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EIR

From the Editor

It can be said, with no exaggeration whatsoever, that every article in this edition of *EIR* should be required reading for the thinking citizen of the United States, and other nations. You won't understand where we are in history unless you do so.

First and foremost, comes our *Feature* on LaRouche's crucial economic forecasting record, backed up by the urgent steps needed to contain the foreclosure crisis which he has outlined. Forecasting is not a prediction, but a prescription for action, LaRouche emphasizes—and we elaborate the action to be taken by the U.S. Congress. As for the complementary measures needed internationally, LaRouche takes that up in his dialogue with a leading Chinese interlocutor, published exclusively in this issue.

Our *Economics* section contains a series of groundbreaking studies that you also cannot afford to miss. John Hoefle updates LaRouche's "Triple Curve" forecast, as it is being played out in today's hyperinflationary blowout. Rachel Douglas then analyzes the Russian economic outlook on the occasion of the ninth anniversary of the GKO-LTCM catastrophe which brought the world system to the brink. She gives special emphasis to the indications of President Putin's growing orientation toward an FDR-style outlook toward building up the physical economy and infrastructure—just the kind of outlook needed for a New Bretton Woods arrangement with the United States, India, and China. Finally, Marcia Merry Baker and Christine Craig tackle the question of food inflation that is becoming one of the hottest political issues internationally, separating fact from fiction, and identifying the real villain—globalization.

Our strategic coverage focusses on updating the war danger, with new evidence of Britain's leading role in trying to provoke a U.S. strike against Iran, even as the Bush-Cheney Administration lurches toward disintegration. Alberto Gonzales's resignation has taken away a firewall of protection for the Administration, but without immediate Congressional action to oust Cheney, the threat of insane aggression is actually increased.

And don't miss our discussion of the situation in Southern Africa, from a recent broadcast of "The LaRouche Show," with participation from the newly constituted LaRouche Youth Movement on that continent.



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SCIENCE VS. STATISTICS

When Fate Hangs On a Forecast

by Lyndon H. LaRouche, Jr.

The actual, strategic purpose and function of competent economic forecasting, is not to attempt to predict what will happen, but to cause it to happen.

Today's subject is a field of combat in which I have developed certain unique skills, skills in that branch of strategic intelligence called long-range forecasting. This is not merely foreseeing, passively, what might be likely to happen; it is about crafting policies of the type which I am presenting, with the intention to bring about an urgently needed action which might rescue us from a currently onrushing, global financial disaster, an oncoming disaster which has now entered its terminal phase.

It is not through bare perception that we might calculate what willful power lies, hidden from perception, between those mere dots upon the screen of our senses. It is by our acting upon the universe, to force its secrets to manifest themselves, not merely as perception, but manifest themselves as the higher authority of the mind which must test the unseen presence and suspected intentions of whatever willful power lies behind that action which might be otherwise only perceived.

These unseen powers must be forced, thus, to reveal themselves. They must be forced to reveal not only the efficient presence hidden behind the footprints we call perceptions. We must test the suspected willful intentions of those powers, tested intentions which true science knows as universal principles, as such principles were known as *dynamis* to the Pythagoreans, or modern *dynamics* of Nicholas of Cusa, Johannes Kepler, Gottfried Leibniz, and Bernhard Riemann. From the knowledge which can be gained by us only in this way, we obtain the means by which man and woman made in the likeness of the Creator, are enabled to act more or less efficiently according to the manner which fulfils our

mortal destiny, in a manner uniquely assigned to us by Him.¹

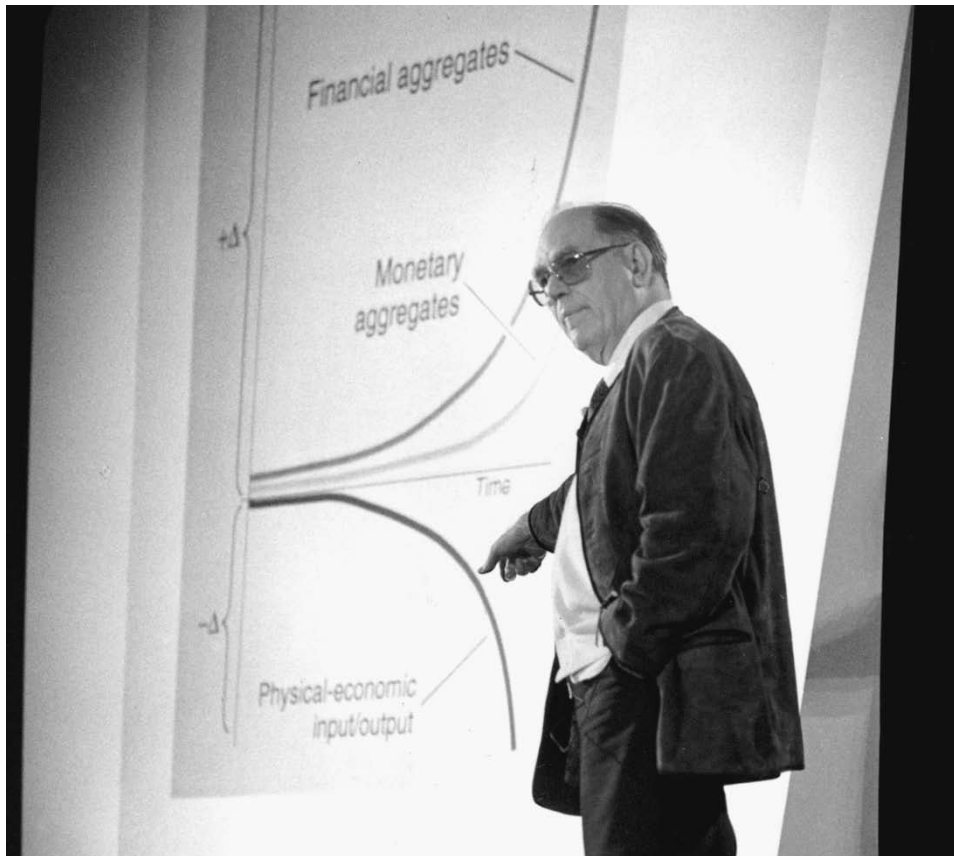
On this account, the fact is, that, since the time, during 1953, I settled upon Bernhard Riemann's method of physical geometry, no economic forecast I have ever delivered, has failed; and, only by exception has that forecast assumed the form of what might have appeared, mistakenly, by some, to have been what is usually regarded as merely a prediction.

My first such forecast was short-term, crafted in the Summer and early Autumn of 1956, a forecast in which I foresaw the worst recession since the immediate post-war period, as probably scheduled to erupt before Spring 1957; it came on time, and lasted, pretty much as long as the accompanying agony of the young of the "white-collar" Baby-Boomer households, an agony which it produced, until about the time of the November 1960 general election.²

My June-July 1987 forecast of a highly probable stock-

1. The greatest challenge in modern science, was Johannes Kepler's recognition of the underlying principle of dynamics which could be discovered only through going beyond the mere evidence of vision, to include the mind's faculty of hearing the harmonics which govern the ordering of the Solar system. It was with the work of Riemann that the goal which Kepler intended for his successors was clearly defined for practice. All competent economics today depends upon that notion of universal physical principles.

2. The effect on the group dynamics among the parental households of the children born to the "white-collar" branch during, approximately, the 1945-1958 interval, is of crucial importance for understanding the social-economic and related political history of the U.S. over the entire sweep of the 1945-2007 interval to date. At the high point of its euphoria, prior to the 1957-1958 downturn, the parental community of the "Baby-Boomer" sets was a rather disgusting "We are the wonderful people" outlook, as described in *White Collar* (1951) and *The Organization Man* (1957). The harsh economic slap-down, as of executives stockpiled in the \$40,000 annual income-range, to hopes for new employment at the \$10,000 level, was reflected from parents to child in the form of the rage factor of the "68ers."



EIRNS/Stuart Lewis

Lyndon LaRouche's famous "Triple Curve: A Typical Collapse Function": The top curve is a hyperbolic, self-feeding growth of financial aggregates; the second curve is the monetary expansion, by Treasuries and Central Banks and so forth, which feeds the money-flow in, to help pump up the growth of the financial bubble. The bottom curve shows the accelerating decline in real physical output and consumption, in terms of productive potential per capita and per square kilometer. Here, LaRouche explains the Triple Curve at a conference in 1998.

market crisis for early October 1987, is notable for what some erring observers would consider to be a prediction, rather than what it was, what I define, categorically, as a forecast.

Similarly, during the time of the 2000 Democratic Presidential campaign, I had forecast the development of a real-estate crisis within Loudoun County, Virginia; numerous among those who rejected that forecast were led by that error of theirs into making some very serious business or related mistakes, mistakes which will worry them now.³ As in Gottfried Leibniz's uniquely original discovery of the calculus, all competent forecasting, even when it seems to point to a short-term prospect, is intrinsically the fruit of a method of long-term forecasting. As I shall indicate in the course of this report,

3. Since enormously expanded amounts of Federal money poured into Loudoun and adjoining areas, there was growth in Loudoun County, which was largely at the price of collapse in the states from which the growth of population in Loudoun, for example, flowed. This influx tended to draw attention of Loudoun suburbanites, away from the underlying collapse already in progress. When the net decay outran the sustainable expansion, the net collapse, already in progress, hit. The turning-point in the direction of change was Y2000, when Alan Greenspan's Y2K bubble collapsed. Now, seven years later, there is a net collapse of all leading combined factors. This outcome was already inevitable to those who thought in terms of real physical cycles of investment and depletion. "True believers" see only what is right under their noses, and thus tend to overlook the oncoming foot aimed at their posteriors.

there are scientific reasons why this is necessarily so.

Thus, my outstanding forecasts, from the late 1950s onward, until my Democratic Prolegomena of August 3, 2007, have been relatively long-ranging. Thus, you have my major, long-range, now realized forecasts, from 1959-1960 onward, of that break in the Bretton Woods system, which occurred in mid-1971. You have, also, the forecast which I had developed in late 1995, but first published in January 1996 as a Presidential campaign statement featuring what is known as my "Triple Curve." We must focus our attentions on the misguided personal motives of those who have argued, some loud and long, that I was "wrong" in any of these forecasts. All forecasts made by me then, and since, have been on the mark in respect to what I had actually stated, that in very carefully crafted terms on such occasions. The "Triple Curve" expresses, in appropriate symbolic forms, the dominant features of both the U.S. and world markets, combined, since January 1996 up to the present moment.⁴

The point is, that I had come to understand, more and more, and ever more clearly, how modern history works,

4. I refer to those who duck what my forecast had actually stated, by their own resort to the habituated Sophist's "In other words, what you meant to say was..." and, then complained that what they, in fact, had stated, had not come true.

and, what happens to societies which brush aside the kinds of strategic forewarning produced by the method which I have employed.

Considering the presently ongoing global financial crisis, the behavior of those who have sought to deprecate those forecasts, now becomes, clinically, most interesting; in most among the studied cases, the reason they rejected my forecast, is that they were, more or less hell-bent, on continuing stubbornly in a wrong direction, and my forecast spoiled the pleasure of their obsessive search for pleasure in their own dream-world's foolish, and often fanatical fantasies.

Right now, understanding the validity of my forecasts, and the method which my forecasts have correctly expressed, is pretty much a life-or-death matter for our own and the world's economy. On that account, my just recently issued Prolegomena for a Democratic Party campaign platform, also provides a valuable illustration of the proper crafting and use of my forecasting method.⁵

As for what have been often foolishly self-described by a silly press as my usually anonymous "critics," every interval of U.S. economic history under Alan Greenspan's tenure, has been one successive interval of ruin of our economy, after another, during all of which, the U.S. physical economy was ratcheting down, down, down. Those who rejected my forecasts usually had their own peculiar reasons, but, looking back, over the record of the recent decade and longer, those reasons were always of a similar character to the motives of the alcoholic, compulsive gambler, or political figure behind the wheel, who, like President George W. Bush, Jr., snarls, "I'm driving!"⁶

Warning: Ideology at Work!

Since the LTCM crisis of August-October 1998, the most memorable example of a failed forecast has continued to be that caused by the prize-winning methods of Myron Scholes and his associates. That really took the prize, as the saying goes! At that time, President Bill Clinton and his U.S. Treasury Secretary Robert Rubin led the temporarily successful bail-out of a crisis-struck U.S. financial system. The effort was considered Herculean, and perhaps justly so; but, although the patient survived, temporarily, none of the causes for the LTCM crisis were treated, and, therefore, the crisis of 1998 has returned in a much more resistant strain, as the global monetary-financial breakdown-crisis of today.

The characteristics of the methods used to cause that crisis then, have been continued, in all essentials, by Scholes and



U.S. Treasury

President Bill Clinton and his Treasury Secretary Robert Rubin (shown here in 1999) led a Herculean, and temporarily successful bailout of the crisis-struck U.S. financial system, following the LTCM blowout.

others since, still today.

The exotic methods crafted and employed by Scholes and his like, have been, in a certain sense, actually a leading contributing cause of the present lurch to the brink of a general, chain-reaction form of global monetary-financial breakdown-crisis. It is time to get the mathematical witch-doctors off the case, while the patient himself might still be saved.

As I have reported in earlier publications, such as the most recently published Prolegomena,⁷ the issue posed by the repeated systemic failures of the methods of Scholes et al., must be traced to their origins in the dispute between Gottfried Leibniz, on the one side, and René Descartes and John Locke, representing the opposing camp. The principled root of that issue of method then, as now, is the contrast between the *dynamic* methods of Leibniz (and also his follower, Bernhard Riemann) and the mechanistic-statistical methods of Descartes.

Cartesian method is contemplation of what is essentially mechanical action among apparently discrete objects floating in what is wrongly presumed to be that otherwise empty Euclidean space where percussive interactions are presumed to occur. The Cartesian approach to analysis of the motions among such particles is guided, essentially, by the method of a famous medieval irrationalist, William of Ockham, whose methods were revived at the direction of the influential mod-

5. Lyndon H. LaRouche, Jr., "The State of Our Union: The End of Our Delusion," *EIR*, Aug. 31, 2007.

6. Now, since the beginning of August 2007, there are some changes in progress. More and more citizens who had clung, earlier, to the hope that I was mistaken, are now reacting as if in the legendary TV advertising clip, "I needed that!" Or, more in the direction of a wistful sigh of relief: "I wish I hadn't needed that!"

7. Op. cit., LaRouche, "Delusion."

ern Venetian Paolo Sarpi. The application of the neo-Ockhamite empiricist method of Sarpi and his lackey Galileo Galilei, is the principle otherwise associated with games of chance, such as casting of dice, the statistical method.

The risk this poses for the forecaster using modern neo-Cartesian methods, is that physical space-time, the actual space-time which we and our planet inhabit, is not Cartesian, but Riemannian. This includes the physical space-time which real economies inhabit.

In real-life physical space-time, action is governed by universal physical principles, such as Johannes Kepler's uniquely original discovery of the harmonic principle of gravitation among the planets of the Solar system. This action occurs within a physical space-time which is bounded by the role of those principles. The general method required for such work, is Riemannian.

Competent forecasting obliges the forecaster to consider the boundary-conditions characteristic of the kind of processes being considered. Thus, the Cartesian or neo-Cartesian projects statistical forms of mechanical action confined within the bounds of gambling expert Galileo's space-time. Since the heredity of the Cartesian method is that of Sarpi's empiricism, no principled boundary condition is taken into account. For Descartes and his devotees, the future is the indefinite projection of the present. In the Riemannian approach, we start from the principled definition of the discovered boundary conditions, and turn our attention, then, to the "object" whose behavior is determined, in the manner Riemann defined the function of a sonic shock-wave, by the manner in which it is approaching that boundary condition.

In the modern expression of the Cartesian method, as applied to economics, the subject is the interaction of objects defined by their monetary or analogous qualities. The statistical method used becomes, in one disguise or another, something akin to the obscenely wild-eyed methods of John von Neumann and Oskar Morgenstern in their *Theory of Games and Economic Behavior* and virtual idiot-savant von Neumann's outrightly lunatic *The Computer and the Brain*.⁸

In real economies, the boundaries are physical, not simply monetary. The physical acts of production and consumption, together with the physical function of the infrastructure within which these acts occur, define boundary conditions. To the extent that the approach echoed by Scholes et al. is employed, the unscheduled boundary condition which their forecasting encounters, produces a reaction of such forms as a Weimar 1923 hyperinflation like that at the beginnings of a take-off right now, and an ensuing general physical breakdown of that actual economy to which the ivory-tower variety of mathematical forecaster is, predominantly, indifferent.

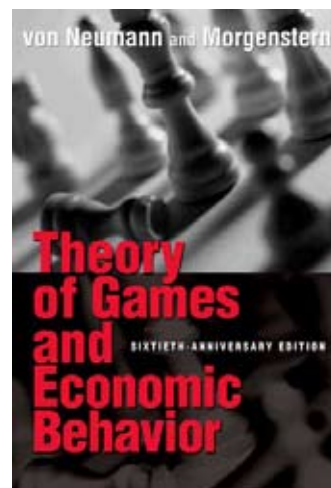
8. Morgenstern and von Neumann (Princeton, N.J.: Princeton University Press, 2000); von Neumann (New Haven, Conn.: Yale University Press, 2007).

Where Do We Go Now?

My July 25th LaRouche PAC webcast coincided with a point in history, at which we, in the U.S.A. and elsewhere, have entered the zone of a boundary condition, where we are at the verge of passing into the interior of a certain kind of "new world," a new physical phase-space. We live in a society, most notably in the Americas and Europe, which has passed about four decades in moving away from a time when *increase of the physical productive powers of labor, per capita and per square kilometer*, gave guidance to the combination of net economic growth and improved conditions of life. The ultimately ruinous habits acquired over the course of those recent four decades and more, since the Gulf of Tonkin Resolution, have now ruined us.

Since the riotous events of 1968, within Europe and the Americas, the emerging adult generations have been a leading factor within the population generally, for a sharp reversal in direction, into the direction of trying to get more money, while actually earning less, these days, even much less. That inclination to get money persists, but the currently reigning body of opinion has little desire to actually earn income by contributing directly or indirectly to effecting that increase of real, physical wealth per capita and per square-kilometer, for society as a whole, as by technological and scientific progress in farming and manufacturing, and building up, contrary to those marginal Laputan minds of the utilitarian schools, the net improvements in conditions of basic economic infrastructure, a class of improvements upon which production of wealth depends absolutely.

During these past four decades and more, since the Gulf of Tonkin incident, we have changed the physical characteristics of the U.S. economy, with presently disastrous effects. We have passed over, from being the world's leading physical



Oskar Morgenstern and John von Neumann represent the modern form of the Cartesian or statistical method, which has been counterposed to Riemannian economics. Their "obscenely wild-eyed methods" are touted in books such as these.

economy, to what is called a “post-industrial” economy, within what is called a “globalized” world. By exporting the production of the goods we used to produce, and buying those goods from so-called “cheap labor” markets abroad, we actually earn less and less, and in approximately that proportion; and, therefore, we soon reach a point at which we subsist on an increasing portion of our consumption for which we are less and less inclined, and less and less able to pay. So, many, like the current President of our U.S.A., have actually entered that sort of paradise which Jonathan Swift portrayed as the floating island encountered in Gulliver’s travel to the island of Laputa.

A prime example of the way in which that attitude has contributed to bankrupting the present U.S. financial-monetary system today, is the case of the role of Felix Rohatyn. Rohatyn is an exemplar of a type of many similar freebooters who insist that satisfying their peculiarly nasty and usurious form of greed at public expense, must be the only means by which some of the capital improvements of society will be met, doing this always in a way which leaves the country on which they prey, such as our own, poorer after that, than before. (Or, to make a city appear richer, as under a former tyrant of the Dominican Republic, by driving out its poor.)⁹ The “hedge funds,” whose practices should have been forbidden as criminal activities, express this in the extreme, as the Cayman Islands’ version of a modern Caribbean pirate addressing his next corporate victim for takeover (“Would you please walk my plank, so that I don’t have to kill you?”).

The search for an understanding of how we did this terrible thing to our nation and ourselves, should lead us to the subject of the principles by which the great mass of populations of nations, or empires, are misruled, again, and again, then, as now, by a tyrannical few. This is also the subject of the indispensable role of forecasting, instead of predicting, in the design of policies to guide successful designs for political-economic systems. The two subjects are reverse sides of the same coin: to lack the power to know efficient universal principles, such as those of physical economy, is to be deprived of the efficient power to rule oneself under the conditions of crisis prevalent today.

So, you, like our nation, were swindled in the name of our people’s own folly in the believing, by so many among us, in “free trade.” By believing in “free trade,” you abandoned the right, and power to forecast rationally, and became, thus, a true believer in what you imagined to be the witch’s and croupier’s power to predict. By adopting orientations such as a drift into “out-sourcing” and “globalization,” we have not only lost productive employment within the U.S.A., but have been even hysterical in our determination to continue such economically suicidal national behavior.

To get directly to the foundations of that problem, I state

9. Those citizens not wearing shoes were not permitted to enter the capital city, lest they might be seen by talkative modern tourists.

the exemplary issue at hand, by stating it, again, in the terms of one of my favorite topics, the hallowed, Classical case of the Olympian Zeus of Aeschylus’ *Prometheus Bound*.

The Tyranny of Ignorance

Tragedy is the use of a rope of culture by which the leaders and others of a society hang themselves. The circumstances, within the U.S.A., among others, today, which would lead a society to continue to accept the methods employed by LTCM’s Scholes to produce the 1998 crisis, once again, still today, illustrate what I point to as an ideological “rope of culture” with which that culture typically submits to a built-in cultural obligation to hang itself.

For such a tragedy, there is only one reliable remedy: destroy the rope. That is the implication of true strategy, the true essence of forecasting.

The evil Zeus represented an oligarchical society, in which Zeus was—as President George W. Bush, Jr. claims for himself—the bearer of the loutish title of “The Decider.” During a certain time in Germany, a “Decider” was called “*Der Führer*.” That convergence of Bush’s and Hitler’s idea of leadership is no exaggeration; similarly, the members of



Following the Nazi seizure of Paris in June 1940, Hitler (dressed in white) visited the tomb at Les Invalides of his hero Napoleon. Like Hitler and Napoleon, Dick Cheney ranks among the worst monsters in modern history since the Inquisitor Torquemada.

Bush's "Olympus," the so-called Federalist Society followers of the Carl Schmitt whose argument was used to appoint Hitler to the rank of dictator, insist on a Presidential authority which is no different, under law, than the authorities, copied from Schmitt, which Bush has claimed for himself! Is there really any difference between Bush's idea of his own and Vice-President Cheney's shared authority over what have appeared to be, so often, the helpless sheep of our Congress, and the parallel case of Propaganda Minister Josef Goebbels' and Hitler's reliance on a humbled German people's respect for the practice of *Gleichschaltung*?¹⁰

The comparison of the Bush-Cheney regime to that of Hitler, is, admittedly, strong stuff, but, from the history of statecraft, it is not merely a matter of comparison, but also a necessary one. There are many comparable cases of similar tyrants. Grand Inquisitor Tomás de Torquemada is not only the worst such monster in modern European history, until Vice-President Cheney, but is the model used for the design of dictators Napoleon Bonaparte and Napoleon's admirer Adolf Hitler. The tyrant William of Orange is also one of these types; a similar case is that of lackey Jeremy Bentham's master, Lord Shelburne, who was hated, but also feared, who ruled usually from behind and above the scene, all that in approximately the degree he was often hated at a safely respectable distance. Such tyrannical creatures, such as loutish George W. Bush, Jr., rule by buffoonery and myth, not as President Franklin Roosevelt led, according to the dignified principle of our constitutional law.

To see the innards of the relevant case of the George W. Bush, Jr. Presidency, look to what was called "the oligarchical model," the model expressed by the gods of Olympus in Aeschylus' *Prometheus Bound*.

That said, now look back, for comparison, to Aeschylus' portrait of the brutish Olympian Zeus. What is the principle of



"The Emperor Tiberius' virtual son-in-law, Pontius Pilate, employed his special authority as surrogate in wielding of law for the Emperor himself, to order the crucifixion of Jesus of Nazareth," LaRouche writes. Jesus was feared by the Roman Imperial authorities "as the deadliest of its adversaries from within that region..." In Rembrandt's etching, "Christ Presented to the People" ("Ecce Homo"), Pilate (wearing a turban) is the ultimate Sophist, leaving it up to the mob to decide whether Jesus, or the thief Barabbas should be crucified.

law expressed by *Prometheus Bound*? Ask the question: did Zeus believe that man's knowledgeable use of power were feasible? Or, did that Zeus object to man's use of fire precisely because he believed it was feasible—i.e., a universally lawful principle of man's specific nature? In fact, as all real-life adherents of the oligarchical principle of tyranny have suppressed the natural powers of the greater mass of humanity, as with imperial Rome's persistent attempts, over many generations, at genocide against Christians, they did so precisely because those powers they sought to uproot thus, were the means by which human beings distinguish themselves from creatures in the likeness of cattle.

Take, as an illustration of the principled issue involved, the case of one of the Federalist Society types sitting on the U.S. Supreme Court today, Associate Justice Antonin Scalia. What is Scalia's stated notion of the nature of law? He has been emphatic; his view, as he has described it, is that of what is named, and rightly derided as "dictionary nominalism," with the added qualification that fresh revisions of the dictionary, like those of Wikipedia, are formulated, and freely revised without regard to any lawful principle, even to simple truth, or to the matter of content. Scalia is thus in the tradition

10. As I have recently observed in at least one particular set of persons in Germany, the practice of *Gleichschaltung* has been passed down, as a cultural heritage, from the habits of the Hitler regime, to some Sophist representatives of the Baby-Boomer generation, thus to be expressed by that next generation as the practice of certain circles to lie in raucously factitious unison. One is left to doubt nothing except a suspicion that such ritual group-lying is accompanied by some exotic variety of organic sexual release.

of Paolo Sarpi's Liberalism, and a rather radical form of Liberalism at that. It is the "fire" of natural law which Scalia identifies as the principle he, like Federalist Society icon Carl Schmitt before him, is attempting to stamp out. Scalia, like Schmitt, has sought, thus, to stamp out specifically human nature, as both President Bush and Vice-President Cheney also echo Nazi ideologue Carl Schmitt.

So, the Emperor Tiberius' virtual son-in-law, Pontius Pilate, employed his special authority as surrogate in wielding of law for the Emperor himself, to order the crucifixion of Jesus of Nazareth. Jesus was feared by the Tiberius resident on the Mithraic shrine of Capri, as what the Roman Imperial authority considered as the deadliest of its adversaries from within that region; hence, the Roman Empire of Tiberius crucified Jesus as "The King of the Jews," as the Emperor Nero did to Peter later.

What is natural law? What is the connection between the concept of natural law and competent modes of economic forecasting? How should a competent modern forecaster view and treat the factor of the religious beliefs of Jesus and his Apostles, especially John and Paul? How are these values expressed in the science of forecasting?

Whether You Like It, or Not

All reasonable law, in any society, is derived from the notion of the quality of immortality which, examined from the standpoint of rigorous experimental method, is specific only to man among all species of ostensibly animal life. Hence, whether you like this news, or not, mankind's nature requires of us, that, naturally, we must be self-governed by discovery of natural law, as Plato typifies the ancient root of modern practice of natural law.

On this account, it is impossible to separate the notion of decent law by society from natural law as I identify its crucial feature here and now.

Like a musical composition by Bach, Mozart, or Beethoven, the relationship of the mortal individual to past and future generations, up and down, from bass to soprano, is a performance of the composition of humanity as a whole, is the domain of an Idea, with no acknowledgment of the prototypical ideologue of Romanticism's modern fascist form of state, G.W.F. Hegel.¹¹ Hegel and his ilk thrown thus summarily aside, how must a lawful order in society be composed? Thus, one should ask: What generates the music?

In the method of J.S. Bach, of Beethoven, and of Wolfgang Mozart from the beginning of his Sunday visits to van

11. "Genetically," so-to-speak, the diabolical Tomás de Torquemada begat the idea of the Jacobin Terror, designed the synthetic personality crafted by Joseph de Maistre, as the Emperor Napoleon Bonaparte I, the Napoleon from which the passionately inflamed Metternich correspondent (and agent) Hegel extracted the model used to produce a new Bonaparte as the Nietzschean existentialist form of the philosophy of history and the state, which was, in turn, to be incarnated, by successive aid in matters of law, from Savigny and Schmitt, as the dictator, Adolf Hitler.



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The creative powers of the individual human mind can be found in the expression of the ontological infinitesimal of Kepler's discovery of the planetary orbits; or in Bach's musical compositions; or in great poetry, such as Keats' "Ode on a Grecian Urn": "Beauty is truth, truth beauty,—that is all/Ye know on earth, and all ye need to know."

Swieten's salon, the Bach choral work, such as the smaller motets and the great *Passions* and *Mass*, the essence of any competent composition and its performance is the vocal chest of voices performing within the external and internal bounds of the Florentine *bel canto* chest of voices pitched at C=256.¹² As in physical science in the Pythagorean-Platonic and Kepler-Fermat-Leibniz-Riemann tradition, the musical domain is composed of a chest of singing voices (as also the instruments which mimic the vocal domain), in which counterpoint and development are of the same form as the Riemannian universe, such that development is expressed by transitions which are effected through the method identified by conductor Wilhelm Furtwängler as "performing between the notes."¹³

12. Laboratory tests confirming this implication of my own discoveries, showed that some great violins showed the instrument to have been crafted to C=256, just as the greatest singers from the same generations as my parents' and my own, based their art on that Florentine *bel canto* standard: until the existentialist freaks of the (implicitly perverse) Congress for Cultural Freedom (CCF) imposed their own copy of Nazi *Gleichschaltung*, as elevated pitch, on the terrorized musical institutions. The strongest among some of the greatest voices of my lifetime testified to me personally and others, that they could survive the new standard imposed by the Congress for Cultural Freedom's variety of fascist tyranny on the stage, but the majority of relatively weaker voices could not, thus reducing competent solo performances to a relative handful of super-stars to hold up Italy's traditional *great cultural tradition* as long as they could maintain their performing careers.

13. This great artistry has gripped me since I first heard a recorded performance of his conducting while sitting in a U.S. Army replacement depot in India, fresh from northern Burma (Myanmar) in early 1946. What Furtwän-

Between the two media, we have physical science and Classical musical composition from Johann Sebastian Bach onward through Bach's great students and followers, such as Haydn, Mozart, Beethoven, and Schubert.¹⁴

The point I am making at this juncture, is that the ontologically definable creative powers of the individual human mind are located in the expression of the ontological infinitesimal of Kepler's elimination of the notion of quadrature from the concept of the ontological character of the action of the elliptical planetary orbit, and the identical sort of mental action expressed by functions such as performing a great Bachian form of contrapuntal work as between-the-notes, as the Bach concept of the fugue situates this pedagogically. The same appears in great poetry, as, succinctly in Keats' *Ode on a Grecian Urn*, or the revolution in perspective discovered by Leonardo da Vinci, or similar accomplishments by Rembrandt.

This ability of a discovery of principle, which is unique to the individual human mind, is the ability of the individual member of the human species which separates us, as human, and that absolutely, from the essential characteristics of all beasts. The *infinitesimal* as defined by Nicholas of Cusa's correction of the fault in Archimedes' attempted quadrature of the circle, as by Kepler's discovery of gravitation, in Fermat's discovery of least action, in Leibniz's uniquely original discovery of the calculus, and the genius of the great followers of Bach's method in composition, express what is otherwise met among living species only in what mankind can do: willfully increase the potential relative population density of our species.

This unique quality of advantage of a species conforming to the definition of man and woman in *Genesis* 1, is the location of what the curiously brilliant founder of so-called General Semantics implicitly defined as the distinction of man from beast, as mankind's "time-binding" mode of existence. The distinction lies not in the making of signs and sounds, but of "singing between the notes," as Cusa, Kepler, Fermat, and Leibniz did with the concept of an ontologically infinitesimal, rather than algebraically infinitesimal, as the expression of the action of universal physical principles in qualitatively changing man's intrinsic power to exist as man.

It is the transmission of human progress over successive generations, by means of this principle of action unique to the human species, which then serves as the location of what can

gler does with that concept, is equivalent for music, of what the "performance" of the Leibnizian infinitesimal becomes in the hands of Bernhard Riemann.

14. Furtwängler's famous post-war recorded performance of Schubert's "Great" Ninth Symphony is an outstanding demonstration of what is either wrong, or missed in the conducting of the same work by other notable conductors. The second movement does not fall apart, but retains, at its tempo, the great burst of energy expressed by the last. The similarity lies in the conducted execution of transitions between the notes. Thus, here, in this way, C.P. Snow's paradox vanishes.

be competently presented as expressions of natural law.

On this account, our true self-interest as human beings, is not confined to the bestial dimensions of life afforded the individual member of an animal species. Our essential self-interest lies in the outcome of our having lived, the outcome for mankind at large, especially future mankind. Our essential interest therefore lies, also, as the 1648 Treaty of Westphalia prescribes at its outset, in the future of other people's, and nations' future, even more than our own.

The essential interest of mankind is the improvement of the human future, and, for that reason, the precious heritages similarly bequeathed from earlier times and places.

The greatest achievement of our republic, on which account we at our best have been, is, as Lafayette proposed, as a beacon of hope for all mankind. We expressed this in our best moments, as in the fruit of the victory bequeathed by President Abraham Lincoln, as by President Franklin D. Roosevelt, by the great productive power we unleashed to inspire men and women of good will throughout much of the world.

Unfortunately, with the successive deaths of President Franklin Roosevelt, and by the President John F. Kennedy who avowed his intention to return the nation to the Franklin Roosevelt legacy, and others, the misleaders in sundry places of relatively great influence have robbed us of our honor and our prosperity. Often, as recently, as the long wars in Indo-China and Southwest Asia should rebuke us, we are like a stinking old man who refuses to change his socks, or his underwear, because he has become accustomed to their aroma.

My duty is to chart a return to such a noble course for our republic, a republic to become again a beacon for all mankind. The course we must chart on that account, is not simply a repeat of the past, but a new leg, never before travelled, in a continuing, eternal journey.

To sum up the crucial lesson of mankind's known experience:

The greatest evil is the conception of the oligarchical model of society, as depicted by the condemnation of the Olympian Zeus as an essentially satanic being, in Aeschylus' *Prometheus Bound*. The essentially satanic evil is therefore the notion of zero-technological growth, the notion of Giammaria Ortes as flagrantly plagiarized by Thomas Malthus, or the "Global Warming" hoax of former Vice-President Al Gore. Such people are of a disposition as to bring, again, upon themselves, an outcome like that which Friedrich Schiller described for the Habsburgs' Netherlands wars, of wars not between men, but as among beasts.

In that respect, man always wills his destiny, whether to prosper in a new journey into the future, or to be doomed, as often in the past, to rot in the tired and tragic swamp of his own stagnation in old, failed ways. The question posed to the citizens of our U.S.A., and also of the world at large, is which destiny will they choose? Will they change their foolish ways within the bounds of the brief, relevant time remaining?

Start Bankruptcy Reorganization With Homeowners and Bank Protection Act

On Aug. 22, the LaRouche Political Action Committee (LPAC) announced a mass mobilization, to get Congress, on return from recess after Labor Day, to enact the Homeowners and Bank Protection Act of 2007. This legislation, crafted by Lyndon LaRouche, is the only means, at this late date, for stopping millions of home foreclosures and evictions this year and next, and for launching a larger process of bankruptcy restructuring of the U.S. and global dollar-based financial system, which is now already doomed.

