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Online Almanac

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From the LaRouche in 2004 Committee...

You are cordially invited to attend a webcast hosted by LaRouche in 2004 on July 15, 2004. The subject of the discussion, which will be keynoted by Democratic Presidential pre-candidate Lyndon LaRouche, is encapsulated in the [following statement](#), issued by LaRouche on June 20.

The webcast will begin at 1:00 p.m. Eastern Daylight Time, and will be accessible through the campaign website, www.larouchein2004.com. Those wishing to attend the event, which will occur in the Washington, D.C. area, must pre-register. Please call **1-800-929-7566** for more information.

This Week You Need To Know

The Failed State of Continental Europe

by Lyndon H. LaRouche, Jr.

June 22, 2004

Excepting the deliciously painful message which Britain's voters sent to U.S. Vice-President Dick Cheney's liberally imperialistic accomplice, British Prime Minister Tony Blair, the most recent round of elections in Europe had been a collection of travesties on the way to becoming a continental tragedy. The name of that ill-fated political minestrone now being cooked on the continent, is the enlarged, would-be imperial European Union. The not-so-many Europeans who turned out for those elections, have apparently decided to protect their sovereignty from U.S. arrogance, by the curiously clever method of destroying their own nations' sovereignty, as a way of preventing President George Bush from stealing it.

I did not exaggerate the case in the slightest degree when I warned, this past weekend, that, under a continuation of its present policy-drift, western and central Europe may be on the way toward becoming a basket-full of what British agent Robert Cooper has defined as "failed states." The evidence supporting such a conclusion, is as massive as it is appalling.

The cutting edge of this new menace to civilization is a virulent European anti-Americanism which has been stoked into the fervor of a lunatic obsession among increasing portions of the relevant European policy-influencing strata. The idea among European Liberal Imperialists (e.g., "Euro-Socialists") of that inclination is to hope for the collapse of the U.S.A., establishing their own hodge-podge of failed national sovereignties as an imperial power, intending to reap the harvest of destroying the sovereignties and looting the territories and people of what had once been the Eurasian territory of the Soviet Union.

In fact, however, this new turn in the politics of continental Europe, was crafted and deployed from Britain, chiefly by such agents of the Liberal Imperialist government of Prime Minister Tony Blair, as Robert Cooper. Cooper is an intimate

of the same Blair circles as the notorious Dick Cheney crony, Baroness Liz Symons, and also her husband, also recently of 10 Downing Street notoriety, Phil Barret.

These British circles, who have promoted this suicidal, post-modernist plan for the European Union, have, of course, planned, as usual, to keep Britain safely out of the target-area of doom which such a policy would assuredly mean for continental western and central Europe. The British motive for inducing continental Europe to ruin itself, is simply a new continuation of London's foreign policy since that Paris Treaty of 1763 which established a private firm—the British East India Company—as the world's leading imperial power of that time; the policy of a King Edward VII who put his nephews, Germany's Kaiser and Russia's Czar, at one another's throats for the war which ensued in 1914.

The threatened continental tragedy is a convergence of a potentially hopeless general economic collapse, with the risk of generalized warfare inherent in the liberal imperialist lurching of the intended imperial Europe Union against Russia and other points east. Russian President Putin's recent, ominous, if muted warnings, were not unprovoked.

The essential elements of these breaking developments in Europe now, are presented in the following elements of this *EIR* Feature. In this introduction, I limit myself to merely identifying the two most crucial points presented and developed in the subsequent portions.

1. The European Union As a War-Risker

The source of the danger of new general warfare is not, as some programmed ideologues insist, rivalries among sovereign nation-states. Since Greece's Persian wars, since Athens' folly in launching the Peloponnesian War, since the Roman Empire whose existence was based on perpetual warfare, and since the medieval system of imperial *ultramontanism* conducted by the alliance of Venice with the Norman chivalry, the chief cause of all warfare has been those empires devoted to enabling the few to degrade the many to the condition of hunted or herded human cattle. The chief cause of modern warfare, since the closing decades of the Europe's Fifteenth Century, has been the imperial intentions of such as the Venetian financier oligarchy's chosen instruments, first the Hapsburgs, and later the Anglo-Dutch Liberals' British East India Company's empire, founded at the Paris Treaty of 1763.

Ever since Britain's establishment of its de facto empire, by the 1763 Treaty of Paris, the chief strategic concern of the imperial British monarchy, has been to eliminate the tradition of the American Revolution of 1766-1789, and to play the nations and peoples of the European continent against one another in ways such as wars, to ruin them, and prevent them from becoming an effective force of resistance to the imperial rule of the Anglo-Dutch Liberal system of financier-oligarchical interest.

It is chiefly for this reason, that the rise of global monetary-financial crises, such as the present one, coincides with new eruptions of the relatively most terrible wars. Therefore, unless we change the world's monetary-financial system, now, back to the model set by U.S. President Franklin Roosevelt's version of a Bretton Woods system, we are trapped in an era of conflict which might even plunge all civilization on this planet into a global new dark age, whether present governments intend that result, or not. That was the way World War II happened; that is key to understanding the global threat to civilization expressed by current trends toward a post-nation-state form of political minestrone, the expanded European Union. Economy is not the cause of warfare; but rather, a failed economy, such as the 1971-2004 floating-exchange-rate system, creates the conditions of conflict under which the worst wars have been launched.

Therefore, we see on the horizon, the palpable signs of danger of even a nuclear war engaging western Europe and Russia, a war prompted by interests behind the European Union, which are already moving toward looting the populations of both the smaller nations of eastern Europe and the full extent of Russia and Kazakhstan, all the way east to the Pacific Ocean. Russian culture does not permit submission to the extinction of Russian culture, by such means as that. Meanwhile, an

already bankrupt western Europe's desperate need for some place to loot on a sufficient scale to keep western Europe from virtual collapse, impels today's followers of the ideology of Nazi financial czar Hjalmar Schacht, to look toward Russia as the Nazi empire did.

2. The Post-Nationalist European Union As a Case of Economic Lunacy

The ability to sustain a world population of as much as one billion living persons, depends upon two revolutions in statecraft made since Europe's Fourteenth-Century plunge into a New Dark Age. The first, was the founding of the modern sovereign form of nation-state by the Fifteenth-Century, Florence-centered Renaissance. The second, was the close of a Venice-orchestrated wave of religious and related warfare led by the Hapsburg empires, a peace finally secured by the 1648 Treaty of Westphalia. All major wars since the Treaty of Westphalia have erupted as a product of the British Empire's determination not to allow the continued existence of any plausible threat to Britain's imperial power from the continent of Europe. This is what Blair agent Robert Cooper's role is, in pushing the suicidal policies being spread as an imperial doctrine for an expanded European Union today.

The rise of European civilization, from an also-ran to a great power, beginning the Fifteenth Century, was the Renaissance's repudiation of the imperial tradition under which some people used many people as either hunted or herded human cattle. Under the influence of such leading geniuses of that Renaissance as Cardinal Nicholas of Cusa of *Concordantia Catholica* and *De Docta Ignorantia* fame, a doctrine of natural law of statecraft emerged, admittedly over strong imperialist objections from Venice's financier oligarchy and the Hapsburg dynasty. This body of natural law required that governments rule nations in the interest of protecting the continuing improvement of the general welfare of all of the people and their posterity.

The seeds of the modern nation-state economy, as planted in Louis XI's France and Henry VII's England, developed systems intended to promote useful inventions, and investments in new, improved forms of physical capital investments. This was done despite the evil Inquisition and the religious and kindred coups d'état and wars of 1511-1648, which Venice's financier oligarchy arranged through, chiefly, the instrumentalities of the Hapsburg houses of Spain and Austria during that period. In the history of modern economy since, there have been only two general methods by which nations and their populations have been enriched: looting other nations and people, as by the Anglo-Dutch Liberal system of imperialism; or by protectionist measures in the American tradition, which include the maintenance of the fair prices needed to sustain fair income levels of family households, and secure long-term investments in capitalized improvements in scale and quality of production of wealth.

The wisdom of this American arrangement was reaffirmed by U.S. President Franklin Roosevelt's role in the design of the post-World War II Bretton Woods system. This was a system of fixed-exchange rates and fair-trade provisions, which was designed to promote the reconstruction of the world's economy in the aftermath of that war. Until changes introduced after the assassination of U.S. President John F. Kennedy, especially the 1971-72 wrecking of the world monetary system by the U.S. Nixon Administration's George Shultz et al., the leading industrialized nations of the world enjoyed a general trend of improvements in the standard of living of their people, and a substantial accumulation of useful physical capital improvements.

The beneficial Bretton Woods system, as opposed to John Maynard Keynes' imperialistic, monetarist alternative, was a reflection of President Franklin Roosevelt's informed commitment to the legacy of that American System of political-economy which had been defended by the President's ancestor and Alexander Hamilton ally, New York banker Isaac Roosevelt. The common enemy of both Hamilton and Isaac Roosevelt had been Aaron Burr, the traitor who had founded the Bank of Manhattan in the British interest, who was an agent of the British Foreign Office's Jeremy Bentham.

Economic Recovery Through Modern Nation-States

The ruined state of the economies of the Americas and of Europe today, is chiefly an outgrowth of those changes in the policies of the U.S.A., the U.K., and their continental Europe imitators over the initial period of 1964-1972, from the turn toward a "post-industrial" culture and the willful wrecking of the Bretton Woods system. Thus, the Americas and Europe have now reached the point—after a forty-year-long turn away from the policies on which the post-war economic recovery had depended, to a state of currently rampaging global hyperinflation in financial derivatives and other intrinsically worthless instruments—at which an imminent general economic breakdown of the world's present monetary-financial system is inevitable. Only ignorant people, or mentally deranged political-party leaderships of the Americas and Europe, could still doubt that now.

The nature of the reforms required for a recovery from this general breakdown crisis, is well defined by excellent historical precedents, such as those led by President Franklin Roosevelt, the precedents which defined the progress of 1933-1963. The source of the presently greatest danger to civilization is not the monetary-financial crisis itself. We can put failed systems into government-directed reorganization in bankruptcy. The danger is that we will fail to take such remedial actions in a timely fashion, or that we might launch the berzerker form of economic-cultural lunacy rampaging throughout continental western and central Europe today: methods best calculated to remove the disease by killing the patients.

All of those remedies for this crisis which are both possible and tolerable, depend upon using the intrinsically lawful powers of the modern form of sovereign nation-state for protectionist measures.

Specifically, there will be no improvement in the physical conditions of life among people in western and central Europe today, without a massive influx of new, state-created capitalized credit, to bring employment, and scale of wages, up to levels at which national and regional incomes more or less match current-account costs and expenses. The initial bulk of this increased employment must be expressed as long-term improvements in basic economic infrastructure. The stabilization of the national economies through such publicly-funded public employment, creates the general economic climate for fostering, chiefly, a recovery and expansion of the small and medium-sized, closely-held forms of technological-progress-oriented agriculture and industry. This latter requires an assured supply of lendable credit through government programs operating through the national and private banking facilities.

This requires prime interest rates for long-term investment in these combined public and private growth programs, at between 1-2% simple-interest rates per annum. It is also required that anti-inflationary measures must be established and maintained which ensure that long-term capital investments so generated will be fungible at pre-set, low interest-rates, during both the half-life and full-life of projected maturities.

Without the institution of sovereign nation-states which function under the natural law principle of the general welfare, such capital formation, such economic recovery from the present world depression, were not possible.

The Trojan Horse of a 'Free Trade' Empire

If a so-called "free market" principle is prevalent throughout the territory designated to be part of, or colonial subjects of, the expanded, virtually stateless European Union, the price of goods and incomes will fall toward "fourth world" levels throughout those regions, while the coming generations of people in those regions will become virtually imbeciles, relative to the levels prevalent in the same regions today. Pensions, health-care insurance, and so on, will be terms dropped from vocabularies in use. Most people will be homeless migratory masses, with the actually used polyglot vocabularies in practice falling to levels of between fifty and seventy-five words, and phrases such as "Me want." Hence, all of the affected territory, which might therefore be described by future political-economists and historians as "the blob," will be truly an utterly failed state of mankind.

The nearest approximation of a European historical precedent for what I have described, would be Europe's Fourteenth-Century New Dark Age. A second case is the relative dark age of the interval of Hapsburg-led religious and kindred warfare of the 1511-1648 interval. However, we, in the U.S.A., and in Europe, do have a choice. We could avoid the worst of the horrors now descending, if we came to our senses, and applied the lesson of the recovery of the U.S. economy under Franklin Roosevelt's leadership.

The principle which we must recognize as at work in the global tragedy building up at an accelerating rate today, is a principle which we should have learned from study of mankind's earlier great tragedies.

Most tragedy occurs as a result of people's reacting to a challenge according to principles to which they had become habituated, as virtually "self-evident" axioms, such as the lunatic "axiom" which assumes that the "free trade" doctrine which has ruined our economy, increasingly, over the post-Kennedy decades, is actually "good for you."

