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## **This Week You Need To Know**

### **What Secretary Powell Did Not Say**

**by Lyndon H. LaRouche, Jr. — March 8, 2003**

Monday, March 10th begins a week whose importance could possibly, even probably, prove more or less as significant, in its own way, as the 1962 Cuban Missile Crisis. This memorandum serves to summarize the following crucial issues of the present crisis.

### **The Root of the Crisis**

1. The first factor, the root of this crisis, is a Classical quality of existential crisis within the institutions of the U.S. government.

The pivotal issue of the crisis is, as France's representative said, implicitly: The issue of war or peace as such, is not Saddam Hussein or Iraq, but, primarily, two distinct but converging features of the current U.S. Bush Administration. The first cause of that aspect of the crisis, is the influence of the imperialist followers of the late fascist ideologue, Professor Leo Strauss, in creating the core of those war-mongers known variously as the "Chickenhawks" or "neo-cons." The second, converging cause of that critical factor, is the convergence among the pro-imperialist "neo-cons" inside the Bush Administration, with the thoughtless and stubborn, "barnyard-style unilateralism" expressed by President George W. Bush himself.

The added feature of the crisis, on the U.S. side, is that Cheney's and Wolfowitz's lunatic tribe of neo-con "Chickenhawk" fanatics, is reenforced, on the side of the Democratic Party, by those organized-crime-linked, pro-imperialist hard-core DLC Democrats who are typified by the circle of cronies of right-wing ideologue and war-monger Senator Joseph Lieberman.

What this bipartisan combination of imperialists and Bush's unilateralism has done, is to exploit the frightening effects of Sept. 11, 2001 to unleash a policy which currently sets the United States against, in fact, the most vital interests of every other sovereign nation-state of the planet. Summarily, if the U.S.A. is allowed to use the UNO-outlawed threat of unilateral force, even the use of nuclear weapons against non-nuclear states, to blackmail the UNO Security Council into tolerating a war upon Iraq, that precedent either soon establishes a U.S. world-empire modelled upon the ancient Roman Empire, or forces the nations of the world to undermine the power of the U.S.A. to conduct such policies, or sends the world to spend a few generations in Hell as punishment for failing to prevent the proposed war.

In effect, as I, my wife, and others associated with me have warned on earlier occasions, the current Iraq policy of the Bush Administration is a caricature of the same hubristic folly which led ancient Athens into the tragic Peloponnesian War. Unfortunately, "Education President" Bush, is not notably strong on the subject of history.

For the U.S. to declare itself on the brink of launching unilateral, imperial warfare, when there is no objective need to go to war, especially when we have all the power and support we would require did a need exist, is not only a great folly, as the case of the Peloponnesian War attests. To launch such a war under such unlawful pretexts, including the pretext of the fraudulent reports transmitted from Israeli and other origins, through British channels, into an address of Secretary of State Colin Powell and the UNO Security Council, is also a crime against humanity, under the implications of those precedents accumulated since the 1648 Treaty of Westphalia. These are precedents freshly acknowledged, in 1945-46, as the lessons adduced from the combined experience of two preceding World Wars.

In fact, the unilateral Anglo-American warfare threatened by the bipolar froth from certain official and mass-media Washington and London sources, is not a war prompted by any action by Iraq itself. It is the use of wildly exaggerated allegations of external threats from Iraq as a pretext for launching what has been called by some relevant circles "A Clash of Civilizations" war, a war against not only the Arab world as a whole, not only the Islamic populations as a whole, but also China, and targets beyond. This threatens the outbreak, even during the month of March, of the third geopolitical world war launched by imperial maritime (and aerial) power against continental Eurasia as a whole.

That, in summary, supports the case which France has presented against the arguments presented by the U.S. and British spokesmen. In effect, the current U.S. Administration has declared an imperial war policy against the world. The events of Sept. 11, 2001, have been mis-used as a cover for reviving this imperial "preventive" nuclear war policy, first pushed during the mid-1940s by the evil Bertrand Russell and his pack of utopians, and which was already pushed during the 1991-1996 interval by then Defense Secretary Dick Cheney and by Israel's right wing.

The saner, and less purchasable majority among the world's governments are now saying to the current U.S. Administration: "True friends do not encourage a stubborn ally in such a piece of lunatic folly as the currently bankrupt U.S.'s present strategic posture. We oppose your foolishness for your own good. You need our advice, desperately, much more than we need yours."

## **An Accelerating Economic Collapse**

2. The second aspect of the present crisis is that the Bush Administration pushes this imperialist folly under the conditions of the 2000-03 plunge of the economies of the Americas and Europe into an now accelerating economic collapse of the world's present monetary-financial system.

As I have said frequently: Rome launched its drive to empire when Rome was at its relatively greatest strength; President Bush's Administration has launched its campaign at precisely the point the U.S.A.'s economy is disintegrating internally at an accelerating rate. As James Carville said in 1992, so today, the problems of President Bush's desire for re-election are summed up essentially as, "It's the economy, stupid!"

Under such economic conditions, unless there were a type of direct present threat by Iraq to the U.S.A. or other relevant nations which does not presently exist in fact, the launching of such a war by the U.S. would be criminal, because it would be axiomatically unjustified under the modern natural law of nations. Under the presently bankrupt economic policy thinking of the presently bankrupt U.S. Bush Administration, the U.S. has no means for carrying through the regional Middle East and broader war detonated by its assault on Iraq to a successful "exit" to durable peace.

The currently demonstrated folly of the most recent of the U.S.-led operations in Afghanistan, where the threat today, presently created by "a successful war," is worse than at the outset of that war, illustrates the point. The demonstrated folly of the operations in Afghanistan, if repeated in the Middle East, would be a degree of negligent misconduct, like that of Ariel Sharon, which future courts might adjudge as having been criminal.

On the subject of Middle East peace, note the exemplary lesson from the continuing Israeli-Palestinian conflict.

During the past two decades, circles associated with Ariel Sharon and others have been conducting wars into Lebanon, against Syria, and others, for the purpose of stealing water from such aquifers as those of the Litani River and Golan Heights, in addition to looting the supplies along the Jordan. This was done as part of a continuing "Eretz Israel" policy of driving the Palestinians from their traditional habitation, to make way for immigrants lured into Israel by larcenous real-estate speculators associated with Sharon et al. In fact, there is no possibility of establishing and maintaining peace in any part of this and adjoining regions, without an aggressive policy of developing new sources of potable water which are sufficient for the needs of all of the present and foreseeable populations of the region.

The lack of that and related economic development of basic economic infrastructure of the Middle East region becomes, in and of itself, a source of increasing conflict among the region's populations, whether or not any of those populations desire such conflict. When the consequences are considered, opposition to, or even failure to promote such development, partakes of a criminal quality of negligence.

Thus, the current U.S. Administration's fanatical extension of those economic policies of the 1971-2003 interval, which have produced the economic crisis of the present, failed world monetary-financial system, is itself a cause of those homicidal conflicts which could become a major threat to the U.S.A., as well as Europe and the Americas. Under such present circumstances, wasting precious, scarce economic resources on a needless and bottomless expenditure for warfare, is not the practice of sane governments.

## **The Strategic Triangle Alternative**

3. There are urgent and available alternatives to the folly of the U.S. "Chickenhawks' " proposed Middle East war.

Look at the present situation in Eurasia defined by the onrushing economic collapse of the world's 1971-2003 monetary-financial system. Happily, under the present conditions of the world economic crisis which "Education President" Bush is unable to recognize, there has emerged a set of overlapping blocs of transcontinental cooperation in continental Eurasia. In Western Europe, the "European Triangle" of opposition to the Middle East war, built around France, Germany, and Russia, is implicitly a growing partner in technology-sharing with the set of nations grouped around the Eurasian Strategic Triangle of Russia, China, India, et al. This includes the North Asia Triangle of Russia, China, and Korea, and, hopefully, the participation of industrial Japan. It includes the nations of the ASEAN group, now brought closer together by the new phase of the Mekong River development project.

Western continental Europe's neighbors have a vital interest in the success of those multi-triangular systems of cooperation for mutual security and development. Every sane, informed resident of the British Isles opposes Prime Minister Blair's wild-eyed rush to war, partly because they know, even instinctively, that the economic future of those Isles depends crucially upon integration in continental Eurasian economic development. Turkey, similarly, looks forward to integration within the European Union.

We in the U.S.A., should be partners in the success of such emerging new systems of cooperation. We should be applying the same principles of progress to reviving those republics of Central and South America which U.S. economic, monetary, and financial policies of 1971-2003 have done the most to ruin.

We do not lack solutions for the crises looming before us this ominous week or two to come. The fault lies, in part, in the packs of leaders in the present government, in the present leadership of our principal political parties, of whom it could be said, as Shakespeare wrote: "The fault, dear Brutus, lies in ourselves, that we are underlings." The fault lies in those fools,

fools of all ranks, but all mentally of the state of mind of "underlings," who whimper, "But the war is inevitable." The fault lies, in large part, in the common men and women who choose such leadership as that.

Small-minded men and women, give the name of "tradition," "popular opinion," and the like, to their folly, and thus, by choice or negligence, select the small-minded leaders who reward the people for that support as the leaders of fabled lemmings do: over the cliff to a monstrous folly such as that proposed presently by the U.S.A. and U.K. governments (and such other governments as can be cheaply purchased by the jingle of money from a bankrupt U.S.A.'s emptied purse).

It is time to pull back from the brink of absolute lunacy. Accept France's proposal in good faith. It were better to enjoy French cheese than swallow the dirt of a hot season's desert sand.

## **LATEST FROM LAROCHE**

### **The Essential Fraud of Leo Strauss — by Lyndon H. LaRouche, Jr. — March 5, 2003**

The treatment of Plato in today's U.S. academic and related gossip-circles, is premised chiefly on two competing, Plato-hating schools of interpretation. The first, the pro-Aristotelean hoaxes of Britain's Benjamin Jowett et al., and, the second, those such as one-time Chicago University figures Leo Strauss and his Allan Bloom, who are reputed to have derived their ill-deserved authority from the Marburg School of Ernst Cassirer et al. Strauss is notable for the extremes of his perversity, a trait leaning toward the outright philosophical fascism of Friedrich Nietzsche, Martin Heidegger, Karl Jaspers, Theodor Adorno, Hannah Arendt, and the Savigny-Schmitt school of law in Germany and the Americas.

This subject is of direct and implicit relevance to the case of the gangster-linked Democratic Leadership Council (DLC), a body which, ironically, used what are fairly described "Brown Shirt" methods in its most recent attempts to suppress democratic political deliberation within the precincts of the Democratic National Committee.

The argument respecting Plato's work and the connection to the relevant DNC events, is explained here below. The first question to be answered is: How, in contrast to Jowett, Strauss, and their sundry dupes, are we able to determine the intention and meaning of Plato's dialogues? How can this be done as accurately, and also as efficiently, in literate German or English, as might be achieved from the Classical Greek? The answer to that question is demonstrated by use of the method which I prescribed as the starting-point for university-grade education of students in my youth movement today. The exemplary exercise is the student's original proof of the validity of Carl Gauss's 1799 exposure, in his original presentation of The Fundamental Theorem of Algebra, of the fraud, on the subject of the complex domain, perpetrated, most notably, by Leonhard Euler and Euler's protégé Joseph Louis Lagrange.

Gauss's 1799 demonstration, which defined the notion of the complex domain, and laid the basis for the purely physical, anti-Euclidean geometry of Gauss's and Dirichlet's student Bernhard Riemann, exemplifies the essence of the method of Plato and his Academy, from the time of the collaboration between Archytas and Plato through the deaths of Eratosthenes and Archimedes. The Socratic dialectic, as illustrated by Archytas's construction of the solution for the Delian cube paradox, and by Plato generally, expresses a principle of knowable certainty of truthfulness, a method of truth which applies to all of the principal subject-matters of Plato's Socratic dialectical method.

The proposal that the university-level education of the members of my international youth movement should proceed from the Platonic implications of Gauss's 1799 exposure of the willful hoax by Euler and Lagrange, was based on the presumption, that the first condition to be met on the entry to higher education, is a sense of certainty respecting the axiomatic difference between mere learning and actual knowledge. "Mere learning" is often assumed to be merely identifying terms, or demonstrating the ability to make a plausible deductive exposition of a learned statement or series of

statements. (Or, to pass a computer-scored test based on pre-rehearsed answers to the elements included in a multiple-choice questionnaire.) The use of the term "knowledge" should be restricted to the implications of the proposition: "Can you construct a physical proof of the existence of the process you purport to describe?" Archytas's construction of the solution for the doubling of the cube illustrates the essential point of that distinction between mere learning and actual knowledge.

The absolute coherence of Plato's method for addressing matters of social relations, with the same dialectical method applied to matters of principles of physical geometry, constitutes a universal method of attaining truthful knowledge. In all relevant cases, the "meaning" of Plato's dialogues is shown by applying this understanding of his dialectical method, whatever the subject-matter immediately at hand. The contrary views of Jowett, Strauss, Bloom, et al., are simply the kind of rubbish which gains currency among dupes through the substitution of some doctrine of mere "learning" (e.g., "the academic interpretation of academic interpretations") for a truthful standard of constructable knowledge.

## The Science of the Mind

The geobiochemist Vladimir I. Vernadsky employed experimental methods to demonstrate that, in effect, the known universe is composed of three distinct, but multiply-connected phase-spaces. So, he defined the universe as such a multiply-connected manifold of the respectively abiotic, living, and spiritual domains. Each of these domains is defined as distinct from the other by applying the standards of experimental physical chemistry (geobiochemistry) to show that living processes produce physical products not generated by abiotic processes, and that the creative mental activity of the individual human mind generates physical effects not produced by either abiotic processes or other expressions of living processes.

By spiritual activity—the quality of creative mental activity which discovers a preexisting universal physical principle, mankind is able to wield such discovered, pre-existing universal principles to change the universe in ways which would not occur otherwise in that universe. The principle so applied is not new; but its willful application to the universe under the willful direction of the human mind creates a new condition within the universe on which man acts so.

Such discoveries occur originally through the kind of mental processes expressed by the Socratic dialectic of Plato's dialogues. Only those types of mental processes are treated as "spiritual" powers existing outside the control of either the abiotic or biotic universe otherwise.

Accordingly, in a competent, anti-Euclidean physical geometry, such as that typified by the discoveries of Bernhard Riemann, no *a priori* (e.g., arbitrary) definitions, axioms, and postulates, such as those of either Euclidean, Cartesian, or non-Euclidean geometries, are permitted. Only what are experimentally proven to be universal physical principles, are allowed as defining the geometry of physical space-time.

Thus, from the standpoint of he who professes such an anti-Euclidean geometry, there are three types of "axiom-like" universal physical principles: truly known; false; and, efficient notions of principle which are either wrongly denied or simply yet-unknown. Human individual behavior, and, most emphatically, mass behavior, are regulated accordingly. The discrepancies among these sets of "axiom-like" mental assumptions, account for all of the most scientifically interesting phenomena of mass social behavior, including history of entire cultures.

The individual, or society, whose patterns of action are to be considered, is to be studied as acting in ways which correspond, simultaneously, to a map-reading of the real universe, and a contrasting map-reading of a false, imagined universe. In most cases, the individual, even the entire society, is reading the wrong map, the map of the falsely imagined universe. Such cultures, reading the wrong map, are like the mythical goldfish, swimming in habituated tight circles in a large pond. As a result, by choosing to travel the road which is not there, or attempting to cross the bridge which does not



exist across that abyss, the individual, or the society, crashes sooner or later.

In such cases, the survival of the individual, or society, depends upon awakening to the existent of relevant features of the real map in a timely fashion. A society which clings to faith in a false map, as the current Bush Administration and DNC seem, respectively, presently wont to do, clinging long enough to fall into an abyss, or smash against a mountainside, is rightly to be recognized as a case of a truly Classical tragedy.

Our willful behavior as human beings, is chiefly controlled, most of the time, by the way we read the map in our imagination. Consider four types of maps, accordingly.

## Mapping the Mind

Map A: (a hypothetical case) all assumed universal physical principles known are true, but the map is incomplete, omitting many yet-to-be-discovered principles.

Map B: Although the members of the society may be totally ignorant of actual universal physical principles, it has ideas which, in one class of cases, serve as approximations of reality, and in another, are absurd, usually dangerously so.

Map C: The society combines some fair approximations of universal principles, much ignorance of existing other principles, and a generous sprinkling of axiomatic assumptions which are false (such as the argument of Euler and Lagrange which Gauss exposed in 1799).

Map D: The implicitly doomed individual or culture which excludes, axiomatically, the possible existence of assumptions contrary to the mixture of true and false principles which that individual or culture currently assumes, implicitly, to be true.

Thus, modern science became possible through the work of Johannes Kepler, he, explicitly a Classical follower of Plato, Nicholas of Cusa, and Leonardo da Vinci, who overthrew the absolute block against science represented by the influence of Aristotle on the work of Claudius Ptolemy, Copernicus, and Tycho Brahe. The launching of empiricism, by Paolo Sarpi and his house-lackey Galileo Galilei, has thus served as a parody of the use of Aristotle's teachings to attempt to block scientific progress in the way Claudius Ptolemy's teaching tended to block science from that point during Roman Empire times until Europe's Fifteenth-Century Renaissance.

"Map D" and related cases have the characteristic underlying feature of denying the existence of knowledge, as I have distinguished mere learning from knowledge here. These pathologies seek to halt, or even reverse the accumulation of knowledge, by limiting what is called "knowledge" to mere learning of an individual floating, so to speak, in an infinite soup of sense-perception.

"Map D" and related cases are well studied from the standpoint of Aeschylus's *Prometheus Bound*. The "Gods of Olympus" hate the immortal Prometheus because Prometheus has brought man to recognize mankind's power to master the universe through the development and application of knowledge of universal principles. The Olympian gods (excepting the remarkable special case of Athena) reflect the characteristic features of barbaric society, in which a relatively few men either hunt down other men as they hunt wild beasts, or breed, exploit, and cull herds of captive human cattle, as slave society does. The "dumbing down" of the human cattle thus expresses the special interest of the oligarchical class of rulers.

Hence, all truly Classical tragedy, whether composed for the stage, or as real-life society, is the product of the persistence of those ideologies by which, on the one side, the oligarchy enslaves itself to dependency of hunting down or herding human cattle, and, on the other side, in which the mass of the population is conditioned to live and think as virtual human

cattle. Unless there is at least an approximation of a Promethean epiphany within that imperilled culture, it will crash tragically. This rescue can occur solely through the influence of social-mental processes of the type associated with the Platonic dialogues.

Rescue comes, when the people are led to discover a truer map, and, hopefully, to become open to a process of purging the popular mind from absurd kinds of axiomatic principles, and to devote itself to search for and use of true principles yet to be discovered and applied.

The function of a depraved, anti-Promethean creature such as the late Leo Strauss, is to muddle the popular mind to such a degree that no escape from a "Map D" trap were likely. Thus, the Satanic Strauss typifies the Satanic impulse of a Nietzsche, Schmitt, Heidegger, Jaspers, Adorno, and Arendt. Strauss typifies that learning of a ruling layer of society which must tend to ensure that that culture will destroy itself, as the U.S. under the present government, and present DLC influence, is diving compulsively to the common destruction of our nation, and of all within it.