LaRouche has defined the purpose of this legislation as follows:

The crisis will proceed in successive phases. We have entered the first phase, which is typified by the collapse of a global real-estate bubble on which the entire current monetary-financial system hangs today. The

most immediate of these challenges, is being presented at this time. The U.S.A. and other governments must now react to the need for an immediate placing of home mortgages and chartered banks of the U.S. under bankruptcy protection by law. This measure is the indispensable lawful protection needed to prevent an uncontrollable, chain-reaction, hyperinflationary collapse of the present world monetary-financial system as a whole. An uncontrolled crisis of that type would be comparable to the chain-reaction set into motion by the Fourteenth-Century collapse of the House of Bardi.

Here are the essential features of the Homeowners and Bank Protection Act of 2007:

1. Congress must establish a Federal agency to place the

FDR Defended Small Homeowners From Foreclosure, Usury

President Franklin D. Roosevelt presented this Message to Congress on Small Home Mortgage Foreclosures, April 13, 1933.

To the Congress:

As a further and urgently necessary step in the program to promote economic recovery, I ask the Congress for legislation to protect small home owners from foreclosure and to relieve them of a portion of the burden of excessive interest and principal payments incurred during the period of higher values and higher earning power.

Implicit in the legislation which I am suggesting to you is a declaration of national policy. This policy is that the broad interests of the Nation require that special safeguards should be thrown around home ownership as a

guarantee of social and economic stability, and that to protect home owners from inequitable enforced liquidation in a time of general distress is a proper concern of the Government.

The legislation I propose follows the general lines of the farm mortgage refinancing bill. The terms are such as to impose the least possible charge upon the National Treasury consistent with the objects sought. It provides machinery through which existing mortgage debts on small homes may be adjusted to a sound basis of values without injustice to investors, at substantially lower interest rates and with provision for postponing both interest and principal payments in cases of extreme need. The resources to be made available through a bond issue to be guaranteed as to interest only by the Treasury, will, it is thought, be sufficient to meet the needs of those to whom other methods of financing are not available. At the same time the plan of settlement will provide a standard which should put an end to present uncertain and chaotic conditions that create fear and despair among both home owners and investors.

Legislation of this character is a subject that demands our most earnest, thoughtful and prompt consideration.

Federal and state chartered banks under protection, freezing all existing home mortgages for a period of however many months or years are required to adjust the values to fair prices; restructure existing mortgages at appropriate interest rates; and write off all of the cancerous speculative debt obligations of mortgage-backed securities, derivatives, and other forms of Ponzi schemes that have brought the banking system to the present point of bankruptcy.

2. During this transitional period, all foreclosures shall be frozen, allowing American families to retain their homes. Monthly payments, the effective equivalent of rental payments, shall be made to designated banks, which can then use the funds as collateral for normal lending practices, thus recapitalizing the banking system. Ultimately, these affordable monthly payments will be factored into new mortgages, reflecting the deflation of the housing bubble, and the establishment of appropriate property valuations, and reduced fixed mortgage interest rates. It is to be expected that this process of shakeout of the housing market will take several years to achieve. In this interim period, no homeowner shall be evicted from his or her property, and the Federal and state chartered banks shall be protected, so they can resume their traditional functions, serving local communities, and facilitating credit for investment in productive industries, agriculture, infrastructure, etc.

3. State governors shall assume the administrative responsibilities for implementing the program, including the “rental” assessments to designated banks, under the authority of the Federal government, which will provide the necessary credits and guarantees to assure the successful transition.

By September-October, unless this legislation is enacted as a first order of business of the 110th Congress in September, many millions of Americans will be evicted from their homes, setting off a process of social chaos that must be avoided. The freezing of foreclosures is the vital first step in a thorough reorganization.

Under this plan, the Federal Reserve System will, itself, be put through bankruptcy reorganization, and transformed into a Third National Bank of the United States. As developed in LaRouche’s draft platform for the Democratic Party (see last week’s *EIR*), these actions shall be complemented by the creation, by treaty agreement among leading nation-states, of a new Bretton Woods system, based on fixed exchange rates, and long-term treaty agreements for large-scale development projects on a global scale.

The foreclosure tsunami is occurring, not as a result of a mere housing or mortgage crisis, but a disintegration of the entire global financial system. There is no bottom to this collapse—unless a legislative firewall is created now, and a halt is called to the income drain on the population, brought on by the hyperinflationary debt bubbles created by Alan Greenspan and his ilk.

LaRouche Youth Rally States To Fight for The General Welfare

by Lewis Whilden,
LaRouche Youth Movement

“Of course! That would work! It’s so elementary, how come nobody but LaRouche could come up with this?” So said a supporter of our movement, commenting on LaRouche’s Homeowners and Bank Protection Act of 2007 (HBPA). This is typical of the pattern of responses we are getting around the country to LaRouche PAC’s and the LaRouche Youth Movement’s nationwide mobilization to get governors, state legislators, and city councilmen to make LaRouche’s HBPA a part of their *own* fight to stop the bleeding amongst their constituents due to the housing collapse, therefore preventing the crisis from triggering a blowout of the financial system and providing the first step towards reorganizing that system in the way laid out in LaRouche’s Draft Platform for the Democratic Party. LaRouche PAC is calling on these elected officials to produce resolutions demanding that the Federal government intervene in this crisis by putting the mortgage-carrying banks under bankruptcy protection and freezing existing mortgages, placing a moratorium on foreclosures, and ensuring that we prevent mass evictions (which could number up to 7 million) in communities around the United States. The historical precedent for this action is Franklin Roosevelt’s April 1933 call for similar action to be taken, in the throes of the Great Depression. We must keep people in their homes!

What follows is a summary of our mobilization and responses thus far. There is a clear pattern of openness to LaRouche’s solution at the local level, compared to the responses from the Federal level. For this to change, it will require the maximum amount of pressure from the local level, as well as the impassioned commitment of every reader of *EIR* to take this fight up as their own. *Nothing* short of Federal intervention will avert this crisis.

Into the Heart of the Crisis

The Midwest LYM, who are in the heart of the foreclosure crisis in the city of Detroit, jump-started the mobilization at Toledo, Ohio’s City Hall. There, the Mayor’s assistant immediately directed us to a basement meeting being held on the subject of foreclosures. We talked to both the Commissioner of Housing, and the Director of Neighborhoods. They were both clear that this crisis involved the entire system, but said that they were trying to “deal with the effects” of the crisis on the ground. Both officials are open to follow-up meetings

with our organizers to discuss LaRouche's solution.

We also went to four events addressed by Gov. Ted Strickland of Ohio. The governor told us about the housing commission he has set up to address this problem, which he did not deny was a crisis for the whole monetary system. He referred us to his aide, who wants us to present our written testimony to this commission.

A delegation of Midwest LYM also attended the Midwestern Legislative Conference in Traverse City, Mich., where we mobilized support for a resolution addressing the housing crisis. Many calls were made from around the country into this conference by activists and supporters pushing our resolution, and opening doors to future events as a result of the calls and the organizing. Though we did not succeed in getting our resolution through, the event was characterized by our organizers as "wide open." The general response of the legislators was that the situation was certainly a crisis, agreeing with LaRouche's approach to the matter, but when called upon by us to act, they denied that it was the type of crisis that could trigger a collapse of the whole financial-monetary system. A representative from the Midwest of Canada told us that though he might not agree with everything, "You guys are the trendsetters, you are always ahead of the curve, I wanted to see what you were talking about." We encountered much foolishness: "This is a local problem" kind of thinking, coupled with some cynicism, which would have prevailed that day in Traverse City, had we not been there in force to re-moralize these reps with LaRouche's solution.

Similarly, at the Southern Governors' Conference in Biloxi, Miss., where the governors were lectured, or rather, subjected to attempted brainwashing by Federal Reserve presidents from various cities, about the virtues of the "services economy": If not for our intervention there, the Southern governors would do nothing but blow bubbles.

In Massachusetts, the Boston LYM recently carried out a successful intervention at the National Conference of State Legislators, where many legislative contacts were made from throughout the country; they are being followed up and organized to support LaRouche's housing legislation. They took advantage of this momentum by deploying to the Massachusetts State House. The LYM was recognized universally as the only youth movement doing anything. Some staffers we talked to were eager for action, with one asking bluntly, "How can we implement this?"

The Oakland, Calif. LYM has been concentrating on organizing at the state capitol in Sacramento, serving as a breath of fresh air in the State House, countering the Schwarzenegger fascist stink. We encountered a high level of openness, and were able to meet with 16 Assemblymen's and Senators' offices, from both the Democratic and Republican parties. When we told some people in these offices that their religious belief in free-trade is what got us into this mess, we encountered some freakouts, but a few staffers were up to thinking about this challenge, transforming the way they thought about the

situation, and recognizing that LaRouche's HBPA is the only way we can seriously address this crisis. All they need to do now is move on it.

Mayors and City Councils Reached

The Los Angeles LYM visited the office of the Mayor of the City of Los Angeles, meeting for half an hour with the head of the Housing and Economic Development office. The discussion focussed on the powers of the mayor—what can a mayor do around this crisis, since he has no ability to deal with it himself? The office ended up recommending a specific city council member for us to meet with, giving us his contact number.

In Seattle, the LYM has been targeting local city councils. They presented LaRouche's HBPA to the Shoreline City Council. Our youth movement was invited to address the panel by the deputy mayor, speaking in front of the entire city council. They also got LaRouche's program out to city councils in Bellingham, Everett, and Edmonds.

The Seattle LYM also met with a Republican city councilman from a suburb of Seattle for two hours, which moved the councilman to take immediate action on LaRouche's initiative on housing. In discussion of the financial crisis and the capital budgeting approach to fixing the situation, he telephoned one of his state senator friends and informed him about the "excellent, bold ideas," of the LYM. He pledged to take LaRouche's Economic Recovery Act with him to the National League of Cities convention where he sits on the board of directors, and present LaRouche's ideas there.

In South Dakota, our farmer friends distributed the HBPA at a rally for Sen. Tim Johnson (D), who is recovering from a stroke. We were able to get it to every state legislator there, with one legislator pledging to help us convey this idea to South Dakota's governor.

Finally, the intention of our constituency mobilization is for its momentum to be directed with full force into Washington D.C., where it is necessary for the Congress to intervene. In Washington, we've been circulating the bill and LaRouche's Draft Platform for the Democratic Party, on Capitol Hill and at surrounding institutions, so that when Congress returns after Labor Day, we have set up the environment in which LaRouche's HBPA will dominate the discussion. The organizing for the success of this mobilization will have a dynamic effect: The more work we do in the constituencies, the more pressure will be put on the Congressmen to act!

This is an unfolding crisis, but one that is not irreversible if we act *now*. Everyone reading the *EIR* should print multiple copies of LaRouche's Homeowners and Bank Protection Act (download at www.larouchepac.com) and distribute them to their local officials. Let's build a caucus of local and state officials to act on this matter, so that a sea of local government resolutions from around the country floods the Congress with the reality of the housing crisis. Let this be the first FDR-style legislation passed in the effort to spark an economic recovery of the United States.

Speaker Wright Was Right, Then and Now

by Harley Schlanger

With the ongoing collapse of the deregulated U.S. banking and financial system gaining momentum, a strong case can be made that one of those bearing primary responsibility for this collapse is former Speaker of the U.S. House of Representatives, and preeminent smear artist, Newt Gingrich.

It was Gingrich who, in 1988-89, acted as a hit man for Wall Street, in his unscrupulous attacks on then-Speaker Jim Wright, the Texas Democrat. In his zealous pursuit of the campaign which led eventually to Wright's resignation in June 1989, Gingrich rose from being a pugnacious backbencher with a huge ego, to leadership in the Jacobin uprising which made him Speaker.

In this, Gingrich served as the front man for Wall Street's financial cartel. His assignment was to eliminate every vestige of Franklin Delano Roosevelt's New Deal, which had revived the American System of economics. In the 1980s, that meant sweeping away FDR's banking reforms, which had not only saved the banking system, but enabled the United States to move from the depths of the Great Depression to become the world's leading productive power.

Standing in the way of Gingrich's Wall Street controllers was Jim Wright, an FDR Democrat with a deep appreciation of the American System of economics.

'Controlled Disintegration'

The full-scale assault on regulated banking was launched with the 1979 ascension to chairman of the Federal Reserve Board by Paul Volcker, who publicly announced his commitment to the "controlled disintegration" of the U.S. economy. Volcker's argument was that the successful transformation of the U.S.A. to a "post-industrial society" was inhibited by FDR's banking reforms, which were designed to maximize investment into areas of production which increased physical productivity. The revitalization of industry and agriculture under FDR was facilitated further by massive investment in infrastructure.

The subsequent improvements in the standard of living were protected by measures to improve education, offer job training, provide for senior citizens (Social Security), and aid Americans in achieving home ownership.

To Volcker and his co-thinkers, who dominated key positions in the Carter and Reagan administrations (Volcker was appointed by President Carter), such measures were associated with national economic sovereignty to promote the Gen-

eral Welfare, a concept which stood in the way of their plans for "globalization." Volcker combined record high interest rates—which rose above 20% during his tenure at the Fed—with an accelerated process of deregulation, to achieve the desired "controlled disintegration" of the banking system.

High interest rates drove up the cost of borrowing to the Savings and Loans (S&Ls). At the same time, the Depositor Institutions Deregulation and Monetary Control Act of 1980, and the Garn-St Germain Depository Institution Act of 1982 were pushed through, "deregulating" the S&Ls. Volcker argued that this "freed" the S&Ls from regulatory policies which restricted them to writing mortgages to expand home ownership. It actually required them to engage in speculative activity to survive. In the carnage which followed, the S&Ls were wiped out; many were swallowed up by the commercial banks, which needed to grab the cash flow to and assets from the S&Ls, as many commercial banks, which had also been "freed" by deregulation to engage in real estate speculation, were hemorrhaging from their own bad debts.

This "competition" initiated by Volcker, in conjunction with deregulators in Congress led by Gingrich, created a speculative bubble, similar to the real estate bubble which preceded the 1929 Crash. Volcker's bubble began popping in 1985-86. While in 1980, only 10 banks and 11 S&Ls failed, the numbers jumped to 138 banks and 46 S&Ls in 1986, followed by 184 bank failures in 1987, and 47 S&L bankruptcies.

The bank and S&L failures resulted from increased pressure from Federal regulators, who demanded that lending institutions put the squeeze on borrowers who fell behind in their mortgage payments. Then—as now—a principal cause of the increase in delinquencies was not merely predatory lending practices, though this was, and is today, a significant factor. However, one must ask the question why so many people entered into loan arrangements they could not fulfill. As Presidential candidate Bill Clinton said during his 1992 election campaign, "It's the economy, stupid!"

The real, physical economy of goods production was shrunk by Volcker's high interest rates. Profits could be made by corporations more quickly by shutting down plants and jobs, than by investing in new plants and equipment; through mergers and acquisitions; and through the kinds of "financial innovations" which had been opened up by the deregulation of banking and trading. This contraction of the real economy decreased the numbers of people employed at the level of wages required to pay the mortgages with high interest rates.

This contraction did not hit only homeowners. In October 1987, the stock market crashed, just as Volcker was replaced by Alan Greenspan at the Fed.

FDR Dems Fight Back

While Greenspan tried to help the stock market recover by lowering interest rates—his now infamous, and oft-repeated "Wall of Money" policy—it was too late to aid banks which had been caught in Volcker's pincers. In 1988, another 221



Former Speaker of the House Jim Wright (Tex.). An FDR Democrat, he fought against banking deregulation and initiated a campaign to defend homeowners, during the crisis that hit the savings and loan institutions in the 1980s.

EIRNS

banks and 223 S&Ls failed; in 1989, 207 more banks failed, while 328 S&Ls went under.

The economic contraction unleashed by Volcker and Greenspan had disastrous consequences for homeowners. Between 1986-88, more than 40,000 households a year went into foreclosure in Texas alone, while tens of thousands of additional delinquent mortgage holders sold their homes at huge losses, to avoid foreclosure. The drop in the value of real estate merely added to the crisis, as the banks could not sell the homes they foreclosed to recoup even a portion of what they were owed.

This was the context in which Speaker Jim Wright fought for a return to FDR's policies. Wright, along with fellow Texan and FDR Democrat Rep. Henry B. Gonzalez, had opposed banking deregulation, and the Volcker high interest rate policies. Gonzalez had even attempted to introduce a bill of impeachment against Volcker.

Wright initiated a campaign to defend homeowners, of which he said, in January 1988, "It's a natural instinct to want to salvage something rather than see it torn down and destroyed, to protect citizens from unreasonable exercise of power by appointed agents of government," referring to the Federal agents squeezing the banks to foreclose. He warned, echoing FDR, "I believe I can see a conscious government policy to concentrate wealth in fewer and fewer hands."

The next month, in Houston, he spoke out again against the wave of foreclosures and preemptive closing of banks. "What we are seeking is some understanding and forbearance

from regulators. Don't be so premeditated that you encourage lending institutions to adopt arbitrary policies that force homeowners to vacate their homes. People who want to earn their way should not be forced into bankruptcy."

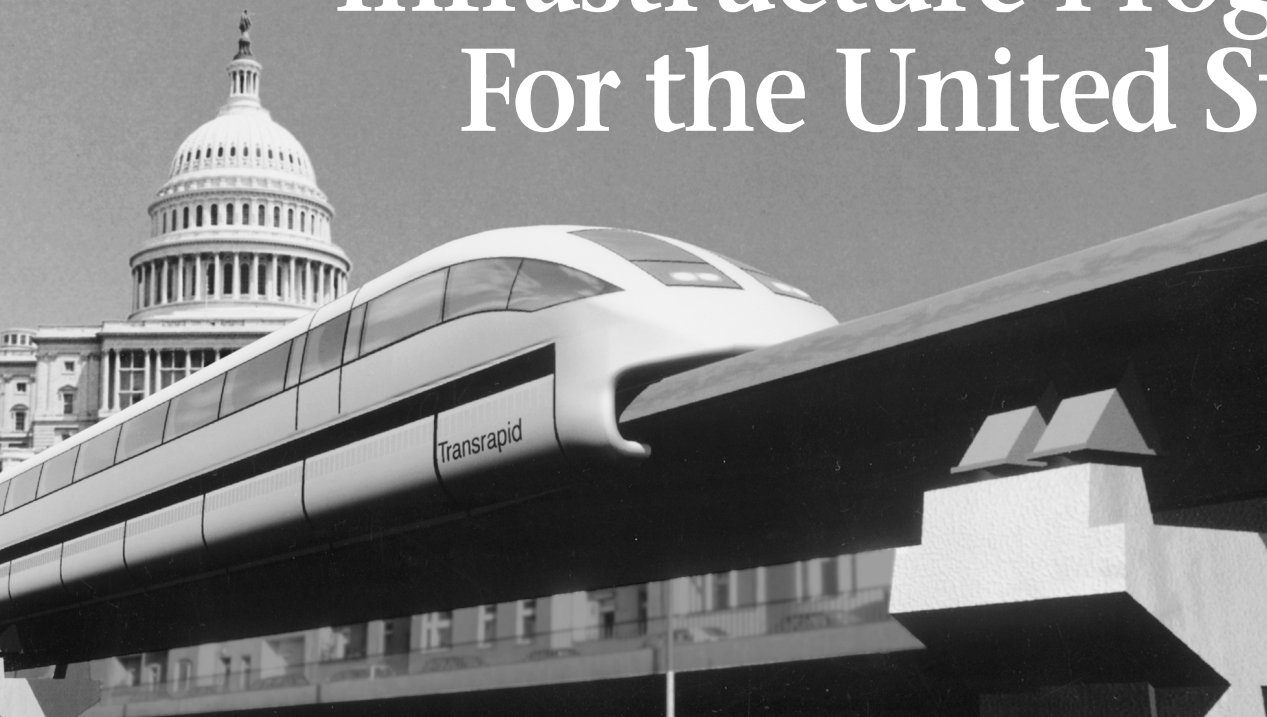
LaRouche: 'Wright Was Right'

In response to Wright's efforts, Newt Gingrich went berserk. He accused Wright of acting to protect corrupt S&L owners who he said were "cronies" of Wright, going so far as to accuse Wright of doing so for personal gain. By focussing on the handful of S&L directors who were crooks, who used the dismantling of FDR's regulated banking system to "game the system" (remember Enron?), Gingrich took attention away from the real problem: By deregulating banking, the whole economy was turned into a speculative free-for-all, which favored the banks with the resources to go global, at the expense of financial institutions which invested in local industry, agriculture, and communities.

This problem was addressed by Wright in a speech on May 5, 1989, shortly before he resigned, due to Gingrich's slanderous onslaught. Wright said, "We need to rebuild America and rehabilitate its basic public infrastructure. We need to invest in the modernization of American industry and the education of the skilled American workforce. We need to push forward and stay ahead of the curve in the application of new research and new technology to our nation's commercial advantage."

To this, Lyndon LaRouche said, "Wright was right then, and he is right now.

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Erect a Firewall Now: Debt Is Not an Asset

by John Hoefle

“I don’t know how the financial system is going to survive through October,” Lyndon LaRouche commented on Aug. 31, after reviewing recent developments on the global financial front. We need to get the firewalls up fast to protect the population, he added.

The growth of the global financial system is premised upon a very simple fraud, namely the treatment of unpayable accumulated debts as assets. Those “assets” are then leveraged many times over, turning thousands into millions into billions into trillions of dollars of financial bets. With each passing year, the financial system gets further divorced from reality, further past the edge of the cliff.

Incurring debt can be useful, if the monies obtained by that debt are used to build up the productive capacity of a society, but when that debt becomes a substitute for productive activity, then it just makes the situation worse. That’s the problem we face today. Since our economy operates upon borrowed money—households, businesses, and governments—every default carries the risk of triggering an avalanche of losses, and threatens to set off a chain reaction which will take down the system itself. Each loss brings us closer to that chain reaction, and the losses are coming fast.

Worse To Come

To keep their game going in recent years, the central banks increased the rate at which they were pumping money into the financial system. The rate of money being poured in was so great that the rate of the rate of increase in monetary emissions surpassed the rate of the rate of the growth of financial aggregates (the total of stocks, bonds, derivatives, etc.), creating hyperinflation of financial assets. We have long since passed the point where this is a debt problem which can be bailed out.

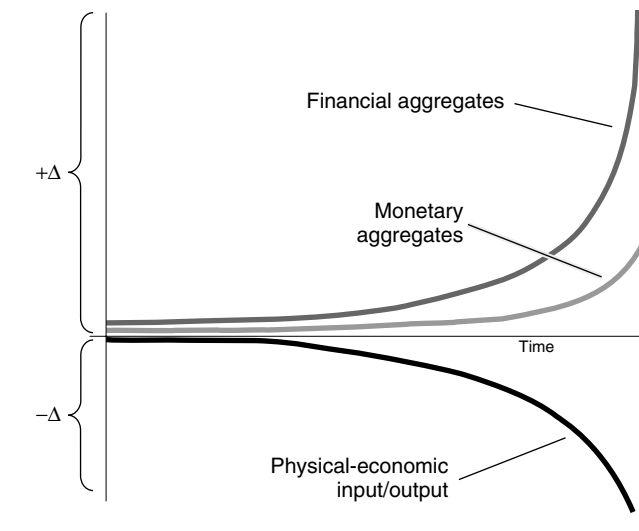
What is occurring can only be understood from the standpoint of LaRouche’s Triple Curve pedagogy (**Figures 1-2**), with a decline in physical assets and hyperbolic growth in financial and monetary aggregates, not as separate developments, but as part of one continuous function. The more the physical economy is looted to provide assets for the bubble, the quicker the foundation upon which all the money and speculation erodes, in a self-feeding collapse. If you stop feeding the bubble, it collapses, and if you continue feeding it, it also collapses. Such concepts are well beyond the capabilities of Wall Street’s algorithms.

When debts are treated as assets, the assets of the system become an enormous liability, and a bubble which is built on the leveraging of such worthless assets, will collapse in a reverse leverage chain reaction much faster than it was constructed. Each time an asset collapses, it increases the rate of collapse of other assets, and accelerates the rate of collapse of the system as a whole. During periods like the present, when nearly all of the speculators are trying to sell their risky assets and flee into the security of Treasuries, the value of the assets fall with each attempted sale. They are worthless if no one will buy them, and worthless even if someone does.

This collapse is playing out with different speeds in different countries, but all subsumed within an overall global decline in physical productivity and hyperinflationary increases in monetary and financial obligations. The rate of this collapse will increase hyperbolically, and the system will be gone by mid-October, LaRouche said. The explosions we are seeing now are mere grenades, with much larger ones to come. If the system hits a big landmine, it may not even make it to October. The greater the losses, the more unstable the system.

FIGURE 1

LaRouche's Typical Collapse Function



The only way to avoid a catastrophic explosion, LaRouche said, is to freeze the system, to put up firewalls to protect the population and the productive part of the economy, as outlined in his Homeowners and Bank Protection Act. The problem must be treated as a whole; trying to deal with selected aspects individually will solve nothing.

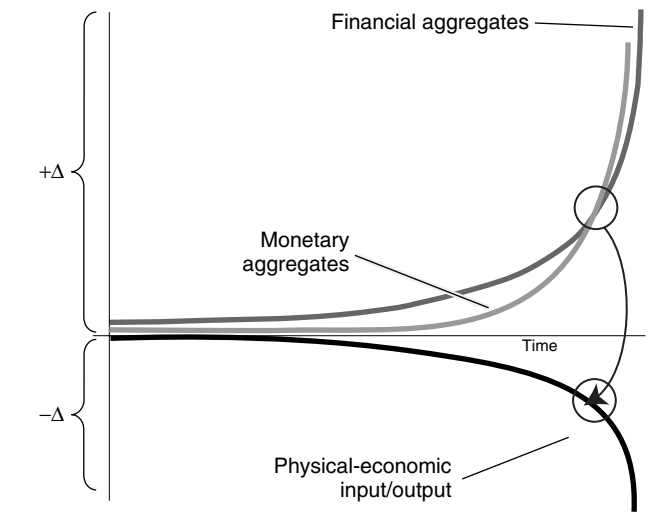
Economic Deficit

Since the economic and political policy shifts of the 1967-70 period, at the direction of the financial oligarchy, the United States has deliberately dismantled what was once the most powerful industrial machine in the world, backed by a society committed to scientific and technological development, and replaced it with an information and service economy based upon computers, services, and financial speculation. Under this regime, the incomes—in real terms—for most of the population began to decline, particularly for those people who lost their higher-paying industrial jobs; at the same time, the costs of living began to rise. To make up the difference, households began taking on debt, primarily via credit cards, car loans, and home mortgages. Businesses also escalated the use of borrowed money, via bank loans, commercial paper, and the bond markets. Debt became a way of life, slowly losing its stigma, and after a while, we were so hooked that we began to pretend that we were managing our debt, instead of our debt managing us.

This debt grew and grew, and began piling up in the banking system. The banks could only hold so much. Everyone understood that while individual debts could be paid, the total debt could not, so an elaborate system of rolling over old loans into new loans was established, and the banks began packaging this debt into securities and selling

FIGURE 2

The Collapse Reaches a Critical Point Of Instability



them to investors, in amounts never before seen. These securities might be based on debt that could never be paid, but in accounting terms, they still qualified as assets on the books of the investors, who then borrowed against them or turned them into other securities, which they could sell. Pretty soon, the values of all the securities, derivatives, and other bets dwarfed the amount of debt upon which they were nominally based, and far outpaced the value of the physical assets upon which the entire edifice rested. As this mess grew, it got pushed farther and farther off the balance sheets of the banks, into the off-balance-sheet netherworld of the derivatives markets and the hedge funds, operating through unregulated pirate coves like the City of London's Cayman Islands.

This speculative casino grew so large that it took over the global economy, and the more it grew, the more voracious its appetite for funds became. Real estate prices were pushed up in the United States, in Europe, Japan, and elsewhere to create new debt to feed the machine, vacuuming money out of households, businesses, and governments, sucking the real economy dry. Eventually, as had to happen, the casino got so big that there wasn't enough money to keep it going.

One of the key components of this bubble, the U.S. housing market, hit the wall in 2005. The rate of increase of home prices stalled, and began to fall to the point where many areas are now seeing not just a slowing rate of increase, but absolute decreases in housing prices. To try to keep the game going in the face of this decline, the financiers began loosening mortgage standards and relaxing loan terms, anything to

make a sale. This was not about selling homes, but about selling mortgages, keeping the money flowing into the casino. Houses, from the standpoint of the casino, were a byproduct of their debt-farming scheme.

Shock Waves

Since the global financial system is basically a giant pyramid scheme, which must grow lest it collapse, the shrinking of the money flow has triggered shock waves of losses reverberating through the system. As prices fall, those who bought at the peak of the market are the first to run into trouble, with mortgages worth more than their homes. Many of these buyers also had the loosey-goosey mortgages; some had adjustable-rate mortgages (ARMs), and are faced with escalating monthly mortgage payments even as their home values fall; other buyers lose their jobs or have health problems, and still others bought homes for speculative purposes. Whatever the reason, the defaults and foreclosures began, and continue to rise while prices fall, and that spells trouble for the trillions of dollars of financial paper based upon real estate values.

These defaults set off what has become known as the “subprime crisis,” which is said to be the cause of our current turmoil. If only the buyers had been more responsible, if only the subprime lenders had been less greedy, then we wouldn’t have this “contagion” infecting an otherwise healthy system, we were told. As cover stories go, it was pretty successful, pushed by the bankers and the media cartels.

Still, while a good cover story might shift the blame, it can’t hide the losses, and the losses are growing day by day. Since assets these days are just someone else’s debts, each default on a debt blows out someone’s asset, and as the losses pile up, they trigger shock waves of defaults through the system. To make matters worse, there are trillions of dollars of leveraged assets in the system, the value of which depends upon rising real estate values. That is, they are perceived to have value based upon the expectation that you will be able to sell them to someone else for more than you paid for them. When prices stop rising, the game is over.

A good example of how this works begins with Bear Stearns, a leading subprime lender which poured billions of dollars of mortgage-backed securities and collateralized debt obligations into hedge funds it controlled, only to see those hedge funds blow up in mid-Summer. Merrill Lynch, which had loaned one of the funds some considerable amount, seized and tried to sell some of the fund’s securities that had been pledged as collateral, but found it could only get some 50 cents on the dollar of face value, so it stopped the sale.

The implications of this failed sale are enormous, because it revealed publicly that the official valuations of the securities were fictitious. The scramble to cash in was on—and until LaRouche’s approach is taken, it won’t stop until we hit bottom.

Italians Call for LaRouche-FDR Solution

by Claudio Celani

A number of Italian political and economic leaders have recently spoken out about the systemic character of the current global financial collapse. This has to do with the fact that in recent years, Lyndon LaRouche’s ideas have found a positive reception among these circles, exemplified by the fact that, in June 2005, the Italian Chamber of Deputies voted up a resolution, based on LaRouche’s proposal, calling for a reorganization of the international financial system based on the New Bretton Woods concept.

Last June, LaRouche paid his most recent visit to Rome, and on that occasion, prominent political leaders of both the government and opposition parties associated publicly with his proposals. One of these was Giulio Tremonti, former finance minister and now, deputy chairman of the Chamber of Deputies. Thus, it was no surprise that, among those who spoke out on the systemic collapse during the unfolding of the “subprime mortgage crisis” in August, was Tremonti. Another was Antonino Galloni, an economist and a longtime supporter of LaRouche. Other leaders, such as Deputy Finance Minister Vincenzo Visco and Sen. Mario Baldassarri, who have never met LaRouche personally, echoed his analyses and proposals.

Visco, unexpectedly, given his record of promoting neo-liberal policies, declared that “the current crisis was born out of the Internet bubble a few years ago,” according to the daily *Corriere della Sera* Aug. 16. “The problem is to control the instability of the system: After the Bretton Woods conference, we moved to increasingly exposed regimes. There is actually a problem of controlling global finances. Here, the alternative is between the safety of financial markets and the enrichment of some managers who run such products, that can end up in the portfolio of common citizens.”

On Aug. 23, Galloni released a statement to *EIR*, which was then published on www.movisol.org, the website of the Italian LaRouche movement, in which he said that “the current financial turbulences are only a foretaste of what awaits us starting next Autumn.” “The system,” Galloni continued, “is characterized by an evident excess of liquidity in speculative sectors, such as derivatives and hedge funds, and by a lack of capital for investments.” Currently, around the world, “the mass of circulating financial instruments in the form of unpayable credits is 60 times the value of the yearly production of the whole country. Central banks can think of using their assets to protect the so-called savings from the

crisis in just one country, but if the crisis is global, they have no means to build a dam. This potential insolvency, bad debts, and similar things are managed through the creation, each time, of more and more junk paper, which still finds purchasers among those who are blinded by the possibility of easy and huge gains, swindled by their financial advisors and brokers.”

“In my view,” Galloni concluded, “the only chance to avoid a collapse at the end of Autumn, which can disrupt the real economy, is to dedicate the next two years—within which the decisive crisis will unfold—to create a new Bretton Woods system that will succeed in transforming pseudo-monetary, paper assets, into long-term obligations, to finance large global infrastructure, and an economic recovery. Only in this way, by exploiting the potential of the planet for development, is it possible to transform the current, dangerous and speculative pseudo-currency, into assets that correspond to the value of world production in ten or twenty years.”

‘Revolutionary Times’

Almost simultaneously, Giulio Tremonti gave a prominent interview to *Corriere della Sera*, in which he described the current situation as “revolutionary times” and called for an FDR solution. The alternative between a New Deal and free-market policies was an issue Tremonti recently debated with LaRouche and Alfonso Gianni, the Undersecretary of State to the Ministry for Development, at a public conference in Rome June 6.



EIRNS/Flavio Tabanelli
Hon. Giulio Tremonti

“August 2007: *tempus revolutum*,” said Tremonti in the interview. “The financial crisis is a hairpin curve around which a piece of our life takes a turn. It will bring not just economic, but also political, even spiritual consequences. It marks the end of many equations: that the fatherland is equal to the world; that the euro contains Europe; that the market is everything; that money is free; that consumption is the sublimation of existence; that desires are as important as needs. The vacuum left by finance will be filled by the comeback of values; needs come before desires; Cain is different from Abel; life is not only GDP and not only science; ’68 is not the future but the past; Europe’s government must move from inertia to economic initiative, such as with Roosevelt’s New Deal.”

Tremonti continued: “The intensity of the current financial crisis has not yet been fully appreciated. It is probably still underestimated. In any case, it is a crisis that will not

have effects limited to finance; they will be extended to the economy and many other elements of our life. It is a crisis that marks the end of the ‘Golden Age,’ the end of the last ideology of the 20th Century, a pagan as well as a post-modern one: the idea of ... finance as universal fuel of an engine which, overcoming the past and the future with all their limits and complexities, overcoming history, is finally able to push humanity towards a ‘new,’ ever easier future, ever more gratuitous. The Crisis of 2007 overturns these terms, stops the fugue in the future, marks the comeback of history.”

Asked whether the comparison with 1929, earlier drawn by Tremonti, means that there will be a replay of the Great Crash, Tremonti answered that “history does not replay itself with perfect identities, but through analogies.” And he ridicules those “who debate whether it is substance or accident, whether it is 1929 or not. Whatever it is, this is a Crisis with a capital C.”

“The impression,” Tremonti said, “is that a fantastic Ponzi scheme has come to an end. The policy of easy mortgages in the U.S. is a link which collapsed, but there are more weak links. The weakest link is the hedge funds, ‘irregular banks,’ which, in the last decade, developed outside of any jurisdiction. A key date will be the end of the month, when the hedge funds must present their balance sheets and say how much they are worth and how much they lost.”

