

## Electronic Intelligence Weekly

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## THIS WEEK YOU NEED TO KNOW

### THE INCREDIBLE AND THE ELECTABLE

A tectonic change in the world's political landscape is now under way. In this crisis, the reality of the economic collapse hitting full force, along with the impact of the hard-hitting campaign to expose and discredit the dirty duo of Senators Joe Lieberman and John McCain, initiated by, what is now being seen more and more, as the electable Lyndon LaRouche, is producing major political shifts in the global economic-strategic situation.

Some of the most visible of these changes are:

- (1) The Bush Administration's about-face on the subject of what is called an IMF "bailout" of Brazil. It is actually a desperate effort to bail out U.S. mega-banks which have the greatest at risk in Brazil.
- (2) Steps taken in Europe, in response to the catastrophic impact of the Maastricht Treaty-system, toward Franklin Roosevelt-style, government-guaranteed job-creation programs, and away from the free-market insanity of the Maastricht Treaty.
- (3) The rising intensity of coordinated opposition to an Iraq war in the United States and western Europe.
- (4) The discrediting of Lieberman and McCain in politically minded circles in the U.S., to the point where neither is any longer considered a viable Presidential candidate.

**1. Brazil and the Bank Bailout:** Since taking office, U.S. Treasury Secretary Paul O'Neill had always insisted that mega-bailouts were a thing of the past, and that this was the Bush Administration's strongly expressed position. But the implications of a cascading default by Brazil, and then by others, was too much to contemplate. U.S. banks had some \$32 billion at risk in Brazil as of March 31, 2002, with CitiGroup's exposure said to be close to \$13 billion of that total.

Also, European banks have some \$82 billion at risk, with Spanish interests being the most exposed by far. This does not include the foreign corporate investment tied up in Brazil, with U.S. corporate assets estimated by Brazil's Central Bank to have been over \$55 billion at the end of 2000.

"The danger of an imminent Brazilian default—with its \$500 billion real foreign debt and an out-of-control domestic public debt bubble—was too big to digest," Lyndon LaRouche said in an Aug. 8 interview. "The entire system could blow out at a moment's notice."

"The Bush Administration has no idea at present of what to do about the global systemic crisis, nor the specific danger of a Brazilian debt blow-out," LaRouche added. "What they do know is that they don't want Citibank and J.P. Morgan Chase,

and perhaps also others, to go under. So this IMF package is not a favor to Brazil; it is a favor to a United States that doesn't know what the hell else to do under these circumstances."

The implications of the Brazil crisis were drawn out in the lead editorial of the Aug. 8 German edition of the *Financial Times*, headlined "Final Nail in the Coffin for IMF Ideology," That editorial by Sebastian Dullien, notes that the crisis in Ibero-America, and Brazil in particular, is completely "demolishing the theoretical foundation" of IMF policies. Brazil has had a free-floating currency since 1999. Its Central Bank fought inflation. The government carried out economic reforms. Nevertheless, the national currency, the real, "is crashing," and with every devaluation of the real, the debt burden rises and default comes closer. On the basis of such evidence, the *FT* editorial then drew the appropriate conclusion: "The Latin American crisis is putting into question the entire modern world monetary system." Perhaps, it suggested, this is the time "to think about a new world monetary system."

**2. Job-Creation Programs:** In both Germany and Italy, proposals have been put forward for the use of government guarantees, to launch Franklin Roosevelt-style, privately funded, job-creation programs, along lines long-advocated by LaRouche and his co-thinkers in Europe, especially since the Schiller Institute's late 1990s push for a Balkans reconstruction program. The simultaneous emergence of these programs, advocating the model of the Kreditanstalt für Wiederaufbau (KfW) programs so successful in Germany's postwar reconstruction, are prominently promoted in both Italy and Germany—a remarkable indication of the dramatic transformations now underway.

—On Aug. 1, Italian Economy Minister Giulio Tremonti announced that Italy has decided to bypass the budget constraints of the European Stability Pact, by creating an agency which will sell state-guaranteed bonds for infrastructure development, on the model of the German Kreditanstalt für Wiederaufbau (KfW). The KfW was created to finance the industrial reconstruction and development of Germany under the postwar Marshall Plan. The new Italian agency, called Infrastruttura SpA (Ispa), will be operational starting in September. Up to this point, the Stability Pact's stringent budgetary requirements have prevented major infrastructure development.

—On Aug. 5, Germany's *Der Spiegel* reported that the government's Hartz Commission had changed its views on the issue of economic and labor market incentives, and is now considering a three-year crash program for the creation of one million new jobs. The jobs would be created through a special new fund in the range of 150 billion euros, and are to be created mostly in the *mittelstand*—small to medium-sized—firms, and mostly in infrastructure development projects in the economically-devastated, eastern part of Germany.

The Hartz Commission is proposing that the new fund be created by having the KfW issue special bonds, called "job floaters," rather than financing the program through normal state bonds, which would increase public debt, and would thus violate the "Maastricht criteria" of the European Stability Pact.

**3. Resistance to the Iraq War:** The shift in Germany's economic thinking coincided with Chancellor Gerhard Schröder's assertion, over the weekend of Aug. 3-4, that Germany will not participate in an invasion of Iraq. This announcement, which has sent shockwaves around the world, reflects a broader, coordinated opposition to the planned Iraq war.

While resistance to a U.S.-led Iraq adventure has been growing in Europe for months, what seems to have triggered a crystallization of this ferment, is the open resistance among the uniformed military within the United States. Increasingly, the Joint Chiefs of Staff and other U.S. military leaders have let it be known that they regard the "On-to-Baghdad" war plans being promulgated by the Pentagon's civilian leadership (led by Deputy Secretary of Defense Paul Wolfowitz and "adviser" Richard Perle), as dangerous folly.

In Britain, where opposition to an Iraq war has been manifest for some time, the new element is the outspokenness of leading figures in the military-defense establishment, such as that of Field Marshall Lord Bramall, who was Margaret

Thatcher's Chief of the Defense Staff in 1982-85, and whose views command wide respect in both the active and retired military establishment in the UK. Over the Aug. 3-4 weekend, Lord Bramall told BBC: "This is a potentially very dangerous situation, in which this country might be swept into a very, very messy and long-lasting Middle East war.... You don't have license to attack someone else's country just because you don't like the leadership." Opposition to the Iraq war drive is intensifying on both sides of the aisle, among both Blair's Labour Party, and the Conservatives.

The opposition to war in Germany, France, and Britain is also reflected in Italy. According to a leak in the daily *Corriere della Sera* on Aug. 8, the Italian government is in the process of bringing together several European and Arab governments for a joint initiative to solve the tensions in and around Iraq, especially over allowing United Nations weapons inspectors into the country through diplomatic, rather than military means.

In the U.S., attention should be paid to the statements by former National Security Adviser Brent Scowcroft, known to be close to the senior George Bush and his circles. Expressing again his concerns about going to war against Saddam Hussein, Scowcroft warned, "I think we could have an explosion in the Middle East. It could turn the whole region into a cauldron, and destroy the war on terror."

But the most notable shift in the United States was that of House Majority Leader Dick Armey (R-Texas), on Aug. 8. Rep. Armey, a staunch conservative and Bush ally, stated: "If we try to act against Saddam Hussein, as obnoxious as he is, without proper provocation, we will not have the support of other nation states who might do so.... I don't believe that America will justifiably make an unprovoked attack on another nation.... It would not be consistent with what we have been as a nation or what we should be as a nation."

**4. Effects of LaRouche's Drive Against McCain and Lieberman:** Dick Armey's comments reflected what Lyndon LaRouche said to expect, at the outset of his initiative to destroy the influence of Senators Joe Lieberman (D-Conn) and John McCain (R-Ariz). This blackmail game against President Bush, that Lieberman-linked McCain would run as a "Bull Moose" third-party candidate, thus drawing off votes from Bush, has kept Bush and his advisers constantly looking over their shoulders.) Destroy this dirty pair, LaRouche said, and beneficial ripple effects will be felt in the Republican Party as well as the Democratic Party.

In fact, LaRouche's personal initiative is transforming the situation in Washington and around the country. Over the past one-to-two weeks, there has been a striking increase in public criticism attacks on Joe Lieberman. Washington insiders have reported that LaRouche's campaign against Lieberman and McCain is the talk of the town, and that, as a result, Lieberman is now already finished as a potential Presidential candidate.

Notably, this political upheaval was also felt in the Democratic primaries in Michigan, on Aug. 6, where LaRouche Democrat Kerry Lowry won the Democratic primary in the 19th state House district with 61% of the vote; another LaRouche Democrat, Joseph Barrera, took 48% of the vote in his primary for a state Senate seat. Both of these candidates surged to his respective victory and near-victory through their mass circulation of support for LaRouche's initiative against Lieberman and McCain.

## **For Citizens Who Enjoy Thinking**

## **WHY MY CANDIDACY IS UNIQUE**

by Lyndon H. LaRouche, Jr.

**Monday, August 5, 2002**

The once-popular expression was, "It's an ill wind that blows nobody good." The shock of the collapse of such popular delusions of the 1990s as the "new economy" hoax, has caused a good deal of widespread awakening from what had become our students' and citizens' prevalent habit, the habit of preferring to react impulsively, as if by conditioned reflex, rather than actually think.

Today, the typical problem for those people, is that actually thinking about the economy today, is like being awakened from a silly dream, to discover that they are living in a real-life nightmare. For many, the end of the hours of dreamy denial of the reality of a financial debacle, comes as it does to the man hiding from reality by cowering in his foxhole, into which a grenade has just been dropped. Some have described their experience in words to the effect, "I know you told me to get out of the markets, but I needed the profits. Now, I have lost everything." I did warn them, early and often. Are they prepared to do what must be done now? More and more of them are now doing some serious thinking; and, that is good.

More and more people, both ordinary citizens and institutional figures, from around the world, are now looking to me for guidance on dealing with problems for which they can offer no clear solution. Fortunately, I know enough of the answer to such questions, to show how we can survive the present monetary-financial collapse. I do not have complete answers, but enough to get us through the emergency, and give us time and freedom to attack the remainder of the immediate issues.

It is for good reasons, that such circles are now looking, increasingly, in my direction. The most important subject of today, is *solutions*. For example, one should wonder whether some value between \$800 and \$1,000, or higher, at this time, would be the right price for gold, within that fixed-rate, gold-reserve system, which must now, suddenly, replace the self-doomed floating-exchange-rate monetary system. However, defining solutions requires that we define the sickness to which the remedy is to be applied.

During more than thirty-five years to date, I had gone on the public record with what became widely circulated series of long-range economic forecasts. The outcome of those forecasts would have been a stunning success for any leading professional in any field of science. Events have proven, repeatedly and consistently, that my published forecasts have never been mistaken. Although I am widely known, and my work discussed, and often hotly debated, among leading circles in most parts of the world, no critic has competently refuted any of those forecasts, even when most have now been fulfilled.

The essential basis for my success has been, that I never forecast any development which was not already in progress. As I shall explain in these pages, my success illustrates the most elementary principle of scientific method, that a set of wrong policies of a nation, form a system, which, once put into practice, may define a trajectory of one or several decades' duration, or longer, leading toward the inevitable, systemic catastrophe which waits, fatefully, like death, at the end of that track. Unless that nation gets off that track, unless those errant, but popular policies are scrapped, the catastrophe will be as inevitable as the reappearance of Halley's Comet. The included function of long-range forecasting, is to warn society to abandon its popular, but blundering opinions, in time to avoid the already lurking systemic disaster ahead.

Now, a terrible, global monetary-financial disaster has struck. It will soon be clear to nearly all persons around the world, that the kind of monetary-financial system associated with the present IMF and World Bank, is dead, and soon buried, one way or another. No one could save that system now; only a man driven to lunacy out of desperation would try. The world has reached the end of that track. All the world could do now, is to adopt a new system of the type I have defined. If that latter choice is not made very soon, the planet will be plunged into a new dark age of incalculably vast dimensions and duration.

Therefore, everything I had forecast could have been verified by any competent economist. However, with very few exceptions, virtually all known leading economists, and governments, have been terribly, repeatedly wrong on these issues, during the sweep of the past thirty-five-odd years. They have clung faithfully and tenaciously to the anchor of the doomed

ship, sometimes in prayerful admiration of foolish Captain Alan Greenspan and his crew. For chiefly that reason, all of the leading U.S. political parties, and their Presidents have been intellectually bankrupt in their economic and social policies, intellectually and programmatically, throughout the past thirty-five years. Before August 15, 1971, and afterwards, the overwhelming majority of the academically centered university and think-tank specialists, and their textbooks, have been systemically incompetent in what they claimed as their profession. This is most emphatically the case for most of the professionals who entered universities during, or after the mid-1960s.

It is true that those Presidents were voted in, more or less democratically, and perhaps increasingly less, rather than more. That was foolish behavior, especially since at least one available Presidential candidate was qualified for dealing with the ongoing world crisis; but, like the ancient Roman Empire, bad systems rely on support, or, at least, tolerance from popular opinion for their existence.

This failure of economists, bankers, political parties, and governments, was possible only because of a widespread, popular habit, of not thinking seriously about systemically significant policies and practices. People generally preferred "bite-sized" answers of the type the TV talk-shop hosts demand, answers which exclude the possibility of actually thinking; a typical such answer is the silly, "Yes, I believe in free trade." Even after the surge of present global "crash" of the 1990s took over, beginning in 1997, professionals generally have clung hysterically to assumptions and formulas which, in fact, had no scientific basis.

Now, that could change, rapidly. That must be considered good.

## **The Problem Was the System**

Now, as I forecast the fate of the incoming George W. Bush Presidency, shortly before that President's inauguration, the present world monetary-financial system has passed over from crises, to disintegration. The phase has been reached, at which nothing could save that system in its present form, the form associated with the intellectually bankrupt International Monetary Fund and World Bank. It is now the end-times for the existing monetary-financial system, a time when survival demands a profound change in thinking of ordinary citizens, as much as by leading political figures.

To define the presently disintegrating monetary-financial system as a system, we must focus upon fundamental changes in the character of the U.S.A.'s and relevant other economies, from the system developed by U.S. President Franklin Roosevelt's leadership, 1933-1945, to the modified post-war version of Roosevelt's design, 1945-1964, and the contrast of both with the present, failed system, which took over during the interval of the U.S. 1964-1972 Indo-China War.

The 1945-1964 post-war system, featured included injustices and other faults, but it was, overall, a net success as measured in terms of physical results for the economies and their people as a whole. The presently doomed world monetary-financial system, that of the present IMF and World Bank, has been a global catastrophe. The Roosevelt recovery and the 1945-1964 Bretton Woods System, are characterized by great build-up of basic economic infrastructure, including health-care systems, and per-capita increase of the net physical productive powers of labor in agriculture and industry. The characteristic of the evolution of the present system, since the 1960s, has been a shift from a productive society, to what has been called, alternately, a "post-industrial" or "consumer" society. That shift must now be reversed. Admittedly, that needed reversal will not be simply a carbon copy of the 1945-1964 Bretton Woods System, but it will be a system with similar characteristics.

So, the sick world monetary-financial system which was formally installed by President Richard Nixon, on August 15, 1971, crafted under National Security Advisers Kissinger and Brzezinski, and which has been ruled since October 1979 by Federal Reserve Chairmen Paul Volcker and Alan Greenspan, is the chief cause for the presently accelerating collapse of the physical economy, throughout the Americas and Europe, as well as Africa. The U.S. economy, like that of Europe, has

now entered a bottomless collapse which, unless stopped, will be far worse than 1929-1933. Unless we put the present monetary-financial system through drastic bankruptcy-reorganization, suddenly either wiping hundreds of \$trillions equivalent of purely fictitious values from the books, or freezing them for the time being, there is no future for any part of the Americas, Europe, and Japan at this juncture.

Although most U.S. citizens have not yet faced the full reality of our present situation, eyes and minds are opening to a degree we have not seen in the U.S.A. during approximately two decades. The Rip Van Winkles of our popular opinion have been sleeping for no less than a generation. It is the relentless thunder of the presently rising economic storm, which has, finally, disturbed their ideological slumbers. In the final analysis, "It's an ill wind, that blows nobody good." Leibniz insisted, therefore, that ours is the best of all possible worlds; it is a world in which the good will ultimately prevail. Therefore, why wait; why not seize the existing opportunity now?

In such a manner, you and I have entered into one of those tumultuous times, when, as Heraclitus wrote, "Nothing is permanent but change." It is time to understand the changes, for worse, for better, and for worse, which have come over the U.S.A. since 1929-33. More and more among you must now accept the reality of the idea of change.

Stop merely reacting to what you see, hear, and feel from moment to moment. As the discoverer of universal gravitation, Johannes Kepler demonstrated, you could not determine the future position of a planet from its past and present positions; you must, first, discover the long-range orbit which controls the planet's motion. You must see economic processes as systems, in the sense that we describe Kepler's discovery as defining a system. You might imagine yourself in Heaven, looking down upon the past 2,500 years of European civilization's history. See yourself, as if from Heaven. Ask, what does the experience of history teach us, about the orbital-like trajectory which is moving the U.S.A. to its destiny in the near future?

I invite you to think. Forget the popular opinion which misled you into the trap. Think! I give you the following essential clues to the reasons for my unique success as an economist, and, therefore, my unique qualifications as a candidate for the U.S. Presidency under conditions of the kind of *systemic*, global economic crisis I describe here.

## 1. History As *Systemic* Real-Life Drama

A comparative study of Classical tragedy, against the backdrop of actual history, shows us that all true real-life tragedy has been brought upon a people by a prevalent, *systemic* tradition which controlled both relevant leading popular opinion and the leadership of authoritative institutions.

When the society steers the trajectory of society's flight into directions contrary to the laws of nature, as the U.S. has drifted over the recent thirty-five years, that society is impelling itself toward its self-destruction. The Classical stage, as developed from benchmark cases, from Sophocles, Aeschylus, and Plato's dialogues, through Shakespeare, Lessing, and Friedrich Schiller, has earned the distinction of exposing, prophetically, the self-doom of once powerful nations and cultures, such as Hapsburg Spain, by the long-range impact of pathetic ruling beliefs, beliefs no sane person would wish to repeat today. The great works of the Classical stage, well performed, are the most efficient instrument yet developed for producing audiences which, as Schiller emphasized, leave the theater wiser and better people than those who had entered it.

It is, thus, by the will of their adopted false gods, that a people is self-destroyed, such as the Greek culture of the *Iliad*, as the culture of the House of Atreus was. So, those who seek to play the role of such false gods, are also ultimately doomed themselves, as Aeschylus warns in his *Prometheus Bound*.

That is precisely what has happened to the U.S.A. and its people during the recent thirty-five-odd years since the beginning of the U.S. war in Indo-China.

As a result of changes which coincided, approximately, with the outbreak continuation of that needless war, the U.S.A. is currently at the brink of its self-destruction, that in a way no different than what is described in the great Classical tragedies.

