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LaRouche's 'Economic Recovery Act of 2007'
Vast Right-Wing Conspiracy Again—With a New Twist
Dick Cheney's 'Gulf of Tonkin'

**The System Is Finished:
Build Infrastructure!**



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EIR

From the Managing Editor

We go to press with the screams from Wall Street and other world financial centers echoing in our ears, as central banks pump hundreds of billions of dollars into trying to “stabilize” a system which has already collapsed. The solution is clear; Lyndon LaRouche has enunciated it many times, and we lay it out once again in this week’s *Feature*: Follow the FDR model, and create a Federal facility to finance great infrastructure projects. With 26% of the nation’s bridges “structurally deficient and/or functionally obsolete”—like I-35W which collapsed at Minneapolis on Aug. 1—the need should be obvious.

Our Economics Staff surveys the scope of the crisis of U.S. infrastructure, as well as the financial markets, while providing snapshots of bills before Congress that attempt to address the infrastructure requirements (but have mostly not passed, or not been fully funded). We also publish draft legislation, proposed by LaRouche PAC, “The Economic Recovery Act of 2007.” And we report on international developments that bear upon the solution, such as China’s breakthrough on the Three Gorges Dam, and the rapid progress in efforts at Eurasian development. But for the lunacy in the White House, the stage would be set for the United States to join in such mutually advantageous enterprises.

In other words, LaRouche has been right. Why didn’t Congress do what he says, even though many Congressmen knew he was right? “Let’s be realistic,” they say. “We can’t support what *you* propose, because your name is associated with it, or people will suspect that you’re associated with it. Therefore we have to go kill ourselves, in order not to be associated with you.” Or, “I can’t possibly do anything that is actually correct, because then people will know that I’ve been listening to LaRouche.”

Our *Investigation*, on the reactivation of a “vast, right-wing conspiracy,” shows that LaRouche’s enemies are quite clear on the threat that he poses to their rotten oligarchical system. While preparing new slanders against him, they are putting heavy pressure on Congressmen and others, to stay clear of him. But with the blood on the floors of the stock exchanges, it should be evident that there isn’t much time left for Congress, and the American people, to wise up.



Cover This Week

*Artist's rendition
of China's Three
Gorges Dam on
the Yangtze River.*



Courtesy of the Yangtze Three Gorges Project Development Corporation.

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The only competent plan that has been put forward to deal with the ongoing financial blowout is that of Lyndon LaRouche, who calls for creating a new global monetary system by carrying out the necessary bankruptcy reorganization, and putting into place an FDR-style program of directing credit toward massive infrastructure-building.

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When a financial commentator says that "Armageddon" is here, it is indicative of the fear of the financiers and bankers, as they begin to realize that their system is disappearing. The issue is not "credit," but debt, and the games that have been played to hide the way debt has been used to paper over an economy—and a banking system—which is already bankrupt.

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Hillary Clinton, as First Lady, blasted the "vast right-wing conspiracy" against her husband. The core of that conspiracy, including notably the networks of Richard Mellon Scaife, is now reactivated, preparing slanders and dirty tricks against Senator Clinton, Lyndon LaRouche, and perhaps others.

Editorial

64 It's Only Paper!

Corrections: Last week's issue contained a translation error in "Greed Turns to Angst: The Global House of Cards Is Collapsing," by Helga Zepp-LaRouche, on p. 9. The flood of liquidity from the yen carry trade amounted to \$500 billion, not trillion.

On p. 62 of the same issue, in "Computer Climate Models: Voodoo for Scientists," by Gregory Murphy, the global warming true-believers say that world temperature over the past 100 years has risen 0.6°C (not 0.06°).

The System Is Finished: Build Infrastructure!

by Nancy Spannaus

As of this writing, the cat is out of the bag. The world has entered a full-blown banking crisis, and the overwhelmed central bankers are pouring out hundreds of billions of dollars in the vain hope of stanching the bleeding. Even more worrying, the U.S. President, the Congress, and a host of other influentials are showing utter incompetence, and in some cases are proceeding to accelerate the catastrophe through proposed currency warfare against China, and other nonsense.

It's time to get serious. For decades, Lyndon LaRouche has been forecasting *precisely* this result, should the world financial authorities continue to pursue the logic of their anti-Roosevelt policies, begun at the moment of FDR's death. And he has been right. More immediately, it was less than one month ago, at his international webcast, on July 25, that LaRouche told the world that the process of world financial breakdown was already, unstoppably, under way. The speed of that disintegration, as documented below, has been breathtaking. Can any sane person now doubt he was right?

The financial blowout under way is now an undeniable reality, and there is only one plan on the table for dealing with it. That plan, devised and updated by LaRouche over the decades, calls for carrying out the necessary bankruptcy reorganization, and launching an FDR-style program of directing credit toward massive infrastructure-building. The bankers, as shown by their frenetic attempt to save the system, have apparently learned nothing since the time of Andrew Mellon and the other pro-Hitler bankers who brought us the 1930s Great Depression. But LaRouche, in the tradition of FDR, is prepared to provide the leadership, and outline what must be done.

Before Labor Day, LaRouche will be presenting a draft platform on which the Democratic Party should run in the 2008 elections, a document that will define the principled approach which must be adopted to create a new world monetary-financial system. In the meantime, however, he has com-

missioned the following package of emergency measures, as a focus for mass mobilization during the month ahead. With these measures, taken from the top down, there is no need for panic. Let the speculators pay the price for their crimes: Our business is to establish the new credit mechanisms required to rebuild the economy, and a future for mankind.

But let us first review the immediate precursors of today's dramatic events.

From LaRouche's Webcast Address

First, recall LaRouche's July 25 statement:

"First of all, this occurs at a time when the world monetary financial system is actually now currently in the process of disintegrating. There's nothing mysterious about this; I've talked about it for some time, it's been in progress, it's not abating. What's listed as stock values and market values in the financial markets internationally is bunk! These are purely fictitious beliefs. There's no truth to it; the fakery is enormous. There *is* no possibility of a non-collapse of the present financial system—none! It's finished, *now*! The present financial system can not continue to exist *under any circumstances, under any Presidency, under any leadership, or any leadership of nations*. Only a fundamental and *sudden change* in the world monetary financial system will prevent a general, immediate chain-reaction type of collapse. At what speed we don't know, but it will go on, and it will be *unstoppable*! And the longer it goes on before coming to an end, the worse things will get.

"And there is no one in the present institutions of government who is competent to deal with this. The Congress—the Senate, the House of Representatives—is not currently competent to deal with this. And if the Congress goes on recess, *and leaves Cheney free*, then you might be kissing the United States and much more good-bye, by September."



EIRNS/Stuart Lewis

Lyndon LaRouche, shown here at a youth cadre school on July 28, has an impeccable record of long-range economic forecasting—and the present banking blowout has only underscored that fact.

Pointing to Disaster

Within days of LaRouche's webcast, there was ample evidence that leading bankers were well aware that the collapse was under way. Note the following report from the website of the LaRouche Political Action Committee (LPAC) on Aug. 1:

"The entire capital structure from equity all the way to AAA can go to nothing," Steve Eisman, a portfolio manager at FrontPoint Partners, told a July 19 conference call on the subprime mortgage debacle, according to the Aug. 1 edition of the *New York Times*.

LaRouche responded that Eisman's statement was basically correct. Because the claims outstanding far exceed any means of payment, and the bulwarks which have enabled people to hide this growing discrepancy, are crumbling. And what happened, is that the overwhelming pressure out of the real-estate market, which had been in place since Cheney came into office, collapsed. This is the one that hit the banks the hardest. And when you hit the banks, which were being used as the slaves for this operation—the banks did not deliver the indicated, requested support for this last wave of speculation. And they didn't do it, because they didn't have it.

It's like the tale of the horse, LaRouche added. For the lack of a nail, the horseshoe was lost. For lack of a shoe, the horse was lost. For lack of the horse, the rider was lost—and for lack of the rider, the kingdom was lost. It's that sort of situation. It was inevitable.

The July 28-30 Watershed

On July 30, three significant events came to light: the election loss for the Japanese government, which has clung to the

yen carry trade; the dramatic failure of the German Industriekreditbank (IKB), which sent it begging for a huge bailout from the Kreditanstalt für Wiederaufbau; and the reports from financial press that the issuance of high-quality, investment-grade bonds had almost collapsed.

LaRouche responded with a calm assessment. "The system has already come down," he said, and the question to be dealt with is what to do. At this point, he announced his intention to draft the election platform for the Democratic Party to address what has to be done.

LaRouche located the significance of the collapse of the yen carry trade, as a cutoff of the flow of funds into the system, which had fueled the speculative explosion of hedge funds, private equity funds, etc. Once this inflow was cut off, and someone at the other end of the process tried to collect on the unpayable debt, the pretense of solvency of the system was over.

He then turned his attention to the Congress, which was still in session, but caught up in busywork, of no relevance to reality. They cannot leave town for the scheduled recess, or else Cheney and his British masters will unleash a war that will wipe out 40-80% of mankind before the dust settles, LaRouche emphasized. The rate of collapse of the entire global financial system is going to accelerate now. It is full steam ahead.

There's no need for desperation, LaRouche added, such as was demonstrated by Sen. Chuck Schumer (D-N.Y.), in trying to bail out bankrupt financial institutions in order to keep them in New York City. We will save the banks required to keep the country functioning, LaRouche said, but not the other trash.

July 31

As of July 31, the rush of reports about the jamming-up or collapse of the banking system began to hit fast and furious.

- Bloomberg was reporting a three-fold increase in the cost of credit-default swaps, and the resulting pileup of unsold bonds and loans.

- American Home Mortgage, the 20th largest mortgage lender specializing in "Alt-A" mortgages, was exposed as on the brink of bankruptcy, after its stock lost more than 90% of its value, and trading was suspended on the New York Stock Exchange.

- Bear Stearns announced that it had halted redemptions from a third hedge fund, after investors demanded their money back. The first two funds blew out in mid-June.

- Mortgage Guaranty Corporation, the nation's largest insurer of home loans, was reported by the *New York Times*,



FDR Library

Franklin Delano Roosevelt's launching of huge government-funded infrastructure projects played a major role in getting the U.S. out of the 1930s depression. Here, FDR, with cane, inspects the Hoover Dam, in 1935.

to have announced that its underwriting business may be worthless.

- Sowood Capital Management LP, a hedge fund with more than \$3 billion in assets, told its investors that its Alpha funds lost more than half their value over July, and that it planned to sell its portfolio, and pay investors what might be left over.

- And, to underscore the fact that it's the *international* system that's blowing, not just the U.S., the French press revealed that Oddo Asset Management, a 23 billion euro firm with involvement in the U.S. subprime market, was liquidating three of its funds.

August 1

What the failing financial system means for physical existence struck home this day, when the Minneapolis I-35W bridge over the Mississippi River collapsed, taking a still-unknown number of people to their deaths. Political shockwaves from this development were immediately felt in Washington, D.C., where a number of Congressmen and Senators went into action.

LaRouche, for his part, issued the foreword to his upcoming Democratic Party Platform, for immediate circula-

tion. It read, in part:

"As a result of that stubborn clinging by current political authorities to misguided policies, especially the now-failed monetary, economic policies, and warfare policies of the recent three decades, the world's present monetary-financial system has thus begun its death-agony. A new system could survive; the presently existing one could not. What dreamers and false prophets said could never happen, has now happened. Whereas the world's *physical economy* could be rescued from the presently inevitable bankruptcy of the failed present monetary system, yet *the presently dominant world monetary-financial system, is now as doomed as the legendary Dodo.*

"That system was already threatened with a future crisis in the shifts in policies adopted under President Harry Truman, during the immediate period following the end of what is generally referred to as World War II. However, it was only two decades later, with the U.S. entry into a long war in Indo-China, that the dangers became clear. Today, without a return to the anti-monetarist, American System of political-economy, a return to those principles which informed President Franklin Roosevelt's recovery from the 1930s world depression, the worst outcome imaginable were about to happen to the world at large."

August 3-4

Over these days, the attempt to paper over, or downplay, the significance of the previous week's events as indicating the bankruptcy of the system as a whole, began to fail.

- Jochen Sanio, head of the German financial market watchdog agency BaFin, declared that the IKB crisis reflected the worst banking crisis in Germany since 1931.

- American Home Mortgage declared it intended to shut down.

- Investment banks were reported to be stuck with \$500 billion in unsellable junk bonds.

On the political side, Vice President Dick Cheney had a tyrannical rage fit, and got President Bush to demand that Congress cancel its recess until it delivered a change in the Foreign Intelligence Surveillance Act (FISA) that grants police-state powers to the White House. In the same vein, Bush himself threatened to veto the Water Resources Development Act of 2007, which had passed the House by a vote of 381 to 40.

"This callousness is abominable—the President doesn't give a damn!" LaRouche commented. "This shows how much of a Cheneyac Bush is. He's insane. I wonder how the President would have reacted if he had a mind of his own."

August 5

Speaking to a cadre school of the LaRouche Youth Movement in California, Lyndon LaRouche reflected on the recent developments, in light of his long-range forecasting method:

"Well, I can say that I've had quite a bit of success as a long-range forecaster. Every forecast I've made in the past



The massive infrastructure program which is required to build our way out of the economic and financial breakdown crisis will depend heavily on a crash program of building nuclear power plants. Here, a nuclear plant on the Susquehanna River, in Luzerne County, Pa., with its huge cooling towers.

years—and it goes back to the middle of the 1960s, actually, and some forecasts earlier—have been correct, have been confirmed: As I presented it.

“Now, there’s some people who’ve tried to put some spin on what I said—and I didn’t say that!—because they like a prediction of the dates that something’s going to happen. You know, sometimes you can get into that, when you see that a definite date is going to be the probable event, because of certain circumstances which indicate how people are going to react to certain developments and that will give you a date. But generally, you don’t know exactly when something is going to happen, because you’re dealing with a human factor. People can decide to do different things, and that can shift the date. For example, many times in the past period, we’ve had a collapse situation waiting for us, and that has been postponed, been postponed by a decision, by people of influence in the markets. But what that decision has done, by postponing it—they’ve made it worse.

“So, when you make a forecast, you have to forecast that, you have to say that, *if you’re not going to make it worse, this is going to happen.* And if you do prevent it from happening, it’s going to become worse. And you can indicate where you stand in the general perspective, then, and that’s about as accurate a forecast as you can make.

“Now, the gut of a forecast, which I’ve always been successful at, is that you forecast the conditions which underlie

your forecast. That is, the conditions—you identify the conditions, and you identify the kind of behavior associated with those conditions. And what you’re doing, is giving people on the receiving end of your forecast, the way in which they can think about what you’re saying, and can, on their own, read the signs, so to speak, and themselves, see where we stand.

“Generally, the purpose of a forecast, is to tell people what to do. It’s to say, ‘this is the time to do this, this is the time to do that.’ And on that, I’ve always been right. And I’ve made that forecast again, recently, in updating it.

“Now, we just had, in the past period, we had breaking out in Germany, of all places, the clearest indication of a general collapse in progress in the world financial and related markets, and in the economies. It was not really an accident. And the significance, of course, is that Germany, because it’s the remnant of an industrial economy in Western and Central Continental Europe, that is, west of Russia and Belarus, therefore, it’s pivotal for the whole world economy. If Germany goes, that can pull down a chain-reaction which can sink the world economy, and we

had something very close to that, this past week. And we didn’t escape from the effect of that collapse: rather, we went into a new phase, where the potential for collapse is more dangerous and more likely, than it was before that happened.”

August 7-9

As the new week began, it became increasingly obvious that the crisis in the banking system was not under control, in the United States or internationally. There were reports that the banks had tightened up mortgage lending—like locking the barn door after the horses escaped. Storms were evident in the municipal bond market. Bear Stearns fired its co-president, but that did not stop the plummeting of its stock. Banks were begging for a loosening of liquidity.

At the FOMC (Federal Open Market Committee) meeting on Aug. 7, the Fed declined to lower interest rates, as if to say, let the bankrupt banks go under. However, the clamor of the hedge funds and investment companies and banks demanding credit kept growing greater. By Aug. 9, according to insider reports, there was a freeze-up of interbank lending in Europe for a period of hours, leading to a new stage of panic—and then the opening of the floodgates of liquidity by the European Central Bank and the Federal Reserve, at levels that surpassed the amount of credit issued right after 9/11.

But, that won’t solve the problem, as LaRouche’s long-term forecasts have made clear.

A Table of Organization For U.S. Economic Recovery

A top-down approach is required to provide credit on the scale needed to repair the decayed U.S. infrastructure, and to create the expansion of the physical economic base in the process. There are current and recent bills before Congress that contain many relevant programs for dealing with both emergency projects—typified by the rebuilding needed on the Mississippi River and Gulf Coast, plus for ongoing or new projects, such as high-speed rail. But the question remains: Where will the *trillions* of dollars and *physical capacity* come from to accomplish these tasks?

In June 2006, a draft bill, the “Economic Recovery Act of 2006,” was issued by the LaRouche Political Action Committee (LPAC), outlining the urgent intervention needed from the Federal government, to save the industrial capacity embodied in the U.S. auto/machine-tool sector, being taken down by globalization. On Jan. 23, 2007, it was presented to a hearing on the “State of the Economy,” held by the House of Representatives Ways and Means Committee. But no Federal action was taken, and over a 72-month period, almost the entire U.S. auto industrial sector has been dismembered.

Given the scale of the collapse of infrastructure, as shown by the Twin Cities bridge, on top of the Katrina wreckage, the question is now more urgent than ever: How can the means be found for the mission of rebuilding?

The following is presented as a summary Table of Organization, for how to proceed. Following that is a newly revamped “Economic Recovery Act of 2007,” which LPAC is circulating to Congress now.

I. National Infrastructure Bank

At the top of the entire effort must be a Federal credit mechanism, shown on the schematic here as the National Infrastructure Bank. This facility can be established under the powers of Congress, authorizing it to create debt for the sole purpose of funding approved infrastructure projects—the direct costs, the inputs, and all functions related to accomplishing the job. Thus it operates as a capital source, outside the demands and constraints of the Federal operating budget. Loans can be made at the rate of 1-2% interest, and the appropriate long-term conditions will apply.

There are many precedents for this kind of long-term,

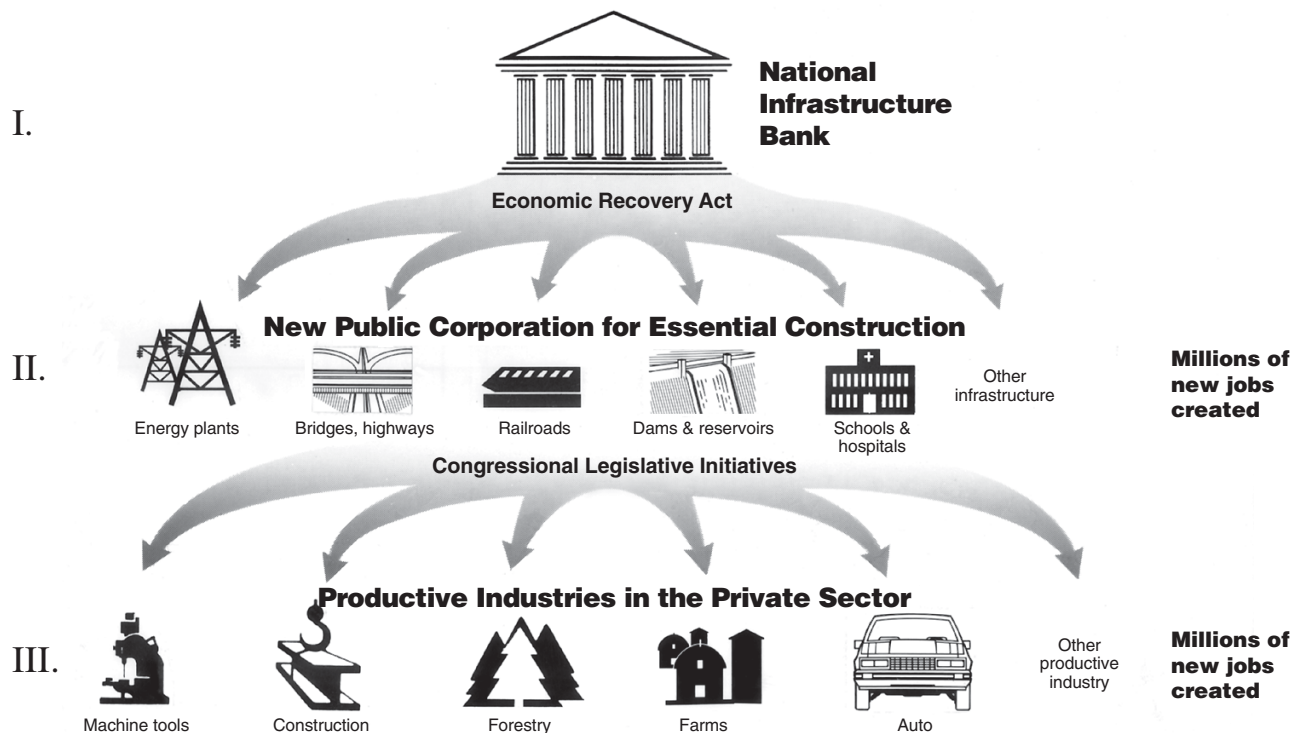
low-interest credit function, on the part of the Federal government. In the early decades of the United States, there were the canal projects and other infrastructure development. During the FDR years, a massive amount of hard infrastructure—bridges, schools, water systems, and the like—was built this way, many of which facilities we still use today.

II. Economic Recovery Act

On the next tier, comes the function of directing the effort and funding for restoring the industrial and infrastructure-building capacity of the nation. As originally laid out, the Economic Recovery Act of 2006 focussed on stopping the take-down of the auto/machine-tool sector, by creating a Federal public corporation to assume control of, and operate—directly, or by contract—the discarded and unused plant-and-equipment capacity of the automobile/auto-supply sector. The entity was called the Federal Infrastructure Plants Corporation, and would also utilize unused facilities in other sectors such as military bases, shipyards, fabricating plants, and so on. In turn, this capacity could be retooled to produce, along with remaining corporate manufacturing, the array of components necessary to refurbish decaying infrastructure: bridge trusses, flood gates, lock valves, and all the rest, simple or complicated. Among the precedents, is the famous period of World War II, when auto plants were converted to tank, truck, and aircraft assembly lines.

Now today, the task of rescuing and regrouping what remains of the pillaged auto sector is vastly harder than it would have been just two years ago. But the principle still stands and can work today as it did in the Second World War. At that time, the Defense Plants Corporation, created under the Reconstruction Finance Corporation in 1940, leased and commissioned industrial capacity with spectacular success.

The heart of making it succeed, is the re-enlistment of the dispersed labor force of the former industrial belt. From western New York State, through to St. Louis, there are the skilled machine-tool and shop-floor workers, design experts, engineers, and others, whose expertise is invaluable. They can confer on the specifics of how to gear up to re-industrialize—what can be made where, how, and by what machines, etc. Over the past five years, these families have been dislocated,



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either underemployed in their home towns, or forced out of state to seek a livelihood. A stream of people from Ohio, Michigan, Indiana, Pennsylvania, and other industrial states, have relocated into suburban Washington, D.C., because their home counties have all but closed down.

They need to be able to “go home,” and rebuild the nation.

The second tier of the Economic Recovery diagram illustrates that if the programs for upgrading energy transmission and generation, especially nuclear power, bridges, highways, and railroads were built, along with waterworks, and so-called soft infrastructure, including schools and hospitals, there would be both a pattern of restored activity in the counties where the projects were under way, plus there would be a massive demand in the newly revived manufacturing counties.

A pattern of “re-population” would be evident, as the outflow would stop from hundreds of rural counties, as well as depressed urban areas.

III. Legislative Initiatives

The third tier of this recovery picture involves carrying out the various Federal, state, and local projects qualified as part of the recovery effort. The schematic illustrates the combined effect this infrastructure drive will have on reviving various productive sectors, from machine tools, to agriculture, to manufacturing capacity.

There are several bills and measures before Congress,

which meet the requirement. There are also thousands of “ready-to-go” projects at the state and municipal level.

The following are indicative.

Rebuilding America’s Infrastructure Act of 2007, H.R. 3400. Introduced on Aug. 3, 2007, by Ohio Reps. Dennis Kucinich (D) and Steven LaTourette (R). Introduced into the past three sessions of Congress, this bill would create a low-cost Federal financing mechanism to administer zero-interest loans to localities and states. The bill is to “improve critical infrastructure in Ohio and nationwide,” such as bridges, dams, levees, water treatment, and other vital facilities.

The United States National Health Insurance Act, or the Expanded and Improved Medicare for All Act, H.R. 676, sponsored by Rep. John Conyers (D-Mich.), was introduced on Jan. 24, 2007, and now has 76 co-sponsors. It mandates health care for all. It calls for a “Capital Expenditures Budget,” to construct or renovate health facilities, and for major equipment acquisition. Under a National Board of Universal Quality and Access, state directors will provide to the Board a health-care needs assessment, including oversight and placement of facilities, new hospitals and new health-care equipment.

The National Infrastructure Corps Act of 2006, H.R. 6181 of the 109th Congress, Second Session. Sponsored by Reps.



Creative Commons/Aude Vivere

A new span of Washington, D.C.'s Woodrow Wilson Bridge opened to traffic last year, after extensive construction work. There are many bills before Congress to repair the nation's decrepit infrastructure, as well as thousands of "ready-to-go" projects at the state and municipal level. What's needed is a top-down approach to provide funding, and the political will to push the programs through.

William Lacy Clay (D-Mo.) and Major R. Owens (D-N.Y.), the measure expands such existing programs as the National Civilian Youth Corps and the Urban Youth Corps, on the model of the 1930s Civilian Conservation Corps (CCC), to provide employment for the jobless "to repair and replace obsolescent and broken-down infrastructure." Millions of jobs can be created on the thousands of needed projects, in the same way that Harry Hopkins, in the FDR Administration, created 4 million jobs in nearly 30 days for the Civil Works Administration.

Water Resources Development Act of 2007 (WRDA), H.R. 1495, was passed in the House of Representatives on Aug. 2 by a resounding vote of 381 to 40, the first such measure since 2000. This bill authorizes \$21 billion for over 800 water resources projects or studies, to be undertaken by the Army Corps of Engineers. Among them, is the refurbishing of long-outmoded locks and dams on the Upper Mississippi-Illinois Rivers.

Passenger Rail Investment and Improvement Act of 2007, S. 294. Its lead sponsors are Sens. Frank Lautenberg (D-N.J.) and Trent Lott (R-Miss.), and in May 2007, the bill, after unanimous passage in committee, went to debate in the full Senate. The measure would start to rebuild Amtrak passenger rail service. The bill provides \$12 billion in dedicated Federal support, over six years, for Amtrak's operations (\$3.3 billion), capital investments (\$6.3 billion), and for its debt and interest payments (\$2.4 billion). Another key provision

provides \$7.8 billion in capital grants to states for development of rail corridors over six years.

Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, Technical Corrections Act of 2007, H.R. 3248, concerns surface transportation projects across the United States. Passed on Aug. 3, 2007 by 422-1 in the House, it modifies a 2005 law—SAFETEA-LU—of the same purpose, and contains among its provisions, Federal support for magnetically levitated rail development. The maglev portion of \$90 million is a bare life-support level. Fifty percent of the funds goes to a demonstration project in Nevada. The remainder will go to one other project, either in Pennsylvania, or Baltimore/Washington, D.C., or Georgia/Tennessee; and a preliminary study of a Philadelphia/New Jersey/New York City corridor. But scaled up, this program could launch maglev routes serving priority development corridors across the continent.

The "Independent Budget for Veterans Affairs", which is prepared yearly by a coalition of four veterans groups, including AMVETS, Disabled Veterans of America, Paralyzed Veterans of America, and Veterans of the Foreign Wars, calls for \$1.602 billion in funding for major construction for the 2008 fiscal year, and another \$541 million for minor construction projects. The IB also identified another \$1.6 billion of needed expenditures on Non-Recurring Maintenance (NRM), such as repairs to roofs, replacement of windows, and upgrades to mechanical or

electrical systems to make up for the lack of funding for NRM in previous years.

A separate review of the Veterans Affairs system for handling disability claims, which presented initial findings at a March 13, 2007 hearing before the House Committee on Veterans Affairs, Subcommittee on Disability Assistance and Memorial Affairs, found a system on the verge of breakdown with a backlog of 600,000 disability claims.

The Pandemic and All-Hazards Preparedness Act, S. 2678, was signed into law on Dec. 19, 2006. It mandates and assigns 2007 funding to several programs which could spur development of human and physical resources for medical emergency purposes, and which could be scaled up as required, including: providing \$22 million to fund the development of the Medical Reserve Corps of volunteers, both health-care professionals and others, who would serve in the event of a large-scale medical emergency; expansion of the Epidemic Intelligence Service Program, adding 20 more officer positions in 2007 for underserved areas for graduates of the Career Epidemiology Field Officer Program; funding to establish Centers for Public Health Preparedness at qualifying public health schools (\$51 million); development of strategies and mechanisms for surge capacity for hospitals and other facilities (\$474 million); establishment of a Biodefense Medical Countermeasure Development Fund (\$1.07 billion) to facilitate development of new medicines and vaccines, and including the ability to establish new research centers to develop vaccines and other countermeasures.

The Commerce, Justice, and Science Appropriations Bill for 2008, H.R. 3093, passed on July 26, raises NASA's FY08 budget to \$17.6 billion, a level that is \$1.3 billion above the 2007 appropriation, and \$290 million more than the President's FY08 request. A strong bipartisan effort garnered the approval, on July 4, of the Senate Commerce, Justice, Science Appropriations Subcommittee for a comparable \$17.5 billion FY08 funding level for NASA.

Despite the Administration's public commitment to the space program, in the form of the 2004 Vision for Space Exploration initiative, which sets goals of returning men to the Moon, establishing a base there, and later mounting manned missions to Mars, the White House has refused to adequately fund it. The five-year projection of the budget needed annually by NASA to meet the program's major milestones, proposed by the Administration and passed by Congress in 2005, has been underfunded by more than \$1 billion per year.

With a clear understanding that the science-driver effect of the space program increases productivity throughout the entire physical economy, especially in technologies and designs of infrastructure, and creates future generations of scientists and engineers, the increase in this budget can play a major role in spurring economic recovery.

The Economic Recovery Act of 2007

This draft legislation is being circulated to Congress by the LaRouche Political Action Committee (LPAC).