‘Only the Tip of the Iceberg’

On Aug. 28, Senator Baldassarri, Vice Minister of Economics and Finance from 2001 to 2006, released a statement to *EIR*, in which he stated that the real crisis goes well beyond the question of mortgages, and has to do with the structure of the real economy. Baldassarri said: “The high-risk, or subprime mortgages which everyone is talking about, are only the tip of the iceberg, in the sense that the real issue is the U.S. imbalance, the imbalance of the global economy.” Pointing to the U.S. trade deficit as “the mother of all problems,” which is sustained only because China finances it, the Senator said that in addition to the emergency interventions by the central banks, “the real answer, in terms of government intervention, is a readjustment of the global economy... Apparently, America is growing, China is growing, and Europe is sleeping. But this growth has feet of clay. We need to reverse the situation... America needs to grow, Asia needs to grow, and Europe needs to grow much more, based on an international monetary system and exchange system which is compatible and reflects the performance of the real economies.”

Regarding LaRouche’s proposal for a New Bretton Woods monetary system, Baldassarri said, “We need a new governance. Call it a New Bretton Woods, or whatever you want. The world has changed, and we cannot have a structure of international monetary and financial institutions which reflects the old world, which no longer exists.”

The World Must Now Listen to the Wise Words of José López Portillo

by Dennis Small

Oct. 1, 2007 will be the 25th anniversary of the historic address delivered to the United Nations General Assembly by the President of Mexico, José López Portillo. The LaRouche movement internationally, including *EIR* magazine, is taking the occasion to remind the world of what the Mexican statesman said at that time, because his words of courage and wisdom resound to this day as a clarion call for what *should* have been done then, and what still *can and must* be done today, to build a New World Economic Order of justice and development. As López Portillo told the UN back in 1982: “Let us make what is necessary, possible.”

As part of this celebratory reminder, the LaRouche Political Action Committee has posted a new, 15-minute video of key excerpts of that half-hour UN address on its web site. The video also includes López Portillo’s famous remarks on Dec. 1, 1998 at a joint seminar in Mexico City with Helga Zepp LaRouche, where he pronounced that “it is now necessary for the world to listen to the wise words of Lyndon LaRouche.” An original Spanish and an English-dubbed version are both available (see www.larouchepac.com/news/2007/08/27/jos-pez-portillo-tuvo-raz-n-en-1982-y-tiene-aun-m-s-raz-n.html-0).

Additionally, the LaRouche Youth Movement across Ibero-America will be holding conferences and university showings of the historic 15-minute video, with a special emphasis on Mexico itself—where, ironically, the truth about López Portillo has been most defiled by his oligarchical enemies, who would erase the memory of his heroic actions from current Mexican generations.

As Lyndon LaRouche stated in response to a question at a recent webcast: “López Portillo, as President of Mexico, gave an address in October [1982] 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 [of the financial oligarchy], who stood up like a man as a President, to defend the honor of his country. . . .

“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. . . .

“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?”

The LaRouche movement is uniquely qualified to perform this necessary task. Not only were we “there” at the time; more to the point, Lyndon LaRouche was a central protagonist in the same battle that his friend López Portillo waged. To briefly locate the relevant antecedents to the Oct. 1, 1982 UN speech:

In May 1982, Lyndon LaRouche visited Mexico and met with President López Portillo at Los Pinos, the Presidential Palace. In August 1982, LaRouche issued *Operation Juárez*, a battle manual for how to reorganize the already-bankrupt global financial system. In August 1982, López Portillo tried, unsuccessfully, to recruit the governments of Brazil and Argentina to ally with Mexico to force through a change in global economic policy, along the lines specified by LaRouche. On Sept. 1, 1982, López Portillo nationalized the banks and broke with the IMF. On Oct. 1, 1982, López Portillo delivered his speech to the United Nations General Assembly, which is excerpted below.

López Portillo: . . . But the most constant concern and activity of Mexico in the international arena, is the transition to a New Economic Order. We have insisted that the entire gamut of economic and social relations of the developing countries and the industrialized world, must be transformed. . . .

By inexorable logic, the great majority of the developing countries have a negative balance of trade. Maintaining trade flows under these conditions necessarily implies the appearance of credit flows that allow for the payment of goods and services to the industrialized countries. The amount of that credit, if you want to maintain the growth of the countries of



Mexican President José López Portillo addressing the UN General Assembly in New York, on Oct. 1, 1982.

EIRNS/Philip Ulanowsky

the South, and maintain employment in the countries of the North, must continue to grow, especially if the cost of accumulated debt increases through interest rates.

The reduction of available credit for developing countries has serious consequences, not only for them, but also for production and employment in the industrial countries. Let us not continue in this vicious circle: it could be the beginning of a new medieval Dark Age, without the possibility of a Renaissance.

A third threat thus takes shape. I am referring to the grave problem of the collapse of the international financial system. As everyone knows, recently various highly indebted countries, among them Mexico, have had to initiate a process of renegotiation of their foreign debt.

It is a paradox worthy of reflection that those who now criticize the growth of many countries of the South, issued them loans for that purpose, and now they withhold the credit needed to continue it, when only growth will allow us to pay them and buy from them. Today, Mexico and many other countries of the Third World would not be able to pay according to the terms agreed upon in different conditions than now prevail. It is in no one's interest, nor does anybody want, to suspend payments. But whether or not this happens is beyond the bounds of the disposition, and therefore of responsibility, of the debtors. Seriousness, judgment, and negotiating realism are required of all.

The international financial system is made up of various parts: those who lend, those who borrow, and those who guarantee, and it is linked to those who produce and those who consume, to those who buy and those who sell. The responsibility is everybody's, and it should be assumed by all. Com-

mon situations produce similar positions, with no need for conspiracies or intrigues.

We developing countries do not want to be subjugated. We cannot paralyze our economies nor plunge our peoples into greater misery in order to pay a debt on which servicing tripled without our participation or responsibility, and with terms that are imposed upon us. We countries of the South are about to run out of playing chips, and were we not able to stay in the game, it would end in defeat for everyone.

The Crisis Is Not Our Fault

I want to be emphatic: We countries of the South have not sinned against the world economy. Our efforts to grow, in order to conquer hunger, disease, ignorance, and dependency, have not caused the international crisis. Closer to its origin is the decision to have an arms race, to defeat force with force, dragging all the economies, directly or indirectly, into this illogical purpose.

But we can overcome the crisis. The time required to do so will be shorter if we enjoy the rational support of the international financial community, and not reticence or punishment for sins we did not commit. Such support will be to the benefit of creditors and debtors, because we belong to a single world, where if the problem is everyone's, we are all the solution.

We need foreign exchange in order to pay, and to buy. It is also to our counterpart's advantage to buy, in order to be able to collect and to sell. That is the healthy relationship which is to everyone's advantage. It's as simple as that. . . .

Speculation Prevents Development

After major corrective efforts in economic affairs, my government decided to attack the evil at its root, and to extirpate it once and for all. There was obviously an inconsistency between internal development policies, and an erratic and restrictive international financial structure.

A reasonable growth policy was irreconcilable with freedom to speculate in foreign exchange. That is why we established exchange controls.

Given our 3,000 kilometer border with the United States, exchange controls can only function through a banking system that follows the policies of its country and government, and not its own speculative interests and the fluctuations of international financial chaos. That is why we nationalized the banks.

We have been a living example of what occurs when an enormous, volatile, and speculative mass of capital goes all

over the world in search of high interest rates, tax havens, and supposed political and exchange stability. It decapitalizes entire countries and leaves destruction in its wake. The world should be able to control this; it is inconceivable that we cannot find a formula that, without limiting necessary movements and flows, would permit regulation of a phenomenon that damages everyone.

It is imperative that the New International Economic Order establish a link between refinancing the development of the developing countries that suffer capital flight, and the capital that has fled. At least they should get the crumbs from their own bread.

In the face of these dramatic realities, they preach extreme economic liberalism to us, which isn't even applied in the countries that have assumed its passionate defense. The danger of denationalization has led, on the contrary, to many governments—among them, mine—to deepen their economic reforms and strengthen the dirigist role of the State in the national economy. These are cases of legitimate defense. . . .

Never has the principle of sovereignty over natural resources and over economic processes, had more validity than today. The terms of the perverse relations we suffer could lead to the dissolution of sovereignty itself.

The interference of multinational companies, the growing concentration of financial funds, the subjection of banking systems to the great metropolises, the massive expatriation of capital, and the imitation of foreign models of development, endanger the very existence of Nation states. Although the formal links of dependence have been broken, the scheme of domination on which colonial regimes were based still exists, and has even been strengthened.

Great Wrongs Require Great Remedies

The concentration of wealth and power are increasing, while vast regions of the planet continue to be thrust into abject poverty. The mechanisms of international cooperation that we have designed serve, in this conjuncture, to appease some good consciences. But they have been radically incapable of resolving the grave daily problems, whose dimensions are structural.

The protests of the countries of the South in that regard were true and visionary. In proposing a New Order, we sought a profound institutional reform that would be capable of getting international economic relations back on track. We would have liked to avoid the enormous deterioration of the last few years and mitigate the crisis. But it is never too late.

Historically, great transformations tend to occur when there is no longer any other way to advance. Thus, the distance which separates prophets from revolutionaries. Great wrongs require great remedies. A wise and committed reform of international economic relations must be carried out. Let us not engage in witchhunts against those who are to blame, but rather search for those who will be responsible for the future.

Elucidating the ultimate origin of our problems is a task of inquisitors, not of those who govern. . . .

For that reason, global economic negotiations should be the forum which allows us to reconcile those opposites, with formulas that are in accord with the needs of the present. Their convocation is urgent; carrying them out is unpostponable. Nor can the purported dispute between the specialized agencies of the system, and the sovereignty of this Assembly, be wielded as a thesis for delaying that dialogue. All of the organizations of the United Nations were created by our sovereign decision; all of them possess a legal framework which regulates them; and they are respectable. The justification for those international bodies does not lie in the persistence of undesired inequalities, but rather in the search for rational solutions to the crucial questions of our time: disarmament, collective security, and development.

Mr. Chairman:

The United Nations Organization and the nations which compose it are at a crossroads. There is no other forum; we have the one we deserve. If we do not know how to use it to get out of the crisis and establish a new order, which is not only more just, but also, above all, more in agreement with these times, there will not be another opportunity. Global negotiations must begin immediately, with seriousness and the will to reach agreements. World peace and security are more threatened today than ever. We must save them, whatever the cost. The alternative is worse than any solution, than any concession.

We cannot fail. There is cause to be alarmist. Not only is the heritage of civilization at stake, but also the very survival of our children, of future generations, of the human species.

Let us make what is reasonable possible. Let us recall the tragic conditions in which we created this Organization, and the hopes that were placed in it. The place is here, and the time is now.

Below are excerpts of remarks made by José López Portillo on Dec. 1, 1998 in response to the keynote address given by Helga Zepp-LaRouche at the Mexican Society of Geography and Statistics in Mexico City.

I congratulate Doña Helga for these words, which impressed me, especially because first they trapped me in the Apocalypse, but then she showed me the staircase by which we can get to a promised land. Many thanks, Doña Helga.

Doña Helga—and here I wish to congratulate her husband, Lyndon LaRouche. . . . And it is now necessary for the world to listen to the wise words of Lyndon LaRouche. Now it is through the voice of his wife, as we have had the privilege to hear.

How important, that they enlighten us as to what is happening in the world, as to what will happen, and as to what can be corrected. How important, that someone dedicates their time, their generosity, and their enthusiasm to this endeavor.

From Food Shocks to Famine: The Impact Of Biofoolery and ‘Global Sourcing’

by Marcia Merry Baker and Christine Craig

Soaring prices for food are hitting everyone, everywhere. For example, internationally, dairy product prices have spiked 50% over six months; grain products are heading the same way. In Mexico, corn tortilla prices are 60% more than last Summer. An immediate cause is the mass displacement of food crops, by fuel crops for ethanol and biodiesel; but the larger cause—inclusive of such biofoolery—is that the globalized agriculture system itself is breaking down. The food price shock comes in the context of the crack-up of the world monetary system, and generalized fuel and commodity hyperinflation. It calls the question of what kind of agricultural capacity must be re-built to restore food security for all.

Over the last four decades, a select few commodity cartels have imposed a policy of “global sourcing”—the euphemism used by the World Trade Organization—for food supplies and farm inputs. Agricultural production has been more and more concentrated at below-cost-of-production locations, connected by long-distance free-trade routes. This has increased vulnerability to crop and livestock diseases, amplified damage from bad weather, added a huge burden of long-haul shipments, and made food increasingly unsafe, and in short supply. The absolute tonnage of world staple grain stocks, is falling back to levels of decades ago.

Adding to this food crisis is the impact of today’s wild speculation in agricultural commodities. Every day, millions of trades in “paper bushels,” backed up by nothing, take place. The futures price of a bushel of (December delivery) wheat jumped up 3.6% on Aug. 30 at the Chicago Board of Trade (CBOT); and up 5.4% the same day on the London markets. London-based wheat futures rose 35% in August alone. For the Chicago Board of Trade, 2006 was its fifth consecutive record year for volume of transactions, with 806 million contracts of all kinds, inclusive of agriculture trades. As of Spring 2007, the trading pace was up 17% over its average daily trading volume in 2006. “We see growth in commodity products worldwide,” was the understated description by CBOT Chairman Charlie Carey, to the Illinois Farm Bureau’s *Farm Week*, in May.

Ethanol futures are a new speculative opportunity. The CBOT introduced ethanol contracts in March 2005, and a surge of trading ensued. The CBOT subsequently offered trading in an electronic form during daytime hours, to extend opportunities for speculation.

Today’s food-price shocks are just the beginning of the

crisis. Unless this insanity is stopped, hyperinflation today means famine tomorrow.

National governments have the responsibility, and the precedents, to act. The following review is provided to aid the thinking required to force the urgent interventions called for. It is necessary as an antidote to the prevailing propaganda lines falsifying the cause of the hyperinflation. One is that the too-numerous Chinese and Indians are eating up all the food, and even adding dairy to their diet. Such an obvious blame game needs no refutation.

The second propaganda line is that your high food prices are caused by “agflation,” as Wall Street and London call it. In their linear pin-ball machine explanations: corn ethanol usage causes corn price hikes; high corn prices cause other food price hikes; consumers suffer, but farmers gain.

A special take on this was released in August by the Worldwatch Institute, in a 450-page book titled, *Biofuels for Transport: Global Potential and Implications for Energy and Agriculture* (Washington, D.C.: Earthscan, 2007), asserting that farm commodity price hikes will mean an economic boom for the rural poor. Worldwatch President Christopher Flavin writes, “Decades of declining agricultural prices have been reversed thanks to the growing use of biofuels. Farmers in some of the poorest nations have been decimated by U.S. and European subsidies of crops such as corn, cotton, and sugar. Today’s higher prices may allow them to sell their crops at a decent price. . . .”

This is all bunk. For sure, use of biofuels is blameworthy. But no one decent, certainly not farmers, is gaining by seeing hunger, disease, and hyperinflation worsen, and famine up ahead. Meanwhile, the indecent agro-cartels and global food retailers—Cargill, ADM, Monsanto, Bunge, Swift, Wal-Mart, et al.—are profiteering off the scarcity and chaos.

Food Prices Soaring

Figure 1 shows the dramatic rise in dairy product prices internationally. The same pattern obtains for other key food items, even if at a lesser rate of increase.

The average U.S. retail price of a gallon of milk has increased more than 15% in just six months (from \$3.29 in January to \$3.80 a gallon in July), and some dairy products by 50%. A color photo of a gallon of milk made front-page news in Harrisburg, Pennsylvania, historically a leading dairy state, because it cost over \$4.00. (*The Patriot News*, Aug. 20, 2007)

In France, milk prices are rising by 5-10%. Germany, the European Union's biggest milk producer, saw the price for 250 grams of butter (just over half a pound) rise in early August from 0.79 euros to 1.19 euros, while fresh white cheese prices rose 40%! The retail price of fluid milk is expected to rise by 50% in September.

The milk hyperinflation is indicative of the food market-basket at large, from grain products, to meats, to sweets. In Italy, the public is nearly up in arms over price increases for pasta. In Naples, a one kilo loaf of bread has jumped from 1.50 euros to 2 in recent weeks. The price of bread in Germany will increase an additional 5% above its already inflated price.

The official rate of food inflation in the United States for the first half of 2007, exceeds all of 2006. A rise of 8% in U.S. consumer food costs this year, is projected by the Bureau of Labor Statistics, which notoriously undercounts. The Commerce Department reported the following "official" price increases, from June 2006 to June 2007:

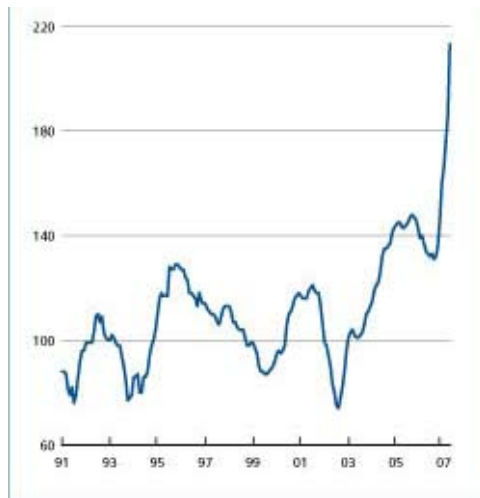
- Oranges and eggs—up 20%
- Frozen juices—up 18%
- Fresh whole milk—up 13%
- Dried beans, peas, and lentils—up 12%
- Apples—up 12%
- Fresh chicken, uncooked beef roast—up 10%
- Fresh seafood, fish—up 8%
- Pasta, rice, cornmeal—up 7%

The pattern prevails the world over. In Argentina, a bread-basket nation, the price of the monthly food market-basket increased by 3.1% in August alone, with the biggest increases showing up for vegetables at 49%. Flour increased by 10%. In Mexico, the Calderón government has vastly increased food imports—corn, rice, sorghum, and powdered milk—in an attempt to damp down domestic price increases. Corn purchases abroad increased by 119%.

In Russia, bread prices have risen 7% in seven months, and a "basket" of basic food costs 17% more nationwide this year. Food prices have risen higher in Moscow, and are especially high in the Far East. There is additional pressure on living standards, due to rising utilities costs, which are up 13% this year. "No pay or pension rises can make Russians feel better if essential goods such as bread, flour, milk and vegetables will keep moving up," stressed Russian Federation Council Speaker Sergey Mironov in a speech Aug. 8, calling for government regulation of prices of staples.

Food price inflation is also a big concern in China. On

FIGURE 1
Index of International Prices of Selected Dairy Products, 1991-2007
 (1998=100)



Source: UN Food and Agriculture Organization.

Aug. 4, Prime Minister Wen Jiabao visited food markets in Beijing to demonstrate to the public that the government is taking the problem very seriously. On Aug. 8, the People's Bank of China warned about inflation in its second-quarter report. The PBOC called the risk of continuing inflation "worthy of attention" for the nation, and said that the greatest concern is that food price inflation—up over 11% in June—could spread to other consumer goods.

Low World Grain Stocks

Apart from the inflationary effects of speculation, the biofuels binge, and garden-variety price gouging, the stage has been set for food hyperinflation because of falling supplies relative to need. **Figures 2-4** make the point, showing the falling trend of grain carryover (year-end re-

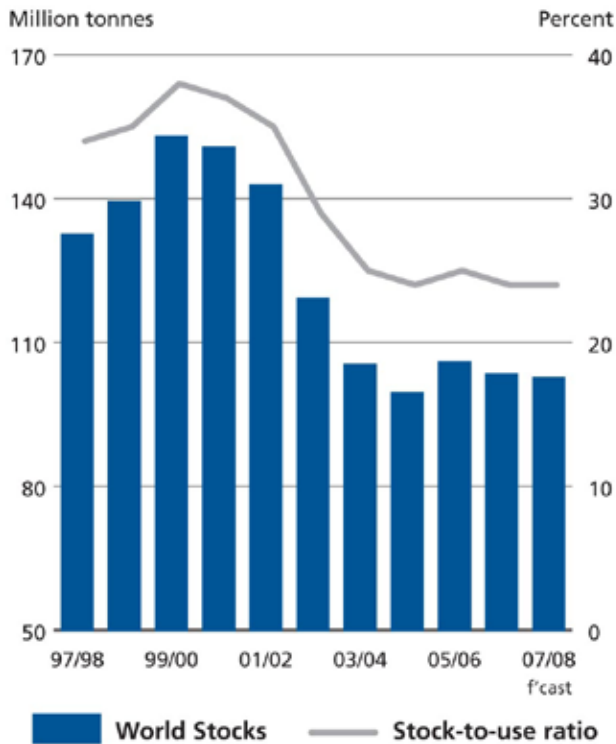
serve) stocks. In recent years—even before the biofuels mania—*output of staple grains has been falling below levels needed for minimal food consumption*. Per-capita output of food in Africa, for example, has fallen in absolute tonnage. Though root crops—manioc and cassava—also are dietary staples for millions in Africa and South Asia, this does not gainsay the point that falling world grain output ratios are a marker for the decline of the world agriculture system.

World production of grains this year (wheat, rice, and corn, and other coarse grains) may reach 2,091 million metric tons, up from a previous high of 2,019 in 2005, but relative to need, the total is hundreds of millions of tons short. For both direct consumption, and indirect consumption for livestock feed, plus for food security reserves, 3 billion metric tons yearly production is required. World capacity is nowhere near that, though it could be.

- **Rice.** **Figure 2** shows the extreme case of rice, the staple diet for over 3 billion people. Over the past seven years, the absolute level of rice closing stocks (carryover from one crop year to the next), has fallen from 152 million metric tons, to below 90 million tons. The latest estimate for the 2007-08 rice crop year, from the U.S. Department of Agriculture (*World Agricultural Supply and Demand Estimates*, Aug. 10), is 74 million tons, far below the estimate shown in Figure 2, which was done earlier this year by the UN Food and Agriculture Organization. Accordingly, the graphic also shows that stocks taken as a percent of annual consumption, are also falling. This year, they will drop lower than the 17% level shown, which is below what the UN considers the "danger" point.

International Rice Research Institute (IRRI) Director

FIGURE 2
Global Rice Ending Stocks and Stocks-to-Use Ratio, 1997-2007



Source: UN Food and Agriculture Organization.

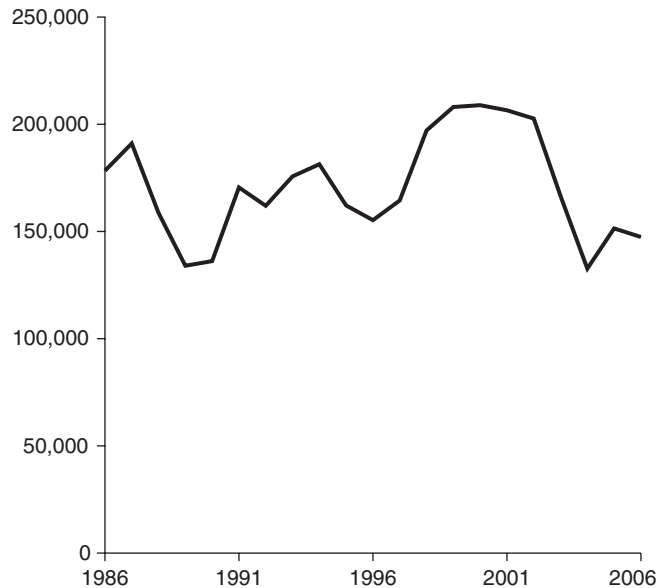
Rober Ziegler, speaking at the international rural poverty conference in Manila on Aug. 9, warned the world of an impending rice shortage. He said that rice and fertilizer stocks are at their lowest levels in 30 years.

In recent years, rice production worldwide has stagnated due to lack of adequate financing of research, and rice productivity is consistently falling behind the growing population's consumption rate, threatening a massive and long-term shortfall in the needed rice availability. This could threaten food security for such rice-consuming nations as China, India, Japan, and the Koreans within a few years.

Ziegler, who, for years had been in the forefront pointing out the danger the rice shortage would cause to the developing world in particular, said: "There are a number of worrisome signs suggesting that new challenges lie ahead. There has been a slowdown in growth in rice production as the yield gains from the adoption of the modern varieties in the irrigated areas have become almost fully exploited and the rice area is declining."

Ziegler added that the rising demand for biofuels, and the pressures that developers-led urbanization and industrialization place on land and water resources, require new crop genetic breakthroughs that can be rapidly disseminated to

FIGURE 3
World's Ending Stocks of Wheat, 1986-2006
 (Millions of Metric Tons)



Source: UN Food and Agriculture Organization.

boost output, keep prices low and stable, and boost the production. But instead, funds are being drastically cut for plant research and development.

• **Wheat.** Figure 3 shows how world ending stocks of wheat have stayed in the same range for 20 years—between the 140 and 200 million-metric-ton range, and over the past seven years, are trending downward. The latest estimate from the U.S. Department of Agriculture (USDA) is for world wheat stocks to drop to 114.8 million tons for the 2007-08 crop year. This reflects lower production this year in parts of the world wheat belts, including Canada, the United States, Brazil, Turkey, and the European Union. Speculation in wheat futures is wild, hitting \$7.50 a bushel in August, up from \$4.50 in January.

• **Corn.** Figure 4 shows that the range of ending stocks for corn (and other coarse grains) have, like wheat, stayed for two decades in the range of 145 to 200 million tons, and are now falling significantly. The August USDA estimate is for ending stocks to plunge to 131 million tons.

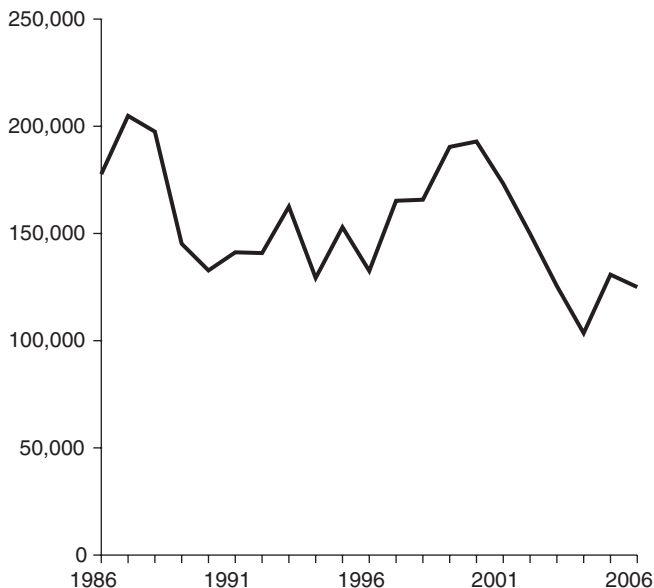
The reserve levels for other basic commodities are in the same short supply, as that of staple grains.

Biofuels Displacing Food Acreage

The United States accounts for about 19.8% of total world grain output, and is converting more and more to corn for fuel. Of total world corn and coarse grain output this year, the

FIGURE 4
World's Ending Stocks of Corn, 1986-2006

(Millions of Metric Tons)



Source: UN Food and Agriculture Organization

U.S.A. is expected to account for 33%, or 350 million metric tons. Fully 20% of the U.S. corn harvest—a record volume—is going into ethanol (Figure 5). Given the worldwide grain stock crisis, this is insane. Yet, the biofuels rush is on.

U.S. corn acreage is up 19% over 2006, and now at an estimated 92.9 million acres. This is the biggest area since 1944, when yields were lower, and a push was on to supply wartime military, domestic, and Allied needs.

The increased corn acreage comes in part from areas that would otherwise be planted to wheat or soy. U.S. soybean acreage is down 15% from 2006, to 64.1 million acres, the lowest since 1994. Corn has displaced millions of soy acres.

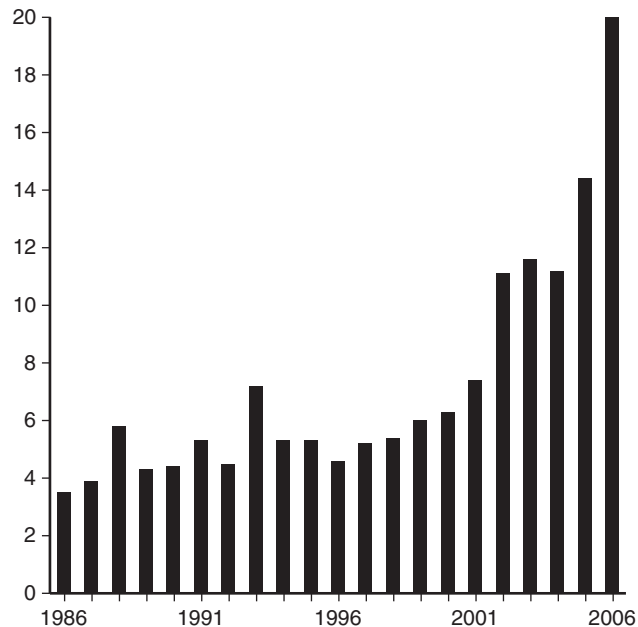
This Spring in Kansas—one of the world's leading wheat producers—there was such a switch to corn planting, that seed-corn supplies ran out, and nitrogen fertilizer prices skyrocketed.

In South America, where a vast area of soy monoculture has been imposed in recent years, centered in Brazil, Paraguay, Uruguay, northern Argentina, and eastern Bolivia, now there is still more pressure for biodiesel and gasohol. Soy and cane account for 21% of the total land cultivated in Brazil; soy accounts for 29% of the agricultural land in Paraguay. Deforestation in the Amazon, and cropping in the Cerrado are expanding; depletion of nutrients in the soil, and erosion are widespread. Yet Brazilian ethanol exports to the United States are considered the wave of the future.

In Southeast Asia, the biodiesel craze is diverting agricul-

FIGURE 5
Share of U.S. Corn Harvest Used for Ethanol Is Soaring, 1986-2006; Now Over 20%

(Percent)



Source: U.S. Department of Agriculture.

tural effort into palm oil, involving deforestation and other sweeping disruptions of regional food production.

Farm Input Hyperinflation: Fertilizer

Hyperinflation has hit all the farm input links in the food chain, from fertilizer, to chemicals, fuel, seeds, machinery, labor, transportation, and water itself. So the idea that farmers are benefitting from the “agflation” behind high food costs is simple-minded.

The U.S. Department of Agriculture in August released figures on the yearly increase in average U.S. farm expenditures, showing that from 2005 to 2006 they grew 5.4%, and the year before, by 5.2%; with the likelihood that this year over last will be in the 10-20% range. In the Western farm states (12 states), expenditures rose 26.5% from 2004 to 2006. For example, costs of diesel fuel for farm use rose 20%.

Historically, the farm “parity pricing” policy, enacted under the Franklin Delano Roosevelt Administration, implemented measures to be sure that the prices received by the farmer covered the prices paid by him for inputs, plus a reasonable profit. This was done in order to preserve the family farm system as the safeguard of the national food supply. This principle was abandoned within 20 years after Roosevelt’s death, as globalization was pushed under slogans, that the “world market” would provide for your needs. Domestic farming was said to be “unnecessary” for food security.

TABLE 1
Prices U.S. Farmers Receive for Output Are Below Costs of Production

Farm Commodity	Price to Farmer, January 2007	
	Futures Price, Chicago Board of Trade	Parity Price USDA ¹
Wheat, per bushel (all types)	\$4.50	\$10.50
Corn, per bushel	3.23	7.76
Soybeans, per bushel	6.43	17.20
Beef cattle, 100 pounds	85.00	205.00
Hogs, 100 pounds	42.00	118.00
Milk, 100 pounds ²	14.40	38.80

1. Calculation by the U.S. Department of Agriculture, based on 1910-14 base period.
 2. Before deductions for hauling.
 Source: USDA.

Table 1 shows how the current “agflation” market prices received by the farmer, while they may be called “high,” are in fact way below what would be a parity price, for six common farm commodities. The USDA calculates the parity price by taking all the kinds of inputs the farmer must have, and checking on the going price for that. For example, to produce a bushel of wheat, the cost, including a decent rate of return,

would have been \$10.50. The chart shows prices from January this year. Since then, farm commodity prices have gone even higher—but so has the parity price, because farms are hit by hyperinflation in fuel, and every other input cost.

The case of fertilizer makes the point, especially for corn, which is one of the “greediest” of all row crops for water, and for nitrogen, phosphorous, and potassium. In recent years, almost 18% of corn production costs have been attributable to nitrogen requirements. Wheat is even more striking, with 29% of costs attributable to nitrogen. Soybeans—in the legume family, which fixes nitrogen from the soil—require only 7% of total costs for nitrogen.

The price paid by farmers rose 130% for nitrogen fertilizer (ammonia) over just the six-year period 2000-06. The price per ton was \$227 in 2000, and hit \$521 in 2006. This relates directly to the soaring costs of natural gas, which is the principal feedstock for making synthesized ammonia (NH₃), accounting for 70-90% of its cost of production. Natural gas—methane (CH₄)—is the feedstock for producing ammonia from nitrogen gas (N₂), the major component of our atmosphere. As well, natural gas commonly provides the process heat for the high-temperature, high-pressure process needed for the chemical reaction.

According to the Fertilizer Institute, average ammonia production costs have risen 172% since 1999, due mainly to increasing prices of natural gas.

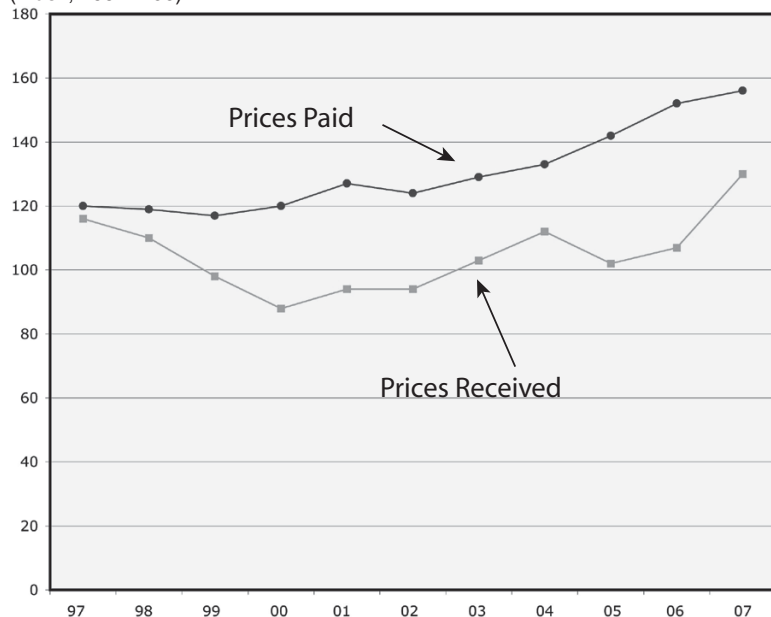
Before the advent of modern ammonia production techniques via the Haber-Bosch process, developed in the early decades of the 20th Century, the world was dependent upon a laborious process of *mining* nitrogenous fertilizers from animal dung, guano (bird feces) deposits, and “fossil” deposits of salt-peter (originally generated by long-gone nitrogen-fixing microorganisms). The development of the Haber-Bosch process was a necessary component of the Green Revolution, allowing man to increase crop yields by *synthesizing* massive quantities of nitrogen-based fertilizers for crop application. Now it’s the financial system and hyperinflation that threaten crops, not the lack of technology.

In recent decades, natural gas has become a major fuel source for industrial processes all over the world, including recently constructed ethanol plants. It is now used to produce electricity in many areas of the world. This has led, in the radically deregulated market of the 21st Century, to financial speculation, leading to sharply increasing prices. Fertilizer producers now find themselves competing with the energy sector for supplies.