Tragedy is not a matter of inevitable outcomes. The human will is free to choose alternate trajectories for its course of action. Our ability to forecast the likely future of a nation, is limited to our knowledge of the trajectory which has been implicitly chosen. True prophets do not predict history; they, as *The Bible* describes Jonah, warn against the ruin which must occur if presently ruling opinion prevails. Do not blame the prophet for the catastrophe; blame the people who do not heed the evidence of their own folly.

In this universe, there are no absolutely predetermined events. God's Will, if not ours, could always intervene to change destiny. Yes, the universe is pervasively lawful, but man's free will is able to discover new laws, such as universal physical laws, and to apply them, to change man's destiny. Man is also able to discover the errors in his beliefs, and to free himself from the doom those errors will cause. There exists always the possibility of a culture's escape from such self-imposed doom, the possibility that a culture might be induced to change itself in ways which would enable it to survive. But, it is not free to make arbitrary choices; it must accept the reality of those conditions.

Admittedly, every known culture of pre-modern times has been entirely, or partially self-destroyed. More recently, Europe, during the course of the Twentieth Century, reduced itself to a much lowered status in the world at large, by plunging foolishly into two general wars. These wars were brought upon Europe by nothing but European peoples' folly, their failure to abandon what were fairly described metaphorically as its assortment of cultural childhood diseases: the Romantic legacies of its imperial, monarchical, and Napoleonic traditions, for example. There was no need for Germany, Austro-Hungary, Russia, France, and the United Kingdom to have plunged into those so-called "geopolitical" wars. In the first case, it was two silly Kaisers, a silly Czar, and a mad Clemenceau, who drowned their own nations in the mutual ruin, by allowing themselves to be duped by the greatest fool of them all, England's Imperial Edward VII.

So, just as those who murdered Wallenstein, out of loyalty to a foolish monarch, doomed Europe to the continuation of the Thirty Years War. So, Europe plunged itself into the two so-called World Wars of the past century.<sup>1</sup>

The European heads of state who led their nations into World War I, bore immediate, personal responsibility for the war, but, as Shakespeare emphasizes in the final scene of the tragedy, it was not Hamlet who doomed ancient Denmark; it was the culture of the people of Denmark at that time: *It was the system*. It was the customs of the Venice's puppets, such as the Hapsburg and Hapsburg house, which bear the principal guilt for that holocaust. So, it was the customs of the Greece of the House of Atreus which doomed itself. They cling to their failed traditions, as did the self-doomed passengers who refused to abandon a sinking ship.

The cause for the relative powerlessness of a wrecked Europe today, relative to the power of a U.S.A., now itself in the process of panic-stricken self-destruction, lies, still, in those continuing cultural traits of Europe, which express the continued influence of the folly which led into those two general wars of the last century. Nations which reject their true prophets bring ruin upon themselves. A culture which rejects a true prophet dooms itself as morally unfit to survive. So, a doomed culture must say to itself: "The fault lay not in our stars, but in ourselves." That people, both those wielding great power, and others, were of little minds, little minds so filled with a Romantic's traditions, that no space remained for serious thinking.

In this way, earlier, each of the ancient empires of Mesopotamia, brought their own destruction upon themselves, as

empires which lacked the essential cultural qualities of fitness to survive. Athens destroyed itself with the folly of launching the Peloponnesian War. Rome's moral unfitness to survive, led to its own self-imposed doom, as the same Romantic tradition doomed the Byzantine Empire, as it doomed both the fraudulent ultra-montane system of theological imperialism in feudal Europe, and the imperial maritime power of Venice.

Yet, although all known cultures have undergone either temporary or permanent self-destruction in such ways, the paradoxical evidence is, that mankind has progressed. Whereas, no variety of higher ape could have ever achieved a level of current population above the order of millions of living individuals, mankind today numbers in the billions, most of the rate of increase was made possible by the radiating impact of Europe's Fifteenth-Century Renaissance. It was that Renaissance which revived the best of the Classical Greek heritage, to craft the principles used to establish the first sovereign nation-state republics, in Louis XI's France and Henry VII's England, and to launch modern experimental physical science.

Like all true, ontological paradoxes, the existence of that paradox begs the recognition of an efficient universal principle.

Whereas all poor beasts are traditionalists, man's goodness lies in those qualities which define ours as an intrinsically revolutionary species. "Free will" is not arbitrary freedom, not mere opinion; true free will is what is typified by Kepler's uniquely original discovery of universal gravitation: the discovery for use of what is demonstrated, experimentally, to be a universal physical principle. In the practice of the Classical artistic tradition, as distinct from the axiomatically irrational practice of Romanticism and modernism, this same revolutionary quality, which sets the human individual and society absolutely above the apes, is often identified in the English expression of Classical culture as the principle of "the Sublime."

## Economics as the Sublime Science

Now, think again. Have some real fun!

Economics did not exist as a scientifically rational form of knowledge, prior to the Italy-centered, Fifteenth-Century, anti-Romantic, Classical Renaissance. Economics, so defined, has two aspects. It is the interactive combination of those two aspects, which defines the only competent approach to defining the systemically characteristic features of all globally extended, modern European civilization.

The first aspect, is the essential distinction between a normal human individual and any beast. The power of "free will," is the power to generate an hypothesis, in Plato's sense of that term. This is an hypothesis which can be proven experimentally to be a universal physical principle, as Kepler, Leibniz, Gauss, Riemann, Vernadsky, et al., have defined the standard for a universal physical principle.

The second aspect, is the transmission of such discoveries of universal principle, by replication of an original act of discovery within the mental processes of another individual. It is that latter, *social* feature specific to human relations, the uniquely human power to transmit ideas of valid universal principle, which defines human society as distinct from a bestial heap of biological individuals.

That combination of the two distinctions I have just summarized, is, as I shall show here, the precondition for any competent understanding of economics.

When a society discovers and adopts an experimentally valid universal physical principle, the human species' power in and over the universe is increased, not merely in degree, but qualitatively. Whereas, among animals, the *potential relative*



*population-density of the species* is limited genetically, the human species' power to discover the employment of universal physical principles causes an increase in mankind's potential relative population-density, a physical effect which could occur among lower forms of life only through upward-directed biological evolution.

Many cultures, such the best periods of ancient Egypt and Classical Greek culture, most notably, made great steps of scientific progress, both in physical science and in what were recognized by the Fifteenth-Century Renaissance of Filippo Brunelleschi, Leonardo da Vinci, and Raphael Sanzio, as Classical forms of artistic composition. However, prior to that Renaissance's introduction of the notion of a sovereign republic based on the principle of the general welfare, the social side of scientific practice was a crippled, morally defective one.

The characteristic feature of the revolutionary change in European culture, sought by Dante Alighieri, and defined by Nicholas of Cusa and Jeanne d'Arc, was that no government possessed the moral authority to rule, except as it was efficiently committed to the promotion of the general welfare of not only all of the living, but of posterity. Such are the three fundamental, universal principles (sovereignty, general welfare, and posterity) upon which the legitimate expression of the U.S. Federal Constitution is unconditionally premised.

Before that Renaissance, human beings were divided politically among rulers and their henchmen, on the one side, and classes of persons treated as human cattle, on the other. The cattle were subdivided between herded and wild cattle. Even in today's U.S.A., there are morally degenerate citizens who, as utilitarians in the Jeremy Bentham tradition, still insist that children and youth should not be educated "above their predestined social station in life." Those utilitarian degenerates are thus included among those who regard people as "human cattle," as virtually a form of property. On account of such opinions about education, even some of today's U.S. parents regard their own children as property in fact of practice, as they do the progeny of the neighbors.

The intrinsically Sublime nature of humanity, is rightly conceived, as composed of sovereign individual personalities, endowed with the intellectual potential of generating valid hypotheses which serve as universal principles. This requires that social relations be premised on the expression of that Sublime quality.

We must educate all young in the direction of encompassing within themselves the finest fruits of human scientific and Classical-artistic progress to date. We must educate them as human beings, not as trained beasts of the field and barn. It is that transmission of an upward evolving culture, from one generation to the next, which defines sane human relations, a sane society. It is the fostering of the creative potential of all persons, the potential to replicate original acts of discovery of hypotheses which prove to be universal principles, on which any guarantee of a durably, systemically successful economy depends.

The characteristic feature of all known cases of failed cultures, is that they are either simply predatory cultures, whose members share the benefits of looting the people of other cultures, or they are composed of those who rule by whim over those who serve them in the capacity of herded human cattle. The latter was the system of Physiocrats such as Quesnay. The British monarchy combined both odious features— brutishness at home, and "invisible earnings" from abroad— under the utilitarian doctrines espoused by Jeremy Bentham. The doctrine of John Locke, which defined people as "property," the more radical version of Locke, Justice Antonin Scalia's dictionary-nominalist dogma of "shareholder value," and the predatory doctrines of Harvard Professor William Yandell Elliot echoed in National Security Adviser Henry A. Kissinger's NSSM-200, are examples of philosophies of practice which define failed cultures of an essentially predatory type.

The needed, systemic conception of humanity as a whole did not exist in the practice of any presently known culture, prior to Nicholas of Cusa's revolutionary works, as typified by his *Concordantia Catholica*, setting the stage of a community of principle among sovereign nation-state republics, and his *De Docta Ignorantia*, the book which launched all valid currents of modern physical science. This conception of humanity is most quickly recognized by proceeding from the standpoint of

my original contributions to the *science of physical economy*.

Economic science is, as Leibniz was the first to define a science of political economy, in his related writings of the 1671-1716 interval. My own original, 1948-1953 discoveries in the science of physical economy, were rooted centrally in my 1936-1940, adolescent adoption of the essentially Platonic standpoint of Gottfried Leibniz, in opposition to such representatives of the British, French, and German "Enlightenment" and its empiricist predecessors, as Francis Bacon, Thomas Hobbes, John Locke, René Descartes, David Hume, and Immanuel Kant. The significance of that youthful education, and its later role in my discoveries as a physical economist, is, I think, made most readily clear, pedagogically, by a comparison of the origin and development of my own original discoveries with Vladimir Vernadsky's definition of the *Noösphere*.<sup>2</sup>

## The Noösphere

Since the discovery of the Noösphere, by Russia's biogeochemist Vladimir Vernadsky, no competent modern scientist actually believes in the utopian superstition currently popularized under the name of "ecology."<sup>3</sup> As I shall show, in summary, I came to conclusions during 1948-1953, which largely parallel much of Vernadsky's definition of the Noösphere, but from a different starting-point, and with some significantly different results. My discoveries in the branch of science known as physical economy, are based on the conclusions reached during that 1948-1953 interval. My unique success as a long-range forecaster depends essentially on the elaboration of those discoveries. My distinctive qualifications for defining solutions to the present crisis, are the fruit of decades of application and refinement of those discoveries.

From my standpoint, there are, as I shall explain, two crucial, categorical omissions in Vernadsky's work. However, looking at Vernadsky's unique accomplishments from the vantage-point of my own discoveries, is probably the most efficient approach to teaching a quality of economics relevant for dealing with the global crisis wracking the world at this time.

I explain this and its relevance to U.S. economic policy-making today.

For pedagogical reasons which I need not detail here, I propose that the student, presumably at the level of a bright college undergraduate or graduate student, keep the following points of historical reference in sight.

The fundamental difference of principle, between the economic science of Leibniz and the then contemporary cameralists, has its concentrated expression in his employment the German term *Kraft*. This signifies *power* in the same sense that Plato defined power as the quality which places a surface on a higher order of *physical* existence than a line, and a solid as a higher order of *physical* existence than a surface.

The same physical principle which Leibniz associates with that use of *Kraft*, is the central feature of Gauss's 1799 paper announcing his fundamental theorem of algebra. Gauss defines the physical-geometric meaning of the complex domain, by exposing the blunders of D'Alembert, Euler, and Lagrange. The notion of powers, in Gauss's definition of the complex domain, has the same ontological significance as the notion of powers in Plato's work, and Leibniz's notion of *Kraft* as an economic principle.

The same concept of *Kraft* is central to Riemann's celebrated 1854 habilitation dissertation, which builds chiefly upon the preceding work of Gauss. Riemann defines a purely physical, *anti-Euclidean* geometry,<sup>4</sup> one without the pathological features inherent in any *a priori* geometry, such as Euclid's.<sup>5</sup> In Riemann, the idea of an *a priori* dimensional space-time, is replaced by a geometry whose "dimensions" are experimentally proven universal physical principles.

In Plato, Leibniz, Gauss, and Riemann, for example, to go from a line to a surface requires a form of *physical action*, a potential for action which is non-existent within the line, an action, ontologically *outside that line*, which generates a higher order of power, the surface.<sup>6</sup> So, a specific *physical action* is required for generating a solid from a surface. Thus, these *transformations*, these *physical actions*, are reflected as shadows cast upon naive geometries.<sup>7</sup>

Take any experimentally valid universal physical principle, such as Kepler's unique discovery of gravitation. Can you see, hear, smell, or touch gravitation? Yet it exists quite efficiently. What we see, hear, smell, and touch, is not gravitation, but, rather, the effects of gravitation on the world of our sense-perceptions. Thus, we must distinguish between what our senses portray, sense-perceptions which are merely shadows of the real universe, and the efficient universal principles whose control over the real universe is reflected to the skilled experimenter's demonstration of the efficient existence of principles not directly represented by sense-perception.

Such is the central lesson to be learned from Gauss's 1799 proof that what ivory-tower mathematicians such as Euler and Lagrange only imagined to be "imaginary" numbers, reflected the existence of efficient physical principles, existing outside sense-perception, but efficiently controlling the action reflected as the shadow-like effects registered as sense-perceptions. The complex domain of Gauss, Riemann, et al., is the physical domain.<sup>8</sup>

That principle of reality is crucial for understanding Vernadsky's achievements.

The Riemannian view, so situated historically, is intrinsically indispensable for any competent form of economics teaching and practice today. Since man's power in and over nature, per capita and per square kilometer, depends upon the discovery and application of experimentally verifiable universal physical principles, the study of economic processes requires, that we view physical-economic space as defined by an expanding number of dimensions, each of which are experimentally validated universal physical principles. It is the process of discovery and application of those principles, which is the source of society's increase of its powers over the universe, the primary source of all increases in the productive powers of labor.

Vernadsky, using the same principle of experimental proof employed by Kepler, defined the universe as composed of what are, from the standpoint of Riemann, three multiply-connected, but nonetheless functionally distinct universal phase spaces: the abiotic; the living and its fossils; and, the physically efficient creative powers of the individual mind. My own work acknowledges Vernadsky's accomplishments, as far as he goes, but my discoveries in physical economy depend upon two added considerations lacking in Vernadsky's known work:

Although Vernadsky states his intention to study Riemann's work, there is no evidence in relevant available texts that study was conducted to any significant effect. Riemann's conception of a multiply-connected, *anti-Euclidean* geometry, is indispensable for carrying Vernadsky's clearly intended objectives to a successful outcome.

Vernadsky's definition of the distinction between the Biosphere and Noösphere, which he identifies as the noëtic principle of the individual human mind, is valid, but Vernadsky's writings miss the crucial social aspect of the noëtic (creative, cognitive) processes. He is right as to the function of the individual creative intellect, but misses the crucial role of the social process of *specifically cognitive* transmission of the experience of replicating original discoveries of universal principle. My own 1948-1953 discoveries in physical economy were premised on precisely those two considerations absent in the known work of Vernadsky.

Although I came to conclusions paralleling Vernadsky's distinction among the abiotic, the Biosphere, and the Noösphere, my own point of departure was chiefly the Platonic (Socratic) principle of cognition, as this permeates the method and conceptions of Leibniz. Otherwise, I was influenced, as Vernadsky and many others were, by the principled distinction between abiotic and living processes spread widely by the influence of Louis Pasteur and his circles.

My point of departure was my commitment, since adolescence, to defining Leibniz's notion of cognition against Kant's *Critiques*. Professor Norbert Weiner's "information theory" hoax, is what set me, from 1948 onward, on the track of showing the relationship between "voluntaristic" discovery of universal physical principles and systemic increases of the physical-productive powers of labor.

I went further. My fascination with the gap of nearly two millennia between the Classical scientific culture of Greece and the revival of that knowledge by the modern European culture, impelled me to compare the function of Classical forms of irony in poetry and drama, with the reenactment of original discoveries of physical principle after an interval as long as that between the death of Archimedes and the renaissance of scientific method and knowledge by such figures as Leonardo da Vinci and Johannes Kepler. I focussed upon certain figures whom early Twentieth-Century falsely identified as "Romantics," including Keats, Shelley, Goethe, and Heine, and worked through my own critical assessment of William Empson's *Seven Types of Ambiguity*<sup>9</sup> as a point of reference for my work of the 1948-1953 interval.

This led me to conclusions which I later adopted, during the late 1950s through early 1970s, and my own version of Vernadsky's concept of the Noösphere. Although all the essential features of my own discoveries were established before my attention turned to Vernadsky's work, my own views were greatly enriched by the latter encounter. For that reason, among others, I heartily recommend study of Vernadsky as a mandatory feature of any competent secondary and university undergraduate education in economy today. That said, I need spend no more time on the certain differences between our conceptions, and may freely treat the combination as a unified pedagogical experience for the thinking student.

## My View of the Noösphere

The pivotal issue of all scientific work, is the elementary difference between what is merely learned *sense-perception*, in which the lower forms of life often surpass us in performance, and *knowledge*, which is uniquely the province of both the Creator and the human beings whose essential self is made in His species-likeness. The best known pedagogical paradigm for conceptualizing this distinction, is the allegory of Plato's Cave.<sup>10</sup>

Plato, as echoed by the Apostle Paul, in *I Corinthians* 13, warns that what our sense-perceptions present to us, are, at their best, merely shadows of the reality by which those shadows are prompted. Plato compares these to shadows on the irregular surface of the walls of a dimly firelit cave. In their best performance, perception presents us with those sense-organs' reaction to a real, but unseen stimulus. As we learn to distinguish, and correlate similarities and differences among sundry such experiences, we learn to perceive as if by radar.

*Knowledge* of the objects which prompt the shadows of sense-perception, is a different matter. Knowledge begins as a reaction to some evidence that sense-perception, taken for itself, is an unreliable guide to reacting to the universe. This evidence has the characteristic which the relevant formalism terms an *ontological paradox*. In Classical artistic composition, an ontological paradox is typified by a valid *metaphor*, a *metaphor which expresses a stubbornly actual self-contradiction in the ostensibly literal evidence afforded by simplistic sense-perception*. In all cases, physical science or Classical artistic composition, for example, the method for overcoming these ambiguities of meaning, these ontological paradoxes, is the Socratic method, the method of Plato's Socratic dialogues taken as a single, multiphased *spiritual exercise*, as a method of training the mind in the science of knowledge.

The first step, at that point, is to define what we must understand as the meaning of the term *universal physical principle*.

Take three examples from physical science. First, the discovery of the *principle of universal gravitation*, exclusively by

Kepler. Second, *the discovery of the calculus*, accomplished uniquely by Leibniz, but brought to initial completion, as expressing a universal principle of least action, in collaboration with Jean Bernoulli. Third, Gauss's discovery of *the complex domain*. All three involve the discovery and proof of efficient existence of a universal physical principle, one which is proven to control the behavior of sense-experience, but one not found as an object of perception within the bounds of sense-perception.