1. TITLE: THE ECONOMIC RECOVERY ACT OF 2007

2. FINDINGS

Congress finds the following:

A. America's vital economic infrastructure, once unparalleled after the work of President Franklin Roosevelt's administrations and war mobilization, has been neglected for decades and deprived of significant investment. U.S. infrastructure is undergoing a manifest breakdown, with loss of economic productivity and increasing danger to life and limb of citizens.

This is occurring at the same time that the credit markets are in a crisis threatening general collapse, as a result of years of unbridled speculation in consumer and corporate debt bubbles. The United States requires, immediately, massive investments—on the order of *hundreds of billions of dollars annually*—in a new, high-technology national economic infrastructure.

B. There exists no prospect for private capital investment in infrastructure on any significant scale. This private capital liquidity itself, increasingly, does not exist; it was based upon speculation in debt bubbles. And when it did exist, until recently, in apparently huge volumes for investment, the rates of return demanded by this global ocean of speculative capital did not allow its investment in economic infrastructure.

"Public-Private Partnerships" have not built any infrastructure; they have merely purchased infrastructure that the people of the United States and the several states had built—and looted it for its cash streams.

Modern infrastructure requires investments through the emission of Federal credit at 1-2%, no more, with a long-term maturity, though not as long as the economic life of the infrastructure it is building.

C. Government may thereby reactivate, under private contracts, the private sector's potentials to contribute to infrastructure building—not via Wall Street; the City of London; Greenwich, Connecticut; and the Cayman Islands—but in the auto industry's endangered machine-tool capabilities, those of the aerospace sector, the power and steel industries, the construction industry and its workforce, and so forth.

That is the included purpose and intention of this Act.

D. The United States suffers a worsening crisis in its public infrastructure. This breakdown is clear: in the failure of water control, transportation infrastructure, and power infrastructure in the Gulf states during Hurricanes Katrina and Rita; in the long heat-blackouts of hundreds of thousands in major cities in Summer 2006 due to failure of obsolescent power distribution networks and inadequate power capacity; in the lack of refinery capacity and dependence on oil imports; in the spread of freshwater crises throughout the Western half of the country in the past decade.

The United States lacks railroad and mass transportation infrastructure, with shrinking air travel grids; its electric power infrastructure is falling behind under deregulation; it has lost fossil water and freshwater supplies for irrigation, and has inadequate drinking water supply in rural regions; its water control—especially upstream dams—and river navigation infrastructure are obsolescent; it has insufficient port and landside port-rail infrastructure; and insufficient hospital infrastructure for any serious public health crisis. This is given only a minimal estimate in the American Society of Civil Engineers' "infrastructure report card" which estimates the need for \$1.7 trillion in investments merely to repair and replace obsolescent and broken-down infrastructure.

1. Each \$1 billion of Federal funding invested in new, modern infrastructure creates approximately 50,000 jobs and \$6 billion in economic activity.

2. States, cities, transit authorities, airport authorities, and other entities have thousands of ready-to-go infrastructure projects, which will create long-term capital assets for the United States and which can help stimulate the nation's economy.

- E. Under the impact of "globalization," there is a massive and ongoing loss in the machine-tool capabilities of the U.S. economy. This danger is centered in the accelerating "outsourcing" and shut-downs of plants in America's most important and versatile machine-tool industry, the auto industry. Eighty million square feet of auto capacity are being closed and machinery auctioned off over the 2006-08 interval, more capacity lost than in the last 30 years combined. Sixty million square feet of aerospace/defense capacity are closed and machinery auctioned off since 1990. U.S. consumption of machine tools is only 60% of the 1980 level; of that consumption, 60-70% are imported machine tools; much of this stock, in turn, is being destroyed or sold off overseas as plants are closed; machining vital to national security, including defense and aerospace production, has been and is being outsourced.
- F. The machine-tool sector is the core of an industrial economy where scientific and technological ideas are turned into new economic reality. If the U.S. auto-manufacturing industry is destroyed, the U.S.A. becomes a virtual "Third World" nation overnight. The nation's machine-tool design capability, most of which is tied up in the U.S. auto-

manufacturing and supply firms, is lost. The loss of the tool-making and closely related capabilities of that sector of industry would cause incalculable, chain-reaction consequences, within our nation, and also the world at large.

The loss of auto and auto-parts plants means an economic disaster, approaching ghost-town proportions, for entire towns, counties, and cities, even states of the union, which are already highly vulnerable.

The loss of employment of that machine-tool design segment of that part of the labor-force, means many times that number of skilled and unskilled employees out of jobs.

- G. We must replace that work immediately with a switch to other categories of technologically very high-grade products which the auto industry's machine-tool capacity is uniquely qualified to design and produce. The alternative mission for this purpose is chiefly in the category of needed, new economic infrastructure.

3. PURPOSES

Congress adopts the following purposes:

- A. To create a National Infrastructure Bank, with a long-term capital credit capacity of up to \$5 trillion.
- B. To reverse by Federal investments the neglect, decay, and deregulation of critical economic infrastructure of the United States; and to foster the building of projects of a new national infrastructure using 21st-Century technologies of transport, power, navigation, water purification, and others.
- C. To prevent the wholesale loss of the U.S. machine-tool sector, particularly the auto industrial-machine tool sector and its skilled workforce; since it is rapidly being lost, Congress must act with speed and force.
- D. To preserve a national strategic machine-tool design and production capability and associated skilled workforce, from among auto industry plants otherwise being idled and discarded and their production outsourced by the automakers.
- E. To save skilled and industrial jobs, and to create new such jobs, by retooling these idle plants and capacity, to machine and produce the bill of materials for infrastructure projects in power, rail, transport, water management, and energy; to create many tens of thousands of semi-skilled and unskilled construction jobs indirectly, through the construction projects involved in the building of new infrastructure.
- F. Congress adopts for these purposes, the model of functioning of the Reconstruction Finance Corporation (RFC). and its amendment, the Defense Plant Corporation (DPC) Act of 1940.

4. TITLES:

Title 1. A National Bank for Infrastructure is created, under the Constitutional authority of the Congress and the De-

partment of the Treasury to emit credit and currency for purposes of promoting the General Welfare of the citizenry.

Title 2: Infrastructure. The National Bank for Infrastructure shall fund and carry out, and may aid other public agencies or corporations and state or local government agencies in carrying out, projects of new, modern economic infrastructure including a) passenger and freight rail transportation, including regional and national high-speed rail corridors, magnetic-levitation trains on priority routes, and light-rail and mass transit systems; b) electric power production, including third- and fourth-generation nuclear power plants, and electric power distribution systems; c) freshwater purification and desalination infrastructure, d) modern water-control and water-management systems; e) ocean ports and inland navigation freight-transport systems; f) hospitals and public health infrastructure.

Title 3: Funding of the National Bank for Infrastructure. The Bank shall be provided a capital-budget stock by issuance of 2%-interest, long-term special-purpose bonds by the Treasury to the Bank, for discounting at Federal Reserve banks. The corporation shall be under the authority of the Secretary of the Treasury.

A. The authorization of issuance of credit from the Treasury, through issue of special-purpose bonds to this Corporation, is up to a limit of \$200 billion in each of Fiscal Years 2008 through Fiscal 2011; and \$300 billion in each of Fiscal Years 2012 through 2016.

Title 4: Board. The National Bank for Infrastructure's Board of Directors shall include the President; the Secretary of the Treasury; the Deputy Secretary of the Army for Civil Affairs; and the Secretaries of Transportation, Agriculture, Energy, Education, Labor, Housing and Urban Development, and Health and Human Services.

Title 5: Federal Infrastructure Plants Corporation. A Federal public corporation is created, the Federal Infrastructure Plants Corporation, to assume control of, and operate—directly or by contract—the discarded and unused plant-and-equipment capacity of the automobile/auto supply sector; and other unused industrial facilities, military bases, or shipyard facilities.

A. The Corporation is authorized 1) to produce, acquire, and carry strategic machine tools and other industrial machinery needed to produce the bill of materials for infrastructure projects; 2) to purchase and lease land, to purchase, lease, build, and expand plants, and to purchase, and produce equipment, supplies, and machinery for the manufacture of bills of materials for new eco-



EIRNS/Andrew Spannaus

An abandoned steel plant in Bethlehem, Pa., 1999. Such wasted potential exists all around the country, and needs to be restored and modernized to meet the needs of a massive infrastructure buildup.

nommic infrastructure; 3) to lease such plants to private corporations to engage in such manufacture; and 4) to engage in such manufacture itself.

B. The Corporation may make loans to, or purchase the capital stock of any corporation for the purposes of Title 3A.

C. The Corporation is further authorized to contract with state or local agencies wishing to use idled auto plants and machinery for infrastructure projects, subject to Title 5D; or to contract with firms wishing to lease auto plants and machinery for such contracts, subject to Title 5D; or to purchase auto product lines and auto-supply product lines where necessary to prevent loss of industrial employment to foreign producers.

D. Contracting and Employment: The state, local agencies, or contractors are required 1) to maintain all plant facilities open and in repair, and at least maintain work levels, 2) to provide for preferential hiring of members of the pre-existing workforce who want to continue to work at the plant facilities, 3) to be subject to Davis-Bacon rules for Federal contracting, 4) to spend 90-95% of issued funds within two years of commencement of the project.

Title 6: Engineering Survey of Plants and Facilities. An engineering survey of these plants and other facilities shall be carried out by the U.S. Army Corps of Engineers (USACE) within six months of enactment of this Act, to determine and plan for their potential employment in producing the bills of materials for modern infrastructure projects.

The Scope of the U.S. Infrastructure Deficit

by the *EIR* Economics Staff

The Aug. 1 collapse of the I-35W bridge over the Mississippi River in Minneapolis, is the most dramatic and recent event of a process of decades-long deterioration of U.S. infrastructure. To provide an overview of the rebuilding tasks, we present here a snapshot of the dimensions of the decay and danger of bridges, dams, and a selection of other categories of infrastructure, with references.

The American Society of Civil Engineers has estimated that \$1.7 trillion is required merely to stabilize the condition of core infrastructure. If all the needs are factored in—including new water supplies, a modernized continental rail system, a nuclear power-based electricity supply, and so on—the costs then add up to \$8-9 trillion.

Bridges, Highways, and Roads

There are a total of 592,473 road bridges in the United States, of which 26%, or 155,144 are deemed “structurally deficient and/or functionally obsolete,” according to the latest Bureau of Transportation statistical data. The office of Minnesota Congressman James Oberstar (D), chairman of the Transportation and Infrastructure Committee of the House, reports that up to 30% of the nation’s bridges that receive Federal funds have been deemed structurally deficient to some degree. Oberstar has scheduled a hearing Sept. 5 on the crisis, and has posted charts for review on the status of bridges, 1990-2006. His Committee website provides data on the classification of bridges by state, with a map for each Congressional District, as of 2003 (<http://transportation.house.gov/bridgемaps.shtml>).

The map of outmoded bridges (**Figure 1**) shows that 40 states have at least one in five bridges in the category of “structurally deficient and/or functionally obsolete” as of 2006. Of these, 11 states have more than 30% in this condition. And 4 states—Pennsylvania, Massachusetts, Hawaii, and Rhode Island—

plus the District of Columbia, have more than 40% of their bridges classified as decrepit.

In the absolute number of deficient bridges, Pennsylvania ranks highest in the nation. Of its total of 25,000 state-owned bridges, 6,250 need rehabilitation or replacement. In contrast, the state of Minnesota, where the Mississippi River bridge collapsed Aug. 1, ranks in the relatively “good” category, with only 12.2% (1,586) of its bridges considered in need of refurbishing or replacement. (Data on bridges are kept by the Bureau of Transportation Statistics at <http://www.bts.gov>.)

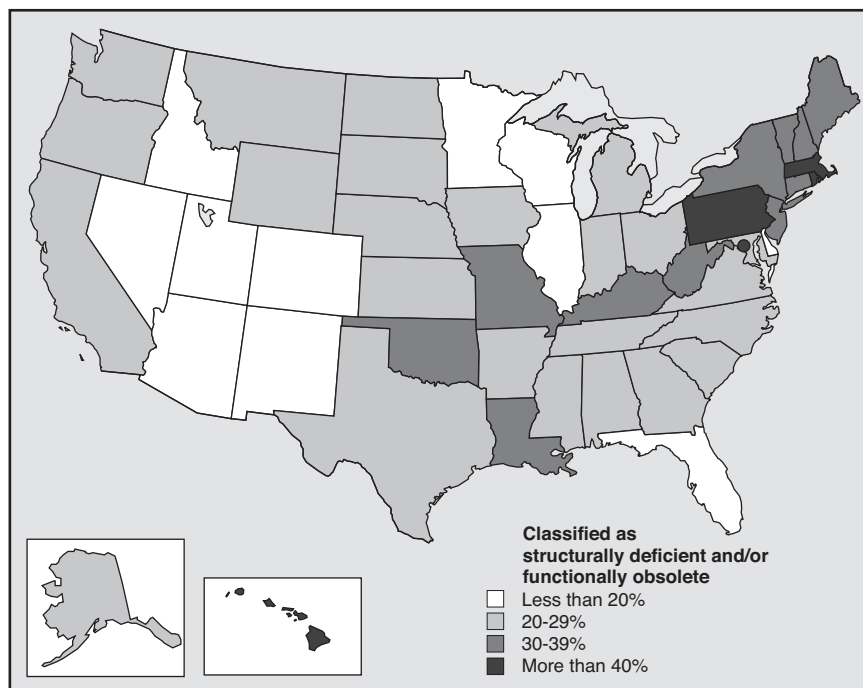
There are 756 other bridges in the country of the same vintage and design as the 40-year old I-35W bridge that collapsed in Minneapolis.

The U.S. Department of Transportation currently estimates that there is a \$461 billion backlog of needed road, highway, and bridge repair and improvements. The American Society of Civil Engineers, and the American Association of State Highway and Transportation Officials keep estimates on the loss to the economy from poor road conditions. For example, U.S. motorists spend at least \$54 billion a year in repairs and operating costs because of poor road conditions.

Railways

The U.S. rail system is a bare skeleton of its past operations, where route density peaked in the 1920s. Just taking

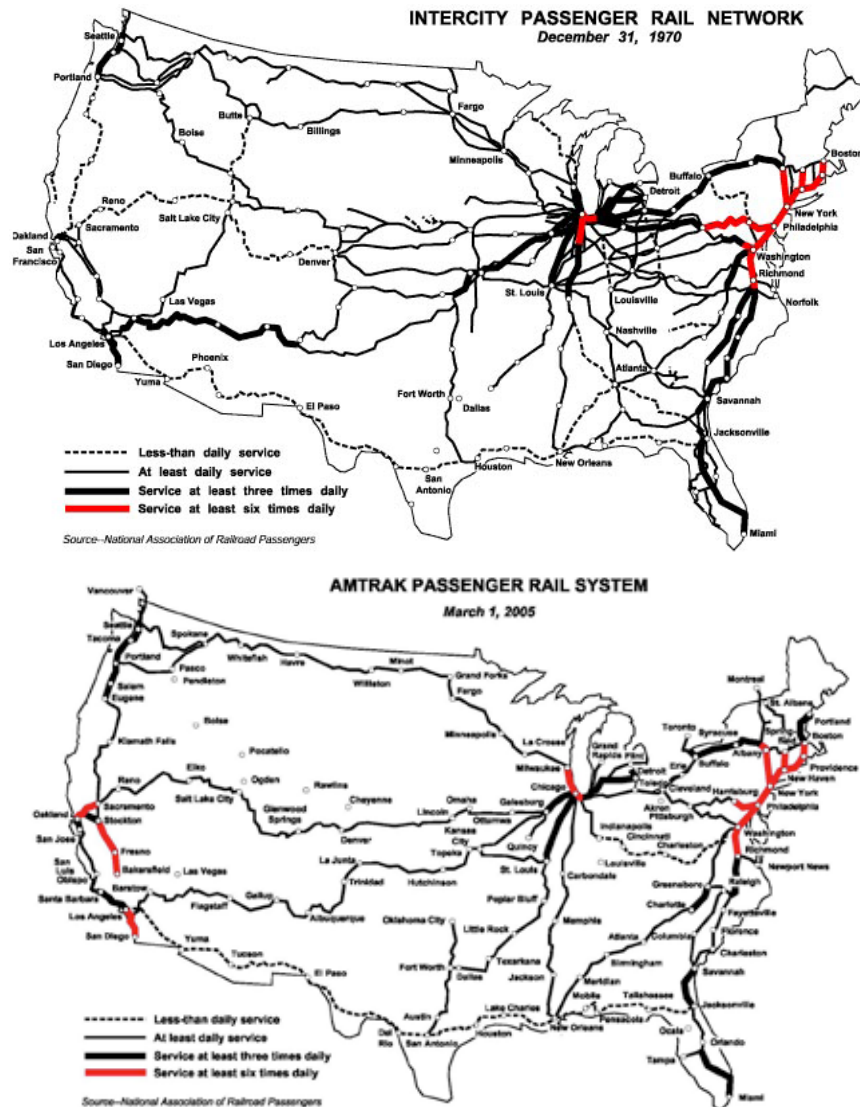
FIGURE 1
In 40 States, 20% or More of Bridges Need Repair or Replacement



Source: U.S. Bureau of Transportation Statistics

FIGURE 2

National Passenger Rail System Halved, 1970-2005



Source: National Association of Railroad Passengers; Amtrak.

In 1970, when Amtrak came into being, relieving freight railroads of their unwanted passenger rail services, the system's passenger route-miles had already been reduced from 88,717 miles in 1962 to the 44,020 pictured here. The Federal government and certain Wall Street "reform" advocates kept Amtrak on a starvation diet, resulting in a further takedown of the system as well as cannibalization of rolling stock and rail infrastructure, leaving a sparse passenger rail system. The 2005 map shows the remaining 21,807 route-miles left, a cut by half since 1970. Whole regions of the country are no longer served by rail despite increased demand for rail service.

the 20-year period from 1980 to 2000, here are the dimensions of contraction:

- A decline in Class I track mileage from 164,822 in 1980 (already far below its length of 229,530 route-miles in 1922), to 99,250 in 2000.
- A decline in the railroad workforce from 458,000 in 1980, to 168,000 in 2000—a drop of 63%.

- A 29% drop in the number of locomotives, from 28,094 in operation in 1980, to 20,028 in 2000.
- A 52% drop in freight cars in use, from 1,168,114 down to 560,154.

Figures 2a and 2b show the contraction in Amtrak passenger rail routes.

In addition to the shrinkage of the rail system, the condition of what remains is also inadequate, as the accident rate shows. In 2006, of 2,903 rail wrecks, 1,043 were caused by track defects.

The buildup that is required should be the occasion to shift to high-speed rail corridors, including magnetically levitated rail on priority lines.

Dams

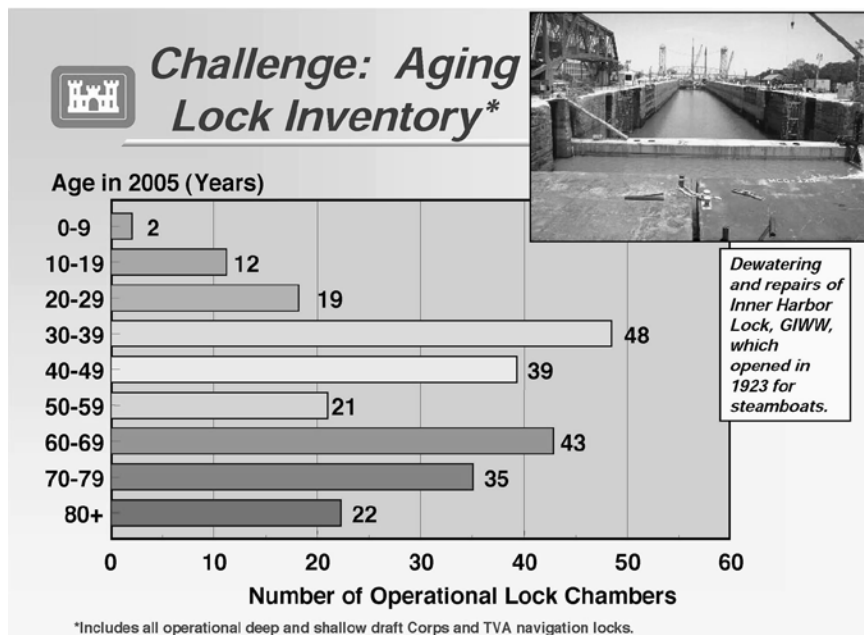
The nation has 82,642 dams recorded in the National Dam Inventory, serving purposes of flood control, navigation, hydroelectric power, irrigation, recreation, water supply, wildlife habitation, fire control, and other uses. The average age of these dams is 49 years, with tens of thousands of dams over 60 years old. Nearly 30% of dams are classified as hazardous—either high hazard (11,881) or significant hazard (13,549). The remainder, 57,194, are designated low hazard. The degree of hazard refers to the danger, especially threat of loss of life, to what is downstream. (A high-hazard dam can be one in decent condition, but at a site where there are many people residing downstream).

Of the 30,000 dams considered to be in some category of hazard, 3,000 are considered as actually unsafe. The "Report Card" of the American Society of Civil Engineers gives dam safety overall a "D," partially because of the lack of funding available to deal with these unsafe structures. In 2002, an estimate of \$10 billion was given by the Association of Dam Safety Officials for what it would have taken then to rehabilitate the most

critical high-hazard dams.

More than 70,000 dams are regulated by the dam safety officers of the 50 states. Various authorities have responsibility for the dams: Federal (3,382), state (4,189), local government (16,497), public utility (1,703), private (53,166), and some others. The Agriculture Department has 10,000 upper watershed dams. The U.S. Army Corps of Engineers' Nation-

FIGURE 3



Source: U.S. Army Corps of Engineers.

FIGURE 4



Source: U.S. Army Corps of Engineers.

al Inventory of Dams is available at: www.tec.army.mil/NIDpublic

Of the dams tracked by the Association of State Dam Safety Officials, there are many causes of failure:

- 34% fail because of overtopping, from inadequate spill-

way design, debris blockage of spillways, or settlement of the dam crest.

- 30% fail because of foundation defects.
- 20% fail because of piping (internal erosion caused by seepage). Seepage often occurs around hydraulic structures, from animal burrows, vegetation, cracks, and so on. See www.damsafety.org.

Navigable Waterways

The need to upgrade the aging installations of locks and dams on the U.S. waterways, is indicated in **Figure 3** showing the aging of the lock inventory. **Figure 4** shows the map of the 12,000-mile system maintained by the Army Corps of Engineers. There are lock chambers in use that are over 80 years old. The backlog of Army Corps waterways work is well over \$3 billion.

Water Supply, Sewage Treatment

The United States has 54,000 community water supply systems and 16,000 publicly owned sewage treatment operations. All these systems are aging, and there is a huge repair and replacement deficit. In New York City, for example, there are water mains that are more than 150 years old, and they rupture with regularity.

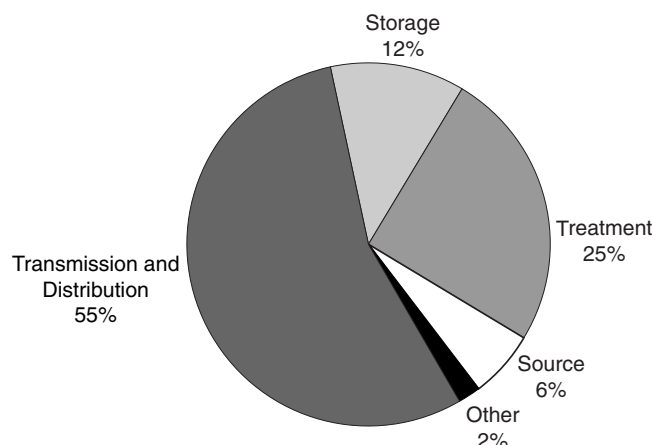
There is also a need to provide new systems because of the 30 years of sprawl associated with real estate speculation, where housing has been located in areas with no central sewage infrastructure. In the former cornfields of suburban Washington, D.C., fecal bacteria counts in streams and run-off has reached the stage of a public health threat.

Replacing aging urban systems is going at a snail's pace. On July 16, 2007, the United States Conference of Mayors released the results of a study conducted by the Mayors' Water Council that showed that 48% of American cities are on a water and sewer pipe replacement

schedule of 20 to 100 years, and between 18% and 23% of cities are on a replacement schedule that will exceed 100 years. The estimated cost of overcoming the crisis, by making the repairs in the next 20 years, is in the range of minimally \$300 to \$500 billion.

FIGURE 5

Pipes and Mains Are Biggest Area of 20-Year Restoration Projects for U.S. Drinking Water Systems



Source: Environmental Protection Agency Drinking Water Infrastructure Needs Survey, 1999.

The breakdown of those waterworks components in need of repair is shown in **Figure 5**. A 2003 study by the Congressional Budget Office concluded that over a 20-year period, it would require between \$178 billion and \$331 billion in pipe replacement costs alone.

The situation is urgent. The nation's capital is typical. The Washington Suburban Sanitary Commission, which maintains freshwater and sewer pipes for two counties outside the District of Columbia—Montgomery and Prince George counties in Maryland—reported that during February 2007, there were a stunning 477 water main breaks—16 per day. Sixty percent of the system's 5,300 miles of pipe is 30 years or older; another 25% is 50 years or older. With its current meager funding, the Washington Suburban Sanitary Commission will get around to replacing each mile of pipe only once in every 200 years!

Schools

A survey completed in 2006 by the American Federation of Teachers (AFT) concluded that tens of thousands of public schools urgently need repairs, renovation, modernization, or new construction because of health problems and overcrowding. Nearly 20 years ago, the AFT

called for a Marshall Plan to upgrade public schools, because as Federal funds were dwindling, schools were deteriorating. This didn't happen.

A Government Accountability Office report in 1995 concluded that at that time 25,000 public schools needed extensive repair and replacement, and that it would take \$112 billion to bring existing buildings into conformity with the minimum building standards. The same report concluded that the air was unfit to breathe in nearly 15,000 public schools. As of 2004, 8.5% of schools had exceeded their physical space capacities, according to a report that year from the National Center for Education Statistics of the Department of Education.

In its 35th Annual "Maintenance and Operations Cost Study," American School and University found that in 2006 the median school district spent 7.58% of its total expenditures on maintenance and operations, well below the 9.59% spent ten years earlier.

In 2005, the American Society of Civil Engineers gave a "D" grade to American schools on its "infrastructure report card." The Society noted that in 2000, \$268 billion was the expenditure necessary to bring schools into conformity with standards, according to the National Education Association estimates at that time. A 2006 AFT survey of what is needed for schools, "Building Minds, Minding Buildings," is available at www.aft.org.

Hospitals and Medical Equipment

The decline in the number of hospitals and the decrease in the ratio of hospital beds per 1,000 persons has reached the stage of crisis in many inner-city and rural areas. **Figure 6** shows that in 1980, 22 states were above or at the

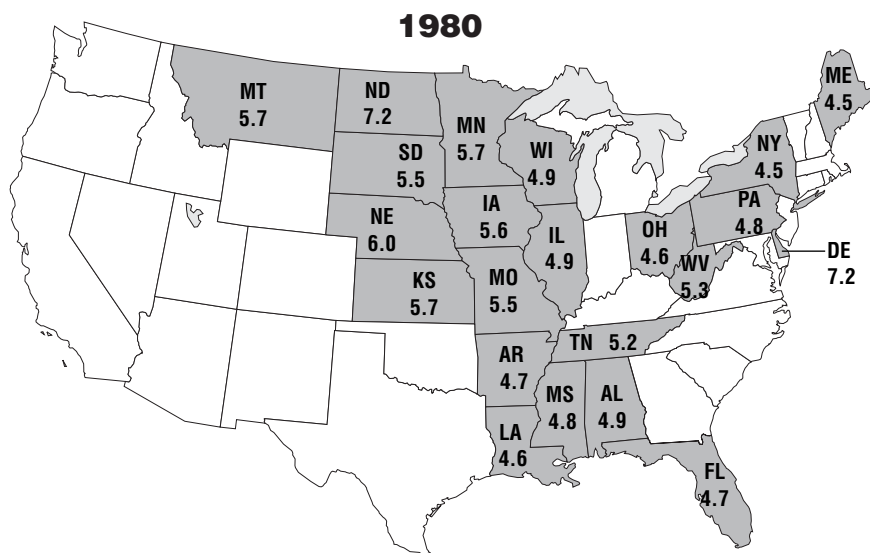


West Virginia Rural Water Association

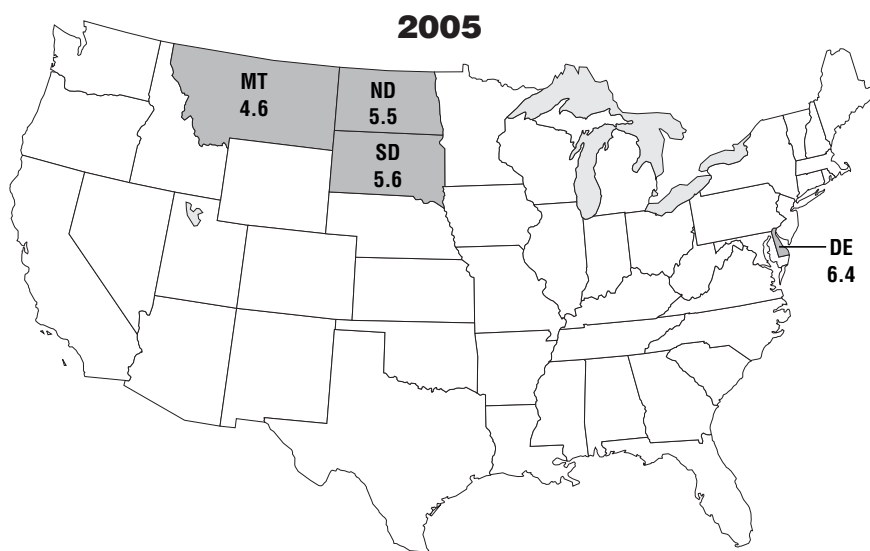
A flood in West Virginia in 2002 opened up this enormous sinkhole in a road. The U.S. Department of Transportation estimates that there is currently a \$461 billion backlog of needed repairs and improvements of roads and bridges; the poor condition of infrastructure costs motorists billions per year.

FIGURE 6

Hospital Bed Ratios Decline, 1980 to 2005



Sources: U.S. Statistical Abstracts; EIR.



Sources: U.S. Statistical Abstracts; EIR.