Most people, including most heads of state today, live mentally within the confines an acutely neurotic, or worse, "fish-bowl" mentality. They are ruled by certain assumed traditions, of which they may or may not be conscious, which divide the world they experience, between those actions they are allowed to take within the bounds of those axioms, and those physically feasible alternative actions which their, or our own assumed beliefs will not permit us to employ.

All Classical tragedy, all collapse of once-mighty nations, are the fruit of the folly of swimming in a mental fish-bowl of folly, from which no force other than habituated belief will prevent the victim from escaping to safety.

The idea of an expanded European Union as widely proposed by Britain's agent Robert Cooper and others today, is a such a fish-bowl, one which London has delivered to Europe, as the Greeks gave the Trojan Horse to Troy. The Trojans swallowed the bait, and, so, apparently, have all too many leading continental Europeans.

Latest From LaRouche

Screwball Internet Slander of LaRouche Launched in Venezuela

According to a press release issued June 19 by *EIR*, U.S. Presidential candidate Lyndon LaRouche described a June 10, 2004 Internet article, circulating under the byline of "Venezuelan journalist Ernesto J. Navarro," as a "screwball attack on me, an obvious piece of garbage for anyone who knows anything. But in these days of international terrorism, you've got to look at garbage with more than simple disdain, but with an eye on counterintelligence."

LaRouche, who is also the founding editor of *EIR*, noted that "our first inclination was to ignore it, but this may have some significance for those concerned with counterintelligence, and therefore we are putting out our view of the matter."

LaRouche suggested that the following considerations be kept in mind:

1) The article in question, "Tradition, Family and Property (TFP) Wanted To Assassinate the Pope in Venezuela," lies that Lyndon LaRouche was "implicated" with the TFP in the 1981 attempted assassination of President Ronald Reagan. Navarro wildly characterizes LaRouche as "an extreme right-wing terrorist, and the ideological mentor of the TFP in the U.S." Besides these overt fabrications, Navarro hides from his readers what is well known to Venezuelan authorities and others: that LaRouche and his associates in Venezuela played an important contributing role in the *banning* of the fascist TFP sect from Venezuela in 1985.

2) The article goes on to attack Alejandro Pena Esclusa, one of the leaders of the current militant right opposition to

Venezuelan President Hugo Chavez (whom author Navarro fervently defends), and lies again in asserting that Pena is Lyndon LaRouche's representative in Caracas to this day. As is well known, Pena was associated with LaRouche until the spring of 1998, when he broke with LaRouche as part of his conversion to extreme religious kookery and overt association with Synarchist fascist leaders, including Spain's Franquista thug Blas Pinar. Pinar's circles, LaRouche has explained, are the leading likely culprits involved in the March 11, 2004 terrorist bombings of Madrid train stations.

3) The Navarro article was posted to the radical Chavista Venezuelan web-site *Aporrea*, and also to the site of the University of Guadalajara (UdG) Radio in Mexico. From the UdG, it was picked up and re-run on Argentina's Argenpress and Brazil's ADITAL sites. All of these can be broadly characterized as sites which promote diverse "leftist" causes, including many which blend over comfortably into support of narco-terrorism. Of these, the UdG site is of particular interest: Over the last year, it has consistently promoted the output of the Carrasco grouping of former LaRouche associates, who broke with LaRouche over their support for Synarchism—and in particular of the same fascist Blas Pinar that the UdG's erstwhile target, Alejandro Pena, also endorses!

As LaRouche put it, the Navarro slander "appears in connection with a group which is associated with the Carrasco family, and the Carrasco family are, of course, tied to Blas Pinar—although Pena himself is tied to the fascist movement in Spain of Pinar. So we wonder, who is trying to do what to whom? Is this sibling rivalry among some fascists? When you think of the fact that Chavez is a fascist, too, and Pena is attacking Chavez, that would make sense," LaRouche concluded.

Links to articles from *Executive Intelligence Review*.*

*Requires Adobe Reader®.

Feature:

The Failed State of Continental Europe

by Lyndon H. LaRouche, Jr.

June 22, 2004

Excepting the deliciously painful message which Britain's voters sent to U.S. Vice- President Dick Cheney's liberally imperialistic accomplice, British Prime Minister Tony Blair, the most recent round of elections in Europe had been a collection of travesties on the way to becoming a continental tragedy. The name of that ill-fated political minestrone now being cooked on the continent, is the enlarged, would-be imperial European Union.

- The 'Uro-Socialism' Threat to the U.S.A.

by Lyndon H. LaRouche, Jr.

Released by the LaRouche in 2004 campaign committee on June 19:

Any attempt to define a competent national security doctrine for the U.S.A. now must take into account the threat to Trans- Atlantic civilization represented by the rapid emergence of some Europeans' ideas for which the gentlest possible of appropriate technical terms, is 'a comic-opera farce': a new, secular, and frankly lunatic echo of medieval ultramontaniam in Europe: a London-steered, frankly imperialist, and implicitly fascist, anti-American cult parading under such banners as 'Euro-socialism.'

- Britain's Cooper Promotes Imperial EU

by Mark Burdman

One of the mortal threats facing the continent of Europe, is the fact that the leading British propagandist for 'liberal imperialism,' Robert Cooper, now occupies a strategically crucial position in the European Union structure.

- Blair: 'Britain's Role' To Push Pre-Emptive War

British Prime Minister Tony Blair lectured Europe and the United Nations about the need for pre-emptive (or, 'preventive') war and imperial reach, in a speech in his own constituency in Sedgefield, England on March 5. The address hearkened back to Blair's 1999 speech in Chicago...

- **Americans Must Ask Themselves: 'Is The Present European Union Doomed?'**

by Lyndon H. LaRouche, Jr.

This statement, dated June 17, 2004, was released by the LaRouche in 2004 Presidential campaign committee.

It is often the revealed character of an habituated underling, as Shakespeare's Cassius describes both Brutus and himself, that he or she tends to blame all of his or her problems entirely on other people, such as foreigners, and by acting in that way, often brings doom upon himself.

- **Russia Is Wary of Liberal Imperialism**

by Rachel Douglas

During a press conference in Sea Island, Georgia, at the conclusion of the Group of Eight summit on June 11, Russian President Vladimir Putin startled his listeners with what appeared to be a defense of U.S. President George W. Bush, in connection with Iraq....

- **What Is Europe?**

by Helga Zepp-LaRouche

Helga Zepp-LaRouche, Chairwoman of Germany's BüSo party (Bürgerrechtsbewegung Solidarität—Civil Rights Movement-Solidarity), issued the following statement in the aftermath of the June 10-13 European Parliament elections. Mrs. Zepp-LaRouche led the candidates' slate of her party.

Economics:

Empire Strikes Back: Spanish Banks Recolonize Ibero-America

by Dennis Small

Over the period from 1997-2003, and into 2004 to date, a radical transformation of the Ibero-American banking sector has been wrought, a re-drawing of the financial map which has strategic economic implications on a global scale for the disintegrating monetary system, and crucial political ramifications involving the synarchist deployment of 'left' and 'right' terrorism throughout the Americas.

Record Derivatives Growth Ups System Risk

by Richard Freeman and John Hoefle

The Office of Comptroller of the Currency (OCC) of the U.S. Treasury Department disclosed in a report June 18 that U.S. commercial banks' derivatives holdings outstanding had leapt to \$76.5 trillion by the end of first-quarter 2004, a level 24% greater than that of the first quarter of 2003. Never has the American banking system been so vulnerable to a systemic meltdown triggered by a chain-reaction derivatives failure.

International:

Hersh Exposé: Israel Out To Blow Up Southwest Asia

by Jeffrey Steinberg

If New Yorker magazine writer Seymour Hersh has it right—and an impressive number of Washington and Tel Aviv sources interviewed by EIR say he does—then Israeli Prime Minister Ariel Sharon and the top Israeli Defense Forces (IDF) generals have embarked on a wild provocation, which could very shortly result in a total explosion of warfare and chaos in Southwest Asia.

The Tragic Modern History of the Kurds

by Hussein Askary

'If you are not a flower, don't be a thorn.'

—Kurdish proverb

Having lived most of my life among Kurds, I can say that they are a people with a great sense of humor and self-irony. Therefore, they survive tragic developments. However, their political leaders have a self-conception of being 'underlings' of major powers involved in a 'grand strategy,' not national leaders representing legitimate aspirations of their people.

Germany's SPD Becoming A Failed Party?

by Rainer Apel

The June 13 elections for European Parliament left Germany's governing—for now—Social Democrats (SPD) in a state of shock and paralysis, with only 21.5% of the vote, the SPD's worst result in any kind of nationally-held election, since the founding of the German Federal Republic in 1949. The boycott of those elections by discontented constituencies, the low 45% voter turnout on June 13, meant that less than 10% of the electorate voted Social Democratic.

Iran Fights For Right To Nuclear Technology

by Muriel Mirak-Weissbach

The years-long battle being waged by the Islamic Republic of Iran, for the right to develop nuclear energy for peaceful purposes, came to a head in mid-June, during a meeting of the board of the International Atomic Energy Agency (IAEA) in Vienna. What was at stake, was not only Iran's nuclear program, but, by extension, the right of all nations in the developing sector to have access to such technologies.

National:

Bush and Hitler: What The 'Torture Memos' Reveal

by Edward Spannaus

In the Spring of 1941, as Nazi Germany was preparing to invade the Soviet Union, Adolf Hitler issued an infamous edict which has become known as the 'Commissar Order,' to govern the conduct of German armed forces on the Eastern Front. This order provides a largely-unnoticed precedent for the 'legal' rationalizations found in a number of hitherto secret Bush Administration legal memoranda, which have recently come to light.

9/11 Commission Findings Affirm Key LaRouche Assessments

by Jeffrey Steinberg

...As part of this 12th public hearing, the Commission released three additional staff reports, dealing with the history of al-Qaeda; the details of the 9/11 plot, largely as told by two plotters in U.S. custody, Khalid Sheikh Mohammed and Ramzi Binalshibh; and the U.S. government responses—including the role of Vice President Dick Cheney—as the hijackings and attacks were playing out on Sept. 11, 2001.

Desperate Neo-Cons Launch Third 'Committee on the Present Danger'

by Michele Steinberg

It could have been called 'The Committee To Blow Up the World.' On June 16, for the third time since World War II, the proponents of preventive war launched a massive propaganda campaign using the moniker 'The Committee on the Present Danger.'

Top GOP and Dems Agree, Time To Dump Cheney

by Jeffrey Steinberg

On June 21, James P. Gannon, editor of the Des Moines Register and a leading Midwest mainstream Republican fundraiser and activist, penned an open letter to Vice President Dick Cheney, published in USA Today and many other newspapers around the country, which sent shockwaves through Republican Party circles

EIR's Record in Exposing Dick Cheney's Halliburton

Here is a list of some of EIR's articles exposing Dick Cheney's Halliburton as one of the top looters during the Iraq War.

It's Not Possible to Implement President Bush's Moon/Mars Program

by Marsha Freeman

When President Bush announced on Jan. 14 his new initiative to return Americans to the Moon and then go on to Mars, it was hailed by many as the first time since President John F. Kennedy's 1960s Apollo program that the nation had a definite space exploration goal. But taking a close look at the way the President was approaching accomplishing the goal, revealed that without serious changes, it would be doomed to fail.

U.S. Economic/Financial News

J.P. Morgan Chase: Dead Bank Walking

At the end of 2003, J.P. Morgan Chase & Co. held \$37.4 trillion in derivatives on its books, but that figure fell to \$31.4 trillion in the first quarter of 2004. That's a decline of \$6 trillion in three months. However, there's more to the story. According to the Comptroller of the Currency's latest quarterly derivatives report, J.P. Morgan Chase Bank had \$39.6 trillion in derivatives in the first quarter, up from \$36.8 trillion at the end of 2003. So, while JPMC & Co., the holding company, reported a \$6 trillion decline in its derivatives, its subsidiary, JPMC Bank, reported a \$1.8 trillion increase, and reported \$8.2 trillion more in derivatives than its parent company. We can't explain how a bank could have \$8 trillion more in derivatives than its parent, but you can bet it involves some pretty slick accounting. It probably also involves preparation for the merger between JPMC and Bank One, which will occur on July 1. Recall that in the fourth quarter of 2001, JPMC & Co. merged its two main banks, Chase Manhattan Bank and Morgan Guaranty Trust, and in the process the derivatives holdings of the two banks dropped a combined \$7 trillion, while the holding company's derivatives dropped by just \$244 billion.

Just to put these numbers in context, the gross world product, or world GDP, is somewhere in the range of \$40-\$45 trillion, so JPMC Bank's \$40 trillion in derivatives bets is roughly equivalent to one year of global economic activity, as officially calculated. The total debt in the U.S., as presented by the Fed, was \$34.7 trillion as of the first quarter, the value of all U.S. stocks was a combined \$15.8 trillion, and the GDP was \$11.5 trillion. The U.S. commercial banking system held \$7.8 trillion in assets in the first quarter.

Fed Governor: 'Restore Fiscal Discipline'

Federal Reserve Governor Edward Gramlich, addressing a policy conference of the budget-cutting Concord Coalition think tank June 24, called for "restoring fiscal discipline," as a priority to deal with exploding budget deficits. Gramlich peddled the neo-Schachtian Nazi economic policy promoted now by Lazard Frere's Felix Rohatyn, in opposition to LaRouche's FDR-style policy outlined in his recent paper, "Why 'Fiscal Austerity' is Insane."

"Restoring fiscal discipline," Gramlich declared, "should be one of our nation's most important priorities," stressing that this was the most important point in reducing worsening budget deficits. "Our current debt path is unsustainable," he stated, on a trajectory that won't improve without changes to taxes or spending. "Specifically, it is time to bring the budget deficits under control," he said, adding that this would require political action. He urged reinstating caps on spending that the Congress appropriates each year, and including the costs of future Medicare and Social Security benefits in Congressional budget estimates. He suggested allowing the government to "adapt" Medicare and Social Security benefits to meet future circumstances.

Durable Goods Orders Fall Despite Manufacturing 'Recovery'

Durable goods orders fell 1.6% in May, the second straight monthly drop, during the manufacturing "recovery," according to data released by the Commerce Department June 24. The "unexpected" decline in May on orders for manufactured goods was led by falling transportation-related orders. Combined with a 2.6% drop in April, these were the first back-to-back monthly declines since November-December 2002, exposing the lie of the factory sector's supposed recent "revival" that has been peddled by Cheney-puppet G.W. Bush's Administration. The drop was not limited to autos and parts, but also saw falls in orders for computers and electronic products, machinery and fabricated metals.

Meanwhile, Ford Motor Co. announced it will close its assembly plant in Lorain, Ohio in late 2005, eliminating about

1,200 jobs.

New U.S. Employment Is in Low-Wage Jobs

Benjamin Tal, of CIBC World Markets, writing in that institution's newsletter June 21, reports that "the average wage in sectors that gained jobs over the past three years was 30% lower than the average wage in industries that lost jobs."

The actual situation may be considerably worse. Recall that between July 2000 and February 2004, the U.S. manufacturing workforce contracted from 12.547 million workers to 9.958 million workers, a loss of 2.59 million jobs. Between the end of February and the end of May of this year, the U.S. has gained back a grand total of 168,000 manufacturing jobs. Thus, the U.S. still has endured a shortfall of nearly 2.5 million manufacturing jobs, which are not only vital for the functioning of the economy, but are well-paying. Since January of 2004, more than three-quarters of the "new jobs" created by the Bush Administration are in retail and services.

Ken Lay Likely To Be Indicted Before Independence Day

Federal prosecutors are preparing to bring criminal charges against former Enron chairman Ken Lay, including conspiracy charges for attempting to conceal Enron's failing financial condition from investors in the months preceding its December 2001 collapse.

Lyndon LaRouche noted that this would mean that America could declare its independence from Ken Lay's thievery on July 4, and he urged that Lay be indicted without delay, but perhaps with DeLay.

Washington Post Rises to Defense of Wal-Mart

Under the assault launched against Wal-Mart and its Roman Imperial policy one year ago by Lyndon LaRouche, Wal-Mart's reputation is sagging, and towns and cities have taken a range of actions against the company. The June 24 *Washington Post*, in an editorial entitled, "Don't Ban the Big Box," attacks the Executive of Montgomery County, Md., Douglas Duncan, who has asked the County Council to toughen zoning rules for stores larger than 120,000 square feet that devote at least 10% of their floor space to groceries. That zoning ordinance would intentionally apply to Wal-Mart. The *Post* comes to Wal-Mart's defense: "Concern about the effect of big new stores on surrounding communities is legitimate, but local planning decisions should be based on sound, uniform principles, not on arbitrary criteria targetting specific disfavored companies."

New York Times: 'Is Housing Bubble in Trouble?'

In an article entitled, "The Ever More Graspable, and Risky, American Dream," *New York Times* author Edmund Andrews looks at new shaky practices for home mortgage lending. In a graphic in the article, entitled, "Bubble, Bubble, Is It Trouble?" the author states, "Housing prices have soared in some markets over the last five years, in part because more people with bad credit or little money have been able to get mortgages."

The new lending practices involve mortgage bankers making loans on outrageously unsound terms, so that the home can be sold, and the bank collects a pile of money on a big fat mortgage. These practices feature:

* *No-down-payment mortgages*. Two decades ago, a home buyer had to make a down payment equivalent to 15-20% of the value of the purchase price of a home; today, a home buyer can make no down payment. For example, Ray and Shahrazad Daneshi bought a \$360,000 home in Anaheim, Calif., which is six times their annual income, because a lender

allowed them to borrow the entire value of the home, with no down payment.

** No-document loans.* In the past, a prospective home buyer had to provide information about his income and assets to the mortgage lending company. Now, if a prospective mortgage borrower can show a "good credit report"—i.e., that he hasn't defaulted on anything recently—he can get a mortgage loan without presenting to the lender any documentation of how much he earns, the size of his assets, etc. The loan is extended purely on the faith that the alleged borrower's credit report is good. The no-document loan is used increasingly by wealthy people, who don't want to report to banks, and thus put on the public record, the size of their income, etc. Many banks are finding out some of the borrowers were not as wealthy as they claimed. This type of loan is great for drug dealers.

Subprime mortgage loans. Households which have bad credit records would not normally qualify for a conventional home mortgage. However, there are bankers/loan sharks who will lend these households the mortgage, sometime charging interest rates that are 5-10% above the normal mortgage lending rate. This is called a subprime loan. These are loans made to households that often don't earn a lot of money; therefore, the very high interest rate makes it much more difficult for the household to pay off the mortgage loan.

The volume of mortgage-backed securities, backed by subprime loans, has jumped from \$17 billion in 1995, to \$195 billion in 2003. The volume of mortgage-backed securities backed by "unconventional loans"—such as no down payment loans—has leapt from \$1 billion in 1995, to \$80 billion in 2003.

The increased volume of risky mortgage loans has helped push the median price of an existing home in New York City from \$188,000 in 1998, to \$353,000 in 2003, an 88% increase. In Orange County, California, one of America's largest counties, the median price of an existing home has soared to \$572,000, up 28% from last year alone. This myriad of risky home mortgage paper, that undergirds the price of homes, can't be sustained.

IT Sector Still Busted: Trade Show Cancelled

The sponsors of the Las Vegas-based Comdex computer trade show announced June 23 that this year's event has been cancelled due to lack of interest on the part of major players in the Information Technology industry. The show, which had drawn as many as 200,000 attendees during the boom years of the IT bubble, drew only 40,000 last year. The cancellation suggests that this year's convention exhibition space bookings were even less.

World Economic News

Forced Auctions of Homes in Germany Reflect Record-High Bankruptcies

According to the economic research agency Argetra, there have been 47,000 auctions of homes in Germany following personal bankruptcies in the first half of 2004. This was the highest level ever recorded for a six-month period. Compared to one year ago, such auctions were rising at the fastest speed in the Hamburg/Schleswig-Holstein (+26.7%), Berlin/Brandenburg (+7.9%), and Saxony/Thuringia (9.6%). Concerning larger cities, the number of forced auctions had more than doubled in Frankfurt/Main compared to one year ago (+116%). However in absolute numbers, Leipzig (2,492 cases) is now by far the front-runner in revealing such depression symptoms.

'Invisible Hand' Manipulates S&P Futures Index

An Italian online newspaper, *Wall Street Italia*, published an interview with a trader at the CME (Chicago Mercantile

Exchange) June 23, exposing how the Standard and Poors 500 Futures Index is entirely manipulated by one single operator, whose identity is unknown. "Everybody here hates those people," says the trader. "Their clearing number (they do it through Gerber Trading) is 990N. That account is entirely responsible for the current S&P level. They keep up the futures even during the night (Globex). They stay on the offer price for the whole session, supporting the operativity of the market.

"All those traders I spoke to, believe that the market is being manipulated. They wait for the prices to go down, but this never occurs. Traders are astonished about the absence of volatility. They are furious. Each time, every time, the gentlemen of account 990N are there, waiting, they never leave. They absorb the entire operativity of the market and push the future price at the level they want. Incredible. I would really like to know who they are, these gentlemen of account 990N. All traders are terrified, nobody wants to take short positions, because each time somebody does it, he ends on the wrong side of the market."

The newspaper comments that if what the trader reports is true, then the aim of the manipulation can only be to keep things under control through Nov. 2, the date of the U.S. Presidential elections.

United States News Digest

G.W. Bush Interviewed in Plame Probe

President George W. Bush was interviewed by U.S. Attorney Patrick J. Fitzgerald for 70 minutes on June 24, in conjunction with the probe of the leaking of the identity of an undercover CIA operative, Valerie Plame, wife of former Ambassador Joe Wilson, who had been involved in investigating allegations that Iraq had tried to purchase uranium ore from the African country of Niger in 2002.

Revealing a CIA agent's identity is a crime, and White House spokesman Scott McClellan said, about the latest questioning of Bush, "No one wants to get to the bottom of this matter more than the President...."

Investigators have also interviewed Vice President Dick Cheney and White House Counsel Alberto Gonzales.

Cheney Loses It on Senate Floor

In an act of rage which should be the last straw, Vice President Dick Cheney told Sen. Patrick Leahy (D-Maine) to "f— off," or "go f— yourself," after a heated exchange on the floor of the U.S. Senate June 24. The report on Cheney's meltdown was the lead item on all broadcast news programs. The Reuters version said that the Senate was gathered for a photograph, when Leahy, the ranking member of the Judiciary committee, greeted the Vice President. Cheney lit into him over Leahy's criticism of Halliburton's war profiteering, and the Senator's call for hearings on Cheney's role. Leahy shot back Republicans have accused Democrats of being anti-Catholic (Leahy is a Catholic), on the absurd grounds that they have opposed anti-abortion judges. At this point, according to "aides," Cheney unloaded with the "f-bomb."

Leahy confirmed the Veep's profanity: "I think he was just having a bad day, and I was kind of shocked to hear that kind of language in the floor," he said.

Kevin Kellems, Cheney's spokesman, told the press, "That doesn't sound like the kind of language that the Vice President would use, but I can confirm that there was a frank exchange of views."

State Department Forced To Revise Terror Report

When the State Dept. released its annual report entitled "Patterns of Global Terrorism" in April, showing a *decrease* in terrorism, Rep. Henry Waxman (D-Cal.) sent a letter to Secretary of State Colin Powell wanting to know if the figures in the report were fudged for political reasons. Powell had to admit that the report had some misleading numbers on attacks and people wounded, but blamed the errors on a new data collection system.

On June 22, the State Dept. released a vastly different, corrected version, in which the number of terror attacks are 208, and not 190 as reported earlier. It shows that a total of 625 people died in 2003, more than double the 307 cited in the earlier version. The biggest year-to-year increase was in the number of people wounded. The number of wounded for 2003 was 3,646; for the previous year, 2,013.

U.S. Drops Effort for Immunity for U.S. Troops

The U.S. received approval from the United Nations for exemption from the International Criminal Court in 2002, and a renewal in 2003, but the Abu Ghraib revelations have changed the geometry. It was clear that the U.S. could not gain the needed nine affirmative votes in the 15-member UN Security Council for passage, so U.S. Deputy Ambassador James Cunningham announced, on June 23, that "The U.S. has decided not to proceed further with consideration and action on the draft at this time, in order to avoid a prolonged and divisive debate."

The open resistance within the Security Council over the war crimes issue indicates the level of outrage at the Abu Ghraib revelations. UN Secretary General Kofi Annan also strongly opposed the exemption.

Bremer To Extend Immunity Order

American pro-consul in Iraq, Amb. Paul Bremer, will declare an extension of "Order No. 17," granting immunity to U.S. soldiers and civilian contractors in Iraq from any prosecution by Iraqis, as one of his last acts before June 30, according to the *Washington Post* June 24. Although this will clearly look bad to the incoming "sovereign" government, it would have been worse (U.S. officials said) if that supposedly sovereign government had to grant immunity to the U.S. as one of its first acts in power! The immunity is intended to last until the elections.

Health Insurance Premiums Rising Faster Than Costs

A June 21 *Wall Street Journal* article charted the rising profits of health insurers in 2003, a year in which the insurers premiums rose by 10-16% across the board; profits of for-profit health insurers, like Aetna and UnitedHealth Group, Inc., grew by 30%; and profits of the so-called "not-for-profit" Blue Cross/Blue Shield insurance plans rose by 115%!

"2003 was a banner year for the nation's health insurers, in which profits soared as the escalating price of premiums far outpaced more slowly growing medical costs," the *Journal* concluded. The article describes a state-by-state backlash by legislatures and regulators, particularly of the Blue Cross/Blue Shield plans, which it said had "moderated rate increases so far during 2004"; but the premiums are still rising at "several times the rate of inflation."

Much of the increased profit has been put into insurers' reserve funds, which grew by about 33% in 2003, or into "investments"; to the point where state legislatures in Pennsylvania, North Carolina, and Rhode Island have passed resolutions demanding that reserves be reduced in order to give premium rate-increase relief. Insurance firms generally have been rebuilding reserve funds since the 9/11 damages and wars, as well as making up for low bond interest rates, by increasing premiums.

Democrats Blast Wolfowitz on Iraq War

House Armed Services Committee chairman Duncan Hunter (R-Calif), as has become the pattern in recent months, spared no effort in defending the Bush Administration's Iraq policy, during a hearing of his committee on June 22, but his efforts failed to protect Deputy Secretary of Defense Paul Wolfowitz from those Democrats who would not accept his testimony at face value. Ranking Democrat Ike Skelton (Mo) expressed skepticism that the Administration had a specific plan for the future in Iraq.

After extensive testimony from Wolfowitz on the June 30 handover to an Iraqi government, Skelton told him, "I see two Iraqs. One is the optimistic Iraq that you describe.... And the other Iraq is the one that I see every morning, with the violence, the deaths of soldiers and Marines." When Skelton asked Wolfowitz what lessons the administration had learned over the last 15 months, he launched into a diatribe against the Congress for not providing the funding flexibility needed for fielding Iraqi security forces faster than has been the case.

Rep. Neil Abercrombie (D-Hi) posed even more pointed questions, demanding to know from Wolfowitz what exactly the relationship between U.S. forces in Iraq and the Iraqi government will be after June 30, and what will be the conditions for withdrawal of U.S. forces. On the one hand, Wolfowitz said, mechanisms were being put in place by which the two sides will consult with each other on conducting either joint or separate military operations. On the other hand, he said, "we're fighting a very determined enemy" and an elected government in Iraq will face defeat without the U.S. presence. Abercrombie responded that he thought that what Wolfowitz was proposing "is virtually schizophrenic. On the one hand, you're saying that everything is working according to the plans that we have ... and yet, when it comes to the United States being able to extract itself in an honorable fashion ... it suddenly disappears."

Rep. Baron Hill (D-Ind) subjected Wolfowitz to further grilling about his own record calling for war on Iraq since the early 1990s and his relationship with Ahmed Chalabi. Wolfowitz first claimed that what he advocated in the 1990s was more help for the Iraqi opposition, but "For me, everything changed after Sept. 11." The "mere fact of contact" between Saddam Hussein and al-Qaeda, he added, "is disturbing" and apparently enough justification for invasion.

But when Wolfowitz claimed that Chalabi was not "an important part of our intelligence." Hill blasted him, saying, "I think the evidence is overwhelming that you and Mr. [Richard] Perle and others decided a long time ago that Saddam Hussein had to be removed prior to Sept. 11," and that Wolfowitz was trying to make connections between Iraq and 9/11 that do not exist. Hill noted that he had voted for the Iraq war resolution on the basis of an intelligence briefing that Iraq had drones that could threaten the U.S., which proved to be a fabricated story.

Senators Demand Iraq Receive 'Capacity To Govern'

Returning June 22 from a two-day trip to Iraq, Jordan, and Kuwait, Sens. Tom Daschle (D-SD), Joe Biden (D-Del), and Lindsey Graham (R-SC) urged that the Bush Administration and the "international community" provide Iraq with what it requires to achieve sovereignty and "the capacity to govern."

The Senators were most impressed by the fact that Maj. Gen. Peter Chiarelli, the "hard, tough, no-nonsense" commander of the 1st Cavalry Division, based in Baghdad, didn't speak to them about killing, but gave them a slideshow on the sewage in Sadr City. "What I need in my sector in Sadr City," Chiarelli told them, "is, I need to cut off the recruiting device that the al-Qaeda and the terrorists and all the other insurgency groups have. And the way for me to do that is not to shoot these kids, it's to clean up the sewage, it's to actually clean the place up." He put up a chart of insurgent attacks in Sadr City, which showed that "when there was full power, drinkable water, and the sewage problem was taken care of, attacks went down by 90%. Where those problems were unsolved, it's a hotbed of terrorism," Sen. Graham reported.

Chiarelli had sent some of his senior leadership to attend a municipal conference in Texas, to learn how to build infrastructure for cities.

Both Graham and Biden warned that, as Jordan's King Abdullah stressed to them, failure in Iraq would "be a death sentence on all moderate forces in the Mideast." There is still time to save the situation, but, Sen. Graham noted, comparing what he saw on this trip to his last visit in August, U.S. soldiers are under "unbelievable stress ... and it's beginning to show." Law and order is critical, Biden stressed, citing a June 22 *Washington Post* article, that over 100 leaders from the new Iraqi governments (municipal, national, etc.) have been assassinated since the process began.

While the Senators underestimate Iraqi capabilities, and were petulant that other countries weren't doing enough to pull the U.S. out of its mess, they had one main message: "The way you win the hearts and minds is, you change the circumstance on the ground. You allow for the possibility that you can send your daughter from your house a block away to the corner store to pick up the poultry for the dinner for tonight and not worry she's going to be raped, abducted or a drive-by casualty.... You take the dung that's piled up in certain parts of the city, in Sadr City. You take the open raw sewage that people are bathing in and walking through, and you clean it up," as Biden put it.

"People don't like us there, but they'll tolerate us there as long as they see progress," Biden stressed.

Two Charged in Death of Iraqi Officer

The U.S. Army has announced plans to file charges against two military intelligence officers in the suffocation death of an Iraqi Maj. Gen., Abed Hamed Mowhoush, who was the commander of Saddam Hussein's air forces.

Chief Warrant Officer Lewis Welshofer, based at Fort Carson, Colo., and a member of the 66th Military Intelligence Group, is accused of suffocating the general in a sleeping bag, while sitting on his chest and covering his mouth, according to Pentagon documents obtained by the *Denver Post*. This death is among 30 prisoner deaths in May in Iraq and Afghanistan that the Pentagon said it is investigating.

Ibero-American News Digest

AEI Threatens Disintegration of Bolivia

Mark Falcoff, the Ibero-American "scholar" at the Cheney American Enterprise (AEI), is on a campaign to foment the division of Bolivia along racial and geographical "fault-lines." Falcoff has dedicated two issues of AEI's "Latin American Outlook" (December 2003 and June 2004) to this campaign, the which generated a recent wave of interviews with Chilean and Peruvian newspapers in which he pushed the same line.

Bolivia is committing "suicide," by denying natural gas to Chile, and "threatening to overturn long-standing contracts with international energy companies," Falcoff wrote in his June Outlook. "If current trends continue, we may witness the first major alteration of the South American political map in more than a hundred years." He forecasts a decision by the gas-producing "lowland" provinces (led by Santa Cruz and Tarija) "to form a country of their own ... leaving La Paz and the highlands to drugs and politics, the two things—perhaps the only two things—they know how to do really well."

Bolivia's sin, is to have ousted Gonzalo Sanchez de Lozada, the private mining baron associated with Rio Tinto mining cartel, as President in October 2003, and with him, the lucrative "deal" negotiated with a consortium of foreign power companies (including British Petroleum and the Spain's Repsol) to ship Bolivia's gas to the U.S. and Mexico, via Chilean

ports. According to Falcoff, a few days after his ouster, Sanchez de Lozada was in Washington forecasting that his ouster could lead to "the partition of Bolivia into two separate countries," one with "a legitimate product to sell to the world market, the other, highland Bolivia, which would refashion itself as the 'Republica de Narcotrafico,' in fact if not in name."

Falcoff assured Peru's *La Republica* June 9, that "the Republic of Santa Cruz...would have absolutely normal relations with Chile."

The AEI hitman "offered,"w however, that if Bolivia changed its Constitution to establish "the decentralization of authority and resources"—i.e., if it handed control of gas over to provinces more easily controlled by foreign vultures—then, maybe, Bolivia could remain a single nation.

Carter, Cisneros, Chavez Monkey Around with Venezuela's Future

On June 18 in Caracas, former U.S. President Jimmy Carter hosted a more than two-hour meeting between the Rockefeller family's favorite Venezuelan billionaire, Gustavo Cisneros, and the resident nutcase serving as Venezuela's President, Hugo Chavez. According to the Carter Center, the two agreed "to honor the constitutional process," in the Aug. 15 recall referendum on the President, and its aftermath, and to hold a dialogue on how the Venezuelan media can ensure the right climate for the vote. (Cisneros owns Venevision, the leading opposition television channel in the country.) Both Cisneros and Chavez issued statements denying that they had reached any secret pacts.

The meeting between these two supposed mortal enemies, exemplifies the stinking fraud of Venezuelan politics, which continues to be run as a backroom game by the families of the elite, with no concern for the nation or its people. It is this fraud which Lyndon LaRouche has repeatedly identified as key to how Venezuela has become the leading flashpoint for left-right Synarchist warfare in Ibero-America. It was Cisneros, linked to known international drug money-laundering interests, as *EIR* identified in *Dope, Inc.*, who helped put Jacobin madman Chavez in power in 1998, and it is he who leads and finances the opposition to Chavez today, with an eye to installing himself as President out of the chaos.

Now, the monkey experts are being called in. Cisneros reports that Carter proposed to bring in Harvard Negotiations Project heavyweight William Ury to run a "dialogue" between the government and the opposition media. Ury, an anthropologist who comes out of "Nuclear Negotiation Project" of mad utopian Leo Szilard, specializes in "war prevention," even as he wonders if there is an answer to "the one fundamental question: 'Are human beings capable of getting along?' " Ury is proud of having studied "our primate relatives," in order to "discover whether and how it is possible for humans to live together peacefully without artificial restraints."

(See also "[Screwball Internet Slander of LaRouche Launched in Venezuela](#)," in Latest from LaRouche.)

Paraguayans Take Desperate Measures To Protest Economic Policy

Last week, transportation workers nailed their hands to pieces of wood, to demand jobs. This week, trade unionists, doctors, and other employees of the hospital run by the Social Security Institute, are doing the same, to protest the deplorable state of the hospital, which lacks medicine and supplies, and to demand the firing of the Institute's director. One worker at the Institute said, "I am sacrificing myself today because the government must listen," to what the workers are saying. Institute and hospital workers say they will continue to resort to this method of protest, until their demands are met.

Argentine President Visits China with Large Delegation

Argentine President Nestor Kirchner left for China June 24, with a large delegation of businessmen, legislators, and state

governors, to discuss strengthening economic and political ties between the two countries. There is a great deal of optimism about the trip, which Cabinet Chief of Staff Alberto Fernandez has described as "a unique opportunity" for Argentina. The trip follows on the heels of Brazilian President Lula da Silva's recent visit to China, and occurs at the same time that Foreign Minister Rafael Bielsa is in Russia, discussing a number of bilateral trade and cooperation arrangements with the Putin government (see below).

Argentina's Deputy Foreign Minister Martin Redrado explained that Kirchner seeks to establish a "permanent strategic" relationship with China, and a "partnership for growth." Argentina can provide China with food, of which it produces a great deal, he said, as well as agricultural technology and manufactured goods. Argentina's Ambassador to China, Juan Carlos Morelli, reports that there is "enormous anticipation" in China about the Argentine trip, and about the diversity of the business delegation accompanying Kirchner. "The idea is to establish permanent interests in this country," he said.

Russian-Argentine Business Council Meets in Moscow

Russian and Argentina discussed a number of strategic and economic projects during the second meeting of the Russian-Argentine Business Council, which met in Moscow on June 23. In statements to reporters, Russian Foreign Minister Sergei Lavrov underscored that the two nations together could "carry out a series of joint projects in the areas of space, oil and gas exploitation, the energy industry, and hydraulic technology." The Putin government is optimistic about collaboration on such projects, and strengthening economic and trade ties as well, Lavrov said.

Lavrov met with Argentine Foreign Minister Rafael Bielsa on June 25, to "analyze the international political situation, exchange information, and issue a joint communique" on the results of meetings held, and on the status of bilateral relations. Lavrov emphasized in his remarks that the two countries are developing "an active dialogue on world and regional problems."

Synarchist Think Tanks Demand End of Nation-State

The synarchist Cato Institute joined with Argentina's Mont Pelerinite FIEL (Foundation for Latin American Economic Research) Foundation, in a June 16 seminar, to demand the nation-state be eliminated. The seminar was ostensibly organized to present a book written by economists from both institutions, entitled *International Financial Crises and the Role of Governments*. But it occurred just two weeks after President Nestor Kirchner had accused officials of FIEL of involvement in destabilizing his government, including predicting that he wouldn't last out his term in office.

According to *Clarín* June 17, not much was said about the current situation during the seminar, whose featured speakers included FIEL's Ricardo Lopez Murphy, a former Presidential candidate and University of Chicago madman, and Cato's Director, James A. Dorn. The book itself demands that the free market be given a "central" role in all nations, and that "state intervention" be limited. Dorn ranted that Argentina hadn't followed through on tax and revenue-sharing reforms that it had promised the IMF, and therefore faced a difficult future. Daniel Artana, who briefly served as Lopez Murphy's Deputy Finance Minister in March 2001, charged that Argentina's economic crisis exploded in 2001, because it is still a "closed economy."

Wall Street Succeeds in Holding Down Brazil Wage Increase

The Brazilian Senate delivered the Lula government a major defeat in its efforts to satisfy the creditors on June 17, when it voted, by 44 to 31, to increase the increase in the minimum wage by almost double what the government proposed, despite personal lobbying by President Lula da Silva.

The minimum wage was 240 reais—equal to a bit over US\$70 a *month*. A third of the country's workers and state pensioners receive the minimum wage, and raising it has been a major plank of Lula's Workers Party (PT) since its founding. The government insists, however, that it could only be raised to R\$260 (US\$83), barely equal to inflation, because anything more would blow out fiscal austerity. When put to a vote in the Senate, however, the Senate rebelled, and voted to raise it to R\$275 a month, with 12 Senators from the government's coalition parties breaking ranks to vote for the higher wage.

The *Financial Times* and *BusinessWeek* had warned in advance that the financiers considered this a "make it or break it" vote for the government, and they were furious at this "humiliating defeat" to the government. "If Lula can only muster 31 of his 45 nominal allies in the Senate to vote for his minimum wage proposal, how can he hope to secure approval of the much more controversial and all-important labor reform?" moaned one Wall Street banker, who sent out an e-mail recommending investors hold fewer Brazilian bonds now.

The government, however, managed to reverse the defeat on June 23, when it got the Chamber of Deputies to vote down the higher minimum wage, thus shoring up (momentarily) the government's Wall Street policies. Reportedly, a lot of money was freed up for the favorite projects of those deputies who voted for the government, and promises made for posts of greater power within the Congress. The minimum wage will only be increased to R\$ 260.

Lula's Popularity Plummets Over Austerity Policy

According to the survey just released by the Census Institute, at the request of the National Transportation Confederation (CNT), Brazilian President Lula da Silva's popularity dropped to 29.4% in June from 35% in May. In a June 21 press conference announcing the survey's results, CNT president Clesio Andrade, who is also Deputy Governor of Minas Gerais and a member of the Liberal Party, which has harshly attacked the government's economic policy, warned that people see "apathy in the government, and are losing hope in President Lula." Lula has failed to keep his promises, Andrade added.

Discontent with Lula was on display June 22, when the President attended the wake of the popular 82-year-old Leonel Brizola, a prominent and outspoken figure in Brazilian politics for decades, who died of heart failure on June 21. When Lula arrived at the funeral, he was greeted with shouts of "PT traitor" by members of the Democratic Labor Party (PDT), founded by Brizola. Brizola had run as Lula's Vice Presidential candidate in the 1998 elections, and got his start in politics in 1945, influenced by nationalist President Getulio Vargas.

Western European News Digest

LaRouche Supporter Wins Big in Italian Provincial Vote

Alberto Lorenzet, member of the LaRouche-affiliated Italian "Solidarity" movement, was one of the highest vote-getters in the June 12-13 elections for the Provincial Council of Belluno in northeast Italy. Lorenzet, who was a candidate for the center-right coalition, received the fifth-highest number of votes among candidates of the coalition, and will become a Provincial Counselor if his list wins the run-off election this coming weekend. The candidate's leaflet made explicit references to Lyndon LaRouche and the New Bretton Woods proposal to rebuild the world economy.

After a brief statement, the leaflet reads: "Member of the Civil Rights-Solidarity movement, which represents the scientist, economist, and U.S. Democratic Party Presidential candidate Lyndon LaRouche in Italy, and works for the promotion of an international economic system based on the economic system of Bretton Woods elaborated by U.S. President Franklin Delano Roosevelt at the end of the Second World War. I am running because I believe in the potential for industrial, artisan, and tourist development of our area. The Central Cadore region must look to the future and be part of the large

national and European transport networks."

In mid-March, Lorenzet organized an invitation for members of the LaRouche movement to speak at an important conference on the crisis in the eyeglass production district in the Cadore area. The conference ended up being dominated by a fight between the arrogant free-trade economist Renato Brunetta and Andrew Spannaus and Liliana Gorini of the Solidarity Movement. Lorenzet openly associated himself with the anti-free-trade proposals, and organized several meetings with small businesses in the area to explain the perspective of the New Bretton Woods and the Eurasian Land-Bridge.

East German Social Democrats Sound Alarm Over Vote Loss

SPD leaders from all five eastern German states and Berlin have sent a letter to the national SPD headquarters and to Chancellor Schroeder, desperately calling for a policy change. The letter addresses the fact that the SPD emerged from the European Parliament elections in third place behind the Christian Democrats and the post-communist PDS, in the five eastern states of Saxony, Saxe-Anhalt, Thuringia, Brandenburg, Mecklenburg-Prepomerania, and behind the Christian Democrats and the Greens in Berlin.

The letter, however, reflects that the conceptual capabilities of the Social Democrats are rather limited and undeveloped, as they do not call for a complete shift away from the Agenda 2010, but only for modifications to create maneuvering room for investments and creation of jobs. Any emphasis on industrial investments is omitted.

Whereas these Social Democrats want to save the SPD, others on the left are preparing a party split. Between 500 and 600 SPD dissidents gathered in Berlin, over the June 26-27 weekend, to discuss the project of a new political party, likely to be established towards the end of this year.

Former Mayor Speaks Out on Crisis in Germany's SPD

In a full-page exclusive interview with the German daily *Die Welt* June 23, Hans Koschnick, a former Mayor of Bremen, former chief EU envoy to Mostar, and long-time member of the SPD, said that the paradigm of economic-social policies of the Social Democracy has reached a complete dead-end. It can already be ruled out that the SPD will be re-elected to government in the next national elections, Koschnick said.

A fundamental policy shift is required for the SPD, stopping the current "hand-to-mouth policies of short-termism, tactical maneuvering, thinking in day-to-day terms," Koschnick added. "The idea that the SPD can run after the hedonistic new middle class, as Schroeder did in 1998, has been a failure."

What is required, is a fundamentally new idea, a new vision of society, but the European elections have shown there was "no concept whatsoever, not the faintest approximation of an idea," Koschnick said. "The only parties that have a future, [are those that] have clear-cut values, a clear-cut message of how society has to be shaped in the future," he added, without spelling out such ideas.

Similar remarks were made two days earlier by Stephan Hilsberg, member of national parliament and a co-founder of the east German SPD after 1989. He said the challenge of creating new jobs for the East, after the post-1989 deindustrialization, has neither been met by the SPD, nor by the political elite of Germany as a whole.

Debate on European Stability Pact

In preparation for a debate which will take place in the Economic and Finance Ministers meeting of the European Commission at the end of the week of June 25-26, the EU Commission has started a renewed debate on the Maastricht Stability Pact.

Spaniard Joaquin Almunia, who is responsible for the Economy in the EU Commission, has laid out new conditions for the Pact. He said, according to *El Mundo* June 23, that the Pact should be more "flexible." He does not question the 3% deficit limit in the EU treaty, but in case countries do not fulfill the criteria, they will be granted one year's time for correction. If the country is in recession, one year may not be enough, Almunia said. This policy is, however, linked to the condition, that the country will have to speed up its reform policies.

An example was posted on France's *Le Figaro* website June 23. EU Energy Commissioner Loyola de Palacio put out an ultimatum to the French state-owned company EDF/Gas de France, demanding that the company change their Statut d'Epic (Establishment of Industrial and Commercial Character). It essentially means that the French state is told not to give state guarantees—because this would represent a distortion of competition. Some leading trade unions have called for a day of action this move.

French Fin Min Opens Pandora's Box on EU Economic Restructuring

In a full-page interview in the June 23 *Financial Times*, French Finance Minister Nicolas Sarkozy is presented as the man in Europe committed to bashing the Franco-German alliance, and establishing new supranational European structures. Quotes follow:

"I believe in the importance of the Franco-German axis, if only to prevent the dramas and wars of the past century.... But I think this dialogue should not be exclusive." He notes six countries—France, Germany, Britain, Spain, Italy, and Poland—which, he says, should work together.

"It is really good that we are 12 countries with a single currency, with, in theory, a single economic policy and a single central bank. But there is no single economic governance.

"I thus propose that as of now, we anticipate the application of the reform of the European constitution. Just as there will be a president of the Council of Ministers elected for two and a half years, I propose we give ourselves a president of the Eurogroup who is elected for two and a half years. This must be the embryo of a European economic government."

He goes on to say that he will propose for France that, in the event of any surpluses, 2/3 should go to pay off debt and the rest, for investments. He talks up the need for labor flexibility, and targets the 35-hour week.

Sarkozy has an eye on becoming the next President of France, in 2007. LaRouche associate Jacques Cheminade has just made known his intention to launch his campaign for the Presidency, now.

EU-U.S. Summit Aims To 'Revitalize' Trans-Atlantic Relations

The two day summit, to be held near Dublin, Ireland starting June 26 will focus on foreign relations. Participants include U.S. President Bush, Irish Prime Minister Ahern, EU Commission President Prodi, and EU High Representative Solana, at an extended afternoon meeting.

It cannot be ruled out that Robert Cooper, Solana's new liberal-imperialist guru, whom he borrowed from Blair, will sit in

on some of the talks, as well. Southwest Asia, the fight against terrorism, and non-proliferation of WMD dominate the foreign policy agenda of the summit.

The European Union and the U.S. are going into the summit with notably different military doctrines. The EU security policy, passed a few months ago, opts against preemptive strikes and supports military intervention only as the last resort, diplomatic and other means failing. The original draft (influenced by Robert Cooper) was more open to the U.S. doctrine, but Chirac and Schroeder insisted it be reformulated to reflect a genuine European view, as distinct from the Bush Administration's view. The EU policy nevertheless stresses loyalty to NATO and to trans-Atlantic partnership.

Turkish Energy Minister: Nuclear Energy 'Absolutely Necessary'

In an interview on June 14 with *Hurriyet* reporter Yalcin Dogan, excerpted on June 18 by BBC, Turkish Energy Minister Hilmi Guler outlined Turkey's plans to go nuclear. "We will face a power shortage in 2020," the Minister explained. Any fossil energy resources would have to be imported. "Nuclear power plants are, therefore, absolutely necessary," he stated.

Minister Guler reported that he carries around a dossier in his briefcase of nuclear plants around the world, to help inform the Turkish government as to what kind of technology it may decide to use. A document titled, "Strategic Document on Energy" is being prepared, and the draft is almost complete, he stated. Prime Minister Recep Erdogan has been informed of the report's progress, and insists the project be launched as soon as possible.

New Labour To Slash 80,000 Civil Service Jobs

Chancellor of the Exchequer Gordon Brown is demanding that up to 80,000 civil service jobs be cut in the next three years and is delaying publication of his report on projected government spending until 2008, until government departments comply with his demands, the *Times* reported June 23.

Already in March, Brown had announced 40,000 civil service job cuts, at the Inland Revenue and Customs & Excise, and the Department for Work and Pensions. Most other government departments will also have to cut "administrative" costs by 2.5% a year for the next three years.

But the Treasury also asked all government departments to draw up plans for cutting double the number of jobs as announced in the Budget, to meet Brown's "savings" target.

German Bundesbank Caught in New Scandal

Only weeks after the series of scandals over personal financial misconduct which forced the resignation of Bundesbank governor Ernst Welteke, the rest of the bank's board of directors is making headlines with the "Villa Scandal." This involves 18 prestigious estates and residences in the Taunus region around Frankfurt, owned by the Bundesbank, which were rented by leading bank personnel at very preferential prices, in some cases even over several years.

Once a beacon of untouchability and of financial and monetary principles for many in former times, the bank has turned into a hotbed of irregularities, nepotism, and other affairs now. This new round of revelations comes in the context of fierce inter-institutional struggles over monetary and fiscal policies at the German and European level.

Russia and the CIS News Digest

Putin Boosts Russia's Eurasian Perspective

Russian President Vladimir Putin took part in a summit of the Eurasian Economic Community (EurAsEC) June 18, in Astana, Kazakhstan, meeting with the heads of state of Kazakhstan, Kyrgyzstan, Tajikistan, and Belarus. President Robert Kocharian of Armenia, a member with these others of the Collective Security Treaty Organization, though not EurAsEC, was also present. In remarks after the organization's Intergovernmental Council met, Putin stressed EurAsEC's role as "a locomotive of economic integration processes in the post-Soviet space," which Kazakhstan's President Nursultan Nazarbayev was to be thanked for initiating.

Putin spelled out his thinking somewhat more, in a speech at the L.N. Gumilyov Eurasian University in Astana. The late historian Gumilyov, son of the poets Nikolai Gumilyov (executed, 1921) and Anna Akhmatova, was a leading proponent of "the Eurasian idea" in Russian history—but, with less of the kooky geopolitics that comes in with the Trust's Eurasianists in the 1920s and their heirs today, friends of the French Nouvelle Droite. Putin said that "Gumilyov's ideas are winning over the masses," and that "it is very good that this is remembered, discussed, and that, moreover, here in Kazakhstan people are really guided by many of these ideas, as they attempt to implement what this outstanding Russian thinker said in his day."

In Putin's view, the leaders of the EurAsEC countries "are trying to restore what was lost when the Soviet Union collapsed, but on an absolutely new basis." Several times, he hailed Nazarbayev's work for Eurasian "integration." In further discussion at the Gumilyov University event, Putin polemicized against any tendency to see Russia as outside of Eurasian processes. He said, "I have the impression that some enemies of the ideas of President Nazarbayev infiltrated the ranks of this event's organizers." Putin referred to an agenda item concerning "Eurasian Security," which referred to "the geopolitical interests of external powers" (USA, China, the EU, Japan, Russia). Putin objected, "I understand that it is possible to live according to the principle, 'What do I need geography for; the driver will get me there,' but it only takes one look at a map, to see where the Russian Federation is situated. It is located right in the center of Eurasia." And neither Eurasian security, nor world security, can be addressed without Russia, he stressed.

German-Russian Talks To Focus on 'Strategic Investments'

According to sparse information available, a special German-Russian economic summit on July 8 will not be a public event; it is not even clear whether there will be a press conference by the German Chancellor and the Russian President afterwards. The summit was agreed upon by Schroeder and Putin on the sidelines of the G-8 Summit in Georgia (USA), June 8-10, and it will be coordinated by the Chancellor's office and the President's office, directly.

Not more than about 30 leading representatives of German and Russian industry will attend. No further details are available, as of now. As to the nature of the "strategic areas of investment" that will be on the agenda, no official information is available, either. A source in the government pointed out, however, that a speech which Chancellor Gerhard Schröder will give at the Financial Academy in Moscow, July 8, will be important.

Putin Visits Ingushetia After Bloody Raid

The Republic of Ingushetia in the Russian North Caucasus is adjacent to Chechnya, with which it was united as the Chechen-Ingush Autonomous Republic during the Soviet period. On the night of June 21-22, several hundred armed guerrillas attacked six government installations in the Ingush town of Nazran, including the offices of the Ministry of Internal Affairs, the Federal Security Service, the Ministry of Defense, and other "force" agencies. A defense was mounted during the night, mainly by Internal Affairs troops. Over 60 people were killed, including the Acting Minister of Internal Affairs of Ingushetia, Abukar Kostoyev, his deputy, and five officials of the Prosecutor's Office. Dozens more were wounded.

At a nationally televised early-morning briefing of President Vladimir Putin by the chiefs of the national force ministries, on June 22, Minister of Internal Affairs Rashid Nurgaliyev reported that the attacking units withdrew from Nazran around 4:00 a.m., evidently in the direction of Chechnya. A grim-faced Putin gave instructions to "hunt and annihilate" the attackers, but to try to take them alive. Later in the day, Putin flew to Ingushetia, where he ordered reinforcement of the airport in Nazran. In remarks there—again, nationally televised—he said to "find them all." Putin congratulated the troops that had retaken all the government buildings, but added that "the Federal Center evidently did not do enough to defend the republic."

Russian media emphasized that the attack was launched on the eve of June 22, the 63rd anniversary of Operation Barbarossa, the Nazi attack on the Soviet Union. Last month, Chechen President Akhmad Kadyrov was assassinated on another World War II anniversary—Victory Day, May 9.

50th Anniversary Nuclear Energy Conference To Open in Moscow

Amid tense international differences in policies regarding nuclear energy, International Atomic Energy Agency (IAEA) head Dr. Mohamed ElBaradei will open a week-long "International Conference on 50 Years of Nuclear Power—The Next 50 Years," in Moscow on June 27, the IAEA announced June 24. The event being celebrated is the start of the Obninsk power reactor, south of Moscow, which became the first in the world, in 1954, to produce electricity for a national grid.

ElBaradei will also meet with President Putin, Foreign Minister Lavrov, and atomic energy agency head Alexander Rumyantsev. ElBaradei is promoting non-proliferation schemes in support of President Bush's proposals, including the banning of uranium-enrichment technology for non-nuclear weapons states.

Meanwhile, the general director of the Center for Modern Iran Studies, Rajab Safarov, said at a news conference in Moscow July 22 that Russia has a good chance of winning the contract to build the second reactor at the Bushehr power station in Iran. Russia and Iran are expected to sign a protocol of intent to build the plant when Rumyantsev visits Tehran this summer, Safarov said.

Ukraine Against Involvement in Iraq

About 2,000 Communists and 5,000 Orthodox believers swarmed the central independence square in Kiev and marched to Parliament on June 22, demanding that Ukrainian troops be withdrawn from Iraq, Reuters reported. Many of the protesters called for Ukrainian President Leonid Kuchma to don his uniform and get to Iraq. Kuchma, who faces a reelection race this year, has vowed to keep the troops in Iraq.

Russia and Argentina

Discuss Economic Projects

(See Ibero-American Digest.)

Southwest Asia News Digest

'Anonymous' CIA Book Issues Blistering Attack on Bush Admin.

A senior active duty CIA analyst, writing under the name "Anonymous," has released a bitter attack on the Bush Administration's war in Iraq and its failing war on terror, in *Imperial Hubris: Why the West Is Losing the War on Terror*. According to the June 19 London *Guardian*, the author worked in Afghanistan and South Asia, and spent years tracking Osama bin Laden. The book is being published by Brassey's, Inc.

In the interview, Anonymous does not hold back his contempt for the Bush Administration, calling the Iraq War, "an avaricious, premeditated, unprovoked war against a foe who posed no immediate threat but whose defeat did offer economic advantage. Our choice of timing, moreover, shows an abject, even willful failure to recognize the ideological power, lethality and growth potential of the threat personified by bin Laden, as well as the impetus that threat has been given by the U.S.-led invasion and occupation of Muslim Iraq."

Speaking on the expanding threat, he said, "What I think we're seeing in al-Qaeda is a change of generation. The people who are leading al-Qaeda now seem a lot more professional group." He fears that they will acquire weapons of mass destruction, including dirty bombs—chemical and biological weapons—that could be made by their own experts, many of whom were trained in the U.S. and Britain.

"I'm very sure they can't have a better administration for them than the one they have now. One way to keep the Republicans in power is to mount an attack that would rally the country around the President." Anonymous argues that the Bush Administration is taking the U.S. exactly where bin Laden wants: towards all-out confrontation with Islam.

A sense of the blistering criticism can be had from the chapter headings alone: Chapters 6, 7, and 8 are respectively titled: "Blinding Hubris Abounding: Inflicting Defeat on Ourselves—Non-War, Leaks, and Missionary Democracy"; "When the Energy Sets the Stage: How America's Stubborn Obtuseness Helps Its Foes"; and, "Preparing for War: Know the Enemy, Debate Everything, Kill the Generals, and Put Away the Warrants."

Vincent Cannistraro, a former CIA operations officer who knows the author, said that Anonymous feels vindicated by events. "He is very well respected, and looked on as a serious student of the subject."

Iraqi Resistance Mounts Coordinated Attacks

Just a week before the planned transfer of sovereignty set for June 30, the Iraqi resistance organized coordinated attacks against police stations and government buildings in several cities in the Sunni areas of Iraq. Upwards of 90 people have been killed, including three U.S. troops, and 318 or more have been wounded. In Mosul, 44 were killed and 216 injured, in attacks which included several car bombs. Other attacks were reported on Baqouba, Ramadi, Baghdad and other cities, where car bombs, rocket-propelled grenades and mortars were used.

A U.S. patrol was ambushed in Baquba. Military spokesman Major Neal O'Brien said: "The patrol returned fire, killing two insurgents. There also have been reports of indiscriminate fire, landing in populated areas. They're firing mortars indiscriminately."

In Mosul: There were at least four car bombs that went off in the al-Wakhas district and at the Wadi Hajar police station in the south of the city. The Iraqi Police Academy, another police station, and the al-Jumhuri hospital were also attacked.

In Baquba: 55 km (35 miles) northeast of Baghdad, witnesses said masked men in black took control of the main road and attacked a police station with assault rifles and rocket-propelled grenades. Two U.S. soldiers died in the fighting and seven were wounded, the U.S. Army said.

In Ramadi: 100 km west of the capital, black-clad insurgents fired rocket-propelled grenades at two police stations; police said seven people were killed and 13 were wounded in the attack. Hospital officials said two other groups of insurgents attacked a second police station and a government building.

In Falluja: The U.S. military said a Cobra helicopter was shot down, but there were no casualties. U.S. warplanes and helicopter gunships flew low over the city in response to gunfire and rocket-propelled grenades; residents were seen fleeing the city.

In Baghdad: Four members of Iraq's national guard died, and two people were hurt in a car bomb blast.

The nature of the attacks shows a higher level of coordination than seen in earlier fighting. As Iraq experts have told *EIR* in recent weeks, the resistance forces are expected to launch a new phase of the war against the occupation, as the June 30 date nears.

U.S. Secretary of State Colin Powell told BBC: "I think we underestimated the nature of the insurgency that we might face during this period. "The insurgency that we're looking at now has become a serious problem for us, but it's a problem that we will deal with."

Kurdish Leader Denies Covert Military Aid from Israelis

Jalal Talabani, lead of the U.S.-allied Patriotic Union of Kurdistan (PUK) visited Turkey on June 23-24, and assured Turkish leaders that the Kurds have no intention of dominating the oil-rich city of Kirkuk. During talks in Ankara, Talabani denied reports published in the *New Yorker* magazine by U.S. investigative reporter Seymour Hersh, that the Israelis were cooperating with the Kurds. He proposed a joint civilian fact-finding committee to investigate.

Turkish Prime Minister Recep Erdogan also received Farouq Abdallah Abdurrahman, leader of the Iraqi Turkmen Front, to discuss concerns that the Turkmen minority is not adequately represented in Iraq's new government. Erdogan said he would raise the issue with U.S. President Bush, when the latter arrives in Turkey for the NATO summit meeting on June 27.

Turkish officials have reiterated their position, that they would not block a federal administration in Iraq, if the territorial integrity of the country were secured, and if all Iraqi groups were to agree. Otherwise, "If no consensus emerges and a civil conflict follows such a dispute, then neighboring countries will have the right to have a say," according to Foreign Ministry spokesman Namik Tan.

Bombs Go Off in Turkey Days Before Bush's Arrival

A bomb attack in Istanbul killed five people and injured several others, hours after another explosion in Turkey's capital, Ankara June 24. The explosion in Istanbul destroyed a bus. The governor of Istanbul province, Muammer Guler, said the bomb on the bus was being carried by a woman in her early 20s, and that it is believed to have exploded at the wrong time in the wrong place. "It is understood that the target was neither the bus nor the passengers aboard."

The bomb in Ankara went off outside the Hilton Hotel where President Bush was scheduled to stay during the NATO summit which begins June 27. Two people, including a police officer, were injured in that incident.

In a separate incident, Turkish police on June 24 defused a time bomb, made of a mixture of fertilizers and diesel, which had been placed outside a car shop.

The bombs come as preparations are being completed for Bush's visit to the city for the NATO summit. The visit by the U.S. President has provoked demonstrations, organized by leftist and communist groups. According to White House spokesman Scott McClellan, Bush's plans remain unchanged. "As for the schedule, nothing has changed," McClellan told reporters in Washington, adding that the attacks were an attempt to disrupt preparations for the NATO summit.

Congress Gives Full Support to Bush-Sharon Land Grab

The U.S. House of Representatives has given George W. Bush another "green light" for war against Arab populations, by passing a resolution, on June 24, endorsing Bush's notorious April 14 letter to Israel Prime Minister Ariel Sharon, *Ha'aretz* reported June 24.

The letter claims that Israel doesn't have to withdraw to the 1967 borders and that Palestinian refugees do not have the right to return to the homes that they were driven out of by the war. Bush's letter unilaterally destroys the U.S. commitment to dozens of UN Security Council resolutions, dating back to 1949. The resolution passed 407 to 9, with three Congressmen abstaining.

The resolution was proposed by Rep. Tom DeLay (R-Texas) who said, "Put simply, Israel must not retreat behind its 1967 borders, and there is no so-called right of return." DeLay, a Christian fundamentalist fanatic, believes that a Palestinian state is a violation of the Biblical prophecy. The vote shows that the Congress has not gotten any smarter, or any more courageous than they were in Oct. 2002, when they voted to approve the Bush policy on Iraq, which was based on lies and misrepresentations to Congress. Information given to Congress on the Palestinians is even more distorted!

Rep. Nick Rahall (D-WV) opposed DeLay's resolution, and declared that past resolutions on the Mideast have always been one-sided in favor of Israel. He asked, "Where were the Palestinians in this dialogue?... Where are the Palestinians involved in the discussions on the no-return issue."

Gitmo Prison Commander Brags: Torture Gets Results

A 12-page report, filed by U.S. Army General Jeffrey Miller, after his 2003 trip to occupation prisons in Iraq, bragged that torture gets results, according to *USA Today* June 23. The newspaper obtained a copy of the report filed by Miller after his August/September 10-day visit to Iraq from his post as head of the Guantanamo prison. The report is part of the classified section of the Taguba Report on the abuses. Miller explicitly describes the need for the Military Police (MPs) to work with the interrogators in "setting the conditions to exploit internees to respond to questions," which confirms what the scapegoated MPs have insisted all along. Also, Miller promised that "a significant improvement in actionable intelligence (i.e., intelligence that leads to the capture of insurgents) will be realized within 30 days." Not only did the intelligence not improve, but the insurgency has grown in size, and in sophistication, against the U.S. occupation.

Saudis Give al-Qaeda One Month To Surrender

Saudi Arabia's Crown Prince Abdullah has announced an offer to the al-Qaeda members opposing the Saudi Royal House, whereby the militants who surrender in the next month will not face the death penalty. The Crown Prince said the offer is open to anyone who has not been "arrested for carrying out terrorist acts."

On June 23, Foreign Minister Prince Saud al-Faisal said the Saudi Arabian authorities have struck a blow against al-Qaeda by killing its leader, but "getting rid of one cell does not mean this issue is over."

Indeed, there are many indications that "the issue is not over." In the last two weeks, terrorists calling themselves al-Qaeda in the Arabian Peninsula, kidnapped and beheaded two foreign workers, American Paul Johnson, and Korean Kim Jong Il. On June 23, some militant clerics in Saudi Arabia gave call to the Saudi faithful to travel to Iraq to join insurgents battling the U.S. military and its Iraqi allies. Prince Saud al-Faisal said the calls are "illegitimate" and that the kingdom would not permit its citizens to go to the neighboring state to fight the U.S.-led forces.

Meanwhile, the Saudi English-language daily *Al Bawaba*, reported June 24 that the British are bringing in troops from the UK to protect their own embassy in Riyadh. This means removal of all Saudi personnel from the embassy's outer security.

Asia News Digest

ElBaradei: Include India, Israel, Pakistan in NPT Talks

Addressing a two-day (June 21-22) conference in Washington organized by the Carnegie Endowment for International Peace, the International Atomic Energy Agency (IAEA) director-general Mohamed ElBaradei struck a different tune, urging participation of India, Israel, and Pakistan in future talks to make new adjustments to the nuclear non-proliferation treaty (NPT) regime.

"Any new adjustment to the regime must include India, Pakistan, and Israel at the negotiating table. Without their inclusion in and commitment to this broad non-proliferation and security reform our efforts will fail," he told a gathering of 600 prominent experts from across the world.

"If you have countries—like India, like Pakistan—out of the system, I don't think that is the right approach. I think you need to get everybody. But, also, it should not be perceived as an 'us against them' approach." None of the three states named by ElBaradei have signed the NPT, and all three are now in possession of nuclear weapons.

ElBaradei said the logical point for bringing India and Pakistan into the arms-control process would be as part of the a global disarmament roadmap.

Israel, he said, could also be brought into this arrangement as part of a new security and disarmament structure in the Middle East that "should and would have to go hand-in-hand with the peace process in the region."

ASEAN, Japan Support One-China Policy

Both the ASEAN nations and Japan would support China in any conflict between China and Taiwan, emphasized speakers on June 21 at a conference of the Singapore East Asian Institute on "Taiwan's New Challenges."

The ASEAN member-nations are committed to the One-China principle and Taiwan would be isolated in East Asia were it to declare independence, Dr. Eric Teo, deputy head of the Singapore Institute of International Affairs, said on June 21 at the conference.

China has abandoned ideology for "strategic friendship," Teo said. "However, Taiwan's diplomats, on the other hand, are trapped in their own ideology and have to catch up with the sophistication of their Chinese counterparts."

Teo said that, were there to be war between Taiwan and China, ASEAN would remain neutral, since it has gotten closer

and closer to China, and more distant from Taiwan. He told Taiwan diplomats at the conference: "You will be standing alone as we will not be standing by you." Since the late 1970s, China "has shown itself to be mindful and sensitive to the feelings of the Asean countries, thus staving off suspicions that its rise could be a threat."

Continuing to counter the American neo-cons' propaganda about the "China threat," Teo said that Taiwan must stop using "Cold War" language calling China a totalitarian country. Taiwan's touting off its "democracy" does not impress in the Asian region, he said.

Japan's UN Ambassador: U.S. Should Be More Civilized

Ambassador Kitaoka Shinichi, speaking at the Brookings Institute in Washington on June 22, was asked by *EIR* for Japan's view on the current debate in the United Nations over the U.S. request to be exempt from war crimes charges, in light of Japan's having experienced such trials after the Second World War. Shinichi first stated that there should be great care taken in conducting such trials, that while there may be a need to try some people, that reconciliation, rather than retribution, is needed for long-term peace, noting that Japan still suffers from the impact of the World War II tribunals.

"That said," he continued, "I have been extremely concerned about the moving of prisoners to Guantanamo, and the suspension of the Geneva Convention in these cases. And, of course, the revelations at Abu Ghraib are very disturbing. I very much hope that in the future the U.S. will act in a more civilized way."

China Announces Advanced Missile System

The Chinese media have reported for the first time, on the Chinese ground-to-air missile regiment, which is equipped with the Russian-made S-300 PMU missile system. These missiles are, as the *People's Daily* reported May 31, among the most advanced in the world.

China had requested two of these missile systems by 1998, and they made their "debut" in the military parade for the 50th founding anniversary of the People's Republic on Oct. 1, 1999. China has likely acquired another two such systems. The *People's Daily* article noted that the missile regiment is part of the Nanjing Military Area Command, whose territory includes areas on the Taiwan Straits. The S-300 PMU missiles are much more sophisticated than the U.S. Patriot II missiles which Taiwan has. The Chinese regiments' officers are highly educated.

Call Given for Jihad from Pakistan's Tribal Areas

The "Mujahadin shura" (the council of religious fighters), now under the leadership of Haji Mohammad Omar, in Pakistan's South Waziristan tribal areas, has given a call for jihad against the United States.

South Waziristan is now mourning the death of its leader, Nek Mohammad, who was reportedly killed by a Predator attack in his house. Pakistani troops, who were battling the tribals and some "foreign" mercenaries, are under order from Washington to clean out the Tribal Areas of Taliban and al-Qaeda members who live, or frequent, there. 70,000 Pakistani troops had entered the Tribal Areas last March for the first time since Pakistan was formed in 1947. The presence of Pakistani troops, and a general understanding that prevails within the tribal communities that the Pakistani troops are doing their bidding on behalf of the Americans, has led to growing anger. There exists a strong fear with the Pakistani Army that the tribals will launch serious attacks, not only inside the Tribal Areas bordering Afghanistan, but also in some major Pakistani cities.

Haji Omar called the BBC Pushtu service on June 20 and said he was in charge of the tribal army. When asked whether the

tribals will launch an attack on the Pakistani troops soon, he said: "We are still in a state of mourning." Nek Mohammad was killed on June 18.

Afghan Army Beheads Four Taliban Suspects

Afghan soldiers, trained by the United States, beheaded four suspected Taliban fighters, after guerrillas had cut off the heads of an Afghan interpreter of the U.S.-led troops and an Afghan soldier on June 21, a government spokesman told the reporters. The interpreter and the soldiers were beheaded after becoming separated from a patrol of Afghan and U.S.-led foreign troops in the Arghandab district of Zabul province in central Afghanistan. Zabul has remained highly volatile and it seems from the frequency of incidents in recent weeks, the anti-Kabul, anti-U.S. forces within Afghanistan have gained a strong foothold in that province.

It is evident that the United States will soon be under serious attack over the prisoner-abuse issue in Afghanistan. An in-depth investigation by Britain's *Guardian Unlimited*, including interviews conducted with former Bagram Air Base prisoners, senior U.S. military sources and human rights monitors in Afghanistan, has uncovered widespread evidence of detainees facing beatings, sexual humiliation, and being kept for long periods in painful positions. Five detainees have died in custody, three of them in suspicious circumstances.

Admiral Fargo Discussed Straits of Malacca with Malaysia

U.S. Admiral Thomas Fargo held a direct meeting with Malaysia's Defense Minister and Deputy Prime Minister Datuk Seri Najib Razak on June 21, in which the Admiral clarified statements he was said to have made before a Congressional hearing in March, which caused friction, as Fargo was said to have proposed U.S. deployment of special forces and Marines in the Straits of Malacca.

In the meeting between Admiral Fargo and Defense Minister Najib Razak, Fargo conveyed that the United States respects Malaysia's territorial integrity over the Straits of Malacca, and has never intended for U.S security forces to patrol the waterway, Najib Razak reported. He added that Fargo acknowledged that Malaysia was doing its best in maintaining security along the strait and had shown political commitment to acting cooperatively with other countries for similar purposes.

Najib Razak reported: "Admiral Fargo is pleased with the level of commitment shown by Malaysia to check the threat of terrorism internally, and also with the fact that we are doing our level best to ensure maritime security." Najib reported Fargo saying: "The U.S will always respect our position on the issue of the Straits of Malacca, that was the purpose of his visit." Najib Razak added Malaysia agreed with a US proposal on the exchange of intelligence information, and capacity and technical upgrading of Malaysia's security forces to guarantee maritime security.

He said that Fargo had told him that, as a soldier, he fully understood the need to always respect the integrity and sovereignty of a nation. Najib Razak pointed out that there would be no U.S-Malaysia joint patrol, but that there could be some bilateral exercises to increase Malaysia's capacity to deal with problem of maritime security. Najib Razak also reiterated Malaysia's position against conducting joint patrols with Indonesia and Singapore.

More Sophisticated Bombs Used in Southern Thailand

A bomb that injured four policemen in the southern Thai province of Yala on June 19 used a new type of explosive gel, which is not detected by trained police dogs, and was detonated remotely by an operator nearby, a security officer said June 20. Speaking on condition of anonymity, the officer said terrorists in the deep south were increasingly turning to

radio-controlled devices to attack officials lured to the scene by decoy explosion.

The source said the Thai military does not have this kind of explosive, which may have been imported, possibly from Indonesia. Whoever planted the bomb had to be an expert in electronics. Police report five officers were killed in such attacks between June 13-19. Royal Thai Police announced that 75 police officers had been killed by terrorists since June 4.

China, India Have 'Identical Views' on All Issues

China and India had "identical views" on all issues discussed between their foreign ministers at the Qingdao Asian summit, on June 21. After their 35-minute closed-door meeting, Chinese Foreign Minister Li Zhaoxing told the press: "We have identical views on all issues. We will work together for further promotion and enhancement of good relations and cooperation between our two good neighbours [India and Pakistan] and two good peoples." Indian External Affairs Minister K. Natwar Singh "fully reciprocated" Li's views. He said he had requested Li "to visit India at his earliest convenience."

Singapore and Malaysia Open Derivatives Market

Singapore and Malaysia announced on June 18 that the two countries plan to link their financial markets, allowing each country to trade shares in the other through derivative trading.

The tie-up is projected to be in place by the end of 2005, but represents a stunning reversal of the very painful lessons Malaysia learned in the Asian financial crisis of 1998, when the now-retired Prime Minister Mahathir bin Mohammad boldly defended his country by slapping on fixed exchange controls (and closed down a Singapore market trading in Malaysian stocks). This brought on denunciations from financial speculators, while Presidential candidate Lyndon LaRouche and *EIR* organized international support, motivating widespread support for a return to the Bretton Woods financial system.

The Singapore exchange already has a two-way trading tie-up with Australia, which covers shares in the largest companies, but so far, perhaps thanks to that previous painful experience, trading has not been a big draw.

Africa News Digest

South Africa Promotes State Role at Africa Rail Conference

South Africa "has adopted the view that because rail and related infrastructure are so critical to our future development, the State should play a pivotal role through its state-owned entities to drive economic growth and investment in infrastructure," said South Africa's Transport Minister, Jeff Radebe, in his keynote address to the three-day Africa Rail 2004 conference held in Midrand near Johannesburg June 22-24. Speakers and attendees were from the public and private sectors involved in transport from across the continent, and much of the focus was on public-private partnerships, and on how to bring in private finance to help build up a dense railway network across the African continent.

Speakers were drawn from national and international institutions based in Egypt, Morocco, Ghana, Kenya, DR Congo, Uganda, Zimbabwe, Namibia, Angola, Zambia, Botswana, and South Africa.

In Radebe's keynote, he laid out the vision and the problem of how to link river-based transport modes efficiently to road and rail systems, and the need to surmount the problem of the different existing rail gauges, which will present difficulties

in integrating the rail systems, particularly between neighboring countries. While acknowledging that the challenge is enormous, particularly with respect to funding, he added that "a great deal of overall work is already under way. I think we should all be excited at the major work emerging around the continent. The Great Lakes Railway proposal to link Uganda, Burundi, and Rwanda to the Tazara [Tanzania-Zambia] line is a modern plan with an older history, but one that has great potential. Similarly, the road and rail infrastructure plans of the West African trade corridor linking Senegal, Burkina Faso, Ghana, Guinea, Mali, and Cote d'Ivoire together, must rank in the same league of importance as the Trans-Sahara Highway linking Morocco with Lagos, or the National Coast Road joining Tunisia with Egypt through Libya.

"The rail developments in the Horn of Africa, notably the link between Djibouti and Addis Abeba carry considerable potential as well. And we note with pleasure the increasing shift towards further investment in national systems, too."

Has Mbeki Abandoned the Free-Market for Malaysia Model?

South African President Mbeki has totally abandoned free-market economics, and has chosen the Malaysia model, say two articles in *Business Day* (South Africa). One, a news article June 24, claims that Mbeki, in his speech in the National Assembly June 23, "set the seal on a decisive broad policy shift to the left for this final term in office, lashing out at what he called the 'new conservatism' sweeping the world, which 'enshrined the individual and denigrated the state.'"

It continues, "The President's comments, which might prove to be a watershed in South African politics, came as he introduced his budget vote in the National Assembly. They signal not so much a return to the old socialism of the exiled African National Congress [ANC], but a retreat from the ruling party's wholesale conversion to free-market economics just before it came to power. Mbeki devoted the last half of his speech in the National Assembly to an attack on those who supported the liberal and so-called neoliberal values that characterized American conservatives."

An opinion column by Peter Bruce June 25 continues the argument by pointing to the importance of the Malaysian experience for Mbeki: "Will it work? Mbeki has looked enviously upon the successes of countries such as Malaysia, which seem to have defied free market conventions to record mouth-watering economic success. This and other examples have filled him with the conviction that South Africa, like the Asian Tigers and, perhaps, like China today, does not have to ape the old conventions and that it can, indeed, fashion an economy all of its own."

Since these articles appeared, Mbeki has attempted to deny that his government is undergoing any major shift. The text of his speech shows that he quoted from the 2002 book by British journalist Will Hutton, *The World We're In*, as follows: Hutton argues that Western democracies have been characterized by "one broad family of ideas that might be called Left—a belief in the social, reduction in inequality, the provision of public services, the principle that workers should be treated as assets rather than commodities, regulation of enterprise, rehabilitation of criminals, tolerance and respect for minorities—and another broad family of ideas that might be called Right: An honoring of our inherited institutional fabric, a respect for order, a belief that private property rights and profit are essential to the operation of the market economy, a suspicion of workers rights, faith in the remedial value of punitive justice and distrust of the new." Mbeki said, "There can be no doubt about where we stand with regard to this great divide."

Sudan's President Orders Disarming of Darfur Militias

Sudanese President Umar Al-Bashir ordered a "complete mobilization" to disarm illegal militias in western Darfur province, Reuters reported June 19. The order came one day after the U.S. State Department threatened to impose sanctions if Khartoum did not stop the fighting in Darfur.

Bashir's order includes by name the Janjaweed militias—Arab militias that have been competing with the African

population of western Darfur for watering holes and pasturage as the Sahara creeps southward. The government has been accused of backing the Janjaweed, which it denies.

The President's order also calls on the judicial authorities in Darfur to set up prosecution offices and courts to go after plunder gangs and criminals "without delay."

But the government in Khartoum may not have sufficient reach to stop the militias, admits David Mozersky of the International Crisis Group (ICG). ICG is a cat's paw for the Anglo-American powers.

Government officials have accused the West of creating the insurgency in the population that the militias are alleged to be brutally attacking indiscriminately, in a no-win situation.

Anglo-Americans Active in Congo-Rwanda Mischief

British and American diplomats were highly active in Congo-Rwanda diplomacy in late June, as war between Congo and Rwanda loomed. Their motives appear to be, to leave open the possibility of a Rwanda-inspired secession of eastern Congo while sanitizing Rwanda's role.

The background: Congo President Joseph Kabila has been on a diplomatic offensive to present the evidence that Rwandan forces control North Kivu province. Kabila is soliciting "diplomatic or military" support from the targeted African and European countries to help kick Rwanda out and defeat its sympathizers.

The campaign had obviously already made great headway by June 5, when the International Committee to Accompany the Transition (CIAT), the committee in Kinshasa of the heavyweights' ambassadors—including from the U.S., UK, and Belgium—felt it had to issue a statement fingering Rwanda for aggression. Meanwhile a new Congolese popular patriotism is being formed.

The latest developments:

* Congolese Foreign Minister Antoine Ghonda arrived in Paris June 22 to begin a seven-day tour of European capitals, including London and Brussels, taking the high ground that normalization of relations with Rwanda, desired by the international community, "must be based on mutual respect." Congolese ministers have just returned from Tanzania, South Africa, Botswana, and Jordan.

* British Minister for Africa Chris Mullin and U.S. Deputy Assistant Secretary of State for African Affairs Donald Yamamoto were in Kinshasa June 22 for "conversations at the highest level," Mullin for 48 hours, Yamamoto for just a few hours. Both then went to Kigali. The Angolan Foreign Minister was also in Kinshasa June 23.

* Yamamoto, in Kigali June 23, after meeting President Kagame, told the press: "In the U.S., we are very, very concerned about the situation in eastern Congo and we have come to discuss with the [Rwandan] government and the President to emphasize in what respect this situation has us so concerned," AFP reported.

* Mai-Mai militiamen—ever hostile to invaders—have been battling the ANC (Rwanda-controlled RCD forces) 70 km northeast of Goma in North Kivu province (very near the Rwandan border) for a week, the UN's Radio Okapi reported June 23. Okapi claimed that at stake is the "control of the interior of the province." Okapi also reported the arrival in Congo of 600 more armed men from across Lake Kivu, who went to Kalehe, where Rwanda's Gen. Nkunda is encamped. But the national army has pushed Nkunda's sidekick, Col. Jules Mutebusi, and his 300 men, to the point that they have

taken refuge in Rwanda.

* The State Secretary in the Rwandan Interior Ministry, Joseph Mutaboba, told Radio Okapi June 21 that Rwanda would not hesitate "a single minute" to invade Congo, and that the 10,000 troops Kinshasa has sent to the East are part of preparations for an invasion of Rwanda, AFP reported June 22.

* The President of the UN Security Council, Lauro Baja, June 22, declared that the Council invites the UN Secretary General to determine the need for a possible rapid reaction force to be added to the UN Mission in Congo. The command of this force "will apparently be given to France," according to *L'Avenir* June 24.

* Kabila and Kagame, under strong Anglo-American pressure, held a summit June 25 in Abuja, Nigeria, at which they agreed on a mechanism to guarantee that Rwandan troops are not in Congo, and Rwandan Hutu refugees in Congo, hostile to the Kagame government, are disarmed. Congolese Foreign Minister Ghonda told AFP June 26, "If, for example, there is information on the presence of Rwandan soldiers in a Congolese locale, a mixed patrol will be formed immediately, consisting of Rwandan and Congolese soldiers and observers from the UN Mission and/or the African Union to go there and verify the facts." The mechanism is to be in place by July 3.

Congolese Diaspora Demonstrations in Paris, London

The Congolese diaspora, angry over the latest assaults on Congo, centered in Bukavu, held demonstrations in Paris and London June 16. At the French National Assembly, the demonstrators handed in a memorandum saying in part, "We support Artemis 2 [the proposed return of French troops to eastern Congo] while desiring its extension to the entire national territory.... until a national army, capable of defending the integrity of the country, is in place."

In London, they submitted a memorandum to Tony Blair recognizing the British government as the most responsible for the atrocities of recent years in Congo, because of its "continuous support for the Rwandan government." It called for an end to all military and financial aid to Rwanda.

Congo President Cleans Out His Security and Top Military

Congo President Joseph Kabila has "suspended" the top two officials responsible for Presidential security, a source close to the Presidency told AFP June 20. They are Damas Kabulo, described by AFP, in quotes, as "the head of the military establishment," and Jean-Claude Kifwa, head of the Special Group for Presidential Security (GSSP). The source also said that Chief of the General Staff Adm. Liwanga Mata-Nvamunvobo had been replaced by his deputy, Kisemkia Songi Langa.

Nigerian President Seeks to Break Labor Movement

Nigeria's "pro-democracy" President, Olusegun Obasanjo, reportedly angry over militant labor opposition to his free-market economic reform program, has sent a bill to the National Assembly to decentralize the Nigerian Labor Congress (NLC) and outlaw strikes. NLC President Adams Oshiomhole, in an address to the inaugural delegate conference of the Congress of Free Trade Unions (CFTU) said, "The right to form and join unions is guaranteed by the constitution and cannot be repudiated by any President, no matter how powerful or angry he might be." NLC national mobilization officer Denja Yaqub said: "It is a threat to democracy. Where there is no opposition, democracy cannot flow well. The political parties do not offer any opposition at all to Obasanjo's government."

This Week in History

June 28-July 4, 1862

President Lincoln Signs the Morrill College Land Grant Act

On July 2, 1862, President Abraham Lincoln signed the Land Grant Act passed by Congress in June to provide funding for higher education. The bill was also known as the Morrill Act, named after its sponsor, Congressman Justin Morrill of Vermont. The measure gave every state, including those of the South whenever they would reenter the Union, 30,000 acres of public land for each of its Congressional representatives. Thus, the land would be distributed according to population density.

The proceeds which would go to each state from selling the land were earmarked for the foundation and maintenance of state colleges, "where the leading object shall be, without excluding other scientific and classical studies, and including military tactics, to teach such branches of learning as are related to agriculture and the mechanic arts."

The Morrill Act was not an isolated piece of legislation, but an integral part of a legislative package designed to reestablish the American System of Political Economy. What the situation had been in America before the election of Abraham Lincoln is illustrated by what happened when the Morrill Act, originally granting only 20,000 acres, was first introduced in 1857. It was vetoed by the treasonous President James Buchanan, who had demonstrated his economic ideology in an 1840 speech made during the terrible depression which had resulted from British manipulation of gold prices. Buchanan suggested that in order to preserve a low tariff on imported goods, especially those from Britain, American wages should be adjusted downward to correspond to those in Europe. For this bald-faced support of British free-trade policy and starvation wages, he earned the appropriate nickname "Ten Cent Jimmy."

Because of the destruction of America's National Bank, and the series of traitorous Presidents ending with Buchanan, the Union found itself virtually bankrupt at the start of the Civil War. But predatory banking houses such as the Associated Banks of New England and New York, and their allies, the Rothschild and Baring banking houses of Europe, were most eager to buy United States securities. Like the International Monetary Fund today, they were pleased to dictate destructive terms for the use of their ill-gotten funds. And they did, indeed, lay out such terms to Treasury Secretary Salmon P. Chase and a group of Congressmen. The terms dictated that the U.S. government would adopt a policy of stringent taxation, allow the banks to sell U.S. securities below par on the London markets, suspend the "Sub-Treasury Law" which gave the government regulatory power over the banks, and halt the issuance of government legal tender. In other words, to surrender American sovereignty.

Fortunately, the American System faction of the Republican Party, through a vigorous campaign launched well before the Republican National Convention of 1860, had succeeded in committing the party to a program of internal improvements and to a protectionist tariff policy. In the fall of 1861, Justin Morrill met with Treasury Secretary Chase to work on a tariff structure that would protect American industry and agriculture. Secretary Chase's report to Congress proposed a Hamiltonian policy for America.

Then, on Dec. 3, 1861, President Lincoln addressed Congress and proposed the new Morrill Tariff plan, and the issuance of a currency that was internal to the U.S. and backed by the government's commitment to a policy of rapid industrial expansion. Instead of issuing U.S. bonds to be sold on the London Markets, the government sold them to U.S. banks and owners of U.S. industries. Lincoln also advanced a peace-winning program to industrialize the South, such as a north-south railroad, to begin immediately in Union-controlled territory, thus providing a basis for the South to recover once the war was ended. Economist Henry Carey, who worked with Justin Morrill and advised President Lincoln, wrote that

"Lincoln had 'wed' the nation's treasury to the producers of wealth."

Most relevant to the passage of the Land Grant Act was Lincoln's discussion, in his report to Congress, of labor's priority over capital. He asked for the attention of Congress to "the effort to place capital on an equal footing with, if not above labor, in the structure of government. It is assumed that labor is available only in connection with capital; that nobody labors unless somebody else, owning capital, somehow by use of it, induces him to labor.... [However,] labor is prior to, and independent of capital. Capital is only the fruit of labor and could never have existed if labor had not first existed. Labor is superior of capital, and deserves much the higher consideration."

And, so, once the protective Morrill Tariff was passed in March of 1862, the Homestead Act in May, and measures banning slavery in the District of Columbia and in the Western territories passed the Congress in June, the College Land Grant Act came up for a vote. A few western Republicans opposed it, but there was immense popular sentiment in favor of state colleges which would teach scientific agriculture, mechanics, military arts, and the other arts and sciences. Newspapers, ministers, farm organizations, and many presidents of private colleges fought for the bill. Some state legislators instructed their Senators to vote for it. When it came to a vote, many Representatives broke party lines to vote for the bill. The Senate approved it 32 to 7, and the House voted for it 90 to 25. Wrote Justin Morrill later, "To many Democratic leaders of Congress, and more outside, I am much indebted for kindly sympathy and cooperation."

What the bill's sponsors had envisioned did come to pass—thousands of doctors, engineers, and scientific farmers were trained and contributed to developing the nation. Some of the legislators who had provided the overwhelming majority for the bill lived to see the new universities built in New York, Ohio, Illinois, Wisconsin, Minnesota, California, and many more states. As Lincoln said in his 1861 address to Congress, "There are already among us those, who, if the Union be preserved, will live to see it contain two hundred and fifty millions. The struggle of today, is not altogether for today—it is for a vast future also."

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