Vernadsky's work within the field he defined as geobiochemistry, applied Kepler's methods for defining a universal physical principle of mathematical physics.<sup>11</sup> These methods as developed by Kepler's followers, Fermat, Huyghens, Leibniz, Gauss, et al., were employed to prove experimentally that there exist three respectively distinct classes of efficient physical action in the known universe. All competent practice of economics for today's world depends upon comprehension of that fact and its specific significance for general application.

In scientific method, there must *be a true ontological paradox* in the relevant persistent experience of learned sense-perception. The evidence that the Mars orbit is virtually elliptical, not circular, was Kepler's initial definition of precisely such a paradox of regular, but non-uniform motion. This required the discovery of some efficient *intention*, acting upon the Solar system. The fact that the planetary orbits are approximately elliptical, and, more remarkably, that the Sun is located at one of the foci of the ellipse, produced the proof of principle which Isaac Newton bowdlerized from his reading of Kepler's published work as the so-called "three laws."<sup>12</sup> That role of the Sun, and the harmonic characteristics of each of the orbits and their relations within the Solar system, led Kepler to defining the universal principle of gravitation. That discovery was the central event in the birth, by midwife Kepler, of competent forms of modern mathematical physics.

Vernadsky used the same modern method in defining ontologically paradoxical distinctions among three classes of universal physical evidence: first, what are the ostensibly entropic abiotic processes; second, the characteristically anti-entropic living processes, and their fossils; and, third, the anti-entropic actions of the noëtic processes existing uniquely in man.<sup>13</sup> As Pasteur's work on beer and wine underscored, there are determinations of a lawful character, which occur in living processes, but which are absent in non-living forms. As my work has emphasized, the willful increase of the human species' potential relative population-density, through application of discoveries of universal physical principles, is a phenomenon which does not exist in lower forms of life. Thus, distinctions of this type, once proven by the experimental standards required for defining a universal physical principle, divide the universe among three distinct, but efficiently multiply-connected phase-spaces.

The nature of that multiple-connectedness is itself of crucial significance. The implications of two categorical relevancies.

First, as Vernadsky's work in geobiochemistry showed, the cumulative increase of the Earth-ball's ration of combined living processes and their fossils, including fossils such as the atmosphere and water, shows the intention of life to dominate non-life increasingly. "In the long run," the principle of life is more powerful.

The second implication is more profound, both for the scientist and the theologian. We are confronted with evidence supporting a proposition which I posed to our Fusion Energy Foundation during the early 1980s, a proposition which we presented to Lawrence Livermore Laboratories: Where did the planets, with their orbits, come from? If the Solar system is "Keplerian," rather than "Newtonian," and if the universe is organized as a system of multiply-connected, abiotic, living, and cognitive phase-spaces, consider propositions of the following type. There was considerable debate and discussion of this among the senior physicists and others associated with our Foundation, among whom the most notable figure was Professor Robert Moon. The corollary topic was: Are we willing to discard today's generally accepted classroom mathematics when it conflicts with the physical evidence? Professor Moon was among those who were willing to support and explore that proposition; some other distinguished physicists among us, were not.

Broadly, the implication of Kepler's work for modern astrophysics, is the presumption that the Sun was once a fast-

spinning "ball," shedding much of its material in its rotation. However, if we assume the kind of thermonuclear fusion we attribute to that Sun, how do we account for the known periodic table of elements of today's planetary system? Iron? Yes; but, what of the higher region of table? I posed the question: Would the material spun off in the early phase not tend to be "polarized," and hit with such radiation from the Sun that polarized fusion could be induced in the generated envelope? Would this be sufficient to account for the known "natural" periodic table of the Solar system? The expert estimation was that it would be sufficient.

If those propositions could be adopted, then the Solar system would be generated by the Sun through a kind of "fractional distillation." According to Kepler's principle, material falling into Keplerian orbital pathways would condense into planets and associated moons, such that the orbiting body would have the Keplerian orbital characteristics of the plasma distributed along the orbit as a whole.

That hypothesis is only partially proven, but I cite it, nonetheless, only as a convenient way of illustrating a crucial point which will otherwise be a startling contention for most readers.

In a universe composed of multiply-connected phase-spaces, as I recast Vernadsky's Noösphere, the following conditions prevail.

First. The term "universe" can be used only to define existences within the scope of what are experimentally validated as universal physical principles. Nothing exists "before," "outside," or "after" that universe.

Second. By virtue of the nature of mankind as a cognitively creative being, contrary to Isaac Newton and Immanuel Kant, for example, a *universally efficient* God is proven to exist throughout the scope of that universe, as an object of scientific certainty, as a cognitive being.<sup>14</sup>

Third. The principle of action within that universe is of the characteristics reflected by mankind's own progress through discovery and application of universal physical principles.

Fourth. The characteristics of all three phase-spaces are acting jointly in every aspect of the universe as a whole, to such an effect of that anti-entropy typical of life, and also that typical of human cognition.

Fifth. God's manifest purpose, is the redemption of man as made in the image of the living Creator of the universe. This is otherwise stated as the principle of *agape@am*, as identified by Plato, and as reflected in the *Gospel of John* and *I Corinthians* 13. This notion of *agape@am* is otherwise known as the principle of the **general welfare**, or **common good**, on which the existence of the sovereign form of modern nation-state republic was premised from the Fifteenth-Century Renaissance on, as in the work of Nicholas of Cusa. The purpose of the individual is **to do good**, as Cotton Mather and Benjamin Franklin emphasized in their leading roles in the building of the sovereign U.S. constitutional republic.

**Is this economics!!!!?** It is real economics, as I shall explain the most crucial features of the basis for my unique record of success as a long-range forecaster. My recognition of the indispensable function of Riemann's discoveries is itself an essential advantage over Vernadsky's approach, in dealing with the relationship between the individual discovery of a physical principle and economic progress; but, by itself, it would fail to address the decisive nature of the challenge with which economy confronts society. On the latter account, those five epistemological issues of theology which I have just described, are crucial.

It is the cognitive mode of transmission of formally Classical ideas of physical science and artistic composition, as typified by Plato's Socratic dialogues, which defines the "mechanisms" by which the transmission of knowledge of true principles

is effected. It is the way in which social processes, including general education, operate, to foster or impede such cognitive forms of transmission, which predetermine the likely outcome of the behavior of the present adult generation for society two generations later.

## 2. Conclusion: Us As Tragedy

So, the catastrophic failures of the U.S.A. since 1964, have produced the sheer awfulness of the global economic-strategic situation today. If the adult generation of child-rearers today fails to meet its obligation to do as Cotton Mather and Benjamin Franklin prescribed, the obligation to do good, it is their grandchildren and great-grandchildren who, as now, are likely to reap the resulting catastrophe, even, as now, an imminent global catastrophe brought about chiefly through the corruption of the generation entering universities during the middle to late 1960s, and their corruption of the generation which they, in turn, reared.

Like the orbit of a planet of the Solar system's outer rings, the completion of a cycle of history is not a matter of mere years, but sometimes generations. Just as knowledge of the laws of the Solar system demands attention to the completed orbit, rather than assumptions based on mere recent experience, so "my experience" of a generation is almost worthless as evidence of a principle, except as we are able to show the consequences of that generation's activity several generations later, at least implicitly so.

For precisely that reason, no economic teaching is competent, except as it is based on long-range forecasting of the type which I have practiced. To have a competent grasp of anything important respecting an economy, it is essential to treat the economic process as a multi-generational social-physical system, as I have done.

For example, even the simplest form of financing of modern large-scale investments in basic economic infrastructure, requires that the capital outlays required be offset by income and repairs conducted over approximately a quarter-century: a contemporary generation; and that the further impact of that improvement be assessed over a cycle of not less than two generations: a contemporary, brief interval of a half-century. We must measure such effects for not only the investments we make, but also for the injury to future society by the investments we failed to make. (Do not be like the fool who died of a grenade explosion because he insisted, "I am not leaving this foxhole until I know that the war is over.")

All such and related matters considered, the power of society to survive and prosper, depends upon the quality and extent of the development of the cognitive qualities of the individual members of society. To what degree can they think scientifically, for example? Even more important than physical science, is the development of the moral potential of the individual through acquired self-discipline in those principles of Classical artistic composition which coincide with Plato's Socratic method. It is the combined cognitive development of the young individual in the cognitive side of both physical science so-called, and also Classical artistic principles in poetry, drama, plastic art, and music, which nurtures the moral potential of the future adult.

This moral potential is expressed by the student's coming to embody within his, or her cognitive being, a cognitive reexperiencing of the discoveries of principle effected by individual minds of the past, including such distant past sources as figures of Classical Greek culture. The study of human history from the standpoint of that reexperiencing of the history of contributions of cognitive ideas, is the only way in which to induce efficiently a true moral sense to the maturing young individual, the method sometimes described as a Classical humanist education.

All failures of all known societies before our time, have been the fruit of an inadequate emphasis on, or even lack of, such a Classical humanist approach to fostering the cognitive powers of the individual mind.

The combination of valid and absurd ideas, which are implicitly embodied as principles for practice within a population and its institutions, forms a system, in which these ideas serve as an aggregation of interacting definitions, axioms, and postulates of that system. The discrepancy between that aggregation and the principles of a durably successful form of society, are the essence of the tragic factor in all known cultures to date, including the U.S.A. today.

The idiot racing toward self-destruction today, is the person who denies the existence of truth, lest it interfere with his commitment to that irrationally composed mere opinion which is guiding our nation toward self-destruction.

It is thus by our nation's popular opinion, and it now hovers on the brink of a waiting self-destruction. It is the fool who refuses to think, since he has already made up his mind, who lurches like a legendary lemming, over the cliff's edge of generally accepted popular opinion, to the waiting tragedy on the rocks below.

1. Wallenstein was as Schiller portrays the situation, a truly tragic figure, who only dallied with possible escape from the war, but it was those who murdered him and condoned that action who bear responsibility for the continuation of that religious warfare.

2. Lyndon H. LaRouche, Jr. *The Economics of the Noösphere* (Washington, D.C.: EIR News Service, 2001)

3. For reasons related to the pathological practice sometimes called "company manners" or "politeness," what people say that they believe, often differs from what they actually believe. For example, even some brilliant physicists, whose achievements were effected in defiance of generally accepted peer-review standards, will cringe piteously before the pagan gods of generally accepted classroom mathematics. Excepting pathetic FBI cases such as the celebrated "Unabomber," the widespread lip-service to "ecology" has more to do with Federal and foundation grants than any actually scientific evidence.

4. The first modern scientist to make this distinction between a non-Euclidean and an anti-Euclidean geometry was Abraham G. Kaestner, a leading Eighteenth-Century scientific figure, the crucial teacher of Lessing and, later, of Carl Gauss, and an insightful, feared, and hated opponent of the destructive rampage of the Romantic ivory-tower science of that century. Non-Euclidean geometries, such as those of Lobatchevsky and young Bolyai, make significant insertions of an axiomatic quality into Euclidean geometry. Anti-Euclidean geometries, as proposed by Kaestner, scrap the system of definitions, axioms, and postulates of customary classroom Euclidean geometry, as Riemann did, and as I follow Riemann in this. Gauss's anti-Euclidean standpoint, reflected in such locations as the 1799 documentation of the fundamental theorem of algebra, was, as Gauss explained later, suppressed in most of his later work, because of an aversive political environment maintained by the Romantic circles of Lagrange, Laplace, Cauchy, G.W.F. Hegel, and others. Gauss's continued anti-Euclidean standpoint is most clearly reflected in Riemann's 1854 habilitation dissertation, which was premised essentially on the foundations defined by Gauss.

5. Excepting the Xth through XIIIth books of the *Elements*.

6. Similarly ontologically absurd is the wildly reductionist, "a line is the shortest distance between two points." A line is properly defined as the pathway of the quickest distance within physical space-time. as Fermat, Christian Huyghens, Leibniz, and Jean Bernouilli successively defined this notion. E.g., the principle of the catenary. The catenary, or "hanging chain" principle, which exists, functionally only within the complex domain as defined by Gauss's 1799 attack on the axiomatic blunders of D'Alembert, Euler, and Lagrange, is, for today's classroom in elementary secondary and university undergraduate mathematics, the proof that no real-world geometry but physical geometry exists, that in the sense of the relevant work of Kepler-Fermat-Leibniz-Bernouilli-Gauss-Riemann on the subject of the principle of universal least action attests.



7. This signifies, as a first step in removing rubbish from teaching of Euclidean geometry, that space is not definable in three linear senses of direction connectable by simple rotation. Rather it reflects, as Classical scientists from Archytas and Plato through Eratosthenes, already knew, both the difference in power between line and surface, and between surface and solid. Gauss's 1799 proof of the efficiently real existence of the complex domain, is therefore a pivotal feature, the virtual ABC, of all competent modern science.
8. Euler's and Lagrange's blunder, in relegating the complex (physical) domain to the realm of mere fantasy ("imaginary numbers"), was also expressed by Euler's enraged attack, in his *Letters to a German Princess*, on Leibniz's definition of the infinitesimal calculus. Leibniz's mathematical definition of the infinitesimal calculus is found in his collaboration of Jean Bernoulli, defining the catenary-tractrix relationship as reflecting the principle of a pathway of universal least action.
9. William Empson, **Seven Types of Ambiguity** (Middlesex: Penguin Books, 1961)
10. *Plato: The Republic*, Loeb Classical Library, Vols. I and II (Cambridge, Mass.: Harvard University Press, 1963). The Loeb Classical Library translations include the Greek text on the facing page.
11. Kepler himself explicitly attributes this method to Nicholas of Cusa, Luca Pacioli, and Leonardo da Vinci, as his predecessors in scientific method. Cusa's *De Docta Ignorantia* was the first introduction of the method of modern experimental physical science.
12. It was broadly known that Hooke was the probable source for Newton's plagiarism of Kepler's work. Recently, an associate found a location in which Newton himself writes a reference to his copying from Kepler.
13. Prior to the hoaxes of two utopian devotees of Bertrand Russell, "ivory tower" mathematicians Norbert Wiener ("information theory") and John von Neumann ("systems analysis," "artificial intelligence"), the term "negative entropy" ("negentropy") was commonly used to identify an experimental principle which distinguished living from non-living processes. The clever, but doubtful speculations of former Ludwig Boltzmann student Erwin Schrödinger and the outright hoaxes by Wiener, von Neumann and their dupes, obliged me to adopt the term anti-entropy, to avoid confusion with the pack of popularized ivory-tower speculations associated with Wiener et al. The relevant concoctions of Wiener and von Neumann were rooted in the earlier, wild assumptions of the wild reading of the work of the Ecole Polytechnique's Sadi Carnot, by the collaborators Clausius, Grassmann, and Kelvin, and the reductionist dogma of "three laws of thermodynamics." These reductionist conceptions of those collaborators were bad enough, until the positivist fanatics associated with Ernst Mach and Boltzmann made matters worse, especially after the hideous frauds perpetrated against Max Planck by the Machians. Wiener and von Neumann are reflections of Bertrand Russell's association with the radical-positivist circles of the Machians. The common epistemological characteristic of all these ivory-tower mathematicians, Boltzmann notably included, is that they are radical reductionists of the type which demand that nothing be allowed to exist outside of a purely mechanistic Euclidean space. Thus, Wiener defined "negative entropy" as a statistical event within the type of abiotic universe in which no human being is allowed, mathematically, to exist. Not merely incidentally, active wits might pose philosophical doubts of the real-world existence of Wiener and von Neumann. The appropriate term for real-world use, in which human beings exist, is therefore "anti-entropy."
14. Respecting the relevant aspects of the nature of man: Cf. Plato, *Phaedo*, and Moses Mendelssohn, *Phaedon*. Also compare Philo Judaeus of Alexandria on the subject of the soul. Cognitive action, the act of discovery, or cognitive transmission of a universal principle, requires a notion of time which is distinct from action located axiomatically within sense-perception. The individual so acting lives efficiently in a physical-space-time, in which ordering persists, but clock-time is only a shadowy reflection of sequence. The cognitive individual lives forever in his or her "place" in the universal eternity of cognitively ordered physical space-time. So, if we relive the acts of discovery by Plato or Archimedes, their discovery lives within us, and they are acting, still today, upon us, over the span of intervening time.

# U.S. ECONOMIC/FINANCIAL NEWS

## Last 20 Years: 'Worst Economic Failure Since Great Depression'

Writing in the *Washington Post* Aug. 5, another leading economist echoes LaRouche's views, in an op-ed titled, "Economists in Denial." Mark Weisbrot, co-director of the Center for Economic and Policy Research, lists policies such as free trade, uncontrolled capital flows, privatization of state-owned industries, and other deregulatory measures—dictated by the International Monetary Fund (IMF) and World Bank, and supported by the "Washington consensus," have been dead wrong.

The 1980s and 1990s have been the "worst economic failure since the Great Depression," for low- and middle-income countries, writes Weisbrot, typified by an increase in poverty, and reduced progress in life expectancy, infant and child mortality, literacy and education, caused not by a change in income distribution, but by a slowdown in growth due to higher interest rates dictated by the central banks.

"Washington Consensus" policies have led to a number of economic disasters, notes Weisbrot, such as Asia in 1998, followed by Mexico, Russia, Brazil, and Argentina.

"The prolonged economic malfunctioning of the past two decades is the elephant sitting in the middle of their conference rooms, and they are trying to ignore it," concludes Weisbrot, in reference to the IMF, World Bank, and World Trade Organization. "But an honest debate over the causes of this failure is long overdue."

And, speaking of economists in denial, Weisbrot, inexplicably, fails to mention the U.S. economic collapse (about which, see next item).

## Commerce Department Fakes Figures To Hide Economic Collapse

On July 31, the U.S. Department of Commerce released a real, inflation-adjusted U.S. Gross Domestic Product growth of 1.1% for the second quarter, relative to the first quarter, and revised downward from 6.1% to 5.0%, the real, inflation-adjusted GDP growth for the first quarter (relative to the fourth quarter of 2001).

Even within the morass of fakery represented by the fraudulent concept of GDP, three tell-tale signs of collapse stand out:

\*First, the Commerce Department had originally reported in April, that U.S. GDP had fallen by 1.3% during the third quarter of 2001, but cheerily reported that GDP had risen during the other three quarters of the year. On July 31, the Commerce Department, was, however, forced to eat those words, announcing its revised figures: GDP had fallen by 0.6%, 1.6%, and 0.3%, during the first, second, and third quarters of 2001, respectively.

\*Second, the Commerce Department still maintains, after its July 31 revision, that real inflation-adjusted U.S. GDP rose by 2.1% during the second quarter of 2002 compared to the second quarter of 2001. However, of great importance, the investment by business in "non-residential structures"—that is, in factory plants, farm buildings, mining and utility structures, etc.—fell by a whopping 14.7% during the second quarter of 2002, over the previous year. During the comparable period, the investment by business in industrial equipment fell by 6.1%.