## **Pine Bluff Town Meeting Dialogue: The Welfare of Our People Comes First**

After his presentation on Feb. 23 at a Pine Bluff, Ark. town meeting, Democratic Party Presidential pre-candidate Lyndon LaRouche engaged in an extended dialogue with the audience. The Rev. Dr. Henry "Hank" Wilkins IV, who also serves in the Arkansas State Senate and chairs the Legislative Black Caucus, moderated. [See last week's [\*EIW\* \(Vol 2, No. 9\)](#) for the text of LaRouche's presentation.]

**Reverend Wilkins:** Are there any questions?

**Q:** Number one, you talk about reform, economic reform: Does that include, that the United States should go into the issuance of its own currency? You talk about banking reform. Does that include, that the United States government should put the Federal Reserve out of issuance of its own currency? Do you advocate that?

**LaRouche:** No, not quite. Something similar, though. Look, I can tell you, the banks of the world, in, say, Europe and the Americas: The banking systems of Europe and the Americas and of Japan, are hopelessly bankrupt. It's not just a little thing; they are hopelessly bankrupt. They are basket cases. That includes Citibank, this includes Chase Manhattan, JP Morgan-Chase Manhattan, and so forth and so on. They're bankrupt.

Now, what happened? Our Federal Reserve System, of course, is the Federal expression of the banking system. Remember what the Federal Reserve System is: The Federal Reserve System is a consortium of private financier interests, which was chartered on the initiative of Teddy Roosevelt, and under Woodrow Wilson, to become a power *over* our government. That is, private interests were able to take control, increasingly, of our currency, and our regulation of our banking system—with government participation. But it was a copy of the European banking systems; it was not our constitutional banking system. In point of fact, it can be shown, literally, that the Federal Reserve System was unconstitutional, because it's contrary to specifications of the Federal Constitution, and those provisions were never repealed.

That means that the Federal government, through the Treasury Department, is actually responsible, probably with the participation of Congress in some capacity, to put the Federal Reserve System into collective bankruptcy reorganization. That means that the United States Treasury assumes the caretaker responsibility for the Federal Reserve System, and the banks included.

Now, our objective is severalfold. In the long run, we're going to have to reorganize these finances. Most of the paper

outstanding against the banks could never be paid. Write it off—it's bankrupt. Some of this will have to be frozen, or reorganized in other ways, as we did in the 1930s. At the same time, we have to keep the doors of banks open, if the banks are necessary, because a bank not only represents a private interest, it is also an institution of the communities of the country, on which we depend for deposit, for issuance of credit, and for other transactions which are essential to the continuation of ordinary business. Therefore, when you put the banks into bankruptcy, you have to take them over, and you probably have the same bankers sitting there, the same people, doing the same things they were doing the day before, in terms of meeting these kinds of responsibilities. So it's actually operating as under Chapter 11, in bankruptcy reorganization—that function. Some banks will close down altogether—they're junk. You can't do anything with them. But any bank that has a useful public function, on the Federal or state level, must stay in business.

Under these conditions, the currency of the United States will have to become legal again. The only legal currency, under our Constitution, is a currency which is issued by the Federal government, with the approval of the Congress. And similarly, any debts that the U.S. Treasury pledges for the future, such as bonds, that sort of thing, Federal bonds, again, is a promise to pay in U.S. currency, and implicitly calls upon the authorization of the Congress to authorize the Federal government to incur this future payment, in currency.

So, what we're going to have to do, is put the banking system into banking reorganization, create a new credit line, probably using something like I've been working on, a revived Jesse Jones or Reconstruction Finance Corp., that was used by Roosevelt, as he used it, to get Federal credit, and other credit, combined, to get it into the banking system, to get it out there churning on state projects, and things of that sort, just like the TVA [Tennessee Valley Authority]. Or something like the TVA, that kind of project. So, that's what we're going to have to do. So that's what I'm talking about.

The Federal government will have to act, to prevent a chain-reaction collapse of the financial system of the United States, and do similar things in cooperation with other countries, for international transactions. This means the Federal government will take over the Federal Reserve System, and other things that have to be maintained; put them into bankruptcy reorganization—that is, not shut them down, put them into bankruptcy reorganization—and administer them. The Federal government, through that facility, will have to generate credit, Federal credit, which it will then utilize particularly in support of programs, which are deemed necessary for the national interests. Just the way the TVA was done.

This would mean, national transportation systems. My proposal is that the effective way this is done, as much as possible, you do it through state public utilities. That is, the state creates a public utility. This public utility has certain guarantees, which the states arrange. We used to use these public utilities, as in the cases of power, and so forth, these were places which, because they were regulated, poorer people could put their savings into the bonds in these public utilities, and be assured a reasonable, secure return on the investment, for their future, their pensions. What happened to 401(k)s, under the 401(k) bill, the looting of many people of their savings, by this crazy 401(k) law: We have to protect the citizen. Therefore, you would create public utilities, for water systems, power systems, transportation systems, other things that are properly in the domain of government, or government regulation; you create public utilities, you encourage people to put private savings into these things, to supplement the advance of credit from state governments and Federal governments, and use that as a great stimulus. That's essentially what we have to do.

**Reverend Wilkins:** I know this is a lot to swallow at one time, but—

**Q:** Mr. LaRouche, you created such a draconian picture of the world today, with the government, that the "Dubya" Administration has presented today, how do we as citizens, and taxpayers, put forth a position of that nature?

The world today is not like it was in the '30s, with the Republican administration, because I think what I understand you to be saying, is that the WPA projects and things that were put forth, by the Federal government into all the states, to rebuild the infrastructure, needs to be done again today. Is that not right?



**LaRouche:** Yes.

**Q:** We operate on a totally different society today. It's more global. And a lot of the dollars that you're speaking of, are not in this country. They are in other countries, all over the world. So, how do we go about doing that?

**LaRouche:** First of all, we end the global system. Because our Constitution, first of all, is a national Constitution. Secondly, the globalization is dangerous. You can not have a sound economy and a globalized economy. It is globalization, in various disguises, which has caused this world depression. We went from an idea that a nation-state should have national economic security, and therefore should have the power to determine its own national economic security. That meant that you protected industries *in* your country. Look here! You've got a paper industry, right here. You've got this whole belt across the Southern states, in the evergreen area, evergreen swamp area, which has been producing paper. So what's happening across these states, and right in this community, you have the paper industry is affected, that's going under. Why? Globalization.

**Q:** Well, yeah, but it's the G7 [Group of Seven nations] that sets globalization policy.

**LaRouche:** Yeah, I agree, but the point is: What's happening now? The world is changing. The center of power in the world right now, in terms of economic power, potentially, is between Western Europe, and a group of nations in Asia, centered around Russia, China, India, and Southeast Asia, the so-called Southeast Asian group—the trading relations. China has got the biggest projects in the world, the Three Gorges Dam, the biggest water project in the world. They're also building a still larger water project, to pull water from the South to the North. They've put in the most modern rail system in the world, has just been started in China: magnetic levitation rail system from Shanghai to Shanghai Airport. They're going to build more of them. You know, this is like 300 miles an hour, rail system. Nice and quiet. Comfortable. I've ridden on the thing in the experimental station in Germany. Wonderful thing.

So, you have large-scale projects. The Mekong Development project, which involves China, the nations of Southeast Asia. Large projects in India, which are being mooted.

Western Europe, which is bankrupt, depends upon its exports to China, India, and so forth, for its own survival. They're going under otherwise. Russia is key to this—in the middle. So, we have, in Eurasia, a large-scale program, involving Japan, Korea, China, the ten nations of Southeast Asia, India, and so forth. These nations are now in cooperation on technology sharing, across this whole continent. And this is the basis for a great economic revival of that continent.

Our view is that, to do this, each nation must return to—away from globalization, scrap the WTO, scrap the G7 globalization agreements. Because the G7 are bankrupt. So therefore, they have to be reorganized. Go back to sovereign nation-state systems, like we had between 1946 and 1958, in recovering in the post-war world.

**Q:** But the whole world has deregulated. I think what you're presenting is re-regulation.

**LaRouche:** Absolutely.

**Q:** And that's a difficult thing to in this—

**LaRouche:** Not for me. Not if people are desperate enough. Not if you care. If I tell you, that if you don't re-regulate, if you don't scrap this system, you're not going to survive, are you going to do it? And I'm telling you the truth when I tell you that.

**Q:** Well, how is it that citizens can present this case to the Administration, or to national leaders?

**LaRouche:** I'm presenting it. I'm quite successful in presenting it to foreign countries, which I deal with. And I have a bill which has been adopted in Italy, for going back to a Bretton Woods system, and the majority of the Chamber of Deputies of Italy voted it up. We have bills in that direction are going forth in Europe. We have similar proposals which are—a reform has occurred in China, in this direction. Cooperation among these nations in this direction is already there. It's only the United States, because of our ever-beloved news media, that the typical citizen in the United States doesn't know what's going on in the world outside the United States, and doesn't know about this crisis, which every other part of the world knows about. We're sitting here uninformed. Well, I'm well informed.

So, step number one: I have to inform you. And that's my job. Not just to be a candidate. My job is to be an advocate of your interests. I'm not just a candidate: I'm 80 years old, I don't *need* the job. I happen to be in excellent condition. My enemies don't like that, but I am in excellent condition.

And the point is, is to get *you* informed, in every part of the United States, through media just like this, where I can get close to a small enough number of you at one time, where we can have the kind of discussion, to thrash out some of these ideas. And you will come to the point that you'll do it. But you have to have a sense, that we are a nation, we're all suffering. I'm an expert in the area, so I can tell you what the suffering is like in different parts of the world. We're all suffering. We're sitting here with our faces hanging out, in the Northeast, the West, and so forth, we're all sitting out, just like you are here in Arkansas, and we're all suffering. We're wondering how to put it together. And once we get the *idea*, of how we can put it together, I don't think we're stoppable.

**Q:** Well, bringing this home locally, to Pine Bluff, you know, you've heard today that we're faced with a possible tax increase from the city government level, the county government level, on the state level, the school board systems, and we're definitely facing tax increases on the Federal level, as far as the FICA tax, and things like they do. How do we deal with that, when we're dealing with shrinking income? I mean, as a whole. How does the community deal with it?

**LaRouche:** I know exactly what you're saying. What you're dealing, actually, with is not just today's crisis. You're alive today. You'll be alive tomorrow. You'll be alive X number of weeks or months from now. That is not precisely the problem. The problem is, come Summer, come Fall, where will you be? The question is, can something happen in this country between now and Summer and Fall, to change the situation? You'll get by, in the short term, in the term of months. You'll find some way to maneuver and get by. But, the long-term perspective is zero, unless we change. So, the question is, how do we get moving, and begin to change the way we think about things, in time to act jointly, and to do some of the kinds of things I'm talking about?

So, I assume that today, in the state of Arkansas, you've got people here, who know somehow, how to manage the situation, to prevent a catastrophe in the short term, or in terms of months, or weeks. You get by. But, into next year, you won't get by. Therefore, in the meantime, before the election comes in the year 2004, before the January 2005 inauguration of the next President, we have to change this country.

I think that what's happened now, is the problem is, as I said, is that the obsession with this war issue has gotten our attention off the issues which affect *you here*, and affect the country as a whole, and the world as a whole. Because, if we were paying attention to the economic issue, instead of being distracted by the war issue, we will raise these issues—

**Reverend Wilkins:** [to questioner] I want to respond to a portion of that. What we see on television, when you turn your television on, when you look at the Today Show, when you look at the evening news, that's all they're talking about, is this war, and it's creating a mind-set in America that says, "We've got to do this. Well, you know, we've started down—we've got these troops over there, we might as well go ahead and do this."

Well, in reality, we don't *have* to do a war, if we don't really want to do one. As an elected official, I see my responsibility as helping to educate the populace, because what we're going to have to have—it's clear that we don't have the national leadership mind-set to make this change from the top down. We're going to have to create a groundswell from the bottom up. And so, I see that as part of my responsibility.

I don't know anywhere else, in the state of Arkansas today, where there are people sitting down, getting this kind of information. Have you heard it anywhere else? Have you seen it anywhere else? No, you haven't. It's not happening. So, we've got to take the leadership at the ground of getting information out to people, and as we do that, I think we'll create a groundswell that will cause some Congressmen, and some Senators, and ultimately, you know, to do something—or else.

**Q:** I have a question, and I fear that it's going to be oversimplified, but I didn't hear Mr. LaRouche say anything about what to do with those rogues, and crooks, and I could call them a lot of other names, who've stolen all of that money, from Enron and all those companies, and while we—I say Enron: Enron is just one of many, many, many, who have caused people to lose jobs, who have caused people to lose entire retirements, and I did not hear you speak to that issue. It may be a minute part of the problem, but it is a problem for those of us in the trenches.

**LaRouche:** Let me be plain-spoken and answer you directly, without going too far, and saying too much, about our President, or his friends, or others. The reason I have problems in the Democratic Party, is because of that. That there are certain people, who are tied to famous names in organized crime, who control much of our financial system, and our political system, from the top down, especially in the party organization part of the national parties.

For example, let me give one name. A guy who is the leader of an international drug-trafficking mafia. His name is Marc Rich. Now, at the beginning of February, former President Clinton was interviewed, and asked if he would pardon Marc Rich if he had to do it over again today. His answer was, "No." I was very happy to hear that President Clinton had said that. I thought it was very intelligent statement. He said, "Why? Because Marc Rich belongs to the Republicans. He's Cheney's problem." And if he left it to the Republicans to pardon Marc Rich, he wouldn't have gotten, Clinton wouldn't have gotten any flak over pardoning Marc Rich. So he wouldn't do it again.

Now, what's Marc Rich? Marc Rich is a very dirty guy. He's a part of something called the Russian Mafiya. It's tied with everything evil you want on this planet, and it controls Al Gore, for example. Al Gore was one of its progeny. Joe Lieberman is part of it. Some of the people in the top ranks of the Democratic National Committee are part of it. Many of the Congressmen know about this stuff. They don't know as much as they should, because they don't wish to: It's too uncomfortable. But they're not of that temperament.

Now, you go on the Republican side, and you find that, not only is Marc Rich tied into Joe Lieberman and Al Gore's friends, but he's also, his lawyer is the key man for Vice President Dick Cheney. And, if you look at the Marc Rich-Halliburton relationship to Vice President Dick Cheney, you begin to see. If you look at some of the things on the Bush side, you see the same thing.

What you're talking about, are people who have looted our country. Look what Enron did. Enron is responsible for the bankruptcy of California, and similar kinds of things. 401(k) was a swindle of this type. Who did it? The same kind of people—401(k). People have lost—they went from Social Security, went from regular pensions, into this 401(k), which was a swindle, from the beginning. But greed inspired people to say, "I can get more money out of 401(k)s than I can from a solid pension." They gave it up, and they were swindled. Now we've got people running around, who thought they had pensions; they don't have them any more.

No, this crowd is all one thing. And I am well-informed about these characters, as I've intimated to you. I know who they

are, and what they are, and what control it is they have over the national parties, and control over part of the Congress. And, I have made myself their enemy, and therefore, within some quarters, I'm not much liked, but I'm sort of proud of that.

**Q:** I want to know about Alan Greenspan. How do you feel about him then?

**LaRouche:** Well, Alan Greenspan, I understand, takes baths, and I hope he comes clean there, because he doesn't any place else. There's talk about him spending a long time in his bathtub monthly, with his little quacky ducky, or whatever it is. But, I just hope he would come clean there.

No, remember, back in 1979, Carter, under Brzezinski's pressure, appointed Paul Volcker as Federal Reserve chairman, and that was the beginning of the collapse of the U.S. economy, its final phase, when he went with that 21%, 22% interest rate increase, which collapsed a lot of things. Since that time, since 1979 to the present, the U.S. money system has been controlled top-down by two fellows in succession: Paul Volcker, and his successor Alan Greenspan. Alan Greenspan has created some terrible financial bubbles. He's one of the chief causes of collapses of the economy. The collapse of 1998, the GKO collapse, of Long Term Capital Management, was his creation. The IT bubble collapse was Alan Greenspan's creation. The coming collapse of the real estate bubble, which is going to hit the Washington area, and other areas—the Fannie Mae bubble, Fannie Mae-Freddie Mac bubble, he created it. This man—I call him "Bubbles."

But, he is a very vicious fellow. He was a follower of Ayn Rand, and if you wanted something really right-wing, and fascist, Ayn Rand was it. And he was the head of her fan club for a long period of time, and he carried the tradition of that fan club into the Federal Reserve System, and you've seen the results.

**Q:** Is it that I'm investing, throwing good money after no money? Because, I was listening to you talk about the bankruptcy of the banks, and, you know, the huge ones, Chase and Citibank, and all of these, and part of our investments, part of our stocks, these are companies where we supposedly hold stock. So, am I throwing my \$10 after no money?

**LaRouche:** Well, let me go to a more fundamental question, because your question pertains to it. A long time ago, you may have read the *Republic* of Plato. In there, in the second book of the *Republic*, in the dialogue among—trialogue, among Socrates, Glaucon, and Thrasymachus, there's a discussion about national policy. In the course of this, Socrates introduces in Greek a term called "*agapé*" *Agapé* is the same word used by the Apostle Paul in 1 Corinthians 13. What is sometimes translated as "charity," "love," and so forth; it means something much more, as you may know from that reading.

This term came into modern usage from the Greek, and from the Greek New Testament into Europe during the 15th Century, during the establishment of the first modern nation-state in France, as a result of the sacrifice of Jeanne d'Arc, who made that possible. And the idea that a nation-state is not legitimate—is morally illegitimate, unless the sovereign is accountable, efficiently, for the general welfare of the whole population, including posterity. Therefore the supreme law of government is that, of legitimate government.

Our Constitution specifies sovereignty. We as a people and our government are sovereign in our territory. That government is legitimate to the extent it exerts that sovereignty, and assures the general welfare of the total population, and posterity. That's our law.

The opposite law, is the tradition of apostle of slavery, John Locke, who introduced slavery into the Carolinas, as a formal system of law, called "property." The United States government today, is dominated, in the majority of the Supreme Court, by people like—by thugs, like Antonin Scalia, who says the law is shareholder value. Under the law, in any crisis, under our Constitution, under the Christian tradition, I just referred to, the government is responsible to protect the general welfare *first*, and other things second. We must defend the sovereignty of our republic, and the republic must defend the

general welfare.

So, when it comes to sorting out bankruptcy, when there's any financial bankruptcy, the law dictates—if we follow the law—the law dictates that the general welfare comes first. The sovereignty, general welfare, and posterity come first. Others come afterward, if there's something left over. So therefore, those who invested in good faith, or those who have a need, someone who's invested in a pension—the responsibility of government is to make sure those pensions are met first, the stockholders last. The welfare of our people comes first.

Think more deeply. What is the implication here? I often use this. Normally in politics, I stay away from theology as much as I can, but I can only stay away so far.

**Reverend Wilkins:** Me, too. [general laughter]

**LaRouche:** We have that problem in common. But the point—I pose the question: Why do politicians fail? Why do politicians who are otherwise bright, intelligent people, why do they fail morally? Like Hamlet, Shakespeare's Hamlet. They fail because as Hamlet says, in the third act, is, "When we shuffle off this mortal coil ..." What frightens Hamlet is not death; what frightens him is immortality. What comes afterward. And Jeanne d'Arc, for example, was able to sacrifice her life for humanity, willfully accepting the alternative of being burned alive, rather than accepting the degrading conditions of not being burned alive, for the sake of all humanity, because she was sure of her immortality.