In the United States, nitrogen fertilizer production capacity has fallen by 35% over 1999-2006. Manufacturers have simply shut their doors, or merged with other companies. Production has fallen 44% over the same time period. Some com-

FIGURE 6
U.S. Crop Farm Index: Prices Received and Prices Paid, All Items

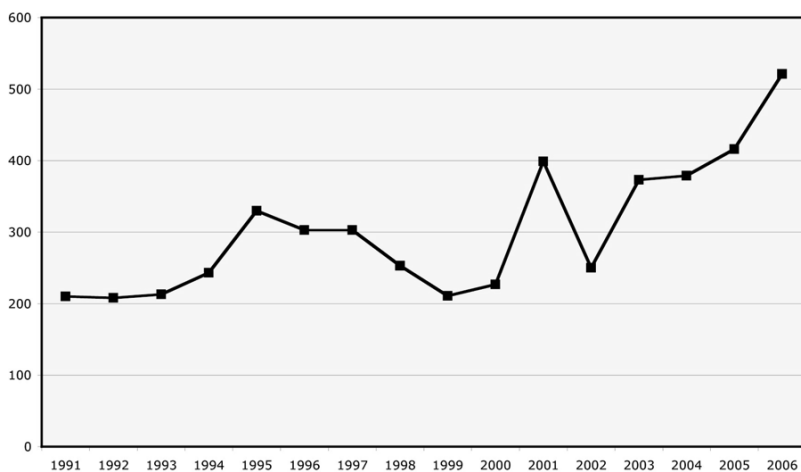
(Index, 1992=100)



Source: USDA.

FIGURE 7

Average U.S. Farm Price per Ton for Ammonia, 1991-2006



Source: USDA.

panies that advance-contracted for natural gas, just turned around and sold it at a profit higher than they would have made from producing fertilizer. A description of this process, and a map of the dwindling number of U.S. ammonia facilities, is included in a USDA report, “Impact of Rising Natural Gas Prices on U.S. Ammonia Supply” (August 2007, WRS-0702).

U.S. farmers are ever more dependent on imports, even as their corn acreage demands are rising. As of 2007, the United States imports 42% of its ammonia requirements, with Trinidad and Tobago providing 57% of the imports, and Canada, Russia, and Ukraine rounding out the bill.

One farmer cooperative in the Dakotas, which ran out of ammonia supplies this Spring, bitterly told the press, “What do we do? Call up Kiev, and say we need to be re-stocked next week?”

FDR ‘Parity Principle’ Emergency Measures

In the course of the worsening conditions for farming over the recent decades of deregulation and globalized food trade, thousands of family farmers quit. In the United States, hundreds of formerly farm counties have lost population on a massive scale. Those family farms still in operation are run by aging people. One-half of U.S. farmers are over the age of 55; only 6% are under 35.

In Europe, the milk quota system is driving out many farmers. Under this plan, the European Commission sets a ceiling on how much milk a farmer’s herd can produce; go over that, and the farmer is fined. In France, which still has 3.8 million dairy cattle, managed by 100,000 farmers, about 5,000 dairymen a year are quitting farming to seek an easier, hard, better-paid livelihood. Instead, near-slave-labor factory milk farms have been set up in select zones around the world—in Chile, in the state of Idaho, and elsewhere, for

“global sourcing” of food.

In Mexico, thousands of farmers were driven out by the corn-import dependence forced on the nation under the 1992 North American Free Trade Agreement (NAFTA).

This means that the food supply chain is more and more precarious, at the same time as food import dependence is growing. There are many markers of how far gone the free-trade system is. For example, over half the U.S. consumption of mushrooms is imported, mostly from China. Only five stateside companies still produce mushrooms, despite the fact that there are no strict requirements of soils and climate for this commodity. The criterion for production is ultra-cheap human labor. This undercuts China’s food supply at the same time.

It’s no good waiting for the day that famine will be officially “announced.” Emergency measures are in order now. In January 2007,

at the time the new Congress convened in Washington, D.C., Lyndon LaRouche issued a document, “The Dance of the Bio-Fools,” to ridicule and warn lawmakers against going along with the biofoolery. *EIR* provided documentation of how “Bio-Foolery Is Causing ‘Food Shocks’” (*EIR*, Jan. 26, 2007). But as the months passed, Congress fell into line with the bio-fuels mania. Now, as the Northern Hemisphere wheat harvest is completed, and world grain shortages are clear; as the ethanol binge sucks in record amounts of corn, no matter how big this Fall’s U.S. crop will be, worldwide “food shocks” are undeniable. It’s time for emergency measures.

There are precedents for the kind of national-interest interventions required of governments. The principles involved were observed in, for example, the food output mobilization by the United States during World War II. Another example is India’s success at becoming food self-sufficient through the 1970s Green Revolution (now all in danger).

Even in the U.S. Congress, apart from the insane biofoolery aspects of the new farm bill, there are a few rearguard proposals that could be expanded upon, to re-establish national production potential. On March 12, Sen. Patrick Leahy (D-Vt.) held hearings to promote a safety net for U.S. dairymen, noting that dairy farms will not be able to survive unless they can receive a fair price for the milk they produce. He referred to ever-increasing fuel costs and high feed costs, driving farmers out of business. Call it a “safety-net,” call it an FDR “parity” program, call it “floor prices,” but Federal intervention to support family-scale farming, and end the food “global sourcing,” is a must.

Such national economic upgrading is in order on all continents. Restoring food security requires restoring functioning national economies, with regional stability in farming, and expanding agriculture output potential.

Russia: Contours of an Economic Policy To Save the Nation

by Rachel Douglas

“Before the end of the year, the major, present crisis will come to a head, this year. I’ll be 85 in September. I expect a great crisis for my birthday. . . . The present world system, the present parameters, cannot survive. The present system will never get better: It will get worse. There are no solutions within the framework of the present system. The party is over!”

—From an interview with Lyndon LaRouche in Moscow, May 15, 2007, published on the Russian website KM.ru.

When earthquakes struck the world monetary and financial system in early August, people in Russia remembered the collapse of the GKO bond pyramid, nine years before. On Aug. 17, 1998, Russia went into technical default on the equivalent of \$40 billion in GKO, short-term government bonds that had been a favorite destination of hot money from around the world during the preceding months. That marked the end of the Russian economy’s initial post-Soviet period, 1991-98—the time of breakneck privatization and deregulation that Russian economist Sergei Glazyev calls “the swindle of the century,” and Lyndon LaRouche names as “the greatest looting operation in history.”

Internationally, the GKO collapse precipitated the Long-Term Capital Management (LTCM) hedge fund debacle, and a systemic near-meltdown, in September 1998. In an anniversary commentary for KM.ru, Glazyev reminded readers that the financial disaster of 1998 resulted from “the deliberate construction of a debt pyramid,” with the inevitable outcome of all such Ponzi schemes. Yet, financial bubbles have proliferated worldwide, ever since then-U.S. Federal Reserve chairman Alan Greenspan constructed his “wall of money,” as George Soros called it, a few months after the GKO/LTCM crash.

Even Alexei Kudrin—Deputy Finance Minister in 1998, Finance Minister now—looked slightly seasick in a photo illustrating the web-posted version of his Aug. 8 interview with RTR-Vesti television, under the headline “Kudrin Says There Will Be No Defaults and No Crises Here.” He was reporting that Russia’s so-called Stabilization Fund had earned over \$3 billion during the first year after the government began to invest it in U.S. Treasuries and other foreign government bonds in 2006. Under the monetarist doctrine, still espoused by Kudrin’s Finance Ministry, a portion of the revenue from duties on exported oil must be “sterilized” in this Fund, lest its in-

vestment in the Russian economy fuel inflation. As of Jan. 1, 2008, the Stabilization Fund will be divided into a Reserve Fund and a National Welfare Fund, the latter to be used to fund pensions. In the meantime, on Aug. 22, the next Stabilization Fund news after Kudrin’s announcement was not so rosy. The Fund now stands at approximately \$120 billion, the Finance Ministry reported, but it grew 26.4% less than expected during the first half of the year, due to oil price fluctuations and the fall of the U.S. dollar against the ruble.

The investment of the Stabilization Fund in dollar-, euro-, and pound sterling-denominated securities is but one of many interfaces between the Russian economy and international finance. Others include the dominant role of oil and gas exports in Russian finances, the mushrooming of IPOs by Russian companies on the London Stock Exchange, Russian companies’ takeover attempts abroad, and ongoing quarrels over foreign multinationals’ penetration of the Russian raw materials sector.

On Aug. 23, Glazyev gave a press conference in Moscow on the systemic nature of the current world financial crisis. He warned that Russian financial officials were insufficiently attuned to the oncoming events, and were “taking no measures” to deal with them.

In reality, the surge in the global financial crisis is an opportunity for Russia, as for every nation, to shift toward economic policies that are in the national interest. In this article, we report on Russian leadership decisions, and other ideas under discussion, that represent steps—some of them bold, some of them tentative—towards an economic reconstruction and development policy to preserve Russia as a unified nation-state, and to begin to reverse the economic and demographic setbacks of the immediate post-Soviet years. They can serve, too, as the groundwork for a positive Russian response to any U.S. offer of cooperation on development projects for Earth’s next 50 years, and on the creation of a new international monetary system that would enable such endeavors to succeed. During and after his May 2007 visit to Russia, LaRouche proposed that the initiative for such a New Bretton Woods be taken by four great powers: the United States, Russia, China, and India.

A Turn to the ‘Real Sector’

In a two-part report published in the Russian weekly newspaper *Slovo* in June-July, Prof. Stanislav Menshikov



Presidential Press and Information Office

President Vladimir Putin (right) has placed First Deputy Prime Minister Sergei Ivanov (left) in charge of several sectors of Russia's civilian industries, in addition to the defense industry. Putin explained that he expects Ivanov to guide "the expansion of the positive accomplishments in the military-industrial complex, into the civilian sector," adding that Ivanov would be in charge of "making our economy more innovative."

proposed that the outstanding event so far in 2007, the last year of Vladimir Putin's second term as President of Russia, was Putin's proclamation of "the need for shifting to an *industrial policy*, i.e., to active, direct government intervention in the process of production." Under the headline, "Industry's Lag, and a Turn to State Capitalism," Menshikov wrote that, "this fact may be seen as an important victory for the idea of government regulation, in its prolonged struggle with the advocates of neoliberalism, for whom the supremacy of the market and the minimization of the government's role in managing the economy are the highest principles."

There must be, Menshikov mused, "realists within the ruling elite." It must be, "that some careful analysis of the 'internal processes' of the Russian economy, done somewhere within the President's staff, or borrowed from realistic people who don't think like bureaucrats, revealed that the economy has many things out of order, and needs, at the very least, some capital repairs."

In the Introduction to his *The Anatomy of Russian Capitalism*, brought out by EIR News Service in March of this year, Menshikov posed a big question that remains open. Would the emerging "Kremlin industrial financial group," which has taken the upper hand in several industries, become merely another looting mechanism, or would it move towards "the transformation of the state sector into the main engine of growth in the Russian economy, countering the stagnation brought on by the oligarchical form of organization"?

Putin himself launched the campaign for an industrial pol-

icy, with a series of speeches and actions in February. On Feb. 6, he addressed a meeting of the Russian Union of Industrialists and Entrepreneurs (RUIE), with a first outline of his intentions. "We must take qualitative steps," he told them, "to change from simply exploiting natural resources, to fully processing these resources and, in turn, this must serve as the basis for the development of an innovation economy. . . . Russian industry's accent on raw materials increases its dependence on foreign markets and on the fluctuations of world prices. And Russia has already seen more than once how destructive, and sometimes how devastating, for the national economy this dependence can be. . . . One of our important economic priorities is to diversify Russian industry."

The RUIE conference where Putin spoke took place just two days before the highly publicized event, "The Lessons of the New Deal for Today's Russia and the Whole World," held at the Moscow State Institute for Foreign Relations (MGIMO)

to mark the 125th anniversary of Franklin Delano Roosevelt's birth. Top Kremlin officials attended, including Deputy Chief of the Presidential Administration Vladislav Surkov, while officials from former Prime Minister Yevgeni Primakov to Siberian regional governors were quoted in the media on FDR's dirigist economics as a crucial precedent for a time of crisis.

On Feb. 15, Putin shifted Sergei Ivanov out of the post of Defense Minister, naming him First Deputy Prime Minister, in charge of several sectors of Russia's civilian industries, in addition to the defense industry. At a government economic policy meeting the next day, Putin explained that he expected Ivanov to guide "the expansion of the positive accomplishments in the military-industrial complex, into the civilian sector." The President then visited the Ministry of Defense, where he said that Ivanov would be in charge of "one of the main directions" of government efforts, namely, "making our economy more innovative." For this purpose, he added, "it would be very important to combine the capacities of the military-industrial complex and the civilian sector of the economy."

The 4th Krasnoyarsk Economic Forum opened in that Siberian city, also on Feb. 16, under the banner "The Industrial Basis for Russia's Development." *Expert* magazine wrote that a highlight of the Krasnoyarsk Forum was the report by Vladimir Dmitriyev, head of the government-owned foreign trade bank, Vnesheconombank, which serves as the core of the newly commissioned Development Bank. The latter was established—the State Duma gave preliminary approval on Feb. 14—with capital of 70 billion rubles. That funding is equiva-

lent to only \$2.7 billion, but Dmitriyev said that, in its first five years, the Development Bank's assets would rise from \$8.9 billion to \$41.8 billion, while its capital will rise to \$6 billion. By 2011, the bank will have invested around \$35 billion into "infrastructure, the power industry, housing, agriculture, and the military-industrial complex," Dmitriyev said.

Next, Putin and Ivanov together took the campaign for a new model of industrial production to Volgograd, where a special session of Russia's State Council was held on Feb. 19. Discussions around that meeting gave a first look at what Russia's revamped government leadership would emphasize in economic policy. "The experience of successful industrial countries shows that a fundamentally new model for organizing industrial production is crucial—a model designed to advance innovation and promote competition among developers, suppliers and dealers," Putin said. Putin said he was concerned about the decline in the share of high-value-added goods in Russia's exports. Diversifying the economy by boosting the manufacturing sector was one of the priorities of Russian economic policy, directly related to the development of high-technology industries. "As the major shareholder of a significant part of our industrial assets," he said, "the government should influence the creation of a new industrial environment more actively." Government holding companies should become "truly modern business structures," but "establishing holding companies never was, and cannot be, an end in itself. Integration is justified only when it helps enterprises increase the profit margins of their production and expand their market presence."

Six months and dozens of speeches and interventions by himself and Ivanov later, Putin presided over cabinet-level meetings during the first week of August, focussed on the country's economic development. The deliberations started with a July 30 government meeting on Russia's first-ever three-year budget plan, which Putin introduced as "*for the first time, so specifically and in some depth, setting forth objectives for the development of the real sector of our economy.*"

In budget spending, Putin reported, "We have started to pay more attention to the real sector of the economy. The budget line that has risen the most is support for the national economy: for innovation programs, infrastructure, the aircraft industry, shipbuilding, and electric power, including nuclear power. This budget line has increased by 44.4%, to the level of 718 billion rubles. . . . The fastest rising line is spending for the nuclear industry: from 14 billion this year, to 60 billion rubles." (At that point, \$1=26 rubles.)

Putin took reports from First Deputy Prime Minister Dmitri Medvedev on the National Programs (housing, agriculture, health, and science), and First Deputy Prime Minister Ivanov, on the following day's planned session of the Military-Industrial Commission. In addition to an agenda item on industrial applications of new materials developed in the military sector, Ivanov mentioned rail, saying that he would

visit the opening ceremony of Russian Railways' new Center for Innovative Development, at Moscow's Riga Station, the next day.

On Aug. 1, the Kremlin publicized a follow-up talk between Putin and Ivanov, where the First Deputy Premier delivered a more detailed report on the performance of individual industrial sectors: machine-building for transportation and power, construction, steel, chemicals, wood-processing, and electrical equipment, as well as shipbuilding and aircraft production. In most of these sectors, except for shipbuilding, Ivanov reported rises in real output during the first half of 2007 that significantly outstripped the overall economic growth rate of 7.8%. Most dramatic were a 91% jump in the production of construction cranes, a 35% rise in dump truck output, and 29% for bulldozers. He stressed that the nuclear plant construction effort is beginning to be a significant growth driver for other industries.

Basic Economic Infrastructure: Nuclear Power

More than the changes within any particular branch of manufacturing, the science of physical economy looks for a healthy economy to be directing approximately half of its real investment into *basic economic infrastructure*—power, transport, and water management systems; together with the "soft" infrastructure areas of education, health care, and scientific research—and to do this with an emphasis on new technologies. Especially from that latter standpoint, what LaRouche calls the science-driver principle, Russia is not there yet. But the *intention* expressed by the very scope of the country's plans, unveiled over the past year and half, in the two key infrastructure areas of nuclear energy and railroad construction, points to the potential to get there. Another, related direction is the recently announced intention of Ivanov to push for a revival of the Russian machine-tool industry. These programs make a pointed contrast with the United States, which has yet to enunciate any such national commitment to a turnaround in abandoned sectors of critical infrastructure.

In an unusual interview with editor-in-chief Alexander Prokhanov of the influential nationalist weekly *Zavtra*, Sergei Kiriyyenko, head of the Russian Federal Atomic Energy Agency (Rosatom), told how directing Rosatom at the moment of its revitalization has changed his thinking about the market economy, and about Russia's future. *Zavtra* published their dialogue July 18 under the headline "Russia: The Atomic Vector."

Kiriyyenko, then in his thirties, was Prime Minister during the catastrophic state debt default of 1998. "I always had liberal economic views," he told Prokhanov. "But here, thinking about the [nuclear power] sector, I caught myself coming to conclusions that were different from what I had believed before. . . . Getting to know the nuclear power sector was a revelation. This strictest of the Soviet Union's planned systems, the closed atomic energy sector, incorporated competition throughout. And I stopped thinking that the market and



Presidential Press and Information Office

Over the past year and a half, Russia has expanded its commitment in two key infrastructure areas: nuclear energy and railroad construction. Here, President Putin (center) visits the Russian Research Center of the Kurchatov Institute in Moscow; with him (left to right): Ivanov; Institute president Yevgeni Velikhov; Science and Education Minister Andrei Fursenko; and Institute director Mikhail Kovalchuk.

planned management are incompatible. You can have a balance. It all depends on what your goal is.”

Kiriyenko provided an overview of the planned revival of Russia’s nuclear industry, which was launched with his appointment to Rosatom at the end of 2005. “We need to build two nuclear reactors per year, beginning in 2011 or 2012,” Kiriyenko said back then (*EIR*, Feb. 10, 2006); whereas Russia’s 31 nuclear reactors account for 16-17% of the country’s electricity generation, construction of 40 new reactors would bring that share up to 25% by 2030. An interim goal, according to an Aug. 28 speech by Nikolai Spassky, Kiriyenko’s deputy, is to commission ten new nuclear power units by 2015.

In his *Zavtra* interview, Kiriyenko reported that Rosatom has five units already, or about to be, under construction during 2007: the second unit at Volgodonsk, and the fourth at the Kalinin plant are being built. The foundation has been laid for a unit at Novovoronezh and work will begin at Leningrad-2 and the Beloyarsk breeder reactor this Autumn. The Novovoronezh ground-breaking was the first such event in 20 years, nuclear power plant construction having wound down after the 1986 Chernobyl nuclear plant accident and the breakup of the Soviet Union five years later.

The skilled labor of the Soviet nuclear energy boom is still pre-retirement age, just barely: “With their experience and energy, they are stitching up the gap that we had. . . . If we did not have this breakout, this renaissance, . . . within five years we would have been unable to do it. That generation is departing.” Kiriyenko said that Russia’s nuclear power export proj-

ects—two plants, each under construction in China and India, and one in Iran—had been critical to keeping the sector’s machine-building and human resources from decaying due to idleness. In addition, innovative thinking by the partners on those projects, especially in India, helped prevent stale thinking from setting in for the older engineers. Twelve other overseas reactor projects are currently in negotiation, while French, Czech, and Korean machine-builders are important back-up suppliers of key power-generation technology for Russia.

Nuclear power will be essential for Russia’s Far East and Far North. “There has never been a nuclear power plant in the Far East,” Kiriyenko said, “but the development of that region requires one.” There are plans for a power plant in the Russian Far East, in conjunction with an aluminum factory. As for floating nuclear plants, “Today we are beginning to have demand for small and medium power units, especially in the

North. There’s natural gas, there’s new manufacturing; we are going to be moving farther to the North.” At the same time, the export market for Russian floating nuclear plants is large in hot climates, where some smaller countries can use the floating plants for water desalination, among other purposes.

Basic Economic Infrastructure: Rail

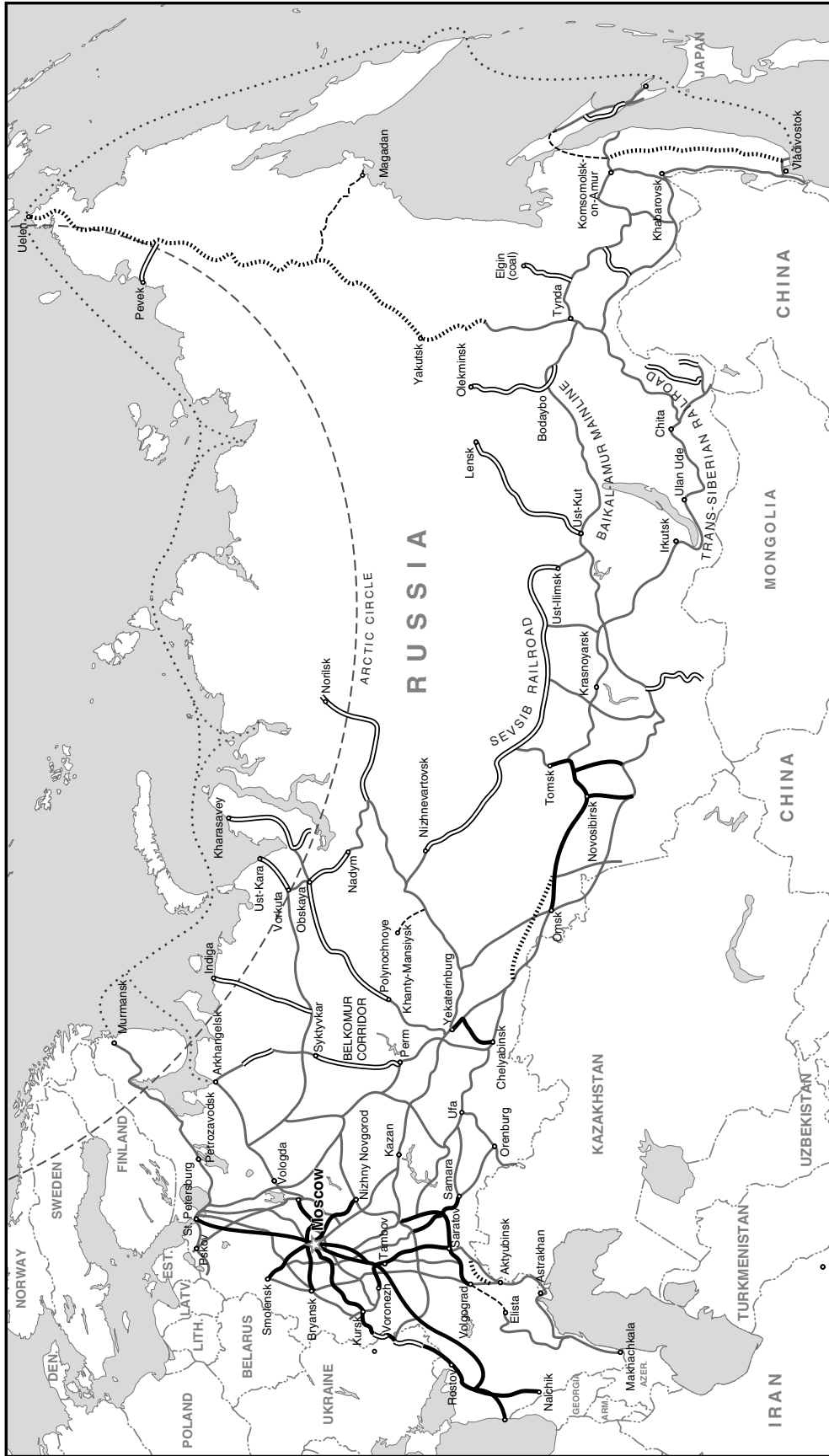
President Putin personally chaired the April 10 government meeting that adopted a national strategy for Russia’s railroad development up to the year 2030. Vladimir Yakunin, president of the state-owned company Russian Railways, presented the program at that meeting and has unveiled its details during a busy schedule of touring Russia’s far-flung regions.

Russian Railways employs 1.3 million people, or over 2% of the Russian labor force. From now to 2030, the company is planning to lay two-and-a-half times more track, than was laid in the entire 70-year Soviet period, the *Railway Review* reported in July. By 2010, some 14,000 kilometers will have been added to the Russian rail network. Planned investment in rail development for the 23-year period is up to 10.5 billion rubles, or \$404 billion at current exchange rates: \$17.5 billion annually.

The construction will proceed in phrases, involving several different types of rail line, as the overview map shows (**Figure 1**). In the 2008-15 period, the rail plan focusses on upgrading existing rail routes, including the construction of high-speed lines in the Western part of the country, with their hub in Moscow. Russia’s first high-speed

FIGURE 1

Planned Russian Railroad Development to 2030



Existing railroads
 Planned high-speed rail corridors
 New freight railroads
 New railroads of strategic importance
 New railroads of social importance
 Northern sea route

Based on a map released by Russian Railways with the title "Prospective Topology of the Russian Federation's Rail Network Development until 2030," our map shows railroad upgrades and new construction, included in the government's plan for 2007-2030. The program was adopted in April 2007. Targetted high-speed rail corridors are centered on Moscow, Yekaterinburg, and in central Siberia. Among the "railroads of strategic importance," planned for construction between 2015 and 2030, is the 3,500 km line from the Lena River near Yakutsk to a Bering Strait crossing at Uelen. "Railroads of social importance" tie cities, which would otherwise be isolated, to the national rail network. Not all existing rail lines are shown. Many lines connect to railroads in adjacent countries, which are not shown here.

railroad, on the St. Petersburg-Moscow route, is to begin service in 2009, with completion of the project slated for 2012-14. Other high-speed lines from Moscow will reach to the industrial cities of Nizhny Novgorod and Samara on the Volga River, and to Sochi on the Black Sea, site of the 2014 Winter Olympics. Central Siberia is another target area for high-speed rail development, centered on the city of Novosibirsk, where the Trans-Siberian Railroad crosses the Ob River; Yekaterinburg in the Ural Mountains is another future high-speed terminus.

In 2016-30, construction will move on to projects defined as “strategic,” including the 3,500-km Lena River-Uelen line to the Bering Strait and a potential tunnel connection with Alaska.

At a St. Petersburg conference on the rail program for 2030, Presidential Envoy for the Northwest Federal District Ilya Klebanov called the railways essential for “the defense of the country’s national sovereignty and security, and preservation of a single socio-economic space.” At that meeting, Yakunin presented details of the segments of a 1,200-km Perm-Syktvykar-Vendinga-Karpogory-Arkhangelsk railroad, known as the Belkomur Mainline. Providing a new outlet to the Arctic Coast from Siberia, the Urals, and the industrial cities in north-central European Russia, the Belkomur route is one of a number of Russian Railways construction projects that the company defines as “freight” lines.

At the 70th Session of the Executive Committee of the International Union of Railways (IUR), held in Moscow starting June 18, Yakunin stressed Eurasian transport corridors: “Today, the most urgent questions are those of developing interregional and transcontinental rail transport corridors, including Eurasian ones.”

Foreign trade deals for railroad technology have already been contracted, showing the international cooperation potential that the Russian rail development program creates. On July 20, Germany’s Siemens and Russian Railways held a ceremony in Krefeld, Germany, to celebrate the production launch for a new generation of trains called Velaro Rus. They are specially designed for the technological and natural conditions in Russia, including Russian wide-gauge track. Under the 576 million euro contract, signed in May 2006, Siemens is building eight trains entirely in Germany; Yakunin has voiced hope for additional locomotives to be built in Russia. The Velaro Rus trains will travel up to 330 km/h, will be 250 meters long, and can carry 600 passengers. They are intended, initially, for the St. Petersburg-Moscow route, as well as St. Petersburg-Helsinki.

Other deals were signed on the sidelines of the IUR conference. Russian Railways set up a joint venture with Germany, Poland, and Belarus to improve rail services and cargo traffic between Russia and Western Europe, announcing June 18 that it would “streamline the transportation process, improve the quality of services, and increase the volume of freight shipments along International Transport Corridor No.

2 linking Berlin, Warsaw, Minsk, Moscow, and Nizhny Novgorod.” The venture is worth some \$65.3 million. It will coordinate different rail gauges, customs regulations, and other matters to cut travel time. The four partners are considering extending the route to Yekaterinburg, in the Urals, and eventually linking it to the Siberian rail network.

On June 21, Hartmut Mehdorn, the chairman of Deutsche Bahn, and Yakunin signed a logistics agreement, which the *Frankfurter Allgemeine Zeitung* described as a breakthrough, after lengthy negotiations. According to the report, both sides stressed that “German and Russian railways are not in competition, but are friends, who want to optimize traffic.” In a remarkable statement, the two executives added, “The land-bridge between Europe and Asia is no longer a vision for the future, but it is reality.” Mehdorn and Yakunin both expressed confidence, that China could be integrated into this joint project within the next year.

On June 18, Ukrainian E-news reported, Yakunin also signed a memorandum of understanding with Vladimir Kozak, head of Ukraine’s Railway Administration, on extending wide-gauge track westward through Slovakia to Vienna, Austria. Ukraine is to provide technical expertise for the project, which may include a new logistics center.

Regional Megaprojects

The projected new freight lines of Russian Railways are chiefly northern routes: the Sevsib, or “North Siberian” line Nizhnevartovsk-Ust-Ilimsk; the Polunochnoye-Obkaya line, with spurs to Nadym and to the Arctic coast, which is part of the Industrial Urals-Arctic Urals project promoted by Presidential Representative in the Ural Federal District Pyotr Latyshev; and Belkomur. Being associated with existing, as well as not-yet-developed natural resources, these freight lines are the focus of considerable controversy.

The Presidium of the Russian Academy of Sciences held a session June 26 on implementation of the Industrial Urals-Arctic Urals scheme, a design for the industrial development of the northern Ural Mountains region, which extends above the Arctic Circle. Like the conference on a Bering Strait tunnel crossing, held April 24 (*EIR*, May 4 and 11, 2007), the meeting brought together top government officials with leading members of the Academy of Sciences. The Academy’s joint commission with the Ministry of Economics, the Council for the Study of Productive Forces (SOPS), is active on both projects.

Latyshev addressed the meeting, as did Academy of Sciences President Yuri Osipov, the nuclear physicist Academician Yevgeni Velikhov, and Academician Alexander Granberg, the head of SOPS.

The Ural Federal District extends from the southern end of the Ural Mountains, northward to Russia’s Arctic Ocean coastline. It includes two cities of over a million people—Yekaterinburg and Chelyabinsk—as well as much of the West Siberian oilfields, centered around Tyumen. Those industrial

and population concentrations are in the southern part of the district. The Ural Federal District produces 92% of Russia's natural gas, 67% of the oil, has 45% of the steel industry, 42% of non-ferrous metals production, and 34% of machine-building. The fact that only 10-12% of the northern reaches of the district have been subjected to thorough geological study, Latyshev said, indicates that substantial new resources can be found and developed.

According to regional media, Latyshev said that the Industrial Urals-Arctic Urals plan was first outlined 18 months ago, and has now taken shape as a project "to create a unique industry and infrastructure complex, based on developing the natural resources of the arctic and subarctic Ural region, together with key elements of new basic transport and energy infrastructure." The Academy of Sciences, Latyshev reported, has done a huge amount of work, especially to relaunch geological studies of the area, and plan the infrastructure side of the project.

"The core of the transport infrastructure under this project will be a rail line along the east slope of the Urals from Polnochnoye to Obskaya," Nakanune.ru quoted Latyshev as saying. "Together with the Obskaya-Bovanenkovo and Obskaya-Salekhard-Nadym lines, which are under construction, this will create a fundamentally new transport scheme for the North of the Russian Federation. Forming a transportation ring, it will provide the shortest route linking the Ural industries with the resource deposits of the arctic and subarctic Ural, and with prospective new oil and gas fields on the Yamal Peninsula, as well as providing an outlet to the Northern Sea Route." These rail lines have already been incorporated into the federal rail modernization program. In the plan, drawn up chiefly by the SOPS under Academician Granberg, 2.55 gigawatts of new power generation capacity will be built, along with setting up 60 new mining and ore-processing companies.

A map produced by the Industrial Urals-Arctic Urals company that is overseeing the Ural project shows the main new rail route lined by deposits of coal, iron ore, titanium and manganese ores, gold, platinum, quartz, copper, chromium, alumina, tantalum-niobium ore, bentonite, and precious gemstones. At the end of August, however, economists and geologists from the Ural Branch of the Russian Academy of Sciences went public with questions about the possible overstatement of those resources by the project's promoters. The publicity in regional media around their airing of doubts at a public event in Yekaterinburg on Aug. 29 was intense, and full of hints that the project, and its associated financial flows, had become a political football in the arena of this year's federal elections, as well as an issue in recurrent tensions between regional and federal authorities over the management of Russia's resource development.

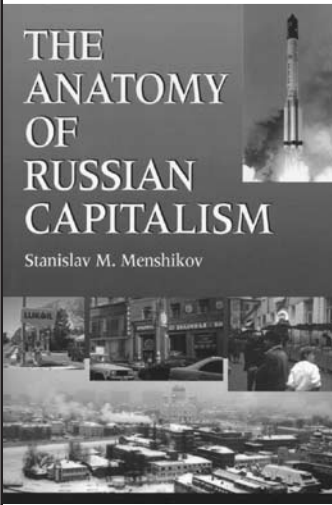
Have the rail routes been chosen from an optimal standpoint for the national interest, or on the basis of regional officials' political clout? Has the rate of confirming mineral re-

sources through geological evaluations recovered sufficiently from its post-Soviet slump, to justify a resource-extraction megaproject in the far North? Are there enough qualified geologists in Russia to do the prospecting now? Where will the rest of the project's labor force come from, as Russia faces a grave manpower shortage in the years ahead? Over and above political innuendo, those are among the real physical-economic questions, raised by the Ural scientists.

The Far East

All of those problems, and more, exist for the huge expanses of Eastern Siberia and the Russian Far East—the areas through which the Eastern Siberia-Pacific Ocean (ESPO) oil pipeline is being built, and where the future strategic rail line to the Bering Strait would run. The Siberian Federal District and the Far East Federal District, encompassing Russia's territory east of the Urals, had a combined population of about 26.8 million according to the 2002 Census, or 18% of the national population of 145.2 million at that time. Russia's population has continued to decline since then, approaching 142 million.

Russia's Far East has been losing population at a faster rate than other areas, due to the collapse of work, energy, and infrastructure there since the demise of the Soviet Union. As of 2002, only 6.7 million people lived in the Far East Federal



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Courtesy of Yuri Krupnov

Yuri Krupnov has spearheaded a campaign to locate a model infrastructure and manufacturing concentration in Russia's Far East. The campaign, called "Svobodny Cosmodrome," hinges on Russia's little-known third space launch facility, located in the Amur Region near the Chinese border. Here, a satellite launch from the Svobodny Cosmodrome.