The 1946 Hill-Burton Act mandated the construction of and staffing of hospitals based on a county-by-county survey of the population's health-care needs. It set a ratio of 4.5 to 5.5 beds per 1,000 inhabitants as a baseline. In 1980, 22 states met this standard; but by 2005, the number had declined to only four!

desired level of the ratio of 4.5 hospital beds per 1,000 persons. This is the "Hill Burton" standard, named after the 1946 law, "Hospital Survey and Construction Act"—co-sponsored by Rep. Lister Hill (D-Ala.) and Harold Burton (R-Ohio). Under this law, the U.S. hospital system was built up over the 1950s and 1960s, through Federal, state, and local funding, to have public hospitals in nearly all the

nation's 3,000 counties, and have a beds-per-1,000 persons ratio of 4.5 in urban areas, and 5.5 in rural areas.

Figure 6 shows that in 1980, most states were near this level. From 1958 to 1980, there was an increase of 583 community or general acute care hospitals, and 378,000 staffed community hospital beds. However, since 1980, there has been a dramatic reduction, to the point where only four states are at the "Hill Burton" standard. Hundreds of counties have lost their public hospital altogether, or their hospitals have been downgraded to a "critical access" operation, where they receive patients and ship them elsewhere for treatment.

Likewise, the availability of diagnostic and treatment equipment have declined for much of the population. Beginning in January 2007, Bush Administration cutbacks in Medicaid reimbursement payments for imaging technologies began to reduce the availability of lifesaving diagnoses of all kinds—MRI, CT, PET, DXA, and ultrasound scanning. This came on top of losses already under way. From 2001 to 2004, the number of mammography facilities nationwide decreased 6%, from 9,306 to 8,786. Forty states lost facilities during this period, and as of October 2004, 865 counties—one-fourth of the counties in the country, containing 3.4% of the U.S. population—had no mammogram machines.

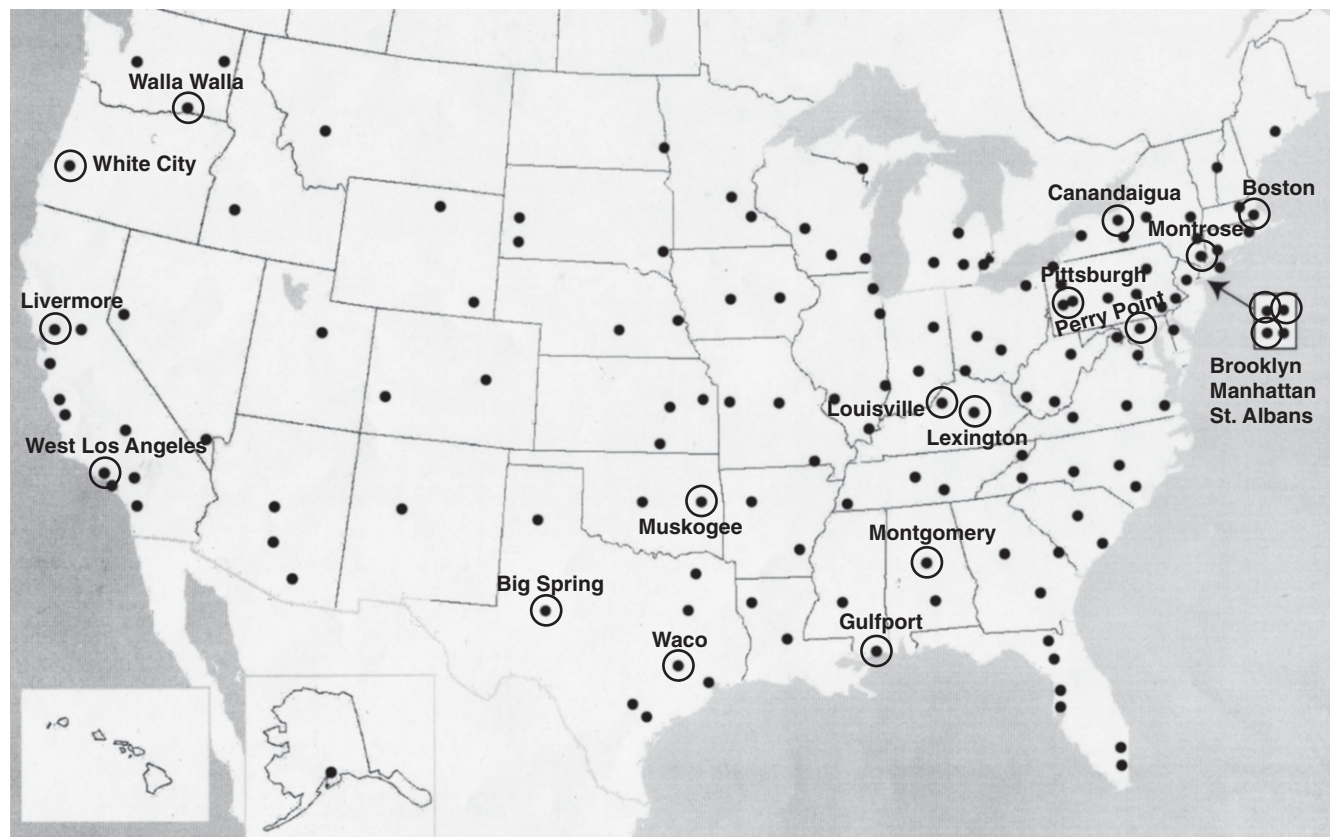
Disaster Response, Medical Emergency Services

In 2006, the Institute of Medicine of the National Academy of Sciences released a three-volume report which concluded that the United States emergency and trauma care system is "at the breaking point." A 2003 report by the Centers for Disease Control and Prevention found that emergency rooms in hospitals

diverted more than 1,300 patients a day, 365 days per year. The number of emergency departments in operation nationally decreased by 38% between 1995 and 2005. At the same time, the use of emergency rooms over this period increased by 20%, as much of the population came to be impoverished and without health insurance. The American College of Emergency Room Physicians warns that there is next to no

FIGURE 7

The Bush Administration's Plan To Close 19 Veterans Hospitals



Source: Department of Veterans Affairs, CARES Decision, May 2004, Office of the Secretary; www.va.gov.

The dots show most of the nation's 160 major Veterans Affairs Medical Centers. In February 2006, the 19 sites circled were placed on the Bush-Cheney Administration's short list for closure, relocation, or downsizing. The Iraq War has created increasing demand for health care for veterans, even as the availability of that care is being slashed.

capacity to deal with surge demands of bioterrorism, or natural threats, like the next influenza pandemic.

Veterans' Medical Care

The Veterans Health Administration is the largest direct provider of medical care in the nation, and it needs to be expanded, both for its unique mission, and as part of the overall medical base of the nation for emergency surge capacity, as in the Katrina disaster. The VA is now receiving a growing number of wounded returnees from service in Iraq and Afghanistan; also there are thousands of other veterans flocking to the VA because private insurance options have been withdrawn or have become unaffordable. Parts of the system are overwhelmed. As of March 2007, there was a backlog of 600,000 disability claims that had not yet been processed. **Figure 7** is a national map of 160 VA hospital sites, 19 of which were targeted for shutdown. A de facto construction moratorium was begun in 2001 under the Capital Asset Re-

alignment for Enhanced Services (CARES) process, which has had a terrible effect. The recent national scandal of the poor conditions at the venerable Walter Reed Hospital in Washington, D.C., makes the point. The number of VA hospitals and specialty centers should be increased, not decreased, and the whole system must be upgraded. In July 2004, then VA Secretary Antony Principi testified to a House Committee hearing that approximately \$1 billion a year for the next five years was needed to modernize the VA medical infrastructure.

The Veterans Coalition "Independent Budget" estimate for FY 2008 calls for \$1.602 billion in funding for major construction projects, and another \$541 million for minor construction projects. On top of this, another \$1.6 billion is needed for nonrecurring maintenance, such as upgrades of electrical systems, roof repairs, and so on, to make up for the lack of funding for such maintenance in previous years.

Build Rail, Maglev for Fast, Safe Transport

by Richard Freeman

“The investigators into the Minneapolis bridge collapse still haven’t looked at a major primary cause,” declared Hal Cooper, a rail and transportation consultant, Aug. 6. “That cause is that bridges and highways are handling traffic volumes and loads far beyond what they were originally erected to handle; the principal problem comes from the increasing load of heavy trucks, which damage roads and bridges. If you drive, you see that east of the Mississippi, the trucks are everywhere.”

The unpostponable response to the Aug. 1 collapse of the I-35W Minneapolis bridge must be a crash mobilization to construct tens of thousands of miles of electrified rail in the United States, initially high-speed rail, but moving as quickly as possible to magnetically levitated (maglev) trains. For certain, the nation’s bridge system must be repaired and upgraded to scrupulously observed high standards. But our national highway system, as a mode of transport, is inefficient and backward relative to modern rail. Tens of billions of tons of freight must be taken off the roads, and put onto rails.

The move away from railroads began at the end of World War II, when the financier oligarchs, in alliance with the oil cartel, the highway lobby, and real estate interests, enforced a policy of suppressing high-speed rail and maglev development, in favor of insanely high levels of petroleum-powered truck and car traffic.

A 2002 *EIR* investigative study showed the genesis of the crisis: In 2000, there were 8.74 million heavy trucks bearing freight on the U.S. roads. Further, between 1990 and 2000, the number of miles that each truck logged increased by 48%.

The damage that trucks inflict on roads and bridges is beyond most people’s imagination. The American Association of State Highway Officials (AASHTO), has developed a function for the relation of axle weight (or truck weight) to pavement damage. According to the AASHTO, a five-axle tractor-semi trailer truck, fully loaded and weighing 80,000 pounds, does the same amount of damage to a roadway’s pavement as 10,500 cars, with each car weighing 3,000 pounds. Thus, even though the cars weighed 31.5 million pounds, the single 80,000 pound truck did as much damage. The AASHTO study showed that as the weight of a truck would increase arithmetically, the damage to the pavement would increase by a power function; e.g., increasing the weight of the 80,000 pound truck by one-fourth, increases the damage by 200% (threefold). It is

the concentration of the weight at each axle, that transmits the damage.

Even though current Federal law prohibits trucks carrying loads of more than 80,000 pounds on U.S. Interstate highways, 20 states have drawn up exemptions, through the use of “grandfather” clauses, which permit trucks to carry 90,000 to 135,000 pounds on Interstate highways. This does immense damage, ripping up the top layer of roadways, including those on bridges, creating and widening fissures, while putting excessive stress on their foundations. Impose this truck-load increase on the 158,912 bridges, 26.9% of the nation’s total, which are rated either “structurally deficient or functionally obsolete,” and an increased density of bridge collapse is pre-ordained.

Another key element in the collapse of bridges should be noted: From the mid-1960s onward, a significant number of bridges were not built with sufficient redundancy. Consider, by contrast, the Brooklyn Bridge, designed by John A. Roebling, and completed in 1883. The great suspension bridge was constructed on classical principles, six times stronger than required, to ensure it would support whatever traffic it might have to bear, far into the future. It has now lasted for a century and a quarter (see box).

The Solution: Rail Electrification

To solve this crisis requires the urgent building of high-speed-rail corridors—at travelling speeds for passengers of 150 mph (240 kph) and freight at 90-110 mph (145-175 kph)—and as soon as possible, maglev trains systems. This will produce an enormous upshift in the scientific-intensity and power of the economy as a whole, imparting leaps of productivity, through electrification of America’s rail network (high-speed rail and maglev run on electricity, which is externally generated and transmitted).

Even the best repair and upgrade of bridges—which must be undertaken as a preliminary step—cannot protect them against the inherent destructive effects of increasingly heavy truck-load-volume. And the number of truck ton-miles *will increase by 50-100% over the next two decades*, if highways remain America’s dominant mode of non-coal goods transport. This would intensify the rate of bridge collapse and other problems. The mode must be changed.

The United States has 141,000 route-miles of railroads. In 2005, *EIR* published a study which asserted that the U.S.A. should electrify its rail system in two phases: first, electrifying 26,000 route-miles, and then up to a total of 42,000 route-miles (“Congress’s Mission for Bankrupt Auto: Build U.S.A. Electrified Rail Network,” by Richard Freeman and Hal Cooper, *EIR*, June 10, 2005). While these 42,000 route-miles constitute only 29% of America’s total rail-route mileage, they represent the heart of the system, carrying 65% of America’s freight, and more than 70% of the intercity rail traffic.

The implementation of this would require an all-out mo-

bilization of the economy. According to the study, it requires a tremendous bill of materials, including tens of millions of tons of steel; iron reinforcing bar; cement; vast quantities of wood, and copper, and other metals. Thousands of locomotives and train sets, and a vast number of machine tools. To power this system would require adding new generating capacity of 50,000 megawatts that would generate 383 trillion

kilowatt-hours of electricity per year. As well, tens of thousands of miles of transmission lines would have to be built. The project's construction would employ tens of thousands of workers in new, productive jobs.

To build this would require the adoption of LaRouche's Economic Recovery Act, and its National Infrastructure Bank (see article, this section).

Brooklyn Bridge: Built for the Ages

The Brooklyn Bridge, whose construction began less than five years after the end of the Civil War, stands today in happy rebuke to those who oppose great public infrastructure projects.

At the time of its celebratory opening, on May 24, 1883, the structure, then the longest suspension bridge in the world, was deemed the "Eighth Wonder of the World." Mayor Abram Hewitt declared it be "a monument to the moral qualities of the human soul." It was designed by John A. Roebling, a German immigrant, schooled in the tradition of the Humboldt education reforms, to withstand whatever forces of man or nature would be thrown at it, including storms and hurricanes. Roebling accomplished this by employing classical principles, namely the catenary (the principle used as well in the construction of Brunelleschi's great dome that crowns Florence Cathedral), and the stability of the triangle. The unique feature of Roebling's suspension bridges, including an earlier railroad suspension bridge over Niagara Falls, was the use of diagonal "stays" which were fixed to the towers at one end, and to the roadway, at a right angle, at the other. Its huge towers, with their double gothic arches, were designed to suggest the great cathedrals of Europe.

As today, the budget hawks, austerity mongers, environmental pessimists, et al., were livid. The *New York Times*, on opening day, complained that "the progress that was defined in terms of public works also had its price. It often enriched the corrupt, exploited the weak, and disrupted urban life in unforeseen and undesirable ways."

Roebling, who envisioned a worldwide land-bridge



Brooklyn Bridge ca. 1900.

Library of Congress

connecting the nations of the world, of which the Brooklyn Bridge would be a part, had written earlier, in his *The Harmonies of Creation*:

"Why is this splendid domain entrusted to our care? Is it that we should enslave our brother of a darker color, or that we should employ nature's forces and make them our slaves?"

"When the miserable competition, strife and jealousy that now exist between the different nations will cease and give way to more rational pursuits which will make plenty for all, then we shall go to work with these stupendous forces at our command, and change the face of the desert of Sahara in Africa....

"...[W]e will then go to work on a large scale and sink artesian wells of 1,000 feet deep to water the extensive forests which we are bound to plant in the great basin. This will influence our climate and seasons.

"Nature invites us to do all this and plenty more."

—Bonnie James

Among the benefits of electrified high-speed rail and maglev systems: *Goods and passengers would move two to three times faster than they currently do.*

The U.S. highway system has a series of inherent interconnected characteristics which are destroying it and the U.S. transportation system. Following the passage, in 1956, of President Dwight Eisenhower's Interstate and Defense Highways Act, which built the nation's 42,500 mile Interstate Highway System, the financiers used the highway expansion to feed real-estate speculation, the proliferation of shopping and strip malls, and general suburbanization.

Suburban Sprawl

Over the last 40 years, financial, real-estate, and retail interests made trillions of dollars from this process, spun outward from the highway system. A process of sprawl emerged, called suburbia, instead of the well-organized, planned, and population-dense cities, with factory systems and "downtown" centers for culture and economic activity, toward which Americans had steadily migrated throughout the nation's existence, until that time. Suburbia became a radiating hub for the post-industrial economy.

As a result, today, commuting to work now often takes 1.5 to 3 hours per day (or more), and the "rush hour" has become anything but, as traffic congestion turns highways into extended parking lots.

Now, even eight-lane highways are not enough: Some "urban planners" propose building them to 12 or 14 lanes. Even if the land existed for them, which is doubtful, this makes no sense.

In a petroleum-dependent mode, motor vehicles consume 8.7 billions of gallons annually of ever-more expensive gasoline.

And 24 hours a day, without cease, now more than 9.5 million trucks tear up the top surface of America's roads and bridges, while relentlessly and violently shaking their foundations.

A high-speed rail and maglev system must remove one-third of the freight off the highways. For trucks that carry containers, the containers could be taken off trucks and put on rail. In a process that is in the experimentation phase, entire trucks—cabs and trailers—are being put on trains in one city, transported to another city, and disembarking, so that they handle only the local routes.

In examining the problems within the highway system, some have their heads only within that system, which does not allow them to see how a much better situation could be created. In dealing with bridge collapse, every bridge, without fail, must be brought up to standard. The highway system must be maintained, but for a reduced function. The superior rail system must be assigned greater weight and responsibility. Unless that mission is accomplished, with an accompanying one-third reduction in truck traffic and load, no bridge in America is safe.

If Rohatyn Is In It, It's No Damn Good

by Marcia Merry Baker

The infamous Felix G. Rohatyn once said that his specialty is "new institutions." This euphemism refers to his decades-long interventions in government functions, industry, pensions, and the like, to undercut national interest, and give over control and looting rights to his financial cohorts. From his record of designing and heading Big MAC—Municipal Assistance Corporation—in 1975, which devastated New York City, to his role with George Shultz in promoting "privatizing the military," to his 2005-06 consulting jobs on how to dismember the U.S. auto sector, Rohatyn has consistently acted to subvert the foundations of national economies. He talks the talk of "saving" cities, infrastructure, and manufacturing, by privatizing, re-structuring, re-inventing, public/private partnering, and you-name-it, but he walks the walk of theft and subversion.

The most recent instance of Rohatyn flim-flam, is the introduction into Congress this month, of his "new institution" proposal for a "National Infrastructure Bank Act of 2007." It is basically a national version of the Big MAC that raped New York City.

Beware: Felix Rohatyn is a sex maniac.

On bridges, in particular, New York City researchers are right now diving back into the 1970s Big MAC archives, to get the names, dates, and signatures on Rohatyn's Financial Control Board decrees that cut the maintenance on City-operated bridges. As the Aug. 3 *New York Post* pointed out, the repair negligence that started in the 1970s, is today evident in deteriorated, dangerous spans throughout the boroughs. A 2006 City report found that 84% of the largest crossings remain in poor or fair condition. But Rohatyn calls his Big MAC a success.

Beware: If Rohatyn's name is on it, it's no damn good.

With eerie timing, the "National Infrastructure Bank of 2007 Act" was filed in the Senate (S. 1926) on Aug. 1, the same day as the Twin Cities I-35W bridge collapsed into the Mississippi River during rush hour. The next day, the bill's co-sponsors, Sens. Chris Dodd (D-Conn.), and Chuck Hagel (R-Neb.) were in the media, repeatedly claiming that their proposal would fix such bridges and other decayed infrastructure. Dodd followed the Rohatyn script to the letter, saying that: 1) the FDR-era funding model is outmoded; 2) the post-World War II infrastructure Federal financing model is history; 3) today, neither states nor the Federal government has any money, so therefore, there must be the new, Rohatyn public/private model of financing.

The bill would set up a Federal bank, to sell bonds, especially to pension funds, private buyers, and government entities, and it would constitute a control board to decide on what projects get approved or rejected. The bill's language speaks of "a preference for projects which leverage private financing, including public-private partnerships..." (from the House version).

The bill results from a Rohatyn campaign, beginning in 2004, at the Center for Strategic and International Studies, called Commission on Public Infrastructure. Commission members included Dodd and Hagel, as well as California Gov. Arnold Schwarzenegger (R), former Iowa Gov. Tom Vilsack (D), and officials from banks involved in public/private takeovers of government functions, such as Morgan Stanley.

Rohatyn: 'No' to FDR-Type Funding

On March 27, 2006, Rohatyn and his co-chair of the Commission on Public Infrastructure held a National Press Club event, along with 12 signators of a "Guiding Principles" document for public/private infrastructure funding. When confronted by the LaRouche Youth Movement, and *EIR*'s Paul Gallagher, on whether Rohatyn and the Commission would support the successful model of the FDR years of infrastructure-building, Rohatyn said, "We are not going to do what FDR did. Government and financing have come a long way since Roosevelt; we have state or local financing; we have pension funds; we have the securities markets, the bond markets. We're far away from the methods of the RFC" (FDR's Reconstruction Finance Corporation).

Now the Rohatyn anti-FDR model has finally reached Congress, just as the financial blowout, and infrastructure breakdown have become acute. On Aug. 1, Rohatyn issued a letter of support to Dodd and Hagel, for introducing the new "National Infrastructure Bank Act of 2007." Rohatyn eschewed the terminology of public/private partnerships (PPPs or P3s), since they have gotten such a bad name from the notorious rip-off cases of sale of public assets such as the Chicago Skyway, the Indiana Toll Road, and others, to private profiteers. Rohatyn wrote, with co-author former New Hampshire Sen. Warren Rudman, that the Dodd/Hagel bill will "help re-structure the federal role by allocating costs and financing more fairly and rationally.... The proposed Infrastructure Bank Act also will increase the ability of the private sector to play a central role in infrastructure provision..."

Rohatyn's mentioning of "fairness" and "rationality" is a



EIRNS/Dan Sturman

Felix Rohatyn's latest infrastructure-looting project, the National Infrastructure Bank Act of 2007, would impose corporatist control on the underpinning of the nation, as Mussolini did.

calculated diversion, to attribute today's U.S. infrastructure breakdown to the charge that funds would have been available to prevent this all along, if they had not been unfairly squandered in pork-barrel, earmarked pet projects. This line was followed to a tee by President Bush at his Aug. 8 press conference. The implication is, that a fair, tough, infrastructure-control bank is needed nationally, just like Rohatyn's Big MAC Emergency Financial Control Board, *that axed New York City's vital infrastructure.*

On Aug. 3, the House version of "The National Infrastructure Bank Act," was introduced as H.R. 3401, by Reps. Keith Ellison (D-Minn.) and Barney Frank (D-Mass.), chairman of the House Financial Services Committee. Rohatyn testified to Frank's committee March 23, 2007, saying, "Senator Warren Rudman and I co-chair a commission at the Center for Strategic and International Studies that has been working with members of the House and Senate from both parties on these ideas in which Senators Dodd and

Hagel are heavily involved. We are hopeful that we will see some movement in this Congress." Using the buzz words, "public sector investment," Rohatyn said, "Private capital should be an integral part of the program. Tight outside controls should be applied to the operations of the fund, and it should be subject to the federal debt limit."

Private Funding? There's No Money!

The big, bad joke about the Rohatyn model of "private capital" is that, there is no money! Anyone who is gullible enough, or blackmailed enough, or just stupid enough, to take Rohatyn at his word about how private funding will save the day for public infrastructure, is a goner. The many-splendored bubbles of the financial system are now all blowing out at once, from the mortgage securities bubble, to the yen carry trade, to the leveraged takeover games. Major banks that loaned money for this stuff, are now swallowing billions in bad loans and unsaleable debt. Where's the "private sector" money to come from? It ain't there!

In reality, Rohatyn's talk of funding, and of benefitting private and public interests was, all along, just so much pretense for a grab of control over public assets. The best thing Congress can do now, is to consider the Rohatyn record, and don't be taken in.

Rohatyn's political and financial lineage traces back to the cartels and financial powers of the 1920s and '30s corporatists in Europe. His biographical timeline begins with his training at Lazard, under André Meyer, who was identified explicitly

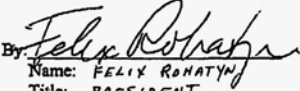
If the foregoing correctly sets forth the understanding and agreement among the Advisors and the Company, please so indicate by signing the enclosed copy of this letter, whereupon it shall become a binding agreement between the parties hereto as of the date first above written.

Very truly yours,

ROTHSCHILD INC.

By: _____
David L. Resnick
Managing Director

ROHATYN ASSOCIATES LLC

By: 
Name: FELIX ROHATYN
Title: PRESIDENT

Accepted and Agreed to as of
The date first written above:

DELPHI CORPORATION

Rohatyn's signature on the May 1, 2005 letter of agreement on the pre-bankruptcy strategy for the looted auto-parts maker Delphi.

by U.S. intelligence in the 1940s, as part of the Hitler-backing financial crowd, called "Synarchists." (See "Rohatyn's Fascist Roots Are Showing," *EIR*, June 30, 2006).

Over the 1960s through 1990s, Rohatyn was a senior officer at Lazard. From 1999 through 2001, he was U.S. Ambassador to France. After that, he resumed at Lazard, then moved to his own Rohatyn Associates, and thence in 2006 to Lehman Bros. His entire career is marked by service to special financial interests, and undermining national economic sovereignty.

The 1975 Big MAC episode reveals his character and intent. Keep in mind that in 2005, at its 30th anniversary, Rohatyn said that Big MAC was, "the most rewarding experience of my professional life. ..." ("The Fiscal Crisis After 30 Years," *Gotham Gazette*, Oct. 10, 2005).

During the early 1970s, New York City, like many other major urban areas, was plunged into a revenue crisis, due to the downshift in the physical economy, from a production base towards a "services" base. With the right policy shift, an economic growth course could have been reinstated. Lyndon LaRouche and some others internationally, had proposals for this.

However, Rohatyn and key financial circles moved to create the scare story that New York City was hopelessly on the verge of bankruptcy, the Federal government would not be prepared to act, and so, Felix Rohatyn, called by New Yorkers, Felix-the-Rat, intervened. In June, he and his backers forced Mayor Abe Beame to acquiesce to a state-legislated Municipal Assistance Board, giving it emergency powers outside the control of the City Council. Almost overnight, deep

cuts were announced in the city workforce, and their wages, in the name of "saving" the city budget and credit ratings, by paying down old bank debt, and newly issued "MAC" debt to bondholders.

Then, Rohatyn wrote a 111-page report demanding still greater, ongoing "emergency powers" for the private banking community to dictate city finances. On Sept. 6, 1975, the "Financial Emergency Act" was rammed through Albany, creating the Emergency Financial Control Board, which exists to the present day. Deeper cuts were made to government functions of all kinds—firefighting, hospital, sanitation, police, roadway and bridge maintenance, anti-drug treatment, and so on.

Felix Rohatyn was the driving force, and headed the Control Board for years. The principle involved was that the private investment in Big MAC bonds, and private control over the city's infrastructure and expenditures, was considered a "public/private" partnership—the calling card of Rohatyn to this day.

In reality, the devastation in the city became manifest even in the soaring disease statistics. During a 15-year, post-Big MAC period, 1979-

93, while the *city population decreased*, the number of deaths attributable to five measured diseases (AIDS, TB, drugs, hepatitis, and syphilis) increased tenfold. These diseases were responsible for 1% of all deaths in 1979; by 1993, it was 10.5%. The death and morbidity rate went up as a direct result of Big MAC's infrastructure-cutting.

A study documenting this was published in March 2006, in the *American Journal of Public Health*, titled, "Impact of NYC's 1975 Fiscal Crisis on TB, HIV, and Homicide." (See *EIR*, Aug. 25, 2006, pp. 40-48, "NYC's Big MAC: Rohatyn's Model for Destroying Gov't.") The health specialists wrote a warning for today's lawmakers on infrastructure: "As city, state, and federal governments again face deficits and propose deep cuts in services, it seems particularly urgent to avoid a repetition of the 1975 decisions that so damaged New York City's health." They singled out Rohatyn by name, writing, "Felix Rohatyn, an investment banker and a chief architect of the Emergency Financial Control Board, noted that as a consequence of the cuts in municipal services, 'the direction and philosophy of a large unit of government were fundamentally and permanently changed as a result of the involvement (some would say intrusion) of the private sector in government.'"

Over the 1980s and 1990s, Rohatyn, at Lazard, was involved in the merger-and-aquisition mania that characterized the downgrading of industry and business under deregulation, outsourcing, and other practices of globalization.

But during the late 1990s, Rohatyn used his position as Ambassador to France, and then post-ambassadorship, to

take his Big MAC model on the road, to try to herd mayors of desperate cities, into selling assets through public/private rip-offs. In January 1999, and then again in April 2002, he addressed the U.S. Conference of Mayors. In April 2000 in Lyon, France, he hosted the “Transatlantic Mayors Initiative,” along with John Kornblum, then U.S. Ambassador to Germany, and subsequently Lazard director there. Rohatyn told the mayors to look to the “European investment” as the solution, namely his Synarchist banking cronies. He threatened that mayors must learn to work in partnership with the private and voluntary sector, and to “compete internationally in new ways,” to find funds for their cities to stay alive. Sell your museums, airports, waterworks, toll roads, housing, etc.

‘Mussolini Infrastructure Grab’

Over the 2000s, Lazard, and the whole swarm of big-name financial houses, moved into making a killing off infrastructure. Joint ventures of all kinds included Macquarie Bank/Macquarie Infrastructure Group—a leading Anglo-Dutch player, Morgan Stanley, Goldman Sachs, and others. The asset-grab was called privatization, or PPIs—public/private initiatives, or other euphemisms.

Nor is Rohatyn just involved in taking over hard infrastructure. On Oct. 9, 2004, he teamed up with George Shultz to address a conference on privatization of national security—i.e., turning the U.S. military into a neo-feudalist mercenary force.

This is the “Mussolini model for infrastructure,” as Lyndon LaRouche called it in 2006. In the 1920s and ‘30s, the Benito Mussolini government was characterized by the most extreme privateering of bridges, ports, housing, and every kind of public works.

In February 2006, Lazard Asset Management launched its own Lazard Global Listed Infrastructure strategy, with a special focus on “North American infrastructure stocks,” that refer to buying up formerly government-owned assets. Lazard’s own description of this, in February 2006, states: “Infrastructure assets are the basic physical systems needed for the functioning of a country or community, including utilities, roads, airports, ports, railroads, and communications systems. Historically, a large component of global infrastructure has been developed and owned by governments, but there is an increasing trend to listed and unlisted public ownership. Infrastructure assets can have attractive investment characteristics, including long duration, low risk of capital loss, and inflation-linked revenues...”

In practice, several projects show what this looting opportunity has meant. Macquarie bought the 15-mile private toll road west of Washington, D.C. in 2005, and will soon charge \$4.80 for a one-way trip. Macquarie is also part of the partnership that bought the Chicago Skyway in 2005, and Indiana Toll Road in 2006, where tolls have been hiked, and staffing cut. There are similar rake-offs from highways in Mexico,

waterworks in Europe, airports, and other infrastructure internationally.