\*Third, the Commerce Department relied upon the "hedonic index," which is a critical element of the Quality Adjustment

Index fraud. Stated in current dollars, the business sector's actual purchase of "information processing equipment and software" fell from \$407.9 billion during the second quarter of 2001, to \$397.8 billion during the second quarter of 2002 (on an annualized basis). But, the Commerce Department applied the "hedonic index" as part of alleged inflation-adjustment, and then claimed that the business sector's purchase of "information processing equipment and software" rose from \$549.8 billion during the second quarter of 2001, to \$556.2 billion during the second quarter of 2002!

Thus, the Commerce Department took a real decline of \$10.8 billion, and reported instead an increase of \$6.4 billion, based on the fictional "hedonic" index!

### **Panic Flight out of Stock Mutual Funds in July**

Some \$55 billion was pulled out of equity mutual funds in July—the largest amount ever recorded. This was on top of \$18 billion sold off in June, the third-largest dollar amount, according to the Investment Company Institute, the mutual funds industry research and trade association.

### **Journal Worries that Fannie and Freddie Pose Risk to Economy**

The dominant buyers of home-mortgage loans, who buy derivatives to hedge their risk, have more than tripled in size in the past decade, to where Fannie would be the second-largest U.S. company, and Freddie the fifth-largest— raising concerns over the risk to the economy, if one of them were to fail. Their growth, much of it generated by buying mortgage-backed securities, is reaching saturation because of the difficulty of finding a market of new homeowners.

Fannie and Freddie could, to continue growing, buy up existing pools of mortgages that currently are held by others, but that would require them to issue a "staggering amount of debt" in order to pay for the loans.

### **Wall Street Police Blotter**

Reflecting the death of the global financial system, as well as the hoax of the "new economy," more revelations appeared this week of corporate fraud, due not to a few corrupt executives, but to a deregulated economy based on financial speculation.

Bankrupt **WorldCom** has "uncovered" an additional \$3.3 billion in fraudulent earnings, during 1999-2000, almost doubling its bogus accounting to \$7.15 billion, making it unlikely the telecom giant would emerge intact from bankruptcy— or even survive. The second-largest U.S. long-distance phone company, and parent of **MCI Group**, already under investigation by the Justice Department, said it would restate earnings for 2000 and 1999, on top of previously announced plans to revise financial statements for all of 2001 and the first quarter of 2002. The new charges would effectively erase WorldCom's profits for all of 2000.

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defrauding Bank of America, by forging a signature on a document showing he owned stock that he had actually sold, as collateral for \$44 million in loans; and obstruction of justice for ordering destruction of records relating to offshore accounts, and telephone messages. The other charge was previously known: insider trading. If convicted, Waksal faces millions of dollars in fines, and up to 30 years in prison on the bank fraud charge alone.

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## **U.S. ECONOMIC/FINANCIAL NEWS**

### **Last 20 Years: 'Worst Economic Failure Since Great Depression'**

Writing in the *Washington Post* Aug. 5, another leading economist echoes LaRouche's views, in an op-ed titled, "Economists in Denial." Mark Weisbrot, co-director of the Center for Economic and Policy Research, lists policies such as free trade, uncontrolled capital flows, privatization of state-owned industries, and other deregulatory measures— dictated by the International Monetary Fund (IMF) and World Bank, and supported by the "Washington consensus," have been dead wrong.

The 1980s and 1990s have been the "worst economic failure since the Great Depression," for low- and middle-income countries, writes Weisbrot, typified by an increase in poverty, and reduced progress in life expectancy, infant and child mortality, literacy and education, caused not by a change in income distribution, but by a slowdown in growth due to higher interest rates dictated by the central banks.

"Washington Consensus" policies have led to a number of economic disasters, notes Weisbrot, such as Asia in 1998, followed by Mexico, Russia, Brazil, and Argentina.

"The prolonged economic malfunctioning of the past two decades is the elephant sitting in the middle of their conference rooms, and they are trying to ignore it," concludes Weisbrot, in reference to the IMF, World Bank, and World Trade Organization. "But an honest debate over the causes of this failure is long overdue."

And, speaking of economists in denial, Weisbrot, inexplicably, fails to mention the U.S. economic collapse (about which, see next item).

## **Commerce Department Fakes Figures To Hide Economic Collapse**

On July 31, the U.S. Department of Commerce released a real, inflation-adjusted U.S. Gross Domestic Product growth of 1.1% for the second quarter, relative to the first quarter, and revised downward from 6.1% to 5.0%, the real, inflation-adjusted GDP growth for the first quarter (relative to the fourth quarter of 2001).

Even within the morass of fakery represented by the fraudulent concept of GDP, three tell-tale signs of collapse stand out:

\*First, the Commerce Department had originally reported in April, that U.S. GDP had fallen by 1.3% during the third quarter of 2001, but cheerily reported that GDP had risen during the other three quarters of the year. On July 31, the Commerce Department, was, however, forced to eat those words, announcing its revised figures: GDP had fallen by 0.6%, 1.6%, and 0.3%, during the first, second, and third quarters of 2001, respectively.

\*Second, the Commerce Department still maintains, after its July 31 revision, that real inflation-adjusted U.S. GDP rose by 2.1% during the second quarter of 2002 compared to the second quarter of 2001. However, of great importance, the investment by business in "non-residential structures"—that is, in factory plants, farm buildings, mining and utility structures, etc.—fell by a whopping 14.7% during the second quarter of 2002, over the previous year. During the comparable period, the investment by business in industrial equipment fell by 6.1%.

\*Third, the Commerce Department relied upon the "hedonic index," which is a critical element of the Quality Adjustment Index fraud. Stated in current dollars, the business sector's actual purchase of "information processing equipment and software" fell from \$407.9 billion during the second quarter of 2001, to \$397.8 billion during the second quarter of 2002 (on an annualized basis). But, the Commerce Department applied the "hedonic index" as part of alleged inflation-adjustment, and then claimed that the business sector's purchase of "information processing equipment and software" rose from \$549.8 billion during the second quarter of 2001, to \$556.2 billion during the second quarter of 2002!

Thus, the Commerce Department took a real decline of \$10.8 billion, and reported instead an increase of \$6.4 billion, based on the fictional "hedonic" index!

## **Panic Flight out of Stock Mutual Funds in July**

Some \$55 billion was pulled out of equity mutual funds in July—the largest amount ever recorded. This was on top of \$18 billion sold off in June, the third-largest dollar amount, according to the Investment Company Institute, the mutual funds industry research and trade association.

## **Journal Worries that Fannie and Freddie Pose Risk to Economy**

The dominant buyers of home-mortgage loans, who buy derivatives to hedge their risk, have more than tripled in size in the past decade, to where Fannie would be the second-largest U.S. company, and Freddie the fifth-largest—raising concerns over the risk to the economy, if one of them were to fail. Their growth, much of it generated by buying mortgage-

backed securities, is reaching saturation because of the difficulty of finding a market of new homeowners.

Fannie and Freddie could, to continue growing, buy up existing pools of mortgages that currently are held by others, but that would require them to issue a "staggering amount of debt" in order to pay for the loans.

## Wall Street Police Blotter

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## WORLD ECONOMIC NEWS

### Derivative Trading Surges as Markets Crash

While investors are dumping stocks and corporate bonds, and IPOs (initial public offerings), mergers and acquisitions, and takeover businesses have collapsed, there is one financial sector where trading activity is at record highs: derivatives, according to the Swiss daily *Neue Zürcher Zeitung* Aug. 7.

In particular, the betting on stock-index futures is now breaking all previous records. The Eurex futures exchange just reported an historic turnover record for the month of July, when 77 million contracts were traded, 62% more than in the month before. Most spectacular was the 366% year-on-year increase of Eurex contracts related to bets on the Dow Jones Euro-Stoxx-50-Index.

### Swiss Financial System Was 'Close to a Heart Attack'

As the new issue of the Swiss *Facts* weekly of Aug. 8 reveals, Switzerland was very close to a crash, during the worst market turbulences the previous week. A foreign banker is quoted, anonymously, as saying that the entire Swiss financial market was "close to a heart attack." Only emergency intervention by the Swiss central bank prevented an instant collapse of the financial markets.

Nominally, the crisis emerged around the big losses, in the second quarter, of the investment funds empire of Martin Ebner, who two years ago operated a bubble of 30 billion Swiss francs but ended up with more than 3.2 billion francs of losses and a pile of 10 billion francs of unpaid debt. But the Ebner crisis was, in reality, a crisis at Credit Suisse, the nation's second-largest bank, in which Ebner held many shares. A default of CS was to be feared, and with it, of the rest of the financial market in Switzerland, because of the over-leveraged structures. Ebner was just one big spider in the net—his business partners included murky figures like the fugitive financier Marc Rich, as well as more "legitimate," but secretive, leading bankers of the Swiss financial world.

Therefore, as *Facts* writes, the Swiss Banking Commission (EBK) and National Bank (SNB) and the top bankers got together for an emergency crisis session, and resolved that Ebner had to be prevented from holding a fire sale of his CS assets to cover his losses. A deal was struck whereby his finances would be stabilized, and he would sell his share packages, notably those at CS. These were then redistributed among various Swiss banks, in such a way as to hide the losses and protect Credit Suisse.

Because of the role of Switzerland as an international safe haven for financial flows, a default of CS could have been the much-referenced scenario for the "collapse of one big bank" that had unleashed a much bigger crash in Europe, and beyond.

### Italian Economic Daily: 'The Party's Over; Back to Production'

"The party of speculative finance is over; let us go back to production," proposes a long commentary in the Italian economic daily *Il Sole 24 Ore* Aug. 3. Author Nicola Cacace compares the current crisis to the situation in 1929, when, "from 1922 to 1929, ... national wealth moved toward the 20% richest families, subtracted from the poor and less-wealthy families." Today, similar policies have ensured that "the superpaid one-third of the population makes irresponsible investments in real estate and stocks (Greenspan's slot machine) which produce financial bubbles and serious market distortions, while the underpaid two-thirds of the population determine, in the long term, the plunge of the aggregated demand, which is the real danger underlying the ongoing stock market crises."

"What to do?" asks the article. "To avoid the risks of contagion from the stock market crisis to the economy, we should quickly start policies which have the clear trademark that 'the party of speculative finance is over,' and that we intend to go back to the era where production and productive work played the central role they deserve."

### **Brazil Needs Capital Controls— Now!**

Capital is being sucked out of Brazil at an accelerating rate, as everyone tries to "get theirs out," before the inevitable default hits. The capital flight has become a self-feeding mechanism, as it drives the value of the Brazilian real down, bringing bankruptcy on that much sooner.

*Folha de Sao Paulo* reported Aug. 4 that in June, Brazil's financial accounts balance came in at negative US\$4.2 billion. That is, \$4.2 billion more left the country, through debt payments and profit remittances, than entered as loans, foreign investment, etc. This does not include trade. This was the worst month for the financial balance since January 1999, when a net US\$6.7 billion left the country, during the crash that forced the government to float the real. The figures for July— when the capital flight was much worse— are not yet in.

*Folha* reviewed how the problem is escalating in several categories of capital flows:

1. The closing off of any foreign credit for Brazil is decisive to the drain of resources, because Brazilian-based companies, domestic and foreign-owned, could not roll over more than 22% of their debts in June, and therefore were forced to come up with dollars to pay them off when they came due. The paper notes that foreign creditors are also offering discounts to companies which pay their debts off early.
2. The multinationals are not reinvesting, but pulling any and all profits out. *O Estado de Sao Paulo* reported that profit remittances in May-June of 2002 were 140% greater than in May-June 2001. In dollar terms, \$1.2 billion left in those months this year, as compared to \$500 million in the same period last year. *O Estado* points out that because of the devaluation, the drain was even bigger when calculated in reals (which is what most companies' revenues are in)— at R\$3.1 billion's worth. *O Estado* reports that foreign companies are encouraging **future** expected profits be sent out early! (The gigantic increase in profit remittances out of Brazil over recent years is another example of how privatization is looting; the sell-off of once state-owned companies to foreign interests, means their profits leave the country.)
3. Capital is also leaving in increasing amounts through the so-called CC-5 accounts, which permit foreign residents and companies, and Brazilians with alleged activities abroad, to ship money out of the country. (The CC-5s have long functioned as Brazil's classic money-laundering/capital flight mechanism.) In June, US\$605 million left the country through the CC-5s; but \$690 million already left through this window in the first 12 days of July, alone.

### **Bank of Japan Doubts U.S. 'Recovery,' as Nikkei Tanks**



Tokyo's Nikkei stock index ended Aug. 6 barely above the critical 9,500 level— at 9,501, down almost 25% from April. Any further fall could lead the Nikkei back below 9,400, its lowest level in 19 years, since December 1983. Whereas last spring, there was a lot of shorting and gambling-type speculation by Anglo-American firms in Tokyo, now the Americans, in particular, are simply desperate "to cash in any asset they have and repatriate the proceeds to their home countries," Nikkei reports.

Several statements by "an official of the Bank of Japan (BOJ) "to Nikkei this week warned that the BOJ questions "whether the U.S. economy is truly on the mend," as Nikkei puts it. These "anonymous" statements by are growing by the day. The BOJ believes, that since U.S. consumer spending "is based on rising home prices, its sustainability remains uncertain," Nikkei reported today; i.e., the BOJ is warning that the crash of the U.S. housing bubble could crash all markets in the world. "Also, some BOJ officials are questioning whether U.S. firms are not overly indebted," they add. "If another company is discovered to have shady accounting practices, there is a possibility that U.S. share prices will continue to fall without bottom," one official said.

The market ignored a new move today by Japan's Financial Services Agency to further tighten regulations against short selling in margin trading. Similar regulations helped stop a Nikkei slide just before the March 31 bank book closing. "The FSA is trying to do what in did in March, this time for [Japan's] Sept. 30 book closing," said one trader. "But this time it's not foreigners shorting the Tokyo market. This time it's foreigners taking any cash they can get out of Tokyo because they are desperate for cash."

"Market participants are also jittery about a U.S. military campaign against Iraq, the possibility of new terrorist attacks, and Bush's 'new world order,' among other things," Nikkei also reports. Whenever there is a war in the OPEC region, because oil price hikes then depress production in Japan, there is a run on Japanese markets.

### **Leaders of Malaysia, Thailand, Indonesia Hold Economic Talks**

Malaysia's Dr. Mahathir Mohamad, Thailand's Thaksin Shinawatra, and Indonesia's Megawati Sukarnoputri were to meet in Bali, Indonesia Aug. 8, where the three leaders will witness the first delivery of natural gas from Indonesia's state oil company, Pertamina, to Malaysia's counterpart, Petronas. Thailand will also be receiving gas from the new pipeline from the Indonesian oil fields to Malaysia.

The three will also form a rubber cartel (although carefully not called a cartel). The International Tripartite Rubber Company between the world's three largest rubber producers, will reduce total production by 4% and exports by 10% in order to raise prices for the 10 million small rubber plantation holders.

## **UNITED STATES NEWS DIGEST**

### **'The Electable LaRouche' Candidate Wins Michigan Democratic Primary**

See [InDepth](#) this week, for an report on the victory of LaRouche Democrat Kerry Lowry in the Democratic Primary on Aug. 6, for Michigan State House, by an overwhelming majority of 61. 3% of the vote. LaRouche Democrat Joseph Barrera polled 47. 7% in the 12th District primary for State Senate, on the same day. The candidates campaigned with the LaRouche Presidential campaign's mass leaflets, showing a sea-change is underway in the Democratic Party.

### **EIR To Issue Third Update on McCain and Lieberman Corruption**

More than 30,000 copies of the EIR dossier on "The Real Scandal," exposing the organized crime linked duo, Senators John McCain (R-Ariz) and Joseph Lieberman (D-Conn), have been distributed in the United States. The first edition of the dossier appeared in the *EIR* of July 19, 2002.

On Aug. 6, EIRNS announced that the staff of *EIR* is putting together the next dossier on the Lieberman-McCain treason, which will focus on the links of both men to the filthiest elements in the so-called financier establishment. As already reported, Michael Steinhardt, the man who literally tried to rob the U.S. Treasury, is one key backer of Lieberman's political rise. He was, in 1991, a founding member of the Bronfman-led "Mega Group" of Zionist mafiosi billionaires.

McCain's financial angel— apart from his booze baron father-in-law— was Charles Keating, one of the biggest of the S&L looters of the 1980s and early '90s. Keating worked for 20 years for Dope, Inc. figure Carl Lindner, before setting up his own mortgage operation— with Lindner funding. Throughout the junk bond/S&L binge, Keating remained a closely held asset of Lindner and his circles. Recall from the underground bestseller, *Dope, Inc.*, that, in 1975, Lindner had taken over United Fruit Company, as part of a consortium with Max Fisher and Fisher's Detroit real-estate partner Alfred Taubman. Along with the Milstein brothers, they ran United Fruit/United Brands as a major conduit for Dope, Inc. narcodollars into the U.S. The ties of Keating to notorious pirate Michael Milken will be described.

*EIR* will also reveal that Milken's predators were at the heart of AIPAC's effort, during the 1980s, to create more than 70 political action committees, that were buying off Congressmen by the droves. The Roundtable PAC, the Mid-Manhattan PAC, and the National PAC, were three of the biggest AIPAC-created committees, that were directly run by the Tisch family, Milstein of United Fruit, and Saul Steinberg. The 1982 creation of Democrats for McCain, to bankroll John McCain's first Congressional campaign, was one of these AIPAC creations.

### **Dick Armey Breaks Ranks— Attacks Iraq War**

The first major defection from the Republican Party Congressional leadership, on the issue of the planned war against Iraq, occurred on Aug. 8, when Rep. Dick Armey (R-Texas) warned that an unprovoked attack against Iraq would violate international law, and would undermine international support for President Bush's policy of removing Saddam Hussein.

Armey is not only a Congressman, but the House Majority Leader, a leading conservative, and a well-known Bush ally; thus, his move carries immense implications. As Lyndon LaRouche predicted, when he launched his campaign to destroy the influence of Democrat Joe Lieberman, once Lieberman were defeated, ripple effects would be felt in the Republican Party, and a general shift in the governing combination would result.

As reported prominently in the *New York Times* on Aug. 9, Armey made his remarks on the same day that Iraqi President Saddam Hussein delivered a major speech, warning against U.S. aggression. Armey said the following to reporters in Des Moines, Iowa, during a campaign event: "If we try to act against Saddam Hussein, as obnoxious as he is, without proper provocation, we will not have the support of other nation states who might do so.... I don't believe that America will justifiably make an unprovoked attack on another nation," he said. "It would not be consistent with what we have been as a nation or what we should be as a nation. "

Armey said, if Iraq refused to allow international arms inspectors into the country, that would not merit military action. "In my estimation it is not enough reason to go in, that he does not allow weapons inspections," Mr. Armey said. "What if the French decided they wanted to inspect American military facilities?" Armey, who supported Desert Storm, said the current situation was different, and that basic principles of international law had to be respected. "[Saddam Hussein] has a right to hold dominion within his own national boundaries, as obnoxious as he is and as comical as he can be," said Mr. Armey. "He is what we in Texas know as a blowhard, he can't help himself. "

## **Lieberman Adds Saudi Arabia to His War List**

Joe Lieberman, the Senator from "MEGA," told Fox-TV on Aug. 4 that the U.S. is going to have to consider attacks on the Saudis, and Syrians, as well as Iraq for links to terrorism. With the attacks on Saudi Arabia, Lieberman is exposed as solidly in the camp of such neo-conservative wackos as suspected Israeli agent, Richard Perle and the Paul Wolfowitz cabal.