District, or 14% fewer than at the close of the Soviet era a decade before. Putin has made the regeneration of the region a national priority, without which the territorial integrity of the Russian Federation will be in question. At a special Security Council meeting in December 2006, the President mandated the drafting of a strategy for the development of the Far East and Transbaikalia (areas east of Lake Baikal).

A cabinet meeting on Aug. 3 took up the development of these eastern territories from now until 2013, for which the Russian government has budgeted 566 billion rubles (\$22.3 billion). Prime Minister Mikhail Fradkov, who carries overall responsibility for this area, put Deputy Prime Minister Sergei Naryshkin in charge of the funds. The initial tranches will be disbursed as part of the three-year budget for 2008-10. The program includes \$5.8 billion to modernize Vladivostok, Russia's most important Pacific port, before the Asia Pacific Economic Cooperation (APEC) summit that Russia wants to host there in 2012. The plan also provides for rebuilding 22 airports and 13 seaports, while building a modern ferry terminal for traffic to Sakhalin Island, 6,500 kilometers of roads, and expanded power and gas lines.

High-Tech Development Corridors: The Case of Svobodny Cosmodrome

Whether or not the government's commitment of resources, supplemented by suggestions like Fradkov's plan to organize youth construction brigades for the region, is adequate to keep Russia together and allow the country to rise to its role as a the keystone of Eurasian development, is hotly debated inside Russia. For the most advanced Russian thinkers about economic development, this discussion is an opportunity to break through to a superior conception.

EIR of Feb. 9, 2007 published an interview with Prof. Yuri Gromyko, academician of the Russian Academy of Natural Sciences and director of the Institute for Advanced Studies, and Yuri Krupnov, who heads two new Russian institutions, the Development Party, and the Institute for Demography, Migration, and Regional Development, about the ideas contained in their pamphlet, *Advancing Civilization Through Transportation*. Central to their proposals is the concept of a high-technology, industrially integrated development corridor, which has been popularized in Russia by LaRouche and his movement since the presentation at the State Duma of LaRouche's "Memorandum: Prospects For Russian Economic Revival" in 1995 (see below).

Gromyko and Krupnov pointed out that the great majority of nuclear plants planned by Rosatom at present, are to use Soviet-era VVER-1000 water-cooled reactors, rather than new designs. As for rail infrastructure, Gromyko proposed that "Russian Railways could become the corporation to serve as a base for the creation of development corridors, which would go beyond the limitations of mere transportation corridors, and would tie together industrial innovation zones and new industrial manufacturing cluster zones. If this happens, the transportation corridors could become the basis for establishing a brand new, special institution: a vertically organized All-Russian Projects Authority, which would look after the development and implementation of new projects by various groups of entrepreneurs, interacting with the state, while the state would maintain primary control over the large-scale infrastructure projects and the relevant financial flows. These approaches would be a Russian counterpart of the Hamilton-List economic schemes, which proved so effective in the United States in their day."

In recent months, Yuri Krupnov has spearheaded a campaign to locate a model infrastructure and manufacturing concentration in Russia's Far East. It would exemplify what Krupnov's associate Serafim Melentyev, in a recent commentary on the KM.ru website, called the "serious, large-scale, breakthrough projects to develop entire areas, without which it will be impossible to hold [the Far East] and keep the population there."

The campaign is called "Svobodny Cosmodrome," because it hinges on Russia's little-known third space launch facility, located in the Amur Region near the Chinese border. The launch site was developed in the 1990s, as a back-up for

the main Soviet space launch site, Baikonur, which was no longer in Russia; Russia rents Baikonur from Kazakstan now. The country's second launch site, Plesetsk, is at a northern latitude that is unsuitable for many satellite launches.

Svobodny only ever carried out a handful of launches, mostly of foreign satellites on a commercial basis. In late 2006, Putin signed off on a decree to mothball it as a Russian military site, and disband the force assigned to the cosmodrome. While some prominent military men opposed the shutdown on military-strategic grounds, Krupnov developed the campaign not merely to *save* the Svobodny Cosmodrome, but to transform it into a Far East Space Cluster of industrial development, with the adjacent settlement of Uglegorsk becoming one pole of an Uglegorsk-Komsomolsk-on-Amur development corridor (**Figure 2**).

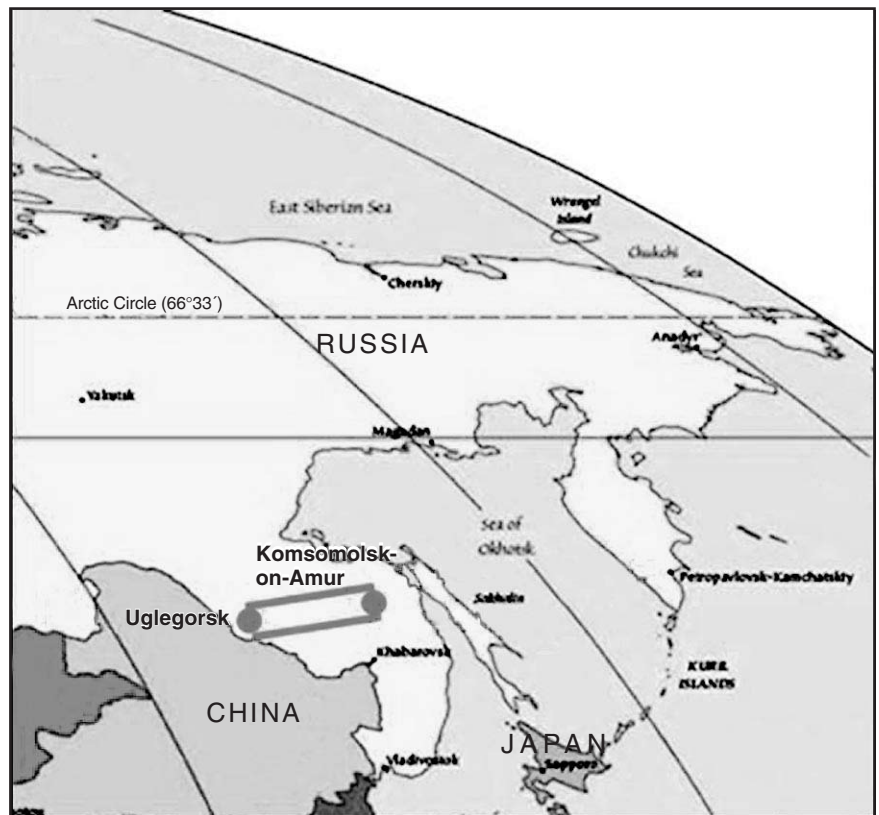
Central to the conception would be to make the area a magnet for immigration from other areas of Russia, and abroad, as part of reversing the outflow of people from the Far East. With a population of 873,000, the Amur Region's population density is 2.4 people/km², which is less than 3% of the population density of 80/km² across the Amur in China's

Heilongjiang Province. Krupnov's program proposes to raise the population of Amur Region to 1 million within five years, by attracting Russian émigrés to repatriate to this location, as well as people to move there from within the country.

Incoming governor of the Amur Region Nikolai Kolesov, who was transferred there from Tatarstan by Putin in June, envisions development of the regional economy based on the timber industry, soybean production, space technologies, machine-building, and transportation and energy infrastructure. In this framework, Krupnov's program proposes to retain the 2,000 skilled personnel of Svobodny, and their families, on site, preventing the loss of over 5,000 people from the region, and putting them to work in industries ancillary to a full-fledged space center.

Building up the Uglegorsk-Komsomolsk-on-Amur corridor, Krupnov proposes, could have a far-reaching impact on the entire Far East. It would become a catalyst for industrial development in Khabarovsk Territory and the revitalization of the Baikal-Amur Mainline (BAM), the "second Trans-Siberian," whose potential was never exploited in the late Soviet and post-Soviet period. **Figure 3** shows the main infrastructure elements of the corridor between the BAM railroad and the Trans-Siberian, running by Svobodny and Uglegorsk.

FIGURE 2
Proposed Uglegorsk-Komsomolsk-on-Amur Eastern Development Corridor



Courtesy of Yuri Krupnov

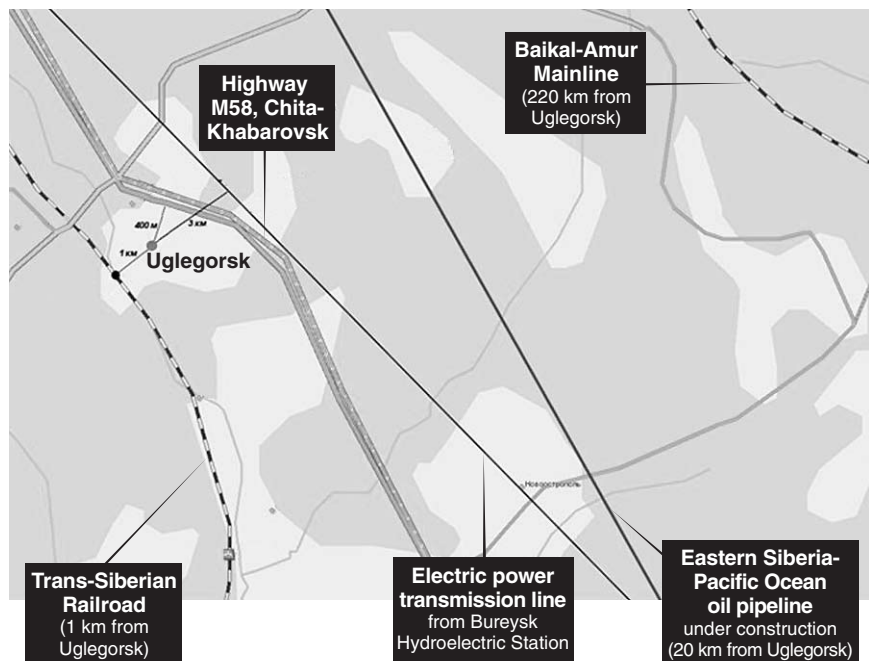
In addition, Krupnov emphasizes the potential for increased trade with China, Japan, and Korea, and not only the export of Russian raw materials.

On June 6, the just-installed Governor Kolesov hosted a visiting delegation from Moscow, tasked with making a decision on the fate of the Svobodny Cosmodrome and the Uglegorsk military settlement. Presidential Representative in the Far East Federal District Kamil Iskhakov told Interfax and AmurPolit.ru that Svobodny most definitely should be kept as a launch facility, though no longer a military one. Others in the delegation were Defense Minister Anatoli Serdyukov and Deputy Head of the Presidential Administration Victor Ivanov. Yuri Krupnov presented to the meeting an Institute for Demography, Migration and Regional Development project study, "Creation of the Svobodny Far East Space Cluster."

The Next 50 Years

A government decision on whether to locate a Far East space facility at Svobodny, or on the Pacific coast in the Maritime Territory, is awaited this Autumn. A choice of Svobodny, given how the discussion of economic ideas has developed around it, will point in the direction of technological and

FIGURE 3
Corridor Infrastructure



Major rail, road, and energy infrastructure already exists or is under construction in a corridor running through the southern Amur Region, where the Svobodny Cosmodrome and the associated town of Ulegorsk are located. Distances are not shown to scale; the Baikal-Amur Mainline is not immediately in this corridor, but is 220 km to the northeast.

social innovations that are far more promising for Russia, than mere fire-brigade actions to save what's left of the industry inherited from the Soviet military-industrial complex.

There are other hints of a move towards a genuine science-driver concept in Russia's new industrial policy. Russian Railways spokesman Sergei Slutskov, interviewed in July by *Moscow News*, said that his company was interested in technologies "even more advanced than high-speed rail, such as magnetic levitation monorail systems," as the paper reported. "We are looking at all possible technologies," said Slutskov.

Also noteworthy, was a flurry of activity in July around the need to revive the machine-tool sector. In a decade and a half, Russia has fallen from third place in the world to 22nd in the production of these machines for producing machines. On July 20, Deputy Minister of Industry and Energy Andrei Reus briefed the Government Commission on the Development of Industry, Transport and Technologies on the likelihood that several independent machine-tool producers will merge into a single holding company. A week later, Sergei Ivanov visited the Ivanovo Heavy Machine-tool Factory in the military-industrial city of Ivanovo, to chair a seminar on the future of the machine-tool industry. He said that private ownership was likely to remain within the industry—unlike auto and shipbuilding, which are now dominated by large,

state-owned holding companies—but that the government will step in to finance machine-tool R&D for specific projects. Ivanov announced the planned creation of an Engineering Center for machine-tool development, incorporating the staff and capacities of several design bureaus, as the R&D shops of the old Soviet military-industrial sector were called.

Even in the popular press: A quasi-satirical futurological scenario for the political fate of Russia over the next decades, published June 26 by the APN agency of Stanislav Belkovsky's National Strategy Institute, incorporated the Bering Strait rail crossing—with innovative technologies like "string transport"—as a development that is bound to happen. Looking at the first quarter of the 21st Century as if from later on, author Vadim Shtepa "recalled" how Russia leapt to prosperity as a "developed northern country," and that it happened "as something quite obvious, once the transcontinental string rail line was built across the expanses of Russia and over the Bering Strait. This is where the Stabilization Fund was invested, which the

previous regime had kept in American banks. . . . And along that railroad there arose a great number of new, modern, small cities, with all the global links they need. And the inhabitants of the expensive megalopolises began to flock there." APN included a link to www.unitsky.ru, Academician Anatoli Yunitsky's site on his "string transport" innovation, which *EIR* wrote about last year.

The current breakdown of the speculation-based post-1971 global financial arrangements is the perfect occasion for Russia to shift full-force into technology-driven development policies—not alone, but in cooperation with other nations that choose to be sane. As LaRouche said Aug. 27, in reply to Italian economist Giorgio Vitangeli, "Without U.S.A. cooperation with Russia, China, and India in creating a nucleus around which to bring in other nations, the needed organization of a revival of the physical economy would lack the indispensable 'political detonator' which the launching of such a general reform requires. If relevant forces in the U.S. present that proposal, to form a sponsoring body for the assembly of a broader range of nations (as a coalition within the UNO) to Russia, China, and India, it were reasonably certain that Russia would accept a serious such proposal, and, with Russia's participation, the conditions for the formation of a sponsoring group of the four will exist."

Infrastructure Is Key For Russian Economy

Lyndon LaRouche's "Memorandum: Prospects for Russian Economic Revival" was presented by representatives of LaRouche and the Schiller Institute to a special hearing of the lower house of the Russian Parliament, the State Duma, on Feb. 20, 1995, convened to discuss measures to prevent the disintegration of Russia's economy. It appeared in EIR March 15, 1995. With the section on infrastructure, excerpted here, LaRouche's concept of "development corridors" began to circulate in Russia.

5.4 Special role of large infrastructural projects

The three most critical bottlenecks in physical economy are cubic meters of usable water per hour, kilowatts of power per hour, and ton-kilometers per hour in general transport of goods, each and all per capita, per household, and per square kilometer of relevant land-area. These bottlenecks have an obvious bearing upon the variability of potential relative population-density. That is to say, technology being otherwise equal, the effective productivity which can be developed in one area, as compared to another of comparable size and general quality, varies with the degree to which those three infrastructural bottlenecks are overcome.

5.41 For this reason, we must speak of "development corridors." A typical development corridor is defined by either a railway line, or a functioning inland waterway, or both, identifiable as the "spine" of that corridor. The development of industry and agriculture, and of railway lines paralleling the river, along the Rhine, is a model of reference for this. The extensive application of the principle of such a "development corridor" dates from the development of Western European inland waterways launched by Charlemagne.

5.42 Typically, today, the width of that corridor may extend to approximately 50 kilometers on either side of that "spine." Associated with that "spinal column," or central right-of-way of the corridor are pipelines, power-transmission lines, and parallel trunk highway segments. Along the length of the spine, there are nodal foci of development; extending like ribs from the spine, are the feeder links into the flanking tissue of the corridor on either side of the spine.

5.43 The choice of a network of modern such "development corridors" involves two crucial factors of Russia's economic development as a whole. First, adequate development of Russia's economy across its vast stretches of relatively low population-density, would not be possible without both large-scale development of Russia's vastly underutilized hydrologi-

cal potential, and the development of an efficient set of trans-Eurasian railway-spined corridors. Second, without the development of the inland waterways and rail nets from Berlin through Poland, into Russia and Ukraine, there can not be an economically efficient commerce between Western Europe and Eurasia generally; without that, the development of Russia's economy would be relatively crippled.

Exemplary is the region of Central Asia associated with the presently spoiled Caspian Sea and the ruined Aral Sea. The water levels of these seas, and the levels of water-tables in adjoining areas must be raised. The use of no more than a significant fraction of the vast amounts of flow presently dumped into the Arctic Ocean would serve to flush both of these seas, and would also feed a broader network of inland (barge) waterways and other economic and household uses.

The crucial, more general problem addressed by Eurasia "land-bridge" and other developmental corridors is that low population-density tends to increase the cost of production significantly. The factors of cost are typified by the increase of the amount of inventory which must be supplied to the transport "pipeline," relative to the level of production-output involved, and by increasing the cost per ton attributable to movement of freight.

There are several ways this problem may be addressed successfully; these solutions are all to be found in principle within the notion of the development corridor:

(a) The development corridor provides the means for establishing designed, high-density complexes of production within the most efficient modes of transport and supplies of water and power (and, also, communications). By this method, the corridor is a means by which an efficient form of high-density area is developed within a larger low population-density area.

(b) The "spine" provides means for gaining the benefits of economy of scale in respect to trunk-line transportation, communications, and production and distribution of power and water supplies.

(c) The development of high-speed magnetic levitation, and the serial/mass production of the new, Jülich type of high-temperature reactors (HTR) in the 100-200 megawatt range, transforms the vast, underdeveloped spaces of Russia into a network of development corridors of rich potential. Virtually no other nation in the world could benefit as much from the advantages of maglev speed as the area of the former Soviet Union. Given the costs of transport of fossil fuels for production of power, and the greatly superior energy-flux densities of the HTR over fossil-fuel plants, the gains in efficiency gained through the general use of power-complexes built up modularly of clusters of HTRs has a great potential inside the kinds of development corridors required for the efficient development of the Russian economy in depth.

The function of corridors defined in these and related terms, is to transform what might appear to be the vast disadvantages of Russia's space, into an advantage.

Privatizing the Murray-Darling Water Basin Will Destroy Australian Farming

by Jeremy Beck, Victorian State Chairman, Citizens Electoral Council; and Allen Douglas

This article is adapted from one which originally appeared in the September/October 2007 edition of the Australian New Citizen, the newspaper of the Citizens Electoral Council of Australia, a Lyndon LaRouche co-thinker organization, based in Melbourne (www.cecaust.com.au).

After a farcical one-day “hearing,” and with the full support of the ALP (Australian Labor Party), Prime Minister John Howard rammed a bill through Parliament on Aug. 17, to pave the way for the Federal government to seize control of all of the water in the Murray-Darling Basin (see map). Its purpose is to sell off the already corporatized state water utilities to private companies such as Macquarie Bank, which will then loot consumers of tens of billions of dollars in increased water charges.

The Murray-Darling Basin is the breadbasket of Australia, which accounts for 71% of its irrigated crops, and feeds 61% of its people. At stake, therefore, is the security of Australia’s national food supply, as well as the social and economic viability of regional Australia throughout the Basin. This threatened farm capacity is also vital for millions in Southeast Asia, under current patterns of foreign food trade flows.

The initial phases of water privatization in recent years, coupled with deregulation of the dairy industry, have already caused the loss of 20,000 of Australia’s farms, from an official figure of 150,391 in 1994, to 130,526 today. In reality, there are far fewer farms, because the Bureau of Statistics has changed its definition of what constitutes a farm, from one with \$22,000 of agricultural output per year to only \$5,000, thereby dramatically inflating the number of farms.

Although Howard organized this latest phase, the plot to privatize water began under Labor Prime Minister Paul Keating (1991-96), and it has been a joint Coalition/Labor project all the way, with all of the Labor state governments currently in discussions with the banks to sell their water utilities. Last year, state Labor governments attempted to sell off the Snowy Mountain Scheme—the famed water and power project built in the 1950s.

The propaganda line of Howard and his Water Minister, the merchant banker Malcolm Turnbull, is that there will be “price signals” from increased water prices, to tell the “marketplace” to spur on private investment in improvements in water infrastructure, much of which is over 50 years old. But in reality, under the guise of “overallocation” and similar environmentalist buzzwords, farmers will be largely stripped of the 70% of the Basin’s water they now use; they will be bankrupt-



The Murray-Darling Basin in New South Wales, is the breadbasket of Australia; it is targeted for privatization by powerful financial interests, at the expense of Australia’s people, especially its struggling farmers, who are being driven to such desperation that many are committing suicide.

ed, and their water sold to the cities, with little or no new infrastructure investment made. Indeed, farmers’ water allocations have been cut even in the present drought, in favor of “environmental flows” (water left in its “natural” state, for the presumed benefit of the environment) flushed out to sea.

Already, one Australian farmer commits suicide every four

days; that number will soar, as we as a nation become dependent on foreign food. Yet the new Howard legislation itself speaks of “buying back water entitlements and assisting irrigators in the unviable or inefficient parts of schemes to exit the industry.”

There is opposition to Howard et al., but he is bulling ahead. Just before Victorian Premier Steve Bracks and his Water Minister John Thwaites suddenly resigned on July 27, Bracks charged that Howard’s actual intent was to privatize all of the Basin’s water. Caught, Howard bellowed that Bracks was “desperate, stupid, inaccurate, and just totally wrong.” However, even the website of the Prime Minister features the study, “A Discussion Paper on the Role of the Private Sector in the Supply of Water and Waste-water Services.” Echoing Bracks, New South Wales (NSW) Minister for Lands and Regional Development, Tony Kelly, declared on Aug. 2, “I am just a little bit worried this is all about making water another commodity so that Macquarie Bank can be able to buy and sell it and make an absolute fortune.”

In brief, the plot to benefit Howard’s owners, Macquarie and others in the international financial networks, began in the 1990s with their asset, Prime Minister Keating and his Labor government. In 1994, Keating initiated the water grab, through an agreement of the Council of Australian Governments (COAG), and as part of the same National Competition Policy which led to the other privatizations in gas, electricity, transport, and telecommunications. It picked up steam when the Murray-Darling Basin Commission (MDBC) started interstate water trading in 1998, and accelerated rapidly when Howard created his National Water Initiative (NWI) in 2003, and later, the National Water Commission (NWC) in December 2004, to implement the Initiative. Its final phase is the legislation just passed by Parliament, with the full backing of Kevin Rudd’s Australian Labor Party.

The Privatization Scam

Privatization has a simple premise: The less water there is, the more can be charged for it. Thus, there has been no serious Federal government attempt to expand water supplies throughout the entire, horrific, drought-ridden period which began coincident with Keating’s initial moves toward privatization in 1994-95, through to today. Water supplies to farmers have been shrinking throughout that period, not solely—or perhaps even mainly—due to drought, but to government action or inaction, including, most recently, the cut-off of water allocations, and the diversion of ever-larger quantities into environmental flows.

The whole process of privatizing government assets, including water, was begun internationally under the Thatcher government in Britain (1979-90), and was designed by the Mont Pelerin Society, the granddaddy of all right-wing, deregulationist, pro-globalist think tanks internationally. The Mont Pelerin Soci-



Pratt Water

The Murrumbidgee irrigation area in the Murray-Darling Basin. Prime Minister John Howard, the Labor Party, and the Greens want to turn off the spigots.

ety was set up after World War II by the British Crown and its chief financier, Harley Drayton, to organize against the type of strong national government represented by President Franklin Delano Roosevelt in the U.S., which would not kneel to the financial oligarchy. Given the Crown’s role in privatization, it is lawful that the president of the Murray-Darling Basin Commission is the Rt. Hon. Ian Sinclair, a member of Her Majesty’s Privy Council. On behalf of, and answerable only to the Crown, the Privy Council is the ruling body of Britain and its still-existing empire (“Commonwealth”). Upon induction, all members swear sole allegiance to the Crown, and an oath of complete secrecy regarding any Privy Council business—which includes any financial business of substance throughout the empire.

Bankrupting Agriculture

The preconditions for privatizing water are, first, to separate the ownership of water from the land, so that it is “tradeable”; and then, to jack up its price so that it is profitable for the new water barons. The first took place several years ago, and helped lead directly to the second, in large part, through huge government purchases of water, which forced up the price dramatically.

Chris Lahy, a dairy farmer from the Murray Valley, recently described the process: “As soon as they separated land title from water title, it allowed trading. This happened just after 2000, about 2002. When the water title was separated from land, we saw water prices go up by virtually 300%, from your modest \$30 per megalitre, up to an average of \$100 per megalitre; and, in the drought times, we were paying \$200 or \$270 for water; and at that price, it was unsustainable, and you could not grow or produce anything that was going to make money. That was going to send you broke. For us, on our farm, \$175 a megalitre, once you got to that point, there was no point irrigating anymore because the cost of buying water and delivery exceeded your income.”

The Basin Commission gives each state a water alloca-

tion, which it then divides up among its users, a process easily open to abuse, particularly as states are under pressure to increase environmental flows. Lahy described how it worked in New South Wales: “100% water allocations were reduced by the NSW state government, in real terms, by 13% down to 87%. That 13% was to allow for evaporation, infiltration, and environment. That water was taken away from farmers’ allocations without a single cent of compensation nor discussion. Then what started happening, at the end of the season, was that parcels of water that were tagged ‘environment’—they

were selling it back to us. What the hell is going on? These guys are taking our allocation and selling it back to us!”

A June 30, 2007 *Sydney Morning Herald* article by Daniel Lewis and Marian Wilkinson summarized why prices are soaring, and the tap is increasingly being shut off for farmers, through the actions of the Basin Commission, the National Water Commission, and the host of government-funded radical environmentalist authorities.

“With farmers, management authorities, and governments laying claim, the battle for water in the Murray-Darling Basin

The Players in the Scam

All of the chief personnel involved in Howard’s “water reforms,” from the Murray-Darling Basin Commission through his National Water Commission, are either hard-core privatizers or radical environmentalists. Notably, Howard stacked the Basin Commission and the National Water Commission with former officials of the radical right-wing, Big Business-financed National Farmers Federation (NFF), and with environmentalist fanatics, notably from the notorious Wentworth Group of Concerned Scientists. (As in the global warming scam, Big Business is in bed with the environmental lobby, which it has heavily financed.)

The single most important figure in determining water allocations in the Murray-Darling Basin, has been Dr. Wendy Craik, chief executive of the Basin Commission since 2004, and executive director of the NFF from 1995-2000. The NFF itself has endorsed Howard’s new legislation, though it’s obvious that it will decimate regional Australia. Their endorsement is not surprising, since the NFF is known by most farmers as “No Family Farms”; it was founded in 1979 to help push free trade and deregulation throughout the economy, as it is now doing with water. The full story of the NFF is told in the Citizens Electoral Council’s 1998 96-page pamphlet, “Stop the British Crown Plot to Crush Australia’s Unions” (see www.cecaust.com.au).

However, since the Murray-Darling Basin Commission could not force changes in water flows and allocations, Howard founded the National Water Commission to establish the infrastructure and policies for such mandatory changes, and two of its seven ruling Commissioners were top figures in the NFF: Peter Corish, the national president of the NFF from 2002-06, when he left to join the NWC; and longtime Howard hit-man, David Trebeck, the founding deputy director of the NFF, and the mastermind of the 1997-98 plot to bust the Maritime Union of Australia (MUA).

NFF personnel also co-wrote the Workplace Relations Act 1996 as the precursor to the present, anti-human Work Choices Act. Many think that Craik is the obvious choice to

head up the new Basin Authority, which will dictate what her Commission could only suggest.

The founding of the NFF occurred at the same time as the accession to power of the Thatcher government in Britain. Members of the blueblood, Anglophile Australian Woolgrowers and Graziers Council (AWGC) founded the NFF to lobby for free trade and to bust up the farmer-labor alliance policy of longtime Minister of Trade, the legendary John “Black Jack” McEwen. McEwen’s policy was for rapid economic growth generated by a program of “Protection All Around,” for both agriculture and for manufacturing. The AWGC’s executive director was David Trebeck, soon to be the founding deputy director of the NFF. Money poured in from Big Business to finance NFF actions against the unions.

Besides the NFFers, another Howard appointee is Prof. Peter Cullen, a member of the Wentworth Group, which advocates outright cutting off water supplies to agriculture and similar genocidal actions. In fact, contrary to Howard’s phony pledge of “no forced reduction in allocations,” Cullen calls for precisely that, as in *The Australian* on Jan. 10, 2007. Among his other posts, Cullen is a member of the Natural Heritage Trust Advisory Committee, which specializes in locking up land in perpetuity.

The Wentworth philosophy is most famously expressed by the quack “scientist” Tim Flannery, who demands that Australia’s population be cut back to 6 million (from 21 million today), and by fellow Wentworth member Prof. Mike Young of the University of Adelaide, who calls for compulsory acquisition of water allotments because “the market is too small,” as in his recent discussion paper. In fact, “buying water on the market should come before spending on water infrastructure, to allow the market to show which irrigation systems warrant future investment and which should be scrapped,” Young told *Stock & Land* on June 12, 2007. “Some [farming] systems will inevitably be abandoned as water flows from them, with associated impact on rural communities,” but, he chortled, “this would be a sign that the market is working.”

Still another Howard appointee to the NWC is Chloe Munro, who oversaw the electricity sector “reforms” (i.e., wholesale privatization) under former Victorian Premier and Mont Pelerin Society stooge Jeff Kennett.

has reached fever pitch.

“Competition for water in the Murray-Darling Basin has gone from a non-event monopolized by farmers to an aggressive multi-billion-dollar game in a few short, remarkable years. In Australia’s food bowl, irrigators have been crowded by the likes of RiverBank, the Murray-Darling Basin Commission, the National Water Commission, Water for Rivers, catchment management authorities, the Living Murray, the Achieving Sustainable Groundwater Entitlements Program, the National Water Initiative, the Australian Government Water Fund, and the New South Wales Wetland Recovery Plan.

“So many vehicles for restoring water health and security in response to so many suffering farmers, thirsty towns, stressed rivers, aquifers and wetlands. Now the Prime Minister, John Howard, has trumped the lot with his \$10 billion national plan for water security...

“All this competition for water means it looks more like liquid gold than ever before.”

Calling the Scam, a ‘Reform’

In January 2007, Howard handed merchant banker Malcolm Turnbull the new, tailor-made Cabinet post of Minister for the Environment and Water Resources, precisely for the purpose of overseeing the privatization of the Murray-Darling under the Murray Darling Basin Authority (MDBA). Turnbull is unabashed about his enthusiasm for water privatization. In a speech quoted in *The Australian* on July 26, Turnbull summarized the sweeping powers of the new Basin Authority:

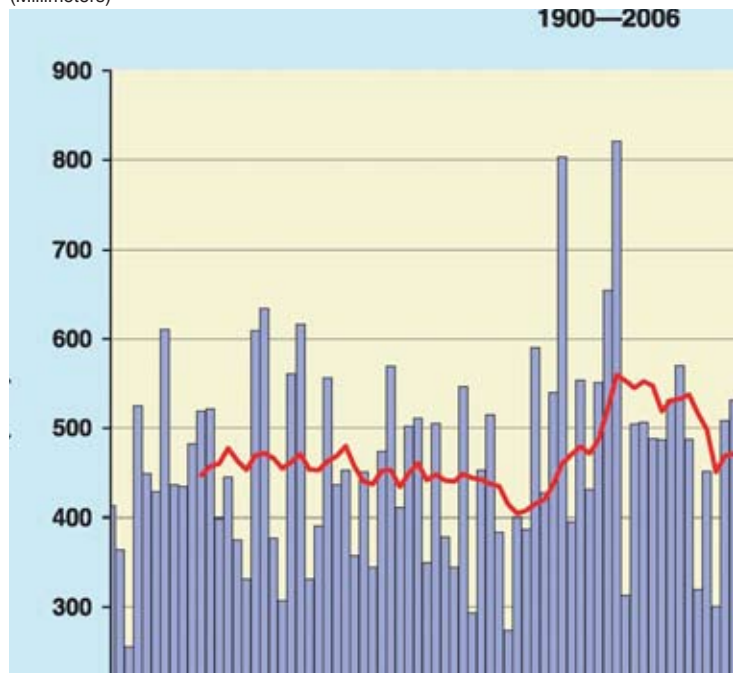
“It will represent the biggest reform of water management in Australia’s history, and it will see the Murray-Darling Basin on the path of a sustainable and secure water future. For the first time, there will be one body setting and enforcing a sustainable diversion limit across the basin that recognizes the interaction between surface water and ground water. There will be a basin-wide approach to establishing a water market and water pricing. The Murray-Darling Basin Authority will set salinity and water quality objectives and develop and implement a Basin Environmental Watering Plan...”

Turnbull said nothing about creating new water supplies, because the Aug. 17 bill is not intended to, but is entirely aimed at privatization. Indeed, the NWC’s chief scientist Dr. Colin Chartres has repeatedly come out against creating new water supplies, for example, by desalination, in favor of solely relying on “rainfall as the primary source of water,” while the NWC’s chairman Ken Matthews has denounced the idea of bringing some of the huge water supplies in northern Australia to the South, as “fanciful.” The intent to privatize is obvious in the act’s objectives. As summarized by the NWC, its key points are:

- 1) water access entitlements and planning;
- 2) water markets and trading;
- 3) best practice water pricing;
- 4) integrated management of water for environmental and other public benefit outcomes;

Murray-Darling Basin Annual Rainfall

(Millimeters)



This is not “the worst drought since Federation,” as claimed by Federal Water Minister Malcolm Turnbull. Rather, the Labor government’s failure to build water infrastructure in the face of a growing population, and the present environmentalist scam of diverting water from agriculture for “river health,” makes it seem so.

- 5) water resource accounting;
- 6) urban water reform;
- 7) knowledge and capacity building; and
- 8) community partnerships and adjustment.

The premise from which everything in the new legislation will flow, is an “audit” of exactly how much water “exists” in the Murray-Darling Basin. That, of course, can be a highly subjective matter, depending on the criteria of those doing the audit, not only as to quantity, but also depending on their calculations for salinity, “climate change,” the need for “environmental flows,” etc., not to mention whether or not they intend to create additional supplies. In plain English, they can say that the water supply is whatever they “find” it to be; determine whatever supplies should be allocated for whatever uses they want (70% currently goes for irrigation); and can thus cut off the tap to farmers at will, causing the price of water to zoom and bankrupting farmers by the thousands.

The Commonwealth Scientific and Industrial Research Organisation (CSIRO) is currently doing an audit for the NWC, and—lo and behold!—is apparently going to find out that there is much less water than thought. “If the CSIRO’s water calculations emerge as forecast by Dr. Chartres, they may spell disaster for many farmers in Victoria, South Australia and NSW... Mr. Howard said the audit would determine the sustainability of irrigation” (*The Age*, July 26, 2007).

Howard already announced in April this year, that the general allocation for the water year from August 2007 to May

2008 will probably be zero. That could result in staggering losses of as much as \$36 billion (\$6 billion in direct production and the rest in associated industries), according to Wayne Meyer, Professor of Natural Resource Science at the University of Adelaide (*The Age*, April 20, 2007), even before considering the much higher prices for food. There is, additionally, a question as to how much Howard himself is responsible for the predicted zero allocation.