Leaders have the problem, that very few of our leaders are exactly obsessed by immortality. And some of our nice leaders are not obsessed by immortality, and therefore they make compromises: "Well, I've got to think of my self-interest." But you only have one life! You only have one mortal life! And all eternity around it. And you have to say, "Am I an animal, like a monkey, that when I die, that's the end? Or am I a human being, who's accountable for my interest in eternity, as opposed to just this little mortal life I have?" As it's said in the parable in the New Testament, you have a talent. It's your mortal life. How do you spend it? For *what* do you spend it? And the problem we have today, is, we've become a putrid kind of heathen population, not for lack of preachers, but for lack of Christians among the preachers. Because this question of immortality—people are more concerned: "If I go to Hell, what kind of a house am I going to get?" Or, "Is God going to intervene to pay my mortgage next month?" As opposed to, "What am I willing to live and die for?"

In former times, when we were more moral, we would say, "We invested our lives, and risked our lives for the sake, immediately, of our children and grandchildren and others, for the community of the people." But, that is gone now. The "Now Generation" says, "What I get *now*, in the short run, is what counts. What I do for my grandchildren, what I do for the children that are coming...."

Now for me, an older guy, I've a few frisky years before me, I assure you. But, I don't have that many years before me. What I've got is what I leave behind. What I've got is immortality. And the problem we have today, is, too many of our leaders, and too few of our citizens, still have that sense of immortality. Therefore, they make decisions, and fail to impose decisions upon their leaders, which are based upon that consideration.

My concern is, what is going to happen to this planet, if this depression and this war go ahead? There's going to be hell on this planet for a long time to come. If we can prevent that, if we can save this nation, which was a beautiful creation; if we can realize all the things we've put in to making it something, and if we give our lives to that, even just by living out our life in a certain manner, we've got infinite courage, and can do infinite things. My problem is, we are too weak. And, as I say, I don't try to get on the theology business too much, but when it comes to this question of immortality—

**Reverend Wilkins:** We've got just a couple more questions, and then we're going to close.

**Q:** Mr. LaRouche, while I agree with a lot of what you said, I disagree with what you say about the war. What do you think is going to happen, if we *don't* go do it?

**LaRouche:** Nothing bad is going to happen.

**Q:** September 11 showed that the defense of this country was shattered. It proved that the government did not do what it's supposed to do.

**LaRouche:** That's right.

**Q:** Have you been in military service?

**LaRouche:** Yes, I have.

**Q:** I was in the military too. If we don't do something, they're going to do something to [us]. Because those kind of people got one thing in mind. If you don't believe what they believe in, they're going to kill you! And if you think that you can get away with not doing anything with them, you're sorely mistaken, sir.

**LaRouche:** Actually, who did Sept. 11?

**Q:** Nineteen Arabians, I guess.

**LaRouche:** No. They did not. We don't know exactly who did it.

**Q:** Yemenis, Arabians, whatever they were.

**LaRouche:** No, they weren't. What we've been told is a big lie.

**Q:** Well, who did it then?

**LaRouche:** Well, somebody inside our people.

**Q:** Bin Laden didn't plan it?

**LaRouche:** No. Not capable of doing it.

**Q:** Somebody inside our country?

**LaRouche:** Inside, at a high level.

**Q:** They were all proven to be nationals of some other country.

**LaRouche:** No, they weren't. Proof was never presented.



**Q:** Showed all of them on TV—

**LaRouche:** I know, but it's not been proven.

**Q:** That's all propaganda?

**LaRouche:** Yes, there is an investigation.

**Q:** So our own Americans paid 'em do it?

**LaRouche:** No, not paid them to do it. They didn't do it.

**Q:** That's right. They didn't do it for pay, or anything, but what they were taught.

**LaRouche:** No.

**Q:** If they killed us, they were going to go see God.

**LaRouche:** Let me pull rank on you on this one. One of my areas is security. I was the author, the original author, of what became known as the SDI [Strategic Defense Initiative]. I did that as a project, as a private citizen, with the Reagan Administration, with the National Security Council. I've been involved in this security question for a long time. I've done things for our country, as a private citizen, which are fairly high level, and very sensitive. I know the security business. No bunch of people from the Middle East, an outfit like Osama bin Laden, was capable of doing that. What was done was a very complex operation, and it was done deliberately, *to get us into a war*.

The policy—I know who the author of the policy is. The author of the policy is on record. At the end of the Bush Administration, first Bush Administration, 41, Dick Cheney adopted a policy for a war against Iraq. It was a policy which was done together with some others, who wanted to have a Clash of Civilizations war against Islam.

**Q:** Islam? Against the whole nation of Islam?

**LaRouche:** Yes, all Islam—1.3 billion people. And the policy is there. It's called the "Clean Break" policy. This policy was developed under Cheney, in cooperation with some people in Israel. It was originally designed as a policy for the Netanyahu government—the "Clean Break" policy. It was then adopted by Cheney, and it was turned down by the Bush Administration generally. Bush went out of office, and the thing was buried.

Then, on Sept. 11, 2001, the policy was suddenly revived. Revived by people who are known proponents of it: Richard Perle, Wolfowitz, Rumsfeld, Cheney, Libby, and so forth—the Marc Rich crowd, and so forth.

So this was an operation, which was done *within* the U.S. security system—which should have prevented at least two of the planes from hitting anything. The first one might have been a surprise, but the next two were not. And our security system had been taken down, and somebody knew *exactly* how to do it. Now, this could not have been done by anybody from a foreign country. It had to be done from somebody *inside* the United States, at a very high level, and there are people who wanted that effect. And they did it.

So, we're still looking for the guys. Look, we have to deal with this realistically.

**Q:** If you'll allow me to be blunt with you, you are a crazy fool. I know my friend... I apologize: You are a nut!

**Another voice from audience:** Same to you.

**LaRouche:** I happen to be an expert.

**Q:** You're an expert at being a fool.

**Another Q:** I can remember the Oklahoma City bombing. They said the same thing, you know. They said this has to be Islamic, and found out later on it was not. So a lot of times, those people do get blamed.

**LaRouche:** That's understandable.

**Reverend Wilkins:** We'll take two more quick questions here.

**Q:** You said nothing will happen, would happen, if we don't go to war. What will happen if we do go to war?

**LaRouche:** It's incalculable.

**Q:** I mean, in that area.

**LaRouche:** It won't be limited to that area. That's the whole point. See, the United States can probably go in safely. Tomorrow morning, they can take 400 rocket-launched missiles, and they could take the high-impact non-nuclear missiles, and hit areas like Baghdad, and make mincemeat of that whole area. That could happen.

But the point is, when you fight a war, you're not going in to kill people, you're going in to win a war. Winning a war means ability to occupy that territory, or not have to occupy it, over a period of time to come. The problem is we're faced with—. You'll find most of the U.S. military professionals, the ground-force senior military, retired and serving, and Marine Corps, like General Zinni, would agree. This is a stupid war to get into. Don't get involved in it. The President has been operating under the influence of Cheney's circles, and he's bought into it. It's a mistake, a terrible mistake.

We have no problem—I've dealt with some of the people who were experts, and went into Iraq earlier on the weapons inspectors—there's no problem. There's nothing we have to fear. Yes, Iraq might be able to get a weapon, and throw it against somebody nearby. But it's not a direct threat to us. Furthermore, the people in Europe, the people in Asia, the relevant people in the Middle East, are perfectly willing to do whatever is necessary, to control the situation, to keep it from coming to a war. So, you have nothing to fear. I've been in the Arab sector, I'm known throughout the Arab world. I've dealt with these countries. I know what the operation is. It's nothing we couldn't handle. You don't *have* to go to war.

**Q:** So, what's the game? For these people who are advocating it?

**LaRouche:** The game is, that there are certain nuts, in our own country and other countries, but especially in our own, who want this kind of war. They want a war against Islam. And, for example, Dick Cheney. Dick Cheney, the Vice President of the United States, wants such a war. Dick Cheney is the rooster for the hen house that wants these things. The people who want the war, are a bunch of draft-dodgers, chiefly, a bunch of draft-dodgers who ducked service during the 1960s, during the period of the Vietnam War, and they safely stayed here. Cheney himself was a draft-dodger. Got himself an exemption.

So the draft-dodgers, who don't know what war *is*, who have no idea what it is, condemn the generals, who know what war is, who say, "Don't get into the war." And everybody I know in Europe, and in the United States, who I've talked with, in all kinds of circles, we all agree, there's *no need* for this war! It's a crazy idea.

**Reverend Wilkins:** And by the way, some of you may be familiar with Gen. Wesley Clark, who is an Arkansan, who was the commander of NATO, who has publicly said, over and over—he's from Arkansas, he's around here all the time—who has said—and he's well knowledgeable about these issues; he's said, this war is not necessary, it doesn't make sense, it doesn't have to happen....

Yes, ma'am. We need to wrap up.

**Q:** I'd like to give you a statement from one of my super-intelligent students—and most of them are. They think very well. And, Mr. LaRouche, what they said, they want this George to be like the first George. They want him to *lead* the troops into battle. And will you please take that on to Washington, D.C.? My students at Pine Bluff High School, want this George to be like the first George, and that is to lead the troops into battle.

**Reverend Wilkins:** You're talking about George Washington?

**Q:** Yes, George Washington, and George Bush. [Laughter.]

**Q:** To Mr. LaRouche, and the entire panel: I really appreciate this information. This is not a question, this is a comment. This is positively needed, because a lot of times, we are so misinformed, and a lot of times, we as teachers always need communication, so that we can connect, and have a clear understanding, and I appreciate this information.

**Reverend Wilkins:** Thank you all. Thank you, Mr. LaRouche. [Applause.] Mr. LaRouche, this is the cream of the crop of Pine Bluff, Arkansas.

Democratic Presidential pre-candidate Lyndon LaRouche was interviewed for one hour by Jack Stockwell on Salt Lake City's KTKK 'K-Talk' radio on March 3.

[LAROCHE ON THE STOCKWELL SHOW](#)

[An 'Exit Strategy' From War, For A Self-Isolated U.S.](#)

The interview followed a widely-heard interview with LaRouche by Internet Radio host Jeff Rense on Feb. 27,

[INTERVIEW WITH JEFF RENSE](#)

and an hour interview and call-ins with Washington, D.C. talk-show hostess Bev Smith on Feb. 26.

[INTERVIEW WITH BEVERLY SMITH](#)

All followed upon the Feb. 22-23 Winter Meeting of the Democratic National Committee (DNC) in Washington, at which the candidate's Youth Movement—as Stockwell put it—'served notice to the DNC,' which is trying to bar LaRouche's more and more influential candidacy.

## U.S. Economic/Financial News

### Unemployment Surges in February; Administration Still Sees 'Jobless Recovery'

The Department of Labor's Bureau of Labor Statistics (BLS) reported on March 7 that the official level of U.S. unemployment rose to 8.450 million in February 2003, from 8.302 million in January, a jump of 138,000 unemployed workers. The official unemployment rate was reported to be 5.8% in February, an increase of 0.1% from the rate in

January.

*EIR* has determined that real unemployment is twice what the BLS has told the public.

Most crucial, is that during February, there were 53,000 manufacturing jobs eliminated; moreover, 58,000 *manufacturing production workers* were lost. This is the 31st consecutive month in which manufacturing jobs have been axed. Since July 2000, some 2.157 million manufacturing jobs have been eliminated, of which 1.703 million were production manufacturing workers. In percentages, this represents the elimination of 11.6% of the U.S. manufacturing workforce and 13.4% of its manufacturing production workforce, which process is destroying the economy.

Further, during February, 41,000 transportation and public utilities' jobs were lost. Since its peak employment of two years ago, this sector has lost over half a million jobs.

Meanwhile, new unemployment claims rose by 12,000 to 430,000 (seasonally adjusted), for the week ended March 1; the four-week average increased to 408,750, the highest level since the end of December 2002. Continuing claims for jobless benefits, increased by 180,000, to 3.516 million, in the week ended Feb. 22, the most since Nov. 16.

The Bush Administration and Wall Street have attempted to portray what is happening as a "jobless recovery."

### **\$1 Trillion Evaporates from U.S. Pension Funds, 2000-2002**

U.S. retirement plans for public employees, corporate pensions and endowments lost \$1 trillion in the 2000-2002 period, according to a survey by Greenwich Associates. The three-year loss—equal to China's entire GDP last year—was "probably the most destructive in the whole history of the U.S. fund business," Greenwich consultant Dev Clifford said. Assets at 1,729 pensions and endowments surveyed dropped to \$5.1 trillion at the end of 2002 from \$6.1 trillion in 2000, or 17%, Greenwich said. Greenwich estimated the \$1 trillion loss after finding the 380 corporate pensions, 199 public plans, and 125 endowments from which it collected results in each of the last three years lost \$730 billion. The 704 funds ended last year with \$3.01 trillion dollars. Using the 704 funds' data as a base, Greenwich estimated that all 1,729 retirement and endowment funds lost \$1 trillion.

### **Outsourcing Is Not Free Trade; It's Just Exporting Jobs**

Outsourcing is not free trade; it is exporting American jobs, and U.S. productive capacity, turning the world's formerly leading producer-nation into a "Third World" country, warned syndicated columnist Paul Craig Roberts in the *Washington Times* March 7. When goods and services are outsourced, Roberts asks, where is the economy? "A country devoid of high-productivity jobs is a poor country," he writes, warning that the United States could be "on the outsourced path to becoming a Third World country."

The United States should think about this before it gratuitously attacks Iraq, admonishes Roberts.

Outsourcing will result in accelerating the dollar collapse, he advised: "How long will foreigners accept an annual outpouring of \$500 billion before they force a devaluation of the dollar?"

The United States is not a Third World economy, but an underworld economy, commented Lyndon LaRouche, when briefed on the Roberts column.

### **Bombardier To Lay Off 10% More of Aerospace Workforce**

Citing collapsing orders for new airplanes, the Canadian transportation giant Bombardier announced it will lay off another 3,000 aerospace workers in 2003. Since September 2001, it has laid off 5,800 workers. The layoffs will be from their plants in Northern Ireland, Toronto, and Montreal. Its Kansas plant will not be affected, as machinists there made contract concessions, whereas those in the other locations are still resisting. Michel Lauzon, president of the International Association of Machinists and Aerospace Workers Local 712, called the layoffs "a savage announcement," adding that the union felt "betrayed."

### **U.S. Banks Post 'Record Profit' in 2002**

U.S. banks posted a "record profit of \$90 billion in 2002, easily topping 2001's record \$74 billion, according to the FDIC. Yet, ten banks and one thrift failed during the year, the highest total since 1994, and 336 banks were absorbed in mergers. Loan charge-offs at banks and thrifts rose 21% overall, including a 40% increase in credit-card charge-offs, a 22% increase in non-credit-card consumer-loan charge-offs, and a 14% increase in charge-offs on commercial and industrial loans.

With this release of the Quarterly Banking Profile (QBP), the FDIC began combining the figures for commercial banks and FDIC-insured thrifts, which together posted a profit of \$105 billion, topping the \$100 billion mark for the first time. There were 7,887 banks and 1,467 thrifts, of which 6.3% were unprofitable and 136 officially considered "problem institutions."

### **Dividends Eating Up Corporate Profits**

In 2001, the last full year for which corporate profits are available from the Commerce Department, U.S. corporations reported \$471 billion in after-tax profits, and paid out 87% of that amount, \$410 billion, in net dividends. By contrast, in 2000, corporations reported \$523 billion in after-tax profits, and paid out \$376 billion, or 72%, in dividends. In 1980, the ratio was 38%; in 1990, 63%; and in 1995, 59%. Companies in the finance, insurance, and real estate (FIRE) sector reported \$211 billion in after-tax profits and paid out \$136 billion—64%—in dividends in 2001, while companies in the manufacturing sector reported \$84.1 billion in after-tax profits and paid \$83.8 billion—99.6%—in dividends.

### **Commercial Banks' Derivatives Soar 24% to \$56 Trillion**

The derivatives bets at U.S. commercial banks totalled \$56.3 trillion at the end of 2002, up 24% from \$45.5 trillion at the end of 2001, and up 4.8% from \$53.7 trillion as of Sept. 30, 2002, according to the latest FDIC Quarterly Banking Profile. This compares to \$648 billion in equity capital, \$4.2 trillion in loans, and \$7.1 trillion in assets, making banks' derivatives holdings 87 times equity, 14 times loans, and 8 times assets by the official (i.e., understated) figures.

### **Buffett Alarmed About Potential Derivatives 'Mega-Catastrophe'**

In his annual letter to Berkshire Hathaway shareholders, advance excerpts of which appeared on the *Fortune* website March 3, Warren Buffett says that he and partner Charlie Munger "are of one mind in how we feel about derivatives and the trading activities that go with them: We view them as time bombs, both for the parties that deal in them and the economic system," adding that "The range of derivatives contracts is limited only by the imagination of man (or sometimes, so it seems, madmen)."

While adding that derivatives can be useful, and that he himself uses them in some cases, Buffett said that "the macro picture is dangerous and getting more so. Large amounts of risk, particularly credit risk, have become concentrated in the hands of relatively few derivatives dealers, who, in addition, trade extensively with one another. The troubles of one could quickly infect the others. On top of that, these dealers are owed huge amounts by non-dealer counterparties. Some of these

counterparties ... are linked in ways that could cause them to contemporaneously run into a problem because of a single event (such as the implosion of the telecom industry or the precipitous decline in the value of merchant power projects). Linkage, when it suddenly surfaces, can trigger serious systemic problems.

"The derivatives genie is now well out of the bottle.... Central banks and governments have so far found no effective way to control, or even monitor, the risks posed by these contracts.

"In our view ... derivatives are financial weapons of mass destruction, carrying dangers that, while now latent, are potentially lethal."

### **Airline Industry Continues To Nosedive**

The latest victims of deregulation, globalization, and economic depression among the nation's vital air carriers are:

\*Canadian business and regional jet manufacturer **Bombardier** will lay off another 3,000 workers, another 10% of its workforce (see above).

\*The Transport Workers Union, which had agreed to reopen the 2004 contract of **American Airlines** ground workers to save American from bankruptcy, refused the airline's demand for \$620 million in givebacks as "too high." The TWU was thought to be the most receptive of American's unions.

\***United Airlines** will furlough an additional 900 flight attendants at the end of March, which the union attributes to fewer passengers because of fears of an Iraq war. The liquidation of Eastern, Pan American, and Midway Airlines in 1991 are attributed to the first Iraq war.

United's bankruptcy made it unable to "hedge" a low price for fuel. Its fuel costs increased 30% from December to January, causing it to lose an additional \$1.6 million per day in January. In the Iraq war of 1991, airline fuel prices more than tripled. American and Jet Blue also have poor "hedged" positions on fuel.

European plane maker **Airbus** said its exposure to bankrupt **U.S. Airways** was unchanged, despite the news that U.S. Air had not paid \$44.5 million due on 23 Airbus planes. Airbus said the financing was shared; its own portion was only 15% and that others were owed the remaining 85%. Many completely unrelated companies bought airplanes and leased them to the carriers to get tax breaks, on the advice of their brilliant accountants. These losses will appear as first-quarter losses.