Assault on U.S. Industry

Besides infrastructure, the very means to maintain U.S. industrial society has been raided and dismantled by the Rohatyn networks. This is the story of the U.S. auto/machine-tool sector over the past three years. As of the late 1990s, the Big Three automakers, under Wall Street decision-making, de-structured in various ways. General Motors hived off its heavy industry and parts division from its assembly lines, into a new corporate entity named Delphi; Ford did the same with Visteon. This process, and ensuing changes, shed thousands of skilled workers by outsourcing and downsizing. Then, following the February 2005 announcements of GM’s financial “troubles,” the very continuation of the auto sector was at stake.

It was at this time that Lyndon LaRouche called for Federal intervention to save and re-establish the manufacturing base embodied in the Big Three, and throughout the auto/machine-tool industrial belt. Felix Rohatyn moved personally to consult on how to stop LaRouche, and take the industry down.

On May 1, 2005, Rohatyn signed on as chief architect of the Delphi pre-bankruptcy corporate planning (see p. 24 for his letter of agreement). Rohatyn said in the agreement that he would confer on preparations for “marketing the company” to outside funds. This is the template for what happened throughout the sector. Delphi declared bankruptcy on Oct. 8, 2005.

Rohatyn Associates LLC was officially involved with many other key parts of the embattled industry. They consulted with the United Autoworkers, recommending that they accept sharp cuts in their health care from Ford Motors and GM. They consulted on the pre-bankruptcy strategy for ruining Collins & Aikman, one of the major auto-supply companies.

At the center of the mobilization to save the heavy industry base of the nation, was the LaRouche Political Action Committee (LPAC) “Economic Recovery Act of 2006.” There was an unprecedented number of resolutions from cities and states calling for Federal action, from Cleveland, in May 2005, to Detroit, and dozens of other locations, up to Fall 2006. But Rohatyn et al. strong-armed Congress, especially the Democrats, to refrain from intervening to save auto, despite intense constituency pressure. Now the nation’s manufacturing capacity, as well as its infrastructure, has to be rebuilt on an emergency basis.

Since 2000, 350,000 autoworker jobs, out of the total of 1,350,000, have been eliminated. Over the past 18 months, 110,000 of those were lost. At the time Rohatyn started his official consulting to Delphi, 64 auto plants were slated for shut-down (from the Big Three, Delphi, and Visteon), and now 20 are gone, many just bulldozed.

Rohatyn’s National Infrastructure Bank? If Rohatyn’s name is on it, it’s crap.

Panic Is in the Air as Financial System Implodes

by John Hoefle

Panic is in the air! Jim Cramer declares on CNBC that “Armageddon” is here, and demands the Fed drop interest rates and open the discount window. Floyd Norris reports in the *New York Times* that too many people are heading for the exits at once. Michael Perry, the CEO of mortgage lender IndyMac, declares that the mortgage market is “panicked and illiquid.” Headlines on Bloomberg news tout the LBO (leveraged buy-out) “freeze,” and UBS analyst Daniel Stillit warns of a “significant risk of the LBO driver coming to a grinding halt.” Everywhere you look there are headlines about market turmoil, credit crunches, deals falling through, hedge fund losses, and mortgage foreclosures.

Financial commentator Cramer’s Aug. 3 rant on CNBC, in which he exclaimed that the Fed “has no idea how bad it is out there. None!”—is indicative of the fear which has gripped the financiers and bankers of Wall Street and beyond, as they begin to realize that their financial system is disappearing as fast as darkness exposed to light. “People are losing their jobs and these firms are going to go out of business,” and the Fed does nothing, Cramer screamed. “The Fed is asleep! . . . Cut the rate. Open the discount window. Cut the rate! Relieve the pressure. Relieve the pressure! We have Armageddon! In the fixed-income market we have Armageddon. We have Armageddon. . . . 14 million people took a mortgage in the last three years. 7 million of them took teaser rates or piggy-back rates. They will lose their homes. This is crazy! . . . This is not the time to be complacent!”

The financial markets are in fact facing a form of Armageddon, though not in the way it is presented to the public. The issue is not “credit,” but debt, and the games that have been played to hide the way in which debt has been used to

paper over an economy—and a banking system—which is already bankrupt. The central banks have decided to let a big chunk of the system go, in the vain hope that by sacrificing some, they can save the rest.

Mortgage-Backed Insecurity

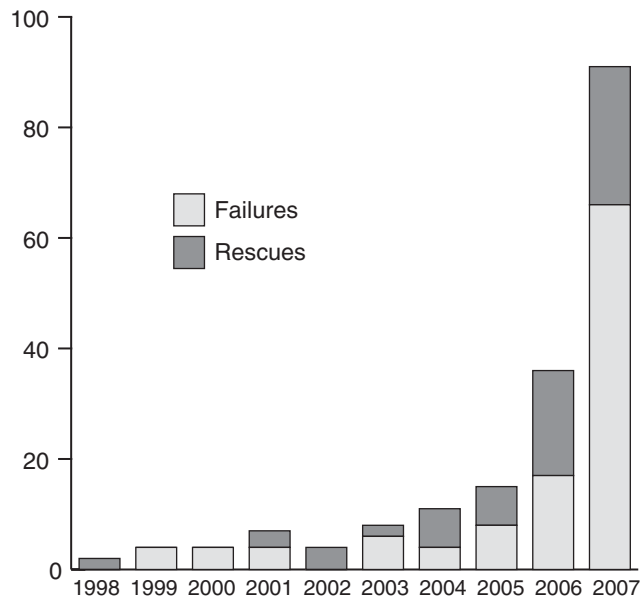
If we are to believe what we read, this growing conflagration started out as a series of defaults on subprime mortgages, which blew out the subprime lenders, which then caused turmoil in the mortgage-backed securities (MBS) market, causing some private equity deals to collapse, and some hedge funds to evaporate, and finally triggering a larger credit crisis. All caused, as CNBC’s Diana Olick so charmingly put it, because “American homeowners got greedy, bottom line.” Once again, the little people have victimized those poor, unsuspecting international bankers, taking their money, then refusing to pay it back. How rude.

The problem with that scenario is that none of it is true: From start to finish, it is a fabrication which turns reality on its head, blaming the victims and presenting the perpetrators as the injured parties. It is the moral equivalent of the rapist claiming, “She asked for it. She made me do it.”

To understand what is going on in the financial markets, and to grasp why the players are so panicked, one must begin with the realization that the U.S. economy has been operating below breakeven for some four decades, as productivity has plummeted and overhead has grown. To cover the difference, we have gone into debt at an accelerating rate, creating huge amounts of debt that can never be repaid. Using a combination of deregulation, accounting trickery, and that fantasy known as the derivatives markets, the bankers magically flipped this bottomless pit of debt into a moun-

FIGURE 1
Failures and Rescues of Mortgage-Related Companies

(Number of Companies)



Source: MortgageDaily.com.

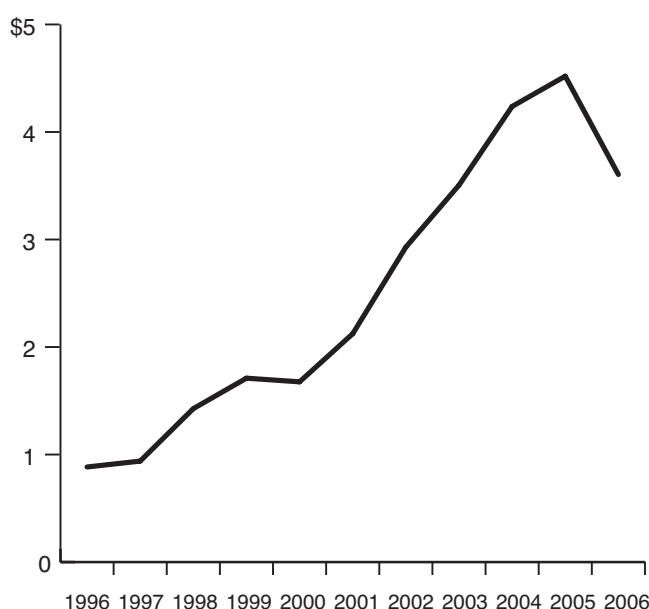
tain of assets, then borrowed even more against them, leveraging and speculating themselves into a pyramid scheme so vast, its size is almost incomprehensible.

One of the schemes the bankers used to keep the game going was the deliberate escalation of real estate prices, since rising real estate “values” created assets which could be borrowed against and speculated upon. The mechanism used was the creation of the mortgage-backed securities market, in which mortgages would be sold by the originators to big banks and financial players; these mortgages would then be combined into pools, and used as the basis for the creation of mortgage-backed securities. Whereas under the old savings and loan system, the mortgage originator would keep the loan until it was paid off, the MBS system allowed the originator to sell the mortgage quickly, and use that capital to make another mortgage. To feed the growing debt bubble being created by the banks, the home-financing system was quickly turned into a mortgage mill, in which the real objective was not to sell homes, but to sell mortgages in ever greater numbers and amounts, to feed the bubble. This “housing market” was in reality a classic pyramid-style debt-farming scheme.

Since this debt-farming scheme requires selling ever more houses at ever higher prices, at the same time that real incomes for most of the population are falling, it became necessary for the bankers to devise mortgage options to fill the growing gap: Lending standards were relaxed, lending terms

FIGURE 2
Flow of Mortgage Funds Drying Up—Net Annual Borrowing for Home Mortgages

(\$ Trillions)



Source: Federal Reserve Flow of Funds.

were loosened to allow lower initial payments, and the sale of overpriced mortgages to people who couldn’t really afford them, continued. The subprime mortgage market was created by the bankers to keep the money flowing into the bubble, and the real victims were the people forced to pay artificially high prices for housing.

This debt-farming scheme produced a large money flow for the banks and the financial system as a whole, from the original mortgages, to the mortgage-backed securities, and the even crazier collateralized debt obligations (CDOs) and similar paper “assets,” all of which could be sold, resold, and used as collateral for further borrowing, creating tens and perhaps hundreds of trillions of dollars of “wealth,” extracted from phony real estate valuations and mortgages which can never be repaid.

Obviously, such a scheme cannot continue forever, as eventually the price of homes must overshoot the capability of the public to pay for them, and that is what has happened. The leading waves of foreclosures have occurred primarily in the cities of the Midwest, which have been devastated by the collapse of industry, and in places like California and Florida, where speculation on real estate has run rampant. With the reduction of the inflow of new mortgage money into the system, the issuance of mortgage-backed securities began to decline. Even more disastrous, from the bankers’ point of view, was that home prices began to fall in many areas, throwing the whole leveraged mortgage bubble into reverse. Since the vi-

TABLE 1

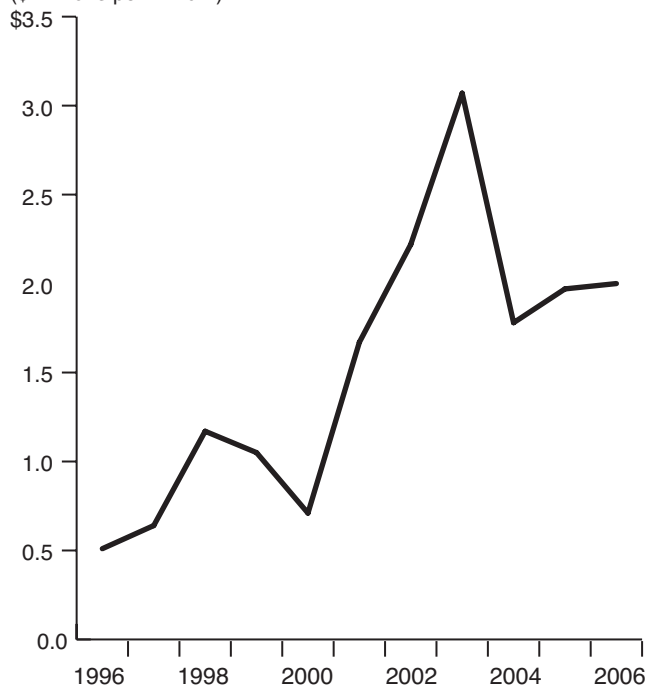
Some of the Companies in Trouble

Company	Problem	Company	Problem
Absolute Capital	Client withdrawals suspended; CDO/ subprime losses	KfW Group	Covering losses at IKB
Accredited Home Lenders Holding Co.	Planned sale to Lone Star Fund in jeopardy	Lehman Brothers	Various subprime/securities/loan losses
AIG	"Mortgage-backed securities, CDO losses"	LoanCity	Closed
Alliance Boots	KKR-led LBO funding problems	Luminent Mortgage	Margin calls
Allison Transmission	Carlyle-led LBO funding problems	Macquarie Bank	Hedge funds hit by subprime losses
American Home Investment Mortgage	Bankrupt; specialized in Alt-A mortgages	Magnum Coal	Bond issue put on hold
Ameriquest Mortgage Co.	Closed all retail offices; new sales through brokers	Massachusetts state pension system	Losses at Sowood
Arcelor Finance	Bond issue put on hold	Maxeda	LBO-related bond issue cancelled
A-TEC	Bond issue put on hold	Merrill Lynch	Various subprime/securities/loan losses
Bank of America	Various subprime/securities/loan losses	MISC BHD	Bond issue put on hold
Barclays	Various subprime/securities/loan losses	MortgageIT Holdings Inc.	Sold to Deutsche Bank
Basis Capital Funds Management	Client withdrawals suspended; declared in default by lenders	Myers Industries	LBO put on hold
Bear Stearns	Hedge fund meltdowns	NetBank Funding Services	Shutting down
Braddock Financial	Closed Galena Street Fund	New Century Financial Corp	Bankrupt
Caliber Global Investment	Closed; subprime losses	OAC Rosneft	Bond issue put on hold
Catalyst Paper	Bond sale cancelled	Oddo & Cie	Closing three funds
Caxton Associates	Margin calls from lenders	Oneida	Bank loan cancelled
C-Bass	Margin calls after writedown; seeking capital	Opteum Financial Services	Shut down some operations, sold the rest
Citigroup	Various subprime/securities/loan losses	Option One Mortgage Corp.	Sold by H&R Block to Cerberus
Commerzbank	Hit by subprime losses	Oreck	Bond sale cancelled
Countrywide Financial	Various subprime/securities/loan losses	Ownit Mortgage Solutions	Bankrupt
DAE Aviation	Barclays postpones loan	Oxygen Media	Bond sale cancelled
Deutsche Bank	Various subprime/securities/loan losses	Quebecor	Bond sale cancelled
Dillon Read Capital Management	Closed by UBS	ResMAE Mortgage Corp.	Bankrupt; sold to Citadel
Dollar General	Private equity deal; terms changed to lure buyers	Royal Bank of Scotland	Various subprime/securities/loan losses
ECC Capital Corp.	Sold mortgage operation to Bear Stearns	ServiceMaster	LBO-related bond sale cancelled
EquiFirst Holdings	Sold by Regions Financial to Barclays	Silverton Casino	Bond sale postponed
First Franklin	Sold by National City to Merrill Lynch	Sowood Capital	Closed after losses
First Gulf Bank	Bond issue put on hold	Stolle Machinery	Bank loan cancelled
First NLC Financial Services Inc.	Closed	Stoneridge	Bond issue put on hold
Fremont Investment & Loan	Shut down mortgage unit	Thomson Learning	Bond sale cancelled; underwriters left holding debt
Gazprom	Bond issue put on hold	Tyco	Bond sale cancelled
Goldman Sachs	Global Alpha hedge fund declining	U.S. Foodservice	LBO-related bond sale postponed; underwriters left holding debt
Harmony Gold	Bond issue put on hold	UBS	Losses at Dillon Read
Harvard Management	Losses at Sowood	Union Investment Asset Mgmt.	Client withdrawals halted on subprime fund
HSBC	Subprime losses	United Capital Asset Management	Redemptions suspended
IKB	Hit by subprime losses	Wells Fargo	Various subprime/securities/loan losses
Insight Communications	Funding problems with private-equity bid	Y2K Finance	Subprime losses
J.P. Morgan Chase	Various subprime/securities/loan losses		

FIGURE 3

Pace of Mortgage-Related Securities Issuance Slows

(\$ Trillions per Annum)



Source: Securities Industry and Financial Markets Association (SIFMA).

ability of the MBS, CDOs, and related paper assets was dependent upon rising real estate prices, the entire edifice began to crumble. Though the failures began at the periphery, the problem was systemic; what was breaking down was not the subprime market, but the financial system itself, of which the breakdown of the subprime market was but the most visible—and highly touted—aspect.

Bare Sterns

The turmoil at Bear Stearns is illustrative. Bear Stearns had made lots of money speculating in subprime real estate, buying subprime loans and issuing mortgage-backed securities on them. As the market began to sour, Bear Stearns did what all the big banks do, namely move the failing paper off their books by selling it to captive hedge funds or other speculators. Unfortunately for Bear Stearns and its hedge funds, the losses at the hedge funds grew so great that the lenders to the funds began to seize and sell their collateral, only to find that it would not sell for anywhere near the nominal value the funds carried it at on their books. At that point, the game was over.

What that little episode revealed, was that the valuations on the books were not real, and though the amount of money involved in the Bear Stearns crisis was relatively small, the implications of the phony values sent shock

waves reverberating through a system which itself is chock-full of such phony valuations, trillions upon trillions of dollars of assets which are ultimately based on unpayable debt.

The collapse of the real-estate money pump has triggered, domino-style, a cascade of failures throughout the markets. Some 80 subprime mortgage-related companies have disappeared so far this year, either going bankrupt or closing, exiting the mortgage business, or being sold. Roughly a third of those companies were located in California, with additional clusters in New Jersey, Florida, Texas, and North Carolina. As these companies fail, they spread losses to their shareholders and their lenders, on top of the damage done by the drying up of mortgage lending.

At the same time, the reduced money flow into the financial system, both from mortgage loans and the securities based upon those mortgages, combined with the vaporization of asset values, has created the “credit crunch” which is causing all the panic. Suddenly, the speculators are finding that the money they were counting on to do their deals is drying up. Hedge funds are failing left and right, others are taking heavy losses, and still others are stopping investors from withdrawing their money. Corporations are being forced to postpone bond sales, and private equity firms which announced a record \$616 billion of buyouts in the first half of this year, are finding that some of those deals are now in trouble, as the money to complete the transactions is not there. The very system itself is vaporizing, because the value is not there—in fact it never was; the new financial system of Sir Alan Greenspan and Felix Rohatyn is being exposed as a complete fraud.

In all of this, it is the banking system which sits at ground zero. This is neither a “subprime crisis” nor a “credit crunch,” but a banking crisis, and a collapse of the entire global financial system. The banking system has survived thus far by a combination of consolidations to disguise failures, the movement of bad assets off their books via the derivatives markets, and phony accounting—with the complicity of regulators who deliberately allow this corruption. The banks are bankrupt several times over, protected only by the illusion that the assets on their books, and the markets they serve, have value, but those illusions—which are all that keeps the banks open—are fading fast.

As the level of panic rises, the central banks will be inundated with calls to bail out the markets, to stop the losses. While these banks stated their intention to hold firm, that determination collapsed at the end of the week of Aug. 6, as the central banks turned on the spigots. As LaRouche observed, they panicked when they realized the dimension of the losses facing the system, and fearing it would all collapse, did what they knew they shouldn’t. This itself is a sign of the times, because irrational fear is now calling the shots. The markets are panicked, the banks are panicked, the central banks are panicked, and the system is out of control. This game is over.

Three Gorges Dam Passes First Major Test With Flying Colors

by William Jones

The heavy flooding in southern and eastern China this year, as well as in the northwestern regions, compared to the relative calm along the otherwise hard-hit Yangtze River Basin, dramatically attests to the overwhelming importance of the giant Three Gorges Dam at Yichang in the middle reaches of the Yangtze River. No dam had been so heavily attacked by the environmentalist activists as has the Three Gorges Dam, one of the world's largest hydroelectric projects, standing 606 feet high and stretching 7,575 feet across the river. The Yangtze, the fourth-longest river in the world, empties into the East China Sea about twice the amount of water as the Mississippi dumps into the Gulf of Mexico.

Strenuous efforts were undertaken to sabotage the dam project: It was denigrated as another crazy, giant infrastructure project promoted by an out-of-control Communist regime (in fact, the project was originally proposed by U.S. authorities assisting the Chinese effort against Japan during World War II; a Yangtze Valley Authority was created, named for the FDR-era Tennessee Valley Authority [TVA], after which it was modeled); the silting of the river would

create terrible problems downriver, which would be deprived of important nutrients, and would gradually fill the bottom of the reservoir, decreasing the amount of floodwater it could contain (instead, the lower sluice gates built into the dam seem to have done a good job in washing any accumulated silt out of the reservoir area); and millions of people would have to be evacuated to make room for the reservoir (while the process was wrenching for many families, it has been accomplished quite successfully over the last few years).

China, like most countries this year, has been experiencing very abnormal weather conditions, with excessively heavy rainfall last month in the southern and western sections of the country, and severe drought in northeastern and eastern sections, as well as in the Yangtze delta. By mid-July, with the third flood this year on the river, waters in the Three Gorges Dam area began to rise precipitously, reaching flood peak on July 22. The 18 sluice gates on the dam were opened to release the water at the rate of 48,000 cubic meters per second, and then reduced to 44,000 cubic meters per second. At the same



NASA

NASA satellite photographs of the Yangtze River show the effect of the installation of the Three Gorges Dam, one of the greatest infrastructure projects in the world.



DigitalGlobe

The Three Gorges Dam in 2003. This July, the dam withstood heavy flooding, saving thousands—or even hundreds of thousands—of lives. Next year, as construction proceeds, the water in the reservoir will be allowed to reach its maximum height, allowing it to contain an even greater amount of water.

time, the reservoir level was allowed to reach the height of 475 feet, within the limits set by the water authorities at the present level of the reservoir's development. Only next year will the water in the reservoir be filled to the maximum height of 574 feet, allowing it to contain an even greater amount of floodwater.

But already the dam has proven its worth, having reduced the effects of the extreme rainfall on the cities of the middle and lower reaches of the Yangtze, home to 15 million people and occupying 1.5 million hectares of rich farmland. After the release of the water from the reservoir, the water several miles downriver from the dam at Shashi was still below the danger line of 43 meters.

Sixteen of the 24 turbine generators were still in full operation when the sluice gates were opened, and they continued uninterrupted in spite of debris which had accumulated as the water rose. The 14 turbines on the left bank of the river went into operation by June 2005, while the first of the 12 turbines on the right bank were activated in June this year, and more recently the 16th went live. When completed next year, all 26 generators will be fully operational and will be able to

produce 85 billion watts of electricity per year, nearly one-ninth of China's present power needs.

Historic Floods

This controlled rise of the waters of the lower Yangtze by the action of the dam contrasts sharply with floods of earlier years, before the Three Gorges Dam was built. In 1998, the Yangtze experienced one of the worst floods of the century. A massive national effort, over three months, was undertaken to battle the floodwaters. More than 13 billion renminbi was expended on flood-fighting equipment, dispatched from all around the country, and 6.7 million people and hundreds of thousands of soldiers took part in the relief operations. In spite of the great effort, the flood still caused great losses, with 239,000 hectares of farmland inundated, 2.3 million people affected and 1,526 people killed in the provinces of Hunan, Hubei, Jiangxi and Anhui, on the lower and middle reaches of the Yangtze.

Such flooding was not unusual for China. From time immemorial, there are records of floods on the Yangtze River. In the 20th Century, China had major floods occurring at least once every ten years: in 1931, 1935, 1949, and 1954, just to name a few of the worst. In these, millions of

people were affected, and in 1931 and 1954, hundreds of thousands were killed. For many years, the Yangtze flooding was accepted as an ugly fate for those destined to live on or near the river.

Now this has all changed, at least for the areas controlled by the Three Gorges Dam. While this year's flooding did not reach the level of a 100-year flood, the Yangtze reservoir still has a further 100 feet in height to be filled before it reaches its maximum level. The dam reservoir, which will stretch 370 miles back to the city of Chongqing, will have a total storage capacity of 39.3 billion cubic meters, including a flood regulation and storage capacity of 22.2 billion cubic meters. This alone assures protection to the area between the dam and the city of Wuhan on the middle reaches of the river, from a 100-year level flood. With the completion of other protection measures further downriver, and on the Dongting Lake overflow area, the dam will protect the region from floods that might occur only once every 1,000 years. But already this year, one can easily see that thousands, perhaps hundreds of thousands, have been spared the effects of another major flood on the Yangtze.

A Challenge to the British System: Why Canada Needs the Bering Strait Tunnel

by Rob Ainsworth, LaRouche Youth Movement

The relationship of Canada to its railways has always been an existential one; this was true in 1849, the great launching point for 19th-Century Canadian railroading, as it is true today. There are even parallels between the two eras, such as the resistance to change that confronted Canada's early patriots, as it confronts anyone today, who has a greater vision for Canada than the narrow strip and isolated patches of civilization, currently hugging the U.S. border. The future of Canada is the Northwest, with its untold resources and vast supplies of freshwater; it is one of the final terrestrial frontiers.

Canada is now faced with this era's existential choice: either develop or collapse. As these words are written, the international financial system is breaking apart in a series of banking crises, which are only a slight foretaste of what imminently approaches. In the meantime, the condition of the country's infrastructure grows increasingly wretched; our industries continue to disappear, our companies to be seized by thieving hedge and equity funds, while sovereignty seems no more than a quaint dream. Fortunately, however, Russia, taking up Lyndon LaRouche's visionary Eurasian Land-Bridge proposal of the early 1990s, has offered, both to the United States and Canada, to trilaterally build a Bering Strait Tunnel in order to connect the Americas with the entire Eurasian landmass. The tunnel is, in actuality, part of a Russian offer of a new relationship between the two great powers, to lead the reorganization of the global economy. A new strategic alliance is in the offing, and the basis for solving the economic crisis is now at hand. A great moment has found us: Shall we rise to meet it, or fall victim to our propensity for national littleness? The government of Canada has answered: It claims not to know of Russia's proposal. Thus it falls to the people to organize themselves and attain the objective, which their currently elected representatives are too cowardly or incompetent to dare.

Thomas Keefer, 'Prophet of Progress'

When nations take it upon themselves to consider such weighty questions—questions which will undoubtedly affect the entirety of the human race and its posterity, it seems proper to reflect upon the less obvious reasons—at least for the current generation—for this project's overwhelming importance. It would also be fitting to add to my own voice that of the man who, perhaps more than any other, was responsible

for Canada's first rapid expansion of railroads, an expansion that saved Canada from certain economic ruin beneath the yoke of British rule. The man was Thomas Coltrin Keefer, Canada's "Prophet of Progress."

Keefer was born in 1821, into a family of civil engineers, growing up immersed in the construction of one of the greatest infrastructure projects of the period, the Welland Canal, which circumvented the previously indomitable Niagara Falls. Keefer's father was the first president of the Welland Canal Company, and a close friend of the driving force behind the project, the man who was also the mentor of young Keefer, William Hamilton Merritt. At 17, Keefer left home and spent two years, 1838-40, working on the Erie Canal, the preeminent American engineering school of its day, digesting American System methods and philosophy. Keefer then spent the 1840s working on the Welland Canal, as well as on other engineering jobs, until 1849, when Merritt, who had just attained one of the top posts in Canada's colonial government, commissioned him to compose a pamphlet promoting railroad development in Canada, at a time when all of Canada had no more than 60 miles of railway. The pamphlet was entitled *Philosophy of Railroads*; and it was a direct attack, not only upon the domineering British System of free trade, but also that depraved and bestial conception of man so beloved of the British oligarchy, as well as their philosophers and economists.

The pamphlet's success was immediate and astonishing. In less than a year *Philosophy of Railroads* was in its third printing, had been reprinted in scores of Canadian newspapers, and was circulating throughout the United States as well. By 1853, there was also a French edition. One contemporary biographer claimed that Keefer contributed more than any other to the building of railroads in Canada, even though he himself would never actually supervise one's construction; rather, Keefer's power was located in his capacity to convey ideas, and to overcome the colonial axioms within the people themselves, which prevented the adoption of American System policies in Canada. As a direct result of his political intervention and the work of Merritt in passing crucial railroad legislation, over the course of the 1850s, Canada's patriotic circles would build several thousand miles of track, adopt American System protectionism, and lead an attempt during the U.S. Civil War to



Thomas Keefer's influential booklet *Philosophy of Railroads* was a direct attack on British free trade, in support of the American System of industrial development.

break Canada away from the British System.

Keefer would go on to play a leading role in the construction of water management systems in a number of cities, as well as to found the Canadian Society of Civil Engineering, serving as its first president. Moreover, he is the only Canadian to have also served as president of the American Society of Civil Engineers. In 1878, as his crowning achievement, Keefer was named the executive commissioner for Canada at the Paris Exhibition, assembling a greater show of domestically produced machine tools than any nation save Germany and the United States. He was one of the first Canadians to agitate for a continental railway; he also had an ecstatic vision for Canada's economic future when, in 1898, he spoke of a future of high-speed, electrified trains, running silently between clean, well-lighted cities.

'Philosophy of Railroads'

Now, to return to the issue at hand. As every true humanist and national patriot has understood, the issue of development is not merely one of balance sheets and cost-benefit analysis; nor is it simply about the expansion of trade and production; but rather, it is a question of the very nature of man: that we have the capacity not only to improve ourselves, but nature as well; that nations must be dedicated to the improvement of their people; that the Hobbesian nightmare of globalization is not inevitable; that we may forge instead that prescient vision of Franklin D. Roosevelt—a community of sovereign nation-states, working together for the welfare of all. For this reason, it is necessary to speak of the Bering

Strait Tunnel not simply as an infrastructure project, *but as an idea*, as a transformative process with profound economic, cultural, and moral implications. Keefer himself often referred to the railroad as “the iron civilizer”; or as one of his biographers, H.V. Nelles, wrote, “as a train of consequences as opposed to a simple line of track,” that “the aim of *Philosophy of Railroads* was to establish a direct linkage between the railroad and the noblest ideals of the age, and to illuminate the process through which steam technology would necessarily advance the material improvement and the moral perfection of man.”