In November 2006, Howard held a “Drought Summit” with the state premiers. Ken Pattison of the Pyramid Hill-Boort Water Services Committee has reported that he told Howard at the time that a disaster was coming, and that he should shut off

water to recreational lakes in South Australia, and hold more back in the Snowy, Dartmouth, and Hume reservoirs, or “face a crisis within 24 weeks.” Howard did nothing. The result was summarized by Wakool Shire Mayor Ken Trewin: “Hundreds of thousands of megalitres of stored water has been squandered to SA [South Australia] where it largely evaporated in Lakes Alexandrina and Albert at the expense of the rest of the communities upstream” (*Herald Sun*, April 20, 2007).

Howard’s new water legislation will devastate the rural sector in the Murray-Darling Basin, a fact that is so obvious, that the Federal government has absolutely refused to conduct the normal “social impact” study for such far-reaching legislation.

Buying Up Water Allocations; Destroying Dairy Farming

Farmers are under fierce pressure to sell out their rights to water allocations, to one or another of the swarm of competing buyers on the water market, ranging from environmentalist groups such as Water for Rivers and Living Murray, to the Federal government. A June 10, 2007 *Sydney Morning Herald* article, by Daniel Lewis and Marian Wilkinson, summarized why prices for water licenses are soaring, with a devastating impact on farming:

“Cliff Twigg is a dairy farmer who sits on the management board of the West Cororgan irrigation scheme near Corowa, on the Murray. The district has been unsuccessfully targeted by the Living Murray. ‘The Government offered \$1000 [a megalitre] and we just laughed at them,’ Twigg says. ‘They came back and said we will give you \$2000. They wanted 10,000 megs. You will hear some of the deals they are doing are up to \$5000 a meg now.’

“Twigg said he was determined to see no water leave Cororgan and undermine the investment he had made in irrigation. ‘We have only got to lose 10 per cent of our allocation and it’s non-viable. If we don’t get that allocation we are running at a loss. I want to keep water because I want to stay as an irrigator. It’s our lifeblood. You can’t dairy without water.’”

In terms of water allocations, the Murray-Darling Basin Commission is running another scam, in which desperate farmers trade in their “General Security” allocations for a much smaller level of allegedly guaranteed “High Security” allocations, and at a substantially higher price. But then, the Murray-Darling Basin Commission (through the state governments which it directs), delivers only a fraction of the “High Security” water. Chris Lahy, a former dairy farmer, described how it has worked:

“High security water is divvied out to wine grapes, table

grapes, nuts of all sorts—almonds in particular—and vegetable growers. It’s not a great amount of water, but their use per hectare is a lot lower. For example for a dairy farmer, your water usage per hectare was quite high. Then they started putting in a new equation—dollars per hectare per megalitre; so what that meant was it didn’t matter what you do with irrigation water, it was all unproductive, because they say flood irrigation is an evil, because the dollars per megalitre per hectare did not stack up well against high security users.

“But the thing is, the dairy industry says, ‘That’s crazy man, we’re producing milk. Every person in this country has milk in their house—in their fridge—and we need wine to live?’ So we said dairy farmers should be a priority for water delivery, even if we don’t get high security water. Fortunately, they saw the sense in that, and said maybe we should supply something called ‘modified stock and domestic’ or ‘modified water’ for dairy farmers during the drought time; but it still was not enough. It was too little action too late. A lot of farmers just went broke.”

And Howard’s claim that there will be no forced acquisition of water is, of course, a fraud, because desperate farmers will have to sell their water.

Further, when private companies take over the water, they will obviously spend the bare minimum on repairs or upgrading of vital water infrastructure, all the National Water Initiative/National Water Commission propaganda about “full-cost recovery for infrastructure” to the contrary.

University of Adelaide’s Prof. Wayne Meyer pointed out the obvious: “We have public water systems that are 50 to 80 to 100 years old, all in increasing need of upgrading and replacement.” If such repairs/replacement are not done, “there is no way out short of going into catastrophic closure.”

Does anyone seriously think that the bankrupt Macquarie banks of this world are going to pour tens of billions of dollars into water infrastructure? They clearly do not intend to, but to grab the 70% of the Basin’s water now used for irrigation, bankrupt the farmers, and divert that water, at skyrocketing prices, to the cities.

Polar Bears Are Smarter Than Al Gore

by Gregory Murphy

Doomsday climate-change prophet Al Gore has turned the polar bear into the poster-species for “man-made global warming.” In his film, “An Inconvenient Truth,” Gore says that man-made global warming will cause the extinction of the polar bear in 25 years. Gore’s statement is based on a 2004 report in the journal *Polar Biology*, which claims that four polar bears drowned in the Arctic Ocean when they were caught out in open water during a freak wind storm.

Polar bear researchers say that this alarming statement by Al Gore is untrue, and that they have had to spend time debunking it every time they turn around. The same researchers say that it is easy for people who don’t live around polar bears to believe that “global warming” is going to cause the bear’s extinction, because the science of Arctic climate is very complex, and because there are 20 separate polar bear populations, each with a different dynamic (see map).

Let’s take a look at the complexity of polar bear life. First, the polar bear has been around for about 250,000 years, having survived both an Ice Age, and the last Interglacial period (130,000 years ago), when there was virtually *no ice* at the North Pole. Clearly, polar bears have adapted to the changing environment, as evidenced by their presence today.

(This fact alone makes the polar bear smarter than Al Gore and the other global warming alarmists. Perhaps the polar bear survived the last Interglacial because it did not have computer climate models that said polar bears should not have survived!)

Alarmists like the World Wildlife Fund (WWF), the Center for Biodiversity, and Greenpeace state that climate change has caused a decrease in the number of polar bear cubs born. Their main argument is the decrease in the number of triplet cubs born. Polar bear researchers say that triplet births do occur, but they are normally not as common among polar bears as the alarmists assert. The alarmists’ statements on the re-



Three polar bears approach the starboard bow of the USS Honolulu, which is surfaced 280 miles from the North Pole. Contrary to the lies spewed out by Al Gore and company, so-called Global Warming poses no threat to polar bears in the Arctic.

US Navy/Chief Yeoman Alphonso Braggs

productive periods of the bears, researchers say, are based on studies of only two out of 20 bear populations. The two populations that were studied show a decline in the number of cubs born, but both these bear populations are very large, and there is lots of competition for food.

The global warming alarmists say that the polar bear is running out of habitat and food because warming is melting the Arctic sea ice. The researchers say that the bears sense the ice thinning during the Spring, which occurs naturally every year, and they move farther inland. As to the food question, Arctic researchers and wildlife officials have seen polar bears catching ring seals in open water and even gorging themselves on blackberries, which shows that the polar bear is very adaptive in its hunting habits.

The polar bear is well suited to feast-or-famine eating habits. The bears feast during Spring to early Summer, and fast most of the rest of the year. In fact, the polar bear is one of the only bears that can switch its metabolism into hibernation mode at will, when there is a low food environment.

On the question of the polar bear running out of habitat: This allegation is based on studies by the WWF, which allege that the Arctic Basin is melting at alarming rates, and the bears are not able to den on the sea ice and have to move farther inland. But the Polar Bear Specialist Group, the environmentalist-sponsored scientific body that monitors polar bears, does not even count the Arctic Basin as a population center for the bear! The Arctic Basin is only a Summer retreat area for them; most of the year, the polar bears are located closer to the continental shelf.

Change Is Not Necessarily Negative

Not all climate changes are negative. Yes, it is true that melting sea ice will pose difficulties for wildlife managers and conservation authorities. Population boundaries may change to accommodate shifts in distribution. But no evidence has been presented by the proponents of global warming, and no evidence exists, that suggests that both bears and the conservation systems that regulate them will not adapt and respond to the new conditions. Polar bears have persisted through many similar climate cycles.

Summary of Polar Bear Population Status per 2005

Population	Aerial survey/ Mark-recapture analysis		Estimated risk of future decline**
	Number (year of estimate)	Estimate 12 SE or min-max*	
East Greenland	unknown	No estimate	
Barents Sea	2997 (2004)	2299-4116	No estimate
Kara Sea	unknown		No estimate
Laptev Sea	800-1200 (1993)		No estimate
Chukchi Sea			No estimate
Southern Beaufort Sea	1500 (2006)	1000-2000	No estimate
Northern Beaufort Sea	1200 (1986)	133-2097	No estimate
Viscount Melville Sound	161 (1992)	121-201	Very Low
Norwegian Bay	190 (1998)	102-278	Higher
Lancaster Sound	2541 (1998)	1759-3323	Higher
M Clintock Channel	284 (2000)	166-402	Very Low
Gulf of Boothia	1523 (2000)	953-2093	Lower
Foxe Basin	2197 (1994)	1677-2717	Lower
Western Hudson Bay	935 (2004)	794-1076	Very High
Southern Hudson Bay	1000 (1988)	684-1116	Lower
Kane Basin	164 (1998)	94-234	Very High
Baffin Bay	2074 (1988)	1544-2604	Very High
Davis Strait			Lower
Arctic Basin			unknown

* Refers to estimates of number of bears for each area based on past observations and projections of increases in certain areas.

** Where Population Variability Analysis Simulation Models have been conducted, risk of decline is classed as Very Low (0-20%), Lower (20-40%), Moderate (40-60%), Higher (60-80%), and Very High (80-100%). Total estimate of world abundance: 20,000 - 25,000

This chart shows the status of the polar bear populations in 2005, and was adapted from the population status chart from the Proceedings of the environmentalist-sponsored Polar Bear Specialist Group 2005 meeting in Seattle, Washington. The status chart shows the population area and the number of bears observed, as well as the risk of decline. In the case of the Western Hudson Bay and the Baffin Bay, polar bear populations are shown to be very highly at risk for decline in population; that is because of unregulated hunting by the native people and the overselling of hunting permits. In the case of Baffin Bay, the problem of unregulated hunting is compounded by the fact that the population of polar bears is monitored by two different nations: Canada and Denmark.

Polar bears have a life span of about 25 to 30 years, and adult male bears can grow to a height of 240-260 cm (8-8.5 ft) and can weigh 400-600 kg (880-1,320 lbs). Adult female polar bears are half the height of males, and usually weigh about 150-250 kg (330-550 lbs).

The WWF states that man-made global warming will cause the polar bears to come more into contact with human populations. This statement is based on the Churchill, Manitoba (Canada) polar bear population, which in the recent period, has had a rash of bears eating at the landfill. Area polar bear researchers say that this will happen, and has happened in the past, and is not caused by global warming, but more by the fact that the bears find this an easy way to grab a quick meal.

The other part of the Churchill story, is that there is now an overzealous group of wildlife officers capturing large numbers of bears who are allegedly threatening humans; but many are no danger to people. These "statistics" are then used by the



IUCN/SSCPolar Bear Specialist Group

This map, which is keyed to the accompanying chart, shows the distribution of polar bear populations in the Arctic Region. The abbreviations refer to the regions identified in the chart, e.g., KB = Kane Basin, and so forth.

WWF to make the case that polar bears are being displaced by global warming.

In 2006, the Center of Biodiversity petitioned the U.S. Fish and Wildlife Service to list the polar bear as “threatened.” This petition was based, as described above, on studies of only two polar bear populations, and from this, the petition makes general statements about the entire worldwide polar bear population. Although the petition claims to be based on the best science, it ignored the 2005 study produced by the Polar Bear Speciality Group that showed that several populations of polar bears had *increased*, and only two populations had declined. In respect to these two populations, the Specialty Group said that much of the decline was caused by unregulated hunting (by the Inuit population and others), not global warming. Could this be why this report is ignored by the global warming alarmists?

At present, the polar bear is one of the best managed of the large Arctic mammals. This high level of monitoring was set up in 1973 by the World Conservation Union with the International Agreement on Conservation of Polar Bears. The agreement set into place cooperative research and monitoring of the bears among five countries: Canada, Denmark, Norway, the United States, and the former U.S.S.R (Russian

Federation). If all the Arctic nations continue to abide by the terms of the Polar Bear Agreement, the future of the bears is secure.

In fact, one of the effects of listing the polar bears as “threatened” will be to end or curtail the monitoring and research that is currently being done. Thus the petition will undo what has been set up to secure the polar bears’ future, making that future less secure.

One of the main reasons for the petition by Greenpeace and the Center for Biodiversity is to shut down any economic development in the Arctic region. The petition would stop all oil and natural gas exploration in the Arctic, on the grounds that it endangers the polar bear. But this petition has little to do with the polar bear, and everything to do with a Malthusian fascist agenda to stop human progress and development.

Given the fact the polar bear has survived an Ice Age and the last Inter-glacial, and has shown itself to be smarter than Al Gore, it is silly to believe that the polar bear will become extinct in 25 years solely on the basis of media-assisted hype.

For Further Information

More information on polar bears and climate change can be found in this recently published paper, “Polar Bears of the Western Hudson Bay and Climate Change: Are warming spring air temperatures the ‘ultimate’ survival control factor?” The authors of the paper are: M.G. Dyck, Nunavut Arctic College; W. Soon and S. Baliunas, Harvard-Smithsonian Center for Astrophysics; R.K. Baycock, Clayton H. Riddell, Faculty of Environment University of Manitoba; D. R. Legates, Center for Climatic Research University of Delaware; T.F. Ball, Climate and Environment Consultant; and L.O. Hancock, World Bank. The paper can be accessed at: http://scienceandpublicpolicy.org/sppi_reprint_series/polar_bears_of_western_hudson_bay_and_climate_change.html

To read more about the status of polar bear populations, see the Polar Bear Specialist Group’s website at <http://pbsg.npolar.no>.

LaRouche Talks With Chinese: It's Time for Solutions

The following is excerpted from an interview given by Lyndon LaRouche to a Chinese news outlet on Aug. 16, 2007.

Q: First of all, we are very interested in the current affairs, especially the subprime market. You are saying that it will be a crisis for the collapse of the financial system. . . .

LaRouche: The world financial-monetary system in its present form is disintegrating. There will never be a recovery of *this system, never*. But the problem is, how do we save the world from the collapse of this system? It means you have to take actions in a crisis, to save the world, not the system.

So, what is the alternate system?

The alternate system is a Great Power system, which immediately changes world policy. That is, you have many countries which would like to change things, but they do not have the power to do so. So you need a group of powerful countries, which work together, which bring the other countries together for a common interest action.

Q: Who are the group of powerful countries?

LaRouche: The United States, Russia, China, India. . . .

Q: Not including Britain, Japan, and—? . . .

LaRouche: No, they're not really powerful countries. Britain is powerful, but it's an empire, it's not a country. And as a country, it's a piece of junk. As an empire, it's powerful. That includes Australia, New Zealand, etc., etc. Includes the world monetary-financial system. The same system as the East India Company. The same thing with a new name, a new form.

So therefore, if we say that the present world monetary system is bankrupt, the money system, then we can say, if the governments agree, four leading governments, and other governments agree, we can say, immediately we freeze world cur-

rencies, at current levels. And we reorganize the world financial system.

Q: You think there is the possibility for the Big Four to reach agreement on a monetary system?

LaRouche: There is. Look, in the United States you have a potential for that, which is real. Not in the present Administration, but it could be done, even with the present Administration, because in a crisis, we can dump Cheney, and bring Bush under control.

Q: Cheney and Bush will be out in 2008; they will be gone.

LaRouche: No, too late. Because the crisis will come before 2008. The crisis is coming now.

What we have so far, is Putin and his government have shown several kinds of indication of their willingness to accept such a proposal. China is in a situation where China will have to make a decision of this type anyway, because the present financial disorder is now becoming a threat to China.

Q: Some say China and Japan are not threatened by the present crisis—but many say that the implications will go to China, will go to Japan.

LaRouche: Well, the point is, you have a state of warfare against China by Britain and by the forces in the United States which are partners of Britain. Japan is different. Japan has an existential interest, and it has an imperial interest—two different things. Some Japanese want to live, as Japanese. Others want to be an imperial power, allied with Britain, to feel like a Great Power, and to express Japan's anger against what it did not get—Ishihara in Tokyo.

Q: Would you tell us how dangerous are the results, the consequences, of this current crisis?

LaRouche: This can be existential for the planet as a whole. For example, look inside China. China has a certain development, and a certain part of it's good, but there are many problems left over, which still have to be solved. This requires 50 years to solve, really.

Q: Maybe more than that.

LaRouche: Sure, but you get stability. You have to arrange the world—50 years means two generations. That is, people who are now in the United States in their 20s, young adults, 50 years from now they will be retiring. This is the new generation. And if this generation in Europe and the United States and elsewhere agrees, they are going to shape the future for two generations. So therefore, if we can leave the world, 50 years from now, going in a good direction, we have done our job. So, therefore, we need agreement; what we need is development.

Now, this means an end to this financial system, first of all. It means freezing currencies and making currencies not instruments of the market, but of governments. In other words, actually, the *credit* of governments.

For example, China needs every kind of development imaginable. Europe and the United States are broken-down economies; they produce almost nothing now. But we have a labor force which could be revived to produce. All right. What will they produce? They will produce infrastructure for their own countries, and they will produce products for Asia, because the great challenge of this coming 50 years, is the development of Asia, and the development of Africa. These are the two great regional problems. This also involves raw materials.

If we're going to develop the population of Asia, for example, we need the development of raw materials, which exist in North Asia, principally. This is an area which is inhabited by Russians who know the area. The Russian mission should be to develop this area, as by rail systems and so forth, for the purpose of doing what Russians know how to do: develop the extraction of raw materials, and process them.

The biggest market for raw materials is going to become increasingly Asia itself. Because you have 1.4 billion in China, you have 1.1 billion in India, and so forth. Therefore, to improve the condition of life for the poor population, is going to require a great investment in a flow of new raw materials, and new technologies. The mission of Europe and the United States, in particular, must be development of these technologies, and supply of the basis for these technologies.

For example, we should be producing in the world today five nuclear fission plants per week.

Q: For which country?

LaRouche: Every country—that is, the total.

Q: What about nonproliferation?

LaRouche: That's not really a problem, as you know. If you

have sane governments, nuclear warfare, thermonuclear warfare, is absolute insanity. Putting stations in space to bomb the Earth is insanity! This can happen, but it can happen only under a very strange kind of government. It could happen, if we lose. We can get terrible kinds of governments, which would do anything to humanity. Mass murderers, everything. Racism and so forth, all this stuff.

Like the conflict with Islam, which is totally artificial. Islam has problems, internal problems. But you don't want to make it an enemy! You want to learn how to deal with it, how to work with it, how to cooperate, and let it grow up, into a happier state.

Q: Yes. You are saying about the raw materials and technology, the raw materials of North Asia and Africa. And the Western countries should actually transfer technology to the developing countries.

LaRouche: For example, take the case of China. You get an agreement with Europe and Russia, you make 50-year agreements, 1-2% interest, simple interest, no big stuff, in which they make treaty agreements, on the basis of a list of projects and programs, which have 50-year duration. With a fixed exchange rate, where the currencies do not fluctuate per day, because they're not monetary currencies any more, they're credit systems. The currency is created by the credit of the government, the state, and the state makes agreements with other states to fix a currency, and then forces the prices to fit within those currencies, not make the currencies fit those prices.

Then you can have long-term agreements at very low interest rates.

Q: You mean, this plan is based on agreements of governments. Do you really think it's realistic?

LaRouche: It is, because we're in Hell right now. And a thing like this can only be done, when leading nations and leaders of the world know we're in Hell. Then they will do things that they would otherwise not do.

Neighbors who don't like each other cooperate in warfare, for a common defense....

Q: The only way out is the agreements among the Big Four, as you said, Russia, India, China, and the States?

LaRouche: Yes. That will succeed. When you're at a point of crisis, and the boat is sinking, you have to get off the boat. At this point you actually have channels, including back channels, between Putin and some people in the United States, which have developed since the Spring of this year. The basis is long-term. Since Putin became President of Russia, he's had a consistent approach to the United States, and the circles around Putin have consistently referred to Franklin Roosevelt.

What Russia has said, and many people in Europe also agree, especially in Italy—the Italian parliamentarians, for

example—agree with me that the Roosevelt model of recovery is what we must use. That this means the American System, not the British System. This means that currency is no longer controlled by central banks. The currency is controlled by treaty agreements among governments, particularly leading governments. And therefore, if you take the four countries I refer to, you freeze their currencies, with their weight of trade on the world market, you have control of the world currency system.

Now these countries say: We're not going to pay a lot of this stuff, because it was purely speculation, it is not proper; therefore, nobody owes anything. Now we're going to agree on a fixed exchange rate. We're going to provide currency by the governments, under treaty agreements, to make things happen that must happen. We will not bother about things that shouldn't happen. So you no longer have a central banking system to govern, because today, throughout the world, governments are controlled by the central banking systems. This is called free trade.

Q: It's called free trade, but it's not free.

LaRouche: No, it's imperialism! Really, it's the same kind of imperialism which you had, in one sense, under the Venetians in the Middle Ages in Europe. The same kind of imperialism which the Anglo-Dutch liberals have established in the world since the 18th Century. It's the idea of a power, which is like a slime-mold, a collection of financial sharks, which form a syndicate, and control a government. . . .

So, therefore, what you're looking at is masses of private financial interests grouped together as a power, a pack of wolves, a pack of predators, and they seize upon and control governments, and become more powerful than governments. And they use *debt* as a way of controlling government.

The American System says this is not allowed. That is, our constitutional system. It's broken, . . . but this is the exchange system which Franklin Roosevelt used. You say the *government* is the owner of its currency. The values of currency are matters of treaty agreements among sovereign governments, not central banks. And the question of monetary agreements, is the question of long-term other agreements: trade agreements, investment agreements, which are tied in by government agreement, by treaty.

Japan will have a certain role. Their role will be to try to sell on the Asian market. That's their interest, their true interest: to produce products which they can produce, which are useful for the market. They will have to create, not the carry



EIRNS/Stuart Lewis

Historically and still today, the objective interest of the United States has always been to have good relations with China, LaRouche states. Here, then-Presidents Jiang Zemin and Bill Clinton, during Jiang's visit to Washington on Oct. 29 1997.

trade, but long-term credit of Japan, industrial credit, which they will supply to countries which are their customers. These countries will pay them back in the future. The terms of repayment will be contracted between governments. Governments should now print currencies which *they* issue, and *their* currencies, not a central bank currency, and therefore the sovereign government of the nation, through treaty agreements, creates a new kind of monetary system which is precisely what Franklin Roosevelt intended to create, if he had not died at the end of the war. That was the original Bretton Woods intention. . . .

Q: You have very, very—honestly—far-sighted ideas. But many politicians here [in the United States] are afraid of “the rise of China,” the “stronger Russia,” and a much stronger India. They are afraid!

LaRouche: When I was a young man, you had propaganda in the United States—it was published in all kinds of magazines and so forth—about “the yellow peril.” And this garbage was all over the place. But it's typically that. And the issue was that you had people who were supporting Britain, who wanted the destruction of China, and therefore, it was against China. And you know of the condition of China in the 1930s! The condition of China in the 1930s was not a threat to much of anyone!

Q: No.

LaRouche: But more of internal problems, terrible internal problems, and the Japanese invasion.

So, what was the “yellow peril” argument? It was the mobilization by the British, for the support of Japan in wars against China. You had people believing this—in my youth. But where’d it come from? Because the United States’ policy has been, always, since especially John Quincy Adams was Secretary of State, that the United States, as a continental nation, had a destiny to open up trade agreements, and good relations with nations across the Pacific. The United States’ interest was always the defense of China, because we knew we were fighting against the British Empire, and the development of China and its security was essential to us, to defend the world from the takeover of everything by the British Empire. And this was the time when Lord Palmerston was running these wars, against China, and against us, at the same time! The Confederacy, the Civil War.

So, you take cases like MacArthur: the same thing. MacArthur represented the American tradition, the trans-Pacific generation. You had the question of Billy Mitchell, the guy who was court martialed, what was it about? Well, the British had planned a war, together with the Japanese, against Pearl Harbor! . . .

So, that has always been our interest. And the *objective interest* of the United States today, as a nation, is still that. Our objective is to have Pacific security and development. Because we recognize that China is a great trading partner. And also the people of Asia depend upon what happens with China. So therefore, it’s very important to have good relations with China, in order to have good relations in the Pacific with Asian countries; in order to block out the imperial interests of the British Empire. And the British Empire has been our enemy, ever since February of 1763! And it is, today, still.

So, the point is, these are our interests, they are objective interests, they’re long-term interests. But often in the short term, foolish people get ideas which are contrary to their best interests, in many countries. And foolish people are little people who don’t think in big terms, they think in little terms. They think in terms of gossip, scandal, and things like that. “My money, today.” “My sex life.” That’s what they think about! They don’t think about the future of humanity.

And therefore, they don’t have a very good sense of what the meaning of human life is. Because, we all die, and the meaning of life is what we are while we’re alive. What are we doing for all humanity, when we are gone? And that’s simply the problem.

And you can—I’ve seen it often before among our people in the United States. We have a deeply built-in, great potential, for being concerned about humanity in the future. We have more of this than you get in Europe, because in Europe you have more oligarchical tendencies; we don’t have that.

We have, also, in our young population of 18 to 35, a different temperament than you have in the older, Baby-Boomer population. This generation is becoming more mature, it’s becoming older, it’s becoming wiser: The future of the United

States belongs to the generation which is now 18 to 35 years of age. And therefore, they are my primary constituency, which I concentrate on. And I think we should all think like that, because we *all* have that same problem in every country.

We have a new generation coming up, in that age-group, and what we do to develop them, to run the world in the future for the next hundred years, *that’s* what’s important. And that’s our real interest. We have all these problems, yes—but they’re stupid problems by crazy people, and you have to fight against them. But I can understand this thing, because there is actually an evil kind of interest behind all these problems. And that evil interest is what we call the British Empire, which is *not* the British flag. It’s the same thing as the Dutch East India Company of 1763, same kind of thing. It’s the old Venetian process, it’s the Roman Empire, it’s the Byzantine Empire. And it’s been around for a long time.

Q: It’s very surprising to hear you talking about the magnitude of the current crisis, and the credit crunch. Because, in fact, if you read stories from the media, we get a sense that the problem is not so serious. They say, “It’s only a credit crunch, but it can be controlled. And now it’s confined to the financial sector, because the stock market is still strong, which is the envy of the U.S. economy.” But when you talk about it, it seems that the whole system will collapse. . . .

LaRouche: It’s like a man with venereal disease proposing marriage. This kind of propaganda.

Because the system *is* collapsing.

Q: What is the exact impact or repercussions? I mean, when you say, “it’s collapsed,” what does that mean?

LaRouche: It means that presently, the present financial system is in the form of the worst bubble humanity has ever known. See, this money is not a value, it’s a bubble. Psychologically, it’s considered a value. And as long as people believe it’s a value, it has a certain impact. But it *has* no value.

For example, let’s take the case of this, right in this county, Loudoun County: This is actually Target #1, for the world collapse of the system. What was built up here was a mortgage bubble. Remember, you had a crash in the U.S. economy in October 1987, which was very much like the crash of 1929. It happened. It happened in October, I forecast it and it happened *exactly* as I forecast it was going to happen. Volcker was then the head of the Federal Reserve System; Greenspan was already coming in.

And Greenspan came in with a sort of printing-press idea of printing money, fake money, and allowing things that should never have been allowed. He used several things: The looting of the former Soviet Union, that’s what saved the U.S. system, and the looting was *tremendous*, the looting in Eastern Europe, and the looting of the world under those conditions. Then they used what they called the

Y2K bubble, computer systems. The argument was that the present computer systems were going to explode, when the year 2000 came, because of the two-digit number business. So they invested a great amount of money, poured money into developing the computer industry. In April-May of 2000, that bubble collapsed, the Y2K bubble, because the government had stopped printing money for it. In the meantime, you had the use of mortgage-based securities, by Greenspan, which was another bubble. They used, also, bubbles which were based on the launching of the war in Iraq, which is a big bubble.

Then you had the launching of hedge funds. Now, this is worse than a John Law bubble. So, what are called “assets” today, in the banking system, are absolutely worthless. There’s not a single bank, in Europe or the United States, any major bank, which is viable. Deutsche Bank, for example: Deutsche Bank is gone. Practically every bank—UBS, the biggest bank in Switzerland, is in serious trouble! The major banks in France. So, you’re now at the point that the *banking system*, is disintegrating.

And so, you’ve got a situation, in which there is *no way* you can manage this system, as long as you accept the financial claims, which are outstanding in financial markets: *There’s no possible way this system can survive.* It’s finished.

So, what happens is, they lie. The press lies! The stupid politicians lie. They say [dumbo voice] “Oh! Oh! This is not coming down!” Every week, they say, “This is the end, this is just temporary. Next week it’ll be all right.” Then the following week, they say, again, “Oh, it’s going to be all right.” The following week, the same thing. So, forget the press, they all lie.

Look at the inside—you should get what I get on the inside! From the inside, among bankers, among people I know, among political circles, this thing is gone! Why do you think Bob Rubin isn’t saying anything? He knows the truth, but he doesn’t dare say it. And other people who are serious on the same thing, they’re going to hide. *I’m* the one who speaks. And they’re very happy that I speak, because I can speak, and it doesn’t affect them.

This system, I’ve known it, I know it well: It’s finished. It’s over.

And my view is, we have to deal with this politically. Because we have an opening, as I said, we have an opening with Putin: If the United States says to Putin, we want to cooperate on a four-power arrangement of the type I’ve indicated, *I know that Putin will accept that.* For example, Kissinger’s already involved with discussions with Russia, since the Spring, on this. Clinton himself is personally involved with Putin, on this kind of discussion. There are a lot of discussions going on, between people in the United States and Russia on this kind of question. That China has an interest in this: obvious. India, objectively, has an interest....

So, if we have this kind of agreement, when these governments are terrified enough—but my view is, you don’t wait

until the terror comes to make the arrangement. You make the negotiations of what you’re going to do, as a contingency plan for when the thing hits, and then you act accordingly. Because you make the crisis give you the *authority* to act. You plan what you’re going to do, think it out beforehand, think out your strategy before the war starts. And then, when the war breaks out, you know what to do—because you’re prepared, you’re organized. And we have to think strategically and say, “All right, here’s the possibility. What date is this going to happen? We don’t know. It’s coming on fast, we don’t know when it’s going to happen. Let’s be prepared. Let’s have our people discuss this. Let’s work out plans. Let’s understand each other, especially among these four nations, those who are willing to do this discussion. And let us be prepared to walk in, on the day when they’re on the floor crying, and say, ‘Okay—here it is.’”

And that’s the way this kind of thing has been done in history in the past, and that’s the way it has to be done now. We have to be prepared: Leading, thinking people in these countries, and other countries as well, have to be prepared. They have to understand what we’re talking about. You have to explain it to them, so they can clear their heads, to say, they’re not confused. They know what you’re proposing, and why. They say, “I don’t think so now. I don’t think it’s happened.” But nonetheless, you get them to understand it.

Because, when they, “Uh-oh! You were right!” Then they were prepared, they were prepared intellectually to make the right decision. The danger is that a crisis comes, and *then* they start thinking about it. Then you lose. You’ve got to think about the crisis *before* it actually hits, in order to prepare the right people to react in the right way.

Q: Just now you were talking about China. You say, China is threatened by the current subprime crisis.

LaRouche: They want to destroy China! Look, you’ve gotten the obvious thing that happened, operations against China in a preliminary phase, in the actual operations, will come from a certain right wing of Japan. Because Japan is situated to do that: the Ishihara factor, of the Mayor of Tokyo. The thing where they played with the islands, the Spratlys off China. They’re playing it against China. They’re a right-wing faction—

Q: Yes.

LaRouche: And you have another faction in Japan, which has a different view of the thing, which realizes that cooperation with China, and with Russia, is essential to them. Because they have technology they can export, and they have a great market to export it to. They want to do that! They want to change it, because the yen is coming down. The yen carry trade has blown up!

The blowing up of the yen carry trade means a crisis, so therefore they can go in two directions: One direction says, “If we go with the British, we attack China.” The other one says,



Tokyo Mayor Shintaro Ishihara (shown on the right in an election campaign poster) is an outspoken China-basher. His right-wing group represents the only real capability in the region to make trouble inside China now.

“No, we cooperate with China. We cooperate with other countries.”

So therefore, in that case, our concern in Japan, is to help the faction that wants to cooperate, and to weaken the part of the faction that doesn't.

Q: Okay. The United States now is trying very hard to press China to appreciate its currency. I read a research report, I think you may have noticed it, from the Federal Reserve. It said, “The appreciation of the Chinese yuan will play a minor role in the trade relations. . . .”

LaRouche: It has nothing to do with the yuan. They've always been trying to do that, because the intention is obviously not the trade relationship with China, it's the *internal* situation in China that's the target. They want to create an *internal* crisis in China. It's not the trade relations they're concerned about! And poor [Sen. Charles] Schumer doesn't know what he's talking about. He's a nice guy, he's a lawyer, but he does not understand these things.

So the point is, this is a deliberate targetting of the internal

political system of China, because if China loses face, by being forced to upgrade the yuan, that's no benefit to the United States. There's no economic benefit to trade relations, and it's a threat to the U.S. economy! You would think they would protest against that. They wouldn't want the yuan touched. Because it is the fixed value of the yuan, which is the greatest advantage for the United States, for trade relations. So why should they want to raise it?

Only because some of the people in the Congress are idiots! They're coming under pressure, and they don't want to resist the pressure. They don't want to think about it. But the target is, as you and I should know, the internal stability of China. That's what they're after. And they know what the effect of this kind of condition would mean. Because you have problems and tensions in China, as in every country at this time. You want to start something? Set fire to the place. How do you set fire? You create a crisis. How do you create a crisis?

Think about what the internal effect on various currents in China would be of this thing being done, China conceding. It would open the door for all kinds of problems. You don't want that. None of us want that.

So, therefore, this is a fake. There's no legitimacy. It's a British game, a diplomatic game. It's like a war game. It's like a provocation. It should be called that. I would recommend the Chinese government, agencies, just simply say, “Well, we're having this pressure from Charles Schumer and others, who's a very nice man. . . .”

Q: And [Sen. Max] Baucus—

LaRouche: Yes, and the whole crowd. There are Republicans, it's bipartisan. But I would say simply, publicly: “Well, this pressure's crazy, because obviously, if anyone understands economics, which apparently many people in the Senate don't, they would understand that the raising of the yuan in this way, would be a disaster for the U.S. economy, which has an intrinsic dependency upon China's supply to the U.S.”

So, this has to be seen as the attempt of some people who are being misguided in the United States, to cause internal problems in China.

And I would add, my thinking is, that means I'm watching the right wing in Japan, because the only facility you have in the region, that anyone has, to make trouble in China, right now, with the present world financial situation, is Ishihara and company, the right-wing crowd in Japan, who had this crazy thing with the islands. Remember the islands problem. The two islands, the same crowd.

And that's what it is. . . . If I were in charge of this problem, I would immediately have publications appearing in various parts of the world, which were telling various parts of the world what the reality of this thing is, and thus create an embarrassment for those in London and the United States who are creating this problem.

And the best way to kick them, is to kick them in their political organs. . . .

British Hand Is Pushing Bush Into Iran War Trap

by Michele Steinberg and Jeffrey Steinberg

On Aug. 28, after George W. Bush delivered a speech to the American Legion where he raved about a “nuclear holocaust” coming from Iran, and vowed to continue—and even escalate—the war in Iraq, Lyndon LaRouche warned that British interests were goading the President into a suicidal flight-forward that would lead to a cataclysmic Hundred Years War. LaRouche said that the President is clearly in very bad psychological shape, and any British effort to encourage him to order strikes on Iran, based on deluded claims of American military capabilities that do not exist, is dangerous and perfidious. And, in the week since *EIR* published its story on Iran, “Is It Just Drumbeats We Hear, or Is It Actual War?” there has been a massive escalation in the propaganda push to justify war against Iran, and it is no accident that the leading voices are British.