Over the last week, because of the escalating activity of the Lyndon LaRouche Presidential campaign in exposing Lieberman and his sidekick, Sen. John McCain, the news is out in the open that McCain and Lieberman are running a "blackmail" operation against the White House, in coordination with circles backing Israeli war criminal Ariel Sharon, to force Bush into a Middle East war.

Lieberman's warmongering persona was in full display in the Aug. 4 interview with Fox's Tony Snow. Asked if the U.S. should directly attack Hamas in the Palestinian areas, Lieberman, whose backing for Ariel Sharon helped cause this bloodshed, responded that "Israel can carry that fight for us."

But Lieberman was not being moderate—he was simply saying that the U.S. should go to war against the rest of the Arab world, while Israel takes care of the Palestinians. Lieberman claimed, "support to Hamas [is] coming from Iran, Iraq, Syria, and, I fear, Saudi Arabia."

When challenged if he was "saying the Saudis are with the terrorists?" Lieberman replied: "I'm saying there's very ample evidence that, from Saudi Arabia, Hamas and other terrorist groups claiming credit for bombings ... including those that killed five Americans, have received money from Saudi Arabia.... That can't go on any more if there's going to be peace. We can't have normal relations with countries that do that."

## **Scowcroft Thrust into Public Criticizing Bush Iraq War Drive**

Following Senate Foreign Relations Committee hearings last week on the potential consequences of, and need for, a war against Iraq, there have been an increasing number of calls, from both the pro-war and anti-war sides, for a formal Congressional vote. However, informed Washington sources considered the emergence of Brent Scowcroft, Chairman of the President's Foreign Intelligence Advisory Board (PFIAB) to be especially noteworthy.

Most strident was pro-war syndicated columnist George Will in his Aug. 9 piece, which asserts that it would be unconstitutional for President Bush to go to war without formal decisions in the House and the Senate. In addition, he noted, the President has to get that political approval to be able to wage the war. Clearly, as the Senate hearings, chaired by Joe Biden (D-Del) showed, such a debate need not move people against the war, as the proceedings can black out the opposition (see [EIW](#) , [no. 22](#)).

Nonetheless, there have been unusually loud voices speaking out against what would clearly be a disastrous adventure. Notable are statements publicized in the London press from Scowcroft (see this week's InDepth), and House Majority Whip Dick Armey (see item above.)

In response to this discussion, plus vigorous opposition from leading military circles, President Bush and his top cabinet officials have taken the tone of asserting that a decision for war has not been made, and could be extended into 2003. Indeed, in the assessment of Lyndon LaRouche, given the broad scope of domestic and international opposition to the war, it cannot be considered inevitable, despite the flight-forward drive of the utopians like Richard Perle.

## **Chaos in Washington, D.C.: Mayor Williams Loses Appeal**

On Aug. 6, the D.C. Court of Appeals denied Mayor Anthony Williams' appeal of the Board of Elections and Ethics' ruling throwing him off of the ballot in the Democratic Party primary to be held Sept. 10. The Board ruled last month that it could not count any of the more than 7,000 petition signatures gathered by the Bishop family, because it could not determine if any of them were valid. At a hearing yesterday, lawyers for the Mayor argued that the Board had "acted lazily" in its ruling denying Williams a ballot position.

Meanwhile, the Board of Elections and Ethics has referred the petition forgery case to the U.S. Attorney and to the D.C. Corporation Council for criminal investigation and prosecution. So far, neither Mayor Williams nor his campaign manager is part of the criminal referral, but four petition gatherers are named. One of those named, recently told the *Washington Post* that it was nearly impossible to gather signatures for Williams in black neighborhoods in D.C.

A spokesman for Williams said that he will drop any further appeals, and will concentrate on organizing a write-in campaign.

## **Congress hands President Bush the 'Fast Track' He Wants**

Just before leaving for the August recess, the conference committee working on reconciling the trade bills known as "Fast Track" which passed the House and the Senate, finally came to an agreement, and sent a bill to President Bush's desk. Bush was able to sign the bill, which had been stripped of the killer Senate amendment which would have forced the President to seek approval from the Congress if he negotiated agreements which changed anti-dumping laws. As it is, the President's "trade promotion authority" will allow him to present whatever treaties he negotiates, in "take it or leave it" fashion, to the Congress.

## **Health-Care Cost-Cutting Threatens Lives**

According to the *New York Times* of Aug. 8, the Joint Commission on Accreditation of Healthcare Organizations has concluded that the low level of nursing staffing in U.S. hospitals contributed to 24% of cases of death or injury to hospital patients.

The report was released Aug. 7, based on a study of a computer database that included 1,609 reports of patient deaths and injuries since 1996. The argument of Health Maintenance Organizations (HMOs) has been that staff "streamlining" has had no impact on health-care provision. But, in fact, the takedown of facilities and staff for care delivery has been so great, that at present, more than 126,000 nursing positions are vacant in the extant hospitals— about 12% of the staff jobs (a number itself far below the ratio needed).

## **U.S. Special Operations Command Seeks Expanded Operations**

According to the *Washington Post* of Aug. 3, Air Force Gen. Charles R. Holland, the commander of the U.S. Special Operations Command, met with Secretary of Defense Donald Rumsfeld Aug. 2, and proposed a series of dramatic new measures. These included a "dramatic expansion of the Navy's sea interdiction efforts, as well as a plan under which special operations troops would accompany foreign forces on combat missions." But most of the missions Holland proposed were "aggressive, unilateral, and behind the scenes," said an unnamed U.S. official familiar with the Holland-Rumsfeld meeting.

Holland told Rumsfeld that he is ready to begin executing the proposed missions, but he wants to be sure he has the

political backing from the Bush Administration, and the legal approval needed to carry out the missions. The official said that Holland is concerned that Congress may not support ground-combat operations. Rumsfeld and other top officials have complained that there's been too little progress in the war on terrorism in recent months, and that the planning process "has been too rigid and stale." The Aug. 2 meeting between Rumsfeld and Holland is being taken as a sign that covert operations by special forces will increase in the coming months, as troops become available for new missions.

## **United Airlines Hires Bankruptcy Lawyers**

United Airlines has hired bankruptcy lawyers, Cable News Network (CNN) reported Aug. 2. UAL, the second-largest airline in the United States, also announced further flight cuts, and, in a desperate attempt to get some revenue, has reduced its fares along with other U.S. airlines— despite the fact that U.S. airlines lost more than \$1.4 billion in the second quarter. UAL filed for a \$1.8 billion Federal loan guarantee at the end of June, and hasn't yet received an answer from the government.

However, some commentators say United still has large cash reserves, and filed for a Federal loan guarantee (which requires union and creditor concessions as a condition) only to create a "club" to force union givebacks.

## **Warmonger John Bolton Provokes Outrage in Britain**

U.S. Under Secretary for Arms Control John Bolton, interviewed on British Radio 4's Today program Aug. 3, categorically declared that the U.S. objective is to topple Saddam Hussein, whether or not UN weapon inspectors are allowed in. Bolton declared: "Let there be no mistake— while we also insist on the reintroduction of the weapons inspectors, our policy at the same time insists on regime change in Baghdad, and that policy will not be altered, whether inspectors go in or not. "For good measure, Bolton added that he "certainly hoped" Saddam would be deposed within the year.

Bolton's remarks lit a fuse in Britain, the London *Observer* wrote Aug. 4, starting with the Foreign Office, which quickly moved to dissociate itself from his comments by issuing a statement on behalf of the Foreign Minister: "Jack Straw has said that the aim of our policy would not be regime change. "

## **Gambling Vultures Circles Over Bankrupt States**

The gaming industry is now in high-gear to open the floodgates for legalized gambling of all sorts, according to the *Washington Post* of Aug. 5. Nearly 35 states have and/or are moving to adopt legislation to allow every kind of gambling imaginable. In the 1990s elected officials gambled and lost on the stock-market and "New Economy" bubbles as the means to feed state coffers, and now, refusing to face reality, they are turning to gambling proceeds as a new revenue source.

Harrah's Entertainment Inc., one of the country's largest casino operators, is promoting legalized gambling in Maryland, by circulating a "study" which purports to show that 3.4 million Marylanders travelled to other states to gamble. Conclusion: legalize it here and reap the benefits to fund your budget. Maryland's House Speaker Casper R. Taylor, Jr. (D-Allegany) was quick to jump at the marketing bait: "Hundreds of millions of ... dollars are going to other states to build their roads and schools," he said. Harrah is championing the push to legalize "racinos"— casinos at racetracks. Gary Loveman, Harrah's CEO gloats, "If gaming is liberalized in Maryland, or any state, we want [a] part of it. There's tremendous pent-up demand. It's a little like the end of Prohibition."

The article notes that "Voters in Tennessee, Nebraska, Arizona and Idaho" will have gambling initiatives on their November ballots, while Indiana has "loosened] restrictions on the state's billion-dollar riverboat casino industry." All



these states have dramatic budget crises due to job shutdowns, and the stock-market collapse.

Common Cause plans to encourage full debate on the pros and cons of gambling. Its president, Scott Harshbarger, a former Massachusetts attorney general, argues "There is a very conscious strategy [by the gambling industry] to take advantage of vulnerable states and to ally with state officials who don't want to make tough decisions about taxes."

A 1997 *EIR* feature, "Legalized Gambling: Money Laundering for Dope Inc.," by John Hoefle, exposed the organized-crime control of gambling, and debunked the so-called "economic benefits" used to promote it.

### **State Securities Officials Will Coordinate Investigation of Banks and Brokers**

Trying to cash in on New York State Attorney General Eliot Spitzer's \$100-million settlement with Merrill Lynch, state securities officials, working through their national organization, the North American Securities Administrators Association (NASAA), formed a new task force to pool their resources and coordinate "12 to 15 investigations" into financial firms operating in their states which may have allowed conflicts of interest to distort investment advice.

Riding the wave of "let's catch the crooks" rather than acknowledge their own acceptance and toleration of deregulated banking, these state officials hope to bag a few bucks by "concentrating enforcement efforts on major investment banks and brokerage houses," Stateline.org reports. For example, Alabama, Georgia, Mississippi, and Indiana are targeting Lehman Brothers. They are leaving the Enron, WorldCom, etc., investigations to the SEC and Federal regulators. "The main role of the states is to provide grass-roots investor protections," said Brad Skolnik NASAA's chief enforcement officer and Indiana's securities commissioner. State officials have jurisdiction over these investment banks and their brokerage firms as they must be licensed by the states to operate within their borders.

### **Lying LaRouche Prosecutor Named as Federal Judge in Virginia**

Henry Hudson, the former U.S. Attorney in Alexandria, Virginia, who carried out the frame-up of Lyndon LaRouche in the late 1980s, has been appointed by President Bush to the Federal bench in Richmond. The U.S. Senate confirmed Hudson's nomination Aug. 8, and Bush signed the appointment a few days later.

Hudson is a notorious liar and publicity-seeker; he was caught by a Federal bankruptcy judge in carrying out "constructive fraud" in the LaRouche case, and later, in 1995, he was caught lying in Congressional hearings on the Ruby Ridge shoot-out.

## **IBERO-AMERICAN NEWS DIGEST**

### **FLASH! LaRouche Interviewed on Argentine National Radio**

U.S. Democratic Party Presidential pre-candidate Lyndon LaRouche was interviewed live Aug. 9 on one of Argentina's leading national radio stations, Radio Splendid, for almost 30 minutes. Talk show host Mr. De Renzis asked LaRouche about a wide range of topics, from what Argentina should do to get out of its crisis, where more than half the population now lives in poverty, to what would be the effect on the world, and the world economy, if U.S. President George W. Bush orders an attack against Iraq.

De Renzis then advertised, throughout the day, that his interview with LaRouche would be re-broadcast on Sunday, Aug. 11, and highlighted LaRouche's explanation that the IMF package is a bailout of the banks, not of Brazil.

## **If Uruguay Is the Model...**

On the eve of U.S. Assistant Secretary of State for Western Hemisphere Affairs Otto Reich's visit last month to South America, a State Department official, giving the background briefing on Reich's July 7-12 visit, stated that Reich believes "Uruguay represents what we hope the hemisphere will become." Uruguay is now blowing apart, along with every other Ibero-American nation. See below.

## **National Strike in Uruguay Against IMF Banking Law**

Uruguay's labor unions struck nationwide Aug. 7, shutting down schools, hospitals, government offices, and halting transportation. Five thousand people marched in downtown Montevideo, the capital. The protest was aimed at the IMF-imposed banking law which froze three-quarters of people's fixed-term dollar deposits at the public banks, and closed several insolvent banks. Depositors waited all week in long lines to withdraw funds from the Banco de la Republica, the nation's largest state-owned bank, with over 500,000 account-holders nationwide.

Julio Garcia, president of the electrical workers union, estimates as many as 2,500 jobs will be lost at the four banks which have been closed. The bank bill "will kill the state bank in the long run, and leaves the financial market in the hands of the private banks," he charged.

A mid-level manager from one of the banks that have been closed, the Banco Caja Obrera, warned that the shutdowns would disrupt payments in Uruguay, particularly in small farming towns. His particular bank, for example, handled the finances of cattle auctions, and its closure "will snowball and halt payments across several provinces."

Unemployment in the country was already officially 15.6% at the end of May.

Aside from financial restructuring, the IMF wants social-security "reform" (read: privatization) and greater fiscal austerity, which also implies deep budget cuts and more privatization. As the Argentine daily *Clarín* noted on Aug. 5, while the government was issuing statements that the crisis is over, "in reality, the air in Montevideo would seem to indicate that this is just the beginning."

## **Chavezista Paramilitaries Surface, in Grave Escalation of Venezuelan Crisis**

On Aug. 4, two days after unknown gunmen ambushed a police car in Caracas, and then fired military-issue, armor-piercing bullets at a police vehicle, reporters were invited to a dimly-lit apartment in a poor neighborhood, which is known as a stronghold of Venezuela's demented President Hugo Chavez. There, a group of hooded men, outfitted in camouflage uniforms and holding automatic assault rifles, presented themselves as members of a so-called "Carapaica Revolutionary Movement," and announced they were responsible for the attack on the police.

Speaking for the group was one "Comandante Murachi," who claimed they were not associated with the Chavez government, but admitted to being its supporters. They call themselves Marxist followers of Che Guevara. "Murachi" threatened those who betray "the people," that they will be treated as "military targets." "We are like cats; we crouch and wait. To each one, will come his time," he warned. "Murachi" specified that threat applied to the "vanguard" of the opposition movement against Chavez, and to leaders of the Chavez movement who break with him, and then singled out four Congressmen in the latter category by name, whom he recommended "reflect" on their "disrespect for popular sovereignty." "Murachi" also threatened the Metropolitan Police should they attempt again to repress protestors.

This new paramilitary capability surfaced as President Chavez, personally, and other top members of his government, have stated numerous times over the last few weeks, that "the people" will not tolerate the Supreme Court finding against the government on the two major cases now before it: 1) the government's attempt to try for treason four top military leaders who sided with the opposition on April 11, and 2) a lawsuit brought by the opposition, which seeks to try Chavez, Vice President Jose Vicente Rangel, and Attorney General Isaias Rodriguez, as personally responsible for the deaths which occurred on April 11. Mobs were back out on the street on August 8, and more than seven people, mostly policemen, were shot and wounded in the melees which resulted.

### **New Colombian President Faces Daunting Task**

Alvaro Uribe Vélez was sworn in as President of Colombia on Aug. 7, in the midst of mayhem wrought by the FARC narcoterrorists in one of the poorest sections of the capital. The FARC's intention had been to stop the Presidential inauguration altogether, and possibly assassinate the new President. Unable to accomplish this, the FARC resorted to brutal attacks on the population itself, and lobbed mortar bombs during the inaugural ceremony at a slum, just four blocks from the Presidential palace. A vast area was reduced to rubble, and the death toll had risen to 19 by Aug. 8, with another 69 wounded.

Uribe's response has been to order a 2000-man increase in the Bogota police force, and to immediately launch his promised 1-million-man civilian militia. Initially, these are to be volunteers who will work against the narco-terrorists, either as informants for the military and police, or as armed auxiliary soldiers and policemen. Eventually, many of these volunteers may be absorbed formally into an expanded Armed Forces, which Uribe has pledged to double under his mandate. Asked by reporters if it weren't risky to turn civilians into informants for the authorities, Uribe responded that the real risk was to Colombia's 40 million citizens, who are being ravaged by narco-terrorism.

### **Colombia: *EIR*'s Londono Challenges Wall Street Bankers**

*EIR*'s bureau chief in Colombia, Maxmiliano Londono, brought a dose of reality on July 25 to the 1000 or so Colombian and U.S. bankers, members of the Colombian elite, and U.S. Embassy officials attending the annual "Colombia in the Eyes of Wall Street" seminar organized by ANIF (National Association of Financial Institutions), the Fedesarrollo think tank, and the New York-based Council of the Americas.

The moderator permitted *EIR*'s Londono to brief the gathering, wherein he made the following points:

The title of the seminar, "Colombia in the Eyes of Wall Street," is a mistake, he said. It were more appropriate this forum be called "Wall Street in the eyes of Colombia." The foreign debt cannot be paid; the New Economy bubble has collapsed; and the U.S.'s huge deficit is about to blow up. Lyndon LaRouche forecast the end of the system, and that the dollar could collapse by 40-60%, that the housing bubble will pop at any moment. Were the "clash of civilizations" crowd to be neutralized, however, there could be a reorganization of the international financial system just as LaRouche has proposed.

Lastly, Londono warned that President-elect Alvaro Uribe has only two options: he can either be a Colombian Herbert Hoover, or a Colombian Franklin D. Roosevelt. The latter option means building infrastructure projects, and issuing cheap credit and create millions of jobs.

Londono's remarks were met with a round of applause from the audience, and an executive from Deutsche Bank, Jose Luis Daza, stood up to respond that "this man" (Londono) should be here as a speaker, because he knows what he's talking about. Of course, he added, there are things I don't agree with, but he knows very well what the situation is with the world financial system at this time.



## **New Bolivian President Promises Jobs, Infrastructure**

A new President was inaugurated in Bolivia, on Aug. 6, mining baron and Inter-American Dialogue favorite Gonzalo Sanchez de Lozada, who served as President also from 1993-1997. Congress elected the new President, after a marathon session of more than 24 hours, dominated in large part by mutual recriminations and insults, because no candidate won more than the required 50%— nor even 25% — of the vote. His opponent was cocalero Evo Morales. Sanchez de Lozada's MNR party struck a deal with the MIR party of Jaime Paz Zamora, eventually garnering 84 votes to Evo Morales' 43.

In a press conference after the inauguration, Sanchez de Lozada emphasized that controlled spending and reduced investment were going to be key to his Presidency's success in winning international credit, while, at the same time, insisting he has plans to use the next 90 days to launch a jobs-creation program based on infrastructure: highways, rural electrification, irrigation, housing, etc. He said his would be a government of "intervention" in the market economy, given the delicate state of affairs of the economy, and claimed he would not impose the economic shock treatments that were the hallmark of his own activity as Planning Minister in the 1985-89 Paz Estenssero Presidency.

Were he to fail to provide new jobs, his government would face political disaster, quickly. Denouncing the new MNR-MIR alliance that put Sanchez de Lozada into the Bolivian Presidency as "a mafia," coca-pusher Evo Morales, de Lozada's opponent, declared himself the real winner of the national elections. He added that he would name a cabinet and rule from the Congress.

The "people's movement" that Evo Morales calls his followers has declared that its primary intention is to stop coca eradication in the drug-producing zone of the country known as the Chapare. This is the same region where the Bush Administration has insisted on continued coca-eradication as the sole litmus test of the new government.

## **IMF Demands Weakened Paraguay Enact 'Fiscal Austerity' Law**

The IMF is squeezing Paraguay to impose "fiscal austerity" as a conditionality for a standby loan. This occurs in the midst of extraordinary instability, and immense poverty, characterized by one opposition leader as "like Biafra or Bangladesh." Scenes reminiscent of Argentina, where heads of households have to dig in garbage dumps to find food, are now becoming commonplace. Industry Minister Euclides Acevedo spoke out against the IMF program being negotiated by Finance Minister James Spalding and Central Bank President Raul Vera, arguing that the IMF had no right to dictate policy to the country, and demand tax increases, as if Paraguay were just a colony. "We are a sovereign state," he said. The country can't tolerate more tax increases, he added. "You can't keep drawing blood from someone who's anemic." Similar attacks came from the president of Paraguay's Industrial Union, and the head of the Chamber of Advertisers.

The IMF-dictated fiscal-austerity law to be presented to Congress demands huge budget cuts, an increase in the VAT tax, from 10 to 13%, an increase in a tobacco and alcohol tax from 10 to 20%, plus additional tax hikes. This austerity is intended to reduce the fiscal deficit to 1.3% of GDP this year, with the goal of reaching a "zero deficit" in 2003—the same crazy policy which helped destroy Argentina. The Fund also wants a "financial reform" law passed in the Congress, for the purpose of dealing quickly with banks that fail.

It is against this backdrop that a mass demonstration was planned for Aug. 4 in Asuncion, by Unace, the movement founded by former Gen. Lino Oviedo. The protest was to demand the resignation of current President Luis Gonzalez Macchi.

## **WESTERN EUROPEAN NEWS DIGEST**

## Infrastructure Jobs Programs Become Political Issue in Germany, Italy

Our [InDepth](#) section this week provides the story on how new proposals for financing much-needed infrastructure programs, which are necessities for dealing with the collapse of employment, have now surfaced in Italy and Germany. These proposals, which echo initiatives put forward by economist Lyndon LaRouche and his wife, BueSo lead candidate Helga Zepp-LaRouche, have already stirred up a hornet's nest of controversy, which can be expected to continue.

## Schröder Reiterates Opposition to Iraq War

During an interview aired the evening of Aug. 9, on Germany's first national television channel ARD, German Chancellor Gerhard Schröder reiterated his determination to keep Germany out of any Iraq war. He said that what he had said on the issue of Iraq earlier in the week, "stays, is valid, and will stay." (More extensive coverage appears in [InDepth](#).)

Schroeder's uncharacteristically bold declaration, along with the new German proposal for 1 million jobs, has created the potential for the revival of his electoral campaign, which had been dealt a serious blow by rising unemployment.

## Italian Government Plans New Initiative To Stop Iraq War

According to Italy's leading newspaper, *Corriere della Sera* of Aug. 8, the Berlusconi government is working on a diplomatic solution to the crisis with Iraq, that is expected to become public in September. The leak says that a combination of Arab and European nations would issue simultaneous statements offering Iraq a lifting of the sanctions, if Baghdad accepts United Nations inspection without conditions. The four Arab nations mooted to be already involved are Egypt, Jordan, Morocco, and Tunisia.

"The target is to have the whole EU and the whole Arab world share the substance of this initiative," writes *Corriere*, adding that "the main question mark concerns Great Britain and France. The former, because since Sept. 11, [Prime Minister] Tony Blair has almost always supported George Bush's decisions. The latter because [French President Jacques] Chirac and his Foreign Minister Dominique de Villepin ... are doing all they can to gain the image of the first and foremost defenders of Arab rights in the West."

So far, the Italian initiative has been being pursued at the diplomatic level, in order not to expose higher political officials, *Corriere* reports.

## British Paper Says Blair Could Go by December

"If Blair is seen as the poodle of a foolish ally ... Gordon Brown could be prime minister by Christmas," writes Martin Kettle, in a commentary published by the London *Guardian* Aug. 8, titled "Lord of all he surveys— until he ignores their views." Kettle reports that Tony Blair commissioned an opinion poll, by the "Focus Group," the results of which have been kept tightly under wraps.

According to Kettle, the poll showed that "all senior Tory politicians are more unpopular than the euro. But the bigger news is that the poll has discovered on the eve of a possible attack on Iraq, that Bush is even more unpopular [in Britain] than the Tories.... [T]he finding about Bush is dynamite in the developing context of Iraq."

Kettle continues: "If British voters have little confidence in Bush, as this survey shows, then any confidence they may have in Blair's own foreign policy judgments is likely to be undermined by his embrace of a disrespected president. If Blair is

seen not just as a poodle, but as the poodle of a foolish and arrogant ally, he could find his political capital to do other things draining rapidly away."

Kettle then analyzes Blair's situation in U.K. party politics, and concludes that there are only three options left for Blair: "First, that Blair knows something that we don't, which will significantly transform the terms of the argument in his favor; second, that he has played a bluffer's hand and is beginning to back away from a commitment he does not intend to carry through; or, third, that he is genuinely set on supporting the U.S. under whatever circumstances Bush decrees. The first is still possible. The second looks more likely than it once did. If it is the third, though, then Gordon Brown could be prime minister by Christmas."

## **Pro-Empire Propagandist Kagan Tries To Intimidate Europe**

Major newspapers in Western Europe, including the French daily *Le Monde*, Germany's weekly *Die Zeit*, and *The International Herald Tribune* are featuring the latest attack on European opposition to a war on Iraq by neo-conservative hired pen Robert Kagan. This barrage, which included a full French translation which ran for three days in *Le Monde*, has caused intensive debate.

Kagan has just authored a piece for the Heritage Foundation's *Policy Review* magazine entitled "Power and Weakness," whose main point, indicated in the title, is very simple: America is strong, and Europe is weak; America is guided by the philosophy of Thomas Hobbes, the primacy of "force," while the Europeans, obsessed with Kant's "Perpetual Peace," are against military solutions to international problems. But, Kagan sneers, the Europeans are completely dependent on the Americans, for their "peace." The Americans are from "Mars," the Europeans from "Venus." The Americans are like Gary Cooper, in the movie "High Noon," saving a group of people (Europeans) who don't like the fight in the first place. And so on, ad nauseam.

Kagan makes it crystal clear, that the only real issue in his hyperventilations, is that a war against Iraq is soon to begin, and the Europeans will either be forced to support it, whatever they may think, or, in any case, the U.S. doesn't give a damn what these wimpish Europeans think. He then says the U.S. must deal, in the future, with other "rogues," among which he includes not only "Iran's ayatollahs" and North Korean President Kim Jong-il, but China's Jiang Zemin.

Kagan currently lives in Europe, and was the first speaker, recently, at Aspen-Berlin, when the latter was taken over by Jeffrey Gedmin, formerly the head of the New Atlantic Initiative, which operates out of the American Enterprise Institute in Washington. He has also been a member of the utopians' Project For a New American Century. In recent years, he was a chief collaborator of *The Weekly Standard*'s William Kristol; the two teamed up for violent propaganda against China, and were pushing, before Sept. 11, 2001, for a U.S. confrontation with China— a confrontation which, obviously, is still high on their agenda.

## **Russia and Central Asia News Digest**

### **Attack on Iraq 'Unacceptable' Says Ivanov**

Russian Foreign Minister Igor Ivanov told reporters on Aug. 7 in Moscow that Baghdad's invitation to the top UN weapons inspector, Hans Blix, has opened a peaceful way out of the crisis. "Other means, especially forceful, are unacceptable from the viewpoint of international law and could only exacerbate the already difficult situation."

Russia believes it extremely important not to miss the "opening opportunities" for a political and diplomatic settlement. Ivanov said the invitation had "unequivocally shown that Baghdad is seriously considering a possibility of the U.N.

inspectors to Iraq."

## **Glazyev Speaks on Need for National Banking for Development**

Economist Sergei Glazyev, currently campaigning for the governorship of Krasnoyarsk Territory in Siberia, gave a webcast press conference Aug. 2 on the pre-announced topic, "Why Has the Russian Government Been Named Among the Least Effective in the World?" In introductory remarks, Glazyev stressed the huge wage arrears to teachers and doctors in Russia, and the government's blocking of proposals— even when President Vladimir Putin has verbally endorsed them—for channeling raw materials earnings into investment for the good of the nation.

Glazyev revealed that during the President's meeting with him, Academician Dmitri Lvov, and other economists last spring, Putin had agreed to their version of a "debt for investment" scheme. Instead of dedicating one-third of Federal budget spending to service the foreign debt, the economists proposed "to refuse to pay on foreign debts in dollars, and to suggest to the creditors to receive the debts in the form of rubles, and the rubles should be spent inside Russia. This is the debt-in-exchange-for-investment scheme, on condition that it will not be converted into dollars, but rather be spent on investment in real production projects."

In a question-and-answer session ranging from Russia's possible "shadow governments" to the vagaries of national monopolies reform, Glazyev singled out the incompetence of Russia's Central Bank, taking the opportunity to develop a concept of national banking.

"The Central Bank has never had the guts," he said, "to start using mechanisms for supporting economic growth, for example, through refinancing commercial bank paper against the bills of solvent borrowers, a mechanism that would make the state implement its basic function, organizing national credit. What is the main function of the Central Bank? It should organize credit within the economy. It should enable industry and agriculture to provide credit for their development. Modern economic growth began in the 18th Century when the states mastered the instruments of the Central Bank and learned to create credits. Our Central Bank has voluntarily given up that main function. Who needs such a Central Bank anyway?"

The solution within Russia, Glazyev argued, "is to deploy a network of development banks. The development bank that will work with state guarantees, with the Savings Bank, that will have mechanisms of refinancing by the Central Bank by extending credits to develop production in priority scientific and technological areas. That is, the spheres that can bring about an economic breakthrough. For example, we have a competitive edge in the rocket and space technology, in the aviation industry, in science-intensive instrument building, such as laser technology, we have some promising results in molecular biology, but we do not have enough long-term money....

"We propose to set up a system of development banks, and to deploy a system of support of small business through special funds in addition to development banks and agricultural banks, to create mechanisms of mortgage crediting of housing through specialized banking institutions in the regions, to deploy an export-import bank that would guarantee and issue export credits to promote the products of our engineering industry abroad."

## **Kudrin: There Will Be No Default, No Devaluation**

Speaking to Interfax Aug. 8, Vice Premier and Finance Minister Aleksei Kudrin excluded the possibility of a devaluation of the ruble or a default on foreign debts in 2003. "I can say today: we are not going to face a default, we'll not have a devaluation which would damage the savings of the population or make them convert them into dollars or euro," Kudrin said.

In commentary in *Izvestia*, Svetlana Babayeva and Yelena Krop emphasized that the compulsion to assure the population that everything is "okay, really," indicates that something is wrong. "The fact is that after a number of populist social measures, following a number of populist tax measures, the government is short of money," they wrote. According to the paper, "in the next year, we'll have to forget about a budget surplus." Moreover, they added, the growing uncertainty has triggered an ongoing debate between the government and its apparat, headed by Igor Shuvalov, and inside the government— between the group of Gref and the "centrists" close to Mikhail Kasyanov and Kremlin Chief of Staff Alexander Voloshin.

Mikhail Zadornov, deputy head of the Duma's Budget Committee, believes that the contradictions between the ministers and the apparat is explained with attempts to find a scapegoat. "The major problem of the government," said Zadornov, "is that it works by inertia, which means stagnation. When the threat of a continued recession in the United States is regarded as serious, and when nobody can provide a substantiated prognosis of prices for oil, gas, and metals, it is dangerous for the country."

Some Russia media are even more skeptical. Moskovsky Komsomolets carries a full-page article, titled "Kasyanov's Crap," illustrated with graphs showing that in the "lucky" years of 2001-2002, 50-56% of Russians characterize the economic situation as "bad" and "very bad."

### **Russian Analyst Sees U.S. and World Economic Crisis As Systemic**

In a lengthy review of the crisis dynamics in the U.S. economy, published Aug. 5, the economics commentator for the daily *Vremya*, Alexander Deikin, explained that the current crisis can't be compared with "classical" fluctuations, as described in Marxist and post-Marxist textbooks of economy; and secondly, that the major challenge faced by the Bush Administration, as well as Putin's Administration, is the lack of ideas.

"The crisis is non-classical, but it is likely to be much more important for the United States, the whole world, and Russia in particular, than any 'regular' crisis has been," emphasizes Deikin," emphasizes the author. While noting the role of the recent accounting scandals, he stressed the delusions in the minds of Americans: "Until this last year, Americans had gotten used to a rapid growth of incomes. Warnings from economists that a financial bubble was inflating, were not heeded, since the virtual growth of stock quotations allowed top managers to capitalize a lot in cash, and enjoy huge (arbitrarily calculated) salaries and bonuses. Before the bubble burst, employees never questioned why on Earth the wages of the [company] president exceeds their own by a factor of 592 times. ..."

Deikin also zeroed in on the irrational "faith in the U.S. currency," on which "the illusion of stability of the U.S. economy" was based. "Although the balance of payments was deteriorating, stocks continued to rise and foreigners continued to invest.... Finally, the huge payment and trade deficit signalled to speculators that they had to get their incomes as soon as possible, and the noise over 'dollar's overevaluation' " began.

Deikin concluded, "The incumbent [American] President is surrounded with deficits from all sides: deficit of the Federal budget, payment balance, and qualified cadres. However, the major deficit, traditional for the Republicans, is the lack of ideas.... In this global whirlwind, Russia may win or lose, depending on its goals and strategy.... The major task is to overcome 'the Bush syndrome,' and allow new ideas into the economy."

### **Russian Raw Materials Policy: In the National Interest, or Resources Grab?**

Turmoil continues around the reportedly pending plan of Russian Presidential Administration official Dmitri Kozak, to change ownership and/or taxation policies for the country's natural resources. As EIW has reported, elements of the plan,



(as described in a version leaked by Interfax in late July) echo Academician Dmitri Lvov's often repeated demand, to "place our national wealth on the balance sheet of the state." Various Russian papers, joined by *The Wall Street Journal*, shrieked that the cancellation of licenses for raw-materials exploitation, and their replacement by a concession system, would mean "re-nationalization." Proposals for revising the Law on Natural Resources are due to be submitted to the government by Oct. 1.

The similarities to Lvov's proposals were not missed. Christopher Kenneth, in *The Russia Journal* of Aug. 2-8, noted that Kozak's reported recommendation "echoes a similar view expressed earlier this year in national media by Dmitri Lvov," who had told *Pravda*: "If the major part of our national income is generated not by labor and capital but from rents on natural resources, then these assets should not be made a subject for private entrepreneurship, which channels revenues to only a select few. Rather, the assets should belong to all Russians.... A law to make the state the sole owner with rights to exploit these resources, and making concerted efforts to forestall any further attempt to sell government's stakes in this sector, would be a big step forward in correcting the situation."

As reported in our second item this week, Academician Lvov, Dr. Sergei Glazyev, and other Russian Academy of Sciences economists met with President Putin in March, but there had been little reflection of those discussions in policy, until reports surfaced about the Kozak plan.

### **Menshikov Comments on Reports of Kozak Plan**

Professor Stanislav Menshikov, who has been favorable to Academician Lvov's concept, analyzed the Kozak proposal, in his Aug. 2 column in *The Moscow Tribune*.

This "really surprising" document, Menshikov says, "claims that not only all mineral deposits belong to the state, but also the products of their exploitation. If this document is adopted, oil companies will lose their current licenses for oil fields and will have to sign concession agreements, under which they would be compensated for costs plus a 'normal profit', but the remaining revenue would belong to the government. It is no secret that oil companies reap an enormous super profit from their low production costs and the much higher world prices. Last year, Putin suggested taxing away most of that mineral rent and using it to finance manufacturing, particularly high-tech industries. Due to sabotage from the Kasyanov cabinet, nothing came out of this idea. Today the President has returned to his old plan and put it into an extreme form that is close to de facto nationalization."

Since the Kozak plan would likely be opposed by the Kasyanov cabinet and "either buried or emasculated on the way to Parliament," Menshikov suggested that it might become "another test of strength between the President and the Prime Minister, with the oligarchs taking Kasyanov's side this time around." Or, Putin might have let the proposal come out "for tactical reasons," having to do with showing the oil magnates "who is boss." Menshikov concluded, "Dancing with the oil and nickel wolves is dangerous business. Who wins is anybody's guess."

When Putin called for the repatriation of Russian flight capital, two months ago, he promptly closeted himself with former Mezkhombank chief Sergei Pugachov, to hammer out detailed proposals. In the case of the raw-materials legislation, too, the raw-materials magnates quickly entered the picture. Yukos Oil's owner, Mikhail Khodorkovsky, supported the Kozak plan, as did Mikhail Fridman, chairman of Alfa Group, who said, "It doesn't matter whether it's called a concession or a licensing agreement. What is important, is that the government cannot tear it up unilaterally." Each of them met with Kozak the week of July 29. *The Moscow Times* and *Vedomosti* reported Aug. 5 and Aug. 7, respectively, that Kozak's draft law has been revised so as to not transfer to the state, ownership of the resources in the ground, after all, but to increase taxes collected at the wellhead.

### **Deterioration of Russian-Georgian Relations**

On Aug. 8, Georgia agreed to extradite a group of Chechen mercenaries to Russia, after Russian special services provided videotaped evidence of the involvement of Georgian military and customs officials in deployment of terrorists across the border into Russia. This evidence also implicates Azerbaijan, as the mercenaries were reportedly hired in Baku through a company functioning as a travel agency. The video showed a terrorist describing how Georgian officials in Pankisi Gorge protected him.

During the past two weeks, accusations have flown back and forth between Moscow and Tbilisi, after Chechen guerrillas retreated from heavy fighting with Russian forces in Chechnya, back into Pankisi Gorge. Georgia protested Russian military aircraft overflights of Pankisi Gorge, and initially refused to extradite two groups of Chechens, captured on the Georgian side. Oleg Mironov, speaker of the Russian Federation Council (upper house of Parliament), inflamed the situation by proposing that Russia emulate Ariel Sharon's military operations on the West Bank, and go into Georgia in force to wipe out the guerrillas' bases there.

This deterioration of the Russian-Georgian relations takes place on the eve of signing of a comprehensive Friendship and Cooperation Treaty between the two countries. But there is political instability in Georgia, where no clear leading force emerged in recent local elections, and there is more and more open discussion about the succession to President Eduard Shevardnadze.

## **MIDEAST NEWS DIGEST**

### **Open Letter to 'Palestinian Partisans' from a Commander of the Warsaw Ghetto Uprising**

Dr. Marek Edelman, the deputy commander of the 1943 Warsaw Ghetto uprising, (and the last surviving commander of the uprising,) wrote an open letter to the Palestinians to end violence and open negotiations. The letter, reported in the Israeli daily *Ha'aretz* Aug. 9, is extraordinary, and is causing great consternation in Israel. It was released shortly after *EIR*'s expose of the use of Nazi Warsaw Ghetto tactics against the Palestinians.

The letter, an urgent call for peace, is unique, in that it does not mention the word "terrorism" once, and is addressed to Palestinian "partisans." Edelman is not a Zionist, and lives in Poland.

Edelman addresses "the commanders of the Palestinians' armed organizations and the partisan organizations, and the soldiers of the armed Palestinians organizations." He writes that, "In 1943, we fought for the life of Jewish society in Warsaw. We fought solely for life, not territory and not for national identity.... Our weapons were never aimed at a defenseless civilian population. We did not kill women and children."

He goes on to say that, "To this day, a partisan struggle in the cities has never succeeded anywhere in the world, but the armies we fought against also never won. This war also will not lead to any solution. Once again, blood will be spilled needlessly, and people on both sides will lose their lives."

He said that in the Warsaw Ghetto uprising, "we never gambled with our lives. We never sent our soldiers to a certain death. After all, you only live once. A man must not take another's life. It is time for everyone to understand that."

He advises the Palestinians to learn from the Irish, where "ardent enemies sat around the same table," and from the fall of the Communist regime in Poland, "which was brought down without a single shot."

Edelman then addresses both sides: "You and the state of Israel must alter your approach.... You must want peace in order to save the lives of hundreds if not thousands of people to create a better future for your relatives and children." He says he decided to write to "the commanders of the armed organizations" because of his experience, which has found that they have the biggest influence, compared to civil and political elements.

Edelman writes that a possible mediator does not have to be "a politician." Instead, "A man with an unshakeable moral authority, who puts living in peace and honor, above all political goals, is preferable."

Simha Rotem, another former Warsaw Ghetto fighter, who brought the letter to Israel, suggested that Edelman could play the role of mediator.

Edelman was a member of the Bund, and became a deputy commander of the Jewish Fighting Organization (ZOB) during the Warsaw Ghetto uprising. He stayed in Poland after the war instead of going to Israel, because he didn't support Zionism. He was imprisoned during the military regime in Poland in the 1980s, and later joined Solidarnosc.

The open letter is an initiative that appears to have followed discussions which included Palestinians.

### State's AID Report Shows Palestinian Suffering Under Israeli Occupation

A report by the State Department's Agency for International Development (U.S.AID) says that "a humanitarian emergency" exists in the West Bank and Gaza Strip; with children five years and under, and women at risk. Preliminary findings of a U.S.AID-sponsored study to uncover the extent of food shortages and humanitarian needs since September 2000 in the West Bank and Gaza Strip (WBGS) conclude that the "WBGS, and especially the Gaza Strip, face a distinct **humanitarian emergency** in regards to acute moderate and severe malnutrition," which is exacerbated by Israeli military "curfews, incursions, border closures, and checkpoints" which disrupt supplies of food.

The survey shows that, cumulatively, 54.5% of Palestinian children from six months to five years of age suffer from either acute or chronic malnutrition, which includes severe, moderate, and mild cases of malnutrition. The various categories of hunger for these children break down as follows:

- \*9.3% of Palestinian children in the occupied territories (WBGS) suffer from a "acute malnutrition or wasting," which the report describes as "inadequate nutrition in the short term."

- \*13.2% are chronically under-nourished, "implying a state of long-term undernutrition."

- \*The cumulative number of children of severe, moderate, and mild cases of malnutrition is 22.2%.

The situation in the Gaza Strip is worse than the West Bank, where 17.5% of children are victims of chronic malnutrition, compared to 3.5% in the West Bank.

Another metric used in the survey, was the incidence of anemia found in children and women in the WBGS. Anemia is a by-product of malnutrition, which can cause impaired learning and growth (in children), low birth weight and/or premature infants, fatigue and diminished physical and mental activity (in adults), and decreased immunity from infectious diseases (all ages). The report found, to date, "Nearly one-fifth of Palestinian children (six months to five years) are moderately and/or severely anemic" across the whole WBGS. Specifically, 19.7% suffer from severe or moderate anemia. If one adds to this the number of "mild" cases of anemia in these children, then cumulatively an incredible 43.8% of WBGS children suffer from anemia.



Anemia was also measured in women ages 15 to 49 years. Ten-point-eight percent of women suffer from severe to moderate anemia. Add to this the number of "mild" cases, and the percentage shoots up to 48.6%.

An InDepth report is planned for EIW next week.

## **UN General Assembly Demands Israel Cease Military Incursions**

A United Nations General Assembly resolution, passed on Aug. 5, demands a cessation of Israel's military incursions, and the withdrawal of Israeli occupying forces from Palestinian areas to the positions held prior to September 2000. It also demands the sending of urgently needed assistance and services to help in alleviating the "current dire humanitarian situation facing the Palestinian people, and to assist in rebuilding and revitalizing the Palestinian economy." The resolution will not change the situation on the ground, and is weaker than the original version submitted by Egypt, Qatar, Sudan, and Palestine, but the discussion around it reflects the growing international concern over the humanitarian catastrophe developing in Palestine. One hundred fourteen nations voted for it, and only four against it: Micronesia, the Marshall Islands, the United States, and Israel. Eleven other nations abstained.

## **Rumsfeld's 'Ugly American' Act Hits Palestine**

U.S. Secretary of Defense Donald Rumsfeld completely embraced Israel's occupation of the Palestinian territories, becoming first U.S. cabinet member, since 1967, to endorse the Israeli occupation of the West Bank and Gaza Strip. The foolish remarks by Rumsfeld, who appears increasingly short-tempered, nasty, and dishonest at briefings and press conferences, have already been denounced by some State Department spokesmen, and even by the U.S. Ambassador to Israel, Daniel Kurtzer.

Furthermore, Rumsfeld's anti-Palestinian stupidity erupted the same day, Aug. 6, that the *Washington Post* revealed that a low-level RAND analyst, one Laurent Murawiec, had been brought into the Defense Policy Board, by suspected Israeli agent, and war-plotter, Richard Perle, to motivate U.S. attacks on Saudi Arabia, including seizing the oilfields, and overthrowing the Saudi royal family (see article, InDepth). Within 24 hours, the Defense Department had to "clarify" (i.e., retract) both Rumsfeld's occupation remarks, and the anti-Saudi briefing, leaving observers to wonder if Rumsfeld is working for the Likud Party, the "Wolfowitz cabal" or both, against the President of the U.S.A.

Regarding Palestine, Rumsfeld told a Pentagon "town meeting" for employees on Aug. 6, that, "My feelings about the so-called Occupied Territories are that there was a war. Israel urged neighboring countries not to get involved in it once it started. They all jumped in and they lost a lot of real estate to Israel because Israel prevailed in the conflict." Not only is this contrary to U.S. official policy, but is simply not true. If you attack your neighbor, as Israel did in 1967, how would he not get involved?

Continuing this unique interpretation of history, Rumsfeld reportedly said that Israel has repeatedly offered to pull back from the territories, but "at no point has it been agreed upon by the other side." He then attacked the Palestinian Authority (which was beginning meetings with Secretary of State Colin Powell the next day in Washington), saying, "Maybe it will take some Palestinian expatriots coming back into the region and providing the kind of responsible government that would give confidence that you could make an arrangement with that would stick." As for the settlements, he said "Focussing on the settlements ... misses the point. Settlements in ... the so-called occupied areas ... (were) the result of war, which the [Israelis] won."

## **Rumsfeld: 'Off the Reservation'**

The anti-Palestinian statements by Rumsfeld pit him against 35 year of U.S. policy, and against the UN Security Council and the UN General Assembly, which denounced the Israeli occupation.

A senior Israeli intelligence source commented to EIR on Aug. 7 that Rumsfeld should be confronted in public on his outrageous statement. "What's the difference between Saddam Hussein invading, Kuwait and Israel invading the West Bank?" He wondered why the question has not been brought up at the Defense Department or State Department press briefings.

According to *U.S. Today*, Tamara Wittes of the Middle East Institute ridiculed Rumsfeld, saying, "The idea of calling into question the illegitimacy of the acquisition of territory by force is odd, to say the least. It runs a little bit off the reservation."

### **Arafat's Cabinet Ministers Meet Powell, as IDF Killings Escalate**

Palestinian advisor to President Yasser Arafat, Saeb Erekat, asked a Washington press conference on Aug. 7, "Where do you think I come from— from Mars? I am part of President Arafat's leadership." Erekat was referring to Rumsfeld's statements that Israel could not be transferring territory to the Palestinian Authority because of the PA's terrorist links. "I thought there was only American foreign policy," said Erekat, who is in Washington for meetings with Secretary of State Powell and other Administration officials, along with two other members of Arafat's cabinet. Erekat said that "We will not accept Israeli occupation under any circumstances," and said that the removal of Arafat is "unacceptable. Arafat is the elected President of the Palestinian people and the alternative to him is chaos."

In fact, Erekat's rhetorical question about how many policies does the Bush Administration have, is not a joke. Aside from the intense internal battle, where the "Clash of Civilizations" cabal is trying to force Bush's hand in invading Iraq, there is also the factor that President Bush is furious with Ariel Sharon. Bush reportedly now sees— after the Gaza Strip massacre of Palestinian civilians, including infants and children— that Sharon is deliberately using bloodshed to wipe out progress in any negotiations.

In a press conference with Powell on Aug. 8, Erekat reported that the Palestinian delegation, which included the Cabinet Ministers for Commerce and Security, had held a "very in-depth, serious discussion" on four tracks: the political track; the human catastrophe that's facing the Palestinian people; security, and reform.

"And I would like to say to the Secretary that the Palestinian reform is Palestinian reform," emphasized Erekat. "It's done for Palestinian interests by Palestinian will, and it's not being dictated by anybody. And we hope that this reform will be helped and encouraged by starving the attempts of deform that the Israeli re-occupation constitute as far as our towns, villages, and refugee camps, which have turned out to be the biggest prison in history."

With Powell next to him, Erekat stressed that, "50% of Palestinian children under the age of five are facing malnutrition; 48% of Palestinian women are anemic; 1/3 of the Palestinian population live on hand-outs. There is a serious threat for outbreak of diseases." (see above report by U.S.AID) He said they appreciate that Powell already spoke to Kofi Annan about the "human disaster that's engulfing 3.3 million Palestinians."

Erekat added, "The Secretary assured me, and asked me to convey to the Palestinian people and the Palestinian leadership, the commitment of this Administration as far as the political outline, whether outlined by President Bush's speech at the United Nations or Secretary Powell's speech in November, and also Prince Abdullah's initiative which was adopted by the Arab League, 242, 338, that the endgame is specified with a Palestinian state." He said that they "hope" to see the timelines for this "endgame." The next phase of the talks is about security.

## **Hamas Threat to Kill Sharon Follows Wave of IDF Assassinations**

During the week of Aug. 5-10, the Israeli Defense Forces (IDF) carried out a record number of assassinations of Palestinian militants. At the same time, the Israeli Supreme Court authorized the demolition of 43 homes of Palestinians who are "related to" suicide terrorists. The Court decided that these demolitions— without warning— are okay, because Israel is "in the middle of a war."

The IDF assassinations which have especially hit Hamas, have now prompted a counter-threat against Israeli Prime Minister Ariel Sharon and his son. After IDF snipers killed Hussam Hamdan, 27, a member of Hamas's military wing, in revenge, said Hamas leader Abdel Aziz al-Rantissi, "I demand and urge the military apparatus of Hamas to target ... Sharon personally and to target his house and his son."

Aug. 7 was one of the bloodiest days of the war, with the IDF killing six Palestinians— five of them "militants," and one policeman. The IDF killings took place while the Shin Beth was engaged in "security talks" with Palestinian security officials, including Gaza leader Muhammed Dahlan, and as Palestinian Interior Minister Yahiyah arrived in Washington, D.C., for talks with the Bush Administration.

## **Iraq Invitations Weaken U.S. War Drive**

Despite bellicose statements from White House and NSC spokesmen, deriding Iraqi invitations to the UN and to the U.S. Congress to come to Baghdad to discuss weapons inspections, the Iraqi diplomatic initiatives are winning over more opponents to the war against Iraq. Unfortunately, the U.S. is stubbornly slamming the door on any diplomacy— a position rejected by European and other governments.

On Aug. 4, the Arabic-language *Al-Hayat* newspaper reported that the UN's Chief Weapons Inspector Hans Blix turned down the Iraqi invitation. Reflecting the U.S. opposition, he said, "Psychologically, I think it would be better that an official of my political standing does not go to Baghdad before [the Iraqis] accept inspections," because it would "raise expectations without foundation."

Blix cautioned that "The situation will be much worse if I visited Baghdad and the talks fail. We do not want hopes raised." But, he left the door open.

One day later, Iraq invited members of the U.S. Congress to visit Iraq and "inspect." In a letter to Congressmen, the Speaker of the Iraqi National Assembly, Dr. Sadoun Hammadi, said that the main cause of hostilities has been the lack of contact between the two countries, and also the lack of information.

Hammadi's invitation followed that from Iraqi Foreign Minister Naji Sabri, to the UN's Hans Blix. Excerpts from the text follow:

"My colleagues in the Iraqi National Assembly and I have watched with interest statements made by a number of U.S. legislators, such as Senator Arlen Specter and Representative Dennis J. Kucinich, in which they remind President George W. Bush that, according to the Constitution of the United States of America, it is the authority of the U.S. Congress to wage war, including the now threatened war against Iraq. This has prompted me, encouraged also by my fellow legislators in the Iraqi National Assembly, to address this letter to you:

"Sirs,

"One of the biggest problems that has existed since 1990 between our people and country, on the one hand, and the successive U.S. administrations on the other, along with the stubborn injustice and incessant aggression and destruction inflicted upon our country and people, and the comprehensive blockade unjustly imposed on our population for twelve years now, has been the absence of all channels of dialogue between our two countries... This has meant that your Congress and, hence, the American people, have unfortunately been deprived of any genuine opportunity to see the facts of the situation for what they really are, ... so that they would neither do themselves the injustice of deciding and acting on ignorance, nor bring injustice to those affected by their decisions. ...

"I hereby extend, on behalf of the National Assembly of Iraq, an invitation for a delegation to visit Iraq, comprising whatever number of Congressmen you see fit, accompanied by experts in the fields you deem relevant to the purpose of the visit, i.e., chemical, biological, and nuclear. The members of such a delegation will no doubt be equipped with whatever data your government chooses to supply them with in substantiation of its misguided claim that Iraq has produced chemical and biological weapons, and is in the process of constructing nuclear weapons."

While the U.S. Congressmen, under the thumb of the right-wing neo-cons, and Likudnik Joe Lieberman, refused, other international parliamentarians are planning such trips, leaving the U.S. further exposed as a superpower imitation of war criminal Ariel Sharon's refusal to ever negotiate with the leaders of Palestine.

## Asia News Digest

### Agreement Reached for New Inter-Korean Meetings

This past weekend's successful inter-Korean negotiations resulted in an agreement to hold top-level ministerial talks between South Korean Unification Minister Jeong Se-hyun and his North Korean counterpart, Kim Ryong-song Aug. 12-14 in Seoul. "We hope next week's talks will result in ... the reunions of separated families and the reconnection of inter-Korean railways," Seoul Presidential spokeswoman Park Sun-sook said. The ministers will discuss anti-flood measures along the Imjin River, reunions of family members, connecting the two Koreas by rail links and roads, and the construction of an industrial complex in Kaesong, the Blue House (the Presidential residence) said.

There was also a decision by the North to take part in the Pusan Asian Games in September, a major nationalistic issue in Korea. "It is very meaningful that North Korea has decided to send its team to the Busan Asian Games in September," said Rhee Bong-jo, South Korean chief delegate. "It will contribute to encouraging the spirit of reconciliation and cooperation between the two sides." North Korea also agreed to allow South Korea to light a torch at Mount Paekdu, which will be used together with a torch lit at Mount Halla on Cheju Island, to light the cauldron at the opening ceremony of the Asian Games.

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Two significant meetings occurred between United Nations' representatives and North Korea last week. The first was a visit by Jack Pritchard, Washington's UN representative for negotiations with Pyongyang, who went on Aug. 5-6 to attend a ceremony for the setting of the concrete foundations of a nuclear-power plant under construction in Kumho on North Korea's east coast. According to North Korean officials Aug. 5, Pritchard was acting as an executive board member of the Korean Peninsula Energy Organization (KEDO), the Clinton-era international consortium responsible for the construction of two light-water reactors in North Korea.

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This first military meeting in almost two years also cleared the way for UNC-North Korea military talks on reducing tensions on the peninsula, according to South Korean Air Force Brig. Gen. Lee Jung-seok of the UNC. UNC officials said that working-level talks between the two sides would soon be held in a follow-up to the meeting. The UNC informed North Korea that salvage operations to retrieve a sunken patrol boat and the body of a missing sailor had begun. "We discussed preventive measures, such as establishing new communication procedures and conducting regular staff-officer level meetings, to reduce tensions and prevent clashes from happening again," Maj. Gen. Soligan said.

### **Musharraf Tells Press Bin Laden Could Not Have Planned Sept. 11**

In an interview with the *New Yorker* magazine of Aug. 12, which was previewed in the Aug. 5 *Times of India*, Pakistani President Pervez Musharraf stated that he did not think it possible that Osama bin Laden had planned the Sept. 11 attacks in the United States.

"I didn't think it possible that Osama, sitting up there in the mountains, could do it," Musharraf was quoted by the *New Yorker*.

"He was perhaps the sponsor, the financier, the motivating force. But those who executed it were much more modern," Musharraf said. "They knew the U.S., they knew aviation. I don't think he has the intelligence or the minute planning. The planner was someone else."

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Taiwan President Chen Shui-bian backtracked on his statements of Aug. 3, saying that his comments on a referendum on the future political status of Taiwan were "oversimplified and could create misunderstanding," according to the *Straits Times* of Aug. 7. In a statement issued by the ruling Democratic Progressive Party Aug. 6, Chen also re-formulated his assertion that Taiwan and China were "one country on each side" of the Taiwan Strait, to say that he had meant was that each side had "equal sovereignty."

On Taiwan's "own road," he said he had meant "the road of democracy, freedom, human rights, and peace."

There was sharp criticism of Chen for his provocative remarks from businessmen in Taiwan. Taiwanese have invested some US\$100 billion in China since the end of the 1980s, and some 500,000 now live in China.

In addition, as could be expected, the Beijing Taiwan Affairs Office responded critically to the referendum call. Beijing's statement, by spokesman Li Weiyl, called Chen's demand "a serious incident to split China," and likened it to the earlier



operation mounted by former Taiwan President Lee Teng-hui in 1999, when Lee said that relations between China and Taiwan were "state-to-state" relations.

As the Beijing statement noted, Chen made his call for a referendum, and statement that "each side [of the Taiwan strait] is a country," during a televised speech to a pro-independence Taiwanese group in Tokyo.

The Taiwanese business community has big economic reasons to want to keep relations calm, because the crash of the U.S. market has made China the biggest market for Taiwanese exports, replacing the U.S. In addition, negotiations on direct transport, trade, and postal links between Taipei and China hang in the balance.

### **More Indications of U.S. Intentions To "Stay On" in Central Asia**

A review of *Eurasianet* of Aug. 6 uncovered the following developments, which tend to belie the official line that the United States is only temporarily based in Central Asia, in order to deal with terrorism.

\*The U.S. military is planning to spend at least \$5 million to improve the Khanabad air base in Uzbekistan, it was announced at the end of July. The U.S. military intends to refurbish the runway at the air base, and build additional facilities there, where some 1,500 U.S. personnel are already stationed.

\*Analyst Sergei Tunik, in the Kazakhstan daily *Express K*, wrote recently that the U.S. wants to maintain a military presence in Uzbekistan and Kyrgyzstan because of the oil and gas resources of the region. He cited the trans-Afghan pipeline project to export Turkmen gas, on which Afghanistan, Pakistan and Turkmenistan have signed a MOU in May. "For the USA, the pipeline is one more reason for 'lingering on' in Central Asia," Tunik wrote.

\*Uzbek President Islam Karimov has been promoting Uzbekistan's proximity to Afghanistan, to "encourage" U.S., Japanese, or other investment. "We have a direct link with Afghanistan through the Termez bridge," Karimov said on Uzbek television Aug. 2. "Japan, the United States, or any other country, when formulating their plans on the implementation of projects in Afghanistan, will certainly take into account Uzbekistan and its transport opportunities.... [Tashkent can] cooperate with investor countries, as well as think of our own benefit."

\**Eurasianet* also cited one Kazakh analyst, who noted the "muted" response of the U.S. to recent political moves inside Kazakhstan. "Speaking of the long-range outlook, America needs Kazakhstan for large-scale control of China," the analyst was quoted. "In terms of the short-range perspective, Kazakhstan would provide its airports for the possible operations against Iraq since the United States would [probably] not be able to use bases in Turkey and Uzbekistan."

### **Philippines Government and New People's Army Back Away from Imminent Confrontation**

As of Aug. 7, the New People's Army (NPA) insurgency in the Philippines looked as if it were on an immediate course toward war and terrorism with the Philippines government. But, according to the Philippines *Inquirer* of Aug. 8, Jose Maria Sison, the NPA chief in exile in the Netherlands, backed off from his Aug. 7 statement that he had ordered his movement to respond to the government declaration of war by bombing energy towers and lines, and called his statement "only an analytical piece." He said that he meant only that things could return to the days of insurgency in the 1970s and '80s. Defense Secretary Angelo Reyes, for the government side, said that they had not intended a declaration of war, but that their approach to the NPA would be "holistic," with a "strong social, economical, political component. It's not true that it is an all-out war."

One crucial question is whether the numerous planned U.S. "exercises" will be engaged in this fight, as they were in the

Abu Sayyaf war in the South. The NPA, which had 25,000 members in arms at its peak in the 1980s, fell to a few thousand in the 1990s, but has now built back up to about 11,000 since the economic crisis of 1997-98. New exercises are scheduled for October.

## **Japan Jumpstarts Economic Initiatives with Myanmar**

Following the ASEAN regional meetings last week, Japanese Foreign Minister Yoriko Kawaguchi announced a visit to Yangon, Myanmar, to begin Aug. 3. This was the first visit by a Japanese Foreign Minister since Shintaro Abe's 1983 trip. Japan is the largest aid donor to Myanmar, and indications are that Tokyo may be prepared to increase its assistance.

Kawaguchi was expected to meet at least two of the military troika, who lead the State Peace and Development Council, Senior Gen. Than Shwe and Lt. Gen. Khin Nyunt, as well as her counterpart, Foreign Minister U Win Aung. She also expects to hold talks with Daw Aung San Suu Kyi, leader of the National League for Democracy.

A bilateral economic panel has agreed to compile a report on ways to improve Myanmar's economic development. The *Japan Times* reported that recommendations are anticipated on a wide range of issues, from financial and monetary affairs to industrial and agricultural sectors. The report is to be presented to senior leaders of both countries by the end of the year.

Meanwhile, UN special envoy to Myanmar, Razali Ishmael, has returned to Myanmar, while Malaysian Prime Minister Dr. Mahathir bin Mohamad is planning a visit on Aug. 18.

Also, the Thai Foreign Minister Surakiart Sathirathai will meet the three senior Myanmar military rulers during a two-day visit to Yangon to try to improve bilateral relations. Prime Minister Thaksin Shinawatra told reporters, "Our core principle, which has never changed, is, we are inseparable neighbors who need to share mutual borders forever," Thaksin said. "A healthy bilateral relationship is our ... foremost priority."

Relations between Bangkok and Yangon deteriorated in May after Thailand massed thousands of troops on their common border for a training exercise. Some Thai military sources insinuated that they were preparing a strike within Myanmar territory, against a rebel militia which has negotiated a ceasefire with Yangon.

## **Asia News Digest**

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On Taiwan's "own road," he said he had meant "the road of democracy, freedom, human rights, and peace."

There was sharp criticism of Chen for his provocative remarks from businessmen in Taiwan. Taiwanese have invested some US\$100 billion in China since the end of the 1980s, and some 500,000 now live in China.

In addition, as could be expected, the Beijing Taiwan Affairs Office responded critically to the referendum call. Beijing's statement, by spokesman Li Weiyl, called Chen's demand "a serious incident to split China," and likened it to the earlier operation mounted by former Taiwan President Lee Teng-hui in 1999, when Lee said that relations between China and Taiwan were "state-to-state" relations.

As the Beijing statement noted, Chen made his call for a referendum, and statement that "each side [of the Taiwan strait] is a country," during a televised speech to a pro-independence Taiwanese group in Tokyo.

The Taiwanese business community has big economic reasons to want to keep relations calm, because the crash of the U.S. market has made China the biggest market for Taiwanese exports, replacing the U.S. In addition, negotiations on direct transport, trade, and postal links between Taipei and China hang in the balance.

### **More Indications of U.S. Intentions To "Stay On" in Central Asia**

A review of *Eurasianet* of Aug. 6 uncovered the following developments, which tend to belie the official line that the United States is only temporarily based in Central Asia, in order to deal with terrorism.

\*The U.S. military is planning to spend at least \$5 million to improve the Khanabad air base in Uzbekistan, it was announced at the end of July. The U.S. military intends to refurbish the runway at the air base, and build additional facilities there, where some 1,500 U.S. personnel are already stationed.

\*Analyst Sergei Tunik, in the Kazakhstan daily *Express K*, wrote recently that the U.S. wants to maintain a military presence in Uzbekistan and Kyrgyzstan because of the oil and gas resources of the region. He cited the trans-Afghan pipeline project to export Turkmen gas, on which Afghanistan, Pakistan and Turkmenistan have signed a MOU in May. "For the USA, the pipeline is one more reason for 'lingering on' in Central Asia," Tunik wrote.

\*Uzbek President Islam Karimov has been promoting Uzbekistan's proximity to Afghanistan, to "encourage" U.S., Japanese, or other investment. "We have a direct link with Afghanistan through the Termez bridge," Karimov said on Uzbek television Aug. 2. "Japan, the United States, or any other country, when formulating their plans on the implementation of projects in Afghanistan, will certainly take into account Uzbekistan and its transport opportunities.... [Tashkent can] cooperate with investor countries, as well as think of our own benefit."

\**Eurasianet* also cited one Kazakh analyst, who noted the "muted" response of the U.S. to recent political moves inside Kazakhstan. "Speaking of the long-range outlook, America needs Kazakhstan for large-scale control of China," the analyst was quoted. "In terms of the short-range perspective, Kazakhstan would provide its airports for the possible operations against Iraq since the United States would [probably] not be able to use bases in Turkey and Uzbekistan."

## **Philippines Government and New People's Army Back Away from Imminent Confrontation**

As of Aug. 7, the New People's Army (NPA) insurgency in the Philippines looked as if it were on an immediate course toward war and terrorism with the Philippines government. But, according to the Philippines *Inquirer* of Aug. 8, Jose Maria Sison, the NPA chief in exile in the Netherlands, backed off from his Aug. 7 statement that he had ordered his movement to respond to the government declaration of war by bombing energy towers and lines, and called his statement "only an analytical piece." He said that he meant only that things could return to the days of insurgency in the 1970s and '80s. Defense Secretary Angelo Reyes, for the government side, said that they had not intended a declaration of war, but that their approach to the NPA would be "holistic," with a "strong social, economical, political component. It's not true that it is an all-out war."

One crucial question is whether the numerous planned U.S. "exercises" will be engaged in this fight, as they were in the Abu Sayyaf war in the South. The NPA, which had 25,000 members in arms at its peak in the 1980s, fell to a few thousand in the 1990s, but has now built back up to about 11,000 since the economic crisis of 1997-98. New exercises are scheduled for October.

## **Japan Jumpstarts Economic Initiatives with Myanmar**

Following the ASEAN regional meetings last week, Japanese Foreign Minister Yoriko Kawaguchi announced a visit to Yangon, Myanmar, to begin Aug. 3. This was the first visit by a Japanese Foreign Minister since Shintaro Abe's 1983 trip. Japan is the largest aid donor to Myanmar, and indications are that Tokyo may be prepared to increase its assistance.

Kawaguchi was expected to meet at least two of the military troika, who lead the State Peace and Development Council, Senior Gen. Than Shwe and Lt. Gen. Khin Nyunt, as well as her counterpart, Foreign Minister U Win Aung. She also expects to hold talks with Daw Aung San Suu Kyi, leader of the National League for Democracy.

A bilateral economic panel has agreed to compile a report on ways to improve Myanmar's economic development. The *Japan Times* reported that recommendations are anticipated on a wide range of issues, from financial and monetary affairs to industrial and agricultural sectors. The report is to be presented to senior leaders of both countries by the end of the year.

Meanwhile, UN special envoy to Myanmar, Razali Ishmael, has returned to Myanmar, while Malaysian Prime Minister Dr. Mahathir bin Mohamad is planning a visit on Aug. 18.

Also, the Thai Foreign Minister Surakiart Sathirathai will meet the three senior Myanmar military rulers during a two-day visit to Yangon to try to improve bilateral relations. Prime Minister Thaksin Shinawatra told reporters, "Our core principle, which has never changed, is, we are inseparable neighbors who need to share mutual borders forever," Thaksin said. "A healthy bilateral relationship is our ... foremost priority."

Relations between Bangkok and Yangon deteriorated in May after Thailand massed thousands of troops on their common border for a training exercise. Some Thai military sources insinuated that they were preparing a strike within Myanmar territory, against a rebel militia which has negotiated a ceasefire with Yangon.

## **AFRICA NEWS DIGEST**

### ***EIR* Exposes Africa Destabilization, Oil Grab**

There is "Raw Materials Looting Behind African 'Peace'," reports *EIR*'s Uwe Friesecke. From the Sudan peace deal, to the negotiations in the Congo, to the "friendly," overtures to Nigeria, there is the Anglo-American agenda based on the Roman Empire looting model. Read this week's EIW [InDepth](#), for a full analysis.

## **Tantrum at 10 Downing Street: Malaysia Won't Isolate Mugabe**

Her British Majesty's government leaned on Malaysia— without success— to prevent Zimbabwe's President Robert Mugabe from attending the sixth annual Langkawi International Dialogue in Kuala Lumpur, Malaysia.

The *Herald* of Harare (Zimbabwe), on Aug. 2, cited sources attending the Dialogue who said: "The Malaysians were very clear. Apart from the fact that they are a sovereign country, they told Britain that Mugabe is a founding member of the Dialogue, and also, a Commonwealth Partnership for Technology Management (CPTM) fellow, and for that reason, has the right to participate."

The British government threw in everything but the kitchen sink to get its way. They threatened to stop financing the Dialogue through the CPTM framework. They forbade their own nationals in CPTM to attend (some Britons came anyway). They threatened to stop the CPTM from using "Commonwealth" in its name. Having failed with these threats, the Brits are now using a hostile media campaign to attempt to discredit the Dialogue.

But the media isn't what it used to be, either. Malaysian Prime Minister Mahathir Mohamad has just succeeded in his plan to create the Smart News Network International (SNNi), "to disseminate fair and balanced news from [Asia and Africa] to the rest of the world through interchange between their major media organizations," according to BUA News on July 29. (SNNi is accessible on the Internet.) Her Majesty's tantrum is pretty funny. But the Empire is still looking for the last laugh.

## **Road Linking Sub-Saharan Africa to Europe Is Begun**

The President of Mauritania began construction of the first road to link sub-Saharan Africa with the Mediterranean, and Europe, reported Reuters wire service on July 29. Mauritanian President Maaouya Ould Sid'Ahmed Taya, on July 29, laid the first stone of a modern, 295-mile road to run along the entire coast of the country, replacing the existing track laid over shifting sands. It will "join existing road networks in Morocco and Western Sahara with those of Senegal" and other West African countries, according to Reuters. The plan for such a road had long been buried somewhere in the agenda of the Organization of African Unity.

"Traders and travellers using the few existing routes across the Sahara run the gauntlet of armed bandits, shifting sand dunes and— if their vehicles break down— face a fight for survival in one of the least hospitable places on Earth," Reuters notes.

To achieve any transport efficiency, the roads to which the new segment will be linked will also require repair and upgrading.

The \$70-million Mauritanian link is being paid for by the Mauritanian government with the help of the Arab Fund for Economic and Social Development and the Islamic Development Bank. Morocco paid the \$2 million required for the technical studies.

However, it should be noted that the United States, through trade representative Robert Zoellick, is pressing Morocco on the issue of free trade, and expects to obtain a U.S.-Moroccan free-trade agreement. Globalization and free trade are the

main tools that Wall Street and London have used to stop vital infrastructure projects for decades.

## **Mining Companies Provide Free HIV Drugs— To Squeeze More Out of Workers**

In a shocking example of the slave-labor practice of "getting blood out of a stone," Anglo American Corporation, the South African mining giant, based in London, has asked its operating companies to supply anti-retroviral drugs to employees without charge. The drugs will be used to ameliorate symptoms of infected workers— who are laboring in dangerous and grueling mining conditions, and living in prison-like dormitories without their families— so they can work longer.

Anglo American's corporate statement said, in part, "The operating companies expect to derive benefits from their HIV programs through extending the working lives of infected employees and containing future AIDS-related costs, including absenteeism, medical expenses, pension benefits, and the recruitment and training costs required to replace employees who become too ill to work."

While prolonging the life of those infected with HIV is both necessary, and moral, this is not what is being addressed in the Anglo American Corporation decision.

The maneuver represents pure self-interest on the part of Anglo American, given the tragic dimensions of the AIDS holocaust in Africa— of the 3 million HIV-AIDS deaths worldwide in 2001, 2.2 million were in Africa; 95% of all AIDS orphans in the world live in sub-Saharan Africa— and that this is the result of widespread poverty, hunger, and malnutrition. Ironically, when African leaders, including Zimbabwe's Robert Mugabe, and South African President Thabo Mbeki, insisted that poverty and IMF conditionalities are responsible for the pandemic of HIV-infection and AIDS throughout the continent, they came under severe attack from U.S., British, and other international press and organizations. (See EIW #21 for more on the AIDS picture in Africa.)

## **This Week in History**

### **August 12 - 18, 1971**

August 15, 1971 is a day which should be emblazoned in the minds of all Americans, and others, who wonder "what went wrong" in the world economy and world politics over the past 30 years. It was on that day, that President Richard Nixon, acting under the aegis of the likes of de facto pro-consul Henry Kissinger, and international bankers, responded to extraordinary pressure on the U.S. dollar, by taking the dollar off the gold-reserve standard. Thus commenced the era of the "floating exchange rate," in which governments lost control of their currencies and credit, and the international speculators had, increasingly, free rein to loot the world economy.

Despite the fact that the international markets had been wracked by currency crises from 1967 forward, the crisis took most professional economists "by surprise." "Free market" guru Milton Friedman, whom President Nixon revered then, and President George W. Bush worships today, had already established dominance in the economic field, with his insistence that governments should stay out of financial policy. Under pressure, Nixon was forced to do just the opposite.

Not only did the President sever the relationship between gold and the dollar— creating total uncertainty in the domain of exchange rates, and throwing a monkey wrench into international trade agreements— but he also declared a wage-and-price freeze, a rather intrusive intervention into the "marketplace," which went precisely against his ideology. The freeze was followed by six months of wage-and-price controls, as the government explicitly began to enforce a reduction in wages, and a more decisive shift away from a producer-based economy.

On the spot, to point out the earth-shattering significance of this decision, was none other than Lyndon LaRouche. Economist LaRouche, who had just established his political organization a few years previously, had been on record, since 1958-59, as a critic of the "consumer" society, and a forecaster. He had forecast, that if the U.S. did not shift its economic policy toward a pre-Truman approach (i.e., toward international, anti-colonial development), that a series of monetary crises would break out in the mid-1960s, leading toward a potential new world depression.

When President Nixon made his move, LaRouche was publicly vindicated, and his organization began to grow by leaps and bounds, on the college campuses, in particular.

At that point, LaRouche made another forecast, which the last 30 years have more than borne out. He said that the continuation of the application of austerity, and monetarist measures, which Nixon carried out, would lead toward the imposition of world fascism, with a depression comparable only to the 14th Century Dark Age, leading potentially to world war as well.

Many have complained over the years, that LaRouche's forecast did not instantly come to fruition. Indeed, there have been many opportunities for shifting the direction of the world economy, each of them flubbed by a political leadership unwilling to take on the axioms of the post-1971 world.

Thus, we have come closer and closer to the establishment of the fascist world empire, of which LaRouche warned.

But today, as the disintegration accelerates, the great potential remains for national leaders and citizens to face the depth of the crisis, realize their mistake, and turn to the leadership which LaRouche's record so amply displays.

*Author's note: Through an editorial mixup, EIW re-ran a history column from the previous week, in the last issue. We apologize for the error, but will simply proceed with the correct week in this issue.*

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