### **Auto Sales Slam on Brakes in February**

General Motors, the world's largest automaker, said sales in February plunged by 19%, compared to January; as a result, the company will cut second-quarter production by about 10%. Ford's sales slipped by 0.1%; while Chrysler announced a 4.5% drop. Automakers, on average, spent more than \$3,200 per vehicle in incentives, such as rebates and no-interest loans—up almost 10% from January.

Consumer spending on durable goods, in January, fell by 5.4%—the largest monthly decline in 13 years.

### **Greenspan Denies Existence of National Housing Bubble**

The loony Federal Reserve chairman, Sir Alan Greenspan, insisted that drawing an analogy between the increase in home



prices to stock-market pricing behavior and bubbles in financial markets, "is a rather large stretch." He claimed that home-selling transaction costs discouraged bubble-creation, and that were any bubbles to emerge, (!) they would be "local, not national, in scope," because there is no national housing market in the United States. Although cautioning that the mortgage-refinancing boom will "simmer down," causing a fall in consumer spending, which has been propped up by cash-out refinancing and home-equity loans, he called a sharp decline in home prices "most unlikely."

Greenspan's remarks, delivered to the annual convention of the Independent Community Bankers of America in Florida March 4, follow a similar hysterical denial by New York Federal Reserve Governor Donald Kohn in San Francisco on Feb. 28.

### **Silicon Valley Home Foreclosures Skyrocket**

California's Silicon Valley has been hit by a 70% jump in the number of homes entering the foreclosure process in 2002, from the year before, to 2,729—the highest level since 1997. Actual foreclosures tripled in 2002 to 217 from the level in 2001. The rate of foreclosures is expected to accelerate, due to the collapse of the IT bubble, as unemployed homeowners have already depleted savings and maxed-out credit cards, lowering home values in one of the most expensive housing regions in the nation.

## **World Economic News**

### **German Stocks Continue Meltdown; 70% Loss in Three Years**

Exactly three years after the meltdown on the German stock market began on March 7, 2000, when the DAX-30 stock index reached its all-time intra-day high of 8,136 points, the DAX closed at slightly above 2,400 points—i.e., 70% of its peak value has been wiped out. At the same time, the market capitalization of the 30 DAX stocks crashed from 1 trillion euro to just 350 billion euro. The loss of 650 billion euros, just in the top 30 German stocks, amounts to 31% of the German economy's annual Gross Domestic Product (GDP). Biggest losers include Deutsche Telekom (-90%), and financial stocks such as Allianz (-83%), HypoVereinsbank (-86%), Commerzbank (-86%), and MLP (-94%). However, investments in DAX stocks still turned out to be much better than those in the German "New Market," where stocks on average lost 97% in the last three years.

In other world markets: London FTSE stocks hit an eight-year low; the Japanese Nikkei index plummeted to a new 20-year low; in the U.S., the market capitalization of top corporations listed in the Wilshire-5000 index has fallen from almost \$17 trillion to just \$9 trillion within the last three years.

### **France, German, U.K. Submit Proposal for New, Flexible Budget Criteria**

France, Germany, and Britain submitted a proposal in early March, calling for new flexible European Union budget rules, but it was rejected by other EU nations, at a meeting of finance ministers in Brussels. The three countries' finance ministers said that heads of state and government should discuss the plan at the March 20 EU summit. Budget rules, the proposal said, should give "the flexibility needed to face different economic environments in order to strengthen growth," by "taking account of specific situations," diplo-talk for the fact that continued austerity, as demanded by EU budget rules, is becoming increasingly impossible to sell to the citizens of member nations.

### **IMF Warns U.K. Housing Bubble About To Pop**

In its annual Article IV review of the United Kingdom economy, the IMF board, noting the high and increasing levels of

household debt, called for "heightened vigilance" by authorities to risks in the housing market, "especially regarding the possible existence of a housing-price bubble, with its potential deflationary consequences."

## **ECB Lowers Interest Rate; Dollar Continues Crash vs. Euro**

While some Europeans were hoping for a bigger cut to "spur" growth, William Duisenberg, the European Central Bank (ECB) president, said of the quarter-point cut of its refinance interest rate, from 2.75% to 2.50%, "We thought this cut in the current uncertain [geopolitical] circumstances was most appropriate." Hours later, the Danish Central Bank lowered its two-week lending rate by 25 basis points, from 2.95% to 2.70%. The ECB banker who has been unwilling to follow Sir Alan Greenspan's wall-of-money interest-rate cuts last year, but was also holding fast to the Maastricht criteria, argued that now was the time to act, due to the "subdued pace of economic growth and the appreciation of the exchange rate of the euro." In the wake of the ECB cut, the euro rose to 1.1008 dollars from 1.0959—its highest since March 1999.

## **German Train Engineers Conduct Warning Strike**

A one-hour warning strike March 6, disrupted the German state railway network for the better part of a day, as engineers struck from 6 a.m. to 7 a.m. Nearly 1.5 million passengers were delayed, while service on 1,000 trains—850 of which were passenger trains—was suspended. Delays were especially severe at the major hubs of Berlin, Frankfurt, Munich, and Cologne. The unions are seeking a 5% pay-raise and an equalization of pay-scale for its members working in eastern Germany. So far, Deutsche Bahn has offered only a 1.3% raise.

## **Turkey Is Punished by International Markets for Parliament Vote**

Within the first few minutes of trading on March 3, the Turkish stock index crashed by 11.3%, the biggest drop at opening ever recorded. The Turkish lira immediately fell 5% to the dollar (which is falling against all other major currencies). The Central Bank had to put out a statement threatening to intervene in the currency markets. The turmoil on currency and stock markets followed the March 1 decision in the Turkish Parliament to reject the stationing of 62,000 U.S. troops to open up a northern front against Iraq, in spite of Washington's promise of \$15-30 billion compensation in grants and loans.

In a desperate move to calm markets, the Turkish government March 3 presented a 2003 budget, fully in line with draconian IMF demands, that is, a 6.5% primary surplus (before debt payments), made possible by increasing taxes and slashing expenditures. Until now, the government had rejected the IMF demands, but for the moment, it believes it can't fight the U.S. Administration and the IMF at the same time. The IMF had promised Turkey \$16 billion in loans. However the IMF program was put on hold in October 2002, because Turkey refused to implement brutal austerity while its economy is in the biggest economic crisis since 1945.

## **Turkey Needs \$30 Billion To Avoid a Debt Default**

Turkey needs \$30 billion in U.S. loans to avoid a debt default, according to international bankers, who say IMF loans and IMF-backed austerity plans would not be enough to meet all Turkey's debt obligations this year. Interest payments on Turkey's national debt currently use up two-thirds of its fiscal revenue. Turkey would use the U.S. loans, to "swap" about one-third of its domestic debt, reducing debt payments and lengthening the repayment schedule. The government borrows in its own currency, at a cost that has risen to 30% above inflation, to make debt payments—and reportedly had to tap its cash reserves on March 5.

"Financially, there's no way out for Turkey if there's no U.S. money," said a Deutsche Bank economist.

## **Vivendi: Largest Corporate Loss in French History**

Vivendi Universal posted a \$25.6-billion loss in 2002, the largest corporate loss in French history, almost double the loss reported for 2001, after the world's second-largest media conglomerate wrote down the value of assets bought during the stock market and telecom bubbles of the 1990s.

France Telecom, Europe's most debt-laden phone company, had earlier reported a loss of nearly \$23 billion for 2002.

## **Israel's Deficit Soars; Foreigners Continue To Withdraw Funds**

Israel's state deficit hit another record for the month of February, reaching 2.752 billion shekels. This follows a similar amount for January which give a total deficit for the first two months of 2003 of 5.43 billion shekels, or over \$1 billion. This is already one-third of the projected deficit for all of 2003, meaning that the deficit exceeds 6% of Gross Domestic Product. One of the main reasons for the deficit is the ongoing collapse of tax revenues, which, for February, were 11% lower than the year before. If this trend continues, the credit-rating companies will cut Israel's state credit rating, making it even harder for Israel to borrow overseas.

Durable good purchases collapsed another 22%, compared to the year before.

Finance Minister Benjamin Netanyahu issued a meaningless statement: "These data make the difficulty of the economic situation tangible." He will be implementing a drastic budget-cutting program that will include massive layoffs in the public sector.

Making things still worse, foreign residents continue to pull their foreign-currency holdings out of Israel. In January alone, \$174 million flew out of Israeli banks. In addition to this, \$74 million was sent out of the country by Israeli citizens. If these outflows continue, banks will have trouble giving foreign currency loans to Israelis.

## **United States News Digest**

### **Fight About Dimensions and Costs of War**

Both Defense Secretary Donald Rumsfeld and Deputy Secretary Paul Wolfowitz have, according to the Feb. 28 *New York Times*, derided Army Chief of Staff Gen. Eric Shinseki's estimate that the occupation of Iraq would require several hundred thousand U.S. troops, and for a considerable period. But Shinseki, through an aide, stuck with his estimate.

In Congressional testimony, Wolfowitz also denied the recent leak that the Pentagon had increased its estimate of the immediate military costs of a war, from \$40 billion, to \$60-95 billion. Wolfowitz told Congressmen that the Pentagon had no estimate whatsoever, since no one knew what would happen, but that the war would cost less than \$95 billion.

Congressmen were not convinced. "I think you're deliberately keeping us in the dark," said James Moran (D-Va.). "We're not so naive as to think that you don't know more than you're revealing." Darlene Hooley (D-Ore.) told Wolfowitz, "I think you can do better than that."

### **American Viceroy Jay Garner To Rebuild What His Company Destroys?**

An article in the *San Francisco Chronicle* at the end of February noted that retired Gen. Jay Garner, who is to be Secretary

of Defense Donald Rumsfeld's viceroy in Baghdad postwar, was until a few weeks ago, the head of a company which is building electronic systems for the Pentagon that will be used to destroy Iraq. "It's very curious," said Ben Hermalin, a professor at University of California—Berkeley's Haas School of Business, who studies professional ethics. "You have to wonder what the Iraqis will think of this guy and how much trust they'll place in him." Furthermore, Hermalin added, "If it's not a conflict of interest, it's certainly being tone deaf."

Garner's former company, SY Technology, is now a division of L-3 Communications, handling dozens of contracts for the U.S. Army, many of which are with the Army's Space and Missile Defense Command, which Garner commanded in the mid-1990s. David Kirp, another professor of ethics at UC Berkeley, said the Bush Administration is sending a profound message to the Iraqis by putting such a man in charge of reconstruction and humanitarian aid. "This is a lovely example of our indifference to the people of Iraq. It truly bespeaks a lack of serious thinking on the Administration's part," he said.

Not mentioned in the *Chronicle* article is Garner's Israeli connections, previously reported by *EIR*, which are not limited to his collaboration with JINSA (Jewish Institute for National Security Affairs). SY Technology also has contracts for work on the Israeli Arrow anti-missile missile, work which it does through a U.S. Army contract.

### **Report That U.S. Prepares To Use Banned Chemical Weapons**

The U.S. Marine Corps confirmed two weeks ago, according to an article in the London *Observer* March 2, that CS gas and "riot-control" pepper spray have been shipped to U.S. forces in the Persian Gulf. The Defense Department said that the decision to use riot-control agents "is made by the commander in the field."

These and other "calmative" gasses, such as were used by Russian police in last year's theater siege, are prohibited for combat use by the Chemical Weapons Convention. The U.S. military is developing a range of such weapons whose use can kill as well as merely "incapacitate."

Defense Secretary Donald Rumsfeld, commenting to the House Armed Services Committee on Feb. 5, attacked the "straitjacket" that treaties have imposed on using chemical weapons. President Gerald Ford in 1975 banned chemical weapons use by U.S. forces.

A Navy commander during the first Gulf War, Rear Admiral Stephen Baker, told the London *Independent* that U.S. Special Forces had gases which can "neutralize" people, and he said, "I would think if they get a chance to use them, they will."

The *Observer* quotes Parliamentarians and government officials worried about the U.S. pushing the boundaries of international chemical warfare conventions, with a disastrous potential for terrorism and the collapse of any limits in warfare.

### **Pentagon Wants Congress To Rescind Ban on Development of 'Mini-Nukes'**

According to a March 7 article by Julian Borger, Washington correspondent for the London *Guardian*, the Pentagon is asking Congress to rescind its 10-year ban on the development of small nuclear warheads, or "mini-nukes." Borger called this "one of the most overt steps President George W. Bush's Administration has taken, towards building a new atomic arsenal." Borger was the correspondent who revealed crucial features of the U.S. "usable nukes" strategy in a Feb. 19 *Guardian* feature.

The March 7 article revealed that, buried in the U.S. Defense Department's 2004 budget proposals, was a single-line statement marking a sharp change in U.S. nuclear policy, by calling on the Congress to "rescind the prohibition on research

and development of low-yield nuclear weapons."

A Pentagon official, who asked not to be named, declared that the research ban on smaller warheads "has negatively affected U.S. government efforts to support the national strategy to counter weapons of mass destruction, and undercuts efforts that could strengthen our ability to deter or respond to new or emerging threats."

Kathryn Crandall, a nuclear weapons expert at the British American Security Information Council, told the *Guardian*: "It's significant, because this is the first time the Administration—and it comes from the Department of Defense—has said that it wants low-yield weapons."

John Spratt, a Democratic Congressman and one of the authors of the ban on "mini-nukes," accused radicals in the Bush Administration, of hypocrisy: "My greatest concern, is that some in the Administration and in Congress seem to think that the United States can move the world in one direction, while Washington moves in another—that we can continue to prevail on other countries not to develop nuclear weapons, while we develop new tactical applications for such weapons, and possibly resume nuclear testing."

### **Washington Cleric Slams Bush's Religious Belief as 'Triumphalism'**

A Washington cleric writing an op ed in the March 2 *Washington Post* slammed President Bush's Christianity as "triumphalism," singling out the references to hymns, Biblical phrases, and End Times constructs used by the President, for example in his State of the Union speech. Fritz Ritsch, pastor of Bethesda (Md.) Presbyterian Church, noted that the President will not meet with representatives of mainstream Christian denominations about their opposition to the war, while he uses the "bully pulpit," acting as "theologian in chief."

Ritsch's column, titled, "Of God, and Man, in the Oval Office," gives a detailed and theological critique of Bush's rhetoric, and that of the so-called religious drive for war and empire. While Ritsch does not take up explicitly, the matter of the role of Bush's lead speech-writer, Michael J. Gerson, an evangelical Episcopalian, Ritsch does specify and denounce specific words and phrases in Bush's speeches.

Ritsch writes, "Contrary to popular opinion, the religion that this group [Bush's religious supporters] espouses is Triumphalism, not Christianity. Theirs is a zealous form of nationalism, baptized with Christian language. The German theologian, Dietrich Bonhoeffer, who was martyred by the Nazis, foresaw the rise of a similar view in his country, which he labeled, 'joyous secularism.' .... [I]f, as I believe, this worldview is really American triumphalism, Christianity has taken a backseat to joyous secularism"—i.e., Nazism.

Bush, Ritsch says, "asserts a worldview that most Christian denominations reject outright as heresy: the myth of redemptive violence, which posits a war between good and evil ... God [versus] ... Satan.... Christians have held this view to be heretical since at least the Third Century.... In contrast, the Judeo-Christian worldview is that of redemption...."

Ritsch points to ways that the ignorant Bush misuses received religion. For example, "The President used the words of a hymn 'There's Power in the Blood,' to strengthen the religious rhetoric of his State of the Union speech. He spoke of the 'power, wonder-working power' of 'the goodness and idealism and faith of the American people.' The original words of the hymn refer to the 'wonder-working power' of 'the precious blood of the lamb'—Jesus Christ. The unspoken but apparently deliberate parallel between Americans and Jesus is disturbing, to say the least."

### **Claim U.S. Government Running 'Dirty Tricks Campaign' Against UN Security Council Members**



According to the March 2 London *Observer*, the U.S. government is conducting a "secret dirty tricks campaign" against UN Security Council delegations in New York, as part of the battle to win votes for war against Iraq. The report received massive attention throughout the European media and caused outrage, among leading officials in various governments.

The *Observer* says it was leaked a document, detailing an "aggressive surveillance operation," involving interception of the home and office telephones, and the e-mails of UN delegates in New York. Wrote the British paper: "The disclosures were made in a memorandum written by a top official at the [U.S.] National Security Agency, ... and circulated to both senior agents in his organization, and to a friendly foreign intelligence agency, asking for its input."

It gives orders to the NSA staff, to step up surveillance operations, particularly directed at UN Security Council members, "to provide up-to-the-minute intelligence for Bush officials, on the voting intentions of UN members regarding the issue of Iraq." According to the *Observer*, the clear targets are the delegations from Angola, Cameroon, Chile, Mexico, Guinea, and Pakistan, whose votes are being aggressively fought over. Further, wrote the *Observer*: "Dated Jan. 31, 2003, the memo was ... sent by Frank Koza, chief of staff in the 'Regional Targets' section of the NSA, which spies on countries that are viewed as strategically important for United States interests."

Added the paper: "Sources in Washington familiar with the operation said, last week, that there had been a division among Bush Administration officials, over whether to pursue such a high-intensity surveillance campaign, with some warning of the serious consequences of discovery. The existence of the surveillance operation, understood to have been requested by President Bush's National Security Adviser Condoleezza Rice, is deeply embarrassing to the Americans, in the middle of their efforts to win over the undecided delegations."

### **Jim Gilmore: Danger to Civil Liberties in U.S.**

"It is very dangerous, what we are doing to civil liberties," said James Gilmore, chairman of the Advisory Panel to Assess Domestic Response Capabilities for Terrorism Involving Weapons of Mass Destruction, (the "Gilmore Commission"). Gilmore, a former Republican Governor of Virginia and former Republican National Committee chairman, noted last week that people commonly say that "9/11 changed everything," and he said that it is true, that we are a transformed society, one which is diminishing civil liberties. "This country is thoroughly terrorized," he said.

Addressing a breakfast meeting of the American Bar Association's committee on national security law, Gilmore said that it is especially important for lawyers "to stop and think about where we're going, and what is it going to look like when we get there." He said that this is the most technologically advanced society in history, where we have the capability of putting cameras everywhere, monitoring communications, and finding out what people are buying and where they are going. But, he added, we know that people conduct themselves differently, when they are being watched and observed.

"This is a profound change," he stated. "We have to deal with the issue of what we are becoming. We are becoming a marcher state. We may be on the way to that now, if we have to all buy water and duct tape, and live on a constant trigger point."

Gilmore attacked the idea that we have to "strike a balance" between liberty and security. This means that the terrorists control our civil liberties, because the more they increase the pressure, the more we come down on the side of security. He said the test should be that anything we do (1) must make us more secure, but (2) must preserve our civil liberties absolutely and wholly. That means we'll have to live with a degree of risk, but we can't make ourselves more secure by destroying all our civil liberties.

Reviewing the work of the Commission, which was established in 1999, Gilmore said they have concluded in the first year, that a domestic attack using weapons of mass destruction was highly unlikely (in contrast to much of the current hysteria),



and that a conventional terrorist attack was much more likely to occur.