Today, we may not speak of “steam technology,” but we surely speak of nuclear fission, thermonuclear fusion, and magnetic-levitation trains. These represent, as Lyndon LaRouche has repeatedly pointed out, the metaphorical fire of Aeschylus' *Prometheus Bound*, for the giving of which to humankind the immortal Prometheus is eternally punished by the oligarchic Zeus. As Keefer argues, and as the testament of history proves, great projects have the effect of elevating an otherwise backward population out of their often self-imposed cultural darkness, such as the “Sleepy Hollow” that

was early 19th-Century Canada (see below and *Appendix*). Speaking before the Montreal Mechanics Institute in 1853, he asked:

[I]s there not reason for belief that the regeneration of the dark corners of the Earth is to be accomplished . . . by a practical elevation of the people, to be brought about by a rapid development of commerce and the arts? Ignorance and prejudice will flee before advancing prosperity. Wherever a railway breaks in upon the gloom of a secluded district, new life and vigor are infused into the native torpor—the long desired market is obtained . . . the hitherto useless waterfall now turns the laboring wheel, now drives the merrier spindle, the cold and hungry are now clothed and nourished.

Keefer understood that without economic prosperity, peace and stability would be impossible: whether it was the development of North America then, or the prospects for peace today in the Middle East, the same principle applies. He observed that “the steamboat and the railroad . . . have diffused a degree of comfort and prosperity unprecedented in history. Every new manufacture, every new machine, every mile of railway built is not only of more practical benefit, but is a more efficient civilizer, a more speedy reformer, than years of declamation, agitation, or moral legislation.”

But what was it that Keefer and Merritt recognized in the culture that required their intervention? In *Philosophy of Railroads*, Keefer observes, of revolutionary projects and sys-

tems, that “their origin and maturity are the work of the well-informed few, whose foresight has been rewarded frequently before it has been acknowledged . . . who have contended with *the chilling influences of popular apathy, ignorance, and incredulity.*” Could Keefer not just as easily be speaking of the national malaise of today? The railway system of Canada was once a source of pride for Canadians—it was a demonstration of our command over nature. We had straddled the vast continental expanses with an iron belt of power; the railways were the sinews and the great commercial arteries of the nation. There was a time when Canada hummed with the excited energy of national expansion, there was nothing that could not be overcome; and yet today, beneath the tyranny of the Baby-Boomer generation’s anti-progress ideology, we no longer build, we no longer produce, we only desire to consume, at the expense of our future.

Keefer’s answer, which is the central feature of *Philosophy of Railroads*, is to paint a comic miniature of Canadian society, as true today as it was in his time: a little town called “Sleepy Hollow,” where nothing happens and there are no railroads to trouble the residents with “the hideous screech of the steam whistle”; where the people believe they have “attained the limit of improvement. If they have no waterpower . . . it is clear to their minds that they were never destined for manufacturing; . . . it is still more evident, from their position, they are not to become a commercial people and build up large cities; they, therefore, jog along with evident self-satisfaction—the venerable churchyard is filling up with tombstones—and the quiet residents arrive at the conclusion that they are a particularly favored people in having escaped the rage for improvement.” Of course all this changes when the railway comes to town, though first the people suffer from terrible visions of “bloody skirmishes” with railway workers, of “plundered poultry yards and abducted pigs,” of children “‘drawn and quartered’ on the rail by the terrible locomotive,” while the railway engineers and surveyors “are met with curses both loud and deep.”

These terrible visions come to an end, however, when the townspeople begin to realize the manifest benefits that the railroad brings with it: The population is enriched and elevated, for while “our little hamlet [is] undergoing such a wonderful transformation, the moral influence of the iron civilizer upon the old inhabitants is bringing a rapid ‘change over the spirit of their dreams.’” The citizens become worldlier, wealthier, more educated; their politics take on a national scope. Progress, “that invisible power which has waged successful war with the material elements, will assuredly overcome the prejudices of mental weakness or the designs of mental tyrants. It calls for no co-operation, it waits for no convenient season, but with a restless, rushing, roaring assiduity, it keeps up a constant and unavoidable spirit of enquiry or comparison; and while ministering to the material wants, and appealing to the covetousness of the multitude, impels them to a more intimate union with their fellow men.”

Keefer playfully finds a way to outflank the culture’s axioms. The individual can look at the silliness of the townspeople and their response to the “terrible locomotive,” and chuckle at finding that same silliness in him or herself; but Keefer does more than that, for he is not just concerned with poking fun at the population—he wishes to uplift the reader to a nobler conception of human potential, and to establish a mission of national progress. There is an urgency to his tone, when, at the close of the pamphlet, he writes,

We are placed beside a restless, early-rising, “go-ahead” people—a people who are following the sun westward. . . . We cannot hold back . . . we must use what we have or lose what we already possess—capital, commerce, friends and children will abandon us for better furnished lands unless we at once arouse from our lethargy; we can no longer afford to loiter away our winter months, or slumber through the morning hours. . . . But when once the barriers of indifference, prejudice and ignorance are broken down, no physical or financial obstacle can withstand the determined perseverance of intelligent, self-controlled industry.

We submit the foregoing view of the railway system and our position to it, to the generous and patriotic consideration of every intelligent merchant, manufacturer, farmer, and mechanic—to every Canadian, native or adopted—and ask them: *Shall we have railroads in Canada?*

Oligarchical Strategy

There is another point of consideration in the case for the Bering Strait Tunnel and great projects in general: the geopolitical and strategic implications, which are understood much more clearly today than in Keefer’s time, thanks to the tireless work of Lyndon LaRouche, the kernel of which is human creativity—the great fear of every imperial or oligarchical system. In his recent paper “Man & the Skies Above” (*EIR*, June 1, 2007), LaRouche writes:

The great paradox which oligarchism represents, is that the ability of the human species to maintain a level of population above that of the great apes, depends absolutely on those creative powers unique to the human individual mind through which scientific and related discoveries produce the means for increase in both the potential size of population, and its life-expectancy. If the population were permitted to share, freely, the knowledge and freedom to employ such knowledge corresponding to presently knowable scientific and related skills, where would there be inequality on which the oligarchical systems depend?

If the capabilities for scientific and related discov-



The Canadian National Railway was created by bold thinkers of the 19th Century, who challenged the “Sleepy Hollow” backwardness of their compatriots. Today’s challenge is similarly grand: to develop the Northwest, and join with Russia and the United States to build the Bering Strait Tunnel.

eries, which advance the standard of life and power over adversities, make societies stronger, per capita and per square kilometer of territory, why hold back scientific and technological progress? Why insist on wildly hedonistic, irrational entertainments, rather than Classical culture which enhances the individual’s power to think, and sweetens the social relations with other persons? Simply, because the power which such means promote among the generality of the population would bring an end to the system of oligarchy.

The Pursuit of Happiness

Herein lies the fundamental issue of the Bering Strait project; just as World Wars I and II were organized by the British oligarchy to destroy Russia and continental Europe (documented extensively by *EIR*), now today these same British networks, typified by BAE Systems, and their lackey, U.S. Vice President Cheney, are driving for expanded war throughout Eurasia.

Thus, the struggle for Eurasian development and a new international financial system, free of oligarchical control, is the latest phase in this Promethean contest for the minds of humankind: the very question of whether the citizens of the world will have the opportunity to participate in scientific and technological progress, whether they will have the opportunity to develop themselves and make positive contributions to the advancement of civilization. These are the issues of statecraft that drive men such as LaRouche to make the breakthroughs in science and economy that he has made, and then organize the population to see them implemented; these are the issues that drove Keefer and his collaborators to mobilize Canada around *an idea of the future potential*, of what were

still a collection of impoverished British colonies, clinging to the verge of an awesome wilderness of 9 million square kilometers. For Keefer, as for LaRouche, the greatest gift that can be given a human being is access to his or her own immortality—something that globalization denies to the vast majority of human beings.

In the same 1853 speech, Keefer concluded with this idea of immortality, in the spirit of the “pursuit of happiness” clause of the U.S. Declaration of Independence:

I venture to believe that, as mechanics we may devote some moments to a consideration of the tendencies, the prospects, and the utility of the great enterprises, which give character to the age, and in the execution of which we are in a greater or lesser degree the agents—that this feeling of being useful in our day and generation will while away with a diminished degree of weariness the many hours of labor—that as you ply the busy hammer or wield the heavier sledge, some of you may dream that you are fast driving nails into the coffin of prejudice, of ignorance, of superstition and national animosities; that as you turn down the bearings or guide the unerring steel over all the 500 parts of a locomotive engine, fancy will picture you cutting deep, and smooth, and true, into obstacles which have so long separated one district, one family, one people, from another—and that you may exult in the reflection that those huge drivers will yet tread out the last smoldering embers of discord, that those swift revolving wheels—by practically annihilating time and space and by re-uniting the scattered members of many a happy family—will smooth the hitherto rug-

ged path, fill up the dividing gulf, break through the intervening ridge, overcome or elude the ups and downs of life's checkered journey, and speed the unwearied traveler upon his now rejoicing way.

It is this joyful Promethean impulse which has built Canada into one of the most prosperous nations in the world, not the British imperial legacy. That Canada even exists today is in spite of Britain. Though restrained by British philosophical dogmas, such as Adam Smith's *Wealth of Nations* or *Theory of the Moral Sentiments*, in which Smith claims that humans have no capacity to think beyond their sensual appetites, acting only in their immediate self-interest, and that the greater issues of the common good are to be left to the (hopefully) munificent designs of some unknowable deity—this nation has still managed to do many great things. The inspiration for those deeds came not from Britain, but from the U.S. republic and the republican tradition that found its beginnings in ancient Greece. *Prometheus, the fire-giver, the ennobler of mankind, is the only true identity of Canada's historical nation-builders.*

It is this same latent impulse, which the Bering Strait Tunnel calls upon today. Entire peoples await the enlightening force of nuclear power, the rushing sound of the maglev, and the sight of bounteous fields, laden with well-watered crops, where desert once had reigned. Canada has a great role to play in this dawning era, if it so chooses. Canada's mission and purpose is to be sought not only within the bounds of our own lands, but deep below the Arctic seas, across and beneath the Siberian steppe, and in the deserts of Asia and Africa. It begins with the Bering Strait. Thus, as Keefer once before, now again the Canadian LaRouche Youth Movement submits this treatise, to all manufacturers, farmers and people of commerce, Canadians born and newly landed, of all who would see a single nation, dignified and beneficent towards others, and we ask: *Canada, shall we build the Bering Strait Tunnel?*

Appendix

The Awakening of 'Sleepy Hollow'

This is an excerpt from T.C. Keefer's Philosophy of Railroads (1850).

Let us take a case of which Canada (we are proud and sad to say) presents more than one instance. A well cultivated district, in which all the lands are occupied (perhaps by the second generation) with or without waterpower, but situated twenty to fifty miles from the chief towns upon our great highway, the St. Lawrence, and without navigable water

communication with it. The occupants are all thriving and independent farmers, the water power is employed only to an extent to meet their local wants, and the village is limited to the few mechanics, and the one store required for this rural district. The barter of the shopkeeper is restricted by the consumption of his customers, and he becomes the sole forwarder of the surplus product of the district. There is no stimulus for increased production—there are less facilities for it: the redundant population have all been accustomed to agriculture, and as the field for this is unrestricted, they move Westward to prevent a subdivision of the homesteads, and to become greater landowners than their fathers. There exists the well known scarcity of laborers for the harvest, because there is no employment for them during the remainder of the year; and they have not yet been led by necessity to that subdivision of labor and that variety of employment which are the results of an increasing and more confined population. Each farmer has his comfortable house, his well-stored barn, variety of stock, his meadows and his woodland; he cultivates only as much as he finds convenient, and his slight surplus is exchanged for his modest wants. Distance, the expense of transportation, and the absence of that energy which debt or contract with busier men should produce, have prevented any efforts to supply the commercial towns on the part of the contented denizens of our "Sleepy Hollow." To themselves, to the superficial observer, their district has attained the limit of improvement. If they have no water power, or one limited to the supply of the needful grist or saw mill, it is clear to their minds that they were never destined for manufacturing people; and if they have abundant water power, their local market would not support one manufactory, while land carriage, want of people, money, and more than all *information*, precludes the idea of their manufacturing for a distant market. It is still more evident, from their position, they are not to become a commercial people and build up large cities; they, therefore, jog along with evident self-satisfaction—the venerable churchyard is slowly filling up with tombstones—and the quiet residents arrive at the conclusion that they are a peculiarly favored people in having escaped the rage for improvement. They are grateful that their farms have not been disfigured by canals or railroads, or the spirits of their sires troubled with the hideous screech of the steam whistle.

We will now suppose (we would we could more than suppose), that two of our cities should be moved to unite by the iron bond of a Railway, which in its course will traverse the district just described. Excitement prevails in the "Hollow"; sleep has deserted her peculiar people—the livelong night is passed in mutual contemplation of farms "cut up" or covered over—visions of bloody skirmishes between "Far downs" and Corkonians—of rifled gardens and orchards, of plundered poultry yards and abducted pigs. The probable mother of a possible child bewails her future offspring

“drawn and quartered” on the rail by the terrible locomotive, and a whole hecatomb of cattle, pigs and sheep, are devoted by imagination to this insatiate Juggernaut. The Engineers who come to spy out the land are met with curses both loud and deep—the laws of property are discussed—the delinquent Member for the County denounced—until a handsome Rodman, by well-timed admiration of Eliza Ann, the rural spokesman’s daughter, succeeds in obtaining comfortable quarters for his party, with board, lodging, and washing, at 12s. 6d. per week. The work has commenced; the farmer is offered better prices for his hay and grain than he ever before received—even milk and vegetables—things he never dreamed of selling—are now sought for; his teams, instead of eating up his substance as formerly in winter, are constantly employed, and his sons are profitably engaged in “getting out timber” for the contractors; he grows a much larger quantity of oats and potatoes than before—and when the workmen have left, he finds to his astonishment that his old friend the storekeeper is prepared to take all he can spare, to send by the Railroad “down to town.”

And now some of the “city folks” come out and take up a water privilege, or erect steam power, and commence manufacturing. Iron is bought, cut into nails, screws and hinges. Cotton is spun and wove, and all the variety of manufactures introduced, because here motive power, rents and food are cheaper, and labor more easily controlled than in the cities, while transportation and distance have by the Railroad been reduced to a minimum. A town has been built and peopled by the operatives—land rises rapidly in value—the neglected swamp is cleared and the timber is converted into all sorts of wooden “notions”—tons of vegetables, grains, or grasses, are grown where none grew before—the patient click of the loom, the rushing of the shuttle, the busy hum of the spindle, the thundering of the trip-hammer, and the roaring of steam, are mingled in one continuous sound of active industry. While the physical features of our little hamlet are undergoing such a wonderful transformation, the moral influence of the “iron civilizer” upon the old inhabitants is bringing a rapid “change over the spirit of their dreams.” The young men and the maidens, the old men and the matrons, daily collect around the cars: they wonder where so many well-dressed and rich-looking people come from and are going to, &c.—what queer machines those are which they see passing backwards and forwards. They have perhaps an old neighbor whose son had long since wandered off, and now they see him returned, a first class passenger with all the prestige of broadcloth, gold chains, rings, gloves, and a traveled reputation: the damsels rapidly impress upon “the mind’s eye” the shapes of bonnets, visites, &c., of that superior class of beings who are flying (like angels) over the country, and *drink in*, with wide-mouthed admiration, the transcendent splendor and indescribable beauty of “that ’ere shawl.” All are interested, all are benefited, *cuique suum*. Is he a farmer? He has a practical illustration of the superior cheapness of transporta-

tion by increasing the load, notwithstanding the great cost of the cuttings, embankments, tunnels, bridges, engines, cars, and stations, carrying his produce for less sum than his personal expenses and the feeding of his horses would amount to. Is he a blacksmith? He determines his son shall no longer shoe horses, but build engines. Is he a carpenter? He is proud of his occupation as he surveys the new bridge built over the old creek. Even the village tailor gathers “a wrinkle,” as he criticizes the latest effort of Buckmaster or Gibb, whilst the unconscious advertiser is swallowing his coffee. Thus curiosity and emulation are excited and the results are discernable in a general predilection for improved “modes.” A spirit is engendered which is not confined to dress or equipage, but is rapidly extended to agriculture, roads, and instructive societies, and finally exerts its most powerful influence where it is most needed—in the improved character it gives to the exercise of the franchise. This right is now enjoyed by too large a class, whose chief contact with public affairs has been limited to an occasional chat with ambitious retailers of dry goods, groceries, hardware, and political mysteries—or to a semi-annual sitting in a jury box, unconsciously absorbing all the virtuous indignation of some *nisi prius* wrangler, whose “familiar face” is shortly after presented to them at the hustings, generously proffering to defend or advocate anything for four dollars per diem and a prospective Judgeship. He is opposed, perhaps, by the public-spirited shopkeeper, who, with mortgages, long credits, tea and tobacco—aided by a “last call” to all doubtful supporters—incites the noble yeomanry to assert their rights as “free and independent electors.” If the “natives” can overcome these prejudices of local associations, or if the lawyer’s “collections” and “notes” are sufficiently diffuse, ten change to one the greatest talker is elected, and an improved judicature, instead of an improved country, is the result.

Nothing would be a more powerful antidote to this state of primitive, but not innocuous simplicity, than the transit of Railways through our agricultural districts. The civilizing tendency of the locomotive is one of the modern anomalies, which however inexplicable it may appear to some, is yet so fortunately patent to all, that it is admitted as readily as the action of steam, though the substance be invisible and its secret ways be unknown to man. Poverty, indifference, the bigotry or jealousy of religious denominations, local dissensions or political demagoguism may stifle or neutralize the influence of the best intended efforts of an educational system; but that invisible power which has waged successful war with the material elements, will assuredly overcome the prejudices of mental weakness or the designs of mental tyrants. It calls for no co-operation, it waits for no convenient season, but with restless, rushing, roaring assiduity, it keeps up a constant and unavoidable spirit of enquiry or comparison; and while ministering to the material wants, and appealing to the covetousness of the multitude, it unconsciously, irresistibly, impels them to a more intimate union with their fellow men.

Unprecedented Progress In Eurasian Cooperation

by Mary Burdman

On Aug. 8, the office of South Korean President Roh Moo-hyun announced that the leaders of North and South Korea would hold their second-ever summit Aug. 28-30 in Pyongyang, North Korea. This meeting symbolizes the rapid progress which is being made in Eurasia toward cooperation on economic and security matters, led by diplomacy from Russia and China, in particular. In the case of the Koreans, of course, the whole Six Party Group has signed on to the diplomacy, including the United States and Japan, as well as the Koreans, Russia, and China.

The Korean announcement followed by only six days, a meeting of the Association of Southeast Asian Nations (ASEAN) Regional Forum in Manila, where two additional unprecedented measures of cooperation among Eurasian nations were put on the table. The first was the proposal by Russian Minister of Foreign Affairs Sergei Lavrov for direct cooperation between the ASEAN nations and the Shanghai Cooperation Organization. The SCO, an organization of Russia, China, and several Central Asian nations, has gradually been turning from a security pact against terrorism, into a forum for discussion of economic development—which would now be extended further to the ASEAN nations. The second significant announcement came from the foreign ministers of Russia, China, and India, who reported, after meeting in Manila, that they would hold another trilateral meeting in October, in Harbin, China.

These initiatives represent “good news” for world peace and progress, granted that they are followed up by the necessary political purge of the Cheney faction in Washington, D.C., which would open the door for the creation of a new international monetary system, needed as a foundation for sustainable growth and progress for Eurasia, as well as the rest of the planet.

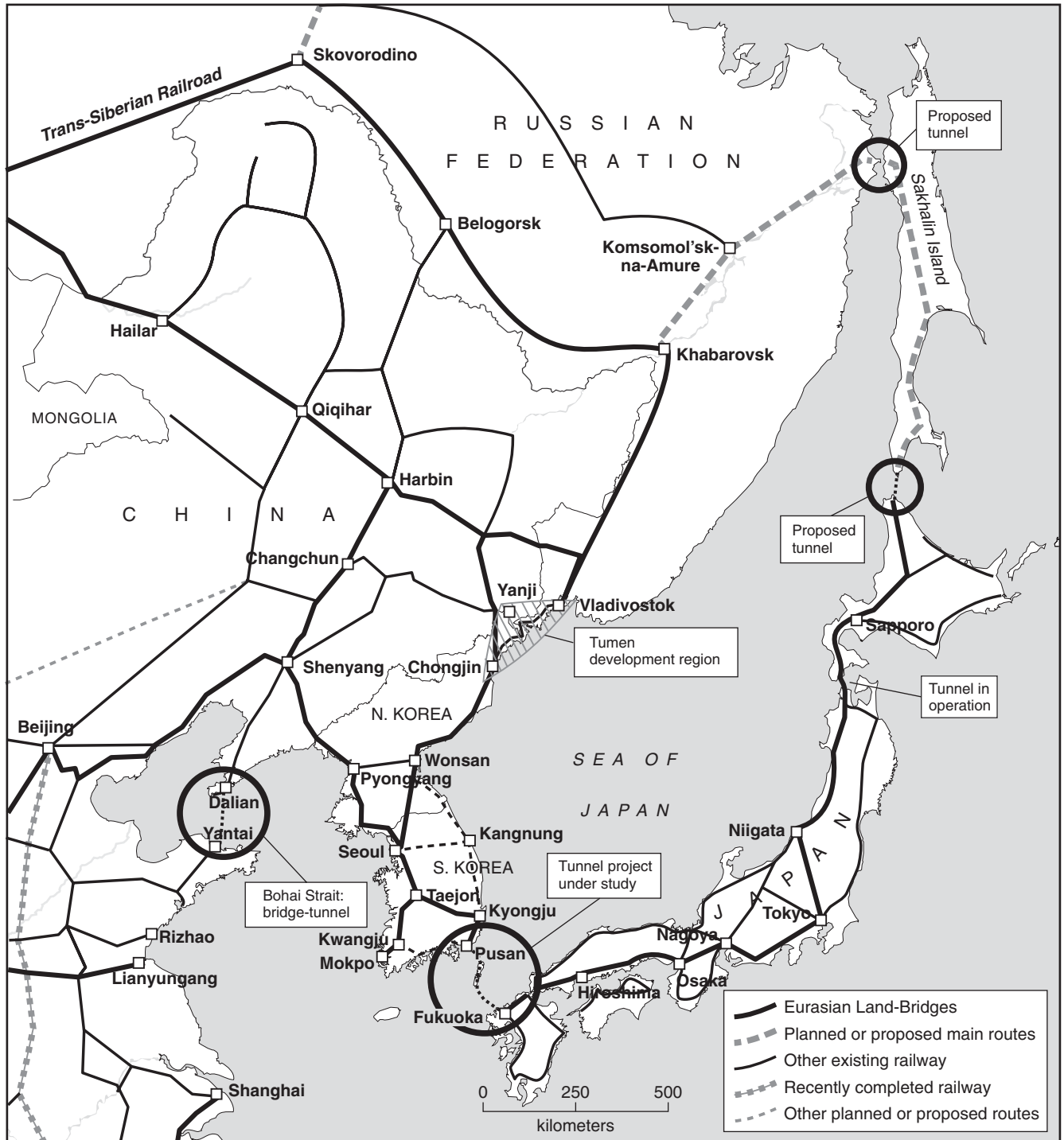
The Korean Breakthrough

Only five years ago, George W. Bush named North Korea as part of the so-called “Axis of Evil,” along with Iraq and Iran—Dick Cheney’s targets for war. But the sustained intervention of the leaders of Eurasia, especially China, has worked to avoid crisis. A sane faction in the U.S. State Department, led by Christopher Hill, has been working with China, Russia, and the two Koreas, to avoid war.

The first historic summit of the two Koreas was held in June 2000, between Kim Jong-il and then-President Kim Dae-jung. The two sides have still been technically at war since the 1950-53 hostilities, and their border is the most heavily fortified in the world. The first summit opened the way for road and rail connections and some economic cooperation. President Roh’s office, the Cheong Wa Dae, has issued a statement saying: “The second inter-Korean summit is expected to contribute to peace and prosperity on the Korean Peninsula,” and the North Korean Central News Agency (KCNA) also confirmed the meeting. Its statement said: “The meeting between the top leaders of the North and the South will be of weighty significance in opening a new phase of peace on the Korean Peninsula, co-prosperity of the nation, and national reunification by expanding and developing inter-Korean relations.”

President Roh told his cabinet that the summit agenda will include denuclearization and economic cooperation. “The second inter-Korean summit will help normalize inter-Korean relations and provide fresh momentum to improve North Korea’s relations with international society,” Roh was quoted by Yonhap, the North Korean news agency. “The [South Korean] government has to calmly prepare for the summit. The preparations should be focused on making practical progress in Korean Peninsula denuclearization, inter-Korean peace, arms control, and economic cooperation. We need to have compre-

Far East: Infrastructure Projects and the Tumen Development Region



EIRNS

This map, originally appeared in an EIR Special Report, titled, The Eurasian Land-Bridge: The 'New Silk Road'—locomotive for worldwide economic development, January 1997. It shows the linkup of the Korean rails to the Trans-Siberian railroad.

hensive and creative approaches.”

The other members of the Six-Party Talks have all welcomed the new summit.

The 'Iron Silk Road'

What matters more than words, however, is the nexus of economic cooperation which particularly Russia and China

are putting together, which would support the peace process on the Korean Peninsula. More broadly, it would create the climate of cooperation among North Pacific Rim countries, which could open up grander perspectives, like the rail and development corridor to a Bering Strait Tunnel linking Eurasia with the Americas.

Russia has a longstanding offer to help in the completion of the Trans-Korean Railway, which would link North and South, and then go on to link up with the Trans-Siberian Railroad. The linkup would fit with the Putin government's intention to modernize its transport infrastructure. The latest talks between Russia and the North Koreans on the potential linkup occurred in March 2007, with the promising followup being the progress on the North-South Korean rail connection, which was demonstrated in the highly publicized train ride across the Military Demarcation Line on May 17. The project is nicknamed the "Iron Silk Road."

Russia and China are both putting industrial, transport, and energy development of the vast Northeast Asian region on the front burner. The Far East region of the Russian Federation has fallen into deep economic crisis since the fall of the Soviet Union, and is rapidly losing population. In China, the Northeast region, of Liaoning, Jilin, and Heilongjiang provinces, was its industrial base in the 1940s and '50s, when cooperation with the Soviet Union was vital. The area has since become a "rust belt," but in the past two years, Beijing has made revitalization of this area, and expanded cooperation with Russia, a national policy.

On Aug. 7, Russian Economic Development and Trade Minister German Gref arrived in Vladivostok to attend a conference on urban development, Itar-Tass and the *Vladivostok Times* reported. The main theme of the conference, "Development of Vladivostok as a Center of International Cooperation in the Asia-Pacific Region," is preparation for the 2012 APEC (Asia-Pacific Economic Cooperation) summit, but it will discuss broader development of the area. The conference will discuss creation of special economic and trading zones, founding the Far Eastern Center of Shipbuilding and Repairs, and railway transport development, including high-speed rail to link Vladivostok, the end-terminal of the Trans-Siberian Railroad, to neighboring cities of Ussuriysk and Artyom. Although a "recreation area" including gambling is also on the agenda, the Primorye Territory authorities are proposing to build a nuclear power plant, an aluminum smelter, oil refining and petrochemical facilities, and other industrial capacity. Other urban infrastructure, for water and road facilities, is also planned.

China's State Council has approved a comprehensive regional plan to revitalize the Northeast, the *Shanghai Security News* reported Aug. 8. The plan is to create four industrial bases to manufacture heavy equipment, new materials, rail and energy infrastructure, and agriculture products, and to foster research and development. The comprehensive plan will include Liaoning, Jilin, Heilongjiang, and eastern Inner Mongolia Region, an area with a population of 122 million.

Great Promise for A World in Danger

by Helga Zepp-LaRouche

Helga Zepp-LaRouche gave the following strategic briefing on Aug. 4, by telephone, to the membership of the Mexican LaRouche movement. Subheads have been added, and the transcript is slightly abridged.

We are right truly at an unbelievable moment in history. And to know that there are important people, both young people but also older people in the beautiful country of Mexico, fighting for the same ideas as we are doing in the United States and in Europe, makes me actually very hopeful for the outcome of this present period of history.

You all joined this movement, because, for one reason or another, you intellectually recognized that Lyndon LaRouche was absolutely on the mark when he said that this financial system is in a systemic breakdown crisis, and nothing in the world is going to save this system. Now, there are many people who were doubting that, and saying, "LaRouche is exaggerating. He has been saying this for so long. But the system will always be there, the central banks will always have a way of manipulating the situation. And LaRouche is simply not right."

But I think what we have seen, especially in the last weeks, is a dramatic recognition, all over the world, that indeed, this thing is completely out of control, and that we have a breakdown of the system as such. And also, a lot of people, I assure you, who have been Doubting Thomases in the last period, will remember not only what Lyn prognosed, but also what solutions he prognosed: Namely, that only if we get a large combination of powerful countries around a changed United States, Russia, China, and India, but then extend it to other nation-states of this world, if these countries put on the table a New Bretton Woods reorganization of the world financial system, would there be any chance to solve this problem.

A lot of people will be thinking about this in these days, and I can assure you, that this thinking will be spreading to more people as the crisis is unfolding.

Crisis Spinning Out of Control

Now, the change occurred, basically in mid-July, because until the middle of July, you had this absolute insanity of exuberance in the markets, of mergers and acquisitions, of "lo-cust" takeovers of everything which could be taken over—everything from industries, big and small; banks, housing, villas, and whatnot. But then, about mid-July, a dramatic change started to occur, when the U.S. so-called "subprime market"



EIRNS/Ruben Cota Meza

In 1982, Lyndon and Helga LaRouche met with Mexican President José López Portillo, following which, LaRouche wrote his famous program, Operation Juárez. Here, Helga Zepp-LaRouche meets with the former Mexican President in Mexico City, December 1998.

started to collapse. And what you have seen in the last week in Germany, clearly shows that the idea that this crisis would be contained to some internal development in the United States, is completely absurd, because last week, dramatic developments occurred in Germany.

So, a week ago Friday [July 27], the American SEC [Securities and Exchange Commission] called its counterpart in Germany, the BaFin credit regulatory authority, and told them that a major German bank financing middle-level industry was about to go under. And then, last weekend, the head of BaFin, whose name is Jochen Sanio, made hectic phone calls to about 20 big banks, consulted with the government, and then, in the beginning of the week, the German government itself—and that is *really* unprecedented—intervened together with a state-owned bank, the Kreditanstalt für Wiederaufbau, and bailed out this IKB bank, with 8.1 billion euros; that's about \$10 billion.

Sanio said that this was the “worst German banking crisis since 1931,” and *Süddeutsche Zeitung*, which is a major daily in South Germany, wrote that the entire German banking system was in danger, and that is why the government intervened.

So, here you have it: It was not just one bank, but the entire German banking system about to go under.

Now, despite the bailout, the stock of this bank continued to tumble down. It's not clear whether this bank can be saved despite the bailout, because this bank was tied to an investment fund in the United States, which was completely involved in the collapse of the subprime market in the United

States, and that IKB bank was basically exposed to the losses of the investment fund in the United States.

So, what is the situation with the U.S. subprime market? That is a completely insane arrangement in the first place, because this is a mechanism, by which people who did not have their own money, could nevertheless buy houses of high value, like \$1 million, and have mortgages with very low interest rates at the beginning, but then, after a period of about two years, the mortgage interest rate would automatically go up. And since the majority of such deals was done since the Spring of 2005, you have now a whole wave of such interest rate hikes. That will accelerate, and the peak of this development is actually supposed to be in October, when the mortgage rates for \$50-billion-worth of mortgages will go up, and much, much more will be affected—altogether about \$2 trillion worth of mortgages.

Now, it is expected that about 2 million people in the United States, who are in that subprime mortgage market, will lose their homes, and naturally, that will lead to a collapse of housing prices. That will not be limited then just to losing homes, but it will affect the whole construction sector, and it will have a big, big impact.

But if the subprime mortgage market collapse were the only problem, the world would be in fine shape. But that is just one aspect. Because, what is really going on behind this, is the reverse-leverage collapse of the system as a whole. And the banks right now are in a massive credit crunch, where the excess liquidity which had been generated, especially by the zero-interest-rate policy in Japan, is now drying up, because the Japanese government came to the conclusion that they no longer could afford the zero-interest-rate policy, for internal reasons. So, they started to raise the interest rate, very carefully, but even these little rises were enough to stop the Japanese yen carry trade and, therefore, the major liquidity pump with which liquidity was pumped into the system.

Now, the yen carry trade is a very ominous thing, because it meant that speculators, who are euphemistically called “investors,” could take credits in Japanese yen at zero interest rate, and then go with these monies to other markets, other currencies with higher yields, invest there in speculative bubbles, and then use the difference to make huge profits. That money was also, in part, financing the major merger and acquisition mania which had taken place in the last years, and especially in the last months: About \$3 trillion in takeovers occurred in the last period. Now, \$3 trillion is not peanuts!

The problem is, that most of these takeovers, hostile takeovers, or mergers, were financed by banks. And this whole pyramid was in fine shape as long as everybody was making money, as long as all asset prices were going up. The hedge funds and private equity funds need huge profits, because they are all nested investments, and every participant in these investments must be kept happy and must have part of the payout. Because, when Alan Greenspan developed the so-called “creative financial instruments,” he also invented something which is called the “credit derivative,” and that is a mechanism by which you’re supposedly insuring yourself against losses in one field by speculating in the opposite direction.

And the whole system was that the difference between lenders and borrowers is completely eliminated: For example, one hedge fund or one private equity fund would take a credit from a bank and be the borrower, and then turn around and lend that money to somebody else, and become the lender, who in turn would then take the borrowed money and lend it to somebody else . . . and so forth and so on.

Whole market segments are connected in this way, and the people who have been saying that the hedge funds are a wonderful thing, because they are distributing the risk over many more shoulders, are actually fools, because the moment these asset prices begin to disintegrate, as in the case of the subprime mortgage market, then this whole balloon is going to burst, and you have a reverse leverage. And the connection which the hedge funds have created among the different market segments means that the whole thing is a “cluster risk,” and is now exploding. And that is not going to be stopped, no matter what they say.

It is very interesting that Lyn’s analysis is now being picked up by such people as the head of the German credit regulatory authority, BaFin. There was one newspaper article in Germany, which said, “so far, it was only the usual suspects,” like some other guy and Lyndon LaRouche, who warned of the blowout of the system; but now it is also Jochen Sanio, the head of the German credit regulatory authority himself, who is saying that. And there was also a newsletter in France, [put out by a group of economists including] the former economist of Dresdner Bank at the time that Dresdner Bank was still an industrial bank—his name is Kurt Richebaecher—which wrote a very, very interesting thing, saying that one bit of mythology is now blowing out, and that is the illusion that the central banks can always come up with some new trick, and that basically the system is foolproof, and they have all these mechanisms to save it. But that illusion is now popping.

Shocks Begin To Hit

So, we are really at a very important point, and the fact is that this is not just touching the monetary system, but it has, unfortunately a physical side to it, and that is the fact that the

idea of going away from a society based on production, of industry and agriculture, and shift to a post-industrial utopia, a paradigm shift occurred, starting about 40 years ago. And people said, “Okay, we don’t have to pay attention any more to investment in science, in technology, in industry, in infrastructure. We can just live off the funny money, money markets, and that is good and fine. Because money makes money and then we all become millionaires, and we don’t need to pay attention to production.”

That illusion is now popping also, because, apart from the subprime mortgage market, in the United States, a *big* shock occurred when two days ago, an eight-lane bridge in Minnesota collapsed into the Mississippi River, causing around seven people to be killed. . . .

Now, this has caused a total shock, because obviously, people are now asking themselves, “What is the condition of the bridge I’m driving over every morning and every evening?” There are 560,000 bridges in the United States, and 25% of those—130,000 bridges—are in a similar condition, at high risk, like this bridge in Minnesota. And that is just the bridges, but the same is true for other infrastructure, which has not been maintained in the last decades; you have a general breakdown of infrastructure.

So, the negligence of the government to not invest in the common good, to not invest in things which are important for the framework of the economy, is really becoming obvious. And people are saying that the Katrina catastrophe has moved from New Orleans to Minnesota, at the north end of the Mississippi River, because Bush was saying there’s nothing he can do about it.

This is causing a big, big crisis. And this will become worse, and turbulence will increase, and by September, you will see a world which people will not recognize. And obviously, this is also the period of a heightened war danger, because as long as you have Cheney in the position of the Vice President, the danger exists that an incident—like a Gulf of Tonkin incident—in the Persian Gulf can be used, or a terrorist incident. And then a strike against Iran would really throw the world into the abyss, and lead to an asymmetric global warfare.

So, this is why the organization is mobilized on this danger of the “Guns of August,” which is the idea that already twice, world wars have started in August.

LaRouche’s Credibility Soars

Now, that is a very dangerous world situation. But, on the hopeful side, I can only say that the credibility of Lyn and the organization also has never been higher than at this moment, in the same way, as when Lyn forecast the collapse of the Soviet Union in 1983, and then six years later the Soviet Union *did* collapse! And that led to an unbelievable recognition of Lyn’s writings, because all the scientists and representatives of the military-industrial complex, at the time of the SDI,

were reading in the Soviet publications, that Lyn was the enemy No. 1, that he was a *persona non grata*, that he was a “troglodyte.” And at that point, *Izvestia* had an article with a picture in which they showed Lyn as Rambo and me as “Teutonia” with horns!

But then, when the Soviet Union did collapse, as Lyn had predicted, the same scientists and representatives of the military-industrial complex looked at Lyn’s theoretical writings, and they recognized what an extraordinary genius and giver of ideas Lyndon LaRouche was. And that is why there are many more people who have seriously studied Lyn in the establishment in the Soviet Union, and then afterwards in Russia, than you have generally in any other country of the world.

So, that is why it is not a surprise, that at the beginning of this year, in April, the Russia government was playing, actually very consciously, “the LaRouche card,” by inviting Lyn to be one of the major speakers at a conference on the Bering Strait. And this was a fantastic conference, where the idea was put on the table that a 6,000-km railway line would be built, connecting the Trans-Siberian Railway to a 100-km kilometer tunnel underneath the Bering Strait, to Alaska; from there through Canada, then into the United States, and then down to Chile. And people were very, very excited, discussing that this is really part of a world grid of infrastructure connection. And that you would build the maglev train, and that soon, it would be cheaper, and quicker, to go by maglev from Acapulco in Mexico, via the Bering Strait, all the way to Mumbai in India!

People were totally excited. They also discussed the idea of developing infrastructure under Siberian permafrost conditions, because, as you know, in Siberia and northern Russia, there are some of the richest mineral and raw material reserves in the world, and it’s very difficult to develop them, because of the Arctic climate. But with modern technology, you can actually develop this region, and that’s exactly what’s on the agenda. But you need thermonuclear fusion, you need nuclear energy, and therefore, you need a real revolution in science and a science-driver which would come along from that project. It is so gigantic, that it really would be a springboard for reviving the world economy.

So, the Russian government did that very deliberately, as a war-avoidance policy, and as a signal, that an alternative to the collapsing global system is really possible.

Now, a lot of this very exciting discussion was then repeated by the [Soviet Academy of Science] Academicians, who, three weeks later, attended the 80th birthday celebrations for Professor Menshikov, who is a old friend of Lyn’s, who attended many of our seminars in Germany, and who had long ago invited us to attend the celebrations for his 80th birthday. And a lot of the Academicians who were there, had been at the Bering Strait conference, and they made many toasts, saying that they wished for the

100th birthday of Professor Menshikov, that the Bering Strait tunnel should be completed. And then the wife of Professor Menshikov proposed that the port on the Alaska side be called the LaRouche Port, and somebody else said that the port on the Siberian side will be named for Professor Menshikov.

The spirit was really fantastic, and I think that we are really at the beginning of the realization of many, many projects which we had in our initial Eurasian Land-Bridge Report from 1996-97. The Eurasian Land-Bridge is in various stages of becoming real: For example, there will be a big corridor built from New Delhi to Mumbai, 1,400 kilometers of rail, a corridor which will affect the economic life of 180 million people. Then, other tunnels are being built beneath the Himalayas between India and China. The Persian Gulf states and the Maghreb states in Northern Africa are all in discussion; they want to have maglev trains, they want to have nuclear energy.

And even in Europe, in Scandinavia, there is a revival of nuclear energy: Of all places, Sweden wants now to build nuclear plants. Finland is planning to build several nuclear reactors. In Denmark, the Schiller Institute created complete excitement, around building the maglev from Aarhus, which is its second largest city, to Copenhagen, to connect that via maglev to Hamburg in Germany, to Berlin, and from there to Moscow and to Beijing. And all major newspapers covered that, and our Schiller Institute members were testifying before the Danish parliament, and then they put it officially on the agenda.

So, we have a very exciting situation, because all the work we have done for the last 30 years, is now coming to fruition.

LaRouche and López Portillo

Remember, that already in 1975-76, the LaRouche organization had worked out a very comprehensive Africa development program, building infrastructure, ports, railroads, highways, water systems, water diversion from the rich water region from the Congo River, channelling it to the Sub-Sahara deserts, doing desalination through the peaceful use of nuclear energy—and all of that is now coming into being! South Africa has, right now, the most advanced model of the high-temperature reactor, which they plan to build up for export to all of Africa.

Then, naturally, the project Lyn had together with [Mexican President José] López Portillo in the form of Operación Juárez: This was a very, very important intervention in 1982, when López Portillo had called Lyn to come to Mexico City. And we went down, we met with him, and López Portillo explained to us at the time, how the international financial institutions had attacked the Mexican peso, how there was gigantic capital flight, and that Lyn should write a program, on how Mexico could defend itself against the international speculators.



The LaRouche Youth Movement in Mexico organizes against Al Gore's global warming hoax, July 31, 2007. Gore visited Mexico to pump his fraudulent campaign.

EIRNS

And then Lyn went back to the United States, and as Lyn always does, he not only tackles the problem which is put in front of him, but he tackles the larger problem, which was the question of Ibero-American infrastructure integration. So, he wrote the beautiful program *Operación Juárez*, which López Portillo started to implement on Sept. 1, 1982.

Now, it is very funny, because on that same day—on Sept. 1, 1982, Lyn and I had just had a meeting, in the same headquarters of the Kreditanstalt für Wiederaufbau which bailed out this IKB bank this week in Germany. They had organized a luncheon for Lyn and me, and we were just standing there at 11 o'clock in the morning, at a little reception, and then the main foreign exchange dealer of Germany rushed into the meeting, and said, "Oh my God! Oh my God! We have a tremendous crisis, and something terrible is happening!" So, we were smiling, because we knew this was not something terrible, but we knew that López Portillo had moved to nationalize the banks, to go for foreign exchange controls, and to provide credits for large infrastructure projects.

Now, these people at Kreditanstalt für Wiederaufbau were *completely* flabbergasted, when they heard from us, that we not only knew what was going on, but that that was not at all a crisis, but that it was the potential saving of the situation. Because it was the idea to reorganize the Ibero-American foreign debt, which at that point was only \$200 billion! That's not a lot compared to what happened afterwards. And it was the idea, to have an ordinary reorganization to basically put the banking system on a sound basis, to provide credits for the real economy.

But Wall Street freaked out: They thought this was a debtors' cartel. And then, unfortunately, because Brazil and Argentina at that point, did not show solidarity with Mexico, and López Portillo was to leave office by the end of that year, this effort to create an integrated Ibero-American market in the form of *Operación Juárez*, did not get realized at that time.

You can actually see that a lot of the ideas that López Por-

tillo had, and which LaRouche had, at that time, are now being picked up by the efforts of President Kirchner of Argentina, of President Correa of Ecuador, by the governments of Chile, of Venezuela, and others. So, it is very important that Mexico should orient towards this Bank of the South, and I think this also why Mr. and Mrs. Kirchner came to Mexico, to really show Mexico that it must ally with South America, in order to get out of this crisis. Because, obviously, with the collapse of the U.S. economy, this idea of permanently sending illegal immigrants to the United States is not going to solve the terrible problems of Mexico. And Mexico *does* need industrialization and the Eurasian Land-Bridge, meaning that the Bank of the South must be connected to the Eurasian Land-Bridge.

Changing the Axioms of Mankind

Now, this is all on the table, and I think this is a very, very important moment in history, where the *only* way that mankind will get out of this crisis, is if we have a *complete change* of the axioms: And that the image of man as a cognitive, creative being must be put in the center of the economy. Now, I'm absolutely optimistic that this is possible, simply because the laws of the universe are like that. And all we have to do, is put the political and economic order in cohesion with the laws of the universe.

Now, my dear friend Nicholas of Cusa was the first one to differentiate the areas of the inorganic, the organic, reason, and the level of God. Nicholas of Cusa said that each species will only accentuate itself fully, if it participates in one point in the next higher level. You can see this the most clearly, that man is only fully man if he participates in the next higher, that is, in divine creativity, and only is fully man if he realizes his cognitive potential, as being in the image of God, which is being a creative being, himself.

Vernadsky picked up exactly on this Cusan idea, by separating the different areas into the inorganic, the Biosphere,

and the Noösphere. And Vernadsky also was very explicit, that the domination of the Noösphere over the Biosphere is something which is built into the laws of the universe, and therefore, I'm absolutely certain, that sooner or later, mankind will be, in its majority, on the level of reason. And that is the battle which has to be fought out, right now.

Now, Lyn has been stressing in the recent weeks that we have to focus on the question of creativity as such. Because it is that creativity which separates human beings from all other creatures. It is important that we have an exact notion of what creativity is, because it is not what the Baby Boomers call creativity, namely, some strange form of self-realization, doing your own pottery, or painting strange colors on silk, or some other ridiculous idea. But real creativity is discovering fundamental universal principles, which mean advancement in the body of human knowledge.

Friedrich Schiller said, that the only person who is truly creative, is a beautiful soul. A beautiful soul, according to Schiller, is somebody for whom freedom and necessity, duty and passion, are one: In other words, a person who is not a Kantian, who doesn't do his duty in saying, "Ugh, I have to do my duty," and is totally miserable. But somebody who says, "Okay, this is necessary for mankind as a whole, and I'm joyfully doing my mission in this context." And Schiller also said, that the only truly beautiful soul is a genius, somebody who knows the laws of the universe in art and science in such a way, that he can *lawfully* widen these laws.

Now, here, obviously, comes the role of the LaRouche Youth Movement: Because Lyn has given it as a task to the LYM, all over the world, on five continents by now, that the LYM is really a worldwide Renaissance movement. And to understand what that really can do, you just have to look at the Italian Renaissance, which really provided the way to overcome the Dark Age of the 14th Century, where society had completely collapsed, where you had the breakdown of the financial system of that time, the collapses of the Houses of Bardi and Peruzzi. You had the Black Death, which killed one-third of all people from India to Ireland; you had witch-burning, you had Flagellants, you had complete insanity, which you can see in the paintings of Bosch and Breughel.

Cusa, Plato, and the Renaissance

And the big question is: How did mankind come out of this Dark Age? Well, through the works of Dante, Petrarch—but it was especially the contribution of Nicholas of Cusa, and his revival of the works of the entire dialogues of Plato, which then caused the excitement for the foundation of the Golden Renaissance of Italy, which laid the foundations for 600 years of European culture. And Nicholas of Cusa really focussed on this question of human creativity, after many centuries of a dark age.

As a matter of fact, for 1,700 years the works of Plato had

been unknown in Europe!... Almost no Plato was known in Europe, which Petrarch recognized, when he tried to find Plato because he had seen some hints of him in St. Augustine, but he couldn't find it. He also could not find anybody who would speak Greek at the time.

What Nicholas of Cusa did was a *real* revolution, because he developed this idea in the tradition of the Platonic ideas of the *coincidentia oppositorum*, which means the ability to think a higher unity above the level of contradictions. And it's exactly that kind of thinking which is the faculty of the mind which enables people to think of hypotheses, to elevate yourself above the realm of already existing knowledge, to formulate a hypothesis which in a certain sense, synthesizes the solution on a plane which previously did not exist.

So, therefore, what you should do, is focus on creativity, and focus on the curriculum which Lyn has provided for the LYM: the combination of Kepler, Bach, of science and music, and if you do that, and if you stay diligently at it, it will give you a tremendous power.

And therefore, let your new office become a beacon of creativity, and be certain that is the best wealth you can gain in this turbulent period. Because what you have developed in your mind, in terms of creativity, in terms of understanding the creative method, this cannot go under, in the coming turbulence of the collapse of the world financial system.

It is exactly what Heinrich Heine said every time he crossed the border between Germany and France, and the customs guys checked his luggage and tried to find some hidden, smuggled contraband, and so forth. Heine laughed and said: "Well, you can check my luggage as long as you want. Because the really dangerous stuff is what I have in my mind; the real revolutionary things are in my mind."

So, keep that in mind: What you put in your mind is the biggest treasure which you will possess, and which will give you the key to the solution to the problems of the next period.

I'm absolutely certain that the power of the LYM, in the coming weeks and months, in bringing in the solutions of Lyn to all the parliaments, all the governments, all the institutions, and into the streets, is going to be absolutely decisive to save this civilization. I'm absolutely hopeful, that with a lot of young people in Argentina, in Colombia, in Mexico, in North America, in South Africa, in Zimbabwe, in Australia, in the Philippines, in Russia, and in many other places, spreading all over the world, that is really the biggest hope mankind has right now.

With that power, we will be able to link up the Eurasian Land-Bridge, with the Ibero-American development, with Africa, with Australia. And if you combine that with a cultural Renaissance, I think that this force is *uniquely* in a position to save mankind from a very, very dangerous abyss; and that we will bring it into safety, and then move on to more happy things, such as conquering space and travelling to other planets, and eventually even beyond.

France: Nuclear Energy Or Financial Power

by Jacques Cheminade

Cheminade, a longtime associate of Lyndon LaRouche, heads the Solidarity and Progress party in France.

The visits by French President Nicolas Sarkozy and First Lady Cécilia Sarkozy to Libya at the end of July, met with real success: Not only were the six medical workers (five Bulgarian nurses and a Palestinian doctor) freed after more than eight years in prison, but France became involved in Libya with its most important strategic asset, nuclear energy. Moreover, a new concept for collaboration was developed there: nuclear desalination of seawater. For many years, Lyndon LaRouche and this author have defended this concept, with the idea of generating enough usable water to avoid depleting groundwater reserves and fossil water resources, overexploited by Tripoli up till now.

Nothing is served by questioning whether the overture is opportunistic, as the French Socialists are doing. They should know, since they have themselves been in power, that opportunism, at least at this point in history, cannot be tolerated, and that the only thing that really matters is results.

More important, for the first time, calling into question the theses of Zbigniew Brzezinski and the American neo-conservatives, the President of the French Republic declared—according to a July 26 Reuters wire—that a policy which begins with the principle that the Arab world “is not intelligent enough to use nuclear energy” would, in the long run, threaten to set off a “clash of civilizations.”

Moreover, the French nuclear energy giant Areva is also financing two modern EPR nuclear power plants in China. In Niger, thanks to a renewed agreement with the Niamey government, the company will continue mining some of the largest uranium deposits in the world. And, in the energy domain, the oil company Total was chosen to take a 25% share in Russia’s Shtokman natural gas field in the Barents Sea, one of the most important in the world. In Sudan, Total won out over Britain’s White Nile for the right to exploit the “Block B” concession. Hence, France’s position in these fundamental domains is solid, and that is good news for the interests of France, and also for world economic development.

However, a fundamental issue remains. Talking about new energy resources, necessarily implies considering economic development, and talking about economic development, necessarily implies talking about great infrastructure works and industrial strategy. To bring those about, one has to



European Commission

Is French President Nicolas Sarkozy distancing himself from his neo-con allies? This is the question posed by Sarkozy’s new commitment to provide nuclear technology to Libya and other Third World nations.

issue massive credit, on a long-term basis and at low interest. But the current financial and monetary system forbids recourse to this type of credit, and the European Central Bank’s announced interest rate hike for Sept. 6 is not of the nature to reverse the general trend—quite the contrary. Notably, the current disintegration of the international financial and monetary system raises the question of any prospect for growth in the real economy.

Look to the FDR Model

For that reason, however much we might rejoice in the French efforts in the energy domain, we cannot but acknowledge that the financial backing for their fulfillment does not exist, for lack of political vision and because of the pressure exerted by the European and international financier groupings that brought Sarkozy to power. The domestic policy of our government is radically opposite to the policies carried out by Harry Hopkins during his first week in the Franklin Roosevelt Administration, which gave a strong impetus to jobs creation, especially productive employment, around the great projects of the New Deal.

Don’t we have to tell Mr. Sarkozy to find his inspiration there, rather than in submitting to rentier-finance capital and to the logic of the hedge funds? Nuclear power, indeed, cannot be reduced to the construction of third-generation power plants, but requires the development of the fourth generation—the high-temperature reactors—and of controlled thermonuclear fusion power, together with the physical and human transformation of the economic environment around the power systems as such. That requires a new mode of financing, in the framework of a new international economic order, a New Bretton Woods and a “Global New Deal.”

Young Arab Musicians Celebrate Schumann

by Muriel Mirak-Weissbach

The great composer Robert Schumann would never have dreamed that July 29, the date of his death in 1856, could be celebrated by a concert of an orchestra made up of young Arab musicians. Yet, such was the case this year on the anniversary of Schumann's death: the Arab Youth Philharmonic Orchestra (AYPO), the first such pan-Arab youth orchestra, held its European debut at Bonn University, with a program including a modern piece of Arab music composed in the Classical style, Schumann's Concerto for cello in A-minor Op. 29, and Felix Mendelssohn-Bartholdy's "Italian" Symphony Nr. 4 in A-major.

The orchestra was founded in July 2006, on the initiative of Prof. Fawzy El-Shamy, former director of the Cairo Conservatory, and Prof. Walter L. Mik, music director of Bonn University. Professor El-Shamy described the project as his "dream": he conceived the idea as a means of uniting the Arab world through a cultural dialogue among its youth. El-Shamy told *EIR* that he had seen many orchestras, like the Cairo Symphony orchestra, which had both Egyptian and foreign musicians. At the same time, he knew of many youth orchestras, like the Bremen International Youth Orchestra, the West-East Divan Youth Orchestra of Daniel Barenboim, and others. Why not, he thought, create a youth orchestra of Arabs?

During 2004, he discussed the idea with several music institutes, which agreed to the approach. Given his experience with young musicians, he was considered the obvious choice to lead the effort. El-Shamy, who directs the conservatory orchestra in Cairo, then contacted Professor Mik, and invited him to come. The two travelled throughout the Arab world, holding auditions at conservatories, and selected a group of 50 musicians, between the ages of 18 and 28. Although initially, they thought they could start out in Egypt, this did not work out. Following discussions with the Culture Minister of Syria, Prof. Dr. Riad Nasan Aga, they decided to hold their first concert in Damascus. The sponsors of the orchestra include the Swedish organization SIDA (Swedish International Development Cooperation Agency), the German Academic Exchange Service, Collegium Musicum, and others.

Their first concert, which took place in Damascus last Summer, at the height of the Lebanon War, was described by Professor El-Shamy as an expression of solidarity with the Lebanese people. A second concert also took place soon after in Damascus,

in the beautiful Dar al Asad Opera House. The program there included works by a Lebanese composer Marcel Khalifa, an Egyptian composer Gamal Abdul Rahi, and the 8th Symphony of Antonin Dvorak. In Bonn, the first piece performed was an intriguing composition by a young Algerian composer, Salim Dada, named Ashwaq. It is in the form of the Arab Samai, one of the oldest and most developed Arab musical forms, which was developed from the 16th Century in the Ottoman Empire. Although some composers picked up the form in the 1920s, it was not further developed. Salim Dada's idea is to revive this Classical form, developing it with the Classical European compositional method.

In a brief interview with *EIR*, Salim Dada explained that he had never had formal training in music, and was largely self-taught. He studied intensively counterpoint and harmony, from the European tradition, of the Germans, and also as adapted in Russia and France. Dada said he believed it was important to combine the traditional Arab motifs, with the Classical European compositional method, as a means of promoting cultural understanding between the two.

The two European pieces, by Schumann and Mendelssohn, were presented with great concentration and enthusiasm. Following Mendelssohn's Italian symphony, which concluded the program, the audience delivered a long, standing ovation.

Although there are several youth orchestras, this is the first pan-Arab orchestra, and it includes musicians from 11 Arab countries. The intention, according to El-Shamy, is to promote Arab unity, and to enhance the dialogue between the Arab world and Europe, through the Classical music of both. Upcoming plans include a tour through Arab countries, with a program featuring the works of Ludwig van Beethoven.



Courtesy of Arab Youth Philharmonic Orchestra
The Arab Youth Philharmonic Orchestra, shown here performing in Damascus, Syria, made its European debut in Bonn, Germany; the concert, on the anniversary of Robert Schumann's death, was the highpoint of a two-day Summer festival of the Deutsch-Arabishe Gesellschaft, the leading German-Arab organization.

To Make Mideast Peace, Dump Dick Cheney Now

by Jeffrey Steinberg

Some of the major American news media has caught up with a story that *EIR* has been developing for more than a year. On Aug. 9, the McClatchey News Service reported that Vice President Dick Cheney is pressing President George Bush to give the orders to bomb Iran. While Bush has not yet done so, he has clearly picked up the Cheney line that Iran is the main source of the arms and training for the insurgents in Iraq who are killing American troops at an accelerating rate, using sophisticated roadside bombs. At a press conference on Aug. 10, the President warned: "There will be consequences for people transporting, delivering EFPs, highly sophisticated IEDs, that kill Americans right now." Referring to Iran by name, he said, "When we catch you playing a non-constructive role in Iraq, there will be a price to pay."

Bush's remarks reflect a propaganda drive for war, precisely paralleling the buildup to the March 20, 2003 invasion of Iraq. Now, as then, *New York Times* military correspondent Michael R. Gordon is playing the role of echo chamber for the Cheney forces, publishing dubious "intelligence" passed to him by Cheney's key asset on the ground in Baghdad, Gen. Kevin Bergner. Bergner was dispatched to Iraq in June as the White House point-man, after having served on the National Security Council as the military aide to Elliott Abrams, the Vice President's leading ally in the Old Executive Office Building.

On Aug. 8, Gordon filed a story, headlined "US Says Iran-Supplied Bomb Kills More Troops." Citing Lt. Gen Raymond Odierno, the number two American commander in Iraq, and General Bergner, Gordon claimed an Iranian role in the growing number of attacks and deaths of Americans in the Shi'ite areas of Iraq, although he never presented concrete evidence of a direct Iranian role in arming and training the Shi'ite insurgents.

The CIA has seriously disputed the scope of the Iranian role, insisting that the evidence is spotty and does not confirm a direct role by the Iranian regime in training and arming Iraqis. And during an interview with CNN's Wolf Blitzer on Aug.

6, Afghan President Hamid Karzai praised Iran's role in assisting in the stabilization of his country, a comment that provoked a sharp rebuke by President Bush when they met days later.

Gulf of Tonkin II

A well-informed Iranian source based in Washington, D. C. expressed grave concern that the Cheney forces could stage an incident, to justify an attack. There are active clandestine operations being directed by the United States and Saudi Arabia inside Iran, using Baluchi, Kurdish, and Azeri minorities along the border areas. And the Mujahideen e-Khalq (MEK), a group on the U.S. State Department's terrorist list, is being used to stage cross-border incursions into Iran from protected bases in Iraq. Recently, Saudi Prince Bandar bin-Sultan, the national security advisor to King Abdullah, and the former Ambassador to the United States, delivered \$750,000 to the MEK, an amount said to be a small percentage of the Saudi clandestine aid going to the group to conduct sabotage, kidnappings, and assassinations inside Iran.

It is such operations, combined with the massive U.S. naval and air buildup in the Persian Gulf, that has many top U.S. military officers—active duty and retired—worrying about a Cheney "Gulf of Tonkin II" incident.

Ultimately, as Lyndon LaRouche has been warning for months, if you want to avoid another disastrous war, and actually create the conditions for a lasting peace in the extended Southwest Asian region, then the only course of action, sure to succeed, is to dump Cheney now.

Even some Establishment voices are waking up to the danger. Anne-Marie Slaughter of the *Princeton Project on National Security* wrote in early August, of her worst nightmare scenario: "The Cheneyites succeed in creating a situation in which Bush does decide to bomb Iran. Iran retaliates as they openly threaten to do, with terrorist attacks against us on US soil. That tilts the [U.S. Presidential] election."

Gulf of Tonkin Crisis: Model for Cheney's War

by Carl Osgood

Despite his strong desire for war on Iran, Vice President Dick Cheney is not likely to be able to launch it on his own, especially since, as sources have told *EIR*, President Bush has not decided for war, yet. However, the movement of U.S. naval forces into and out of the Persian Gulf, the conduct of U.S. intelligence activities directed against Iran, the accusation that Iran is supplying Shi'ite militias with weapons that are used to kill American soldiers in Iraq, and the intensification of operations by the U.S. Air Force in both Iraq and Afghanistan, have created the danger of an incident, a "Gulf of Tonkin II," as Lyndon LaRouche has warned, that could provide Cheney with the pretext that he needs to convince Bush to start yet another war.

The model indeed is the original Gulf of Tonkin incident of August 1964, which was used by the Lyndon Johnson Administration as the pretext to expand the war in Vietnam to the point where it became an American war. President Johnson and Robert McNamara, his Secretary of Defense, were able to use that incident to stampede the Congress into giving Johnson a blank check to wage war as he saw fit.

The Johnson Administration began laying out plans for expanding the American presence in South Vietnam early in 1964, and the need for a Congressional resolution was suggested as early as February by Walt Rostow, an official in Johnson's State Department. The idea was twofold: to give Johnson a free hand to wage the war as he saw fit, and to take Vietnam off the table as an issue in the upcoming election campaign against Republican Sen. Barry Goldwater. Johnson did not want Goldwater to be able to accuse him of being "soft on communism."

Covert Operations

The first rough draft of a resolution was completed by Johnson's National Security Advisor, McGeorge Bundy, by late May. That same month, the CIA issued a special national intelligence estimate, entitled "Probable Consequences of Certain U.S. Actions with respect to Vietnam and Laos" (available, today, on the website of the National Security Archive). The estimate assumed that U.S. actions to bring about a cessation of North Vietnamese support for the insurgency in the South, would include air and naval strikes, which "would be on a graduated scale of intensity, ranging from reconnaissance, threats, cross-border operations and limited strikes on logistical targets" in North Vietnam, indicating that such plans were already being

drawn up. Based on that assumption, the CIA concluded, wrongly, that under increasing U.S. military pressure, the Hanoi regime would likely back off from pursuing its war in the South.

Pressure was already being applied against North Vietnam via covert operations. Under Operations Plan 34A (a.k.a. OPlan 34A), which dated back to late 1963, commando raids were being carried out along North Vietnam's coast by raiders transported in boats supplied by the United States. In conjunction with these raids, U.S. Navy destroyers, equipped with electronic eavesdropping teams, would sail along the coast to monitor and record North Vietnamese radio and radar traffic in response to the raids.

What Actually Happened in the Gulf of Tonkin

It was in apparent reaction to one such OPlan 34A raid that North Vietnamese patrol boats attacked the *USS Maddox* on Aug. 2. The *Maddox* called for air support from the aircraft carrier *USS Ticonderoga*, and fired back, crippling two boats and sinking a third. There seems to be little doubt that this attack did, indeed occur. It took place during daylight hours, and was acknowledged by Hanoi Radio ten days later. President Johnson concluded, that because no Americans were hurt, retaliatory action was unnecessary, but the U.S.A. warned Hanoi that "grave consequences would inevitably result from any further unprovoked offensive military action."

The real reaction was not public, however. A second destroyer, the *USS C. Turner Joy*, was ordered to join the *Maddox*, and further OPlan 34A raids were launched on Aug. 3. The two destroyers were ordered to run to within eight miles of the North Vietnamese coast "to assert the right of freedom of the seas." The following night, in darkness and in bad weather, both destroyers started firing at what their crews thought were patrol boats coming at them from all directions. However, doubts as to what had actually happened began as soon as the guns on the two destroyers fell silent. Capt. John Herrick, the commander of the destroyer task force, radioed to his superiors that "a review of the action makes many reported contacts and torpedoes fired appear doubtful. Freak weather effects on radar and over-eager sonarmen may have accounted for many reports. No visual sightings have been reported ... and the Commander suggests that a complete evaluation be undertaken before any further action."

Herrick's message, however, caused only a brief pause in the planning then already underway at the Pentagon for retaliatory strikes against North Vietnam. Later that evening, President Johnson went on national television to announce the second "incident," and accused North Vietnam of "open aggression on the high seas against the United States of America." An hour and a half later, the first retaliatory air strikes were conducted against North Vietnamese naval facilities. Two days later, on Aug. 6, the Gulf of Tonkin Resolution passed the Senate with only two dissenting votes.

Bush Signs Spy Bill in Spirit Of Hitler's Third Reich

by Edward Spannaus

Everything, and more, that was done under Dick Cheney's domestic surveillance program launched immediately after 9/11, is now "legal," thanks to the legislation passed by the Democratic-controlled Congress on Aug. 4, in the hours before it adjourned for its August recess. The next day, President Bush signed the legislation which amends—actually, obliterates—the Foreign Intelligence Surveillance Act (FISA), which had prohibited the electronic surveillance of Americans without a court order for almost 30 years.

In explicit violation of the Fourth Amendment to the U.S. Constitution, the Administration can now monitor Americans' calls and e-mails, without a warrant, so long as there is some claimed connection to a person "reasonably believed to be located outside the United States." The link doesn't have to be to al-Qaeda, nor even to a suspected terrorist, but simply to "a person" outside the U.S., so long as "a significant purpose of the acquisition is to obtain foreign intelligence information." Previously, the FISA Court had to approve any electronic surveillance of a person inside the United States.

Bush and Cheney Threaten Congress

During the week prior to the bill's passage, the White House was putting excruciating pressure on Congress, demanding that it immediately pass new legislation to give the Administration more leeway to monitor phone calls and e-mails of "suspected terrorists." Fearful of being blamed for a new terrorist attack, many Democrats backed off from their earlier insistence that Congress should not pass any new legislation modifying FISA until the Administration had fully disclosed the scope of the domestic surveillance program put in effect after September 2001.

That program, it is well-established, was run by Vice President Dick Cheney. It was Cheney and his lawyer David Addington who pushed hardest for the spy program in the weeks after 9/11, using their "Schmittlerian" legal theories (modelled on Hitler's 'Crown Jurist' Carl Schmitt) to argue that the President could ignore existing laws and make his own. According to the May 16, 2006, *New York Times*, it was Cheney who argued that the NSA should be able to intercept purely domestic phone calls and e-mails without a warrant. It was Cheney who provided all the clas-

sified briefings on the program—such as they were—to Congressional leaders. And it has now been reported (*New York Times*, July 29) that it was Cheney himself who ordered then-White House Counsel Alberto Gonzales to go to Attorney General John Ashcroft's hospital room on March 10, 2004, in an effort to get the heavily-sedated Ashcroft to override the determination by the top Justice Department officials that the program, as it was then functioning, was unlawful.

According to reports first published in *Newsweek* on Aug. 1, and the *Los Angeles Times* on Aug. 2, the reason for the Administration's desperation to pass a new FISA bill was that, four or five months earlier, a judge of the secret FISA Court had imposed new restrictions on the NSA's ability to intercept, without a specific warrant, overseas phone calls and e-mails which are routed through U.S. facilities.

But, observers were asking why, if there was such a "gap" in intelligence collection created by a court ruling four to five months earlier, did the White House wait until the last minute to declare such an emergency?

On Aug. 3, President Bush escalated the strong-arm pressure, demanding that Congress stay in session until it passed the FISA amendments submitted by the White House. In an atmosphere of hysteria and intimidation similar to that used by Bush and Cheney to push through the Patriot Act in Fall 2001, and the Military Commissions (torture) Act last year, Bush ranted that "there are cold-blooded killers who want to come to our homeland and wreak death," and he insisted that Congress must "stay in session until they pass a bill that will give our intelligence community the tools they need to protect the United States."

Although it was Bush making the public statements, Dick Cheney was Bush's companion (controller) when Bush made his threats to reconvene Congress. It is typical in such situations that Cheney engages in the heavy threats and arm-twisting of Congressional leaders behind the scenes. Senate Majority Leader Harry Reid indicated as much, when he complained on Aug. 2, that Director of National Intelligence Mike McConnell had escalated his demands for changes in the bill, after Democrats thought they had an agreement with him. "I assume that he's gotten some calls from the White House and the Vice President's office," Reid said.

After the passage of the FISA bill, albeit with a six-month expiration date, Cheney, in an Aug. 6 speech to a convention of the Marine Corps League in New Mexico, demanded that Congress “complete the task on a permanent basis before the end of the year.”

‘The Politics of Fear’

By succumbing to Cheney, the Democratic-led Congress has once again succeeded in disgracing itself in the eyes of Americans—thus creating a situation even more conducive to the dictatorship Cheney and his backers desire. The scorn was also reflected in press commentary.

The *Washington Post* wrote on Aug. 6: “The Democratic-led Congress, more concerned with protecting its political backside than with safeguarding the privacy of American citizens, left town early yesterday after caving in to administration demands that it allow warrantless surveillance of phone calls and e-mails of American citizens, with scant judicial supervision and no reporting to Congress about how many communications are being intercepted. . . .”

The *New York Times*’ lead editorial on Aug. 7, entitled “The Fear of Fear Itself,” stated: “It was appalling to watch over the last few days as Congress—now led by Democrats—caved in to yet another unnecessary and dangerous expansion of President Bush’s powers, this time to spy on Americans in violation of basic constitutional rights. . . .” The *Times* remarked that “the spectacle left us wondering what the Democrats—especially their feckless Senate leaders—plan to do with their majority in Congress if they are too scared of Republican campaign ads to use it to protect the Constitution and restrain an out-of-control president.”

The *Los Angeles Times*, calling it “The politics of fear,” noted: “That this flawed legislation was approved by a Democratic Congress is a reminder that many in the party are still fearful that they will be labeled ‘soft on terror’ if they don’t give this administration what it wants when it wants it. But the party may be equally injured by the perception that it won’t stand up for what it believes.”

Data-Mining Continues

The new law also requires telecommunications companies to make their facilities available for government monitoring. This is in fact what the telephone companies were already doing after 9/11, according to a number of earlier reports.

Shortly after it broke the initial story on NSA domestic surveillance, the *New York Times* reported, in a follow-up story on Dec. 24, 2005, that the NSA had obtained the cooperation of American telecommunications companies to obtain backdoor access to the main arteries of telecommunications, thus accessing streams of domestic and international communications. The *Times* reported that the NSA was combing through large volumes of phone and Internet traffic, in what some officials described as a data-mining operation.

A few weeks later, the *Times* reported that, after 9/11, the NSA began sending a steady stream—which soon became a flood—of telephone numbers, e-mail addresses, and names to the FBI in search of suspected terrorists. The FBI complained that there was so much useless data being given to them, that it was swamping their investigators, and that all of it was worthless.

In May 2006, *USA Today* reported that the NSA had been collecting the phone call records of tens of millions of Americans, using data provided by AT&T, Verizon, and BellSouth. Among the major communications companies, only Qwest reportedly balked, demanding that the NSA provide it with a court order first.

Further evidence of this, was contained in statements and affidavits prepared by former AT&T technician Mark Klein, who learned in 2003-04 that AT&T had built “secret rooms” in its central offices in various cities, enabling the NSA to tap into AT&T “WorldNet” services and the entire Internet. Klein originally thought these special facilities were being used for the “Total Information Access” (TIA) data-mining program developed under Reagan National Security Advisor Adm. John Poindexter (ret.). Although Congress supposedly defunded the TIA program, there are solid indications that it is still operating, but under a different name.

Thus, the dispute over whether Alberto Gonzales perjured himself in recent Congressional testimony, when he said that the confrontation in Ashcroft’s hospital room was over some other intelligence activity, really misses the point. What Congress should be looking at, and stopping, is the totality of domestic surveillance, monitoring, and data-mining programs carried out after 9/11—not just the so-called “Terrorist Surveillance Program” which the Administration has acknowledged.

This is what *EIR* proposed in its May 25, 2007 issue, in the wake of the explosive testimony by former Deputy Attorney General James Comey to the Senate Judiciary Committee on May 15. *EIR* said that Comey’s testimony, “that the entire leadership of the Justice Department was prepared to resign over their disagreement with the White House, particularly Dick Cheney and his lawyer David Addington . . . raises the question once again: Is the NSA spying program much bigger than has ever been admitted?”

Instead of pursuing this question, Congress allowed itself to be bullied into passing new “temporary” legislation, which now makes it much simpler, and indeed “legal,” for the Administration to continue doing what it had been previously been doing in secret—to carry out surveillance, monitoring, and data-mining activities, against millions of Americans, without a court order or supervision.

Even more dangerous, Congress acceded to a new Hitler-like power grab by the Bush-Cheney White House, allowing it to ride roughshod over Congress and the courts in a manner reminiscent of Carl Schmitt’s doctrine of imposing emergency rule in a time of crisis.

Dangers of a Cornered George Bush

We reprint here, with its original title, a psychological assessment of the President by Dr. Justin Frank and the Veteran Intelligence Professionals for Sanity (VIPS). The Editor's Note below is by VIPS. Dr. Frank, a practicing psychoanalyst in Washington, is on the faculty of the George Washington University Medical School. He is the author of Bush on the Couch—Inside the Mind of the President (2004).

Editor's Note: As the nation and the world face 18 more months of George W. Bush's presidency, a chilling prospect is that Bush, confronted with more defeats and reversals, might just "lose it" and undertake even more reckless military adventures.

In this special memorandum, dated July 17, 2007, the Veteran Intelligence Professionals for Sanity (VIPS) collaborated with psychiatrist Dr. Justin Frank, author of *Bush on the Couch*, to assess the potential dangers and possible countermeasures available to constrain Bush.

* * *

Recent events have put a great deal more pressure on president George W. Bush, who has shown little regard for the constitutional system bequeathed to us by the Founders. Having bragged about being commander in chief of the "first war of the 21st century," one he began under false pretenses, success in Iraq is now a pipedream. The "new" strategy of surging troops in Baghdad has simply wasted more lives and bought some time for the president. His strategy boils down to keeping as many of our soldiers engaged as possible, in order to stave off definitive defeat in Iraq before January 2009.

Bush is commander in chief, but Congress must approve funding for the war, and its patience is running out. The war—and the polls—are going so badly that it is no longer a sure thing that the administration will be able to fund continuance of the war. There is an outside chance Congress will succeed in forcing a pullout starting in the next several months. What would the president likely do in reaction to that slap in the face? What would he do if the Resistance succeeded in mounting a large attack on U.S. facilities in the Green Zone or elsewhere in Iraq? How would he react if Israel mounted a preemptive attack on the nuclear-related facilities in Iran and wider war ensued?

Applied Psychoanalysis

The answers to such questions depend on a host of factors for which intelligence analysts use a variety of tools. One such tool involves applying the principles of psychoanalysis

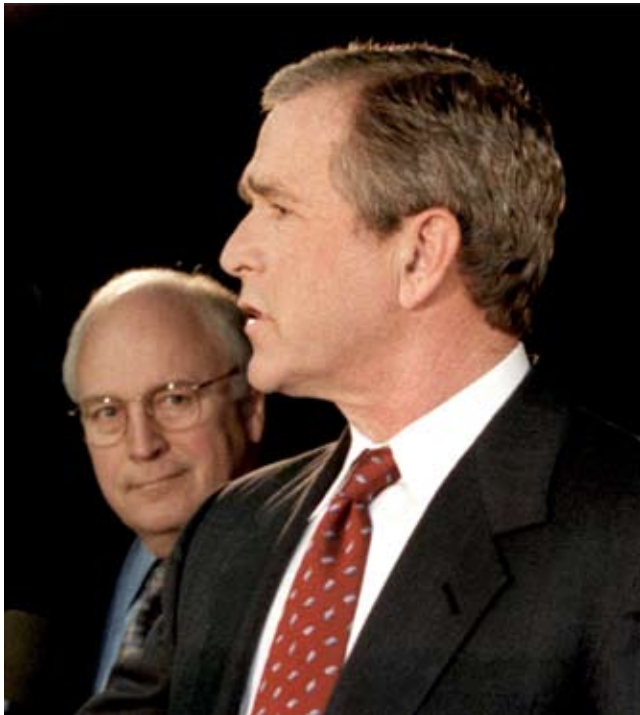
to acquire insights into the minds of key leaders, with an eye to facilitating predictions as to how they might react in certain circumstances. For U.S. intelligence, this common-law marriage of psychoanalysis and intelligence work dates back to the early 1940s, when the CIA's forerunner, the Office of Strategic Services, commissioned two studies of Adolf Hitler. We call such assessments "at-a-distance leader personality assessments." Many were quite useful.

VIPS found the 2004 book *Bush on the Couch*, by Washington psychiatrist Justin Frank, MD, a very helpful assessment in this genre. We now have two more years of experience of observing Bush closely. As we watched the pressure build on President Bush, looked toward the additional challenges we expect him to face over the next 18 months, and pondered his tendency to disregard the law and the Constitution, we felt very much in need of professional help in trying to estimate what kinds of decisions he is likely to make.

Dr. Frank, it turned out, had been thinking along the same lines, when we asked to meet with him just three weeks ago. What follows is a collaborative Frank-VIPS effort, with the psychological insights volunteered by Dr. Frank, who shares the imperative we feel to draw on all disciplines to assess what courses of action president George W. Bush is likely to decide upon in reacting to reverse after reverse in the coming months.

Parental discretion advised. The outlook is not only somber but potentially violent—and includes all manner of threats born of George W. Bush's mental state (as well as the unusual relationship he has with his vice president). Things are going to hell in a hand basket for this administration, and Bush/Cheney have shown a willingness to act in extra-Constitutional ways, as they see fit. While Bush and his advisers make a fetish of it, he is nonetheless commander in chief of the armed forces, and the question becomes how he might feel justified in using them, and is there still any restraining force—any checks on the increasing power of the executive in our three-branch government.

We have a president whose psychological makeup inclines him to do as he pleases. Because Congress has been cowed, and the judiciary stacked with loyalists, he has gotten away with it—so far. But the polls show growing discontent among the people, especially over the war in Iraq. Congress, too, is starting to challenge the executive, as it should—but slowly, slower than it should. The way things are moving, there is infinite opportunity to diddle and dodge—in effect conducting business pretty much as usual over the next 18 months.



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If the impeachment of President Bush and Vice President Cheney is underway when Bush orders our military to begin a war against Iran, the authors write, “there is a good chance that, rather than salute like automatons and start World War III, our senior military would find a way to prevent more carnage until such time as the representatives of the people in the House have spoken.”

Could Start Another War ...

Meanwhile, the president may well feel free to start another war, with little reference to the Congress or the UN, against Iran. The commander of CENTO forces, Admiral William Fallon, is quoted as having said we “will not go to war with Iran on my watch.” Tough words; but should the president order an attack on Iran, chances are Fallon and others will do what they are accustomed to doing, salute smartly and carry out orders, UNLESS they show more regard for the U.S. Constitution than the president does. There is an orderly remedy written into the Constitution aimed at preventing a president from usurping the power of the people and acting like a king; the process, of course, is impeachment.

The usual focus on impeachment is on abuses of the past, and a compelling case can surely be made. We believe an equally compelling incentive can be seen in looking toward the next 18 months. In this paper, we are primarily concerned about what future misadventures are likely if this administration is not somehow held to account; that is, if Bush and Cheney are not removed from office.

Unless Checked

If the constitutional process of impeachment is under way when President Bush orders our military to begin a war against

Iran, there is a good chance that, rather than salute like automatons and start World War III, our senior military would find a way to prevent more carnage until such time as the representatives of the people in the House have spoken. This administration’s capacity for mischief would not end until conviction in the Senate. But initiating the impeachment process appears to be the only way to launch a shot across the bow of this particular ship of state. For it is captained by a president with a psychological makeup likely to lead to new misadventures likely to end in a ship wreck unless the Constitution is brought alongside and a new pilot boarded.

We are grateful that Dr. Frank agreed to collaborate with us and to issue under VIPS auspices the psychological assessment that follows.

Discussion of the three scenarios after his profiling of President Bush was very much a collaborative exercise aimed at applying Frank’s insights to contingencies our president may have to address before he leaves office. Our conclusions are, of necessity, speculative—and, sorry, scary.

The Assessment of Dr. Frank

If a patient came into my consulting room missing an arm, the first question I would ask is, “What happened to your arm?” The same would be true for a patient who has no guilt, no conscience. I would want to know what happened to it.



Dr. Justin Frank

No Conscience

George W. Bush is without conscience, and it would require a lengthy series of clinical sessions to find out what happened to it. By identifying himself as all good and on the side of right, he has been able to vanquish any guilt, any sense of doing wrong.

In *Bush on the Couch*, I gave examples illustrating that remarkable lack of conscience. From his youthful days blowing up frogs with firecrackers to his unapologetic public endorsement of torture, there has been no change. Observers are gradually becoming aware of this fundamental deficit. For example, after watching the president’s press conference on July 12, *Wall Street Journal* columnist Peggy Noonan wrote, “He doesn’t seem to be suffering, which is jarring. Presidents in great enterprises that are going badly suffer: Lincoln, LBJ with his head in his hands. Why doesn’t Mr. Bush?”

No Shame

George W. Bush seems also to be without shame. He expresses no regret or embarrassment about his failure to help Katrina victims, or to tell the truth. He says whatever he thinks

people want to hear, whether it be “stay the course” or “I’ve never been about ‘stay the course.’” He does whatever he wants.

He lies—not just to us, but to himself as well. What makes lying so easy for Bush is his contempt—for language, for law, and for anybody who dares question him. That he could say so baldly that he’d never been about “stay the course” is bone chilling. So his words mean nothing. That is very important for people to understand.

Fear of Humiliation

Despite having no shame, Bush has a profound fear of failure and humiliation. He defends himself from this by any means at his disposal—most frequently with indifference or contempt. He will flinch only if directly confronted about being a failure or a liar. Otherwise world events are enough removed from him that he can spin them into his intact defense system.

This deep fear helps to explain his relentlessly escalating attacks on others, his bullying, and his use of nicknames to put people down. There is fear of being found out not to be as big in every way as his father. What a burden to have to face his many inadequacies—now held up to the light of day—whether it is his difficulty in speaking, thinking, reading, managing anxiety, or making good decisions. He will not change, because for him change means humiliating collapse. He is very fearful of public exposure of his many inadequacies.

Contempt for Truth?

Contempt itself is a defense, a form of self-protection, which helps Bush appear at ease and relaxed—at least to big fans like *New York Times* columnist David Brooks. The president’s contempt defense protects his belief system, a system he clings to as if his beliefs were well-researched facts. His pathology is a patchwork of false beliefs and incomplete information woven into what he asserts is the whole truth. What gets lost in this process is growth—the George W. Bush of 2007 is exactly the same as the one of 2001. Helen Thomas has said that of all the presidents she has covered over the years, Bush is the least changed by his job, by his experience. This is why there is no possibility of dialogue or reasoning with him.

Sadistic

His certitude that he is right gives him carte blanche for destructive behavior. He has always had a sadistic streak: from blowing up frogs, to shooting his siblings with a b-b-gun, to branding fraternity pledges with white-hot coat hangers. His comfort with cruelty is one reason he can be so jocular with reporters when talking about American casualties in Iraq. Instead of seeing a president in anguish, we watch him publicly joking about the absence of “weapons of mass destruction” in Iraq, in the vain search for which so many young Americans died.

Break It!

Bush likes to break things, needs to break things. And this is most shockingly seen in how he is systematically destroying our armed forces. In the early days of the Iraq invasion he refused to approve the large number of troops the generals said were needed in order to try to invade and pacify Iraq, and acquiesced in the firing of any general who disagreed. He turned a blind eye to giving troops proper equipment, and cut funding for needed health care. Health care and other social programs have one thing in common: they are paid for by public funds. It may well be that, unconsciously, the government represents his neglectful parents, and those helped by the government represent the siblings he resents. If George W. Bush wanted to destroy his own family, he could scarcely have done better. Thanks to him, no Bush is likely to be elected to high office for generations to come.

Where Does This Leave Us?

It leaves us with a regressed president who needs to protect himself more than ever from diminishment, humiliation, and collapse. He is so busy trying to manage his own anxiety that he has little capacity left to attend to national and world problems. And so, we are left with a president who cannot actually govern, because he is incapable of reasoned thought in coping with events outside his control, like those in the Middle East. This makes it a monumental challenge—as urgent as it is difficult—not only to get him to stop the carnage in the Middle East, but also to prevent him from undertaking a new, perhaps even more disastrous adventure—like going to war with Iran, in order to embellish the image he so proudly created for himself after 9/11 as the commander in chief of “the first war of the 21st century.” Iran would make number three—all the compelling reasons against it notwithstanding.

Contingencies

We will now attempt to put flesh on the discussion by positing and examining scenarios that would force Bush to react, and applying the observations above and other data to forecast what form that reaction might take.

Outlined below are three illustrative contingencies, each of which would pose a neuralgic threat to George W. Bush’s shaky self-esteem, his over-determined efforts to stave off humiliation, and his unending need for self-protection. These are not seat-of-the-pants scenarios. Each of them is possible—arguably, even probable. The importance of coming up with educated guesses regarding Bush’s response BEFORE they occur is, we hope, clear.

Scenario A: Destructive Attack on the Green Zone

The U.S. military is out in front of Defense Secretary Robert Gates and other policymakers in Washington in seeing the



U.S. Air Force/Staff Sgt. Ashley Brokop

U.S. forces and Iraq police respond to a bombing by an improvised explosive device outside the gate of the super-protected Green Zone. If there were a major attack on the Green Zone today, Bush might “let the bombs and missiles fall where they may.”

hand of Iran’s government behind “the enemy” in Iraq. On July 26, the operational commander of U.S. forces in Iraq, Lt. Gen. Raymond Odierno, blamed the recent “significant improvement” in the accuracy of mortar and rocket attacks on the Green Zone on “training conducted inside Iran.” Odierno also repeated that roadside bombs are being smuggled into Iraq from Iran. Last week, Gen. David Petraeus warned that insurgents intend to “pull off a variety of sensational attacks and grab the headlines to create a ‘mini-Tet.’” (Tet refers to the surprise country-wide offensive mounted by the Vietnamese Communists in early 1968, which indicated to most Americans that the war was lost.)

Attacks on the Green Zone have doubled in recent months. Despite this, the senior military appear to be in denial with respect to the vulnerability of the Green Zone—oblivious even to the reality that mortar rounds and rocket fire have little respect for walled enclaves. Anyone with a mortar and access to maps and images on Google can calibrate fire to devastating effect—with or without training in Iran. It is just a matter of time before a mortar round or rocket takes out part of the spanking new \$600-million U.S. embassy together with people working there or nearby. And/or, the insurgents could conceivably mount a multi-point assault on the zone and gain control of a couple of buildings and take hostages—perhaps including senior diplomats and military officers.

Given what we think we know of George Bush, if there were an embarrassing attack on U.S. installations in the Green Zone or some other major U.S. facility, he would immediately order a retaliatory series of air strikes, and let the bombs and missiles fall where they may. The reaction would come from deep within and would warn, in effect: This is what you get if you try to make me look bad.

Scenario B: Israeli Attack on Nuclear Targets in Iran

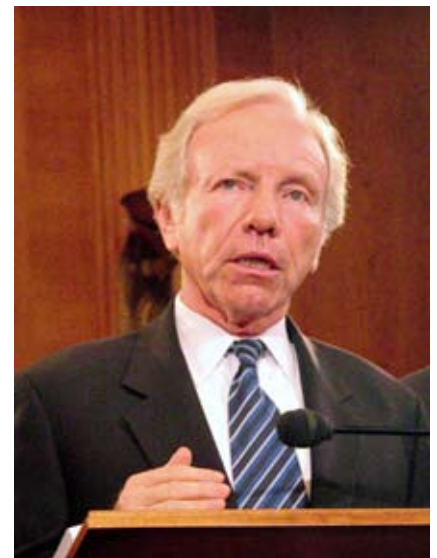
This would be madness and would elicit counterattacks from an Iran with many viable options for significant retaliation. Nevertheless, Sen. Joe Lieberman (I-Conn.), and his namesake Avigdor Lieberman, Israel’s minister of strategic affairs, are openly calling for such strikes, which would have to be on much more massive a scale than Israel’s bombing of

Iraq’s nuclear reactor at Osirak in 1981.

For that attack in 1981, Cheney, a great fan of preemptive strikes, congratulated the Israelis, even though the U.S. joined other UN Security Council members in unanimously condemning the Israeli attack. Five years ago, on Aug. 26, 2002, Cheney became the first U.S. official publicly to refer approvingly to the bombing of Osirak. And in an interview two and a half years ago, on Inauguration Day 2005, Cheney referred nonchalantly to the possibility that “the Israelis might well



U.S. State Department/Michael Gross



EIRNS/Stuart Lewis

The two maniacal Liebermans, Israeli Minister of Strategic Affairs Avigdor Lieberman (left) and U.S. Sen. Joe Lieberman (I-Conn.), are calling for Israeli strikes against Iran. The U.S. military opposes such an attack, but Cheney supports it, and has often overruled the military.

decide to act first [to eliminate Iran's nuclear capabilities] and let the rest of the world worry about cleaning up the diplomatic mess afterwards."

One thing Cheney says is indisputably—if myopically—true: Bush has been Israel's best friend. In his speeches, he has fostered the false impression that the U.S. is treaty-bound to defend Israel, should it come under attack—as would be likely, were Israel to attack Iran. With the U.S. Congress firmly in the Israeli camp, Cheney might see little disincentive to giving a green-light wink to Israel and then let the president "worry about cleaning up."

Reporting from Seymour Hersh's administration sources serves to strengthen the impression shining through Bush's speeches that he is eager to strike Iran. But how to justify it? Curiously, a National Intelligence Estimate on Iran's nuclear capability, a study scheduled for completion early this year, has been sent back several times—probably because its predictions are not as alarmist as the warnings that Cheney and the Israelis are whispering into the president's ear. Senior U.S. military officers have warned against the folly of attacking Iran, but Cheney has shown himself, time and time again, able to overrule the military.

But What If Impeachment Begins?

Is there nothing to rein in Bush and Cheney? It seems likely that only if impeachment proceedings were under way would senior officers like CENTCOM commander, Admiral William Fallon, be likely to parry an unlawful order to start yet another war without the approval of Congress and the UN. With impeachment under way, such senior officers might be reminded that all officers and national security officials swear an oath to protect and defend the Constitution of the United States—NOT to protect and defend the president.

It was a highly revealing moment when on July 11, former White House political director Sara Taylor solemnly reminded the Senate Judiciary Committee, that as a commissioned officer, "I took an oath and I take that oath to the president very seriously." Committee chair Patrick Leahy had to remind Taylor: "We understand your personal loyalty to president Bush. I appreciate you correcting that your oath was not to the president, but to the Constitution."

The most senior officers, military included, can get their loyalties mixed up. And this is of transcendent importance in a context described by Seymour Hersh: "These guys are scary as hell . . . you can't use the word 'delusional,' for it's actually a medical term. Wacky. That's a fair word."

One does not need psychoanalytic training to see that Bush and Cheney do not care about facts, treaties (or the lack thereof), or other legal niceties, unless it suits their purpose. This gives an even more ominous ring to what Hersh is hearing from his sources. If Israel attacks Iran, President Bush is likely to spring to Israel's defense, regardless of whether he was inside or outside the loop before the attack; and the world will see a dangerously widened war in the Middle East. Psy-



U.S. Navy/Spc. 2nd class Gabriela Hurtado

Adm. William Fallon, Commander, U.S. Central Command, says we "will not go to war with Iran on my watch"—but it seems likely that only if impeachment proceedings were under way, would he and other senior officers be reminded that their oath is to the Constitution—not to the President.

chologically, Bush would almost certainly need to join the attack, mainly to sustain his illusion of safety and masculinity. And Cheney, knowing that, would be pushing him hard on U.S. energy and other perceived strategic interests.

Scenario C: Congress Cuts War Funding This Fall

Let's assume that Congress finally grows weary of the increasingly obvious bait-and-switch, the "we-need-more-time" tactic, and cuts off all funding except for that needed to bring the troops home. The talk now is about getting a "meaningful" progress report in November, because September is said to be too soon. The Iraqi parliament is behaving much like its American counterpart by taking August off. But our soldiers do not get a month-long hiatus from constant danger.

It is clear even to the press that the surge has simply brought more American deaths and an upsurge of insurgent attacks. What is less clear is why Bush remains so positive. It is probably not just an act, but an *idée fixe* he needs to hold onto tightly. Since doubt is dangerous, we see a compensatory smile fixed on the face of the president and other senior officials, dismissing any trace of uncertainty or doubt.

If Congress cut off funding for war in Iraq, Bush might well cast about for a *casus belli* to "justify" an attack on Iran. Would the senior military again go along with orders for an unprovoked, unconstitutional war on a country posing no threat to the U.S.? Hard to say. In this context, an ongoing impeachment process could provide welcome evidence that influential members of Congress, like many senior military officers, see through Bush's need to strike out elsewhere. Military commanders might think twice before saluting smartly and executing an illegal order.

In such circumstances, Dick “it-won’t stop-us” Cheney, could be expected to try to pull out all the stops. But if he, too, were in danger of being impeached, uniformed military officers could conceivably block administration plans. There is only a remote chance that Defense Secretary Gates would be a tempering voice in all this. Far more likely, he would smell in any restrictive legislation traces of the Boland amendment, which he assisted in circumventing during the Iran-Contra misadventure.

Petraeus ex Machina

With “David” or “General Petraeus” punctuating the president’s every other sentence at recent press conferences, the script for September seems clear. This is one four-star general with exquisite PR and political acumen—pedigree and discipline the president can count on. And with his nine rows of ribbons, he calls to mind the U.S. commander in Saigon, Gen. William Westmoreland at a similar juncture in Vietnam (after the Tet offensive, when popular support dropped off rapidly). It is virtually certain that Petraeus will press hard for more time and more troops. Potemkin-style improvements will be used by Bush to justify continuing the “new” surge strategy, with the calculation that enough Democrats might be overcome by the fear of being charged with “losing Iraq.”

In the past Bush seems to have bought Cheney’s “analysis” that increased enemy attacks were signs of desperation. Hard as it is to believe that Bush has not learned from that repeated experience, it is at the same time possible to “misunderestimate” one’s capacity for wooden-headedness, particularly with respect to someone with the psychological makeup of our president. He is extraordinarily adept at finding only rose-colored glasses to help him see.

With Cheney egging him on from the wings of the “unitary executive,” but Congress no longer bowing to that novel interpretation of the Constitution, Bush will be sorely tempted to lash out in some violent way, if further funding for the war is denied. To do that effectively, he will need senior generals and admirals as co-conspirators. It will be up to them to choose between career and Constitution. All too often, in such circumstances, the tendency has been to choose career. Impeachment hearings, though, could encourage senior officers like Admiral Fallon to pause long enough to remember that their oath is to defend the Constitution, and that they are not required to follow orders to start another war in order to stave off political and personal disaster for the president and vice president.

Justin Frank, M.D.

With,

David MacMichael

Tom Maertens

Ray McGovern

Coleen Rowley

Steering Group, Veteran Intelligence Professionals for Sanity

Arnie’s Fascist Budget Hits Poor, Children

by Harley Schlanger

With California’s budget stalemate well into its second month, Gov. Arnold Schwarzenegger’s new, much hyped image as a can-do, “post-partisan” leader, is taking a beating—though not as severe as that which is being administered to as many as 500,000 low-income children afflicted by his deliberate mismanagement.

The budget for 2007-08, which was due by law on June 30, is hopelessly deadlocked in the Senate, in which 14 of the 15 Republican Senators refused to vote for the \$145 billion compromise budget worked out between the Governor and the badly outflanked Democratic Party leadership. To achieve the necessary two-thirds vote for passage, one more Republican must agree to back the budget. As of Aug. 10, it is a virtual certainty that such a shift will not occur, meaning that this crisis will deepen until at least Aug. 20, when the legislature reconvenes.

The Democrats find themselves in the bizarre position of fighting for Arnie’s draconian austerity budget—against his party! Democrats acknowledge they are unhappy with the compromise, which cuts into public transport and postpones long-overdue cost-of-living increases for the elderly, blind, and disabled. However, they are going along, to avoid what some Democratic Party leaders say could have been a far more savage bloodletting.

Meanwhile, behind the backs of his Democratic “allies,” the treacherous Schwarzenegger promised the Republicans that he will use his line-item veto to hack out an additional \$700-800 million in cuts they are demanding—and which the Democrats rejected, as part of the compromise—if they will give him their votes!

Blood Is Flowing

In the absence of a budget, State Controller John Chiang has been forced to withhold mandated funds, as the emergency pool has been drained. More than \$1.1 billion in state obligations were held back in July, with another \$2.1 billion to be cut during August. This includes \$227 million not paid in state Medi-Cal bills in the first week of the month, and another \$212.6 million in medical reimbursements to be withheld the following week.

These funds are for programs, which, in many cases, provide life-saving services. Despite being fully aware of the effects of these cuts, the governor has remained aloof from the process, engaging instead in high-profile junkets: to London where he met with former Prime Minister Tony Blair to dis-



www.governor.ca.gov

California's would-be Führer Schwarzenegger has bullied foolish Democrats in the legislature into backing his draconian austerity budget on "environmentalist" grounds. The victims: the elderly, blind, and disabled, among others.

cuss "climate change"; and to Paris, where he praised President Nicolas Sarkozy for his efforts to eliminate the role of the state in economic life, and to embrace the prospects of an independent, "post-partisan" Presidential run by New York City Mayor Michael Bloomberg. He is content to leave the heavy lifting for his budget to the Democrats, knowing well that more lives are threatened each day there is no budget.

Among the services on the chopping block, which already have had funds cut, or will be cut during this month, if the stalemate is not broken, are hundreds of community-based health-care clinics, which are dependent on Medi-Cal payments; facilities which provide care for the developmentally disabled; nursing homes, which are unable to pay staff, buy essential supplies, or even food; small residential care centers, such as the Fillmore Convalescent Center, in which 64 of the home's 88 residents are on Medi-Cal; child-care providers; and small businesses, which provide ancillary, but essential services, such as the Medical Transport Company of Artesia, which shuttles 300 patients to dialysis treatment centers. Ninety-five percent of its funding comes from the state; its owner said he will have to close after Aug. 10 if there is no budget.

Hardest hit will be programs for children. Kathy Lafferty, an official of the Child Development Administrator's Association, told the *Los Angeles Times* that, "without payment from the state very soon, our programs—full of children of low-income parents—will have to close." The *Times* adds that this will hit 785 child-care agencies, and affect 500,000 low-income children.

Others among the state's most vulnerable citizens are also being hurt by cuts. For example, the California Tax Franchise

Board announced it is holding up 202,000 claims for more than \$63 million in rental assistance to elderly, blind and disabled citizens.

State Controller John Chiang, who is prohibited from releasing funds until a budget is passed, said, "We're getting to the dangerous point where the lack of these funds is going to have a detrimental effect on individuals and programs." He will have to withhold \$170 million allocated for school districts for special education, and \$326.6 million for community colleges.

California's Post-Industrial Budget Process

It should come as no surprise to readers of this publication that the state of California should have devolved so dramatically under Schwarzenegger. Despite his arrogant boasts that he is a competent, hands-on leader, who can work with everyone, he was selected by kingmaker George Shultz to replace former Gov. Gray Davis (D) for one reason only. Shultz believed that, in the words of former Gov. Pete Wilson, Arnie "had the stomach" to push through the fascist restructuring of the state's economy,

along the lines of one-time Shultz protégé, Chilean dictator Gen. Augusto Pinochet.

The "Chilean model" of Pinochet, which was imposed by a military coup under the direction of Shultz and his close ally embedded in the Democratic Party, the Franklin Roosevelt-hating fascist financier Felix Rohatyn, accelerated the looting of the Chilean people, on behalf of banks and City of London-controlled financial and raw materials cartels. This model was to be brought to California, presided over by Schwarzenegger, a cartoonish Hollywood action figure devoted to the post-industrial, free-trade gibberish of Milton Friedman and company. Their goal was to demolish the New Deal programs that had turned California into an economic juggernaut, using such tools as deregulation and privatization, to finish off the state as a model for an integrated agro-industrial manufacturing producer, developed through large state and Federal infrastructure programs.

Schwarzenegger came in partly due to a budget stalemate which shattered the image of managerial competence of Governor Davis, whose position had been undermined by the disastrous effects of a Shultz-inspired, Enron-drafted electricity deregulation plan. Arnie stumbled badly at first. He got out from under the budget crisis by borrowing heavily. His naked efforts at a grab for dictatorial power, to be implemented through ballot initiatives, were rejected by the voters in November 2005, leaving him with Bush-like low polling figures.

His resurrection depended on Democratic Party incompetence, facilitated by Rohatyn's role in bringing leading Democrats to back Arnie's reinvention as an infrastructure supporter and green guru, as he hopped on Al Gore's climate-change

bandwagon. The Democrats were left with empty boasts that he had “come over” to their side on these issues, despite warnings from Lyndon LaRouche and the LaRouche Youth Movement (LYM)—which is an increasingly powerful factor in state politics—that this is a Shultzian trick, designed to gain Democratic support for privatization of infrastructure and a new round of deregulation, combined with an assault on the state’s shrinking industrial-agricultural base and on the health and welfare programs funded by the state.

LaRouche Was Right

The legitimately maligned budget process in the state is further proof that LaRouche’s warnings were right on the mark. Due to its collapsing agro-industrial economic base, the state budget depends largely on income and capital gains taxes, which, in the best of times, fluctuate wildly. The balanced budget, which is mandated by state law, was only achieved in recent years thanks to the tech bubble in the 1990s; and since it popped in 2000, along with the housing bubble, which has now burst, the tax revenue windfalls, which Schwarzenegger had bragged were the result of his Friedmanite stewardship, have been eliminated.

The Democrats know this, but have been relegated, by their own fears and by Rohatyn’s treasonous sabotage, to becoming cheerleaders for Arnie’s drive for fascism. This was acknowledged, in a roundabout way, by Craig Cornett, who is the Assembly Budget Director of the Democrats, when he said last week that the state has “an incredibly bad revenue structure. . . . It was built for a manufacturing economy, which we no longer have.”

Some Democrats are starting to get it. This author was invited recently, to present a proposal, on LaRouche’s behalf, to a conference call of officials seeking an alternative to acting as Schwarzenegger’s water boys. Yet, while some acknowledged that their current posture is absurd, they ducked away from the only solution: to bring the potential national power of the state’s Democratic Party elected officials, into opposition to the Shultz-Rohatyn push for austerity and privatization, and into support of a Franklin Roosevelt-style bankruptcy reorganization of the economy, combined with a policy of massive infrastructure development, funded by credit issued by a new National Infrastructure Bank.

Schwarzenegger’s Nazi Pedigree

Lest the foregoing be dismissed with a wave of the hand, and the self-consoling excuse that California’s political process condemns it to annual budget crises, both Democrats and Republicans must focus on what the ultimate Shultzian agenda pushed by Schwarzenegger intends. In a recent speech in Monterey, Arnie spoke up forcefully for privatization. “We’ll miss out if we don’t take private money and build public projects. We have to be creative.”

With the meltdown these last weeks of credit markets, especially private ones, it will take more than creativity to

make such a scam work.

However, along with the austerity he is pushing, the Shultz puppet is driving recklessly toward the cartel-favored policy of privatization, as his backers know that the collapse of the system leaves them no choice but to grab whatever income stream they can get their hands on, to save whatever they can of the worthless paper they have been claiming is proof of “good economic times.” The most conservative estimate is that the blowout of the housing bubble will leave the state’s 2008-09 budget with a deficit of at least \$5 billion.

It will likely be much worse than that.

Schwarzenegger is increasingly relying on his special advisor on jobs and economy, David Crane. In addition to sharing a passion for the fascist economic homilies of Milton Friedman, both are committed to a further radical restructuring of the California economy. Crane holds with Arnie (i.e., with Shultz and Rohatyn) the belief that governments should limit their role to creating a healthy climate for private interests, then step aside, to let the markets “work their magic.” It is Crane who is reportedly responsible for Schwarzenegger’s aggressive promotion of biofuels and carbon taxes as the “free market” solution to “global warming.”

But their mutual admiration for Shultz’s fascist policies goes beyond support for such bad policy options. Schwarzenegger, has never answered questions about his “youthful” enthusiasm for Adolf Hitler, and whether his pro-fascist beliefs came from his father, who joined the Nazi Party in Austria in the late 1930s; his chief advisor, Crane, became wealthy through his role in building Babcock and Brown, a successful private investment bank, with an historic connection to the banking networks in the U.S. which funded Hitler in the early 1930s.

The Brown, in Babcock and Brown, is the family investment bank connection with Brown Brothers, which merged in 1931 to become Brown Brothers Harriman, the banking firm which funded Hitler’s rise to power, and his consolidation of the Nazi dictatorship. Babcock and Brown was founded in 1977 by George Brown, whose father, Alexander, had been a partner in Brown Brothers Harriman.

The willingness to submit the state’s poor, disabled, and elderly to the whims of the market—which has led to the stalemate, providing the excuse for implementing murderous cuts—is not an unfortunate coincidence, but conscious policy, with Schwarzenegger doing what he was selected to do, under the direction of the Brown Brothers Harriman-linked Crane, and under the watchful eyes of George Shultz.

Democratic Party complicity in this must end. There is a solution available to California Democrats, but it will require breaking with the policy of enforcing Schwarzenegger’s fascist design, and going instead with the FDR policies, which led the nation out of the Great Depression, and gave the U.S. the manufacturing power to defeat the Brown Brothers Harriman-backed Hitler in the 1940s.

Diana Wong of the LaRouche Youth Movement in Los Angeles contributed research for this article.

Vast Right-Wing Conspiracy At It Again, With a New Twist

by an EIR Investigative Team

In 1998, as her husband was being put through the pre-impeachment wringer by a Jacobin-led Congressional Republican majority-run-amok, First Lady Hillary Rodham Clinton fought back, assailing a “vast right-wing conspiracy” (“VRWC”), that, she charged, had abused the Constitution and waged a personal vendetta against President Bill Clinton. The charges stung, and to this day, some leading players in the Get Clinton effort can barely hide their rage when the name Hillary Clinton is uttered in their presence. No one, according to sources familiar with the matter, is more prone to bouts of hysterics, at the mere mention of the “C word,” than Richard Mellon Scaife, the Pittsburgh billionaire, overseer of the Mellon and Scaife family fortunes, and the number one sugar daddy of the radical and neo-conservative right wing.

Perhaps the only name that sends the VRWC gang more into orbit than either Bill and Hillary Clinton, is the name Lyndon LaRouche. The very same apparatus that waged a billion-dollar slander campaign against the President and the First Lady throughout much of the mid- and late 1990s, has an even longer track record of venomous slander and frame-up campaigns against LaRouche and his political movement.

Richard Mellon Scaife was both the financier and a participant in a series of 1983-84 clandestine “Get LaRouche” salon sessions at the New York City offices of Anglophile spook-banker John Train. These played a pivotal role in the Justice Department railroad prosecution and jailing of LaRouche and associates, in what former U.S. Attorney General Ramsey Clark called the greatest instance of prosecutorial abuse and a political witch-hunt he had ever witnessed. According to eyewitness accounts, Mellon Scaife picked up the tab for salon participants from all over the political spectrum, who all shared the goal of silencing LaRouche—including Dennis King, Chip Berlet, Russell Bellant, and John Rees.

With the 2008 Presidential election campaign already well under way, with Hillary Clinton a leading contender for the Democratic Party nomination, and with the worst economic and monetary crisis in modern history already shaping the terms of the next election, it is no surprise that the VRWC is up to its old dirty tricks—with a few new twists.

Sources in Mellon Scaife’s orbit report that the Pittsburgh-based Anglophile political dirty trickster (he cut his teeth bankrolling the Richard Nixon CREEP apparatus of Watergate infamy, after running a London-based intelligence community proprietary, Forum World Features) has been ordered to keep a low profile, out of fear that the mere surfacing of his name in the planned smear campaign against candidate Clinton, will only invoke images of the original “vast right-wing conspiracy” and cause the whole effort to backfire.

As part of this new line of attack, Richard Mellon Scaife, through his political hit-man Christopher Ruddy, editor of the Mellon Scaife-bankrolled NewsMax.com right-wing wire service, has proclaimed that, in retrospect, Bill Clinton was a “pretty good” President, whose domestic policies were particularly praiseworthy, especially when he followed the advice of Dick Morris, now a political pundit with Rupert Murdoch’s *New York Post* and Fox TV News. On July 17, 2007, the Mellon Scaife flagship newspaper, the *Pittsburgh Tribune-Review*, editorially called for the withdrawal of all American troops from Iraq, a stunning break from the lame-ducked Bush Administration’s failed war schemes.

Yet despite these choreographed public signals of a “change of heart,” Mellon Scaife remains the dark financial angel of the same network of think-tanks, publications, and obscure private intelligence agencies, waging the same smear campaigns and worse against the same targets.

Avi Klein's Poison Pen

While the “Get Hillary” efforts are being largely run through such traditional VRWC outlets as the David Horowitz Freedom Center and its frontpagemagazine.com, NewsMax.com, and WorldNet Daily—all heavily bankrolled by the Mellon Scaife foundations—the evolving attack campaign against LaRouche is being sheep-dipped into a left-of-center, Democratic Party-affiliated publication, *Washington Monthly*, albeit through infiltrators from such Mellon Scaife domains as the *American Spectator*. The goal: to break the growing collaboration between LaRouche and many leading Democrats, who see LaRouche's campaign to revive the American System policies of Franklin Roosevelt as the only way to deal with the unfolding financial and economic collapse. Mellon Scaife and the other longstanding LaRouche-haters are also terrified of the implications of the growing LaRouche Youth Movement, which promises a long institutional life for the organization, for many decades after the 84-year old LaRouche's demise.

The purported author of the announced forthcoming slander piece against LaRouche, one Abraham D. “Avi” Klein, had been employed by right-wing Republican circles until the recent period, when he embarked on his Get LaRouche mission (on the eve of the 2004 elections, Klein had a false start at publishing a slander against LaRouche). Up until this Spring, Klein's main occupation seemed to be as “senior writer” for Homeland Security Daily Wire. Homeland Security Daily Wire is published by Analytica Wire, Inc.

The publishers of Analytica are Stewart Cass and Grant M. Lally. Lally, a Long Island, N.Y. lawyer, is otherwise the executive director of Irish-American Republicans. He is also listed as the director of the Bay of Pigs Museum and Library, an organization whose chairman is former CIA officer Felix Rodriguez, a pivotal figure in the mid-1980s Iran-Contra fiasco and a close associate of former President George H.W. Bush.

According to a posting on the Irish-American Republicans' website, “Grant Lally is an attorney and businessman, active in the Irish community. Grant is a former Republican candidate for U.S. Congress (1994 and 1996) who signed the ‘Contract With America.’ He served as National Chairman of

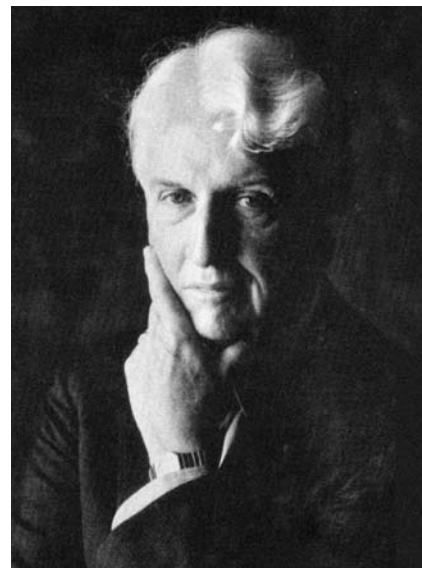


Richard Mellon Scaife's three foundations are financing operatives who are currently active against Hillary Clinton and Lyndon LaRouche.



EIRNS/Stuart Lewis

Is media magnate Rupert Murdoch making a leftward shift, in hopes of getting a foothold in Senator Clinton's campaign, as well as with youth voters?



John Train, the Anglophile spook-banker, now features an anti-LaRouche logo on his website.



Avi Klein, a newly reactivated scribe for the Get LaRouche crowd, signs himself “Special Agent, Mossad.”

Irish-Americans for Bush-Cheney in 2000 and 2004, and as GOP Floor Manager of the 2000 Miami, Florida Presidential Election Recount. He currently serves as National Co-Chair of the Irish American Republicans, and on the National Board of the Republican National Lawyers Association.”

The website further boasted that it was the Lally-led Irish American Republicans who “played a critical leadership role in the 2000 Florida vote recounts, helping to elect President George Bush and Vice President Dick Cheney. For election night 2000, several of the Irish for Bush/Cheney leadership: Grant Lally, Jeffrey Cleary, and Judith Hard, were invited to

join then-Governor George Bush at his Election Night victory rally in Austin, Texas.”

The website account continued, “Following the election, the Bush Campaign summoned the Irish American Republicans to take the lead in protecting President-Elect Bush’s victory in Florida, against the Gore campaign operatives’ relentless efforts to steal the election.” Of course, the reality is that it was the Bush-Cheney campaign, backed by the Scalia Supreme Court, that actually stole the 2000 election in Florida. Not to be deterred by the truth, the IAR site continued its account: “The IAR leaders Grant Lally, Justin Driscoll, Brian McCarthy, Jeffrey Cleary, Brendan Quinn, Kenneth Curley, Judy Hard, Josh Toas, Robert Farley, Rick Nelson, Bruce Tague, Duane Gibson, and Congressman John Sweeney (R-NY), and many others, all flew to Florida at the request of the Bush/Cheney campaign, to take the lead in the recount efforts.

“Dubbed the ‘Wild Geese of Miami,’ the Irish Republicans successfully fought off the attempted theft of the Presidency,” the IAR lied, in the best Orwellian fashion. “Grant Lally served as the GOP Floor Manager of the Miami Recount, battling to protect the integrity of the ballots. Congressman John Sweeney served as overall Bush political director for the south Florida recount, a role for which President Bush awarded him the nickname ‘Congressman Kick-Ass.’

“The Irish American Republicans played a vital role in the peaceful protest that the media dubbed the ‘Brooks Brothers Riot.’”

Four years, later Lally and company were sent into Ohio by Karl Rove, in what would become infamous as a massive vote suppression scheme, that ultimately determined the outcome of the Bush-Kerry Presidential contest, leading to the first Congressional challenge in history to the Electoral College results in the state. The IAR website proudly reported that they played a central role in yet another election theft: “The IAR trained over 2,000 GOP poll watchers, the front line of Republican anti-fraud efforts in Ohio. The Irish American Republicans are proud of our members who played a critical role in helping to win Ohio in 2004, and ensuring that President George Bush and Vice President Dick Cheney were returned for a second term.”

Grant Lally, his father, Lally’s campaign committee, and Lally’s lawfirm paid a \$280,000 civil penalty in 1998 for major Federal campaign finance violations in Lally’s campaigns for Congress. Lally utilized a variety of deceptions to disguise the fact that he received hundreds of thousands of dollars from his father, in contravention of campaign finance limits.

‘Special Agent, Mossad’?

The president of Homeland Security Daily Wire is Ben Frankel, a Tel Aviv University-educated security and counter-intelligence specialist, who has been described by colleagues as having had ties to Israeli intelligence. Frankel has his own

ties into Bush-Cheney neo-conservative circles, through his role in Global Security Challenge, a security technology consortium that provides an annual prize for innovative start-up companies in the homeland security industry. Among the other outfits sponsoring the GSC: Paladin Capital Group, and Civitas. Paladin Capital lists as one of its managing directors former Central Intelligence Agency director and leading neocon R. James Woolsey. As a member of Donald Rumsfeld’s Defense Policy Board, under the chairmanship of Richard Perle, Woolsey was dispatched to London, right after the Sept. 11, 2001 attacks, to gather tainted “intelligence” from Iraqi National Congress head Ahmed Chalabi, to pave the way for the Iraq invasion of March 2003.

Civitas director Charles Black is the former political director of the Republican National Committee, and spokesman for the Bush-Cheney campaigns.

Ben Frankel, who obtained his Ph.D. from the University of Chicago, was the founding editor-in-chief of *Security Studies*, a quarterly journal of international security affairs, published by the British company Routledge, a branch of Taylor & Francis Group. Among the publishing houses owned by Taylor & Francis is Frank Cass Publishers, a U.K.-U.S. publisher of national security books and journals, which promotes some of the leading neo-conservative “academic” writers. Stewart Cass, the son of the publishing house’s founder Frank Cass, is the co-publisher of *Analytica* and *Homeland Security Daily Wire*.

Given this Anglo-Israeli pedigree for Avi Klein’s recent position with *Homeland Security Daily Wire*, LaRouche associates took seriously a recent e-mail from Klein, which he signed as “Avi Klein, Special Agent, Mossad.” A formal inquiry has been initiated through the Israeli Embassy in Washington, to determine whether Klein’s self-description is accurate, or whether he has possibly violated Federal laws as the result of some psychological aberration. U.S. government officials have confirmed to *EIR* researchers that all actual Mossad agents operating inside the United States are required to alert the FBI and Justice Department in advance of their arrival.

Motives and Timing

Well-informed U.S. intelligence community sources have pointed to the upcoming Presidential elections, and the strong prospect of a Democratic victory, as the driving force behind the escalating slander campaigns, targeting LaRouche, the Clintons, and perhaps others. Among leading Anglo-American financier circles, there are nightmare recollections of the 1997-98 moves by President Bill Clinton and Treasury Secretary Robert Rubin, to establish a “new global financial architecture,” paralleling Lyndon LaRouche’s own simultaneous in-depth proposals for convening a New Bretton Woods conference, to put the bankrupt global financial system through a bankruptcy reorganization, and revive the Franklin Roosevelt system of fixed exchange rates and mas-

sive issue of government credits for infrastructure development.

The sources emphasized the continuity from earlier Get LaRouche and Assault on the Presidency efforts, and confirmed the central role of the Mellon Scaife foundation nexus in the overall efforts.

Indeed, a review of Internal Revenue Service records on the three Mellon Scaife Foundations—the Sarah Scaife Foundation, the Allegheny Foundation, and the Carthage Foundation—confirms that they are heavily involved in bankrolling key players in the renewed Get LaRouche and Get Clinton efforts. And the Mellon Scaife financing coincides with a resurfacing of John Train’s anti-LaRouche antics. Train, who was an operative of the post-war Congress for Cultural Freedom, through his founding of the *Paris Review*, now features an anti-LaRouche logo on his website. Train has also purchased advertising space on Google, to promote his smears. Dennis King, the former Roy M. Cohn poison pen, and former *High Times* magazine editor Chip Berlet, both fixtures at the mid-1980s Train salons, have been reactivated at the same time.

And Richard Mellon Scaife’s emissary to the Train salons of the mid-’80s, John Rees, continues to enjoy the Pittsburgh billionaire’s financial backing. Rees’s Maldon Institute has, over the recent years, received nearly \$5 million from Mellon Scaife foundations, as well as funding from the Anti-Defamation League of B’nai B’rith. Virtually invisible, the Maldon Institute, like earlier Rees front groups including Western Goals and Mid-Atlantic Research, conducts private spying on political targets of the radical and neo-con right wing. Curiously, from 1999-2003, the secretary-treasurer of the Maldon Institute was Jack Abramoff, the recently convicted Karl Rove bagman, raising questions about whether Mellon Scaife and Maldon were involved in some kind of replay of the Nixon-era CREEP.

Goebbels on the Campus

On the eve of the 2006 midterm elections, the LaRouche Political Action Committee (LPAC) waged a nationwide campaign to expose the campus-based gestapo operations of David Horowitz and his string of front groups, including Daniel Pipes’s Campus Watch. IRS records reveal that one of the largest sources of funding for Horowitz’s right-wing crusades is Mellon Scaife. The Sarah Scaife Foundation, in one 2006 report, listed a \$300,000 payment to the David Horowitz Freedom Center, and a \$50,000 payment to American Council of Trustees and Alumni (ACTA), the closely allied agency founded by Lynne Cheney and Joe Lieberman, which is conducting a witch-hunt against university professors who challenge the neo-con orthodoxy. The Allegheny Foundation, in 2006, gave an additional \$150,000 to Horowitz’s Freedom Center.

All three Mellon Scaife foundations contributed to the Maldon Institute—a total of \$509,000. Carthage gave an additional \$125,000 to the Counterterrorism & Security Educa-

tion and Research Foundation, an outfit that showcases Rees and other Maldon Institute associates.

All told, over the past two decades, Mellon Scaife foundations have pumped \$6.45 million into the David Horowitz Freedom Center, and an incredible \$4.287 million into the Maldon Institute.

Perhaps the prime target of the Horowitz apparatus in the past two years has been Sen. Hillary Rodham Clinton. Horowitz Freedom Center Director of Research Richard Poe has authored a scurrilous biography titled *Hillary’s Secret War*; and more recently, Poe and Horowitz penned a sequel volume, *Shadow Party: How George Soros, Hillary Clinton and Sixties Radicals Seized Control of the Democratic Party*. These books, in turn, have been promoted through other Mellon Scaife-bankrolled outfits, including WorldNet and NewsMax, which function as echo chambers for political dirty-tricks operations, run through the Horowitz groups.

Beware: The Murdoch Factor

On Oct. 16, 2006, *The New Yorker* published a profile of Australian-American media baron Rupert Murdoch, under the provocative title “Murdoch’s Game: Will He Move Left in 2008?” