal, with all its implications, to the inside of a political party, like mine, the PRD, which is spending its time occupied with small local problems or with matters which in fact are only effects of a perverse international oligarchical policy?” And she references the current matter of the privatization of the pension system or their fiscal reform debate. She says, “How do we elevate the level of the fight” for these people?

Glenn Isherwood says, “Lyn, thank you. My question addresses the point in your presentations that deals with our mission as human beings to change the economic conditions on a global scale. There are many people that are out there who say, “Think big,” but act locally. They want to sprinkle good deeds around, and have people feel like they’re changing the state of the world. What is your message to people like this, and most importantly, how do we get them to think and act bigger?”

**LaRouche:** The Pope and I have a problem. The same problem. You go back to 1982. Go back to the Spring into October of 1982, because there’s the answer to the Mexican side of things. Remember, you had the Malvinas War. The Malvinas War was being stirred up by British interests, through the then-Secretary of Defense in Washington. I was opposing this. It was a violation of our treaty obligations, and our national policy. It was a pro-British policy, and we could not be too enthusiastic. And I got into a lot of trouble on this. But also, my position in this, in dealing with the question of Argentina, the Malvinas and so forth, and the British role at that point, took me again to Mexico, where I was not unknown at the time. And I was well known to [José] López Portillo, who

had been President for some time at that point. So, during the course of my trip to Mexico, I had a meeting at Los Pinos with President López Portillo, and he asked for my opinion on the problems Mexico was having at that point. And I said to him, Well, Mr. President, they intend to destroy your country by about September of this coming year.

As a result of this conversation, which was followed by a press conference which I gave at the Presidential offices, we organized an effort, and I committed myself, to write a paper outlining a remedy for the situation, saying this is contrary to U.S. historical interests to do this to Mexico, what they were planning to do. So therefore, I wrote a paper called *Operation Juárez*. And *Operation Juárez* sort of anticipates what’s been proposed recently as a new banking arrangement, in cooperation with the southern states of the hemisphere.

When the operation struck Mexico, as I knew it would come, it struck just about the time that I had published this paper, at the beginning of August. So, López Portillo took the actions which I endorsed for Mexico’s defense of itself against this attempt to destroy the country. This continued up to the point that the country had already been destroyed, with the help of Henry Kissinger, who had been sent in by the U.S. government, as an emissary there. And López Portillo, as President of Mexico, gave an address in October at the United Nations, and this address should be heard by anyone who is a patriot anywhere within the vicinity of the Western Hemisphere today, as an example of a patriot, whose country had just been destroyed on orders, who stood up like a man as a President, to defend the honor of his country.

Now, the result of the crushing blows which were delivered against him and against me and against others, and the massive corruption that followed: No one in Mexico has had the guts so far—in a position of power—to defend the country’s interests. Not because Mexicans are cowards; they do not pride themselves on being cowards, or didn’t in my day, but because they saw no hope. They saw people who should have defended their country betray it again and again and again, on orders from London and orders from the North, the big fellow from the North—us.

So, the problem here is, to understand the principle of immortality, to which I referred earlier today, and that is, when we abandon the defense of principle, we lose everything. And when we ignore a hero in a position of power, who stood up like a hero to defend his nation, to speak for his nation’s honor, in a period of great disgrace, don’t be surprised if the smaller fry coming after him don’t stand up and fight, either. And



the remedy for this is, we have to say, as I do, and have done on a number of occasions, on the case of López Portillo: *President López Portillo is a hero of Mexico!* And if you don't defend him and his honor, you're not defending Mexico. Because without that commitment, the Mexicans have betrayed themselves, because they react with indifference to the great crime against their country and their people.

Now, if they don't fight, that's one thing. *But don't, don't spit upon your heroes.* When you spit upon your own nation's heroes, you spit upon yourself, and you spit upon your children's future. And therefore, the honor due to López Portillo for fighting what he did up to the last stand—and they intended to kill him you know, after that. He lived, but they intended to kill him, and they're out to kill his son, too. So that's the kind of situation.

If we say that, if we understand that, if we recognize that, then we give courage to Mexicans. But when they are induced to spit upon their own hero, how can they find the honor and the strength to fight for themselves?

## To Get Results, You Have To Be Willing To Make Enemies

**Freeman:** Lyn, this is a question that comes from three members of the Freshman Caucus of the House of Representatives: "Mr. LaRouche, we came into Congress with a mandate to end the war in Iraq. Every effort in this direction has been blocked; in some cases, by our own leadership. The result is, that this institution"—I assume they mean the Congress—"enjoys lower voter approval than the very Administration that we were elected to stop. We have been told that, while our frustration is understandable, that it would in no way justify renegade actions against the leadership, and that indeed, such actions would only serve to strengthen the other side. Our concern is two-fold. One is the obvious question of how to get a policy implemented. Two, is the fact that, as members of the House, we serve at the pleasure of our constituents, and soon we face an election. We promised to do something that we didn't do, and as such, voters may very well boot us out, just as they did our predecessors. Do you have any advice?"

**LaRouche:** Well, you may know some of the ways I think. It's contemptible, isn't it? It's disgusting. It makes you want to vomit, but you're trying to find out who to vomit upon. This is what we've come to. This is the disgrace of our society. We're no longer men or women. You know, feminists came along, we said, "Okay, the women are going to take care of it; the men have been cowards." Now, we've got real men, called women. And the feminists come in, and they do the same thing the men did before them. And you're looking for the third sex. The point is, it's a lack of guts. It's a lack of intellectual integrity and intellectual guts.

You've got to realize the extent of corruption of our culture. See, I'm older; I had the advantage of seeing it at its birth. You came along later; it was already there when you

came along. But, you have to see the degeneration, the moral degeneration of our culture. You have to see existentialism as corruption. You have to see what is popular culture today, as a form of corruption. Because you don't have valid choices of values. You have "go along to get along." You have adaptations to popular taste and popular opinion. You want to have some sexual fun, you have to go out and mix with the right crowd, and do the things that they like or they're going to reject you. And this shapes the character of people. They go out to be *popular, popular, popular*. "I want to be popular." I say: "Go out and make a good enemy today. Make yourself feel good." "Things are terrible!" "Well, why don't you have an enemy?"

Look, we know it top down, the corruption in the Congress—it's there. Look at the *money!* Look at the money for the Presidential candidacies. Where does it come from? *And what does that money buy?* The key thing here—and I didn't go into it because it's rather longish, in going through this kind of thing. I was worried about it, as you probably saw today. It's a long subject, and to get within three or four hours of this subject is not easy. I tried to do the best I could in a short time. I kept foreshortening this and foreshortening that. But, you have to, in a sense, understand the principle at stake here. The principle of creativity; the principle of commitment to the future. And you have to understand what was done to us by existentialism. We were brainwashed. When Roosevelt died, there was sudden change. I was off in Burma at the time the war ended, and I shortly came back from Burma toward India, and I was stationed outside of Calcutta, and in Calcutta during the period prior to my return to the United States, where I became involved in, actually, the Indian Revolution, as a GI. It's where my intelligence training began, in doing that. I learned how to run an intelligence operation.

So, I came back, and the United States had changed. Roosevelt had been dead—he died before I went to Burma, and people had asked me, and I said I was afraid for our country because a great man had been replaced by a very little man, and I was afraid for our country. And I was right. By the time I got back to the United States, the United States had been corrupted. We had a right-wing Congress; everything was going in the wrong direction. A reign of terror was descending, and guys who had fought on the fronts in wars, who come back as gutless wonders, were threatened by their wives. So, we didn't fight; we didn't resist. We had a virtually fascist regime stuck upon us, and we didn't fight. I fought, I couldn't help it. My instinct; I fought. I got into trouble; I fought. I enjoyed fighting, because it was good. At least I could feel clean, because I was fighting. The tougher the fight got, the cleaner I felt. Something rubbed off in the struggle, shall we say.

That's the situation that faces us, a lack of courage, and my concern, which I expressed today, is that if you don't have a sense, a well-grounded sense, of what is the difference between man and a chimpanzee, you don't have a sense of what it is to be human. If you don't have a sense of what creativity



EIRNS/Bill Jones

*“You’ve got to realize the extent of corruption of our culture,” LaRouche answered questioners from the Freshman Caucus of the House of Representatives about the lack of guts of the Democratic leadership. “If you’re not worthy of immortality, you’re not going to get it.” Here, Speaker of the House Nancy Pelosi and Senate Majority Leader Harry Reid.*

is, if you don’t have a sense of what immortality is; real immortality, in terms of the individual human being, how can you be certain that you have a meaning to your life? You might drop dead tomorrow. What’s the meaning of your life? Your children all desert you; they become disgusting. What’s the meaning of your life?

And therefore, the lack of a proper sense of immortality, not some mystical thing, like the guy caught in the tent with one of his parishioners, and he’s taken off to die, and he’s not going to go to heaven, don’t kid yourself. This is not the kind of immortality I’m talking about. Immortality in the sense that you have lived a life to serve an intention for humanity. You as an individual have a significant place in contributing to humanity. This is the only source of courage. If you don’t believe in that, if you accept existentialist criteria, if you accept popular opinion as a substitute for reality, if you don’t have a commitment to truth, if you don’t have a commitment to discovering truth, to acting upon the basis of truth, you will turn rotten like the rest. And I saw a lot of my friends turn *rotten*, and they were your parents and grandparents.

So therefore, my message is, the only remedy is, *learn the lesson*. Don’t accept substitutes. If you’re not worthy of immortality, you’re not going to get it. And if you can not find your sense of identity in what you contribute to humanity, even if you die for the purpose of doing it, you don’t have the courage to cope with it; you’re not a leader. We have a lot of people out there who would like to be leaders. But those people who would like to be leaders, are looking for someone

who’s a little bit stronger than they are. They want somebody who is a little bit stronger, who is a little bit more, who comes on stronger. Who creates an environment where they have a sense of freedom to act, or freedom to show some courage. They want to show courage, but they say, “What can we do? What can we do? What am I going to do? Stand up and scream?”

And therefore, you have to have leaders who do what I do. And, to do what I do, you have to accept the consequence of getting the kind of problems I get.

### What Constitutes a Viable State?

**Freeman:** This is a question from a member of the Palestinian Liberation Organization Negotiations Affairs Department, concerning the conditions for viability of a nation in the Middle East. He says: “Mr. LaRouche, President Bush has called for a two-state solution in his Road Map proposal, which requires a viable state. And the question of water, which is my area of concern and work, for a nation to be viable, one of the fundamental requirements is water. The lack

of water in Gaza and the West Bank, is now at a crisis stage. My question to you is: What do the American people understand as the meaning of a viable state? And what do you think about a timetable for all of this, since the Road Map called for the final date to be sometime in 2008?”

**LaRouche:** I would suggest that you look at the reactions from around the world, to what came up in the discussion, which is a fresh discussion of an old issue, of the Bering Strait Land-Bridge operation. The response in Russia and in Western Europe, as in from Denmark and elsewhere, is significant. When we raised this question, these kinds of projects, or you raise it among Alaskans, for whom it would mean that the future opens up to them, when you raise this question, suddenly smiles come on their faces, and they say, “This is great. We want to do it.” If you look at the history of the United States regarding this kind of project, you say, “We want to do it.”

Take the water question. All you need is nuclear fission. You can not produce large amounts of fresh water at low cost, that is a physical low cost, without resort to fission power. You have to end the agricultural policies of the United States, as they are now. We used to have a policy of agriculture which was tied into the idea of land management.

See, agriculture has two aspects. One aspect is growing food, and all the things to do with growing this food, and producing it. The other is maintaining the land area within which the food-growing occurs. For example, forestation. Well, if the area is suitable for forestation, get as many trees as possible, because a tree generally will convert up to 10% of the

solar radiation it receives into biomass, and lowers the temperature accordingly. If you want to make a better climate, *plant more trees, and make them grow*. Of course, you have conservation methods; you build hedgerows and things like that, which help in conservation. You don't come across and say, "We're gonna grow some wheat. We're gonna grow some corn. We're going to make bio-fuel out of the corn." And you sweep across the area, and destroy the territory. You grow corn to turn into bio-fuel, which is a stupid thing to do anyway. Anyone who would do that would be call a "bio-fool."

So, therefore, you have to have a policy which we are responsible for: We are the boss of the planet. *We!* We didn't create this planet, but we have been assigned to run it. Therefore, we're responsible; we're going to see to it that the forestation occurs, the land improvement occurs. We're not going to have things like Loudoun County, [Virginia], which is a curse! We won't allow it. Because, why should you have to travel 60, 70 miles to get to work through areas which are only areas of habitation for people who are commuters to work? There is no significant economic activity in Loudoun County, except living and doing what you do when you live there. So, therefore, people are travelling distances—you now have traffic jams, because of having the old Loudoun County, which was largely an agro community, where you could grow all kinds of crops which you would think would be convenient for an area like Washington, D.C., like better qualities of meat, and better qualities of this and that sort of thing, sensible things. *You don't have any productive economic activity within the county*. What there used to be has been destroyed for the sake of real estate speculation, to create one big bedroom. In order to get to work, you've got to drive through the whole bedroom! Then they capture you; they get you with tolls and other things they charge on you, taxation.

Now, what happens when the real estate bubble in Loudoun County collapses, as it is in the process of doing? Now, we built up a big expense of just maintaining the county. If the county has shut down, who is going to pay the taxes to maintain the county, for the services? This extends all over this entire area. This is mass insanity. We took people, and we moved them from areas where they had been farmers or industrial workers, and so forth, performing useful lives, we moved them into these great areas of over-concentration of residential communities. Tax havens for tax gatherers. And we did it—it was stupid.

So, we didn't have a sense that the object is to develop the total territory of the nation in such a way that it becomes like a machine in which agriculture, and other things all fit together. You have people who live near places where they work, or people will find various places to work near where they live. We took people who lived in communities where they had places of opportunity to work where they lived. They could get to work within 15 minutes by commuting, approximately. Now, you have them travel great distances through great traf-

fic jams, which are caused by this insanity, to get a job. You shut it down, and then the whole community has to move, all of the people there. It's insane!

The idea of a balanced economy, where your land management is such that you minimize the cost of travel, minimize the effort of travel. Create communities which are largely where most of the activities are local. We don't get the idea of shipping food great, vast distances across the planet. We grow food where we need it. Food grown where we need it is our food security. It may not be our total food supply; we'd like some other things thrown in too, but we need basic food security. We need agriculture to grow food in areas that we live. We need industries in areas where we live. We need scientific laboratories and educational centers in areas where we live in. This crazy system is absolutely insane! What has happened to the United States in terms of land management and economic development, especially since Kennedy was assassinated, has gone worse and worse and worse. And the Baby-Boomer generation has made it worse, and what happened in 1971 made it worse, 1972 made it worse. What happened in the 1970s, and the 1980s made it worse. What's happened since has made it worse and worse and worse. And you almost want to say, "What would improve the United States?" "Go back and undo everything we did since about the time Jack Kennedy was assassinated." And you'd have something that would give you an image of what you want to think about, in terms of building a real economy.

So that's our problem. You have silly ideas, called fads. You say, "How can we adapt to this choice, this choice, this choice?" You accept the choices. Like my friend Revault d'Allonnes said, who died back in the early 1990s. He was a leading general, commanding general under de Gaulle's administration, and while he was still a colonel, at the end of the war, he was still in Germany, part of the French Occupation in Germany. And he was the only colonel in this command unit. So, they had a discussion among the members of the command, and the generals are all sitting around the table, d'Allonnes is sitting at the head of the table, they're all discussing about policy, think-tank policy, and the question is posed: What is the first thing we do if war breaks out? And none of them wanted to venture an answer to that, so the eyes sort of drifted around the ranks of several of the people assembled at the table, and there was Revault d'Allonnes, who gently raised his hand. Revault d'Allonnes was a very effective general, a very effective soldier, but he had a very gentle, humorous, light way of expressing it. It was a tough man inside a nice, soft, friendly exterior. He said, "Fire the generals."

The point is, this is often said—it is not unique to him on this occasion. Why do you say that? Because you have an army that is built up for peacetime. And the peacetime army is conditioned to sitting and running its little operations, and doing the things that make it happy, like going out and committing fornication, things like that—but away from the base. So

what happens is, the army is oriented to the condition to which it is accustomed. The conditions to which it is accustomed are peacetime conditions. They don't think in terms of wartime conditions, and therefore you say, bring on a fresh group, who are all ready to go; ready to fire under the new kinds of conditions which exist. And that's the difference.

That's the problem we face here, in dealing with problems like this. You say, how can you adapt to what we're accustomed to, and make a little fix-it in what we're accustomed to, without actually changing anything in principle, like saying, "This whole thing has been a mess for 20 years, let's undo it, and fix it!" You don't think that way, and that's the problem. You don't have people who think with command sense, a sense of principle. Sometimes, you have to tear the whole thing down and rebuild. Sometimes, you have to tear down the slum and rebuild. And we're living in a cultural slum, called our present culture, and much of it we're going to have to tear down and rebuild, and go back to what we were doing earlier, or some better version of what we were doing earlier. We're going to have to back to largely self-contained communities, of finite size. A hundred thousand, 200,000 at most, 50,000 optimal. And in those communities, people should be able to live, find optional places of employment, have a system, a local system which can sustain an educational system for the people in that area, maintain medical support for people in that area, and so forth. And if you want to get someplace, you shouldn't have to go through a permanent traffic jam to get there.

## Requirements for the Presidency Today

**Freeman:** Lyn, this is a question from a Democratic member of the Senate, who has a special interest in the campaign in 2008. He says: "Mr. LaRouche, New York City Mayor Bloomberg's exit from the Republican Party clearly positions him for an independent run for national office, partnering with someone like Joe Lieberman, or—far more likely—someone like Chuck Hagel. Given the fact that Hagel has become a virtual regular on the weekend news shows, and Bloomberg has access to virtually unlimited funds, this kind of independent effort could very well—for better or for worse—bring down the entire two-party system, particularly in the midst of the current turbulence in the United States. I'd like you to talk about this a little bit, because it is something that we have to consider going into the elections."

**LaRouche:** Very good. Well, we have a mess on our hands. We have a bunch of candidates—some of these candidates are decent people. They're qualified as leading figures, but they're not acting very good, shall we say, these days. The Presidential campaign, so far, is a farce, in many dimensions. First of all, we face a crisis, a global crisis as well as a national crisis, beyond belief. We have not, in recent times, experienced such a crisis. And you have candidates—a Democratic Party that says, "We're not going to impeach Cheney." It's a bunch of fools. Who can treat them seriously? Why won't

they attack Cheney? Because they've got some *money* they want. And look at how the money is flowing into the campaigns. Where's it coming from? Big stuff: these speculators, hedge funds, and things like that. Real corruption.

The problem is, the leadership of the party is corrupt. It's organically corrupt; it's not simply somebody coming in and putting something under the door and saying, "I'm buying you." They're corrupt because the *smell of money* corrupts them. Especially the smell of hedge fund money. "Who can get the most money? Who's going to get the most? Most money; most money; most money!" And they don't have any policy which corresponds to the reality of the world, which the next President of the United States is going to face. Or even the present President. They are absolutely *useless*, in the way they are campaigning and what they represent. Even though they're not intrinsically useless people. It reminds me of Sarkozy, recently elected President of France, and the greatest phony in France. Sarkozy is a tough guy; he's gonna kill everybody. He's got more cops than exist, and he's gonna beat 'em all up. He meets with President Putin, and he gives a press conference afterwards, and the guy breaks down into a giggling session. You'd think he was drunk! He's acting like a fool; a complete fool in public. A gutless wonder! This is the kind of situation we see worldwide.

You see, the governments of Europe, from the Russian and Belarus border westward, do not function! It's not because the politicians are all stupid. They're not! But they're in a situation in which no one is supposed to function. If you adapt to the situation, you can't function. So, you have failed governments throughout Western and Central Europe, every one of them. And you see that in Sarkozy.

So the problem now is, what are we doing? We're going for early elections, early nominations. Idiocy! You're going with candidacies, which are stupid, which are only running for money, not for any issue, which have no policies relevant to the crises that face the nation now or will face the nation in the year 2009. None! You want to run for elections, you're going to run with a bunch of fools who are going to be discredited by the time the primary votes are cast, the primary selection votes, the majority of them. What is going to then happen? You're going into February and March, early March, by which you have essentially predetermined the slate of selections of candidates for the Republican and Democratic nominations. Then what happens? A wave of disgust overtakes the nation, and every guy who wants to run, as Ross Perot did, in the next election. So, what you have is, these candidates will not be principled candidates. They will be gimmick candidates. Ross Perot was probably more principled than any of these candidates would be. He was principled, in his own way.

So therefore, what you're doing is you're creating a chaotic situation. You're throwing the entire U.S. political system into a *maelstrom of disgust*, because no one wants to take up the issues. What's the issue? We are bankrupt! The world is



EIRNS/Montage by Alan Yue

*“The Presidential campaign so far is a farce, in many dimensions.... And you have candidates—a Democratic Party that says ‘We’re not going to impeach Cheney.’ It’s a bunch of fools,” LaRouche said.*

bankrupt! The financial system is bankrupt! We are collapsing physically. We are running out of power. Our medical system is a disgrace, etc., etc. What are the issues? There has to be a fundamental change in policy, away from the policies which this present situation represents. Which means you have to go back essentially to say, look, everything done since the beginning of the 1970s was essentially wrong. And we’re now in a situation where the cumulative effect of all the things we did, all this period, and now, what do you have? These candidates are out there, and they’re trying to run on the basis of finding a profile, under which they can run a candidacy, and wondering what profile will win the election for them. And saying, “Well, if you’re gonna be President, you’ve got to win the votes, and to win the votes, you’ve got to have the profile that’s a winning profile, according to the polls, and according to this and according to that manipulation, and that stunt, and that stunt.”

There’s no address, you’re not mobilizing—when you want to get the American people to change the way they behave, which is what you must do now, because the way the American people have behaved over the course of the past 25 years, is what is wrong. If you can’t change that, you’re not going to save anything. There’s no fixup within the present system, if you continue it. Therefore, you’ve got to come for-

ward with some very fundamental changes in the way we behave, back away from the way we’ve behaved for the past 25 years, back toward the better way we’ve known how to behave before. We’re not going to do the same thing we did before; there were mistakes there too. But we can correct the mistakes, and bring forth a package of proposals which undo the damage we’ve done to ourselves for the past quarter-century. At the same time, make some changes to what we were doing earlier, to fix the problem.

### **A Statesman-Like Approach**

I think the only solution is to have a real statesman-like approach for the Presidency. My proposal is, the President of the United States, or persons who propose to become the President of the United States, should state the intention that the President of the United States should engage with President Putin of Russia, with the President of China, and with the government of India, as a party of four powers to co-sponsor an initiative for a general international reform of the world economy, to deal with the present world bankruptcy, and to unleash a program of development as part of that program.

The person who should become the President of the United States, if the United States is to survive, must adopt the tra-

dition of President Franklin Roosevelt, and raise that banner again, and point out that our turning away from Franklin Roosevelt and his legacy is what went wrong with the United States, a long time ago. And say, we're going to have to look with the eyes of Franklin Roosevelt, at the realities of today, learn the lessons we should have learned from this comparison, and look at what modern technology provides us, and modern challenges represent.

How are we going to fix the problem? My view is, we have the key to this in this one issue, of railroads, which I've raised under other auspices.

We are now, coming out of the era of geopolitics—the era of geopolitics was the assumption that the British Empire could rule the world by its naval power, by dominating maritime traffic and maritime development. We've now come to a period of time, where with the development of magnetic levitation systems of mass transport of freight and people, if we build a mass transport system of this type across Eurasia, from the Atlantic to—where?—Ah! To Uelen, to the tip of Siberia, near Alaska. We build a tunnel system, as proposed and designed, which gives you a maglev system of connection from Uelen in Siberia, and thus to the mineral resources of Siberia as well, which then descends down to the Yukon, to the United States, through the isthmus, through rail systems in South America; it will also move across Asia, into Africa, we will have connected most of the land area of the world together, in one efficient transportation system, based on power, by nuclear fission power, largely. We can then solve the problems of the planet.

We need an "Eagle" program, in the sense of that type, a program where we say, this is the foundation of the way we're going to change the planet over the course of the next 50 years. And our policies are going to be based on our doing good for the planet, based on what we know the good is. Building around this central idea, the central theme: We're going to bring the land areas of the planet together, in a single transportation system, which will be a transportation development system which will tie sovereign nation-states together in cooperation. Something like that. The American people need something like that. They need a Franklin Roosevelt-style of vision, and to say, "Let's go forward from the mess we're in now and go do that."

And we have potential allies. China has problems. If we understand the problems of China, we can help them, not fight them. If we understand the problems of India, we can help them, not fight them. If we understand the problems and opportunities of Russia, we can help them, not fight them. We can win. We can actually beat the challenge of Africa, sub-Saharan Africa, in particular. We can do it. But we need a leadership that is committed to doing that, and engages the imagination of the American people, in particular, in the idea of going back to that kind of a mission-orientation. Going back to becoming once again a country of which you can be proud!

## Democratic Leadership Has Lost Credibility

**Freeman:** I have a couple more questions from the Congress, and then I'm going to move to more questions from the LYM. This is also a question from a Senate office, a Democratic Senate office. "Mr. LaRouche, currently there is a proposal to allow sales of arms to Great Britain, without the normal licensing agreements. This proposal has been raised by the White House, and President Bush seems to think that he has the power to allow this, without Congressional authorization. Some members of his own party are alarmed by the implications of this. For those listening to this broadcast who may not be familiar with the implications, such a proposal, if implemented, would essentially privatize and deregulate the global arms trade. The current breaking story surrounding BAE simply expresses one aspect of why I believe this proposal, if adopted, would represent nothing short of a threat to global peace and security. I'd like your view of this, and I'd like you to comment specifically on whether it is your understanding that the President of the United States has the power to do this by virtual diktat, and what you think we in the Senate should do about it."

**LaRouche:** I think you should get rid of the whole bunch of these guys! I don't think these people are capable of being morally improved. I don't think they're capable of any good.

No, obviously, the war powers of the United States under the Constitution, are that, and therefore any activity of the United States which pertains to the implication of war, or weapons trafficking, *must be* constitutionally seen as a constitutional restriction on the war-making powers of the Presidency. The President can not do that without the consent of Congress. So, what do you do if he does it anyway? You *impeach* the guy, don't you? You jail him! Or tell him to grow feathers. But you don't put up with that.

Now, the problem here is, when you talk about Congressional action, or Congressional leadership of the nation, or leadership of the nation, who the hell believes you? You have lost your credibility! You *have* no credibility. The Democratic Party leadership presently has no credibility. Its refusal to take up the question which is demanded by the majority of the Democratic rank and file, to impeach Cheney, means that the present leadership of the Democratic Party does not have any credibility in the world, not only with the Democratic members, but with the world, because it can't do a damned good thing! It's no good! And the President can sit there and laugh at them, up and down. They can vote him out, and he will sit there: "I'm the President, you can't vote me out. I vote you out."

Therefore, how do you exert power without using a gun to do it? You exert power by engaging the support of the mass of the population, and if you turn your back on the people, the way the Democratic Party has turned its back on the Democratic rank and file, how the hell can the Democratic Party do anything? Anyone can laugh at them, even a poor silly fool like George W. Bush can laugh at them. But if you want to

rule this country, you've got to be with its people. You've got to respond to them. That doesn't mean that they're going to accept everything that you do. It means they have to look at you as being potent, as meaning something. It's not being a *fool*, just a big-mouthed fool!

So therefore, you want to exert power? Exert power. What's your power? Your power lies in your relationship to the support of the people of the country. If you reject the people, and tell them, you want to impeach Cheney? You won't do it. You want to say, we're not going to impeach Cheney, because there's a good reason not to impeach him, that he's not guilty? They don't say that. They say, yeah, sure he's impeachable, but we're not going to do it. Therefore, the minute the Democratic Party leadership says, as Nancy Pelosi has said, we're not going to do it, Nancy Pelosi no longer has any effective power in dealing with the Presidency of the United States.

On the other hand, if the Democratic Party leadership wished to get Cheney out, and had the support of the Democratic voters, it would have the support of a lot of other voters as well, not just Democratic, but unregistered, unaligned, Republican—and the Democratic Party would very quickly have the power to run the President out, if they wished to. Then, somebody would listen to a leader of the Democratic Party. That's what the problem is. I think Nancy Pelosi should reexamine her priorities.

### Sophistry Among the Baby Boomers

**Freeman:** Lyn, the next question is from Alan, who is a LYM organizer here in D.C. He says, "Lyn, I was recently at a Democratic event in D.C., where there was a Congressman giving a speech on the necessity of saving the infrastructure of the United States. He mentioned the idea of a capital budget, but it was couched in a very insane idea of how history functions. An example of this was, he started off saying that the Roman Empire collapsed as a result of the roads falling apart." [laughter] It gets better. "He said that prevented the Legions from getting in and out of Rome, and that's how the Empire collapsed. Then after he was done, he fielded questions, and he responded to a question from one of our organizers about globalization, by saying that free trade in the 19th Century was what was used by the United States to destroy the British. So my question is, with this shaky understanding of history, could the Congress actually come to a competent understanding of a capital budget, and how?"

**LaRouche:** Again, it's the same thing. There is no understanding of much history, of anything. The problem is the Baby-Boomer generation. They don't believe in reality! You're dealing with existentialists, which is the modern form of sophistry in the extreme form. They think of popular opinion, they think of slogans, they think of catch phrases. I mean, the guy's lying; obviously lying. Talking about roads! He doesn't know what he's talking about. He knows he doesn't know what he's talking about. He doesn't know anything



EIRNS/James Rea

*How do you cope with the fact that Baby Boomers don't believe in reality? "You organize around scientific method. You get to the basement of truth," LaRouche said.*

about free trade, and he knows it; but someone, his advisor, says use this phrase, and he uses it. He doesn't know what he's talking about. He doesn't *care*! He doesn't care what the truth is.

I mean, some of you should know, there is a sense in yourself, a sense of the authority of speaking the truth. Now, sometimes you may be wrong about what you conclude, but at least your approach is the intention to be *truthful*, and it never is negligence. You never say something just because you want to say something. If you say something, and you stand by it, you must mean it. You may be wrong, but you can be corrected, but you have to mean it. You can't bullshit like that. But Baby Boomers do! Baby Boomers will say anything they want to say, to get you off their back. They don't care what lies, what nonsense, what fairy tales they invent, they'll tell you that, and they'll tell you a story, and his friends will say, "Yes, he's right about that!"

So, how do you cope with this? What you have to do, is, you have to go out to people. And there are some people in this country who are not Baby Boomers, you may have noticed. You have to get people to understand a sense that they are truthful. The problem with the educational system, with the

whole information system now, is people don't know what the truth is. So therefore, you have to have a society for the promotion of locating the truth, and our educational systems don't do it. Our mass information systems don't do that. So how do you do that? Well, you organize around scientific method. You get to the basement of truth.

## What Motivates the British?

**Freeman:** Okay, we can take two more questions. One is from [State] Sen. Joe Neal of Nevada, and the other is a zinger from a member of the French LYM. As Senator Neal says, "Lyn, based on this recent blockbuster story that you've released on Cheney, Prince Bandar, and the British, my question is: Given that the British have depended on us to save their butts on more than one occasion in the recent past, what exactly do they have to gain by destroying the United States?"

**LaRouche:** It's an ideological question. It's like a kind of pagan religious belief question. You believe something, and you say, "I understand: The world will be fine, if the world is run this way. I'm going to make sure the world behaves itself, and runs itself this way." These guys believe in liberalism. Now, what's liberalism? That's the question. The birth of modern European civilization was in the Council of Florence, and it took the form of the emergence of states such as Louis XI's France, Henry VII's England, and so forth. And there was a countermeasure from the Hapsburgs and similar kinds of people who represented the old Venetian interests. Europe dissolved into religious warfare. Religious warfare took two phases. The first phase was launched by the Hapsburgs as such, who started the religious war in 1492 with the expulsion of the Jews—that was the beginning of religious warfare, with the Inquisition—and this went through a phase. The Inquisition wasn't working out too well. So you had a new phase of the Inquisition, which was started by a Venetian by the name of Paolo Sarpi. And Paolo Sarpi went from a strict medieval code, to a code which was based on the Indifferentist Code of William of Ockham. And William of Ockham was a fantasist, who actually believed in something like gambling, and what became known as liberalism was a result of this.

Take the case of economics: You have people like Adam Smith and company. Their argument was, essentially, an argument based on that of Galileo, that there is no principle which governs truth, or lack of truth, in economics, or in finance, for example. That the universe is organized, in effect, by little green men, who are under the floorboards of reality, and they're casting dice. And what happens to you, living above the floorboards, depends upon how the vote comes out on the casting of dice. If the dice come up one way, you get this kind of a future. And that's the way people look at business. It's the way they look at economy today. It's the so-called free trade system. It's a gambling system, invented actually by Galileo, who was the first one to take up the idea of

systematizing, mathematically, gambling principles. So, we are running on a gambler's society.

Now, in this, you say: Well, why do you say that? And they say, "Ohhhhh, Ahhhh! Mystery!" And if you read the writings of all the leading economists, Bernard Mandeville or Adam Smith, who's a plagiarist on this thing—read all of them; read the entire British school. They're all based on this fantasy of gambling.

Now, what came from Sarpi, Sarpi's argument was that, these principles are mysterious. There is no rational purpose at all. But Sarpi's argument was simple. Sarpi was trying to impose a dictatorship, along with the other Venetians, on the world, and he found out that, with the development of societies around cities and so forth, of modern society which had emerged from the Renaissance, that you couldn't win these wars anymore, even militarily, because cities that were organized with a high level—at least for that time—of technology, are a new form of society. And societies which were building on the basis of technological progress could not be defeated by medieval methods. So therefore, Sarpi said you have to have a different kind of approach. You can not be opposed to technological progress: You'll lose. Therefore, you have to allow some technological progress. You can't have a fixed society. But you must not allow human beings to believe that the individual human being is capable of knowing the truth. Therefore, you must mystify society, with arbitrary choice, and that's what they did. And this is called "liberalism." Liberalism means a denial of the existence of knowable truth. Therefore, you allow people to behave in a certain way, within limits. The limits are determined by an oligarchy, which says, "Well, this is allowed; this is not allowed." And therefore, there is no sense of reason in the way they behave.

So, now when you're dealing with the British system, and you're thinking about systemic liberalism as a philosophy—and think of the extent of it in the United States, think of it in the terms of Hollywood culture, think of it in terms of all the different kinds of culture that affect the people of the United States and Europe: They don't have a sense of truth. There *is* no sense of truth in liberalism. That's what liberalism means! Liberalism says, there is no truth. However, there are social arbiters, or institutions, peer groups, constituencies. These peer groups will decide whether something is acceptable or not. Authority will decide whether it's allowed or not allowed. What will determine that? Oh, "authority" will determine that. Not what's right or what's wrong, or what's scientifically correct, what's scientifically incorrect.

So therefore, liberalism is a system of oppression based on refusing to hear an argument based on defensible truth, against authority. Where, in our system, our Presidential system, as it's constituted, the argument was, that if we come in with an argument which is scientifically valid, as a demonstration of what is in fact *true*, we have the right to express that *against authority!*



Let's take the case of libel law. European libel law as against U.S. libel law, or what U.S. libel law used to be. If you can demonstrate that you're telling the truth, you're not libelous. However, in Europe, if you insult an important person, no matter how true it is, you've committed libel. Therefore, our system presumes, when we follow it, that we are struggling, not always to know truth perfectly, because we don't, but we're always struggling to achieve truth. We say to someone who is a suppliant, "Well, you've got a case, present your evidence." "I don't know how." "Well, we'll help you get a lawyer. Maybe he can help you present your evidence." And if a person comes in with the evidence to substantiate that what they're saying is true, the truth of what they're saying has to be accepted. Even if it's not perfectly true, if it's plausible, the fact that it's plausible has to be accepted. So, okay, we can't accept it, but go out and keep looking, if you want to keep trying, and see what you can do with this. Fine. Isn't that what we do all the time? Go out and find out. I don't agree with you, but if you think it's important, keep at it, and if you've got some evidence, tell me. That's our system.

Under the oligarchical system of Sarpi, authority decides whether your question can be admitted or not. And that's the same in economics. Laws are made, to conform to that. We have people who are stealing. They're called hedge funds. They pledge to borrow money. They don't actually get money; they pledge to borrow it. They sign a pledge to borrow it. They then come into a firm, and say, "We have this money. We have enough money. We're pledged to buy your corporation out and take you over." "Where's the money?" "Well, don't ask that, we have a pledge here." So therefore, they come in. It's not their own money. They're not buying the company with their own money; they're buying it with a form. How do they pay the bill? *They loot the company!* Sell off the carcass, walk off with the money, and go on and loot the next company. That's allowed! This is liberalism. And liberalism is the rejection of truth as the standard of justice. The rejection of the method of truth as the standard of justice.

So, that's what the problem is. And therefore, you have people who believe in liberalism. Where does this come from? It comes from two things. It comes from something that is morally disgusting. If you believe in oligarchy, do you believe that you should kiss the butt of somebody up there because they're an oligarch and you're not? Now, if you believe that that's an advantageous system for you, because you might get a favor, or so forth, from that, then you will act to support the continued rule of you by the oligarchy. And what you have in the case of the British system, is a deep moral corruption of the British culture, which has never been removed, since the time after Queen Anne died. Never been removed. And this is: "We like to have our butt kissed. And therefore, we want a system in which we can live that way. That's *our system!* We are going to defend our system, even if we are slaves within

it." And therefore, you have people who do not want to be ruled by reason.

You can find it all in our society. You have people who want to be irrational. "I have a right to be irrational!" Do you know how many people are like that in society? Especially among white-collar Baby-Boomer generation people? "I am changing sex tomorrow morning!" That's the kind of society you're living in!

The point is, this is the concept of good and evil. Now, good and evil is not the simple thing that most people try to make it. But, good is the desire to be good, and the desire to be rational, and the desire to be good about it. Evil is the side, "I don't want to be constrained. If I like to do it, I want to be able to do it!" "But sonny, you're not old enough to get a girl pregnant."

Anyway, so that's the kind of society you're living in. This is an existential society you dealing with, and therefore, people who like the freedom to be irrational, even in a predatory way, the right to be a predator, like a society which offers the chance. How many people do you know, who are demoralized in recent decades, who turn from despair to gambling? In how many states is gambling legalized, institutional gambling legalized? How many states are running state gambling lotteries? How many states and communities are relying on gambling as a source of revenue? How many Indian tribes are being looted by this swindle, which is voted up by state after state? What is gambling? Where is the rationality in gambling? Where's the reason in basing a society on gambling? What kind of a mind is it of a legislator, a governor, a senator to encourage legalized gambling? Promoting insanity called gambling. Immorality called gambling. What is the state of mind of the society in which this occurs? What is the state of mind of the layer?

Take up here in West Virginia, Clarksburg. There's a small racetrack. They have a couple of old nags running around. Nobody goes out to watch the horse, to speak of. Most of them are sitting down there with one-armed bandits and similar kinds of things, for nickels and dimes and so forth, and gambling their life away. All over this country, people have gone into despair, and gone into this mass gambling industry. It indicates a society which has this moral weakness in it. And people sometimes like to defend it; they're patriots of an immoral society, and that's what the case of the British system is.

## Einstein on Russell

**Freeman:** This will be the last question that we have time for. For people who submitted questions that were not asked, I will give them to Lyn, and he will answer some of them in time. I think some of your questions, though, were already implicitly answered.

Lyn, this is a question from Elise, who is a member of the French LYM in Brittany. And she wanted to make clear that this was Brittany in France, not Great Britain. She says: "Hi



UNESCO/C. Bablin

*“Bertrand Russell is probably the most evil man, more evil than Hitler, in the 20th Century,” LaRouche said. “Every worst case of degeneracy in all British culture is summarized and compacted as an expression” in his work. Here, Russell in 1958.*

Lyn, I’ve just read Einstein’s *How I See the World*, in which he defends both the idea of human creativity, and also Bertrand Russell’s idea of a world state. He makes a rather aggressive apology of Bertrand Russell, and there stands the epistemological limit of a great man. One who you, yourself, have quoted in your writing and your speeches. How do explain this? Why does he have this limit? And also, what are your limits?”

**LaRouche:** I have not come to the point that I accept any limits. The only limit I accept is responsibility: that whatever you do, you have to be responsible for it. Responsible inside yourself, first of all, not just with external things. But no; there is no good in Russell. Russell is probably the most evil man of the 20th Century. Satan blushes when Russell’s name is mentioned. Here’s a man who *hated* creativity. Nothing Russell ever did expressed creativity. So, how can he be for creativity when he’s against it? Russell hated it. Russell is, among other things, a liar, so that helps to understand how he did what he did. He’s one of these congenital liars. And he is probably the most evil man, more evil than Hitler, in the 20th Century. Now, his famous work is the *Principia Mathematica*, which is a complete fraud. The work was exposed as a fraud, in a minor

degree, in one aspect, in 1930-31. But it is shown that it doesn’t work. The error that he makes there is the same error that some of our young people have dealt with in the question of the equant, in the question of astronomy. The proposition that you have closure in that kind of system. It’s completely insane. The modern information theory is based on this, that of Bertrand Russell. Norbert Wiener was a student and protégé of Bertrand Russell. John von Neumann, who probably was an idiot-savant, essentially, was a protégé. Both of them were thrown out of Göttingen University for fraud; that’s their achievement in life.

And we have a society now, which is brainwashed into accepting information theory. There’s no such thing as information theory; it doesn’t exist. You have idiots out in California, in large, well-paid corporations, who are talking about maintaining synthetic intelligence, or synthetic brains, by digital methods. Impossible! Creativity always involves something which is always outside an existing set of assumptions. There is never closure; there is never a closed system in which creativity can occur. Creativity always occurs as a violation of a closed system, on the condition that the violation is lawful.

And so, don’t worry about Russell. Russell was a beast, he was a Nazi, or worse than a Nazi. He was the man who was the author of nuclear warfare. He was the one who promoted the policy of preventive nuclear warfare against the Soviet Union back in 1946; actually in 1945, but publicly in 1946. And he never apologized for it, he always defended it. His aim was world government, world tyranny, world dictatorship. He and his friend H.G. Wells were of the same tenor. But every degenerate, every worst case of degeneracy in all British culture, is summarized and compacted as an expression in the work of Bertrand Russell. There’s no damn good in that man, dead or alive.

**Freeman:** Well, I think that that brings today’s seminar to a close. I’d like to encourage those of you who have not already done so, to subscribe to *EIR Online*, where you will get the very latest on some of the developing stories and some of the developing issues that Mr. LaRouche has gone through today. I would also encourage you to pick up the latest issue of *EIR*, and also this hand-out which goes through some of the details of the BAE story, which you will not read in the U.S. press. We also do have available now a pamphlet that goes through the content of some of the proposals and presentations that Mr. LaRouche gave during his recent visit to Moscow. This is an extremely valuable tool for people in the United States, and I’d encourage you to grab it. I also would really encourage you to make contributions, so we can make sure that Mr. LaRouche’s presentation today is widely distributed, both in the United States and internationally, beyond simply the growing exposure that we get from the website.

Other than that, I would really ask all of you here to join me in thanking Lyn for a remarkable presentation.

## Will BAE Scandal of Century Bring Down Dick Cheney?

by Jeffrey Steinberg

With the U.S. Department of Justice now confirmed to be investigating money laundering and bribery by the British aerospace giant BAE Systems, Congress and the American people must make certain that the investigation does not turn into one more Bush-Cheney-Gonzales coverup. The issue on the table is far bigger than the alleged \$2 billion in bribes that BAE Systems paid out to former Saudi Arabian Ambassador to the United States Prince Bandar bin-Sultan, through the now-defunct Washington, D.C.-based Riggs Bank. As *EIR* revealed in an exclusive report last week (“Scandal of the Century Rocks British Crown and the City”), at least \$80 billion in unaccounted-for loot has been generated by the Al-Yamamah oil-for-jet fighters barter deal, since it was signed in September 1985.

While British news organizations, led by the *Guardian* and BBC, have published revealing details of BAE bribery and slush funds, involving Prince Bandar, former Chilean dictator Gen. Augusto Pinochet, and the late Dutch Royal Consort, Prince Bernhard, none of the British media has touched upon the full magnitude of the scandal—the approximately \$160 billion in secret oil revenues, generated by the BAE-Saudi Al-Yamamah deal, over the past 22 years (see **Table 1** for the year-by-year cash value of the Saudi oil shipments to BAE, through British Petroleum, Royal Dutch Shell, and the British government’s Defence Export Sales Organization).

British author William Simpson, who wrote the 2006 authorized biography of Prince Bandar, *The Prince—The Secret Story of the World’s Most Intriguing Royal*, on the other hand, provided authoritative details “right from the prince’s mouth” that should be of great interest to American Justice Department and Congressional investigators. What Simpson hinted at is perhaps the biggest covert Anglo-American slush fund in

history—one that the author acknowledged had been used to fund clandestine wars, including the Mujahideen’s war against the Soviet Army in Afghanistan, and covert military actions in Africa.

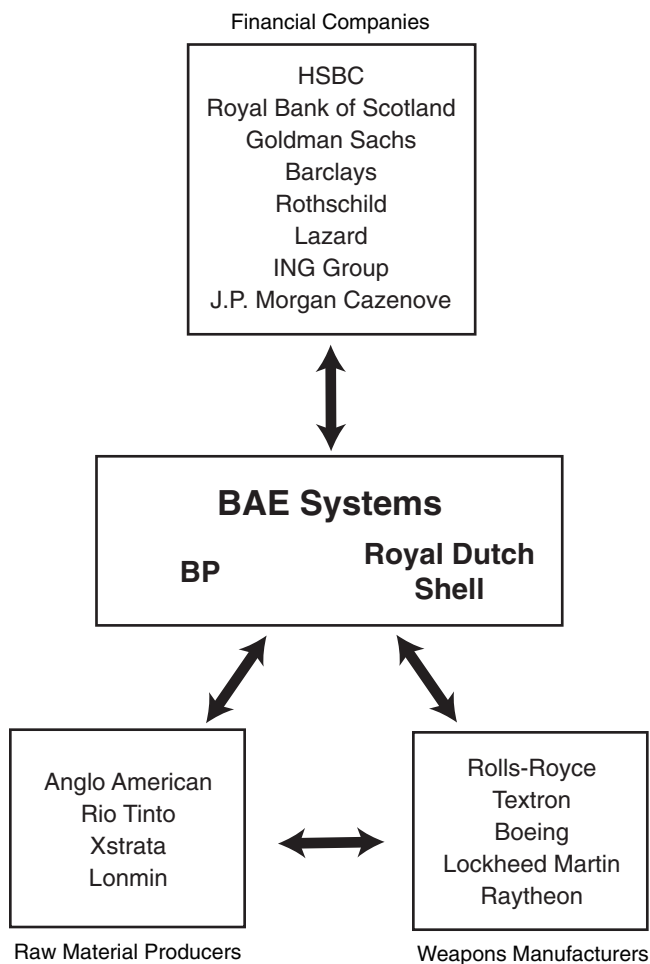
Citing his interviews with Tony Edwards, the one-time head of the British government’s Defence Export Sales Organization (DESO), which administered the Al-Yamamah project, Simpson wrote:

“Edwards admitted that for the Saudis the use of oil meant that the contract was effectively an off-balance-sheet transaction: it did not go through the Saudi Treasury. Edwards also confirmed that one of the main attractions for the Saudis in this unique arrangement was British flexibility. ‘The British were much more flexible than the Americans,’ he said. ‘The Americans went through the Foreign Military sales system, which has congressional law behind it. If the customers get out of line and they fail to pay the money, then they are cut off. In this country, it was quite flexible; sometimes the oil flow and the associated monies that were received by selling it were ahead, at other times it fell behind.’”

Simpson continued, “The phenomenal amount of money generated from the sale of oil comes through DESO, before being paid to British Aerospace. Edwards admitted that the government does charge a little commission for administering the contract, money that attracted the attention of the Treasury as it built up a considerable surplus.”

What neither Edwards nor Simpson chose to point out was the fact that the oil revenues generated from the 600,000 barrels per day that the Saudis paid into the Al-Yamamah fund from 1985 through to the present, amounted to an estimated \$160 billion—four times the *actual* cost of the entire military package delivered by BAE to Saudi Arabia. Nobody in Lon-

FIGURE 1  
**The Anglo-Dutch Interlocking Directorate Behind BAE**



For an article by John Hoefle elaborating who's who behind this interlocking directorate, see [www.larouhepac.com](http://www.larouhepac.com).

don is talking about where the rest of the money landed—and what it was used for.

### Who Runs DESO, and Why?

DESO was established as a British government entity in the mid-1960s, and has been the private domain of Britain's main defense manufacturers and allied financial institutions ever since. Throughout its history, the director of DESO has always been a director of a major British arms manufacturer, responsible for hawking as much business as possible for the Anglo firms.

But beyond the increase in the British portion of the global arms business, DESO also aimed to secure British control over the entirety of the Western arms business, through off-balance-sheet arrangements that would be impossible to pull off under American law. Simpson revealed that, under Al-

Yamaham, American and other foreign firms were also allowed to cash in on the deal:

"The Al-Yamaham deal Mrs. Thatcher negotiated placed British Aerospace as the prime contractor for the provision of any other military equipment purchased for Saudi Arabia. 'By supporting not just the British aircraft but the American aircraft too,' said Edwards, 'Al-Yamaham was an integral part of supporting the Saudi Air Force in total.' He stressed that DESO and British Aerospace have thus ended up supporting all Saudi aircraft—the Peace Shield program—all funded through Al-Yamaham. Edwards concluded, 'In other words, the value of this stream of income and what it is used for has drifted a little bit over the years into things other than it was originally destined for.'

"In effect," Simpson admitted, "Al-Yamaham would become a backdoor method of covertly buying U.S. arms for the kingdom; military hardware purchases that would not be visible to Congress. It specifically had been structured to provide an unparalleled degree of flexibility whereby the Saudis could purchase military equipment under the imprimatur of DESO and British Aerospace."

Simpson, who wrote *The Prince* as virtually a ghost autobiography of the enigmatic Saudi diplomat Prince Bandar, acknowledged that the sheer magnitude of the oil-for-jets deal raised serious questions of corruption.

"The ingenious diversity of Al-Yamaham," he wrote, "together with the British government's discretion and liberal approach to a unique finance deal, largely founded on the undisputed collateral of the huge Saudi oil reserves, could explain the financial black holes assumed by a suspicious media to be evidence of commissions."

But, Simpson explained, "Although Al-Yamaham constitutes a highly unconventional way of doing business, its lucrative spin-offs are the by-products of a wholly political objective: a Saudi political objective and a British political objective. Al-Yamaham is, first and foremost, a political contract. Negotiated at the height of the Cold War, its unique structure has enabled the Saudis to purchase weapons from around the globe to fund the fight against Communism. Al-Yamaham money can be found in the clandestine purchase of Russian ordnance used in the expulsion of Qaddafi's troops from Chad. It can also be traced to arms bought from Egypt and other countries, and sent to the Mujahideen in Afghanistan fighting the Soviet occupying forces."

"Arguably," Simpson admitted, "its consummate flexibility is needed because of inevitable opposition to Saudi arms purchases in Congress. . . . The oil barter arrangement circumvented such bureaucracy."

Simpson quoted sources close to Bandar, who explained: "What Al-Yamaham did, because it is oil for services, is to say: Okay. Al-Yamaham picks up the tab; Saudi Arabia will sign with the French or whoever, and Britain pays them on their behalf. So suddenly the Saudis now have an operational weapons system complete with its support that doesn't reflect

TABLE 1

**The Value of the Oil Side of the BAE-Saudi Oil for Weapons Deal**

Year	(Dollars per Barrel)		(Billions of Dollars)		(Billions of Dollars)	
	Crude Oil Price		Annual Value of Saudi-BAE Oil Shipments		Cumulative Value of Saudi-BAE Oil Shipments	
	Money of the Day	2006 Dollars	Money of the Day	2006 Dollars	Money of the Day	2006 Dollars
1985	27.56	51.71	6.0	11.3	6	11
1986	14.43	26.45	3.2	5.8	9	17
1987	18.44	32.69	4.0	7.2	13	24
1988	14.92	25.50	3.3	5.6	17	30
1989	18.23	29.61	4.0	6.5	21	36
1990	23.73	36.76	5.2	8.1	26	44
1991	20.00	29.71	4.4	6.5	30	51
1992	19.32	27.84	4.2	6.1	34	57
1993	16.97	23.83	3.7	5.2	38	62
1994	15.82	21.74	3.5	4.8	42	67
1995	17.02	22.74	3.7	5.0	45	72
1996	20.67	26.77	4.5	5.9	50	78
1997	19.09	24.26	4.2	5.3	54	83
1998	12.72	16.22	2.8	3.6	57	87
1999	17.97	22.01	3.9	4.8	61	92
2000	28.50	33.93	6.2	7.4	67	99
2001	24.44	28.21	5.4	6.2	72	105
2002	25.02	28.24	5.5	6.2	78	111
2003	28.83	31.59	6.3	6.9	84	118
2004	38.27	40.83	8.4	8.9	92	127
2005	54.52	56.27	11.9	12.3	104	140
2006	65.14	65.14	14.3	14.3	119	154
2007*	61.00	61.00	6.6	6.6	125	160

\* Figures for 2007 are for first 180 days

Sources: BP, *EIR*

on Al-Yamamah as a project. Therefore, if Saudi Arabia wants some services from the Americans, or some weapons system that they have to buy now, otherwise Congress will object to it later, and they can't get it from their current defense budget, then they simply tell Al-Yamamah, 'You divert that money.'"

Between the more than \$80 billion in untraced funds generated through Al-Yamamah, according to *EIR*'s conservative estimate, corroborated by U.S. intelligence sources, and the use of the project as a cover for covert activities around the globe and unauthorized weapons purchases, both the Justice Department and the U.S. Congress have a much bigger series of crimes to probe than the \$2 billion in fees allegedly conducted through the Saudi accounts at Riggs Bank. The issue is the British corruption and subversion of American law on a grand scale.

Prince Bandar's ghost writer, William Simpson, has re-

vealed that Al-Yamamah provided off-balance-sheet covert funding for the decade-long Mujahideen covert war to drive the Soviet Army out of Afghanistan. U.S. intelligence sources have independently confirmed that at least some of those funds went to the recruitment and training of foreign Muslim fighters, who were sent to Afghanistan. Some of those fighters, following the Afghan War (1979-90) would later surface in such faraway places as Algeria, the Philippines, Indonesia, Yemen, Pakistan, and Saudi Arabia, as Islamist insurgents, including members of al-Qaeda.

Simpson also revealed that Al-Yamamah funds went to the purchase of Soviet-made weapons, that were provided to Chad, to drive Libyan forces out of that country. John Bedenkamp, a onetime top aide to Rhodesia's apartheid-era President Ian Smith, and a major arms broker throughout Africa, is currently under investigation by Britain's Serious Fraud



DoD photo/R.D. Ward

Dick Cheney's downfall may come at the hands of his City of London boosters, rather than Congressional Democrats.

Office (SFO) for his role in BAE arms dealings in South Africa. U.S. intelligence sources have identified Bedenkamp as a conduit for Soviet arms to African insurgents, raising questions about his earlier involvement with the Al-Yamamah project in these weapons deals fueling wars in Africa.

### Cheney on the Hot Seat

Washington sources have reported to EIR that the Al-Yamamah revelations have sent shock waves through the City of London. According to one senior U.S. intelligence source, who spoke to EIR on condition of anonymity, "The Al-Yamamah story opens a window into the inner world of Anglo-Dutch financial power. While Al-Yamamah is not the only such off-budget arrangement, it is one of the largest, and it provides a clear picture of a mode of operation—totally outside the control of any government agency, especially the U.S. government. Ultimately, this is a London scandal, not a Riyadh scandal."

One consequence of those shock waves is that Vice President Dick Cheney, according to Washington insiders, is in deep trouble with his London friends. Cheney, the sources report, was the guarantor that the story of the \$80-100 billion fund would never see the light of day. And, while the American and British establishment press have attempted to bury the scandal, either through blacking it out altogether, or focusing attention on tertiary features, like the relatively small flow of cash to Prince Bandar, the EIR revelations have saturated the U.S. Congress and have been picked up around the world.

The next chapter is now being written in the scandal of the century, and that could mean the political doom of Dick Cheney. Ironically, it could come at the hands of his own political boosters in the City of London, rather than from Congressional Democrats, who remain divided on the issue of Cheney's impeachment for high crimes and misdemeanors. Ultimately, the real powers behind the throne in London have very low tolerance for failure.

## Book Review

### Is the Sun Setting on Bandar's Covert Career?

by Michele Steinberg

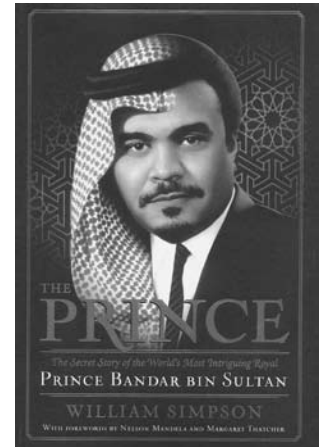
#### The Prince: The Secret Story of the World's Most Intriguing Royal

by William Simpson

New York: HarperCollins, 2006

480 pages, hardcover, \$32.50

The Prince is an arrogant book—written, one assumes, as Prince Bandar bin-Sultan would like to see himself. In this sense, it could be considered a ghost-written autobiography. But for all the grandeur, the book is, at the same time, a bit of a comic-book portrayal, with Bandar, the diplomat, the fighter pilot, the jaunty billionaire, and player in world affairs, always succeeding, always coming off as the superhero



and self-viewed savior of the Arab and Western world. Its lack of subtlety in this respect is reminiscent of "Xena: Warrior Princess" reruns. However, this is not a book about a prince, or a diplomat; it's the story of a "spook," a self-styled spymaster—but one, in the context of the BAE scandal—whose luck may just have run out.

For American investigators looking into the BAE and British government's payoffs to Bandar, the book can be useful—but only if, this time, Bandar does not escape the investigator's noose, as he did in the 1986 Iran-Contra investigations by Congress and Special Prosecutor Lawrence Walsh, and in the incomplete investigations of Saudi Embassy payments to figures connected to the 9/11 hijackings. Given what is known about Bandar's career as a top-rank money-lauderer, and funder of covert operations, the current BAE operations could indeed bring down Dick Cheney (see lead article, this section).

The Prince provides a great amount of detail on Bandar's modus operandi. But the book's most disturbing aspect is the



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*According to Simpson, after Congress prohibited funding of the Nicaraguan Contras in 1985, National Security Advisor Robert McFarlane (standing behind President Reagan) approached Bandar for the funds.*

omission of the *consequences* of many of Bandar's "victories," including the consequences of the Prince's engineering the influx of some *3 billion* Saudi dollars into the anti-Soviet Islamic fundamentalist guerrilla operations in Afghanistan in the 1980s that gave the world Osama bin Laden and al-Qaeda.

To appreciate the omissions, however, one must first sample the portrait, according to Simpson, of Bandar's accomplishments, which took him to the top of world power politics. Simpson describes: Bandar's almost single-handed success in winning Congressional approval of the purchase of F-15 fighter aircraft, done by thoroughly charming President Jimmy Carter (1978); his absolute victory over the legendary Israeli lobby, AIPAC (American Israel Public Affairs Committee), in Saudi Arabia's purchase of AWACs aircraft, against the best efforts of Israeli Prime Minister Menachem Begin (1981) to stop the sale; his role with the CIA in the defeat of the Italian Communist Party in the Italian national elections, where Bandar was, in the words of Simpson, "bagman for the Pope" (1983); his alleged saving of the life of Yasser Arafat and the entire Palestinian Liberation Organization leadership from Beirut (1982); his providing \$30 million to the Nicaraguan Contras on behalf of then-Vice President George H.W. Bush's secret operations (1984-86); and his providing *\$3 billion* for anti-Communist guerrilla fighters in Afghanistan against the Soviet occupation (1980s).

Simpson's omissions of the follow-up to some of these events are shocking. He doesn't mention that the Israelis

launched a "preventive" war attack on Iraq—obliterating the planned Osirik nuclear power plant. Similarly, while Bandar claims he made the "deal of deals" with Secretary of State Alexander Haig, in saving the PLO in Beirut, Simpson doesn't see fit to mention that horrific slaughter of Palestinian civilians at the Sabra and Shatila refugee camps, less than three weeks later. One wonders if there was not a *quid pro quo*, giving the Israeli military, then under Ariel Sharon, a green light for these notorious attacks.

But the most glaring omission in the story is Bandar's relationship to Vice President Dick Cheney, which may prove to be the most important relationship in Bandar's career. Where every cigar puff, and sip of whiskey is recounted about Jimmy Carter, Al Haig, George W. Bush, and others, Cheney is barely mentioned.

## How Bandar Operates

Reading through the eyes of an investigator into the BAE "Scandal of the Century," there are many valuable anecdotes about Bandar's covert operations. While the story of 9/11 and of BAE are still in the stages of investigation, the Iran-Contra years give a good glimpse of Bandar's prowess in money laundering. Simpson writes that in undertaking "what must be done," events sometimes require "a certain degree of secrecy and departure from the normal rules of conduct or moral codes. [And] it would be difficult to find a case more closely adhering to such a theory than the U.S.-Saudi dealings in the Iran-Contra affair."

So it was in 1985, after Congress prohibited funding of the Nicaraguan Contras, that National Security Advisor Robert McFarlane stepped in to obtain funding from Bandar. (Bandar actually claims that he was responsible for the appointment of McFarlane to replace longtime Reagan confidant Judge William Clark, as National Security Advisor). For handing this money to the Contras, Simpson reports that McFarlane gave explicit orders to Lt. Col. Oliver North (ret.): "The money should go directly from a foreign account into [Contra leader Adolfo] Calero's offshore account. It shouldn't come into this country at all. Do it with a wire transfer." Why? "...[T]he Treasury Department monitors large transfers of funds in and out of American banks. Someone was bound to notice ... and start asking questions."

An operation exactly like that described from the "Wild West" days of Iran-Contra, is believed to be the guts of the covert operations that Bandar and Cheney have cooked up in their current maneuvers around the Iraq War debacle.

Similarly, when \$10 million—Simpson claims—for deposit in a Vatican bank to stop communism in Italy, was provided by Bandar in the 1983 elections, Simpson says, "It was done with a deniability factor, because you would never see American fingerprints—or the British—on it. The money didn't come from them ... that's the way you get things done."

Details on the \$3 billion that Bandar matched in U.S. ex-

penditures in Afghanistan are less forthcoming—perhaps because of the sensitivity of the question of Osama bin Laden and the fact that al-Qaeda was developed out of the money and training given by to the Islamist mujaheddin by the United States, the British, and the Saudis. But what is provided in the book is seeing the “whiskey-drinking, cigar-smoking” Westerner, Bandar, portray himself as a passionate Muslim. In gaining support for fighting the Soviets in Afghanistan, Bandar says, “we used religion. We said, ‘The

Communists are atheists; they don’t believe in religion and we are fighting them for religious reasons.’ We galvanized the Muslim world behind us . . . there was a common interest in opposing godless Communism. That was seen by the Saudis as the principle threat to the kingdom and to Islam and to the region.”

Reading *The Prince*, one sees a Bandar who is ruthless and self-aggrandizing—but the final chapter is not yet written.

## Prince Bandar and 9/11

Between April 1998 and May 2002, some \$51-73,000 in checks and cashier’s checks were provided by the Saudi Ambassador to the United States and his wife to two families in southern California, who in turn bankrolled at least two of the 9/11 hijackers. The story was investigated by the 9/11 Commission, but never fully resolved, and remains, to this day, one of the key unanswered questions concerning the backing for the worst terrorist attack ever to occur on U.S. soil.

According to numerous news accounts and the records of the 9/11 Commission, in April 1998, a Saudi national named Osama Basnan wrote to the Saudi Embassy in Washington, D.C., seeking help for his wife, Majeda Dweikat, who needed surgery for a thyroid condition. Prince Bandar bin-Sultan, the Saudi Ambassador, wrote a check for \$15,000 to Basnan. Beginning in December 1999, Princess Haifa, the wife of Prince Bandar, began sending regular monthly cashier checks to Majeda Dweikat, in amounts ranging from \$2,000 to \$3,500. Many of these checks were signed over to Manal Bajadr, the wife of Omar al-Bayoumi, another Saudi living in the San Diego area.

Around New Year’s Day 2000, two other Saudi nationals, Nawaf Alhazmi and Khalid Almihdhar, arrived at Los Angeles International Airport, where they were greeted by al-Bayoumi, provided with cash, and outfitted with an apartment, Social Security ID cards, and other financial assistance. Al-Bayoumi helped the two Saudi men to enroll in flight schools in Florida. Two months before the Sept. 11, 2001 attacks, al-Bayoumi moved to England, and shortly after that, he disappeared altogether. But before his disappearance, and within days of the 9/11 attacks, agents of New Scotland Yard, working in conjunction with the FBI, raided his apartment in England and found papers hidden beneath the floorboards, according to *Newsweek* magazine, that had the phone numbers of several officials at the Saudi Embassy in Washington. Al-Bayoumi was suspected by the Arab community in the San Diego area of being an agent of

Saudi intelligence, which kept tabs on Saudi residents in the area, particularly Saudi students attending college in southern California.

Sources have told *EIR* researchers that Basnan was also long suspected of being an agent for Saudi Arabia’s foreign intelligence service. According to the sources, Basnan was arrested for drug possession in southern California and the Saudi government intervened to get the charges dropped; Basnan also befriended Alhazmi and Almihdhar prior to their deaths on American Airlines Flight 77, which crashed into the Pentagon. At one point, the Basnans, the al-Bayoumis, and the two 9/11 hijackers all lived at the Parkwood Apartments in San Diego.

Prince Bandar and Princess Haifa denied they played any role in financing the 9/11 hijackers, and claimed that they were merely providing charitable assistance to the Saudi community in the United States. The two co-chairs of the Senate Intelligence Committee at the time, Robert Graham (D-Fla.) and Richard Shelby (R-Ala.), accused the FBI of failing to fully pursue this “9/11 money trail.” Sources told *EIR* that the FBI refused to allow the committee to interview the FBI investigators who had probed the Basnan and al-Bayoumi links.

While Congressional and law enforcement sources insist to *EIR* investigators that all available leads were pursued and no compelling evidence of Saudi involvement in 9/11 was established, other U.S. intelligence sources maintain that many fruitful areas of investigation simply reached dead-ends before any final conclusions could be drawn. And these sources report that some of the Al-Yamamah funds, including some funds that passed through the Riggs Bank accounts in Washington, financed a migration of Muslim Brotherhood members to the United States, throughout the 1980s and 1990s. That hardly constitutes a smoking gun, these sources emphasize, but raises serious unanswered questions, particularly in light of the fact that the official staff reports of the 9/11 Commission featured a detailed debriefing of Khaled Sheikh Mohammed, the purported mastermind of the Sept. 11 attacks, who admitted that he had been a member of the Muslim Brotherhood since he was 16 years old.—*Jeffrey Steinberg*



# Chilean Fascist Pinochet Was Also BAE's Man

by Cynthia R. Rush

Chilean Gen. Augusto Pinochet's reputation as the fascist dictator of Chile from 1973 to 1990, and kingpin of the Operation Condor international murder and torture machine, has been well documented. Less well known is his role in the BAE affair, in which he collaborated with leading figures in the British and European financier oligarchy in a multitude of illicit arms and money-laundering deals from which he profited handsomely—to the tune of hundreds of millions of dollars. Before the Blair government shut down the Serious Fraud Office's (SFO) investigation of BAE's payments to Saudi Prince Bandar in 2006, the SFO had been expected to broaden its inquiry to include the Pinochet side of the relationship as well.

According to U.S. and Chilean banking documents, in the period between December 1997 and October 2004, Pinochet received secret payments totalling £1.1 million from BAE, which were stashed in secret accounts in the Washington, D.C.-based Riggs Bank—also the bank of choice for Prince Bandar. The payments, commissions for arms deals Pinochet arranged, also found their way into Coutts & Co., the private bankers to the British Queen and international private banking arm of the Royal Bank of Scotland.

They were channeled as well through the BAE-linked Red Diamond Trading, registered in the offshore banking paradise of the British Virgin Islands. On Sept. 15, 2005, the London *Guardian* reported that Red Diamond was set up in 1998 by a “discreet” BAE subdivision known as HQ Marketing Services, which used Red Diamond to make covert payments to BAE's South American agents who helped make arms and aerospace sales to Ibero-American governments.

When Pinochet was arrested in London in September 1998 and threatened with extradition to Spain on charges of atrocities committed under his 17-year Nazi-style dictatorship, he was visiting as a guest of BAE subsidiary Royal Ordnance, as he had done on several occasions throughout the 1990s. BAE executives and whichever government was in power, wined and dined the old fascist. But Pinochet's relationship

with the British company actually dates back to 1982 at the latest, when he backed then-Prime Minister Margaret Thatcher in her imperialist assault on Argentina in the Malvinas War.

## 'Lickspittle of the British Empire'

As Lyndon LaRouche noted on June 14, Pinochet actually served as the “lickspittle of the British Empire” almost from day one. The same British oligarchical financier interests behind BAE were up to their eyeballs in orchestrating and supporting Pinochet's 1973 coup against the democratically elected Salvador Allende—as were their U.S. collaborators George Shultz, Henry Kissinger, and Felix Rohatyn, as *EIR* has documented.

In fact, one of the people on the ground in Santiago at the time of the 1973 coup was British MI-6 recruit Sir David Spedding, later the head of that intelligence service, who was suspected of cooperating with the CIA in organizing the Pinochet takeover.

In his book *Unpeople: Britain's Secret Human Rights Abuses*, British historian Mark Curtis quotes Britain's Ambassador to Chile, Reginald Seconde, in his September 1973 correspondence with the Foreign Office to expose the British role at that time. After graphically documenting the scope of the atrocities being committed by the new junta, Seconde then cheerfully noted in one letter that “most British businessmen will be overjoyed at the prospect of consolidation which the new military regime offers.” Companies like Royal Dutch Shell “are all breathing deep sighs of relief,” he said, while urging the British government to recognize Pinochet as soon as possible.



Chile's exiled Gen. Augusto Pinochet and his wife visit with former British Prime Minister, Baroness Margaret Thatcher (right). While dictator of Chile, Pinochet had supported Thatcher's 1982 Malvinas War against Argentina. He was close to the British at least from that point, until his death last year.

According to Curtis, 11 days after the Sept. 11 coup, Foreign Secretary Alec Douglas-Home sent an official “guidance” memo to various British embassies outlining British support for the new junta. “For British interests,” he said, “there is no doubt that Chile under the junta is a better prospect than Allende’s chaotic road to socialism. Our investments should do better; our loans may be successfully rescheduled, and export credits later resumed.” Shortly afterward, the Edward Heath government recognized the Pinochet government. In January 1974, Chilean Air Force delegations travelled to London for secret negotiations with the government, and meetings with aircraft manufacturers to discuss arms deals. And the arms deals never stopped.

According to Argentine investigative journalist Rogelio

García Lupo, in 1997 Pinochet began organizing a joint venture between Chile’s military industries company, FAMAE, and Royal Ordnance, under the name FAMAE-Ordnance, Ltd. The new firm was to lay the basis for an international weapons-marketing program. Due to weak oversight capabilities of the post-Pinochet Chilean government, Pinochet pretty much used FAMAE as his personal vehicle for carrying out several illicit operations.

During his 1998 visit to London, Pinochet was slated to receive a commission from BAE/Royal Ordnance of \$4.43 million, his cut for having arranged the purchase of three British ships for the Chilean Navy. This may have been arranged through Sisdef, the joint venture that BAE set up with Chile’s naval shipyards for “naval systems integration.”

## Will BAE Scandal Sink U.K. End Run on U.S. Arms Law?

Britain’s request for a blanket exemption to a U.S. law requiring review of arms sales to foreign nations may be the next victim of the oil, arms, and corruption scandal now engulfing Britain, and threatening to expose a nexus of Anglo-Dutch geopolitical control reaching back half a century.

The United Kingdom and Australia already enjoy “expedited” approval under the U.S. Arms Export Control Act, but still may have to wait up to a month for approval of export licenses. With Britain’s scandal-ridden BAE Systems moving to take over a large share of U.S. arms manufacturing, the waiver of export license requirements would mean a major boost both to their balance sheet and covert military capabilities.

Following the collapse of the Soviet Union, the Clinton Administration began to soften export requirements on conventional arms. In 2000, it was proposed that Britain and Australia be granted exemptions from the licensing process. But Congress has stymied such an agreement, often demanding that Britain strengthen its laws governing exports to third countries as a condition for the exemption. As the al-Yamamah agreements with Prince Bandar demonstrate, Britain has had virtual free rein to use its own nation’s arms sales as an instrument in foreign subversion and financial operations. A lifting of U.S. regulations would strengthen that capability.

The *Financial Times* of London reported June 15 that

negotiations for Britain to get the long-sought waiver were nearly complete, and would be marked as a big victory for outgoing Prime Minister Tony Blair. But the Democratic Congress can, and most probably will, sandbag that wishful delusion in any number of ways. “The fact that we have not been consulted at all could likely prejudice this negotiation,” a Congressional aide told the paper.

One of the advocates for the deal is Dov Zakheim, an undersecretary and comptroller in the Bush Defense Department from 2001 to 2004, who is suspected of maintaining slush funds to finance illegal covert operations run by Pentagon civilians in the Cheney camp. Zakheim was a member of the Vulcans, the private foreign policy advisory team controlled by George Shultz and consisting almost entirely of Leo Strauss disciples, which concocted the disastrous pre-emptive war strategy of the Cheney-Bush Administration, even before Bush became President.

A major stumbling block to efforts to sneak through the British licensing exemption is that it is in reality a treaty. Article II of the U.S. Constitution grants the President the power to make treaties, but requires the concurrence of two-thirds of the Senate to make them law.

Sen. John Warner, the senior Republican on the Armed Services Committee, apparently brushed over this little problem in telling the *Financial Times*, “Despite the name, the document itself would carry a strong message . . . that Great Britain is our most trusted ally. Whether it be Labour or Tory government, we have got to be side by side on these major national security issues.”

That sort of gullibility, which has led otherwise sensible figures in our government to place such unrestricted trust in the nation’s historic enemy, is fast evaporating with each turn in the Bandar BAE exposé.

# Missile Defense: Cheney's Nuclear War Doctrine

by Carl Osgood

When Russian President Vladimir Putin charged, in effect, that U.S. plans to install missile defenses in Europe, were an extension to Europe of the Cheney-Bush offensive nuclear warfare doctrine, he was not speaking off the cuff. Under the Bush Administration, U.S. nuclear doctrine has been undergoing radical redesign, to further the imposition of a new imperial order. Military sources have told *EIR* that the most radical aspect of that redesign has been the consolidation of offensive nuclear warfare capabilities, with both missile defense and current and future space-war capabilities. This consolidation, they say, betrays a long-term intention of the doctrine first promoted by then-Secretary of Defense Dick Cheney and his aides, Undersecretary of Defense Paul Wolfowitz, and deputy Lewis "Scooter" Libby, in 1991. They proposed a plan for an American military empire, striking out against any nation or alliance of nations that would threaten American hegemony. The use of a new generation of nuclear weapons was part and parcel of the plan. The idea was shot down by President George H.W. Bush and Secretary of State James Baker III, but was resurrected when Cheney and his hand-picked team of military utopians came to power on Jan. 20, 2001.

Speaking to foreign press June 4, Putin minced no words in strategically situating U.S. plans to install ground-based missile defenses in Poland and the Czech Republic. "If this missile system is put in place," Putin said, "it will work automatically with the entire nuclear capability of the U.S.A." He added, "For the first time in history, there are elements of the U.S. nuclear capability on the European continent. It simply changes the whole configuration of international security."

Putin ridiculed the notion that the system is needed to protect Europe from attack by Iran, which possesses no missiles of 5,000 to 8,000 km range that could hit targets in Europe. "We are being told that this missile defense system is there to defend against something that doesn't exist," he said. There-

fore, "our military experts certainly believe that this system affects the territory of the Russian Federation in front of the Ural Mountains. And, of course, we have to respond to that."

Putin noted that it was the United States that withdrew from the ABM Treaty in 2003, not Russia. "We both understand that a missile defense system for one side, and no such system for the other, creates an illusion of security and increases the possibility of a nuclear conflict," he said.

President Bush responded, from Prague, by declaring, "The Cold War is over." He said he would tell Putin, "You shouldn't fear a missile defense system," and even offered Russia cooperation on missile defense. So, what did Putin mean by calling the missile defense system "an integral part of U.S. nuclear capability?"

## U.S. Offensive Warfare Doctrine

When the Bush Administration took office, it initiated a fundamental shift in U.S. strategic policy, away from the deterrence posture that had been maintained by the Clinton Administration, to one of nuclear war-fighting. This was first signaled by the Nuclear Posture Review (NPR) released in 2002, which proposed to replace the Cold War-era nuclear triad of bombers, land-based ICBMs, and submarine-based nuclear missiles, with a "new triad" of strategic nuclear and non-nuclear forces, active and passive defense systems, and "responsive infrastructure," that is, the capability to design, develop, and produce new weapons, all to be tied together by an advanced command-and-control system. Columnist William Arkin, long a critic of U.S. nuclear weapons policy, reported in a March 9, 2002 column, that the document also named seven countries—Russia, China, North Korea, Iraq, Iran, Syria, and Libya—as potential targets for U.S. nuclear weapons, because of existing or potential weapons of mass destruction.

Arkin noted that the document departed from the view of nuclear weapons as weapons of last resort, an “option reserved for when national survival hung in the balance,” towards viewing nuclear weapons through the prism of the 9/11 attacks. Nuclear weapons were now seen, as Bush himself has indicated, in response to questions about Iran, as “an option that is always on the table.” In short, Arkin concluded, “what has evolved since last year’s terror attacks is an integrated, significantly expanded planning doctrine for nuclear wars.”

This evaluation was borne out by subsequent developments, such as the September 2002 National Security Strategy, which made pre-emptive war part of the national security doctrine, and the reshaping of U.S. Strategic Command, from the single custodian for nuclear weapons and delivery systems, into a sort of “global strike command,” where nuclear weapons are seen as just one among many options, available to the President. Under the 2002 Unified Command Plan, the new Stratcom became responsible for global strike, missile defense integration, Defense Department information operations, and what the military refers to as C4ISR, or command, control, communications, computers, intelligence, surveillance, and reconnaissance. The development of these mission sets has largely been overseen by Marine Gen. James Cartright, who was appointed commander of Stratcom in 2004, and has recently been nominated as vice chairman of the Joint Chiefs of Staff.

A crucial part of the transformation was the merger of Stratcom with U.S. Space Command on Oct. 1, 2002, by then-Secretary of Defense Donald Rumsfeld. The space operations and support that had been provided by Space Command, now came under the same roof as the strategic nuclear operations of the old Strategic Command. Under the new Strategic Command, military space operations are an integral part of the global strike mission. The Bush Administration’s National Space Policy, which was quietly released last October, makes clear the offensive nature of U.S. space policy. It asserts that the United States will “preserve its rights, capabilities, and freedom of action in space.” To do this, the U.S. will “dissuade or *deter* others from either impeding those rights or *developing capabilities intended to do so*; take those actions necessary to protect its space capabilities; *respond to interference*; and *deny, if necessary, adversaries the use of space capabilities hostile to U.S. national interests*” (emphasis added)—an outlook straight out of Cheney’s 1991 pre-emptive war doctrine.

Adm. James. O. Ellis, Cartright’s predecessor as Stratcom chief, clearly stated the intended close link between missile defense and offensive nuclear warfare. He told the Senate Armed Services Committee, on March 11, 2004, “An active missile defense provides a broader range of options to senior leadership decision-makers while adding additional strategic deterrent capability. Integrating these capabilities with responsive offensive actions further increases the probability of success in countering an adversary’s attack.”

This process, however, did not originate with the post-9/11 Pentagon. As Jeffrey Steinberg documented in *EIR* (March 7, 2003), the utopians went to work almost immediately after the 1991 Gulf War, and the collapse of the Soviet Union, to demand the reshaping of the U.S. nuclear weapons arsenal from strategic warheads that, if at all, could only be used in a massive retaliation against the Soviet Union, to weapons for use against so-called “rogue states.” Shortly after Desert Storm, Cheney issued a top-secret “Nuclear Weapons Employment Policy,” that tasked military planners to plan for the use of nuclear weapons against Third World nations thought to be capable of developing WMDs. This spurred the weapons designers to develop weapons that could credibly be used against such countries. These utopians had to lay low, however, as neither the elder Bush, nor his successor, Bill Clinton, were persuaded of the necessity of such a policy.

### A True War Avoidance Policy

Putin relied to Bush’s Prague remarks with irony: “Our American partners want us to provide them with our missiles as targets, so that they can conduct exercises using our missiles,” he said June 6. “This is just brilliant. What a great idea they’ve thought up.” The next day, Putin made his proposal for jointly siting and controlling anti-missile radars at a Russian-rented base near Gabala, Azerbaijan. He emphasized that the system would cover all of Europe, and parts of Central Asia. President Ilham Aliyev had agreed that Gabala could be jointly used by Russia and the United States, for missile defense against threats from “rogue states.” (Former Russian Defense Ministry official Gen. Leonid Ivashov pointed out that the Gabala radar could also detect U.S. cruise missiles fired from the Indian Ocean.)

Well-placed U.S. diplomatic and intelligence sources expressed relief that Putin had outflanked, for the moment, those promoting a new Cold War between Washington and Moscow. The Gabala radar plan, the sources said, is feasible, though it would require selecting new sites for the anti-missile systems, besides the radar component. Beyond the technical issues, the sources emphasized that Putin’s offer had undercut the new Cold War momentum.

The insanity of shifting nuclear war-fighting preparations towards attacks on “rogue states,” but including major nuclear powers like Russia and China among those, is dramatized by other, ongoing Chinese and Russian responses. Early this year, came reports of China’s anti-satellite test. On June 19, Russian First Deputy Premier Sergei Ivanov chaired a session of Russia’s Military-Industrial Commission, dedicated to a ten-year plan to develop military forces in space—part of Russia’s “asymmetric” effort to compensate for the U.S. threat to its nuclear deterrent. “We should be prepared for any possible scenarios of events,” the former defense minister said, “In the foreseeable future, it can be anticipated that the main objectives of war will be achieved primarily through air and space intelligence and strike forces.”

# India-U.S. Military Alliance Threatens Trilateral Cooperation

by Ramtanu Maitra

In recent months, the India-China border dispute has made the headlines at a time when both Beijing and New Delhi were expanding their economic relations rapidly. The first Chinese discontent was expressed just a week ahead of Chinese President Hu Jintao's state visit to India on Nov. 20-23, 2006, when Beijing's Ambassador to New Delhi, Sun Yuxi, claimed that the state of Arunachal Pradesh is a Chinese territory.

"In our position, the whole of the state of Arunachal Pradesh is Chinese territory. And Tawang is only one of the places in it. We are claiming all of that. That is our position," Sun Yuxi said on Nov. 13. Arunachal Pradesh, located at the northeastern corner of India, bordering Myanmar and China, is part of a disputed boundary that provoked an India-China border clash in 1962, and remains disputed even today.

Ambassador Sun Yuxi's voice had created a turmoil in Delhi, particularly the timing of it. While the Indian media criticized the Chinese Ambassador's "hegemonic" message, Indian External Affairs Minister Pranab Mukherjee, on Nov. 24, after President Hu Jintao had left India, told the Lok Sabha (Lower House) of the Indian Parliament that Arunachal Pradesh is an integral part of India and this status was "not debatable." This statement came when members of opposition parties raised the issue in both houses, the Lok Sabha and the Rajya Sabha (Upper House of Elders).

The subject was kept under wraps till early Spring of 2007, when the Indian media found out that Beijing had denied a visa to an Indian Administrative Service (IAS) officer, who comes from Arunachal Pradesh and was part of a large delegation of IAS officers to China. The visa was denied on the grounds that Arunachal Pradesh was always a part of Chinese territory and therefore, the individual did not need a visa.

Once the Indian media began berating China for its "arbitrary and devious action," on May 29, External Affairs Minister Pranab Mukherjee held talks in Hamburg with his Chinese counterpart, Yang Jiechi. The ministers also reviewed progress of the special representative talks on the vexed boundary issue, reports indicate. The meeting took place on the sidelines of the Asia Europe Meeting (ASEM). Nothing much was said about the outcome of the meeting, other than it was "fruitful."

## Missile Defense Issue

This development puzzled many observers, who contended that Sino-Indian relations had never been better. Both China and India are in a growth mode and have more or less accepted a common economic agenda. In addition, both these nations, along with Russia, have indicated on more than one occasion that they would participate in a trilateral development program which would not only benefit all three nations, but the region as a whole.

But, what was missed in this observation is the growing concern within Russia, and China as well, about the Bush Administration's development of a missile defense system, and India's stated willingness to be a part of it. Both Russia and China have come to the conclusion that the United States, under the Bush Administration, is in the process of reviving the Cold War, identifying Moscow and Beijing as its future foes.

Briefly, the United States, with support of the Blair Government in Britain, plans to locate powerful missile-tracking radar in the Czech Republic, as well as interceptor missiles in Poland, to combat what it says are threats to global security from Iran. On June 8, Russian President Vladimir Putin proposed that the United States locate part of the system at the Russian-leased radar station at Gabala, in the former Soviet republic of Azerbaijan. On June 20, Russian Foreign Minister Sergei Lavrov said that Russia saw no threat from Iran's ballistic missiles, and was perplexed as to how Washington could use this to justify a planned U.S. defense system in Europe. "We do not see any kind of threat from Iran. Thus, we do not understand why, in order to justify the installation of a U.S. anti-ballistic missile system in Europe, you have to bring up the pretext of a genuine Iranian threat," he added.

In other words, it should have been pretty clear to India what its best ally, Russia, thinks about the intent of the Bush Administration to set up a missile defense system. But, apparently it was not. For months, the Manmohan Singh government in India has also been fully aware of China's stated opposition to the U.S.-Japan efforts to develop a missile defense system in Asia. On June 6, Beijing came out in the open when China's Foreign Ministry spokeswoman Jiang Yu told reporters that China has "grave concerns" about U.S. and Japanese plans, noting that a missile defense system will "impact stability and the strategic balance. . . . It is not conducive to mutual trust of major nations and regional security," Jiang said. She warned, "It may also cause new proliferation problems."

At the time, China was responding to U.S. Defense Secretary Robert Gates, and his Japanese counterpart, Fumio Kyuma, who were speaking at the sixth Asia Security summit of the International Institute of Strategic Studies (IISS) in Singapore, and had emphasized that a defense was necessary to stop rogue nations and terrorist organizations from using rockets to deliver weapons of mass destruction.

China's representative at Singapore, Lt. Gen. Zhang Qingsheng, deputy chief of the People's Liberation Army, told reporters that the development of an anti-missile system by the United States, Australia, and Japan could destabilize Asia. China would oppose "very strongly" any attempt to extend such a system to cover Taiwan, he Zhang added.

## Quadrilateral Security

According to Siddharth Varadarajan, writing in *The Hindu* of June 14, concrete plans for a new quadrilateral dialogue process, which would include India, along with the United States, Japan, and Australia, were firmed up after the visit to Delhi in May of Japan's Vice Foreign Minister, Shotaro Yachi. The first "exploratory meeting" at the level of senior officials took place on the sidelines of the ASEAN Regional Forum (ARF) security policy meeting in Manila on May 24-25. The United States was represented by Christopher Hill, Washington's point man for the six-party talks on North Korea; India by Additional Secretary K.C. Singh from the Ministry of External Affairs (MEA); Japan by Chikao Kawai, Deputy Vice Minister for Foreign Policy; and Australia by Jennifer Rawson from its Department of Foreign Affairs and Trade.

Largely mindful of China's concerns, however, the four countries decided to meet without any formal agenda and not to publicize the meeting itself, or the subjects discussed, Varadarajan pointed out. "In the run up, the Chinese had issued a *démarche* to all four of us to find out what was going on, and I suppose we were conscious of not trying to create the impression of a gang-up against them," a senior Indian MEA official told *The Hindu*.

In fact, China also noted that the Indian, Japanese, and Australian navies had worked together under U.S. "leadership" after the 2004 tsunami in the Indian Ocean, and in April this year, India, Japan, and the United States staged trilateral naval exercises off Japan's eastern coast.

It is evident from Varadarajan's report, and the Chinese reaction to the quadrilateral dialogue, that the Manmohan Singh government has no compunction in betraying the trust of China, its next-door neighbor, a militarily powerful nation, a likely economic power in the coming decade, and, most importantly, a major cog in the trilateral relations, along with Russia, to develop Eurasia and stabilize the region.

But this little devious act by the Congress Party-led government, which has sidled closer to the Bush-Cheney Administration than perhaps any other previous Indian government, is a step in the wrong direction, according to Beijing. The earlier step that New Delhi took in June 2005 went mostly unnoticed outside of China, and the two signing partners—India and the United States.

## The U.S.-India Military Agreement

On June 28, 2005, the United States and India signed a "New Framework for the U.S.-India Defense Relationship"

(NFDR). Then-Indian Defense Minister Pranab Mukherjee, who signed the agreement, kept it pretty much under wraps until it was signed. Some observers point out that the secrecy was perhaps a measure to avoid a negative response within the strategic community in India, which is highly dubious about the avowed American intent of promoting peace and stability in the region. The secrecy was also necessary to prevent prior response from such important nations as China and Russia.

The NFDR is in essence a U.S.-India Defense Agreement of ten years' duration. According to Dr. Subhash Kapila, an Indian analyst, among the highlights of the Framework is the clause that this "Defense Agreement is not a 'defense pact' as some have made it out to be. It is only a 'Framework for U.S.-India Defense Relationship.'"

Under the NFDR, Washington has offered high-tech cooperation, expanded economic ties, and energy cooperation. It will also help to step up a strategic dialogue with India to boost missile defense and other security initiatives, launch a "defense procurement and production group," and work to cooperate on military "research, development, testing and evaluation." Given India's broken military procurement system, the know-how transfer will be every bit as valuable as the technology transfer—maybe more so.

In the area of missile defense, for instance, an analyst pointed out that efforts will begin with efforts to secure approval of Patriot PAC-3 missiles for India (previous offers had involved less advanced PAC-2s).

Furthermore, the NFDR envisages joint and combined exercises and exchanges between the two sides, naval pilot training, and increased cooperation in the areas of worldwide peacekeeping operations and expansion of interaction with other nations "in ways that promote regional and global peace and stability."

As the *Times* of India, noted at the time: "Indicative of New Delhi's broader goals is a paragraph in the agreement that talks of the two sides working 'to conclude defense transactions, not solely as ends in and of themselves, but as a means to strengthen our countries' security, reinforce our strategic partnership, achieve greater interaction between our armed forces, and build greater understanding between our defense establishments.'"

## India Against China?

There should be no doubt in anyone's mind that Washington's move to boost relations with India, a country which was on the opposite side during the Cold War, is part of the Bush-Cheney cabal's strategy to counter the growing influence of China.

There are many around U.S. Vice President Cheney and former Defense Secretary Donald Rumsfeld, who support increasing defense cooperation with India, to help it confront future Chinese influence. In addition, a number of senior policymakers and analysts in the United States see that

India may become the countervailing force to China in the next decade.

Many in India in positions of power, publicly deny any such connection. The majority of people in the country are not willing to simply toe a U.S. line, jeopardizing India's vital interests, which encompass good and strong relations with both China and Russia, as well as friendly relations with the United States. There is no question that Indian-Chinese relations have improved on a wide range of issues in the last decade. In April 2005, India announced a strategic partnership with China, with the underlying theme of peace and prosperity.

At the same time, the Indian leadership under Prime Minister Singh remains mute about a Chinese threat, but expresses concerns about growing Chinese military, political, and economic influence in the region. The Indian Navy sees a potential threat in the expanding Chinese Navy. The ambitious \$8.1 billion Project Seabird, started by India to develop the third naval base at Karwar in the state of Karnataka, is part of Indian's strategy to extend and protect its maritime zone of influence (the project includes a full operational naval base structured around an aircraft carrier, naval armament depot, air force station and missile silos). Joint U.S.-India naval exercises in the Malacca Strait were a signal, addressing increasing Chinese naval presence in the region, some observers point out.

China has not said much about these expanding U.S.-Indian defense relations. But there is no doubt that Beijing has closely observed the developments and has put in place safeguards to protect emergence of a potential threat.

China has provided military assistance to Pakistan to counterbalance some of India's recent gains. In 2001, China succeeded in getting Pakistan's approval to share the new Pakistani naval base at Gwadar. This provides several benefits to China, including Chinese access to Persian Gulf resources, a potentially useful military base to counter increasing U.S. influence in Central Asia, and as a damper on Indian naval power, serving as a wedge between the Middle East and India.

It is evident that the Manmohan Singh government is trying to walk a fine line to serve its own strategic interests. On one hand, it is trying to improve economic and trade relations with China, while on other hand it wants to expand security relations with the United States to get advanced technology to modernize its military. While New Delhi is not likely to directly challenge Beijing, or side wholly with Washington, if there is significant policy disagreement between India and China, there exists a danger that any hostility between India and Pakistan, or unexpected events in the region, can put a severe strain on India-China relations.

Given the explicit military dimension, the proposed quadrilateral security arrangement could be one of those unexpected events in the region. At least, China has definitely taken note of it, and has responded by claiming Arunachal Pradesh once again as its own.

# Behind the GOP/FBI Vendetta vs. Murtha

by Anita Gallagher and Jeff Steinberg

The proposed shutdown of the National Drug Intelligence Center in mid-May by GOP and FBI elements, which was subsequently blown up by the national media, clearly demonstrated that this vital drug intelligence facility had been taken hostage in a hate campaign directed against Democratic Rep. John Murtha, the leading opponent of the Cheney-Bush Iraq War, in whose Pennsylvania district the NDIC is located.

Rep. Mike Rogers (R-Mich.), a former FBI agent, proposed to shut down the NDIC facility in Johnstown, by offering an amendment in early May, to strip its funding from the Intelligence Appropriations bill on the House floor. The White House, which had praised the NDIC's work on Operation Twin Oceans in 2006, proposed in 2007 to shut it down.

The idea of shutting down drug intelligence, in the middle of a crisis of drug proliferation in the United States, and a massive expansion of heroin production out of Afghanistan since the U.S. invasion and occupation of that country, raises questions, such as: What side of the war on drugs is the White House really on, since drugs and terrorism are recognized by every competent authority in the world as completely integrated issues?

Highly placed military and intelligence sources have emphasized to *EIR* the significance of Murtha's courageous, and correct criticism of Bush's failed policies in Iraq and Afghanistan—all the more effective, since they come from a lifelong champion of U.S. military and defense capabilities, who has worked for them in a bipartisan manner in the Congress. Since Murtha's Nov. 17, 2005 introduction of a House resolution calling for U.S. withdrawal from Iraq, Murtha's increasingly public role, in the Congress, within the Democratic Party, and in the public media, as the "face" of the opposition to the Cheney-Bush policy, and his direct advocacy of ending the U.S. occupation of Iraq, by a cutoff of funds for additional troops, and enforcement of military preparedness standards, has threatened to rally the Democrats to act to end the Iraq War, as the voters mandated them to do in November 2006.

The White House has utterly failed in its attempt to use the Karl Rove tactic of painting Murtha as a "liberal pinko." Murtha retired in 1990 as a colonel in the U.S. Marines after a 37-year career. Everyone in Congress knows that the Pennsylvania Democrat is the go-to person for the active-duty military, and has chosen to act to save the U.S. military before it is chewed up and destroyed in unwinnable wars. The high regard the military and defense leadership holds for Murtha was evident in his home base, Johnstown, on May 31, at the



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*Rep. John Murtha (D-Pa.) has earned the wrath of the Republican Administration for his leadership against its Iraq War disaster, and his long-standing fight against Justice Department and FBI corruption and criminality. Here, Murtha (right) receives the Profile in Courage Award from Sen. Edward Kennedy (D-Mass.) at the John Fitzgerald Kennedy Library in Boston in 2006.*

“Showcase for Commerce,” which the Congressman organized to facilitate national defense contractors networking with qualified entrepreneurial firms and the region’s workforce. Every major defense contractor was there, knowing that Murtha is the point of resistance to the Administration’s military pursuit of militarily unwinnable goals.

### From Abscam to the Present

Representative Murtha has been a target of the Federal Bureau of Investigation for more than 27 years. He was targeted as part of the FBI’s original Abscam investigation, a “sting” operation directed at Democratic constituency-based Congressmen, who opposed deregulation of the industrial economy and other schemes against “the lower 80%” of family income-brackets. To this day, the press and right wing persist in slandering Murtha with Abscam, as if he had been indicted, when he was not, despite the elaborate attempt.

Later, Murtha went on the offensive with the Murtha-McDade bill, co-sponsored by Rep. Joseph McDade (R-Pa.), which was passed by the House in 1998. The fight around the bill exposed false prosecutions of elected officials whose concern was the general welfare, and placed penalties on those who brought malicious prosecutions. The FBI was furious when a bipartisan majority of the House passed Murtha-McDade in 1998, which placed serious constraints on the Justice Department, the FBI, and other Federal law enforcement agencies, to prevent the continuing pattern of official criminality which targeted constituency leaders not under the control of the establishment—including

ing, prominently, Democratic statesman Lyndon LaRouche.

The White House point man for the attack, former FBI-man Rogers, won the House seat vacated by Democrat Debbie Stabenow’s successful run for the Senate in 2000, by 88 votes. Previously, while spending five years in the Michigan state senate, Rogers sponsored a bill requiring students’ voter registration addresses to match the address on their driver’s license. Since most students’ drivers’ licenses listed their parents home address, many students were disenfranchised. Michigan also has a law that prohibits any first-time voter (think, “students”) from voting absentee. Without this vote suppression scheme, it is highly doubtful Rogers would be a Congressman today. Other law enforcement sources say that it is quite rare that Rogers, who remained in the FBI only five years, would have quit so soon after going through all the training. Rogers is also a member of the Society of Former FBI Special Agents, one of the groups which vigorously lobbied against Murtha-McDade.

### The NDIC Is Indispensable

The National Drug Intelligence Center, which employs 400 agents based in Johnstown, Pennsylvania, produces an annual National Drug Threat Assessment Report. Since the majority of drugs in the United States come from abroad, NDIC’s annual drug assessment provides a crucial *tour d’horizon* of where the drugs originate; where their entry points are; who runs the drug distribution systems; and where the major centers for each illegal drug are located.

NDIC’s 2007 National Drug Threat Assessment is a no-holds-barred assessment of gains being made by major drug-trafficking organizations, and a frank appraisal that illegal drugs are having more and more of an effect on the United States.

*EIR*’s interviews with professional intelligence people found nothing but praise for the NDIC.

After Sept. 11, 2001, NDIC made its Document Exploitation (Doc Ex) program available to other government agencies, assisting them in rapidly processing huge amounts of data to ferret out important terrorist leads.

## When the White House Sang a Different Tune

“I know that this [Operation Twin Oceans] was a serious, time consuming undertaking by your agency [NDIC], and I truly appreciate the efforts of everyone involved. . . . Thanks for the hard work.”

—Executive Office of President George W. Bush, the Director of the Office of National Drug Control Policy, commenting in a 2006 letter to the NDIC on its role in Operation Twin Oceans, which seized \$70 million in drug assets.



In 2005, the NDIC was a principal contributor to the U.S. Money Laundering Threat Assessment, the first government-wide analysis of money laundering in the United States.

In 2006, the NDIC conducted 60 Doc Ex missions to investigate illegal drug trafficking, money laundering, and terrorism threatening U.S. national security. In 2006, NDIC also conducted a series of missions in support of Operation Twin Oceans, successfully raiding a drug-trafficking organization that transported multi-ton quantities of cocaine for at least five drug rings. The total value of the seizures of property, ships, vehicles, and bank accounts, is estimated at \$70 million.

The claims that NDIC is redundant within the group of anti-drug agencies (the Department of Justice, the FBI, the Drug Enforcement Agency, to name just a few), and that intelligence can be gathered by the El Paso (Texas) Intelligence

Center, are false. The NDIC was created in 1993, *explicitly to remedy* the problem that the activities of all the organizations involved in anti-drug activity lacked overall intelligence-sharing and coordination. That is the mission of the NDIC. The El Paso center, established in 1974—almost two decades before NDIC—has never done this job; its intelligence function is operational, as befits the entity manning a front-line drug entry point into the United States.

Given that the NDIC headquarters in Johnstown doubles as the Continuity of Government Headquarters for the Department of Justice, NDIC's \$39 million budget is money well-spent—as opposed to the estimated \$700 billion the Bush Administration has squandered to date, transforming Iraq and Afghanistan into ungovernable zones where terrorism and illegal drugs proliferate.

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## 75th Anniversary of FDR's Nomination

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# At 1932 Democratic Party Convention, Roosevelt Calls for a 'New Deal'

by Nancy Spannaus

On July 2, in the Auditorium Theatre of Roosevelt University in Chicago, the Museum of Broadcast Communications is sponsoring an historical reenactment of a special type. Actors will come together to recreate the July 2, 1932 Democratic National Convention which nominated Franklin Delano Roosevelt 75 years ago as its candidate for the Presidency of the United States.

The 1932 Democratic Convention was the first to hear from its chosen candidate in person. FDR, who had been through a bruising fight to win the nomination against the banker-controlled party elders, decided to fly in to Chicago to accept the nomination himself. In fact, although he had won the nomination, he had not yet wrested control of the party from the British-linked bankers who ran it. FDR's speech, which was broadcast nationally, was a direct outreach to the American people, and identified his intention to run his own campaign to recruit people to his "revolution," bypassing the national party leadership, and going directly to what had become a shrinking Democratic base.

Roosevelt believed that the American people had lost faith in their government, in their leaders, and in themselves. Only by the assertion of a bold and hopeful leadership, with a clear program for change, could that bond be restored. His call to

battle against forces of reaction and the status quo, and for the principle of the general welfare in a "New Deal," gave Americans the confidence that in FDR they had found a leader in whom their trust would not be misplaced.

Moreover, FDR's nomination reflected a decisive shift of direction in the Democratic Party, toward a revival of the ideas of the American System of political economy, last put forward by Abraham Lincoln. FDR's reorientation of the party toward serving the "forgotten men and women" of the United States, while not fully fleshed out in this speech, put its emphasis on government's responsibility to shift away from the Speculative Era of the 1920s, and toward uplifting the conditions of life for the common worker and farmer.

The contrast between the principles and programs which FDR lays out, and those of both political parties today, could not be more obvious. Take, for example, FDR's statement: "Our Republican leaders tell us economic laws—sacred, inviolable, unchangeable—cause panics which no one could prevent. But while they prate of economic laws, men and women are starving. We must lay hold of the fact that economic laws are not made by nature. They are made by human beings." Yet today, the worship of the markets, disguised as "economic laws," continues apace.



Chicago Historical Society

*Franklin D. Roosevelt accepts the Democratic nomination for President in Chicago, 1932: the beginning of a national recovery.*

*EIR* has decided to reprint FDR's full acceptance speech, not only in commemoration of his crucial role in restoring our nation to its honorable tradition, but as a timely spur to the Democratic Party itself, to recover its true identity in the tradition of Franklin Delano Roosevelt.

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## FDR: 'Restore America To Its Own People'

*Here is Franklin D. Roosevelt's address to the Democratic Convention in Chicago on July 2, 1932, accepting the nomination for President. Subheads have been added.*

Chairman Walsh, my friends of the Democratic National Convention of 1932:

I appreciate your willingness after these six arduous days to remain here, for I know well the sleepless hours which you and I have had. I regret that I am late, but I have no control over the winds of Heaven and could only be thankful for my Navy training.

The appearance before a National Convention of its nominee for President, to be formally notified of his selection, is unprecedented and unusual, but these are unprecedented and unusual times. I have started out on the tasks that lie ahead by breaking the absurd traditions that the candidate should remain in professed ignorance of what has happened for weeks until he is formally notified of that event many weeks later.

My friends, may this be the symbol of my intention to be

honest and to avoid all hypocrisy or sham, to avoid all silly shutting of the eyes to the truth in this campaign. You have nominated me and I know it, and I am here to thank you for the honor.

Let it also be symbolic that in so doing I broke traditions. Let it be from now on the task of our Party to break foolish traditions. We will break foolish traditions and leave it to the Republican leadership, far more skilled in that art, to break promises.

Let us now and here highly resolve to resume the country's interrupted march along the path of real progress, of real justice, of real equality for all of our citizens, great and small. Our indomitable leader in that interrupted march is no longer with us, but there still survives today his spirit. Many of his captains, thank God, are still with us, to give us wise counsel. Let us feel that in everything we do there still lives with us, if not the body, the great indomitable, unquenchable, progressive soul of our Commander-in-Chief, Woodrow Wilson.

I have many things on which I want to make my position clear at the earliest possible moment in this campaign. That admirable document, the platform which you have adopted, is clear. I accept it 100%. And you can accept my pledge that I will leave no doubt or ambiguity on where I stand on any question of moment in this campaign.

As we enter this new battle, let us keep always present with us some of the ideals of the Party: The fact that the Democratic Party by tradition and by the continuing logic of history, past and present, is the bearer of liberalism and of progress and at the same time of safety to our institutions. And if this appeal fails, remember well, my friends, that a resentment against the failure of Republican leadership—and note well that in this campaign I shall not use the word "Republican Party," but I shall use, day in and day out, the words, "Republican leadership"—the failure of Republican leaders to solve our troubles may degenerate into unreasoning radicalism.

The great social phenomenon of this depression, unlike others before it, is that it has produced but a few of the disorderly manifestations that too often attend upon such times.

Wild radicalism has made few converts, and the greatest tribute that I can pay to my countrymen is that in these days of crushing want there persists an orderly and hopeful spirit on the part of the millions of our people who have suffered so much. To fail to offer them a new chance is not only to betray their hopes but to misunderstand their patience. To meet by reaction that danger of radicalism is to invite disaster. Reaction is no barrier to the radical. It is a challenge, a provocation. The way to meet that danger is to offer a workable program of reconstruction, and the party to offer it is the party with clean hands.

This, and this only, is a proper protection against blind reaction on the one hand and an improvised, hit-or-miss, irresponsible opportunism on the other.

### An End to 'Toryism'

There are two ways of viewing the Government's duty in matters affecting economic and social life. The first sees to it that a favored few are helped and hopes that some of their prosperity



Library of Congress

*A breadline in New York City. "Never in history have the interests of all the people been so united in a single economic problem," said FDR.*

will leak through, sift through, to labor, to the farmer, to the small business man. That theory belongs to the party of Toryism, and I had hoped that most of the Tories left this country in 1776.

But it is not and never will be the theory of the Democratic Party. This is no time for fear, for reaction or for timidity. Here and now I invite those nominal Republicans who find that their conscience cannot be squared with the groping and the failure of their party leaders to join hands with us; here and now, in equal measure, I warn those nominal Democrats who squint at the future with their faces turned toward the past, and who feel no responsibility to the demands of the new time, that they are out of step with their Party.

Yes, the people of this country want a genuine choice this year, not a choice between two names for the same reactionary doctrine. Ours must be a party of liberal thought, of planned action, of enlightened international outlook, and of the greatest good to the greatest number of our citizens.

Now it is inevitable—and the choice is that of the times—it is inevitable that the main issue of this campaign should revolve about the clear fact of our economic condition, a depression so deep that it is without precedent in modern history. It will not do merely to state, as do Republican leaders to explain their broken promises of continued inaction, that the depression is worldwide. That was not their explanation of the apparent prosperity of 1928. The people will not forget the claim made by them then that prosperity was only a domestic product manufactured by a Republican President and a Republican Congress. If they claim paternity for the one they cannot deny paternity for the other.

I cannot take up all the problems today. I want to touch on a few that are vital. Let us look a little at the recent history and the simple economics, the kind of economics that you and I and the average man and woman talk.

In the years before 1929 we know that this country had completed a vast cycle of building and inflation; for ten years we expanded on the theory of repairing the wastes of the War, but actually expanding far beyond that, and also beyond our

natural and normal growth. Now it is worth remembering, and the cold figures of finance prove it, that during that time there was little or no drop in the prices that the consumer had to pay, although those same figures proved that the cost of production fell very greatly; corporate profit resulting from this period was enormous; at the same time, little of that profit was devoted to the reduction of prices. The consumer was forgotten. Very little of it went into increased wages; the worker was forgotten, and by no means an adequate proportion was even paid out in dividends—the stockholder was forgotten.

And, incidentally, very little of it was taken by taxation to the beneficent Government of those years.

What was the result? Enormous corporate surpluses piled up—the most stupendous in history. Where, under the spell of delirious speculation, did those surpluses go? Let us talk economics that the figures prove and that we can understand. Why, they went chiefly in two directions: first, into new and unnecessary plants which now stand stark and idle; and second, into the call-money market of Wall Street, either directly by the corporations, or indirectly through the banks. Those are the facts. Why blink at them?

Then came the crash. You know the story. Surpluses invested in unnecessary plants became idle. Men lost their jobs; purchasing power dried up; banks became frightened and started calling loans. Those who had money were afraid to part with it. Credit contracted. Industry stopped. Commerce declined, and unemployment mounted.

And there we are today.

Translate that into human terms. See how the events of the past three years have come home to specific groups of people: first, the group dependent on industry; second, the group dependent on agriculture; third, and made up in large part of members of the first two groups, the people who are called "small investors and depositors." In fact, the strongest possible tie between the first two groups, agriculture and industry, is the fact that the savings and to a degree the security of both are tied together in that third group—the credit structure of the Nation.

Never in history have the interests of all the people been so united in a single economic problem. Picture to yourself, for instance, the great groups of property owned by millions of our citizens, represented by credits issued in the form of bonds and mortgages—Government bonds of all kinds, Federal, State, county, municipal; bonds of industrial companies, of utility companies; mortgages on real estate in farms and cities, and finally the vast investments of the Nation in the railroads.

What is the measure of the security of each of those groups? We know well that in our complicated, interrelated credit structure, if any one of these credit groups collapses they may all collapse. Danger to one is danger to all.

How, I ask, has the present Administration in Washington treated the interrelationship of these credit groups? The answer is clear: It has not recognized that interrelationship existed at all. Why, the Nation asks, has Washington failed to understand that all of these groups, each and every one, the top of the pyramid and the bottom of the pyramid, must be considered together, that each and every one of them is dependent on every other; each and every one of them affecting the whole financial fabric?

Statesmanship and vision, my friends, require relief to all at the same time.

## The Question of Taxes

Just one word or two on taxes, the taxes that all of us pay toward the cost of Government of all kinds.

I know something of taxes. For three long years I have been going up and down this country preaching that Government—Federal and State and local—costs too much. I shall not stop that preaching. As an immediate program of action we must abolish useless offices. We must eliminate unnecessary functions of Government—functions, in fact, that are not definitely essential to the continuance of Government. We must merge, we must consolidate subdivisions of Government, and, like the private citizen, give up luxuries which we can no longer afford.

By our example at Washington itself, we shall have the opportunity of pointing the way of economy to local government, for let us remember well that out of every tax dollar in the average State in this Nation, 40 cents enter the treasury in Washington, D.C., 10 or 12 cents only go to the State capitals, and 48 cents are consumed by the costs of local government in counties and cities and towns.

I propose to you, my friends, and through you, that Government of all kinds, big and little, be made solvent and that the example be set by the President of the United States and his Cabinet.

And talking about setting a definite example, I congratulate this convention for having had the courage fearlessly to write into its declaration of principles what an overwhelming majority here assembled really thinks about the 18th Amendment [Prohibition, ratified in 1919, repealed in 1933—ed.]. This convention wants repeal. Your candidate wants repeal. And I am confident that the United States of America wants repeal.

Two years ago the platform on which I ran for Governor

the second time contained substantially the same provision. The overwhelming sentiment of the people of my State, as shown by the vote of that year, extends, I know, to the people of many of the other States. I say to you now that from this date on the 18th Amendment is doomed. When that happens, we as Democrats must and will, rightly and morally, enable the States to protect themselves against the importation of intoxicating liquor where such importation may violate their State laws. We must rightly and morally prevent the return of the saloon.

To go back to this dry subject of finance, because it all ties in together—the 18th Amendment has something to do with finance, too—in a comprehensive planning for the reconstruction of the great credit groups, including Government credit, I list an important place for that prize statement of principle in the platform here adopted calling for the letting in of the light of day on issues of securities, foreign and domestic, which are offered for sale to the investing public.

My friends, you and I as common-sense citizens know that it would help to protect the savings of the country from the dishonesty of crooks and from the lack of honor of some men in high financial places. Publicity is the enemy of crookedness.

## Unemployment and Public Works

And now one word about unemployment, and incidentally about agriculture. I have favored the use of certain types of public works as a further emergency means of stimulating employment and the issuance of bonds to pay for such public works, but I have pointed out that no economic end is served if we merely build without building for a necessary purpose. Such works, of course, should insofar as possible be self-sustaining, if they are to be financed by the issuing of bonds. So as to spread the points of all kinds as widely as possible, we must take definite steps to shorten the working day and the working week.

Let us use common sense and business sense. Just as one example, we know that a very hopeful and immediate means of relief, both for the unemployed and for agriculture, will come from a wide plan of the converting of many millions of acres of marginal and unused land into timberland through reforestation. There are tens of millions of acres east of the Mississippi River alone in abandoned farms, in cut-over land, now growing up in worthless brush. Why, every European Nation has a definite land policy, and has had one for generations. We have none.

Having none, we face a future of soil erosion and timber famine. It is clear that economic foresight and immediate employment march hand in hand in the call for the reforestation of these vast areas. In so doing, employment can be given to a million men. That is the kind of public work that is self-sustaining, and therefore capable of being financed by the issuance of bonds which are made secure by the fact that the growth of tremendous crops will provide adequate security for the investment.

Yes, I have a very definite program for providing employment by that means. I have done it, and I am doing it today in the State of New York. I know that the Democratic Party can do it successfully in the Nation. That will put men to work, and

that is an example of the action that we are going to have.

## **The Reconstruction of Agriculture**

Now as a further aid to agriculture, we know perfectly well—but have we come out and said so clearly and distinctly?—we should repeal immediately those provisions of law that compel the Federal Government to go into the market to purchase, to sell, to speculate in farm products in a futile attempt to reduce farm surpluses. And they are the people who are talking of keeping Government out of business. The practical way to help the farmer is by an arrangement that will, in addition to lightening some of the impoverishing burdens from his back, do something toward the reduction of the surpluses of staple commodities that hang on the market. It should be our aim to add to the world prices of staple products the amount of a reasonable tariff protection, to give agriculture the same protection that industry has today.

And in exchange for this immediately increased return I am sure that the farmers of this Nation would agree ultimately to such planning of their production as would reduce the surpluses and make it unnecessary in later years to depend on dumping those surpluses abroad in order to support domestic prices. That result has been accomplished in other Nations; why not in America, too?

Farm leaders and farm economists, generally, agree that a plan based on that principle is a desirable first step in the reconstruction of agriculture. It does not in itself furnish a complete program, but it will serve in great measure in the long run to remove the pall of a surplus without the continued perpetual threat of world dumping. Final voluntary reduction of surplus is a part of our objective, but the long continuance and the present burden of existing surpluses make it necessary to repair great damage of the present by immediate emergency measures.

Such a plan as that, my friends, does not cost the Government any money, nor does it keep the Government in business or in speculation. As to the actual wording of a bill, I believe that the Democratic Party stands ready to be guided by whatever the responsible farm groups themselves agree on. That is a principle that is sound; and again I ask for action.

One more word about the farmer, and I know that every delegate in this hall who lives in the city knows why I lay emphasis on the farmer. It is because one-half of our population, over 50,000,000 people, are dependent on agriculture; and, my friends, if those 50,000,000 people have no money, no cash, to buy what is produced in the city, the city suffers to an equal or greater extent.

That is why we are going to make the voters understand this year that this Nation is not merely a Nation of independence, but it is, if we are to survive, bound to be a Nation of interdependence—town and city, and North and South, East and West. That is our goal, and that goal will be understood by the people of this country no matter where they live.

Yes, the purchasing power of that half of our population dependent on agriculture is gone. Farm mortgages reach near-

ly ten billions of dollars today and interest charges on that alone are \$560,000,000 a year. But that is not all. The tax burden caused by extravagant and inefficient local government is an additional factor. Our most immediate concern should be to reduce the interest burden on these mortgages. Rediscounting of farm mortgages under salutary restrictions must be expanded and should, in the future, be conditioned on the reduction of interest rates. Amortization payments, maturities should likewise in this crisis be extended before rediscount is permitted where the mortgagor is sorely pressed. That, my friends, is another example of practical, immediate relief: Action.

## **Prevent Foreclosures, Restore Trade**

I aim to do the same thing, and it can be done, for the small home-owner in our cities and villages. We can lighten his burden and develop his purchasing power. Take away, my friends, that spectre of too high an interest rate. Take away that spectre of the due date just a short time away. Save homes; save homes for thousands of self-respecting families, and drive out that spectre of insecurity from our midst.

Out of all the tons of printed paper, out of all the hours of oratory, the recriminations, the defenses, the happy-thought plans in Washington and in every State, there emerges one great, simple, crystal-pure fact that during the past ten years a Nation of 120,000,000 people has been led by the Republican leaders to erect an impregnable barbed wire entanglement around its borders through the instrumentality of tariffs which have isolated us from all the other human beings in all the rest of the round world. I accept that admirable tariff statement in the platform of this convention. It would protect American business and American labor. By our acts of the past we have invited and received the retaliation of other Nations. I propose an invitation to them to forget the past, to sit at the table with us, as friends, and to plan with us for the restoration of the trade of the world.

Go into the home of the businessman. He knows what the tariff has done for him. Go into the home of the factory worker. He knows why goods do not move. Go into the home of the farmer. He knows how the tariff has helped to ruin him.

At last our eyes are open. At last the American people are ready to acknowledge that Republican leadership was wrong and that the Democracy is right.

## **Bold Federal Government Leadership**

My program, of which I can only touch on these points, is based upon this simple moral principle: the welfare and the soundness of a Nation depend first upon what the great mass of the people wish and need; and second, whether or not they are getting it.

What do the people of America want more than anything else? To my mind, they want two things: work, with all the moral and spiritual values that go with it; and with work, a reasonable measure of security—security for themselves and for their wives and children. Work and security—these are more than words. They are more than facts. They are the spir-



Library of Congress/Dorothea Lange

*A migrant Mexican field worker and his home, during the Depression. "Every European nation has a definite land policy, and has had one for generations. We have none," said FDR, indicating the need for a role by the Federal government.*

itual values, the true goal toward which our efforts of reconstruction should lead. These are the values that this program is intended to gain; these are the values we have failed to achieve by the leadership we now have.

Our Republican leaders tell us economic laws—sacred, inviolable, unchangeable—cause panics which no one could prevent. But while they prate of economic laws, men and women are starving. We must lay hold of the fact that economic laws are not made by nature. They are made by human beings.

Yes, when—not if—when we get the chance, the Federal Government will assume bold leadership in distress relief. For years Washington has alternated between putting its head in the sand and saying there is no large number of destitute people in our midst who need food and clothing, and then saying the States should take care of them, if there are. Instead of planning two and a half years ago to do what they are now trying to do, they kept putting it off from day to day, week to week, and month to month, until the conscience of America demanded action.

I say that while primary responsibility for relief rests with localities now, as ever, yet the Federal Government has always had and still has a continuing responsibility for the broader public welfare. It will soon fulfill that responsibility.

And now, just a few words about our plans for the next four months. By coming here instead of waiting for a formal notification, I have made it clear that I believe we should eliminate expensive ceremonies and that we should set in motion at once, tonight, my friends, the necessary machinery for an adequate

presentation of the issues to the electorate of the Nation.

I myself have important duties as Governor of a great State, duties which in these times are more arduous and more grave than at any previous period. Yet I feel confident that I shall be able to make a number of short visits to several parts of the Nation. My trips will have as their first objective the study at first hand, from the lips of men and women of all parties and all occupations, of the actual conditions and needs of every part of an interdependent country.

### **Abandon the False Prophets**

One word more: Out of every crisis, every tribulation, every disaster, mankind rises with some share of greater knowledge, of higher decency, of purer purpose. Today we shall have come through a period of loose thinking, descending morals, an era of selfishness, among individual men and women and among Nations. Blame not Governments alone for this. Blame

ourselves in equal share. Let us be frank in acknowledgment of the truth that many amongst us have made obeisance to Mammon, that the profits of speculation, the easy road without toil, have lured us from the old barricades. To return to higher standards we must abandon the false prophets and seek new leaders of our own choosing.

Never before in modern history have the essential differences between the two major American parties stood out in such striking contrast as they do today. Republican leaders not only have failed in material things, they have failed in national vision, because in disaster they have held out no hope, they have pointed out no path for the people below to climb back to places of security and of safety in our American life.

Throughout the Nation, men and women, forgotten in the political philosophy of the Government of the last years, look to us here for guidance and for more equitable opportunity to share in the distribution of national wealth.

On the farms, in the large metropolitan areas, in the smaller cities and in the villages, millions of our citizens cherish the hope that their old standards of living and of thought have not gone forever. Those millions cannot and shall not hope in vain.

I pledge you, I pledge myself, to a *new deal* for the American people. Let us all here assembled constitute ourselves prophets of a new order of competence and of courage. This is more than a political campaign; it is a call to arms. Give me your help, not to win votes alone, but to win in this crusade to restore America to its own people [emphasis added].

# Subprime Losses Fell Hedge Funds, Threaten Pensions

by Paul Gallagher

Warnings of a leveraged-debt or hedge fund-triggered systemic financial blowout—including one from a U.S. Treasury official and another in the Bank of England’s first-quarterly report—are multiplying as U.S. long-term interest rates rise. Lyndon La-Rouche has forecast a “financial disintegration” in the U.S. banking system, and declared that U.S.-based banks will have to go through writedown of assets and bankruptcy reorganization, as in 1933, due to the mortgage bubble collapse.

Asserting that he is a strong believer in the possibility of an event that could deal a serious blow to the broader economy, such as the failure of a financial institution, Anthony Ryan, Treasury’s Assistant Secretary for Financial Markets, said on June 11, that hedge funds play no small part in perpetuating this danger. Ryan was addressing the Managed Funds Association’s Forum 2007 in Chicago. His warning was strong enough, that ten days later, at a hearing of the House Financial Services Committee, chairman Barney Frank (D-Mass.) pressed Secretary Henry Paulson repeatedly, on whether Ryan’s speech had meant that Treasury was now waiting for a systemic shock to hit the financial markets.

Ryan cited the fact that hedge funds account for 30-60% of all trading activity, depending on the asset class and instrument. The surge in liquidity has brought down lending standards, with investors exposed to more leverage than ever. Correlation among hedge fund strategies and returns is on the rise, Ryan said, increasing the concentration of risk, while much hedge fund debt is concentrated among a few large institutions.

The Bank of England (BoE), in its June 17 quarterly review, concentrated on leveraged corporate buyouts, which skyrocketed in the first quarter—globally, but especially in the United States—to levels which are dwarfing even the all-

time record buyouts of 2006. The bubble of corporate debt in the OECD nations has exploded from 55% of GDP less than 20 years ago, to nearly 85% now. The BoE warned that the collapse of a single major equity deal, could trigger a general economic crisis.

The report highlights the fact that the debt markets which fund U.S. leveraged-takeover deals by private-equity groups, have come to be dominated by so-called “covenant-lite” loans. These loans, often in the multibillions, lack the basic bond covenants which define default on the debt, and which have characterized all sound corporate bonds for over a century. This is the result of banks and hedge funds lowering standards in order to make high-interest loans into the big leveraged buyouts. The banks make these loans and then sell them to investors, knowing just how bad they are. The loans include “toggle” clauses allowing them to be turned into balloon notes—with still higher interest rates—at the request of the indebted firms, whenever they have trouble paying the debt service.

The BoE report warns that, “such developments mean that the underlying value of a bought-out firm could be allowed to deteriorate far longer, before its creditors can intervene.” BoE says that, “In this scenario, a large and pervasive shock might cause asset markets to adjust quite sharply as required-risk premia increased.” One of the likely triggers for this crunch “could be the failure of a large leveraged loan deal [to go through], leaving the lead intermediaries [lending banks] with unexpectedly large commitments,” and causing the value of existing debt to fall suddenly across the entire high-yield, or “junk” bond markets.

The Bank notes that “the U.S. subprime mortgage market may provide a useful case study of how lax lending be-

havior and deteriorating fundamentals can test the structure of a market.”

## Some Big Failures

As a result of the U.S. subprime mortgage meltdown—now joined by housing-bubble crises in Spain and the U.K.—some big hedge funds have started to fall. Beginning with a UBS bank-managed hedge funds (shut down in April) and another, Global Alpha, run by Goldman Sachs (major losses since January), the contagion is becoming more deadly: Two Bear Stearns hedge funds collapsed June 15-21, the larger one operating with \$6 billion. A desperation \$4 billion sell-off of its mortgage-backed securities (MBS) on June 14 failed to save the “High-Grade Structured Credit Strategies Enhanced Leverage Fund,” which had borrowed heavily from Merrill Lynch, Goldman Sachs, and JPMorgan banks. The double failure will likely cause the shutdown of another unit of Bear Stearns, Everquest Financial, which was about to offer an IPO on the stock market!

The *Wall Street Journal* called it a potentially troubling sign for the broader mortgage-backed bond market.” The kicker is this: If these hedge funds’ MBS, being desperately sold off or seized, fall sharply in price, hedge funds and other MBS holders throughout the world will have to write down the value of their mortgage securities, accelerating the “financial disintegration” LaRouche has pointed to.

These hedge funds were leveraged at least ten times; that is, the funds had been buying mortgage securities—now being hit with losses from the mortgage meltdown—not with the assets that had been invested in them, but with 90% funds borrowed against those few assets, which the bank creditors began to seize on June 19-20, effectively shutting the funds down.

As the Bear Stearns funds were failing, other hedge funds, led by the notorious “activist fund” JR Paulson, were suing Bear Stearns and other banks for daring to renegotiate some mortgages rather than foreclose them. This makes clear that these hedge funds, also, are taking MBS losses as the crisis spreads through the markets. They are trying to shove those losses onto the investment banks, by making the banks pay on—literally—“side bets” these hedge funds made, on foreclosures. The hedge funds are trying to use the terms of these mortgage-backed securities, and SEC regulations, to prevent any renegotiation, and let the nationwide flood of foreclosures rise into the millions, in order not to have to declare their MBS losses! Those losses are reportedly mounting above \$100 billion. The matter has reached Congress for debate and potential action.

The subprime market was hit with new losses in early June, as revealed June 18 by the index of value of so-called credit derivatives based on subprime mortgages, falling to 61 cents on the dollar (from 72 cents in mid-May), and Moody’s Investor Services downgrading more MBS.

The context for these events: The Mortgage Bankers Association reported a record level of delinquencies in the subprime sector in the first quarter: 15.75% of all subprime ARMs

are 30 days-plus delinquent, up from 14.44% in 2006’s fourth quarter, which was already the highest on record. The subprimes going into foreclosure (usually 90 days-plus delinquent) in first quarter were 3.23%, up from 2.70% the previous quarter, and the highest on record. This survey covers 5-6 million subprime mortgages “worth” about \$1.5 trillion.

## Fear of Rising Interest Rates

The executive vice president of the world’s biggest bond investing fund, PIMCO, on June 20, called the spreading mortgage crisis “a bloodbath” for the economy. Interviewed by Bloomberg, Mark Kiesel foresaw “a two- to three-year downturn that will take a whole host of characters with it, from job creation to consumer confidence. Eventually it will take the stock markets and corporate profit.”

Above all, perhaps, it will take the pension funds. According to a June 18 report issued by Greenwich Associates, 25% of all the hyper-leveraged assets managed by hedge funds internationally, now come from private and public pension funds and endowments. Some 40% of the *new* flow of assets into the hedge funds is coming from pensions. And in fact, the overall flow of capital into hedge funds has dropped dramatically—from \$40 billion a quarter over January-September 2006, to just \$12 billion in fourth quarter 2006, and \$20.7 billion in first quarter 2007. In other words, pension fund money in, is allowing “smart” money to get out of the hedge funds.

There can be no more credible claiming that the meltdown of the mortgage bubble is “contained,” and not affecting the financial system, though many government officials and economists continue making just such claims, and many in Congress persist in believing them.

The contagion is occurring in part through rising long-term U.S. interest rates—a “credit crunch” hitting vastly over-indebted, over-leveraged financial companies and markets. Mortgage-based assets are 49% of the assets in the entire U.S. banking system. So the mounting MBS losses are hitting the entire U.S. banking system, squeezing interest rates higher. And this self-feeding process is worsening the defaults/foreclosures crisis as all mortgage interest rates go up.

This steady rise in rates has overcome huge money-pump-operations by the Federal Reserve and European Central Bank. *Global Money Trends* newsletter estimated on June 5 that both are printing M3 money supply at a 12% annual rate, the highest since 1995 for the Fed. The Shadow Government Statistics firm in New York estimates that the Fed’s money-printing is even higher now, at 14% annual M3 growth rate—the highest since early in Alan Greenspan’s term, after the 1987 stock crash.

If Treasury rates keep rising despite this tsunami of money-printing, the Fed will face a more rapid, explosive mortgage-bubble blowout, and start lowering short-term rates to escape it. At that point, if the Bank of Japan is raising rates at the same time, as is likely, look out for an unwinding carry trade—and a collapsing U.S. dollar.





# PLO Advisor: Without Water, No Viable State, No Peace

A status report on the acute water shortage situation in occupied Palestine, and especially in Gaza, was presented June 14, 2007 at the Palestine Center in Washington, D.C., by Dr. Shaddad Attili, Policy Advisor on Water and Environment, for the Negotiations Support Unit, of the Palestine Liberation Organization, Negotiations Affairs Department (PLO-NAD). Dr. Attili was part of a panel addressing the topic, “The Palestinian Water Crisis: Bilateral and Regional Perspectives.” Trained as a geologist, Dr. Attili was recently appointed as the head of the Palestinian delegation on the Steering Committee of the Red-Dead Canal Feasibility Study. He was involved in negotiating the 2005 agreement for the study, which will commence this September.

Dr. Attili documented the parameters of today’s water shortages in the region, and gave the decades-long history of the inequitable allocations of scarce water in the Jordan Basin. But he stressed that, “by nature,” water is a “peaceful means” for dealing with human relations. Tackling the water supply crisis cooperatively can be done, and is essential for economic- and statehood-viability, and peace. However, neither the Road Map process, nor the Quartet interventions are addressing water in a coherent fashion.

Lyndon LaRouche has made expanding the water resource base of Southwest Asia, beginning with his Oasis Plan, a top priority among development projects in strategic parts of the world. In 1975, after a visit to Baghdad, LaRouche issued, from Berlin, his proposal for an International Development Bank, to fund these strategically vital projects. In his Oasis Plan concept, LaRouche proposes the construction of infrastructure for water desalination, including nuclear plants, water conveyance routes, and other systems to, in effect, create new “man-made” rivers and oases for water supplies, for national economic growth, and population increase.

In Gaza at present, the extreme lack of potable water is now part of a worsening humanitarian emergency under renewed strife and Israeli military attacks. But even before the present crisis, the impact of the shortage of decent water was manifest in widespread chronic illness. This was documented in an August 2005 fact sheet issued by the PLO-NAD entitled, “Disengagement vs. the Environment: Stripping the Gaza Strip.”

Forced reliance on saline, unsanitary, and insufficient wa-

ter accounts for 60-70% of all diseases among the 1.5 million Gaza residents. Fifty percent of the children have parasitic infections. Children and adults suffer diarrhea. Consumption of saline water leads to salt levels in humans that cause kidney dysfunction, heart failure, neurological symptoms, lethargy, and high blood pressure. Excessive levels of fluoride are toxic, causing gastritis, ulcers, kidney failure, bone fluorosis (bone fractures and crippling), and teeth fluorosis (black lines around gums and tooth decay). High nitrate levels cause blue baby syndrome, also known as methaemoglobinaemia, and gastric cancer.

Certain of the key points of Dr. Attili’s June 14 presentation were developed in a follow-up interview with *EIR* reporters, Marcia Merry Baker, Lawrence Freeman, and Michele Steinberg, excerpted below. The graphics shown are by the PLO Negotiations Affairs Department, used in a recent presentation by Dr. Attili in London.

**Freeman:** Dr. Attili, at the Palestinian Center, you made the point very forcefully, that there could not be a two-state solution if there’s not a viable Palestinian state. And you’ve raised the question, that we essentially have to have a water policy, so that there can be a viable state. Would you elaborate on that?

**Attili:** Yes. I’m coming from a conflicted region. We’re now commemorating 40 years of occupation, that started in 1967. And we’re looking to have our Palestinian state. The Palestinians have already made their concession, after their mutual recognition between the PLO and Israel. And we’re supposed to have an agreement between Israelis and Palestinians, especially on those major issues—the refugees, Jerusalem, borders, the settlements, and water, right after the five years of the interim period.

In light of the Road Map, and Mr. Bush’s vision of a two-state solution, with an independent Palestinian state, we are still looking to achieve that. We don’t believe that a future Palestinian state will be viable without reallocation of the water resources. This is not only necessary to create a viable state, it is in accord with international law.

This is why we’re saying that, resolving the water conflict between Israel and the Palestinians is a must, in order to make water available to the Palestinian state. Without water, we

cannot actually build a state. We cannot have sound, economically advanced agriculture. We need water for agriculture, we need water to absorb the returnees coming back to the future Palestinian state. We need water to address the humanitarian crisis in Gaza Strip. Moreover, we need our legitimate water rights. This is why we believe that without water there can never be a state that stands and is viable.

**Steinberg:** How many Palestinians are living in the Occupied Territories at this moment?

**Attili:** All territories are still occupied. Even though Israel disengaged from Gaza, Gaza stayed under occupation. This is the legal definition. This is how the Palestinians, the PLO, identified Gaza after the disengagement. Gaza is still occupied, because Israel controls the whole border, and even the air sphere, and the airports, and so on. This is the legal definition. The PLO identified Gaza after the disengagement. And we are still suffering from the occupation policies—the settlements, the wall, the closure, and all Israeli activities in the territories, including East Jerusalem.

You asked me about the population: 1.5 million Palestinians are living in Gaza; and 2.3 million Palestinians are living in the West Bank, including East Jerusalem.

**Baker:** In Gaza right now, would you underscore the point that you documented about how little the volume is, in cubic meters, of water that is available?

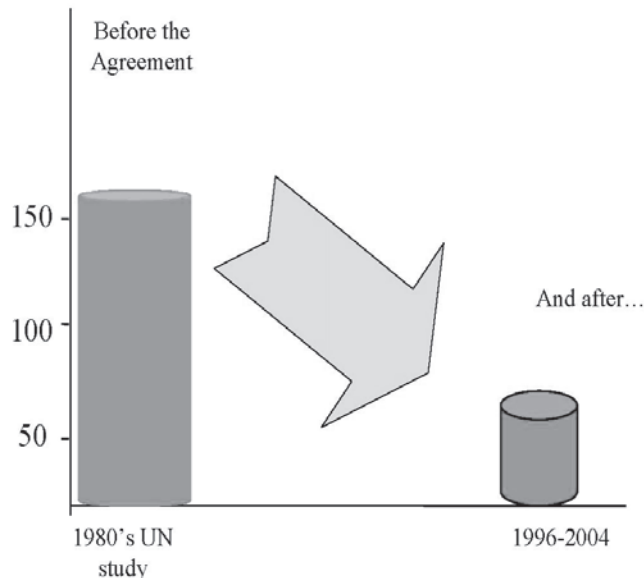
**Attili:** Thank you for this question; this is really important. In Gaza, we have 1.5 million Palestinians living in a stretch of 365 square kilometers, which means, around 5,000 per square kilometer. This makes Gaza one of the most populated areas of the Earth.

And those are relying on the aquifer under their feet, that provides them with only 50 million cubic meters (MCM) of water. But what is happening actually, is that Gazans are extracting 160 million cubic meters, because they don't have alternative resources. The only way—or the only source for Gaza, is just the water, the aquifer underneath their feet. So basically, the aquifer can give only 50 MCM, with an extraction exceeding 160 MCM, meaning that there is 110 MCM coming from the seawater intrusion, which makes the water saline and brackish. Moreover, because we don't have functioning sewage water treatment plants, the sewage and untreated water comes back to the aquifer on the order of more than 50 MCM. This is widely documented.

So basically, what people are drinking in Gaza is the water that is: 50 MCM recharged naturally by rain; 50 MCM mixed with sewage; and the rest coming from the sea, which means, according to the Palestinian Water Authority, that all Gaza's water—80% of it—is unsuitable for human needs, for human use. And in many cases, even unsuitable for agriculture.

This is why 60% to 70% of diseases in Gaza are water-related. And if we want to save Gaza, we want to make available today 100 MCM of extra water we have to supply to

FIGURE 1  
**Oslo Interim Agreement for Water Allocation To Palestinians Reduced Their Water Rights**  
 (Palestinian Per-Capita Water Availability Cubic Meters/Year)



Source: Palestine Liberation Organization, Negotiations Affairs Department, Negotiations Support Unit.

them. The question now is, from where? We are supposed to have the Americans building the region's desalination plant. Unfortunately, all American water projects in Gaza have been postponed since 2003. And we don't have the ability—because of the problem of the water rights between the Israelis and the Palestinians—to not take *any drop* of water from the Jordan River.

So, if we want now to create a viable Palestinian state, then Palestinians have to get their water rights from the Jordan River, from the aquifer of the West Bank, and the coastal shared aquifer. At that time, we can send part of that water to save Gaza and to save the aquifer there.

**Baker:** The resource base for water run-off and the aquifers is very limited in the Jordan Basin. Today's situation is acute because of the unjust use of the water, but decades ago—perhaps by the 1950s—there was already too little water overall, even if it had been fairly shared. Is that the case?

**Attili:** Yes. Actually, the whole region faces the problem of water scarcity. But unfortunately, the existing water, since the early 1950s, has been utilized in an inequitable and unreasonable fashion. Israel in 1964 completed the National Water Carrier and diverted [the Jordan River], without agreeing with the other riparian countries as international law related to joint water courses demands. Following that, the occupation of the West Bank enabled Israel to control all water resources, and

TABLE 1

## Annual Water Consumption in Occupied Palestinian Territories Is Far Below Israel, Mid-1980s

(Estimates of the Total and Per-Capita Annual Water Consumption in the Occupied Palestinian Territory and Israel, mid-1980s)

	West Bank		Gaza Strip		Israel
	Palestinians	Settlers	Palestinians	Settlers	
Total Annual Water Consumption (million cu m)	125	45	103	6	1,770
Irrigation	95		80		1,320
Households	27		20		325
Industry	3		2		125
Per-Capita Water Consumption (cu m)	139	1,143	172	2,326	411
Irrigation	106		133		307
Households	30	85	35	85	75
Industry	3		3		29

Sources: Palestine Liberation Organization, Negotiations Affairs Department, Negotiations Support Unit; United Nations document A/46/263, annex, table 1, Benvenisti and Khayat, p. 26; Roy, 1987, p. 69; ILO Director General's Report, 1990, vol. 2, pp. 38-39.

exercise the occupation power over the water resources, preventing the Palestinians from developing or having access to water. So Palestinians have been denied access to the Jordan River since 1967, up to today, 2007. Even after we signed the Oslo Agreement, we were not allowed to reach the river. We're not allowed to take even a drop of water from the Jordan River, and according to the Oslo agreement an additional quantity of water (80 MCM) is supposed to be made available to the Palestinians during the interim period of five years. Today, 12 years after the signed agreement, less than 30 MCM has been made available, due to Israel's veto of water well development in the Western Aquifer of the West Bank.

And you ask also about the whole Jordan River Basin. The mismanagement of the Jordan River, the diverting of the water, led to a catastrophic situation, like the shrinkage of the Dead Sea. Because the parties weren't able to sit around the table and discuss reasonable management—joint management—of the Jordan River Basin, in the region. We're having a lot of problems: Syrian and Jordanian problems over the Yarmuk River allocation; Syrian and Israeli, over the Golan Heights and the water there; Lebanese and Israeli, over the Wazani River; Palestinian and Israeli, over the water resources in general. The hostility in the region, in fact, shows in the environment and the water, where we're having this deeply inequitable allocation among the different parties in the Basin.

**Freeman:** Regarding desalination—if populations grow naturally, you're going to need more water each generation, even if it's equitable.

**Attali:** Yes. To address actually the water issue in the region, first, the natural water resources should be allocated equitably. The second thing is, to face the demand on the water: The people, the parties in the Basin, have to come into agreement about the use of the water, the re-use of the water, building the desalination plants, in order to make water available. We do believe that in the medium term and the long term, water could be used as the means to promote peace in the region, and this is why introducing the idea of regional cooperation and settlement of water conflict in the region is important. For example in the long term, having water from Turkey, providing it to Syrians. Syrians could give some water to Jordan—just increasing the cooperation among the parties of the region. This is needed in an orderly fashion: the equitable allocation of natural resources and cooperation in developing new resources. The region and the third parties involved should start

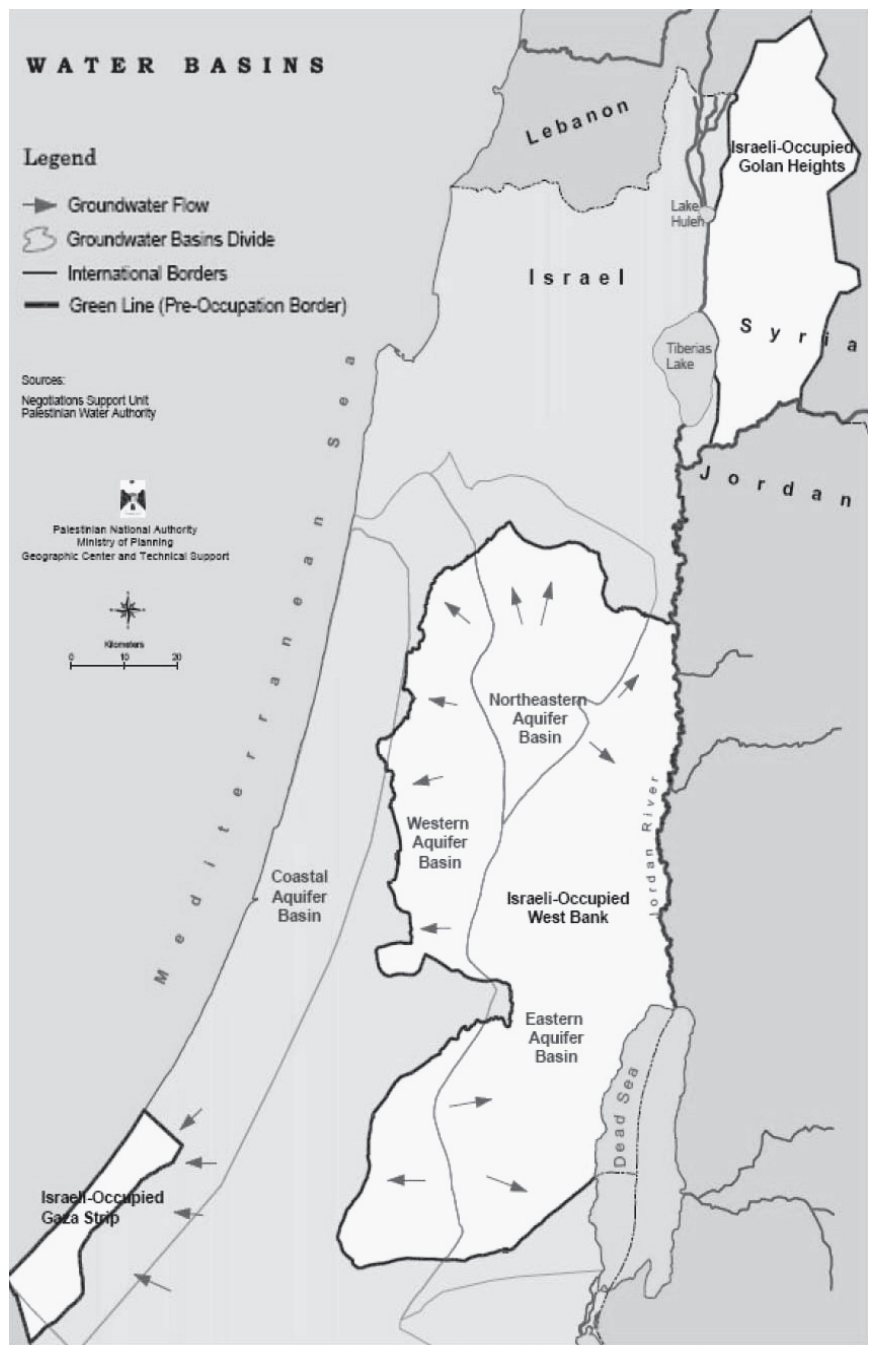
dealing with water to promote peace, because water is, by nature, a peaceful means. And it should stay at that level, and not be used as an element for future confrontation, or as an element to promote war. If you come to the region, you hear people say that the Third War would be water-related. This is why we are calling to intervene and start addressing water, both bilaterally and multilaterally in an interlinked manner, to address conflict and scarcity.

**Steinberg:** From what you discussed in your slide show, I, as a lay person, was most impressed by the very clear economic and geographical sense, that you take the water where it is closest. Could you describe that for our readers: that the aquifers are right there where the Palestinians are; the desalination is by the sea, where the Israelis are?

**Attali:** This is an excellent question. Thank you for bringing this up. Actually, this is what we are asking for: that the Palestinians should get their rightful share from the shared water resources—either from the Jordan River, or the shared aquifer resources of the West Bank, and the coastal aquifer.

But unfortunately, what is happening is that Israel is building the desalination plant, and they are saying that there is no extra drop of water that they can sell to the Palestinians. Instead, they say, "We are willing to sell to the Palestinians water that we are developing in Ashkelon," or they are thinking of constructing a plant in Hedera/Caesarea. The Israeli proposal is that they are going to pump water from the coast—zero level—up the hill to 900 meters to the area in Jenin and Nablus. So we told them: Why don't you leave the water underneath our feet to us, and you take the water that you are

FIGURE 2  
**Water Basins in the Greater Jordan Basin Region**



Source: Palestinian Liberation Organization, Negotiations Affairs Department, Negotiations Support Unit.

developing along the coast for the coastal cities? This is really pragmatic and logical. Moreover, it is economically feasible.

But vice versa—taking our water from the West Bank and the Jordan River, sending it to the coastal cities, and in the meanwhile, you’re proposing pumping this water you devel-

op in Hedera/Caesarea, up the hill to the Palestinians: This isn’t sound and is unacceptable.

**Baker:** You were involved in successfully concluding the 2005 agreement for a feasibility study of the proposed Red-Dead Canal. What is the status of that?

**Attili:** First, I attended recently the World Bank meeting of the short-listing of the company backed for doing the feasibility study. We’re supposed to have a feasibility study for two years, on the Canal, or the conduit, that goes from the Red Sea to the Dead Sea. It’s to study the feasibility, the social assessment, and the environmental assessment of the project.

This has come after two and a half years of negotiations between the Jordanians, the Israelis, and the Palestinians. It was difficult negotiations that we went through. The Palestinians were engaged in this, because first, they are riparians of the Dead Sea, which is part of the Jordan River Basin. According to international law, no one can do anything without having the agreement of the others. This is what we have been saying about the National Water Carrier and the Jordan River Basin: Israel can’t do that project in the Basin without other parties agreeing. And this [the Red-Dead Seas conduit] is the same.

At first, the Palestinians weren’t included in the project. But Israel and Jordan realized that they cannot go ahead with such a project, which needs huge funding—we’re talking about \$5 billion. The World Bank mediated between the parties. And the Palestinians have been approached in order to agree on the terms of reference, after managing that the Palestinians will be treated equally—the same as the Jordanians and the Israelis for the terms of reference. We kept negotiating the term of reference of the feasibility study, until we came up with the language that says that we are equal partners in this

project—equality that is given to us by international law.

Then we negotiated every sentence involved. We established a steering committee, where decisions are to be taken on a consensus basis, not on a majority or a voting system.

The project has been criticized widely. First, the Arabs criticized the project. The Palestinians believed that this is a



ana-en.blogspot.com

*"By nature," water is a "peaceful means" for dealing with human relations, Dr. Shaddad Attili points out. In this photo, Palestinian youngsters are shown filling bottles with scarce drinking water.*

Zionist project, because Theodore Herzl adopted the idea of the canal linking the Mediterranean to the Dead Sea.

Actually, the idea comes from the British. When they tried to compete with the French, after the French managed to build the Suez Canal, the British tried to build a canal from the Med to the Dead through the Jordan Valley. After the French satisfied the British, giving them certain control over the Suez Canal, the British dropped the idea.

But the idea was picked up by Herzl because he was planning on creating the Zionist state, and looking at the water resources for that state, he realized that water should be made available. He adopted the idea in the late 1800s.

Then Israel started officially looking at the idea in the late 1970s. At that time, there was no peace agreement between the Arab countries and Israel. So Jordan led the effort against Israel for building such a canal, and managed to get the UN statement asking the international community not to help Israel to make such a canal. Jordan said, "We will build a canal between the Red Sea and the Dead Sea." Israel was saying, "We're going to build a canal from the Mediterranean to the Dead Sea."

The UN said that the parties have to make their minds up about one canal, because building two canals will be too much. So after Jordan signed an agreement with Israel, they agreed on the canal coming from the Red Sea, the Gulf of Aqaba, to the Dead Sea.

They went with the idea to the Johannesburg Summit in 2002, and it was refused by the Palestinians and the Egyptians, because the Palestinians weren't on board. And the Egyptians feared such a canal's impact on the Suez canal before they understood that the canal is largely different from

the Suez. It is small, with a combination of open channels and pipes.

In 2003, the Palestinians had been approached and then there were negotiations. In 2005, the parties reached an agreement about setting up a feasibility study. So if the project proves feasible, then the parties at the World Bank will start to look for around \$5 billion to build such a canal. If it proves feasible.

From the Israeli side, the NGOs criticized the project because it doesn't address alternative feasibility studies. Alternatives are what the Palestinians asked for. When we signed, Israel and Jordan put reservations in the text calling for alternatives. The World Bank, according to operational procedure and World Bank policy, has to study alternatives. So the project has been promoted to save the Dead Sea. And if the canal proves unfeasible, then what's the alternative? For Israeli NGO Friends of the Earth, the alternative is that they have to stop diverting the water out of the Jordan Valley, and move it down through the Valley again.

For Jordan, they don't want to study alternatives, because they believe that alternatives have been studied previously. And Jordan wants the project to save the Dead Sea, and for energy and water production to face the demand for both.

But for the Palestinians, we said, the project should not prejudice the outcome of the permanent status talks, mainly on borders and water rights. Palestinians believe that the project is interesting. For the long term, it could be good, because it could give water and energy. But alternatives should be studied to address the management of the basin jointly.

So what is the project about? The project is just to take water (2 billion cubic meters) pump it for 100 meters, then by natural flow for 180 km, and then drop the water from 100 meters to minus 400 meters [below sea level], using the difference in elevation to produce energy, and then use part to desalinate water. In the meanwhile around 1 billion will be left to flow to the sea for restoration.

**Baker:** Do you have enough pressure in the drop, so that you have enough pounds per square inch that you do not have to use more energy to desalinate the water adequately?

**Attili:** Yes, and the feasibility study will address that. You have to have the energy. You have to use the energy to desalinate the water, to pump the water up.

Let's assume that the Dead Sea water came back to its shape after 15 or 20 years, then we will manage to reduce the flow, instead of taking 2 billion, we will take only 1 billion, just to keep the facilities producing energy and desalination, and [account for] evaporation, and this will make the project feasible.

But we still don't know what the feasibility study will say about the project. The study will start in September, and last

for two years.

**Steinberg:** This project sounds to me like it fulfills a number of needs. It refurbishes the Dead Sea, it provides a certain amount of drinking water, and it provides electricity.

**Attili:** And, most importantly, the parties, even within the hostility period, were able in 2005—for three years, to sit around the same table, negotiating—and reached an agreement, which shows that the parties *can* reach an agreement.

**Steinberg:** The members of the Quartet, who mapped out the timeline for certain progress—which, of course, we all see has not been made—have the members of the Quartet received this very clear explanation on the water issues that you have presented?

**Attili:** Unfortunately, the water issue has not been dealt with seriously at the political level. The people are addressing the major issue of the conflict as being the refugees, the settlements. And unfortunately, they are not looking at water as an issue of the current conflict, but they address regional cooperation without addressing the conflict of inequitable allocation in the region. Unfortunately, it seems that the Palestinians have to compromise again instead of reaching a simple end of the conflict by resolving all issues based on international law, which, in my opinion, is the most pragmatic approach to any conflict in the world.

**Freeman:** The idea that you could use water as the basis for peace, I think is very intriguing, because, if you had Israelis and Palestinians working together for building the future sources of water, through desalination, then you are establishing common interest links between two peoples, around a common interest of everybody's right to water to live. This is a far better idea to work on than some of the nonsense we get from my government.

**Attili:** I agree totally with you. You saw the proposal that the Palestinians developed. The positive-outcome proposal or call it the win-win proposal. It addresses the water conflict in a way that does not harm anyone, and enhances the ability to cooperate and develop new resources. We, the Palestinians and Israelis, are sharing the same resources with a mutual concern to save the resources for future generations. Our intention to keep these resources to serve all. We are all human beings, and we have to have the access and the right to water in the region. We would call upon the Israelis to come and talk about joint management of the shared water resources, the equitable and reasonable allocation, and that we work together toward addressing the future demand in the region, and we can show the example that we can reach a deal on water. We can educate other people who are actually negotiating or worrying about the other issues of the conflict. We can show them that we can strike a deal on the water issue. And this is why it is important that the international community should intervene, by setting up the positive-outcome scenario.

# Danish Maglev Plan A Challenge to Germany

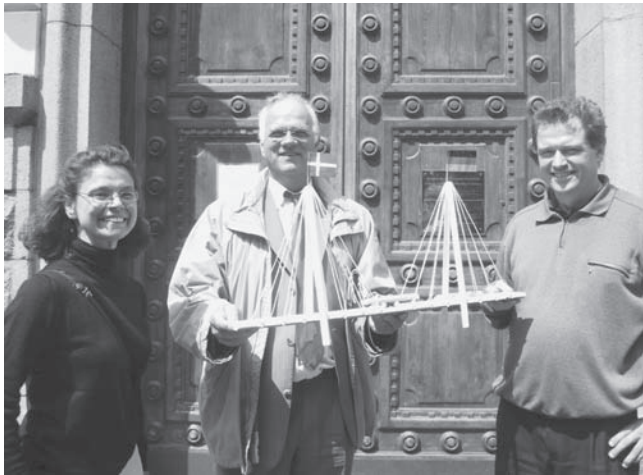
by Michelle Rasmussen

The campaign of the Schiller Institute (SI) in Denmark, for Denmark to lead Europe into the maglev age (magnetic levitation trains), and for the construction of two major bridge projects, is at the center of a hot debate about future infrastructure projects there, and now also Germany. Lyndon LaRouche's proposal for a "Great Four Power" (the U.S., Russia, China, and India) agreement to revive the world's physical economy, can be aided by the optimistic debate about ambitious long-term infrastructure projects the SI has helped catalyze in the small country of Denmark, which can help orient Europe, and especially Germany, towards the future.

Since its first 50,000-run campaign newspaper from July 2006, the Institute has campaigned for a national maglev system, to be connected to Germany via an already proposed joint Danish-German bridge across the Baltic Sea, called the Fehmarn Belt Bridge, currently the subject of intense intra-governmental negotiations. The SI plan also includes connecting Denmark's two largest cities, Copenhagen on an island, and Århus on the mainland, by a maglev link over a new bridge across the Kattegat Sea—bringing the current 3½ hour trip down to 25 minutes.

On June 21, *Die Welt*, the major Hamburg-based German newspaper, covered the Schiller Institute's maglev campaign, under the title, "Copenhagen-Hamburg in 40 Minutes." The article, which leads the newspaper's international section, highlights the Schiller Institute's campaign in very beginning. "Whereas Germany is hesitant to give state guarantees of several billion euros to secure the Fehmarn Bridge project, and whereas citizens on Fehmarn are protesting against it, the Danes are one step ahead. The Schiller Institute, a combination of general interest lobby for a strong state and citizens initiative to support huge infrastructure projects, says that Hamburg and Copenhagen are not even a one-hour train ride apart. With a maglev train like the Transrapid and with the bridge, it can be feasible to drive from the one big northern European city to the other in 40 minutes, they say." The SI hopes that the *Die Welt* coverage will spark a renewed debate about utilizing German Transrapid technology in Germany, and strengthening the case for Germany to join Denmark in building the new bridge between the two countries.

Then, on June 22, Germany's national radio station Deutschlandfunk reported on a small singing demonstration the SI had held in front of the German Embassy in Copenhagen on June 18, to pressure the German government to agree now to build a joint bridge. The bridge has been discussed for



Schiller Institute/Michelle Rasmussen

*The Danish Schiller Institute's campaign for a national maglev system, and a bridge across the Baltic Sea to Germany, has sparked a hot debate about infrastructure projects in Denmark and Germany. Here Tom Gillesberg (right) and Feride Istogu Gillesberg (left) present a model of the Fehmer Belt Bridge to German Ambassador to Denmark Dr. Gerhard Nourney.*

a long time, and the decision has to be made in the next couple of weeks. If up to 30% of the costs are to be covered by the EU, the application has to be in Brussels by July 20. The German government has been hesitating, especially due to the financing question, while the Danish government has proposed the same model as that behind the construction of the last two great projects—the internal Great Belt bridge, and the Øresund Bridge between Denmark and Sweden: state guaranteed loans to a state company, to be repaid through user tolls.

Therefore, the demonstrators held up a giant poster in German, “Where is Germany? Say ‘Yes’ to the Fehmarn Belt Bridge,” with a model of the proposed bridge, flying Danish and German flags, and including maglev trains with magnets. An SI statement was also distributed. The demonstrators sang a special version of a Haydn canon, “The Danes say ‘yes’, the Germans ‘no’, yes, no. Let’s build the bridge. A big nation should not think small.”

At the end of the demonstration, the German Ambassador, Dr. Gerhard Nourney, spoke to the demonstrators, and the SI presented their model bridge to him. Deutschlandfunk began their “Europe Today” story about the Danish bridge debate with the beginning of the bridge song, the demonstration and the presentation of the model bridge to the ambassador, though without mentioning the Schiller Institute by name. And, the *Die Welt* article was written after notification about the demonstration.

*Jyllands-Posten* (*JP*), Denmark’s largest newspaper based on the Danish mainland in Århus, which is promoting the new internal Danish bridge, unfortunately at the expense of the bridge to Germany, posted an internet article entitled, “Demonstration in favor of Fehmarn Belt Bridge,” with an interview with Tom Gillesberg, the chairman of the Schiller Institute in Denmark.

## Accelerating the Momentum Towards Maglev

At the same time as the SI is pressing for Germany to agree to build the Fehmarn Belt Bridge, the momentum is accelerating towards the possibility of actually implementing the Institute’s maglev plan in Denmark.

At the end of May, the SI began distributing its third 50,000-run campaign newspaper, entitled, “Århus-Copenhagen in 25 minutes,” including Gillesberg’s speech to the Transportation Committee of the Danish Parliament.

On the occasion of the ten-year-anniversary of the opening of the Great Belt Bridge, on June 1, the director of the Danish State Railroad (DSB), Søren Eriksen, announced that he was in favor of a high-speed train connection between Århus and Copenhagen via the debated Kattegat Sea Bridge, and called for the politicians to investigate this possibility as soon as possible.

On June 20, *JP* carried front-page and page-two coverage of the proposal for a maglev link on this route, after interviewing representatives of Siemens, the designer of the Transrapid maglev train, now operating only in Shanghai, and the Danish engineering firm Rambøll, about the realistic prospect for such a maglev. (*JP*, as well as many other news media, had already covered the SI national maglev proposal in April, when the Kattegat Bridge debate began.) The statements by Siemens and Rambøll were then also covered one day later in *Die Welt*.

On that same day, *JP* decided to give the Institute the opportunity to present its maglev plan itself, by prominently publishing an op-ed by Tom Gillesberg, identified as the chairman of the Schiller Institute in Denmark, entitled “Thinking Ahead: Maglev Trains.” Accompanied by a color photo of the author, it was placed right next to their own editorial.

The op-ed was a response to *JP*’s renewed campaign to build the new domestic Danish Kattegat bridge, at the expense of the bridge connecting Denmark and Germany, and the announcement of DSB’s support for building a high-speed rail long this new route.

Gillesberg’s op-ed argued that we should think ahead, and not only build both bridges, but also include a maglev rail that would be the beginning of a Danish and international maglev net operating at speeds of 500-600 km/h.

“First with the new, or last with the old?” quoted from the op-ed, is placed over the title. The highlighted quote reads, “Let’s quickly get started on building the Fehmarn Belt Bridge and at the same time prepare the Kattegat-link, so we can start building the Kattegat project soon.”

The intensive debate the Schiller Institute has created about future-oriented great regional infrastructure projects, which can hook up to the Eurasian Land-Bridge, by distributing three mass campaign newspapers, and breakthroughs in press coverage in Denmark, and now, in Germany, has shown the effective results of the SI’s “Danish flank.”

*The newspaper articles referred to in this article can be read at: [www.magnettog.dk](http://www.magnettog.dk)*

## Wall Street's Toxic Waste

*Bear Stearn's hedge fund problems provide a glimpse of Wall Street's growing toxic waste dump.*

Would you trust something called the High-Grade Structure Credit Strategies Enhanced Leverage Fund? That's the name of a hedge fund run by investment bank Bear Stearns, which took in \$600 million of "investor" funds, borrowed another \$6 billion, then made about \$16 billion in bets. Despite the phrase "high-grade" in its name, the fund has lost about 20% this year, and halted redemptions after a run by investors threatened to pull out \$300 million, or half the original stake.

Bear Stearns, advised by Blackstone, has reportedly proposed a bailout of sorts, in which the creditors of the fund would kick in some \$500 million to help the fund meet its margin calls, while Bear Stearns itself would kick in \$1.5 billion. The plan also called for the creditors not to make margin calls for 12 months.

The fund, along with a smaller sibling, specialized in turning subprime mortgages into collateralized debt obligations, or CDOs. This is the financial equivalent of making silk from a sow's ear, in the sense that CDOs are used to turn risky paper into higher-rated assets. For example, you take a pool of subprime mortgages which by definition have low credit ratings, and use them as the basis for creating a new security, called a CDO. The CDO itself is divided into tranches (the "structure"), some with better chances of being paid than others, with the most valuable tranche often having a higher credit rating than the mortgages themselves, and the least valuable tranche often falling into the

category sometimes described as "toxic waste."

This business works, or at least has the appearance of working, because the global financial system has become a giant casino, in which money is borrowed (the "leverage") at lower interest rates, and bets are placed on securities which have a higher yield. Because this is inherently risky—after all, much of what they buy has no real value—a growing market has developed in credit default swaps, a form of credit derivative (the "credit strategies") which nominally insures the values of the securities. We say nominally, because the institutions providing the credit insurance are also speculators, and will vaporize if required to make major payoffs. On top of that, the market for credit derivatives on loans is growing faster than the loans themselves, with Citigroup projecting that the size of the loan credit-default swap market will be at least twice the volume of loans traded next year. This is characteristic of the derivatives market as a whole, in which the size of the bets placed on bonds, stocks, loans, currencies, and other elements, is many times greater than the size of the underlying markets.

That means that the majority of "investments" are not purchases of bonds, stocks, or currencies, but are merely bets on the movements of those items, or on the movements of securities derived from them. This is pure gambling, not investing by any acceptable definition of the term.

As we go to press, the creditors have rejected the Bear Stearns bailout

plan, and Merrill Lynch is planing to sell some \$800 million of bonds it has seized as collateral for loans it made. Rumors are flying that the two funds will be shuttered, sending shockwaves through the delicate CDO markets.

This crisis is also affecting Everquest Financial, a Cayman Islands-based firm formed by Bear Stearns which is planning to go public. Everquest has been buying up the riskiest parts of the CDOs created by the Bear Stearns subprime mortgage hedge funds, based upon valuations made by Bear Stearns, and purchased with borrowed money. The Bear Stearns funds, which own a controlling interest in Everquest, have also sold the company credit derivatives to protect it from defaults on the CDOs.

The whole affair is reminiscent of the relationship between Kidder Peabody and the Granite hedge funds, both of which blew up during the mortgage-backed securities (MBS) crisis of 1994. At the time, Kidder, an old-line investment bank owned by General Electric, was the leader in the MBS market. When rising interest rates triggered a flood of mortgage refinancings, the MBS market was thrown into turmoil, and the Granite hedge funds failed. As it turned out, Kidder had been using Granite as a toxic waste dump, selling it the riskiest tranches of its MBS. This allowed Kidder to get the tranches off its books, making its business seem more profitable. Kidder also failed in 1994, but due to the deep pockets of parent GE and the scapegoating of a "loan assassin," Kidder failed more gracefully.

Things have changed since 1994, of course. The level of toxic waste hidden in the system has increased exponentially, just one of the many time bombs the bankers must defuse as they attempt to dry up the bubble without triggering a cataclysmic chain reaction.



# Cheney on the Ropes

When the scandal around the huge British defense firm BAE Systems erupted during the first week in June, Lyndon LaRouche immediately identified this as a story of colossal importance, which could bring down Dick Cheney and the imperial Anglo-Dutch Liberal financial apparatus that stands behind him. A little over two weeks later, we are getting closer to that point. Consider this chronology:

On **Jan. 27, 2007**, Truthout.com reported that Vice President Cheney, during a **November 2006** trip to Saudi Arabia, promised his Saudi interlocutors that he would shut down the official British investigation of BAE's 20-year bribery, to the tune of \$2 billion, of Saudi Prince Bandar bin-Sultan.

On **Dec. 15, 2006**, British Attorney General Lord Peter Goldsmith terminated the ongoing probe of BAE by the Serious Crimes Office.

On **June 21, 2007**, the Federal Committee on Foreign Investment in the United States rushed through approval of BAE's takeover of U.S. defense contractor Armor Holdings.

On **June 21**, House Oversight and Government Reform Committee chairman Henry A. Waxman (D-Calif.) issued a press release stating that Cheney's office has refused to comply with an Executive Order governing the handling of classified information, and had tried to shut down the office at the National Archives and Records Administration that sought to enforce the order. Cheney's office argued that it is "not an entity within the executive branch" (!), and therefore does not need to comply with the order.

On **June 22**, Lord Goldsmith resigned.

Will Cheney be next?

At LaRouche's June 21 webcast (see *Feature*), he outlined the bigger story that lies behind the BAE scandal in this post-9/11 world. There was virtual silence on the subject in the U.S. press, he noted. Until recently, nothing appeared "even hinting at what has been the *ongoing reality of this Bush Administration, since before the President was sworn in, in 2001*. The world has been living under a system, which is the 9/11 system, which already existed, as I warned at the beginning of

2001, *before* President George W. Bush was inaugurated for the first time in January of 2001. Where I said: The world system has reached the point, that an on-rushing collapse of the system is now in process. We can not determine exactly when or how this will occur, but we know the following two things: Number 1, we know that this President and this Presidency can not deal with this crisis. Therefore, we must expect that the entire world will be subjected to the kind of thing we experienced in February of 1933, when Hermann Göring, the man behind the throne, the sort of Dick Cheney of the Hitler administration, orchestrated the burning of the Reichstag as a terrorist event. And this terrorist event was used ... to install Hitler with dictatorial powers....

"And I said then, the danger is that something like this *will occur*, under present trends in the United States, and it *did occur*: And it was called 9/11.

"Now, without going into the details of what we know and what we don't know about how 9/11 was orchestrated, we know that the only means by which this kind of thing is orchestrated, is found in *one* location: in a financial complex which is centered in the identity of the BAE. Now, that's the mystery of 9/11. How it was done, the mechanics, that's irrelevant. We'll find out. And everybody in and around government who understands these matters, knows that! And that's where the heat is here."

Later in the webcast, LaRouche elaborated: "I think that the relevant scoundrels in the British Isles will probably do something horrible to Dick Cheney, not because they don't like what he was trying to do, but because he failed to do it." LaRouche concluded: "Cheney is in deep kimchee, and those who don't want to impeach Cheney are in deep kimchee too."

Up to now, elements of the Democratic leadership have ignored the strong wishes of their constituents, and have blocked the impeachment of Cheney—which is already on the table, in the form of a resolution by Rep. Dennis Kucinich (D-Ohio). The BAE scandal provides the opportunity to quickly correct that egregious mistake.