## **Say FBI Is Ignoring Criminal Cases**

The FBI's emphasis on terrorism—a focus coming from Attorney General John Ashcroft—is causing the Bureau to cut back its investigations of criminal activity, including drug-trafficking and street violence. The number of violent drug cases referred to the U.S. Attorney by the FBI for prosecution in Washington, D.C., dropped 41% in FY 2002 from the previous year. In the FBI's D.C. field office (which includes Northern Virginia), more than half of the 300 agents previously assigned to criminal cases have been transferred to counter-terrorism and counter-intelligence squads. This is putting additional pressure on local police to handle major cases previously handled jointly with the FBI.

Nationwide, the FBI has reassigned 2,500 of its 11,500 agents to anti-terrorist assignments; The FBI now has 65-75% of its resources devoted to terrorism and counter-intelligence, as compared to 40% previously.

On Jan. 9, the U.S. Attorney in Baltimore sent a letter to the head of the local FBI office, saying that the FBI "has become distracted and almost useless" in dealing with criminal matters, because of trying to figure out how to deal with terrorism. "The FBI should be the lead agency for Federal law enforcement in the state, and instead they are a marginal presence at best," said U.S. Attorney Thomas DiBiaggio.

This was precisely the problem identified by Lyndon LaRouche in the last part of his Jan. 28 State of the Union address, in which he pointed out that law enforcement is the "first line of defense against terrorism," and identified Northern Virginia drug gangs as representing the major security problem in the area.

## **Profiles in Corruption: DNC Chairman McAuliffe, DNC Treasurer Tobias, and 'Dope, Inc.'**

Democratic National Committee chairman Terry McAuliffe, whose principal claim to recognition is as a big-bucks fundraiser, bought American Heritage Homes, a large Florida home-building company, in 1996. The money was put up for McAuliffe by Dope, Inc.'s Carl Lindner—the godfather of the [Michael] Milken Monsters—through the American Financial Group, Lindner's Cincinnati holding company. McAuliffe became chairman of American Heritage Homes, but Florida business journalism sources say McAuliffe kept a low profile with the company. Lindner was the real power there. McAuliffe's father-in-law, Richard Swann, reported that McAuliffe left American Heritage in October 2000, to become DNC chairman as of January 2001.

McAuliffe was in essence Lindner's employee throughout the Clinton-Gore second term.

As DNC finance chair, McAuliffe had arranged (beginning 1995 or before) for huge contributions Lindner made to the Clinton-Gore Democratic Party, which continued into the second term, now that McAuliffe was Lindner's business partner. Gore (personally) and McAuliffe both solicited Lindner for large donations.

McAuliffe arranged for the use of the Lincoln bedroom for donors, and personally brought Lindner into the White House. Then the Administration, and trade representative Mickey Kantor, went into the "banana wars" (tariffs, etc.) against Europe on behalf of Lindner's company, Chiquita Banana (formerly United Fruit/United Brands.)

In the early 1990s, Richard Swann, McAuliffe's father-in-law, had steered his Florida-based Pioneer Savings Bank into bankruptcy, dealing in junk bonds, etc., at great taxpayer cost. McAuliffe sprang into action, using the IBEW pension fund, and he and his father-in-law bought back the assets of the bankrupt S&L at below market value. McAuliffe made lots of investment profits, having apparently put up virtually nothing himself.

Meanwhile, DNC treasurer Andrew Tobias, a wealthy speculator and author of get-rich books, is tied into speculation and looting in Russia, as he describes in his book *My Vast Fortune*—connected to the cabal of Vice President Al Gore and Viktor Chernomyrdin in the late 1990s, which involved control and loot Russian natural resources; that reached a peak in 1998, and in 1999 Tobias was named DNC Treasurer.

Meanwhile, a recent John Zogby poll published last week in the *Washington Times* shows a shambles in Democratic Presidential preference. In New York, Al Sharpton is leading, but with only 13%, Joe Lieberman with only 12%, and Dick Gephardt with 11%.

Lyndon LaRouche said that this reflects the mess that the Bull Moose gang has made out of the Democratic Party: you've got an anti-war party with a pro-war leadership, which is gangster- and organized crime-connected. They hate people, LaRouche commented said—call them the Purple People Haters. "You don't believe they're purple? Just mention my name!" the Presidential pre-candidate quipped.

### **McCain Calls for Realignment of Democratic and Republican Parties**

Speaking before the Magazine Publishers of America on March 3, Sen. John McCain (R-Ariz.) was asked whether he believed religious conservatives have too much influence in the Republican Party. McCain recalled the speech he had given during his 2000 Presidential campaign attacking Pat Robertson and Jerry Falwell, then added:

"Neither party should be defined by pandering to the outer reaches of American politics and agents of intolerance, whether they be Louis Farrakhan or Al Sharpton on the left, or Pat Robertson and Jerry Falwell on the right. ... The Democrats should reject Sharpton."

*Washington Post* writer Dan Balz in a March 4 piece commented that this is Sen. McCain's view of "moderate voters." More appropriately, it is the "suburban middle class" in the "vital center" sought by proponents of a "Third Way," whether they be in the Democratic Leadership Council or McCain spokesman Marshall Wittmann's "Bull Moose" option.

## **Ibero-American News Digest**

### **Colombian FARC Maintains Three Bases in Brazil**

Colombia's narcoterrorist FARC maintains three bases in Brazil, according to a classified Colombian military-intelligence document provided to the Brazilian government, *O Estado de Sao Paulo* reported March 1. The Colombians attached as an appendix, a report prepared by the U.S. Southern Command, which corroborates the existence of the bases, but also asserts that these areas are a cover also for activities by Hamas and Hezbollah militants—which the Colombians disagree with, according to *O Estado*. The FARC members deployed to Brazil are university-trained, and assigned to maintain foreign contacts, launder drug monies, buy arms, supplies, and meet general logistics requirements.

The intelligence reports are quite specific, identifying the largest base as located on a large farm in the south of the state of Parana, owned by a Lebanese businessman, Ahmad Mohamad, who has been jailed by the Federal Police for the last seven months. The other bases are smaller—located in Miranda, in Mato Grosso do Sul, and in Boa Vista, Roraima—and serve primarily to safehouse FARC militants on their way to Europe.

The Brazilian government immediately announced it would fully investigate the reports. On March 5, an Army spokesman said no concrete confirmation has been found, but investigations continue, and he suggested that other Federal agencies

may be brought in, to broaden the investigation. The spokesman noted, for example, the difficulty in investigating the situation in Miranda, because that city serves as the port of entry into the Pantanal—the great swamp so beloved of Prince Philip's World Wide Fund for Nature (WWF)—and therefore has a great flow of foreign tourists.

The Brazilian government is on the hot-seat as to whether it will declare the FARC to be the terrorists that they are, or not. As the leading Brazilian daily, *O Estado De Sao Paulo*, pointed out in its Feb. 26 editorial, were the Brazilian government to identify the FARC as "terrorist," it would have to block its assets in Brazil, and seize any members found on Brazilian territory, thus helping Brazil's own national security. The designation of the FARC is expected to be one of the primary subjects on the agenda, when Colombian President Alvaro Uribe arrives in Brazil on March 7, for talks with President Lula da Silva.

### **'Coca War' Explodes in Peru as Growers Fight Anti-Drug Programs**

A "coca war" has exploded in Peru, timed perhaps to coincide with a *cocalero* uprising in neighboring Bolivia. Coca-growers in Peru went on strike in mid-February, demanding a halt to all coca eradication, and the elimination of the government's anti-drug and "alternative development" programs in the coca-growing region. Growers blocked national highways, and attacked government anti-drug agencies and hotels where anti-drug officials were staying. The rampage on Feb. 24 alone, for example, left 40 wounded. When the government agreed to negotiate, leaders ordered a "truce." On March 3, they gave the government 20 days to satisfy their demands, or "10,000 farmers will march on Lima to make our protests heard."

This fight could potentially blow up the country. Through the coca-grower apparatus built up under George Soros's largesse, the drug-trade today is able to deploy masses of people, in numbers it did not have even at the height of Sendero Luminoso's narcoterrorist war against the country in 1990-92. The *cocalero* fight is not limited to the jungles and valleys where coca is grown. As in Bolivia, the *cocaleros* are positioning themselves to take leadership of the whole gamut of social protests exploding in Peru, by ordinary farmers, trade unions, and the regional anti-austerity and/or separatist movements.

Making the situation extremely dangerous, is its intersection with the Peruvian Constitutional Court's recent ruling overturning the terrorist convictions imposed by military courts in the mid-1990s—the which were key to restoring peace. *Gestion* daily reported on March 3 that Sendero chief Abimael Guzman's life sentence would be annulled within 10 days, and a new trial against Victor Polay, the head of Sendero's narcoterrorist cousin, the MRTA, would begin in April or May.

Marco Miyashiro, head of the anti-terrorist police (DIRCOTE), told *El Comercio* March 3 that Sendero only has about 300 men under arms at this time in all of Peru, but what they lost on the battlefield, "They now want to win at the table.... Their war now is on the legal battlefield," where they have won significant victories, he warned.

### **Italian Terrorist Sees Argentina as Model for Jacobin Chaos**

Italian "anti-globalization" terrorist and former Red Brigades leader Tony Negri, hails Argentina as model for creating "policy of the multitudes"—that is, anarchy. Negri is quoted in the daily *Pagina 12*, a big fan of the Porto Alegre "anti-globalization" circus, arguing that the December 2001 overthrow of the de la Rúa government, and the chaos that ensued then and continues today—highway blockades by the Jacobin "piqueteros," depositors physically attacking banks, workers taking over bankrupt companies, self-help schemes such as "barter clubs," and constant, daily protest—"constitute a new configuration of the 'movement of movements.'" Negri argues that the fact that Argentines hate their politicians, is evidence that existing institutions have no legitimacy, thus paving the way for the emergence of a "new power" which is "the multitude." Where the "multitude and its potential" begins, Negri rants, "the power of the State [terror] and the chaos of the markets ends."

Meanwhile, rampages in downtown Buenos Aires by members of the well-armed anarchist group, the Quebracho, typify the exploding anarchist riots overwhelming the country, which Negri so celebrates. Members of the Quebracho, wearing hoods and armed with clubs, numchakas, and rocks, have twice set vehicles on fire, smashed windows, burned tires, and fought with policemen protecting Buenos Aires' main courts complex where several of their members are being tried.

Roberto Durrieu, president of the Buenos Aires' Lawyers' Association, issued an urgent call to the government to take action against the Jacobin "piqueteros," who are attacking all the institutions of the state. "The state is absent; it makes no decisions," he said. If it fails to act, he warned, "we'll have guerrillas taking over the streets."

### **Venezuela Again Hit by Terrorist Bombing**

Terrorism struck in the main oil region of Venezuela on March 2, when a car bomb exploded in the city of Maracaibo, near an opposition leader's home, and near the headquarters of Chevron Oil. No one was hurt, although there was some physical damage done. The attack followed bombings of the Colombian and Venezuelan embassies in Caracas on Feb. 25.

*EIR* is investigating who is carrying out the bombings, whether terrorists around President Hugo Chavez, paramilitary networks within the opposition to his regime, or, possibly, a "third force" seeking to trigger full-scale civil war.

Both the opposition and the government charge each other with responsibility for the bombings. Citing alleged proof in his possession that the opposition carried out the embassy bombings, Chavez again dismissed the millions opposing him as terrorists on his March 2 "Hello, President" radio and television show, and promised that "if terrorists have to be repelled by arms, fine, they will be repelled by arms."

### **Former Argentine Cabinet Minister Calls for FDR-Style 'New Deal'**

Argentina needs a "New Deal" like the one that America's President Roosevelt promoted in the 1930s, with great emphasis on massive public works, Gustavo Beliz, an Opus Dei member and former Cabinet minister in the first Carlos Menem government (1989-95), told *Clarín* March 5. Beliz emphasized the need for massive infrastructure projects—water projects, highway and housing construction—to be financed by "channelling resources through the public banks, through rediscounting policies that prioritize job creation and eradicate forever favoritism in the allocation of credit." Rather than just subsidizing the poor, he said, programs that give people real jobs should be adopted.

But in this call for a "New Deal," Beliz makes no mention of the real world outside Argentina, and says nothing about the bankruptcy of the global financial system. This is not accidental; he is no political neophyte. While in the Menem Cabinet, he promoted the idea of "humanizing capitalism," often referencing the Social Doctrine of the Roman Catholic Church, while at the same time pushing schemes to make IMF austerity palatable, including through the fascist ideas peddled by "theologian" Michael Novak. His promotion now of an Argentine "New Deal," more than anything reflects an environment shaped by Lyndon LaRouche's programmatic proposals in the countdown to the April 27 Presidential elections, in which no candidate enjoys more than 16% of the vote—because none of them offers the leadership or program required to pull the country out of its crisis.

Now heading up the "New Leadership" party, Beliz speaks of the need to integrate Argentina territorially, by reviving the railroads, and "revising" privatization contracts, but gives himself away when he calls for eliminating "structural mega-corruption," and forging the "efficient integration of the state, the market and civil society on behalf of transparency."

### **Mexico Debt Cancer Metastasizes with Pension Privatization**

Overall domestic bond issuance in Mexico has grown at an annual rate of 78.8% since 1999, according to JP Morgan, a growth which the London *Financial Times* Feb. 27 attributes to the creation of a private pension system in 1997. By now, the private pension plans, known as "*afores*," have the largest number of members of any pension system in Ibero-America (29.4 million members), and are the second greatest (after Chile) in total assets, at \$31.4 billion. The regulations were changed at the end of 2002, to permit the *afores* to invest in lower-quality companies (single-A rated), and, most insane of all, to hedge with derivatives. Even before that, the Mexican derivatives exchange, MexDer, set up in 1998, "enjoyed" a 360% increase in the total volume of contracts traded in 2002.

The *afores* helped feed the indebtedness of a whole new sector: Mexico's municipalities and states, which before 2000, had *no* bonded debt. In 2001, a piddling 90 million pesos (about \$9 billion) were issued; in 2002, that jumped to 5.2 billion pesos worth (\$520 million). The *Financial Times* hails this as a sign of a maturing capital market, but the only thing it reflects is that cities and states, desperate to cover the holes left by cuts in Federal government payments, issued bonds, and thus created yet another debt bubble, which is about to burst, as they go bankrupt, too.

### **Argentine Court Ruling vs. 'Pesification' Shakes System**

The ruling by Argentina's Supreme Court March 5 declaring forced "pesification" of dollar deposits to be unconstitutional, has shaken up the government and the banking system, because of its precedent-setting nature. The Court ruling dealt with the specific case of the San Luis provincial government, whose \$247 million in dollar deposits, held in the state-run Banco de la Nacion, were forcibly converted to pesos in January of 2002, by a government decree applying to dollar deposits in all the country's banks. Now, the government and Banco de la Nacion have 60 days to determine in what form the dollar deposits will be returned to San Luis, the home state of Presidential candidate (and former President) Adolfo Rodriguez Saa, who had loudly backed his province's demand for redollarization of the \$247 million.

The real concern now is that the Court ruling will open the floodgates for similar legal suits by some 350,000 other bank depositors, all demanding their dollars back, for a total of \$10 billion. In anticipation of such a move, the Duhalde government is scrambling to find a way to save the skins of the largely foreign-owned banks operating in the country, which have spent the last several years looting Argentina, but now say that returning dollar deposits will bankrupt them. Duhalde is reportedly considering offering a long-term bond for the dollar deposits, a measure guaranteed to provoke rage among citizens who want their dollars back in cash.

## **Western European News Digest**

### **Chief German Catholic Military Bishop Finds Many in U.S. Skeptical of War**

Walter Mixa, who toured the United States for about two weeks from the end of January till mid-February, reported in several interviews on German radio and television recently, that he met many Americans who were opposed to, and uneasy about, the prospect of war. What impressed him in particular, he said, were officers at the big U.S. military base at El Paso, Texas.

Churchmen and representatives of other institutions in the United States, turned out not to share the bellicose posture of the Administration, Mixa said, adding that he encountered that "not only in the countryside, but also in Washington itself."

### **Americans in Berlin Form Anti-War Committee**

Some Americans living in Berlin have formed a committee to give the broad majority of anti-war Americans a voice abroad. At a press conference in Berlin on March 3, the new organization "Americans Against the War" presented itself to



the public with the following statement:

"Polls say at least 60% of U.S. citizens oppose an attack on Iraq without UN approval. War is not inevitable! The U.S. anti-war movement mobilized millions of protesters in the recent demonstrations. Many religious groups have spoken out in opposition, with George Bush's own ... pastor among them. Military experts and veterans of the Gulf War are voicing doubts about the war's practical consequences and morality. Politicians like Senators Byrd and Kennedy, writers, celebrities, and activists are each speaking out in their own way.

"We specifically want to show the German public that there is no united march to war among *Americans*. We hope to see German media give more coverage to the broad spectrum of opposition in the United States. We also want to show people back in the States that anti-war protests in Europe are not *anti-American*."

Representatives of the new organization have been quoted as saying that they hope Germany and France are maintaining their anti-war position in spite of all official U.S. pressure, because the resistance in Europe contributes to rallying Americans against the war.

### **Polish Governing Coalition Now a Minority Government**

The coalition of Poland's Prime Minister, Leszek Miller, one of the signers of the "Gang of Eight" letter of European supporters of an Iraq war, has suddenly become a minority government, after he expelled the two Cabinet ministers of his minor coalition partner, the PSL party. On Feb. 28, the PSL had voted against Miller's project to raise tolls on Polish interstate roads.

Running now against the vast majority of votes in the Parliament (Sejm) on crucial issues such as relations with the European Union, taxes, farm and industry policies, and the Iraq war, Miller will have a very hard time keeping his minority government in place. Early elections cannot be ruled out.

### **French Government Challenges Maastricht System**

The government of France is challenging the Maastricht system (the underlying austerity regimen of the European Union), denying that the Maastricht Treaty that set up the EU in its present form is binding for French policy.

According to the March 4 *FTD* and European wire services, French Finance Minister Francis Mer last week reiterated his position that the Maastricht budgeting criteria are in no way binding for national financial policy decisions, and presented a report to the EU Commission in Brussels that is read as one big provocation: Instead of doing what other EU Finance Ministers usually do, namely, manipulating statistics, Mer admitted in his report that this year, the French state deficit will be 3.04% of GDP, above the upper limit of the 3%-of-GDP level the Maastricht Pact tolerates.

Mer added that, in his view, 3.04% means 3.0%, thereby warning the Commission not to try to discipline France.

The French approach takes advantage of the fact that there are no precise regulations in the Pact on how to act in case a country's deficit exceeds 3%.

In any case, Mer holds that the budget cannot possibly be balanced, unless France has achieved a solid growth of 2.5% annually, and to achieve that, it will have to spend more than the Maastricht criteria would permit. All of this faces the EU Commission with the danger of triggering a debate about the Maastricht criteria, if it pushes ahead with disciplinary measures against France.



## Paris Maintains Uncertainty: Will It Veto?

France is maintaining the utmost uncertainty over whether or not it will use its veto power at the UN Security Council, to shoot down the new Anglo-American-Spanish resolution on Iraq this week.

Authorized leaks indicate that the French government will not reveal its intentions concerning the veto until the very last minute. The reason is that, if France were to announce beforehand its determination to veto, the U.S. could then say that pursuing the UN track is totally useless, and it would proceed directly to the war. But if the French say they will not veto, they would lose all means of pressuring the U.S. to pursue the inspections/legal track.

Thus, just as France, Germany, and Russia were issuing their most recent joint statement opposing a new resolution, a deadline, or any other markers on the road to war, the French paper *Canard Enchaîné* was leaking that, in speaking to the tiny committee of Chirac's party (UMP) Atlantists, French Foreign Minister Dominique de Villepin stated that using the veto would be like "shooting the Americans in the back." The same sources reveal that, on Feb. 26, Chirac told a small committee that France had nothing to gain from using the veto power, since, in spite of the fact that "France does what it can, it is impossible for her to stop Bush from going to the bitter end of [the United States'] logics of war."

## British Opponents of Iraq War Cheered by De Villepin Statements

British opponents of Prime Minister Tony Blair's policy for war on Iraq are said to be encouraged and moralized, while Blair Cabinet Ministers are reported to be "furious," over the strong statements made March 2 by French Foreign Minister Dominique de Villepin, on *BBC's* "Breakfast with Frost" interview show.

In his interview, de Villepin stated that a new United Nations resolution on Iraq is unwarranted: "Are we in such a situation? No. Do we need a second resolution? No. Are we going to oppose a second resolution? Yes, as are the Russians and many other countries." He insisted that UN Security Council Resolution 1441 allows for inspections to go on, until "we found ourselves in a deadlock. It is for the inspectors to write a report, saying that they cannot work any more." De Villepin insisted that "90% of the world community" shares the French view.

He also affirmed: "Peace is a very important thing. It is a very strong benefit for mankind. We should only accept the use of force when we have tried everything. The question is—and sometimes, at night, I wake up thinking—have we tried everything? France says no."

De Villepin criticized the American and British governments' insistence on "a war timetable," adding, "You cannot say, 'I want Saddam Hussein to disarm,' and, at the same time, when he is disarming, say, 'They're not doing what they should.'"

The French Foreign Minister rejected out of hand the attempts to liken the threat posed by Saddam today, to that of Adolf Hitler in the 1930s.

In statements to *EIR* and to the London *Independent*, reported on its front page March 3, British Labour MP Tam Dalyell strongly welcomed de Villepin's intervention. According to *BBC*, Dalyell has fired off a letter to Foreign Secretary Jack Straw, asking him, "Do you, like the French Minister, wake up at night, asking yourself, 'Have we tried everything? Is it necessary? Is inspection working?'"

De Villepin's comments were also welcomed by former Blair Minister Chris Smith, the MP who co-sponsored the House of Commons amendment which garnered considerable support in the recent vote on Iraq policy, affirming that "the case for

war is not yet made."

The *Independent* reports that members of the Blair Cabinet are "furious" at the French Foreign Minister for his *BBC* interview, charging that his comments "play into Saddam's hands."

### **British Liberal Democratic Leader Calls Blair 'Precipitate'**

Appearing March 2 on *BBC 1's* "The Politics Show, Charles Kennedy, leader of Britain's Liberal Democratic Party, accused Tony Blair of being "precipitate" in demanding a second UN resolution on Iraq, and commented: "Are we really arguing at this stage, before the UN process is complete, that the best thing to do, is to start slaughtering people in their thousands, perhaps hundreds of thousands, as well as losing British and American and Australian lives in the process?"

Kennedy rejected Blair's recent comparison between those who opposed military action in Iraq, and the people who appeased Hitler in the 1930s: "I don't think that using words like appeasement, in this context, is appropriate. They just inflame the situation unnecessarily."

The star of Kennedy and the LDP is now rising in Britain, as support for Blair and war evaporates, and as the Conservative Party leadership, increasingly split on the issue of Iraq, sinks deeper into internal backbiting and feuding.

### **Germans Who Want Change Should Turn to Merkel, Says *Businessweek* Writer**

Germans who want change in their country's politics should turn to "brave," "honest" Angela Merkel, wrote Jack Ewing in a March 5 piece in *BusinessWeek Online* entitled, "Commentary: Can Angela Merkel Save Germany?" Merkel, of course, is the party chairman of the Christian Democratic Union, the opposition to Chancellor Gerhard Schroeder's governing "Red/Green" coalition of the Social Democratic Party and the Green Party.

Perhaps those who are imploring "Do something, Schroeder!" should instead be crying "Do something, Merkel," Ewing wrote, saying that CDU head "Merkel's unassuming honesty makes her a voter favorite." Ewing cited Merkel's "spunk" in speaking out for the war in Iraq and for meeting with Vice President Cheney and other officials during her recent U.S. visit. Ewing concluded that "If Merkel wants to be Germany's first woman Chancellor, she may never have a better platform than she does right now," as the Schroeder government, which has been so resolutely anti-war, is embroiled in a huge economic mess and losing strength at the polls because of the economic crisis.

### **France Calls for Emergency Heads-of-State Summit of UN Security Council Members on Iraq**

At the United Nations Friday, March 7, French Foreign Minister Dominique de Villepin called for a heads-of-state summit of UN Security Council members to deal with the crisis over Iraq, and the Anglo-American push for war against Iraq.

A March 8 *AP* wire reported that French President Jacques Chirac is lobbying other heads of state to join him in such a summit to search for a compromise on Iraq, according to his office. The Elysée Palace also reiterated that France is unalterably opposed to the U.S.-British draft resolution before the Security Council, with its March 17 ultimatum.

The wire reports Chirac saying he's begun contacting heads of state, and will contact other over the next days. He said that he has so far received a positive response. "War is not a small thing," the President's office said. "When you declare death or life, this merits being taken to the highest level of responsibility."

In a statement issued March 8, Chirac, urged, "Given the importance of the decision, it seems legitimate that it is taken by

heads of state and government," and urged that Bush attend the Security Council vote on the resolution.

The French claimed that the proposal was not aimed at isolating President Bush: "This is in a spirit of conciliation rather than aggression. It's probably in his interest to accept; he won't necessarily feel isolated," said one French official, pointing out that France was discussing the idea with other Security Council members.

Secretary of State Colin Powell rejected de Villepin's proposal almost as soon as it was enunciated at the UN Friday, saying that the heads of state are in constant phone communication about the Iraq crisis and, "At the moment, I don't see a particular need for a heads of state and government meeting at the Security Council, which really isn't the place to deal with issues like this." On Sunday, March 9, U.S. National Security Adviser Condoleezza Rice also rejected the proposal, suggesting that President Bush considered it "grandstanding."

### **U.S. Media Black Out French Initiative for Heads-of-State Summit**

News articles monitored in the major U.S. media—*New York Times*, *Washington Post*, *Los Angeles Times*, *Richmond Times-Dispatch*, *Washington Times*—have had absolutely no coverage of French Foreign Minister Dominique de Villepin's proposal, made at the United Nations last week, for a heads-of-state summit on Iraq.

Interestingly, the media that are actually more mainstream—*St. Louis Post-Dispatch*, *Baltimore Sun*, *Boston Globe*, and *Philadelphia Inquirer*—did mention de Villepin's proposal in passing.

German television, on the other hand, covered the proposal, and claimed that it threw Washington into turmoil. The only coverage in the Mexican press occurred in *La Jornada*, which called the proposal a surprise. "This initiative was rejected later by the United States and other countries aligned with Washington, but the message was clear: this has to do with the New World Order and with who, how, and through what means it will be established," *La Jornada* commented.

### **De Villepin Tours African Members of Security Council**

The French Foreign Minister's office revealed that he was leaving Paris March 9, to visit the three African nations on the UN Security Council—Angola, Cameroon, and Guinea. De Villepin is expected to return to Paris on March 11.

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

### **Russia Says British-U.S. UN Resolution for War Will Be Blocked**

On March 8, Russian Foreign Minister Igor Ivanov told Russian state television that Russia, China, Germany, and China "won't allow" passage of a second UN Security Council resolution, and that a U.S. attack on Iraq will breach the UN charter.

A Foreign Ministry transcript, released March 8, refers to the draft British-U.S.-Spanish resolution, saying: "We believe that such ultimatums are not justified, all the more so since the heads of the inspections groups themselves requested several months to complete their work. Therefore, Russia, like many countries, believes that such a resolution is inadvisable—it doesn't further the political settlement of the situation around Iraq.... Russia will do everything" to block the resolution. Even with nine votes, "It won't pass, because Russia, France, Germany, and China consider the draft extremely negatively and won't allow its adoption."

Further: "If the U.S. unilaterally begins military action in relation to Iraq, it would violate the UN Charter, and, of course, when the UN Charter is violated, the Security Council must gather, discuss the situation and make the corresponding decisions." He said he hoped it did not come to that, but that Washington seemed headed for "exactly that scenario."

## **Putin Warns of Wave of Destabilization**

Russian President Vladimir Putin again spoke out against war in Iraq on March 3, saying that the Islamic world "may be swept by instability" if the U.S. invades Iraq. Speaking to *Trud*, a Bulgarian newspaper, he said the crisis must be solved "by exclusively peaceful means," and that "I would like to hope that the basic principles of international law will be observed by all members of the international community."

The U.S. effort to turn Russia, leaving France and China as a "minority" among the Permanent Five at the UN Security Council opposed to the war, was in high gear in early March. State Department Chickenhawk John Bolton visited Moscow, Putin's chief of staff Alexander Voloshin—notorious as a holdover from the Yeltsin "Family"—was in D.C. for meetings with most of the Administration officials, Bush has been on the phone with Putin, and Condi Rice was due in Moscow. Among the carrots held out to Russia were the declaration of three Chechen groups to be terrorist organizations subject to American sanctions; the Administration is offering to lift the Jackson-Vanik Amendment, a 1970s restraint on trade left over from Soviet days; and is offering the recovery of Russia's \$8 billion debt with Iraq and getting in on the oil deals.

See this week's [INDEPTH](#) for Jonathan Tennenbaum's report on further Russian developments with France, Germany, and China opposing war against Iraq.

## **Russian Analysts Dispute Iraq Options**

While President Putin and Foreign Minister Ivanov are doing everything they can to try to prevent war, a bitter struggle is raging within the Russian government and policy establishment, over Iraq and relations with the U.S., said a leading scholar of the famous Russian Academy of Sciences (RAS) Institute for World Economics and Politics (IMEMO), in a discussion March 4. "That battle has not yet been decided," he said. Commenting on the Feb. 28 article by RAS Europe Institute scholar and veteran Russian diplomat Igor Maksimychev in *Nezavisimaya Gazeta*, concerning the strategic significance of an emerging German-French-Russian "triangle," the expert remarked: "Maksimychev is not just speaking for himself. He is speaking for a prevalent view in the Academy of Sciences and, more importantly, for an influential group within the Russian government itself. But this is not the only group. There is also a powerful 'U.S. lobby' in the government, connected especially with oil interests, who are pushing the childish idea that Russia stands to gain a lot from energy deals with the USA." One such figure is the infamous Mikhail Khodorkovsky, CEO of Yukos oil company.

As for Putin, he is "neither pro-Bush, nor pro-European; he is pro-Russian," the expert said. "The Iraq crisis has put Russia and Putin in a very difficult position. Putin is trying to preserve all the positive achievements of Russia, both in relations with the U.S., and in relations with Europe. That is why he is constantly maneuvering." If an Iraq war were launched, and Saudi Arabia and other oil-producing nations were destabilized, "the big losers would be, not the USA, but the European Union and Japan." In any case, Russia's relations with Europe are absolutely vital and will not be sacrificed. One should not jump to the conclusion, pushed by press propaganda, that Voloshin's USA trip represented an attempt to cut a dirty deal with the Bush Administration.

"Most probably, Voloshin, who has rarely been involved in international diplomacy, was carrying out a very specific mission for Putin."

## **Russians Warn of U.S. Nuclear Weapons Use**

The danger that the United States might use nuclear weapons in Iraq was a sub-theme at a March 4 Moscow press conference held by two members of Russia's Federal Defense and Security Council. Vasily Klyuchenko, a general lieutenant of aviation, opened his remarks by stating his concern that whereas Iraq had made military history through its use of chemical weapons, the U.S. had demonstrated, during the bombings of Hiroshima and Nagasaki, that nuclear weapons could also be used. He described these as "vicious" priorities, and said that it cannot be guaranteed that these things wouldn't happen again. "Or, if the conflict goes much further, then ... will it not become the prologue for a third world war involving the use of quite serious means of destruction, and with much more serious consequences for all the participants?"

Later, asked whether he was forecasting a Third World War, he said he hoped not, but that he had expressed his concerns. Asked whether the U.S. may use low-yield nuclear bombs, he said that he could not rule this out. He also said he had raised this danger to the Americans.

On a slightly different note, when asked if he thought a certain stage of military deployment would make it impossible to stop, he said no. "All troops operate by command.... This could be described as exercises and one can get out of this situation with dignity in general."

It is perhaps also of note that the moderator of the press conference started off saying that it's likely Washington will hit Iraq March 12, with or without a UN resolution.

### **Mafiya Loots Russian Resources**

The same Russian Mafiya linked to the DNC, Lieberman-McCain, and the war party through such delightful figures as Marc Rich, is ripping off Russia's natural resources at an astounding rate, while failing to invest a kopek in the scientific work of geological exploration, mapping, and new research needed to assure Russians a future. For example, known supplies of natural gas, the largest of Russia's mineral exports, will run out by 2025, at present rates of use and growth of consumption. (This is by conservative estimates; some geologists suspect the supply may only last another 10 years.) Diamonds, one of the huge cash cows for the Mafiya-owned mineral companies, will be exhausted by 2018. And 100% of all Russia's known mineral resources will be depleted by the year 2100, at present rates of growth of consumption.

This was the picture presented in private discussions and in a public lecture delivered by Dmitri Rundkvist, the Director of the Vernadsky State Geological Museum, and Assistant Director Sergei Cherkasov, at the Smithsonian Institution in Washington March 4. But the outlook of these experts is far from the zero-growth mentality so prevalent in parts of the West. They believe passionately that such problems are part of the normal course of human economic development, and can be solved by application of science to new exploration, new extraction techniques, and new methods of energy production. (In discussion among a small group who surrounded him following the lecture, Dr. Rundkvist pointedly praised Lyndon LaRouche's work to the *EIW*'s reporter.) However, control over mineral exploitation by the new money (Mafiya) means that virtually nothing is going into the needed scientific work. The small scientific staff of the prestigious Vernadsky Museum are forced to spend their days on fundraising activities, just to keep the doors open, and the same goes for all the Russian geological institutes—and for that matter, all branches of Russian science. Last year, a mapping and exploration expedition up the Yenisey River was cancelled for lack of funds.

The conditions for resource development are especially harsh in Russia, as Dr. Rundkvist pointed out in his public presentation. The entire national territory falls above the 48th parallel, and most of the resources are concentrated above the Arctic Circle. Most mineral exploitation, including oil and gas, occurs under rigorous winter conditions. Two photographs of the town of Norilsk, to the east of the Yenisey in northern Siberia, told the story. The first, from 40 years ago, showed a small city where reindeer sleds made up the principal mode of transport. Today it is a "boom town," one of the wealthiest in Russia. But one without a future, under present policies. Dr. Rundkvist closed his presentation at the Smithsonian with a citation from V.I. Vernadsky, one of the founding fathers of Russian geology among his other accomplishments:



"On a global scale, the only countries which survive are those which have precise knowledge of their resources, and can direct the spiritual power of the people to their use."

### **Leading Duma Member Calls for More Trade with China**

Dmitri Rogozin, chairman of the Foreign Relations Committee of Russia's State Duma, called March 4 for Russia to further increase economic and trade cooperation with China. Rogozin said the Russian government should offer more support to Russian companies which can join in the development of western China. Also, Moscow should pay special attention to China when making plans for its Far East; and draw on China's experiences developing special economic zones, when developing Kaliningrad on the Baltic and Sakhalin on the Pacific.

He also said Russian-Chinese cooperation is important for resolving the crisis over Korea.

Also, on March 2, Russian and Chinese railroad officials met in Harbin, in northeast China's Heilongjiang province, to discuss prospects for the construction of a railroad between Ussuriisk, in Russia's far east Primorye, and Dongning in Heilongjiang. The two sides agreed to draft a feasibility study for the railroad, which would enable China to bring up to 20 million tons of export coal to Primorye ports a year.

### **Russian-Malaysian Trade Jumps**

Trade between Russia and Malaysia amounted to \$574.6 million last year, a statement from the Russian embassy said March 5. Quoting Russian Customs statistics, the statement said that Russia exported goods worth \$346.2 million to Malaysia while imports were \$228.4 million. "Ten years ago Malaysia was known in Russia as a supplier of natural rubber, palm oil, and tin. Now Russia is quite familiar with Malaysian-made electric and electronic appliances, furniture, garments and a number of food items that enjoy high demand in the Russian market," the statement said.

"Russia is a growing prospective market for Malaysian goods and services, as well as a potential supplier of some high-technology products and interesting partner in science and technology cooperation. This sets a favorable environment and good opportunities to develop our bilateral trade and economic ties," said the statement, which was released in conjunction with the recent establishment of the Russia-Malaysia Business Council.

## **Mideast News Digest**

### **Sen. Ted Kennedy Says 'There's Still Time' To Stop War**

Senior Democratic Senator Edward Kennedy (D-Mass.) said in a March 4 interview on NBC-TV's "Today Show," that there was "still time" to stop war against Iraq. Senator Kennedy, who is the author of two resolutions with senior Senator Robert Byrd (D-W.Va.), that require President Bush to seek a *formal* "Declaration of War" approved by Congress before he can launch military action against Iraq, said that the time for full Senate debate is now.

Kennedy made clear that war is not inevitable. When interviewer Katie Couric asserted that "a lot of people are speculating that at the end of next week, a war will begin, after the UN votes on that second resolution," Kennedy said:

"Well, there's still time. *Certainly a lot has happened. A lot has changed at the United Nations, hasn't it, over the period of the last 10 days? And I would hope that the Administration would get the word....* The fact is, we are stronger when we

work together."

"We need the United Nations in North Korea .... We have to work with our allies in Asia on North Korea because of its danger, don't we? Yes. And we have to work with our allies in other pressure points around the world. That's a fact. And we shouldn't have a go-it-alone, rush-to-war policy, which this Administration has."

Later in the day, Kennedy was the featured speaker at the United Methodist Church Conference in Washington, and said: "President Bush squandered too much of the good will of the world community because of his single-minded rush to war with Iraq, even if he has a few, or even no allies to go to war with him...."

To much applause, Kennedy also criticized Bush's Feb. 26 speech about so-called democracy, at the American Enterprise Institute. Ridiculing Bush for claiming the war would lead to peace, stability, and prosperity, for the Iraqi people, *and* the Palestinians, Kennedy said, "We all heard of rosy scenarios, but that was ridiculous!"

He continued: "With inspectors on the ground and stiff international pressure still possible, this is an unnecessary war." The Methodist conference is part of the Protestant denomination to which President Bush belongs, and which is beginning to mobilize heavily against the war. The White House has refused to meet with the head of the United Methodist Church, who is asking for the President to meet a delegation of mainstream Christian leaders.

### **Turkey Vote Stuns U.S. and Delays War Start**

Within minutes after news wires went out worldwide, on March 1, that the Turkish Parliament had passed a bill permitting the deployment of U.S. troops by 264-250 with 19 abstentions, the Speaker of the Parliament, Bulent Arrinc, announced that the bill had actually *failed* because the Constitution requires a bill to gain the majority of those present, counting abstentions.

On Feb. 28, before the Parliamentary vote on allowing U.S. troops into Turkey for the Iraq invasion, the Turkish National Security Council, composed of senior generals and political leaders, held a meeting, but failed to take any stand on the issue, leaving it to the Parliament—the same action taken by the Cabinet earlier in the week.

The wire services and the Bush Administration ended up eating crow. At present there are ships with 62,000 U.S. troops, tanks, and other heavy equipment just sitting off Turkey's ports unable to unload.

### **Iraqi Opposition Meeting 'Ends in Confusion'**

According to the *Washington Post* and Turkish press reports on March 1, the highly publicized meeting of Iraqi opposition groups with U.S. Presidential Envoy Zalmay Khalilzad, was a failure that ended with the Turks and the Kurds denouncing each other. The "Khalilzad dirty half-dozen" met for three days in Kurdish territory in northern Iraq, but after they were told that the U.S. would appoint an American military man to run the country, the proceedings fell apart, and, according to some reports, began discussing an Iraqi opposition army to fight against Turkish soldiers if they enter Iraqi territory with the U.S. invasion.

The gathering announced a six-member leadership body, but gave up on declaring a provisional government, lacking U.S. support. Meanwhile, Kurds held a demonstration on Feb. 28, burning Turkey's flag, while Turkey's President Erdogan denounced Kurdish leaders' threats to fight if Turkey entered Iraq. The U.S., of course, is promising everything to both sides, and contradictions be damned.



## **Arab League Members Vote for Their National Sovereignty**

The Arab League summit in Sharm El-Sheik, Egypt on March 1 ended with a statement read by Arab League Secretary General Amr Moussa that called for "complete rejection to any aggression on Iraq or threatening the security of any Arab country," and for giving inspectors the time required. It also called on Arab states to "refrain from participating in any military action." Bahrain was named to head a committee to convey the Arab message to the world. The Arab leaders refused to debate a call for Iraqi President Saddam Hussein's exile, which had been brought up under Anglo-American pressure.

The League also denounced the call for regime change in Iraq and called for ending the 12-year-old sanctions that have killed 1.5 million Iraqis, particularly children under age 5. The League did call upon Iraq to work with UN weapons inspectors to completely disarm, and said that the same UN Resolutions apply to Israel, which is the world's third largest nuclear power.

Palestinian National Authority President Yassir Arafat was prevented by Israel from attending, but sent a speech which said: "...The government of Israel is the first instigator of this war on brotherly Iraq," referencing how Sharon uses the Iraq war to escalate operations against the Palestinian citizens.

He called Israel's military campaign in the occupied territories an "apartheid war, a colonial war, a war of genocide and ethnic cleansing. The Palestinian people will not give up the option of a just peace between us and the Israelis on the basis of the two-state solution."

## **Maureen Dowd Targets 'Clean Break' Blueprint for War**

Writing in the *New York Times*, columnist Maureen Dowd became the latest to denounce the "Clean Break" war plan—written in 1996 for Prime Minister Benjamin Netanyahu. This document was originally exposed widely by Lyndon LaRouche, in his Sept. 11, 2002 webcast. Dowd says George Bush's Feb. 26 speech at the neo-con American Enterprise Institute is from the same mold: "Conservatives began drawing up steroid-fuelled plans to reorder the world a decade ago, [which were] imperial blueprints.... "In 1992, Dick Cheney, the Defense Secretary for Bush 41, and his aides, Paul Wolfowitz and [Lewis] 'Scooter' Libby, drafted a document asserting that America should prepare to cast off formal alliances and throw its military weight around to prevent the rise of any 'potential future global competitor' and to preclude the spread of nuclear weapons."

She continues: "In 1996, Richard Perle, now a Pentagon adviser, and Douglas Feith, now a Rumsfeld aide, helped write a report about how Israel could transcend the problems with the Palestinians by changing the 'balance of power' in the Middle East, and by replacing Saddam.... [These] ... hawks saw their big chance after 9/11...."

## **'Clean Break' Planned To Wipe Out Palestinians, Oslo**

The now-notorious document of the Jerusalem-based Institute for Advanced Strategic and Political Studies (IASPS) of July 8, 1996, entitled "A Clean Break: A New Strategy for Securing the Realm," not only mapped out the *necessity* of war against Iraq, but *insisted* that the Oslo accords be wiped off the books.

Drafted by those who are now embedded in the Bush Administration as neo-conservative Anglo-Israeli agents—Richard Perle, Douglas Feith, and David Wurmser—the document was hand-delivered by Perle to Israel's then-Prime Minister, Benjamin Netanyahu.

While much coverage has recently been given to the "Iraq war" side of the war plan, prepared for Netanyahu, several excerpts from the six-page "Clean Break" memo serve as a useful indication as to why the Bush Administration is *refusing* to release the "road map" for establishing a Palestinian state, and to put pressure on the Sharon government to abide by the Oslo accords.

"Clean Break" says: "Israel can ... change the nature of its relations with the Palestinians, including upholding the *right of hot pursuit* for self-defense into all Palestinian areas and nurturing alternatives to Arafat's exclusive grip on Palestinian society.... Israel has no obligations under the Oslo agreements if the PLO does not fulfill its obligations."

### **Israel Presents 'Plan B' for Invasion of Iraq**

On March 4, a well-placed Israeli intelligence source told *EIW* that, given Turkey's rejection of the staging of U.S. troops on its soil, Israeli Defense Minister Shaul Mofaz has reportedly sent maps and invasion corridor proposals to the Pentagon. The source said that Israel is proposing to stage an incident to justify an Israel Defense Force incursion into Syria via the Golan Heights, which could be used to supply American troops from the 101st Airborne Division, who would be parachuted into northern Iraq. Already, the source indicated there is a buildup of Israeli tanks along the Syrian border, in order to provoke a Syrian mis-step to justify heavy Israeli military actions. This is a totally utopian scheme, since the 101st Airborne would be sitting ducks in mountainous northern Iraq until the Israelis punched through.

### **Occupied Palestine Territories in Abject Poverty**

A total of 2 million people, or 60% of those living in the occupied West Bank and Gaza Strip are barely subsisting on \$1.32 per day income, according to a World Bank report of March 5. The report states that: "The proximate cause of the Palestinian economic crisis is closure—GOI's [Government of Israel's] imposition of restrictions on the movement of Palestinian goods and people across borders and within the West Bank and Gaza."

Describing life for "ordinary Palestinians," it says, "Using a poverty line of U.S.\$2 per day, the World Bank estimated that 21% of the Palestinian population were poor on the eve of the Intifada (October 2000). [However, this] number increased to about 60% by December 2002.... The numbers of the poor have tripled, from 637,000 to just under 2 million. The poor are also getting poorer. In 1998, the average daily consumption of a poor person was equivalent to U.S.\$1.47 per day. This has now slipped to U.S.\$1.32. More than 75% of the population of the Gaza Strip are now poor (less than U.S.\$/2day)."

A UN report mentioned in the *New York Times* of March 6 says that the Palestinian economy has collapsed from \$1.5 billion in 1999 to \$140 million in 2002!

According to *EIW* discussions with Palestinian officials, the World Bank report underestimates the crisis. For example, whereas the Bank report says that "unemployment stands at 53% of the workforce (if those no longer seeking work are included)," the figure is more like 70-71%. One of the reasons that people can survive at all, is that the Palestinian Authority (PA) is not yet destroyed, and donor funds from mostly European nations have been distributed to the Palestinian people, despite the government of Israel's withholding tax revenues, etc. The PA has become the largest employer in the Occupied Territories, providing about one-third of all the jobs that exist.

### **Veterans, Experts Expose Pentagon Hypocrisy in the Rush to War with Iraq**

Leading critics of George Bush's "Chickenhawk" war policy for Iraq have accused the Pentagon and the Administration of sending out troops with equipment that is defective, and which could lead to needless American fatalities. At a March 6 press conference in Washington, D.C., two Members of Congress, a chemical warfare expert, a retired Marine officer, three

Army veterans—including two who served in the 1991 Gulf War—and the president of an organization of families who have relatives deployed for a possible war in Iraq—exposed that the Cheney-Rumsfeld gang really doesn't give a hoot about the health of the troops they are putting in harm's way.

In a meeting chaired by consumer advocate Ralph Nader, they all provided evidence that not only are the troops being deployed with ineffective protection, but the Defense Department is not abiding by a 1997 law that requires establishing a baseline health report on each troop, should something unforeseen arise after combat. The 1997 law stemmed from the Pentagon's handling of the Gulf War illnesses—which, according to Rep. Jim McDermott (D-Wash), have killed 10,000 veterans and have caused another 200,000 to make disability claims against the government. This is an extraordinary proportion of the 567,000 who were deployed.

Stephen Robinson of the National Gulf War Resource Center, reported that a total of 307,000 1991 Gulf War veterans have sought treatment for the "Gulf War Syndrome," which he attributed to five factors ranging from use of vaccines that had not been adequately tested, to the use—by the United States—of depleted uranium in antitank shells, which turns to dust on impact. Robinson also reported that a 2001 Army Audit Agency investigation concluded that 62% of the Army's gas masks and 90% of chemical detectors are faulty. Much of this defective equipment is probably in the Gulf region already.

Representative John Conyers (D-Mich) vowed that he would take up the issue with, specifically, House Minority Leader Nancy Pelosi (D-Calif.), ranking Democrat on the House Armed Services Committee Ike Skelton (D-Mo.), Senate Minority Leader Tom Daschle (D-S.D.), and the two Senators from Michigan, Carl Levin (D) and Debbie Stabenow (D), with the aim of getting the issue brought up in hearings.

### **Rumsfeld Denies that U.S. Created Osama bin Laden**

On March 1, question from the *Al-Jazeera* satellite TV network charged the U.S. with responsibility for Osama bin Laden, because of the U.S. creation of the mujaheddin during the "surrogate war" against the Soviets in Afghanistan. In response to the question, Secretary of Defense Donald Rumsfeld said there were many different factions involved in the "war of liberation" in Afghanistan against the Soviet Union. That included Osama bin Laden.

But he flatly denied that Osama was a creation of the United States.

However, while the pay stubs exist for the creation of Osama bin Laden in this "surrogate war" as a social service worker and paymaster for Afghansi mujaheddin, the U.S. has never produced the severance order to terminate Osama bin Laden's services.

## **Asia News Digest**

### **Zhu Rongji Cites Economic Progress in Final Speech To National People's Congress**

Chinese Prime Minister Zhu Rongji emphasized the policies which have enabled China's economy to develop—in a very turbulent world—in his final speech to the National People's Congress in Beijing on March 6.

Zhu Rongji made clear that the "proactive fiscal policy" adopted by China since the outbreak of the Asian financial crisis in 1997, has fostered real economic growth.

He stated: "Based on the issuance of 660 billion yuan of long-term construction Treasury bonds, 3.28 trillion yuan of bank

loans and funds from other sources were generated for investment, allowing us to accomplish many large undertakings we had been wanting but unable to undertake for years for lack of resource."

Prudent management of the debt should not hurt China's economic health or compromise its security, he said. China does have a fiscal deficit of 660 billion yuan, but at the same time, Zhu emphasized, his government is leaving China with 17.2 trillion yuan worth of assets, to develop growth in the next decades.

These important assets include the huge Three Gorges Water Conservancy project, the Qinghai-Tibetan railway, the West-to East cross-country fuel pipeline, and the South-North water diversion project.

In addition, Zhu said that there were big achievements in reducing poverty. The number of impoverished people in the countryside has been reduced from 49.6 million to 28.2 million in the last five years. But he warned that the needs of unemployed workers and poor farmers must be met, for the stability of China.

"We must exert a great deal of effort to resolve the problems of back pay for workers and overburdened farmers," Zhu said. "Agricultural, village and farmers' problems relate to the overall situation of China's reform, opening and modernization... If we do not change these conditions, they will severely dampen farmers' enthusiasm, rock the foundations of agriculture, and even threaten the entire national economy."

Zhu's speech was greeted with what one reporter called "spontaneous" and "thunderous and prolonged applause" from the 3,000 delegates at the NPC.

### **Anti-War Joint Statement by Russia-France-Germany Gets China's Support**

On March 6, Foreign Minister Tang Jiaxuan stated at a press conference in Beijing that China fully supports the statement issued by the Foreign Ministers of France, Russia, and Germany that "we will not allow a [UN Security Council] draft resolution authorizing the recourse to force to pass."

In Beijing, Tang Jiaxuan said: "On March 5, France, Germany, and Russia issued a joint declaration. China's position is consistent with the joint statement. China endorses and supports the content of the joint statement."

However, Tang Jiaxuan would not answer directly whether China might veto any such resolution. "It's a bit too early to raise this question at this point," he said. "Diplomacy at the Security Council is still going on. We are not at the end of the road towards a political solution." Tang's press conference was held one day prior to the UN Security Council report by chief weapons inspector Hans Blix.

"We must continue the inspections until we get to the bottom of this; we must make every effort to avoid war," Tang said. "At the moment it is absolutely unnecessary to put aside UN Resolution 1441 and table a new one at the Security Council" (this said in reference to the British-U.S.-Spanish draft resolution).

### **China Expands Nuclear Energy in Drive for Development**

China's first high-temperature gas-cooled reactor (HTR) went fully on-line in Beijing recently, the *People's Daily* reported March 2. This is a "major step in China's safe use of nuclear energy to resolve its energy shortage," stated Prof. Wu Zongxin of the Nuclear Energy Technology Institute of Tsinghua University, outside Beijing.

Construction of the reactor began in 1995. Wu described its efficiency, in having a shorter production circle and lower

production cost compared with other types of reactors, and its great safety. Although the technology originated in Germany, several key components of the reactor were designed and produced by China under the country's high-technology research development plan, the "863 Program." The operation of this reactor paves the way for the building of similar or larger nuclear power stations in China, Wu said.

China has already built three nuclear power stations, and another four nuclear generating units, which have pressurized water reactors, are under construction.

However, since spare parts from overseas producers are required, the production costs and the price of electricity are more expensive than thermal and hydroelectric power. But, with China facing an energy crunch, and being a net oil importer, nuclear energy, especially the HTR, is very important. By 2004, China's energy produced by nuclear will have risen from the current 1% to 4%, but this is still far short of the world average of 16%.

### **Moon Exploration Program Planned by China**

China will begin feasibility studies for its lunar exploration program this year, the Chinese National Aerospace Administration announced. In an interview published in *People's Daily* on March 3, CNA Vice Minister Luan Enjie explained China's policy on Moon exploration, emphasizing that the Moon program is essential not only for science, but also for economic development.

"The lunar exploration of the 1960s [namely, the Apollo Project—ed.] proves that space exploration is a high-technology project, [generating] a high rate of economic output. The genuine value it can turn out is much higher than the project itself," Luan Enjie said. "Lunar exploration can become the incubator of science and technology, and can propel technological innovation and revolution related to the national economy...."

"Returning to the Moon and building permanent bases is a vitally important first step in human development of outer space resources and expansion of living space. Through this project, human beings are enabled to learn how to 'leave the Earthly homeland,' " and eventually create an extraterrestrial homeland. Such development is vital for the "sustainable development of human society."

### **Russian Duma Leader Calls for Increased Trade with China**

The head of the Russian Duma's [Parliament] international affairs committee, Dmitri Rogozin, called on Russia to increase its economic and trade cooperation with China, reported *Itar Tass* on March 2. See [RUSSIAN NEWS DIGEST](#).

### **Indonesian Statesman, in Washington, Hits Iraq War**

Speaking in Washington, D.C. on March 3, Indonesian senior statesman Emil Salim told a Washington, D.C. audience that a unilateral U.S. war on Iraq would be a "bomb" more destructive than the Bali terror bombing. He pointed to the Non-Aligned Movement resolution from last week against the war, and warned that the war will turn many groups in Indonesia against the United States. He said that the series of terrorist acts in Indonesia since the 1998 [East Timor] crisis had forced Indonesians to ask: "What happened to us?" But a war on Iraq "would force us all to ask the question: 'What happened to humanity?' " Salim, one of the original "Berkeley mafia" economists who ran the Suharto-era economic development, is a leading adviser to the past, and current, Indonesian Presidents.

*EIR* asked about the role of China and Asia in replacing the dependence on the West, especially the United States, to which he answered, in paraphrase: This is what we call the "China factor." The OECD has reported that Asia will be the center of

world growth in the future—this means China, India, and Southeast Asia in particular. There will be a gradual shift away from Europe and the U.S., towards China. Their economy is large enough to accommodate all of us in Southeast Asia, and our economies are complementary—we have the tropical resources they need, and they want to apply their technology toward building our infrastructure. While we are dependent on the West, our economies are dominated by "footloose industries," like shoes and textiles, "that can pick up and go anytime."

## **Hindutva Chariot Grinds to a Halt**

In the state assembly elections held during early March in four smaller states of India, the BJP Party, using its new-found aggressive Hindutva campaign, did worse than expected. On the morning of March 3, the BJP central secretariat met to agonize over the results and blame each other.

The elections were held in the provinces of Himachal Pradesh, Meghalaya, Nagaland, and Tripura. Himachal Pradesh, bordering Punjab, Uttar Pradesh, and China, and not too distant from Pakistan, is the largest of the four, and the BJP was the ruling party there. In this election, the BJP was routed, with the Congress Party securing two-thirds of the assembly seats. In other states votes went pretty much as expected. However, in every state the BJP received far fewer votes than the BJP bigwigs were expecting. But the real heartburn for the BJP is Himachal.

But the BJP should not have set their hopes too high on Himachal Pradesh. Himachal Pradesh has virtually no Muslims, and the vote were decided on the basis of governance, not the polarization of religious tensions between the Hindu BJP, and Muslim parties. BJP, whose record as the governing party is very poor, was simply outvoted by the Congress Party, which ran this campaign by projecting itself as a party which knows how to govern better. That worked.

However, the Himachal Pradesh result may not be the trend in the coming days. Where the Hindutva campaign may work, if the Congress Party does not succeed in setting up its own agenda, is what is known as the heartland of India—Bihar, Madhya Pradesh, Uttar Pradesh, Delhi, and Rajasthan. Delhi, Rajasthan, and Madhya Pradesh state assemblies are up for election this year. A clearer picture of the political polarization will emerge in the coming weeks.

## **Mahathir Calls on World Jewry To Help Bring Peace to Palestine**

"World Jewry must persuade Israelis to stop the killing of Palestinians. Only then can we expect Palestinians not to retaliate in kind," said Malaysian Prime Minister Dr. Mahathir bin Mohamad, in opening remarks as the first head of state to address the Organization of Islamic Conference (OIC) on March 6 in Qatar. In this appeal, he added, "The bulldozing of Palestinian houses in order to kill the families of suspected terrorists is totally immoral. The Jews who suffered so much during the Holocaust should know the suffering that they are causing."