LaRouche, on Aug. 29, denounced a British think-tank study which claimed that the United States can obliterate Iran’s nuclear program, defense infrastructure, and government, in a matter of hours, calling it “a filthy pack of lies,” aimed at inducing President George “My name is Legion” Bush into a flight-forward attack.

The 80-page paper, “Considering a war with Iran: A discussion paper on WMD in the Middle East,” was written by Daniel Plesch, director of the Centre for International Studies and Diplomacy of the School of Oriental and African Studies at the University of London; and Martin Butcher, former director of the British American Security Information Council (BASIC).

The report has already come under harsh criticism from some U.S. military and intelligence specialists, who charge that it makes utopian assumptions about the effectiveness of air power, when the U.S. “shock and awe” bombing campaign did far less damage in Iraq than initially claimed. The critics, including former CIA and U.S. Army counter-terrorism spe-

cialist Larry Johnson, also charged that the report vastly underestimates Iran’s asymmetric retaliatory capabilities. Other U.S. military experts contacted by *EIR* agree with Johnson, and warn that the United States does not have the kind of capacity-in-depth claimed by the British authors, without diverting vital equipment from other theaters of operation, including Afghanistan.

The British report was first revealed on Aug. 28 on www.rawstory.com, which summarized the document: “The US has made military preparations to destroy Iran’s WMD, nuclear energy, regime, armed forces, state apparatus and economic infrastructure within days if not hours of President George W. Bush giving the order.” The Plesch-Butcher study claims that the U.S. has bombers and long-range missiles capable of destroying 10,000 targets in “a few hours.” They say that the United States, perhaps with the assistance of Great Britain and Israel, could turn Iran into a “failed state” without using nuclear weapons; however, the report warned that if some of Iran’s nuclear sites prove too hardened to knock out with conventional weapons, the “military logic and doctrine” may prompt “the use of nukes if all other means fail.” The authors focused special attention on Global Strike, the STRATCOM (Strategic Command) scheme for launching instantaneous missile and bomber attacks on targets all over the world. That capability, according to the authors, was in place as of December 2005.

This is not the only British hype. On Aug. 29, Jim Lobe, the Washington bureau chief for Inter Press Service, reported that, to justify war against Iran, the White House is “outsourcing” its intelligence. Lobe exposed a 32-page report, sponsored by the Institute for the Study of War and the *Weekly Standard* (owned by British imperial agent Sir Rupert Murdoch), released under the title, “Iran’s Proxy War Against the United States and the Government of Iraq.” The Murdoch-funded report says that the “surge” in Iraq is a success, and

“Iranian intervention is the next major problem” that the U.S. must “tackle” in Iraq.

The Institute for the Study of War is a mysterious outfit, writes Lobe, which reveals little about its founding, or financing. But, the author, Kimberly Kagan, is a known quantity—she is the wife of Fred Kagan, the American Enterprise Institute neo-con who came up with the “surge” plan for the White House to begin with. Mrs. Kagan, following in the footsteps of the AEI stable of liars who hoked up pre-war intelligence on Iraq, writes that, “The government of Iran has also exported rockets, sniper rifles and mortars to enemy groups in Iraq,” and she belittles the tripartite talks on security in Iraq, saying that this diplomacy has “coincided with a significant increase in Iranian support for violence in Iraq.”

But, it appears that the U.S. military is not buying the British propaganda designed to goad the United States into another war. An Aug. 31 report by McClatchy reporter Nancy A. Youssef makes clear that the top U.S. generals and Defense Secretary Robert Gates are distancing themselves from Bush’s policy to “stay the course” in Iraq. Rather than present him with one recommendation on Iraq, Gates, the Joint Chiefs, and other generals will each give him individual recommendations. “If there are differences, the President will hear them,” said Pentagon spokesman Geoff Morrell. Morrell also confessed that there *is no Petraeus report*, per se. Petraeus will give his “assessment” to the White House and Congress. But then, others, including, Gates, Army Chief of Staff Gen. George Casey, and Joint Chiefs of Staff chairman Gen. Peter Pace (who both reportedly want to draw down troop levels in Iraq), will give their assessments to the White House.

Defense Intelligence Agency veteran Jeffrey White told McClatchy that this non-consensus is unprecedented, and it suggests that the military commanders want to be able to make clear that whatever course is followed is the decision of the President, and *not* the commanders.

‘My Name Is Legion’

LaRouche’s reference to Bush as “My name is Legion” is from the *New Testament* Gospel of Mark 5:1-10, which recounts Jesus’s encounter with a tormented man, who was beset by demons. LaRouche warned that, given Bush’s state of mind, one cannot rule out a wild assault on Iran. On Aug. 17, *EIR* published a psychiatric assessment of the President’s state of mind by Dr. Justin Frank, a noted George Washington University Medical Center professor, who authored the 2004 book *Bush on the Couch*. Dr. Frank warned of the President’s deteriorating mental state, and wrote of his concerns about a flight-forward order to bomb Iran.

LaRouche drew the parallel between the intensifying war hype against Iran, and Hitler’s behavior on the eve of the Nazi invasion of Poland. Such historical comparisons, LaRouche said, are harsh, but appropriate, and cannot be avoided, if war is to be prevented.

But the danger of war doesn’t stem only from the psycho-

drama in the White House. Rather, as LaRouche has explained, like a Classical tragedy, it is the entire global strategic situation that is rotten. One highly placed intelligence source in Southwest Asia told *EIR* that every serious thinker in the region believes that the U.S.A. will attack Iran—without justification. He sees the U.S. policy in Iraq coming unglued, and given the dangers, the main question he asks himself is, “Is this 1912, or 1914?” adding, “Nobody knows where the ‘Sarajevo’ will occur. It could be Jordan, or Lebanon, or Iraq.”

Meanwhile, one of the major concerns is that Congress, which must act now to stop the White House adventure, lacks the courage to do so.

On Aug. 26, on hearing of the proposals by some well-meaning members of Congress like Sen. John Warner (R-Va.), to ask Bush to consider a token reduction in troops immediately, LaRouche countered by insisting that the *only* successful course is the immediate withdrawal of all American military forces from Iraq.

LaRouche warned, “We now have a combination of a banking and housing crisis, which is only the front end of the biggest financial collapse in modern history. For anyone to talk about extending the war in Iraq, under these already unfolding conditions, is insane.” LaRouche elaborated, “We need an immediate withdrawal of all American forces from Iraq. It can and must be done, by effective diplomacy. We can create the kind of coalition of Iraq’s neighbors and other nations, by diplomacy, that would make the immediate withdrawal of American troops a stabilizing factor. Let us face the real problem, standing in the way of this only viable solution: The President of the United States is becoming more infantile by the day, and the Vice President of the United States is a criminal. Dick Cheney’s removal from office is therefore an immediate, urgent priority for the U.S. Congress and others.

“We must change the agenda of the U.S. government to address the biggest financial crisis in history. We must address the immediate housing crisis.... We must, therefore, disengage from the Iraq War. Start the process of getting the troops safely disengaged now.... By announcing the immediate withdrawal of American troops from Iraq, we can begin, today, to redeploy our forces, out of Baghdad and other combat zones, in preparation for their orderly withdrawal—as we work, diplomatically, with Russia, China, Europe, the neighboring countries, including Iran, Syria, Turkey, Saudi Arabia, and Jordan, the nations of the Organization of Islamic Conference (OIC), and others. This can be done, immediately. Clearly, the complete withdrawal of American forces will take some time, but the policy must be set now....”

LaRouche noted that well-meaning baby steps by Congress are insufficient. “Some people are beginning to think that the Iraq War is part of our national heritage. That is the real tragedy; to keep the troops there—except for some perverse desire to please those among the British who wish to see the United States destroyed before Bush and Cheney leave office.”

Peace Conference Or Hot Autumn?

by Dean Andromidas

While the U.S. State Department appears to be busy preparing a “Middle East Peace Conference” for November, the region is preparing for the war that Vice President Dick Cheney wants to start against Iran.

On Aug. 28, Israeli Prime Minister Ehud Olmert and Palestinian President Abu Mazen (Mahmoud Abbas) met to discuss an “agreement of principles” to present at the November peace conference, which was proposed by U.S. Secretary of State Condoleezza Rice earlier this year. But since the original announcement, expectations have been reduced to the scale of a meeting on the sidelines of the United Nations General Assembly. One peace activist suggested that by November, the “conference” might become nothing more than a “conference call.”

Nothing came of the Olmert-Abu Mazen meeting. While Rice is said to have been pressuring Israel to ease living conditions in the occupied territories to help “strengthen” the Palestinian President, not even one of the 539 roadblocks and checkpoints has been removed, with Olmert reportedly telling Abu Mazen that “staff work” by the Israeli Defense Forces on the issue has not been completed. It is well known that not one checkpoint has been removed since they were first erected in 1991, during the first Gulf War.

The very next day, the moderate Palestinian Prime Minister and former World Bank official, Salam Fayyad, told the Jordanian daily *al-Dustour*, “Israel did not carry out even one move it committed to in terms of the removal of checkpoints, the humiliation of our people at those checkpoints, not to mention the raids, assassinations, and settlements.”

While Olmert has offered the Palestinians nothing but spin, the real problem lies with the Bush Administration. Boggled down in Iraq, and with Cheney leading an internal policy fight for war against Iran, the Administration has done little follow-up, after announcing its intention to convene the conference.

On Aug. 29, the Palestinian President met with Jordan’s King Abdullah II in Amman. Abu Mazen told Jordanian television, that prospects for the U.S.-backed conference looked dim for three reasons. First, there has been no concrete peace plan, clearly backed by the United States, to be presented to the conference. Second, it still is not clear who

will be attending. “The third issue is related to the content of the meeting. If we go to a conference without clarity on a solution and without a declaration of principles within the framework of a workable plan, I don’t think that a conference will be beneficial.”

King Abdullah reminded Abu Mazen that little success can be achieved unless the Palestinians unify their ranks. This is a reference to the split between Hamas, which now completely controls the Gaza Strip, and Abu Mazen’s Fatah, which controls only the West Bank. What Abdullah did not say, was that the Hamas-Fatah split was engineered by the policy of the National Security Council’s Middle East director, Elliott Abrams, one of Cheney’s top cronies, to promote a civil war between the two Palestinian factions.

War Seen as Inevitable

What is really on the minds of the leaders of the region is not Rice’s peace conferences, but the next war. A senior intelligence source based in the region told *EIR* that the question is not “if” Cheney will order an attack on Iran, but when, and everyone, the Israelis, Syrians, Hezbollah in Lebanon, and the Iranians are preparing for what is being seen as the “inevitable” war against Iran. There are some groups “anticipating the conflict as the ultimate defeat of the U.S.”

The source compared the psychology of the region to that of Europe in 1912 and 1914, on the eve of World War I. “There are many ticking time bombs, but no one knows for sure where the Sarajevo will be.”

The “ticking time bombs” are:

- Fear of war between Israel and Syria has been the topic of headlines in each nation’s press for weeks. While some observers believe that a peace agreement between the two countries could be negotiated “within 24 hours,” the Bush Administration refuses to support such talks, and continues to have Syria on its list of countries slated for “regime change.” In light of these perceived tensions, both countries have signalled to one another that neither is preparing for war. The danger of war stems from the fear that, in the event of a U.S. attack on Iran, Israel would attack Syria in an alliance with Washington, or launch a preemptive attack on Syria before the latter could come to the aid of its ally Iran.

- The possibility of resumption of the war between Hezbollah and Israel lies, not with the missiles allegedly being smuggled into southern Lebanon to replenish Hezbollah’s stock depleted during last year’s war with Israel; it lies with Cheney’s policy, financed by his crony, Prince Bandar bin Sultan of Saudi Arabia, to push Lebanon into a civil war. Intelligence sources in Beirut have informed *EIR*, that France’s effort, led by its envoy Jean-Claude Cousseran, to mediate a compromise between the Bush Administration-backed government of Prime Minister

Fouad Siniora, and the opposition led by Michel Aoun, leader of the predominantly Christian, Free Patriotic Movement, and the Hezbollah, over upcoming Presidential elections, has been frustrated by Cheney's policy. The source reports that the Bush Administration refuses to back any candidate that does not toe an anti-Syrian and anti-Iranian line, a policy that could lead to a renewal of the civil war that ravaged Lebanon in the 1970s and 1980s. With the Presidential election campaign scheduled for the end of September through November, a "hot Autumn" can be expected in Lebanon.

After last year's war in Lebanon, Israel has no desire to engage in another asymmetric war with Hezbollah, which it knows it could not win; but if Lebanon falls back into civil war, or if Hezbollah's ally Iran is attacked, then war between Israel and Hezbollah would be almost inevitable.

- As for Israel and Palestine, Elliott Abrams' civil war scenario between Hamas and Fatah continues. Former Israeli Foreign Minister Shlomo Ben Ami, in a commentary published in Ynet.com on Aug. 18, wrote that Bush's "call for an international conference is also a call to declare war on Hamas, which came to power through democratic elections, and to sign a peace agreement with Fatah that lost the elections." He wrote further that the exclusion of Syria and Hamas can only lead to the conference's failure. "It is an illusion to believe that peace can be achieved without the participation of these forces."

Despite efforts behind the scenes, by Arab intermediaries, to reestablish a unity government between the two factions, the brutal sanctions against the Hamas-controlled Gaza Strip, under the orders of the United States and Israel, will inevitably lead to the failure of the talks and the eventual renewal of hostilities between the two factions. The fact that the Bush Administration has authorized \$80 million to "strengthen" Abu Mazen, by financing five security battalions, does not signal that peace is imminent. Unemployment among Palestinians is 40-60%, with the situation in Gaza particularly grim.

In Israel, the Labor Party elected a new leader, former Prime Minister Ehud Barak, who has replaced Amir Peretz as Defense Minister. Unlike in 1999, when Barak ran an election campaign for Prime Minister by promising to negotiate peace agreements, he is now vowing to rebuild the Israeli Defense Forces for the next war.

The most likely trigger for a war against Iran, is by Cheney's blaming the American collapse in Iraq on alleged Iranian support for Iraqi insurgents. But a senior Middle Eastern source warned that the next "Sarajevo could come where we least expect it." He pointed to the possibility of a major social upheaval in Egypt, Jordan, or Syria.

He warned that if Cheney is not removed and a radical change in policy is not implemented, you can expect a "very hot Autumn."

Behind Bush's Latest Anti-Iran Diatribe

by Muriel Mirak-Weissbach

President Bush's most recent charges that Iran is threatening to unleash a "nuclear holocaust," must be seen in the context of the drumbeat for military aggression against Iran. Within a few days, several articles appeared in the Western media, indicating that the Cheney project for launching a new war is on the front burner. Most explicit was the Aug. 27 report of two British think-tankers, Daniel Plesch and Martin Butcher, and leaked by Raw Story the following day. Their study, entitled, "Considering a war with Iran: A discussion paper on WMD in the Middle East," claimed that the United States could destroy Iran's nuclear program, industrial base, and government infrastructure within days.

But Bush's specific reference to Iran's alleged ambitions to develop a nuclear bomb, should be placed in the category of one who "doth protest too much." What Bush did *not* mention is a very significant development, which may well have been the trigger for his wild assertions. This was the agreement reached by the International Atomic Energy Agency (IAEA) and Iran, which proved that the persistent, rigorous approach pursued by the IAEA, to solve the conflict over Iran's nuclear energy program through diplomatic means, has yielded results which the Agency itself has dubbed a breakthrough. The contention of the Bush-Cheney Administration, which is hell-bent on war at all costs, has been that the efforts of the European Union group of three (Great Britain, Germany, and France), as well as those of the IAEA, have been destined to failure, since Tehran was only interested in gaining time to build its bomb.

The "Understandings of the Islamic Republic of Iran and the IAEA on the modalities of resolution of the outstanding issues," were published on Aug. 29, by the new Iranian all-news station, News TV, among others. The text makes clear that the discussion process involving Iranian chief negotiator Ali Larjani and his IAEA interlocutors, including Director General Mohammad ElBaradei, has borne its desired fruit: to wit, that the question-and-answer process, whereby the IAEA has raised its queries regarding specific aspects of Iran's program, and Iran's clarifications, has satisfied the Agency's demands. In sum, the document states that certain specific issues have been fully resolved, and that those yet to be resolved, will be dealt with in the same manner, such that specific time frames can be defined for "closing the dossier."

The IAEA-Iran Agreement

The text of the agreement was published at the request of Iran, "as an INFCIRC [Information Circular] document . . . to be made available to the public through the IAEA website." It states: "Pursuant to the negotiations between H.E. Dr. Larijani, . . . Iran's Secretary of the Supreme National Security Council and H.E. Dr. ElBaradei, Director General of the IAEA, in Vienna; following the initiative and good will of the Islamic Republic of Iran and the agreement made, a high ranking delegation consisting of the directors of technical, legal, and political departments of the IAEA, paid a visit to Tehran from 11 to 12 July 2007 during which 'Understandings of The Islamic Republic of Iran and the IAEA on the Modalities of Resolution of the Outstanding Issues, Tehran 12 July 2007' were prepared."

The text reports on the meetings that took place in Vienna and Tehran on July 24, and Aug. 20-21, after which "both Parties reached the following understandings. . . ." First, regarding the enrichment program, which has been targetted by the Bush-Cheney cabal as "proof" that Tehran wants the bomb: "The Agency and Iran agreed to cooperate in preparing the safeguards approach for the Natanz Fuel Enrichment Plant in accordance with Iran's Comprehensive Safeguards Agreement. The draft text of the safeguards approach paper, and the facility attachment . . . were provided to Iran on 23 July 2007. The safeguards approach and the facility attachment were discussed during technical meetings in Iran between the Agency and the AEOI [Atomic Energy Organization of Iran] from 6 to 8 August 2007. Further discussions will be held with the aim of finalizing the facility attachment by the end of September 2007."

As for the heavy water reactor in Arak, "Iran agreed with the Agency's request to visit the heavy water research reactor (IR40) site in Arak. A successful visit took place on 30 July 2007." Furthermore, it is reported that "On 12 July 2007, Iran accepted the designation of five additional inspectors," and "On 12 July 2007, Iran agreed to issue one year multiple entry visas for 14 inspectors and staff of the Agency."

Under the rubric of "Past Outstanding Issues," the question of plutonium experiments was dealt with. Here, the joint text reports that in the course of July and August, the IAEA presented questions, and Iran provided answers to various issues. Then, in a sentence which might have caused heart tremors for Dick Cheney, the text states: "On 20 August 2007, the Agency stated that earlier statements made by Iran *are consistent with the Agency's findings, and thus this matter is resolved* (emphasis added). This will be communicated officially by the Agency to Iran through a letter."

Regarding other vital issues, a clear timeline is set for the question-and-answer process to yield its results. Regarding the issue of P1 and P2 centrifuges, the IAEA says the Pu [plutonium] experiments should close by Aug. 31, and that it will therefore provide all its remaining questions

to Iran by that date. Discussions are then scheduled for Sept. 24-25 in Tehran, followed by a mid-October meeting, both meetings to clarify the questions. "The Agency's target date for the closure of this issue is November 2007," says the text.

And, for remaining issues, the same sensible approach is adopted: "Once all the above mentioned issues are concluded and their files are closed," further questions can be submitted by the IAEA, again with specific dates, and Iran will respond, within deadlines.

In a final paragraph entitled "General Understandings," the document asserts five points which must have sent Bush ballistic. Since it is absurd to imagine that the establishment press will give the public any insight into what is going on here between the IAEA and Iran, it is worth quoting the points in full:

"1. These modalities cover all remaining issues and the Agency confirmed that there are no other remaining issues and ambiguities regarding Iran's past nuclear program and activities.

2. The Agency agreed to provide Iran with all remaining questions according to the above work plan. This means that after receiving the questions, no other questions are left. Iran will provide the Agency with the required clarifications and information.

3. The Agency's delegation is of the view that the agreement on the above issues shall further promote the efficiency of the implementation of safeguards in Iran and its ability to conclude the exclusive peaceful nature of the Iran's nuclear activities.

4. The Agency *has been able to verify the non-diversion of the declared nuclear materials at the enrichment facilities in Iran, and has therefore concluded that it remains in peaceful use* (emphasis added).

5. The Agency and Iran agreed that after the implementation of the above work plan and the agreed modalities for resolving the outstanding issues, the implementation of safeguards in Iran will be conducted in a routine manner."

The gist of this document is that, contrary to the hysterical ravings from the White House, diplomacy does work, and that if Iran were treated as a normal country, with due respect, as Tehran has always insisted, then progress could be made on any front. The implications of the IAEA-Iran "understandings" are profound: we are not dealing here with a "rogue state" or a member of the "axis of evil," but with a sovereign nation which correctly asserts its right to nuclear energy technology, in the framework of the IAEA and NPT [Non-Proliferation Treaty]. The fact that the IAEA reached this groundbreaking agreement has thrown a monkey-wrench into the Bush-Cheney cabal's plans for war, which are based on their claims that Iran is building the bomb. The Bush-Cheney fall-back position will then be to ask rhetorically: Aren't the Iranian Revolutionary Guards killing our troops in Iraq?

LaRouche Youth Movement in Africa: Reconstruct the World Economy!

Marcia Merry Baker was the host of The LaRouche Show, an Internet radio program, on Aug. 25. Her guests were LaRouche Youth Movement (LYM) members Samuel Lepele from the Republic of South Africa; Portia Tarumbwa of Zimbabwe, speaking from Sweden; Simon Jensen from Denmark, who recently visited South Africa; and Lewis Whilden, from the LYM War Room in Leesburg, Virginia, who plays a liaison role with the LYM in Africa. The LaRouche Show is broadcast every Saturday from 3-4:00 p.m. Eastern Time, at www.larouchepub.com/radio. This is an abridged transcript.

Merry Baker: Samuel, speaking to us from near Johannesburg, what do you want people to know about the formation of the LaRouche Youth Movement in Africa?

Lepele: I was introduced to Mr. LaRouche's ideas in 2003, through an old man who has passed away—we called him Philemon Sekoatle. Four of us were studying under him. After the old man passed away, there was a breach in contact, and we couldn't do anything about it for some time.

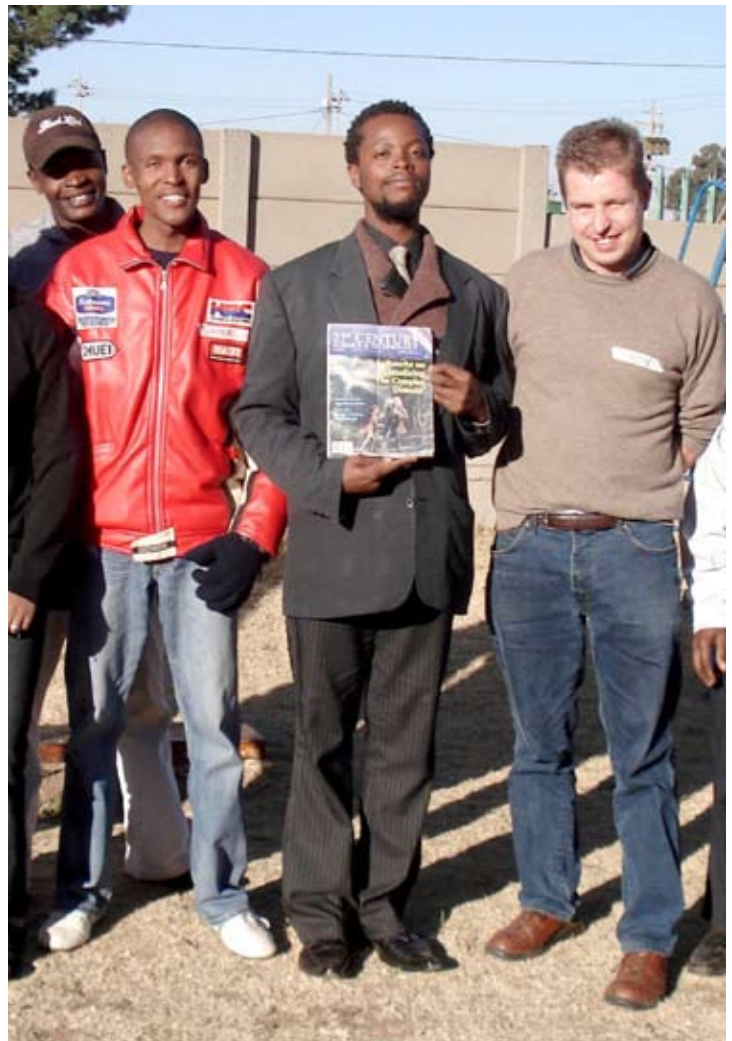
That's when the younger ones in the group started to get educated, independently, started to organize around universities. We went to various universities, distributing whatever material we had, so that people could know that there's a man called LaRouche, and he's advocating for the development of Africa. And afterwards we decided we should call the War Room, and that's where our collaboration started.

Merry Baker: And most recently you had a larger meeting.

Lepele: Yes. We were very happy to have Simon there. It was quite a breakthrough; it gave us the larger scope of what's going on in the States. And we benefited greatly from it.

Merry Baker: And you're organizing a delegation to be represented at the Schiller Institute conference on world construction on Sept. 15 and 16 in Germany.

Jensen: Yes, we are. It's very exciting, the possibility to address the problems we have now with the disintegrating fi-



Samuel Lepele (front left) leads the LaRouche Youth Movement in South Africa. On the right is Simon Jensen, visiting from Denmark in July 2007, to help the group launch its organizing drive.

ancial system, with the conference in September, with the solutions that will not only bring the Bretton Woods solution from LaRouche, but will also bring hope to the continent of Africa. And therefore, we have been able to organize a special African delegation from the emerging LaRouche movements,

now working on LaRouche's ideas in Africa, to come and participate in the conference, and be a part of this weekend seminar discussion with LaRouche around these ideas.

Globalization's Effect on Africa

Merry Baker: Portia, you might want to address the situation in all of Africa, or Zimbabwe.

Tarumbwa: I would just start by looking at it from what's going on, especially in recent weeks, with the financial system. And it's no coincidence that, as the system is coming down, you have an effort to control nations and their resources. One big way that's been used is war, but of course, the other big irony is that the institutions of the



EIRNS/Helene Möller

Portia Tarumbwa

Bretton Woods system, that Roosevelt had implemented initially, for having sovereign nation-states, building them up, has been hijacked. The IMF and the World Bank have been used to basically enslave governments, and, if you've read the book by John Perkins about economic hit men,¹ it's inherent in the system that you use the political conflicts in, especially, African nations, to take raw materials from the back door.

This is something that has been an issue in Zimbabwe, starting from when we wanted to have independence from Rhodesia. We were formerly known as Southern Rhodesia, and then in 1965, we were, let's say, taken away from the mother ship, but with the ideas of colonialism intact, so what is really necessary, if anyone who's listening wants to *do* something for Africa—for countries like Zimbabwe, which is struggling, where most people don't find bread in the stores, they don't find cooking oil, they don't find basic commodities to feed their families—if you want to do anything about that situation, one thing is to understand that you have to reject, first and foremost, the way the whole financial system is being run.

At the G-8, or people like Bono, are talking about piecemeal solutions, microcredits, or whatever—that's not going to get anywhere as long as the IMF system works the way it does right now. And so, what's really necessary is to go the way LaRouche has been talking about for a very long time, which is

1. John Perkins, *Confessions of an Economic Hit Man: How the U.S. Uses Globalization To Cheat Poor Countries Out of Trillions* (New York: Berrett-Koehler Publishers, 2004; now available in paperback from Penguin).

that you need a holistic approach. And one thing that Africa, as well as Zimbabwe, is in dire need of, is a reliable transport system. Because if you can't move from A to B, then whether you have food or not, it's not going to get anywhere. This is something that needs to be integrated throughout Africa, but also going into Asia and Europe, so that we can actually have technology transfer.

It's not a question of money. There's a whole lot of money being pumped into the system right now, that's going into endless black holes. It's a question of political will, and that's something that we are hoping to mobilize, getting the forces together at the conference in Germany, in September, and hopefully people will help us get that going, and to participate in building this movement.

Merry Baker: You mentioned reliable transport, that presumes power, electricity, and so forth. And you have this wonderful irony, that South Africa is doing ground-breaking work on the fourth generation kind of nuclear power plant, called the Pebble Bed reactor.

Jensen: Yes, the South African electricity company Eskom is currently at a very advanced stage in developing the high-temperature gas-cooled reactor; they have been intelligent in South Africa, taking this technology, a fourth-generation nuclear reactor, from Germany, which, in the midst of a greenie paradigm, has rejected this new technology. South Africa has partly simply copied technology by taking experts, who are now ready to produce and put online the first reactor, and have planned a series of 25 of the high-temperature nuclear reactors, as a way to address the energy crisis.

LaRouche has pointed this out: that there are a lot of dreams and hopes for Africa to develop, but if we don't provide very cheap and reliable energy sources for these countries, there is not going to be any recovery. And therefore, going nuclear on the continent will be very necessary.

I would just add, on the question of the situation of big companies, the John Perkins book, the question of modern colonialization going on, on the African continent, through globalization, that more money is going out of the continent than is going in. We are systematically looting the continent with the system right now. We could also be joyful to say the system is going down, the system is gone, it's collapsing! We now have an historical chance to create new conditions for the actual reconstruction of the continent.

And a New Bretton Woods financial system would not only provide us with a financial system that would stop the speculative mode that the big companies are utilizing, but it would be the platform, the precondition, to launch mega-projects to create a transcontinental railway system, in Africa; to have large-scale water desalination; to reconstruct and finally create the river system, canal systems, that will provide the necessary water logistics. These kinds of mega-projects are actually the only real answers we can provide to the crisis.

Enormous Potential for Development

Merry Baker: Do you want to add more about the physical geography, both the vast mineral wealth that's been used just for extraction, or the vast water wealth, the famous Zaire basin (if you just diverted just a little bit of that northward, the lower Sahara would be a garden).

Whilden: I could say something about that, which is incredible: not just what exists, in terms of mineral wealth, and agricultural wealth, but what we can create. Simon was talking about these great projects. You have one project that was developed by the Fusion Energy Foundation back in the 1970s, called the Second Nile Project, which is a grand title, and that's a perfect title for this project. Because literally the idea is to take the Congo River, which flows so fast into the ocean that the colonizers had trouble sailing into it; and you divert it through the Sahel, into Lake Chad, which has been drying up over generations.

After just two more generations, once you divert it, that is, 50 years, Lake Chad will become a very, very substantial lake again. And at that point, and maybe even before, what you want to do is you want to build a canal that comes out of Lake Chad, and curves around in two different directions, all the way up into the Sahara, as if you're wrapping the Sahara in a big curve, and empties out into the Mediterranean Sea. And you build that through the Sahara, because the idea is to irrigate all sides of this desert, and to create a vast area of agricultural wealth. Because Africa as a continent has the capability of feeding the world.

IMF Looting of Zimbabwe

Merry Baker: Perhaps some of you want to speak of the terrible conditions which people have been forced to live under, and the question of AIDS, malaria, etc., counterposed to the great wealth potential.

Tarumbwa: Well, in Zim, we've had the great fortune, or misfortune, depending on how you look at it, of finding new diamonds recently. I mean, I think Africa is one of the places where you could be surprised by finding things like that in your back yard. This potential of wealth has always attracted, of course, a lot of attention. In Zim (we call it Zim, for short) we have, for example, large gas reserves near Lupane, a lot of platinum, etc. But in Africa itself, you do not have the industrial potential to exploit these types of resources for the peo-

ple. You just don't have the factories, the transportation system, etc.

It's interesting how these things work, because you had most of the railways lines developed in Africa in the colonial period, going from the interior to the coasts—basically extracting mineral wealth, and then taking it overseas for development. And Africans have had to import finished products made from their own raw materials.

Africa as a whole, was the first continent to become globalized. I mean, people think of globalization as something recent, or a trend going into the future. But, we in Zimbabwe had the first multinationals coming in for mining, we had the population being used as slave labor, etc., which is something that you're getting now, factories going out to cheap labor countries, and using the cheap labor there to manufacture cheaper products.

And one main instrument that has been used is something called SAP. Any African living in the northern part of Africa will know this. In Zimbabwe, it was known as ESAP—Economics Structural Adjustment Programs. It's basically the deals you get into with the IMF, or the World Bank, under the code words “good governance,” “rule of law,” “human rights,” or whatever. They'll give you all this jargon. But what it basically means is, for example, the breakdown of the health-care system.

I remember, when growing up in Zimbabwe, we used to have free health care. And when we, in the beginning of the '90s, got the conditionalities for getting money from the IMF, through the Structural Adjustment Programs, one of the first things we had to do was put a stop to free education and free health care, in order to cut down on government spending. This seems new for countries in Europe, talking about liberalization, or whatever, but the key thing they talk about is reduction of government spending, and removal of government subsidies on basic commodities.

Zimbabwe, Botswana, and places like this, have the highest HIV infection rates—you're talking about people dying faster. And this might sound shocking to some people, but this was a *willful* practice of genocide, that was taken up by the Anglo-American establishment, with people like Henry Kissinger talking about how you don't want *Africans*, but you want the minerals.² And the minerals belong to the United States or Europe. And you want to have fewer Africans, so you can get to the minerals, and so the Africans don't use them for themselves.

As I said, we were called Rhodesia before, this was the idea of Cecil Rhodes, who came and colonized Zimbabwe, and named it after himself, through a company, a private company that basically owned the nation.

2. NSSM-200, “Implications of Worldwide Population Growth for U.S. Security and Overseas Interests,” Dec. 10, 1974, was a classified report authored under the personal direction of then-National Security Advisor Henry Kissinger. It was declassified in 1990.



EIRNS/Stuart Lewis

Lewis Whilden



Cecil John Rhodes (1853-1902) founded the British Colony of Rhodesia (naming it after himself, of course). He used a private company to loot the nation.

So, when you talk today in terms of globalization, cartelization, and these companies having more power than governments, you're really talking about imperialism, and nothing modern, but something very, very old. And something outdated, I think, because I think the future lies in what Franklin Roosevelt was talking about, in terms of sovereign nation-states, and that is what Zimbabwe has attempted to do, in addressing one of the key issues the oligarchy has used to keep Africa in its sway, or under its power, which is the land issue. Who does the land belong to?

In Zimbabwe we had 2% of the population owning 85% of all arable land, and that was something the Zimbabwe government tried to address, has addressed. We were "misbehaving," so we were told to cut it out, or we would have sanctions against us. They didn't say it explicitly, but they did do it. And since 2001, we haven't been allowed to borrow from any international institutions, or to trade with any companies from countries belonging to the IMF institutions, which basically means that they isolated the whole country.

You hear more about Zimbabwe of late in the newspapers, than you hear about the killings in Congo, for example—mass killings. Because they're more interested in: Is what is happening in Zimbabwe going to spread, and thus threaten their interests right now, as the financial system is collapsing? And they really need to make sure that they get Zimbabwe in check. They keep people afraid. And South African President Thabo Mbeki said in Tanzania recently, that the fight against Zimbabwe is a fight against us all.

Today Zim, tomorrow it will be South Africa, it will be Mozambique, or it will be Angola, or any other African country, and I think that's why it's such a big deal. A lot of people have read probably in the newspapers about Mugabe being some kind of demon, or tyrant, who babbles on about the British being evil. But in April 2007, a State Department report came out saying that the U.S. government has, for example, been encouraging great public debate by supporting organizations, be they religious organizations, or be they political organizations, like the opposition—they've been supporting them financially, because these groups have been criticizing the government. So, there has been a policy of regime change.

This is the question: Are you going to allow this to happen to Africa, or are you going to say, "Look, we're going to stop this right now!"? The buck stops here. Because at any rate, the system itself is coming down, and what's the alternative?

So, this, I think, is the issue of what's going on in Zimbabwe right now, and that's the bigger picture.

Al Gore: The Modern Cecil Rhodes

Jensen: Portia, may I add to that? The modern legacy of Cecil John Rhodes has been taken up lately by this man named Al Gore, who is also one of the big company owners, and hedge fund managers of our time. In fact, in '98, he not only arranged the bombing of the only pharmaceutical plant in Sudan, as Vice President under Clinton, but he also, in the very same year, commanded Mbeki not to supply the South African population with cheap AIDS medicine. He said, you have to respect intellectual property rights for medicine, and he prevented what has been done in Brazil: mass production of cheap AIDS medicine, retroviral medicine.

In South Africa alone, in 2003, over 5 million people were infected by AIDS. It's probably much higher by now. This is a country with 50 million people. Now, compare this with Brazil, which has around 190 million people, and where only around 60-70,000 people are infected by AIDS. The big difference is probably the question of the cheap AIDS medicine.

So, here we see how the great Zeus of our time, Al Gore, or the financial gods of London, are really saying, "No, you cannot have technological development. No, you will not have access to the most modern medicine. No, you will not

have access to technology.” As Zeus prevented Prometheus from providing access of knowledge to the people in the old Aeschylus drama.

I just wanted to put that in, because there is a big scandal right now, the British BAE Defense Systems scandal, which is casting a light into how these giant companies have been used to purchase and smuggle weapons, to control governments, including on the African continent, organized in secret, by the British government. And the scandal involves the oil-for-weapons deals by Saudi Prince Bandar. It goes back to Margaret Thatcher’s government in Britain. It involved Tony Blair. It’s a huge scandal, where we see that billions of dollars are being channeled to weapons, and secret armies, to control the continent, and to supply weapons, and extract minerals.

In fact, when you look at it, you find out that companies that were founded in the tradition of Cecil Rhodes, are today heavily involved in weapons deals that certainly involve South Africa. And here we actually get a picture of the continued function of the policy of the British East India Company, the old colonizing policy, the role of the British Empire as it was founded more than 200 years ago.

I think it’s very important to keep in mind the role of the oligarchy, and the Venetian game in this, and certainly the role Lyndon LaRouche is currently playing to effectively attack this part of the financial oligarchy, which is consciously driving genocide around the planet. Because in the land of the blind, the one-eyed man is king. If we don’t know what the enemy is really intending to do, we will fight him blind.

Environmentalists Racists Target Africa

Whilden: Samuel, is global warming being pushed very much in South Africa? And do a lot of people kind of subscribe to this religion?

Lepele: No, not much, not like in the West.

Merry Baker: The global warming crowd had their last big world meeting in Nairobi, Kenya, in the last years. It’s a really fascist thing to say, “We know that you know that we know it’s not right, but we’re just going to come here and say, ‘This is the way it’s going to be.’”

Tarumbwa: I think that’s really sick. Because the most well-meaning people fall for this, that “Africa is going to be most affected by global warming, and this is so terrible, they’re going to have droughts and all this....”

What is at the core of it, is a real racist ideology. Especially here in Europe—I can speak from having also organized in Europe for a couple of years now—it really is some kind of almost a spiritual thing, to save nature from man. It’s something that people spend their whole lives doing, separating their garbage and all of these things.

But the whole environmentalist ideology, the greenie ideology, says, “We’re going to give Africa solar panels and windmills to develop, and we’re going to kind of plaster the Sahara with windmills.” This comes from the fact that they really think that human beings are something bad. And you

know, these cute little kids in Africa, running around naked, with banana leaves in the background, or something like this; that this is the way man should be: in touch with nature.

And none of them, if you ask them, would be able to spend a week being in touch with nature, because you can’t drink the water, you get malaria, or cholera. It’s something that they can’t even imagine, sitting next to their laptops. I think it really is a religion that has taken control, and it’s something that we have to attack viciously. Because it’s a barrier that you come up against most when you say, “We have to have massive industrialization of Africa.” ...

Merry Baker: As you talk about minerals and resources, let me ask: Among the famous companies, London Rhodesia, that is, LonRho itself, is proclaiming that they’re back on the map in Africa. They’re talking about water privatization. Is that right?

Lepele: Yes. Currently in Soweto, what these groups are trying to do is install water meters, which will be opened by cards, and people have been revolting against it, by smashing all the pipelines that go to those water transmitters. People are reacting very badly to this. This can get out of line, because the police are being sent there, and they fire rubber bullets into the crowds, and all that. So we are very afraid that this can get out of hand....

Jensen reports on organizing in Europe for the Schiller Institute’s Sept. 15-16 conference, and for a New Bretton Woods system. Whilden describes the LYM’s work in the United States, to stop the Iraq War and implement economic recovery measures; to support a Bering Strait Rail Tunnel and the Eurasian Land-Bridge. Jensen then mentions the Danish LYM’s success in sparking enthusiasm for a maglev train system, the most modern type of land transport, which has so far been built only in China.

Give the Youth a Future

Tarumbwa: Adding on to that, it’s the question of the whole Eurasian Land-Bridge, not just a question of building a train. People who have very little knowledge of economics should not only read LaRouche, but should also think about the question of peace. Because if you’re going to build this thing, this involves cooperation, multilateral, long-term agreements. You’re going to put youth and children to work who used to do drugs, or used to be soldiers in war, and you’re going to give people a future. Because maglev is not only fast, but it’s the best technology around. You’re going to have to upgrade the whole economy, to match that. You’re going to have to give people homes. They’re going to live near where they’re going to work. This is going to be a project for the next 50 years.

And then, the child dying at two years of age in Sudan, because of war or famine or whatever—that could be your next Einstein. These are the scientists of the future. You could

have amazing cooperation for space projects. Congo, being on the Equator, has the resources for making the best rockets and the best observatories in the world. It's incredible, the potential of this project. It's a gateway to a whole new world, a whole new order of peace. And I think people who don't know where this crisis could go, should grab the chance of going with LaRouche on this. Because it's just incredible!...

Merry Baker: In our final 12 minutes or so, are there any particular lessons you want to bring out?

Tarumbwa: Well, I just want to pick up on something that Simon said earlier, about the question of the oligarchy, because I don't know if people listening have really gone into this concept in depth.

Take someone like Rhodes—he sincerely believed that the British were a superior race; he sincerely believed that they were destined to conquer the world. And this is something that Aeschylus goes through, or if you look at the mentality of the Olympian gods, you see it, or the bankers who thought they had an infallible system, and they were walking on top of the world—this idea that there are some people born to rule, and there are some people who are just there to serve, and they're just there to maintain a certain type of life-style. How did we get to have a world where two-thirds of the world population is living in the most horrible conditions you can imagine? How did we get here?

If it doesn't bother you, there's a problem. But if you know in your heart that this isn't right, and you think about where it comes from, you see that you have these guys who think like Rhodes, but at the same time, you may secretly admire people like this. People think about how they could spend their whole life having a normal job, or they could just throw it all into the stock market, and win more money in a few minutes than they ever made in their entire life of having a decent day's work. And I think that what we're having to deal with, in terms of Africa. If Africa's going to get a future, if we're actually going to go with the Eurasian Land-Bridge and the New Bretton Woods, it's not just an economic question, but also a very deep cultural question, that everybody has to examine for themselves, and work through for themselves.

Because the whole oligarchical question is a question of, do you know how beautiful it is to be human? You brought up the music question, Marcia. I think this is very, very important, that LaRouche goes into Classical art, and Classical drama, giving us the lesson that we can work through, and understand, what is really at stake here; what really brings whole civilizations down. We're at the brink of a Dark Age today. And I think Africa is not even a separate issue from whether or not we can get out of this crisis—it's not some "extra" thing, but it's intimately entwined with the fact that if we don't do this, then as an entire civilization, we're not fit to survive.

But if you look at these Rhodes guys, and Milner—they're part of the Round Table in South Africa. They orchestrated the Boer War. They were the first to put people in concentration

camps—women and children, forced labor. This is not just a question of people who are greedy, but *their image of man*, it's disgusting; it's horrible. And that's where you get people like Dick Cheney. And so, I think that this is the real issue. As LaRouche said in a recent webcast, Africa cannot afford a maglev railway system, so you just have to give it to them, because by doing so, you're creating markets for Europe in the future. Europeans need to make high-technology goods, and they'll be useless for the rest of the world if they don't continue to do that. For the Chinese, etc.

This is an issue for everybody to think about. Are we fit to survive, as a civilization?

Whilden: There's a huge significance of a youth movement starting in Africa. Because to counter this Zeussian principle, as opposed to a Promethean principle, to counter this kind of insanity that you're talking about from the standpoint of the oligarchy, you have to have a youth movement that's dedicated to the study of Bach and Kepler. And showing people in these kinds of dire situations, what it means actually to be a human being. That's absolutely been key to the recruitment all over the country, and all over the world, for the youth movement as a whole. In that light, the starting of a youth movement in South Africa is very, very exciting, for countering this kind of madness.

Tarumbwa: And Zimbabwe too. We have a couple of young people there who are really excited about Kepler and Bach.

Jensen: And Mozambique! I just spoke to Kasam, who's very excited about getting the 15 youth we have in Mozambique involved. And it just brings to my mind the work of Mahatma Gandhi, who was active in Africa, and who said, "Injustice anywhere will threaten justice everywhere." And it's true. We will not be able to make the necessary cognitive breakthroughs, whether in defeating AIDS or cancer or coming epidemics, but also in the question of the frontier in space, to conquer the Solar System, to make breakthroughs in fusion energy that will allow us to finally go to the big planets, Jupiter and Saturn—all of these projects are there, and waiting for us to go there. But we need to bring up the living standards, the cognitive living standards, for the lower 80% of the world's population, to actually have the density of ideas, and the cognitive precondition, to be able to do this.

The system of globalization has failed, and the system of economy as we know it today, has failed utterly. It's a good idea that we change it, because it has these wonderful prospects....

Merry Baker: Samuel, you are in South Africa right now, would you like to have the last word?

Lepele: Yes. We need support right now, from anyone who wants to help us develop a youth movement in South Africa, because we don't have material. Basically, to develop ourselves, and also to have recruitment. We distribute material, but the small amount that we have, it's not enough.

International Intelligence

Afghan Opium Production Hits Yet Another Record

The UN Office on Drugs and Crime (UNODC) report, "Afghanistan Opium Survey 2007," paints a horrific picture. Each succeeding year under U.S. occupation has produced a new record opium crop.

In Afghanistan, with a population of 23 million, an estimated 3.3 million people, about 14% of the population, produced 8,200 tons of opium in 2007, 34% more than 2006, and twice the amount produced just two years ago. That's 93% of the global production of opium.

Apart from China under the British guns in the 19th Century—a country which at that time had a population 15 times larger than today's Afghanistan—no other country has ever produced opium on such a scale.

The report notes that 70% of the opium comes from southwestern Afghanistan, from five provinces bordering Pakistan. One of those provinces, Hilman, with a population of 2.5 million, produced about 50% of the entire 2007 Afghan opium crop, about 4,100 tons. The report states: "Unless serious action is taken in terms of external assistance to Balkh and other opium free provinces, there is a high risk that they will resume opium poppy cultivation in the coming growing season."

An UNODC survey of Afghan farmers found that 98% said they would be ready to stop opium poppy cultivation, if there were other means of earning a livelihood.

In 2000, before the U.S.-led occupation of Afghanistan, the country had 82,000 hectares of land under opium poppy cultivation. In 2007, that figure is 193,000 hectares. The gross income from opium per hectare is \$5,200, while the gross income from wheat is \$546. The production of cannabis is also increasing, and is becoming as lucrative as opium.

What is the report proposing for measures to put a halt to this scourge? Not much. It calls for 1) higher rewards to non-opium farmers, and inclusion of a no-opium pledge as a precondition for assistance; 2) higher

risks for opium farmers; 3) more opium-free provinces; 4) NATO to help take on opium labs, markets, and traffickers; and 5) coherence in policy.

The report says, "The government's benign tolerance of corruption is undermining the future," and "Tacit acceptance of opium trafficking by foreign military forces as a way to extract intelligence information and occasional military support in operations against the Taliban and al-Qaeda undermines stabilization efforts." In other words, there is a "coherence in policy" not to do anything to stop drug production on the part of the government and the foreign military forces.

Behind the figures of the UNODC report is the reality, that over 100,000 people die from opium-related drug consumption every year, millions have their minds and lives destroyed, as the nation of Afghanistan, and its neighbors, are used as pawns in the great oligarchical chess game.

Myanmar Destabilization Run by IMF and Cheneyacs

At an Aug. 30 briefing at the White House on President Bush's upcoming Asia trip, there was a constant refrain of "Burma, Burma, Burma" as a top item to be discussed at every meeting. The routine demonization of Myanmar (Burma) has reached a new level, as demonstrations within Burma over the past ten days have been given prominent coverage in the Western press—supposed evidence of suppressed opposition to the government breaking out of containment.

In fact, the small demonstrations were, for the first time in many years, economic in nature, protesting the cutting of some subsidies for fuel. What is generally left out of the coverage is that cutting the subsidies was an International Monetary Fund proposal! Ironically, when Indonesia cut its fuel subsidies last year, also under heavy IMF pressure, there were similar demonstrations—but Indonesia was praised by the West for showing courage against "populist" support for the subsidies, and for get-

ting more in line with "market prices."

The Nation in Thailand, partially owned by Dow Jones, tipped the Western oligarchy's hand in the matter, writing on Aug. 27: "The IMF has been advising the junta on how to modernize its economic management and tax collection system. In normal circumstances, the junta's latest move would have been considered sound economic policy. But given the long-standing suppression and suffering of the Burmese people, the fuel-price hike represents a small window to speak out."

Bush is unlikely to succeed in turning Myanmar's Asian neighbors against it, as evidenced by the headline of *The Nation* article: "Uproar in Burma, Silence in ASEAN."

New Finance Minister, Anti-Trust Law in China

China's Finance Minister, Jin Renqing, resigned Aug. 30, and four other ministers, including the Minister of State Security, have been replaced. These were largely decisions taken by the National People's Congress, the major legislative body of China. The actions are in preparation for the upcoming Communist Party Congress in October, in which more personnel exchanges are expected. The decision may not, however, be totally unconnected to the ongoing blow-out of the world financial system, and China's intent to deal with it.

The new minister, the 59-year-old Xie Xueren, from China's eastern province of Zhejiang, has been the director of the State Administration of Taxation. The National People's Congress has also passed an Anti-Monopoly Law, a form of anti-trust legislation, which reserves the right to prevent mergers and acquisitions that might endanger the national security. Only 11% of all mergers and acquisitions in China are done by foreign firms, but that number is up from 4% in 2004 and is growing. A new government office will be set up to monitor the law. The law was first introduced in the legislature in 1993, but was not passed in its final form until now.

Home Alone, Dick and George Desperately Scheme for War

by Jeffrey Steinberg

The sudden resignation of Attorney General Alberto Gonzales may have caught some in Washington by surprise, but the decision to throw the thoroughly discredited and legally challenged AG overboard was made over a month ago, following his bungled, lying testimony before House and Senate Judiciary committees. The delay in announcing his resignation was pure political calculus. By waiting until the late August doldrums, and creating distance from the Congressional hearings that actually brought the Attorney General down, White House strategists, led by the recently departed Karl Rove, hoped to minimize the political damage. They were kidding themselves.

Sources familiar with the present state of chaos at the Bush-Cheney White House say that the Gonzales departure creates a vacuum at the top of the Justice Department, where more than a dozen investigations into impeachable crimes by the President and Vice President are now ongoing. One of those probes, into the payoffs by the British arms firm, BAE Systems, to former Saudi Ambassador to the United States Prince Bandar bin-Sultan, could strike a deadly blow to the entire Anglo-American strategic partnership that has guided the current Administration on its path of self-destruction for the past seven years. More on the implications of the BAE saga follow below.

According to several of *EIR*'s Washington sources, the White House is desperate to recreate the bodyguard of lies that Gonzales loyally provided, atop the Justice Department. So far, these sources report, the top candidate to replace Gonzales is White House terrorism advisor Fran Townsend. A one-time Clinton Administration DOJ and White House insider, Townsend reinvented herself as a Bush-Cheney loyalist over the past seven years, and is now one of the Vice President's most trusted allies. As Cheney's key contact to the

Saudi royal family, Townsend has been traveling quietly back and forth to Riyadh, and faithfully representing Cheney's schemes to create a permanent Sunni-Shi'ite conflict in the Muslim world.

Townsend is also on President Bush's A-list of trusted White House gal-pals, a status far more important than her formal rank as an assistant to the President on counter-terrorism and homeland security affairs. Townsend's most important qualifications for the Attorney General post: her total loyalty to Cheney and Bush, and her insider status with the Saudis, which assure that she would move Heaven and Earth to quash the BAE probe.

BAE Probe Would Be Explosive

Well-placed Washington and Arab world sources insist that a thorough probe of BAE's ties to Prince Bandar, particularly his role in the "Al-Yamamah" oil-for-weapons barter deal, would provide the key to the darkest secrets of the past several decades, from the Anglo-American and Saudi bankrolling of the Afghani mujahideen and the cocaine Contras in the 1980s, to the real story behind al-Qaeda and the 9/11 attacks. There is perhaps no Justice Department probe in recent memory that carries such profound implications, if thoroughly pursued, as the Bandar-BAE case. At the moment, the investigation has been confined to violations of the Foreign Corrupt Practices Act, a law barring bribery of foreign officials in the United States and other related crimes. Over the span of the "Al-Yamamah" operation, Prince Bandar received a reported \$2 billion in payments. The funds originated with the Saudi Ministry of Defense, went through BAE and British Defence Ministry accounts at the Bank of England, and ultimately were passed into the Saudi Embassy accounts in Washington at Riggs National Bank. If the DOJ

probe is expanded to cover violations of the 1997 amended U.S. drug money laundering law, sources tell *EIR* that a Pandora's box would open up.

Like the Last Days of the Soviet Union

The situation in and around the White House has become so desperate and isolated, that Washington insiders are drawing parallels between the collapse of the Soviet Union and the fall of the House of Bush-Cheney. The appearance of Soviet solidity, long cultivated, came crashing down in the wake of the failed KGB coup of 1991 against the last Soviet President, Mikhail Gorbachov. Within weeks, the Soviet Union was no more. Similarly, sources report, the once-impervious Bush White House is now embroiled in factional battles, mass resignations, and a total loss of control over the policy agenda for the final 16 months.

The well-orchestrated, vintage Karl Rove plans to skunk Congressional Democrats on the Iraq War issue, through the White House-scripted "testimony" of Gen. David Petraeus, touting the success of the so-called troop "surge," were delivered a death blow in late August, when Sen. John Warner (R-Va.), the Senate's "Mr. Military," freshly back in Washington from a four-day tour of Iraq, "suggested" that President Bush should announce the start of a withdrawal of American troops from Iraq, in his scheduled Sept. 15 speech to the nation. Warner's much-agonized defection from Team Bush, long in the making, shook the White House to the core, according to GOP sources, at precisely the moment they were trying to delicately dump Alberto Gonzales and quickly replace him with another "firewall" loyalist.

Cheney as a British Puppet

While President Bush may be too caught up in his fantasy world to realize that his biggest problem is the collapse of the world financial system, and, at home, an immediate home-foreclosure and banking crisis, others in and around the Administration are not so blind. For weeks, Treasury Secretary Henry Paulson and Fed Chairman Ben Bernanke have been conducting round-the-clock consultations with central bankers and leading private financiers from Europe, Japan, China, and other leading creditor countries, trying to devise a plan to postpone the inevitable collapse of the entire world financial system. According to one banker involved in some of the talks, Paulson, in particular, has been desperately looking for false assurances that the crisis can be postponed or localized, while he and the others actually know better. The idea that the Bush-Cheney White House is going to have to face up to the biggest financial blowout in modern history is, unquestionably, the scariest feature of the entire unraveling strategic situation.

Ironically, Paulson brings a unique bank of experiences into this crisis. From 1972-73, he was an aide to John Ehrlichman, President Richard Nixon's chief of staff, and a central player in the Watergate scandal that was erupting at the

time; Paulson was advised to say "sayonara" to White House politics and seek more "honest work"—on Wall Street. It is ironic that Paulson should return to Washington, only to find himself, once again, in the belly of a scandal that John Dean, Nixon's White House counsel and a key Watergate whistleblower, has described as "bigger than Watergate."

If history is to be any guide to the present, the Bush-Cheney Administration is facing an existential choice in the immediate days and weeks ahead: Either return to the tradition of Franklin Roosevelt, or go with a Hitler/Mussolini alternative, meaning war. As reported elsewhere in this issue of *EIR*, there is no doubt that the Vice President is hell-bent on war with Iran, as the immediate "way out" of the financial catastrophe already unfolding.

Cheney, by all accounts, has been the driver for a showdown with Iran, aimed at triggering a "permanent war" between Sunni and Shi'ites throughout Asia. Cheney was the chief impediment to getting President Bush to embrace the Kennebunkport offer by Russian President Vladimir Putin, to launch a U.S.-Russian strategic partnership, which would begin with the creation of a joint missile defense shield, covering Eurasia. As one well-placed Washington strategist put it: "Such a U.S.-Russian strategic partnership is London's worst nightmare. If Washington and Moscow agreed on a long-range cooperative agenda, centered around the economic development of Eurasia, the leading continental Western European nations, led by Germany, would jump on board. Britain would be isolated and powerless."

Thus the imperial drive for a war between the United States and Iran—a war that would bring decades of chaos to the Persian Gulf oil patch, and pit the United States against all civilized nations, including both Russia and China—is a top British priority. Dick Cheney is the "last man standing" in the British scheme, and as long as Cheney remains in his Vice Presidential perch, war is just around the corner.

No 'Double Impeachment'

Thus, with all of the mounting real-world crises piling up as Congress returns from the Summer holiday, the number one priority is the ouster of Dick Cheney. Any talk of a double impeachment of Bush and Cheney, Lyndon LaRouche warned on Aug. 31, would be worse than folly. Bush without Cheney, LaRouche explained, could be managed, with proper advisors and a Vice President who is not a British war party stooge. To bring down both the President and Vice President at a moment of global financial crisis, when American leadership is key to any viable solution, would be a disastrous, irreparable blunder. Oust Cheney now, and the problem can be solved, through the kinds of emergency measures proposed by LaRouche, beginning with his Homeowners and Banks Protection Act of 2007. Take Cheney's impeachment "off the table," and there is no bottom in sight.

With ‘Firewall’ Gonzales Out, The Smell of Watergate Is in the Air

by Edward Spannaus

The long-anticipated resignation of Attorney General Alberto Gonzales, delayed as long as possible by the White House, leaves George W. Bush and Dick Cheney in an extremely vulnerable situation, and hastens a Watergate-type showdown, according to knowledgeable Washington sources. President Richard Nixon, it should be recalled, was forced to resign after Articles of Impeachment were approved against him for such offenses as abuse of powers, including illegal wiretapping of his political enemies; obstruction of justice by encouraging subordinates to lie; and refusing to comply with Congressional subpoenas.

Since he was moved from the position of White House Counsel to U.S. Attorney General in early 2005, Alberto Gonzales’s primary function at the Justice Department was to be the “firewall”—the Obstructor General—to protect Vice President Dick Cheney and the White House from Congressional and other investigations. It was his protection of Cheney and others, not just himself, which explains his stonewalling and dissembling on the issues of warrantless wiretapping, torture, secret prisons, and the firing of U.S. Attorneys.

Less public, but potentially more devastating for Cheney, is the Justice Department’s ongoing investigation of the BAE bribery scandal, revolving around Cheney’s favorite Arab, Prince Bandar of Saudi Arabia. Although the probe is now reportedly being conducted as a Foreign Corrupt Practices Act investigation, the danger to Cheney & Co. is its possible expansion into a money-laundering probe, in which the uses of the monies laundered through Riggs Bank in Washington by Prince Bandar become a focus of the investigation. This would lead in some very interesting directions, with implications for unravelling the true story of the 9/11 attacks.

DOJ Inspector General Probes Gonzales’s Lies

A useful roadmap to what Gonzales was covering up, was revealed when the Justice Department’s Inspector General confirmed on Aug. 30 that he is indeed investigating whether Gonzales made “intentionally false, misleading, or inappropriate” statements in Congressional testimony. Inspector General Glenn Fine’s letter to Senate Judiciary Committee chairman Patrick Leahy (D-Vt.) identified three subject areas in which his office has ongoing investigations:

- the so-called terrorist surveillance program (warrantless wiretapping);
- the use of National Security Letters (to obtain financial or other data without a court-issued subpoena or warrant); and
- the removal of certain U.S. Attorneys and improper hiring practices.

In his Aug. 16 letter to Inspector General Fine, the letter to which Fine was responding, Leahy had asked for an investigation of five specific statements made by Gonzales:

- Gonzales’s testimony that the Congressional and Intelligence Committee leadership (“Gang of Eight”) had told him to go ahead with the warrantless surveillance program, despite the finding of the Acting Attorney General James Comey that the program was without legal basis. At least three members of Congress dispute that testimony.
- Gonzales’s testimony that neither Comey nor other officials had concerns about the Terrorist Surveillance Program. Numerous officials, including the members of the “Gang of Eight” and FBI Director Robert Mueller, have disputed that testimony.
- Gonzales’s testimony regarding National Security Letters and other information-gathering techniques, that “there has not been one verified case of civil liberties abuse.” Documents subsequently obtained under the Freedom of Information Act indicated he had received numerous reports of violations in 2005 and 2006.
- Gonzales’s testimony that he had not been involved in deliberations as to which U.S. Attorneys should be fired. Documents and testimony subsequently obtained by the Senate Judiciary Committee show that he attended at least one meeting in which the firings were approved.
- Gonzales’s testimony that he had not talked to any witnesses about the U.S. Attorney firings. Former Justice Department liaison to the White House, Monica Goodling, testified that Gonzales had a discussion with her, in which he laid out his version of the events.

The point is not that Gonzales is protecting himself; he is protecting the White House. The first three matters raised by Leahy involve electronic surveillance and data-collection, in programs directly overseen by Dick Cheney. The latter two regard the firing of Federal prosecutors, which was apparently

directed by the White House political machine centered on Karl Rove.

Congress Must Escalate

Key Congressional leaders, particularly in the Senate and House Judiciary Committees, have indicated that Gonzales's departure will not mean any let-up in their investigations. Senator Leahy, for example, has pointed out that his committee has former Administration officials under subpoena, such as Karl Rove and Harriet Miers, who still face contempt charges if they do not appear.

Among pending Congressional investigations, in addition to National Security Agency warrantless wiretapping, and the U.S. Attorney firings, are:

- Extraordinary Renditions and Secret Prisons: Rep. Bill Delahunt (D-Mass.) is pursuing this within a House International Affairs subcommittee, and it has also been taken up by the Senate Foreign Relations Committee.
- The "Niger Yellowcake" fabrication used to justify the launching of the Iraq War: House Oversight and Government Reform Committee chairman Rep. Henry Waxman (D-Calif.) has a hearing pending and has subpoenaed Secretary of State Condoleezza Rice.
- Fraudulent defense contracting and outsourcing, regarding Cheney's Halliburton/KBR and others: ongoing probes in Waxman's committee and elsewhere.

Top on Congress's agenda, after addressing the financial-economy emergency by passing LaRouche's Homeowners and Bank Protection Act, should be reversing its shameful capitulation in passing the so-called "Protect America Act" on Aug. 5, which gutted the Foreign Intelligence Surveillance Act (FISA) and handed Cheney and the Administration vast new powers to conduct warrantless wiretapping of Americans. This must also include getting to the bottom of the wiretapping and data-mining scandal. Although Congressional Democrats had vowed not to pass any new FISA legislation until the Administration stopped its stonewalling and provided full disclosure of what the old program was, the Democratic-controlled Congress gave in to Cheney-orchestrated arm-twisting to pass the wiretap bill before leaving for its August recess.

Caroline Frederickson, the legislative director of the American Civil Liberties Union's Washington office, points out that although Senate Majority Leader Harry Reid and House Speaker Nancy Pelosi voted against the FISA bill, it could not have passed without the complicity of the Democratic leadership, because the Democrats control the agenda and which bills come to the floor for a vote.

Frederickson was speaking at a forum on FISA, sponsored by the Center for American Progress in Washington, which shed some light on the bill and the process leading to its last-minute passage. At this same event, Kate Martin of the Center for National Security Studies said that the purpose of the surveillance authorized under the new bill is to find people

inside the United States who are suspected of talking to foreigners abroad, and then to target them for surveillance outside of any Fourth Amendment warrant requirements or court oversight.

As we have previously reported (*EIR*, Aug. 17), the new law permits the government to monitor Americans' calls and e-mails, without a warrant, so long as there is some claimed connection to a person "reasonably believed to be located outside the United States." The person overseas doesn't have to be suspected of any involvement in terrorism; a purpose of the interception simply need be "to obtain foreign intelligence information."

This comes very close to establishing in law, what Dick Cheney and his lawyer David Addington argued for immediately after 9/11: that the NSA should be able to intercept purely domestic phone calls and e-mails. By a number of accounts, they succeeded in getting something like that, in addition to obtaining NSA access to the entire stream of telephone and Internet communications that flowed through key telecommunications hubs.

The Director of National Intelligence, Mike McConnell, acknowledged as much in an Aug. 22 interview with the *El Paso Times*, when he stated that "the private sector had assisted us" in obtaining telecommunications data, without a court-issued warrant, under the so-called terrorist surveillance program.

Data Mining

Many knowledgeable observers believe that this vast stream of telecommunications is being used for data-mining. Two common forms of this are "link analysis" (who's connected to whom through phone calls, e-mails, and so on) and "pattern analysis," which looks at patterns and changes of activities.

Although it is not known precisely what triggered the revolt in the Justice Department in early 2004, which led to the confrontation in then-Attorney General Ashcroft's hospital room, and the threat of the top leadership of the Justice Department to resign, it is likely that it involved a combination of these two programs: warrantless wiretapping of Americans, and a broad program of "mining" data concerning many millions of Americans.

In response to a question on this, posed by *EIR* at the Center for American Progress forum, Kate Martin said she believes it is quite possible that the government was listening to American-to-American communications without a warrant. She pointed out that FISA regulates both the content of a call, and the "meta-data"—information on who's calling whom, when, the duration of the call, and so on. "My concern is that the bill does allow them to get meta-data on virtually all international communications by Americans," Martin said, "and then they do traffic analysis on that, they construct a map that shows your communications with other people.... Those are all questions that the Congress needs to ask this Administration."

Emergency Action in September

In an audio statement to the nation made Sept. 1, Lyndon LaRouche directly put the responsibility on all American citizens to mobilize for passage of his Homeowners and Bank Protection Act, as emergency legislation, *in September*. We cannot afford to wait any later than this month, LaRouche stressed, because the onrushing financial breakdown crisis threatens to *destroy our nation* in the immediate months ahead.

LaRouche expressed confidence that a mobilization could succeed in getting a veto-proof majority in both Houses of Congress, for his legislative proposal, as emergency legislation. (Go to www.larouchepac.com for the audio message.)

In addition to passing LaRouche's HBPA, the other urgent task is the removal of Vice-President Dick Cheney from office. LaRouche put it this way:

"The only other thing you might do, is get the ouster of the Vice-President. We couldn't throw out the President and Vice-President at the same time, and don't want the Vice-President to become the President. Therefore, we have to dump Cheney. That can be done, if enough Democrats and Republicans, especially their representatives in the Congress, decide to do that. It can be done. *Let's do it*. And let's get Cheney out, and proceed to the reform which I propose:

"Which means that no householder, under Federal protection, will be evicted from their home, and that no bank, or chartered bank, whether a Federal bank or a state-chartered bank, will be closed down. That does mean also that there is no possibility of tolerating putting valuable resources to bail out any other irregular financial institution. *The hedge funds must go*. The sooner they're gone, the sooner they're bankrupted, they're eliminated, the better off we're all going to be.

"Because we're going to have to rebuild this economy, including the physical economy. We're going to get back our industries. We're going to get back our agriculture, We're going to get back our infrastructure. We're going to get back dignity, and we're going to take our position of respected leadership among a community of nations in the world. And that's what we have to do.

"No funny stuff, no tricks, no games. Back to ba-

sics. *Think like FDR*. Act immediately in the month of September. Get the Congress to pass this kind of legislation, which creates a firewall of protection of every essential chartered bank, chartered on the state or Federal level. No matter what their problems are financially, we're going to keep their doors open. And we're going to give them Federal protection.

"We're going to give Federal protection to all householders, who are threatened with eviction. They're not going to be evicted. The states will help the Federal government do that. That is, the states will be the administrative arm, which locates the people who need the protection, and makes sure they're protected. But the states will act, through the Governor's office, on the basis of the support of Federal law. That's the way to do the job.

"Don't go with the monkey-business. Forget the gimmicks. We're out to save the nation. If we have, in September, the kind of legislation I've proposed, enacted, then, as emergency legislation, we can protect the United States with a firewall against destruction. If we don't do that, we may find a situation beyond recall.

"So, let's be patriots. Let's be neither Republicans nor Democrats at this moment. Let's be patriots—let's save our nation. Let's create a firewall to prevent the greatest depression that we've ever known."

It should be clear that the task which LaRouche has set out for the U.S. Congress is also of vital importance far beyond the United States itself. Without such a U.S. emergency domestic reform, the international reforms required—in specific, the re-establishment of a global, fixed-exchange-rate mode of Bretton Woods system of international and national credit—would not be possible. Shifting the United States to the FDR approach, is the first step toward getting U.S. cooperation with Russia, China, and India, in creating a nucleus around which to bring in other nations, for a worldwide recovery.

An uncontrolled hyperinflationary collapse of the present world monetary-financial system as a whole, would lead the world into a situation only comparable to the 14th-Century Dark Age. It is in September, within the U.S. Congress, where the crucial steps to stop that disaster for humanity must be taken.

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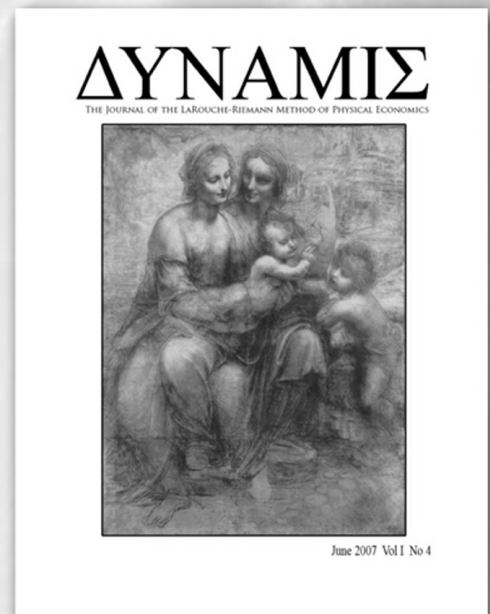
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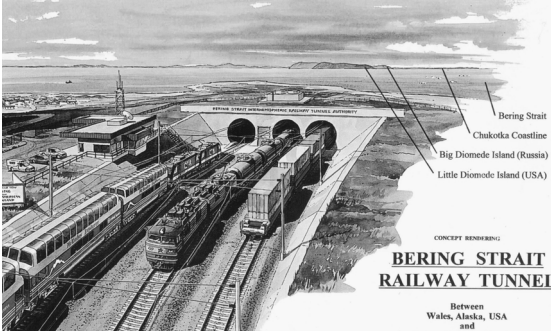
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