Dr. Mahathir also said that "only a miracle" can stop the impending military strike on Iraq, and called on the OIC leaders to make the miracle happen. He said the Iraq situation could not be resolved without recognizing that Israel was using the excuse of the fight against terrorism to conduct terror attacks against Palestinians.

Dr. Mahathir, who has been one of the strongest organizers of global condemnation of the Iraq war, also had a long private meeting with Turkey's Prime Minister Abdullah Gul. Turkey's Parliament has voted against allowing their country to be used as a base for a U.S. invasion of Iraq.

## **Africa News Digest**

### **Bush Executive Order Boosts London War Against Zimbabwe**



President George W. Bush signed an Executive Order released March 7, which declares that Zimbabwe President Robert "Mugabe's policies constitute an unusual and extraordinary threat to the foreign policy of the U.S.," according to the U.S. press. The March 9 edition of the *South African Sunday Times* of Johannesburg added that the order also uses the following language: "I [the President of the United States] hereby declare a national emergency to deal with that threat."

The order freezes all assets in the U.S. belonging to President Robert Mugabe and 76 other Zimbabweans, including Cabinet ministers, the head of the Central Intelligence Organization, and the Speaker of Parliament. The order also bans U.S. citizens from doing business with any of the 77 Zimbabweans named.

*EIR* notes that the language of the Executive Order implies the authorization of covert operations.

There are two aspects of the timing of the executive order: British Commonwealth power in Africa, and the global blackmail by the Bush Administration warhawks against the countries which are resisting the approval of war. The treatment of Zimbabwe, including the implied covert operations, would serve as a warning to the African nations that have put out two strong unified statements opposing an Iraq war, in favor of continued inspections, and disarmament by diplomacy. The U.S. has especially put under enormous pressure the African members of the UN Security Council—Angola, Guinea, and Cameroon.

The EO is also timed to resonate with Australian Prime Minister John Howard's attempt to extend the period of Zimbabwe's suspension from the British Commonwealth. Because South African President Thabo Mbeki and Nigerian President Olusegun Obasanjo are dead set against the gambit—saying the sanctions are counterproductive—the furious Howard has threatened to canvass other Commonwealth leaders—that is, to bypass the two, in the context that they and he have been delegated by the Commonwealth to handle the issue. Commonwealth Secretary General Don McKinnon is to submit a report on Zimbabwe to the troika during this current week.

### **London Lawyers Group Calls for Putting Mugabe on Trial**

The International Bar Association (IBA), headquartered in London, called March 6 for the newly established International Criminal Court (ICC) to investigate and try Zimbabwean President Robert Mugabe. The IBA has "addressed its call to all State Parties [those countries that signed the treaty] to the ICC, each of whom has the authority to request that prosecution be initiated," according to an IBA press release. "No single act would more accurately reflect the purpose and importance of the ICC than to have Mr. Mugabe as the first individual tried by the new Court," according to IBA Executive Director Mark Ellis, who added, "Fortunately ... the existence of the ICC means that if found guilty, he will not escape being held accountable for his actions."

The ICC came into being in July 2002 "as the first permanent court ever established to investigate and try individuals for the most serious violations of international humanitarian law, including crimes against humanity," says the IBA press release. The ICC is currently recruiting its first prosecutor.

IBA membership includes 16,000 individual lawyers and 180 bar associations and law societies, including the American Bar Association, the German Federal Bar, and the Law Society of Zimbabwe.

In remarks following President Bush's refusal to allow the United States to become a party to the ICC, Lyndon LaRouche said that although the ICC is an entity which violates sovereignty, Bush's refusal was for the wrong reason. LaRouche explained that the ICC, a supranational organization answerable to no sovereign nation-state, runs the risk of being used to target any nation-state that refuses to play ball with various institutions of the globalization empire. The targeting of



Zimbabwe's President is a case in point of how the ICC can be misused.

## **Neo-Con Thug Krauthammer Wants To Smash Africa**

Who cares what Africa thinks—or needs? That is one of the themes of Charles Krauthammer's op-ed in the *Washington Post* Feb. 28, "A Costly Charade at the UN," dedicated to the proposition that no power on Earth should be able to challenge Washington.

Krauthammer, a neo-conservative fanatic for the Iraq war who opposed taking the issue to the United Nations, writes, "America goes courting Guinea, Cameroon, and Angola in search of the nine Security Council votes necessary to pass our new resolution on Iraq. The absurdity of the exercise mirrors the absurdity of the UN itself. Guinea is a perfectly nice place.... But from the dawn of history to the invention of the UN, it made not an ounce of difference what a small, powerless, peripheral country thought about a conflict thousands of miles away. It still doesn't, except at the Alice-in-Wonderland UN, where Guinea and Cameroon and Angola count."

But, although Krauthammer leads with this attack on the vital interests of Africa, what really irks him is not African votes in the UN as such, but France's role in organizing countries in Africa and elsewhere into a bloc challenging American power. This was especially evident when France joined with 56 African nations to issue a statement against the Iraq war from the Franco-African summit (see last week's INDEPTH).

Despite Krauthammer's heavy breathing, in fact, the three African countries on the UNSC have a mandate to speak for all of Africa. The Iraq conflict will not be thousands of miles away, since a war-driven rise in the price of oil by 100% or more, will so devastate African economies that more people will die in Africa than in Iraq.

## **Assassination of Nigerian Party Leader on Eve of Elections**

Dr. Marshall Harry, a national vice chairman of the All Nigeria Peoples Party (ANPP), the leading opposition party, was murdered in his home in the Nigerian capital, Abuja, early March 5 by a team of five men. The team's actions were witnessed by children in the household after a security guard was overpowered. The ANPP's Presidential candidate is Maj.-Gen. Muhammadu Buhari, a former military head of government.

The ANPP said it held the ruling Peoples Democratic Party (PDP) responsible for the murder; recited the obstacles thrown up to prevent its Presidential campaign kickoff in Port Harcourt March 8; and declared that its members would defend themselves.

A Federal government statement called the murder "shocking." It said that President Obasanjo was saddened because "Chief Marshall Harry's death adds to the disturbing number of deaths by assassination of more than seven prominent Nigerians in the last 15 months, a tragedy that raises grave questions concerning the willingness of many of our citizens to resist the temptation to resort to violence.... [T]he Federal government appeals to all the political parties to call on their members to ... dissociate themselves from every manner of violence as a means of settling political scores."

President Obasanjo had said March 4, at a political rally in Ebonyi State, that the Ebonyi people should steer clear of the political violence reported in that state in the past two weeks. "Any person who causes violence will see my red eyes. If I use the police and I don't succeed, I will use the Army," he said.

Obasanjo's party, which is the PDP which the ANPP accuses of the murder, called the assassination "one too many, too ugly."

Nigeria's Presidential elections are scheduled for April. Since independence in 1960, the country has not yet succeeded in making the transition by ballot box from one civilian government to another.

## **Thai State-Owned Companies Get Sudan Development Deal**

Thailand's state-owned power companies have spread their wings overseas to clinch an operation and maintenance (O&M) contract for a power plant in Sudan.

"This represents a major stepping stone for us to do further business with Sudan and other countries in Africa and the Middle East," Somyos Polachan, managing director of Egco Engineering & Services (Esco), said.

Esco is an affiliated company of the Electricity Generating Authority of Thailand (Egat).

Egat and Esco signed a Bt100-million (Thai bhat, equal to about U.S.\$2.5million) contract recently with the National Electricity Corp., Sudan's state-owned power agency, to operate the 330-megawatt El Gali power plant. Somyos said the company was in negotiations to win more O&M contracts in Sudan, and is targeting revenue of about Bt500 million per annum from the North African nation. Last year, Esco reported total revenue of about Bt500 million. Some 44 staff—20 from Esco and 24 from Egat—will fly to Sudan this month to begin work on the project.

Egat and Esco beat competitors from China, Belgium, Denmark, and Malaysia for the first Sudan contract. The El Gali power plant uses second-hand gas turbines bought from Thai company Alfa Power. Egat Governor Sitthiporn Rattanopas said the agency has O&M revenues totalling about Bt2.8 billion per year, of which Bt1.2 billion are derived from providing services to non-Egat power plants.

**Links to articles from *Executive Intelligence Review*\*.**

**\*Requires Adobe Reader®.**

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## **Feature:**

LAROCHE ON THE STOCKWELL SHOW

An 'Exit Strategy' From War, For A Self-Isolated U.S.

## **Economics:**

Official Axed, Exposed Threat Of U.S.Housing Bubble Crash

by Richard Freeman

A new government report showing the underlying weakness of the U.S. housing market and financial system, and an immediate demand by Wall Street that the head of the reporting agency be fired, has revealed a bruising and crucial fight in Washington over a critical subject: the increasing rate of the financial disintegration, and what is to be done about it.

UN Projection Drops 400 Million More People

by Paul Gallagher

UN demographers have once again lowered their projections for the future human population, this time reducing their consensus guess at the global

population in 2050, by 400 million people. Such scaling-down of population projections has become commonplace since approximately 1990, as the world's physical economy has sunk towards and into depression.

## Business Briefs.

...Derivatives:

Buffett Warns of 'Mega-Catastrophe'

In his annual letter to shareholders, excerpts of which have appeared on the Fortune website on March 3, Warren Buffett says that he and Berkshire Hathaway partner Charlie Munger 'are of one mind in how we feel about derivatives and the trading activities that go with them: We view them as timebombs...

## **International:**

### Will Bush Heed Warning Of LaRouche And Avert World War?

by Jeffrey Steinberg

Lyndon LaRouche has forcefully warned President George W. Bush that if he plunges ahead into a war with Iraq, he will have squandered the last opportunity to avert an even more grave military confrontation on the Korean peninsula. In combination, such an Iraq-Korea crisis would likely be cata-logged, by future historians, as the beginning of a global war, even more horrible than the 'Clash of Civilizations' conflict promoted by Dr. Bernard Lewis and the 'war party' inside Bush's own Administration.

### Eurasia 'Axis of Reason' Moves Against Iraq War

by Jonathan Tennenbaum

A group of leading nations of Europe and Asia—pivoted on the role of France, Germany, and Russia, and with important input from circles in the Vatican and other institutional forces—has joined together in an extraordinary offensive to stop war in Iraq, and a misguided U.S. Administration from bringing catastrophe upon itself and the rest of the world.

### New Korean Leader Calls For Land-Bridge Strategy

by Kathy Wolfe

South Korea's new President Roh Moo-hyun focussed his Feb. 25 inaugural address on the Eurasian Land-Bridge, the 'New Silk Road,' from the Korean Peninsula to the Atlantic Ocean, under the title 'An Age of Northeast Asia Begins: A New Takeoff Toward an Age of Peace and Prosperity.'

### Nemesis Hits Spain's Aznar

by Elisabeth Hellenbroich

Spanish Prime Minister Jose´ Mari´a Aznar, one of the staunchest allies of the Bush Administration in its Iraq war drive, is, like his close friend British Prime Minister Tony Blair, finding himself confronted with a massive political uproar in his own country, which may very well lead to his removal from power.

### U.K.: Blair Could Well Do a Ramsay MacDonald

by Mark Burdman

As each passing day brings him closer to his political doom, British Prime Minister Tony Blair is actively considering a radical, and high-risk domestic political maneuver, to save his hide.

### U.S. Military Plans in Philippines Collapse

by Michael Billington

The plan to launch a small U.S. combat operation into the southern islands of the Philippines has collapsed, with egg all over U.S. Secretary of Defense Donald Rumsfeld's face.

### Interview: Francisco S. Tatad

### Philippines Needs Strong and Forward-Looking Leadership

Senator Francisco 'Kit' Tatad is one of the senior statesmen of the Republic of the Philippines. Senator Tatad was Majority Leader to five Senate Presidents, and also served as a Cabinet Minister (1969-80) and Senator (1992-2001). He is the author of several books on political affairs.

## Chirac Flanks U.S. War Drive—in Africa

by David Cherry

French President Jacques Chirac arrived in Algeria on March 2 to a hero's welcome, as his open-top motorcade, travelling the nine miles from the airport to downtown Algiers, was greeted by cheering, confetti-throwing crowds numbering in the hundreds of thousands. The meaning of his visit was not lost on London and Washington. Chirac 'is leading the diplomatic campaign against a U.S.-led war in Iraq'...

## EIR Becomes Lighthouse In Middle East

by Hussein Askary

In the days before and during the Arab League summit in Sharm el-Sheikh, Egypt, on March 1, two expose's by EIR were widely circulating around the Arab world, contributing to strengthening the resolve of the Arabs to resist a war against Iraq.

## LaRouche Wild Card in Australian Election

by Allen Douglas

One of the most memorable campaign events in recent Australian political history took place in Maitland, New South Wales on March 1. There, in the historic town hall, longtime LaRouche activist and Citizens Electoral Council (CEC) State Secretary Ann Lawler officially launched her campaign for the March 22 state parliament election, before an enthusiastic audience of 130.

## Jorge Castan'eda Drug Legalizer Soros' Man in Mexico

by Rube'n Cota Meza

'The Soros Foundation isn't operating yet in Mexico, but soon it will be, and it will be headed by former Foreign Minister Jorge G. Castan'eda,' wrote Federico Arreola, executive vice president of the Multimédios Editorial Group, in the Feb. 5 edition of the Mexico City newspaper Milenio.

## **National:**

## The DNC Doesn't Really Represent Anyone!

by Lyndon H. LaRouche, Jr.

"That outburst by one important Democratic official, came in response to the measures which have been taken by the DNC faction of the 2000 Presidential campaign-ticket of Al Gore and Joseph Lieberman, all in a frankly hysterical and thuggish attempt to exclude me from the list of current candidates for the Democratic Party's 2004 Presidential nomination."

## The Welfare of Our People Comes First

After his presentation, Lyndon LaRouche engaged in a dialogue with the audience at the Pine Bluff town meeting on Feb. 23. The Rev. Dr. Henry 'Hank' Wilkins IV, who also serves in the Arkansas State Senate and chairs the Legislative Black Caucus, moderated.

## Campus Nazis Are Smoked Out

by Mark Calney

Under the pretext of an absurd allegation, members of the LaRouche Youth Movement were stopped from campaigning by campus police and thrown off the grounds of Pasadena City College (PCC) on Feb. 24. This type of police-state tactic, which Democratic Presidential pre-candidate Lyndon LaRouche warned against in a January 2001 webcast to mobilize support against the nomination of John Ashcroft, is yet another example of the Attorney General's 'arrest them all, and let God sort 'em out' policy.

## Slot Machines Can't Save Maryland's Budget

by Lawrence K. Freeman

Over halfway through the 2003 session of the Maryland State Legislature, the state is no closer to finding a solution to its \$1.3 billion budget deficit, than when its legislature convened in January. Gov. Robert Ehrlich (R) and his staff have pulled out all the stops to blackmail and strong-arm the

nearly 200 state legislators, and local government leaders, to support his immoral introduction of 10,500 slot machines at the Maryland horse racetracks.

## American People Don't Support an Iraq War

by Nancy Spannaus

Forget the phony opinion polls. The vast majority of the American population opposes war against Iraq, and wants attention paid to the collapsing economy at home. This reality contrasts sharply with that of the 1991 Gulf War...

## Congressional Closeup

by Carl Osgood

## **Editorial:**

## 'Presidential Prayer' vs. Religion

As a projected attack on Iraq appeared more and more irrational, the warhawk faction had enveloped George W. Bush with a manic quality of crusading religion. One feature of this mental management of the President and his supporters is the 'Presidential Prayer Team'— an Internet-centered network encouraging Americans to pray continuously for the President as he (is steered and) steers the nation off a cliff to war.

## **This Week in History**

### **March 10-16**

The week of March 10-16 in 1933, saw the first fruits of President Franklin D. Roosevelt's decisive action to restore confidence to the American banking system, the circulatory system required for animating the real economy. The U.S. Congress, which he had brought into Special Session, passed the Emergency Banking Act on March 9, and that Act went into effect March 13, when the Federal government-imposed bank holiday was lifted. In preparation for the reopening of most of the banks, FDR held his first Fireside Chat, on Sunday evening, March 12.

The crisis which had led the new President to take such drastic action as a Federal bank closure, and emergency legislation, was nothing less than the total bankruptcy of the banking system. When FDR took office March 4, some 38 states had already closed their banks, because depositor runs on them threatened to put them into insolvency, if they were not already there. Gold had been drained from the system, and sent abroad. The system of national credit, upon which industry and the well-being of the nation depended, had frozen up, due to lack of confidence, and out-and-out looting.

Such a banking crisis is almost precisely what has happened in Argentina since December 2001, and what could easily happen here in the United States, or in Europe, at any time, given the unsustainable debt-to-asset ratios which prevail in today's financial system, best described as a worldwide casino. Such an emergency would fully justify measures almost identical to those FDR announced in his Proclamation of the Bank Holiday, where he acted to stop "heavy and unwarranted withdrawals of gold and currency from our banking institutions for the purpose of hoarding" and "continuous and increasingly extensive speculative activity abroad in foreign exchange [which has] resulted in severe drains on the nation's stocks of gold."

In his Fireside Chat, President Roosevelt patiently explained the principles upon which the Federal government would revive, and reorganize, the banking system. An estimated audience of 60 million Americans heard the President describe how the "public welfare" would be served by reopening the banks, and by the new set of "regulations permitting the banks to continue their functions to take care of the distribution of food and household necessities and the payment of payrolls."

There is no reason to worry, Roosevelt said. "This bank holiday, while resulting in many cases in great inconvenience, is affording us the opportunity to supply the currency necessary to meet the situation. No sound bank is a dollar worse off than it was when it closed its doors last Monday. Neither is any bank which may turn out not to be in a position for immediate opening. The new law allows the 12 Federal Reserve Banks to issue additional currency on good assets and thus the banks which reopen will be able to meet every legitimate call. The new currency is being sent out by the Bureau of Engraving and Printing in large volume to every part of the country. It is sound currency because it is backed by actual, good assets."

The President went on to emphasize that "the essential accomplishment of the new legislation is that it makes it possible for banks more readily to convert their assets into cash than was the case before. More liberal provision has been made for banks to borrow on these assets at the Reserve Banks and more liberal provision has also been made for issuing currency on the security of these good assets. *This currency is not fiat currency*. It is issued only on adequate security, and every good bank has an abundance of such security" (emphasis added).

He said: "We had a bad banking situation. Some of our bankers had shown themselves either incompetent or dishonest in their handling of the people's funds. They had used the money entrusted to them in speculations and unwise loans. This was, of course, not true in the vast majority of our banks, but it was true in enough of them to shock the people for a time into a sense of insecurity and to put them into a frame of mind where they did not differentiate, but seemed to assume that the acts of a comparative few had tainted them all. It was the government's job to straighten out this situation and do it as quickly as possible. And the job is being performed."

The principles here are clearly applicable today as well, although the percentage of banks sucked into dishonest operations, and speculations, is likely much greater. It is government's job to reorganize and straighten out the situation.

As Roosevelt concluded, "After all, there is an element in the readjustment of our financial system more important than currency, more important than gold, and that is the confidence of the people. Confidence and courage are the essentials of success in carrying out our plan. You people must have faith; you must not be stampeded by rumors or guesses. Let us unite in banishing fear. We have provided the machinery to restore our financial system; it is up to you to support and make it work.

"It is your problem no less than it is mine. Together we cannot fail."

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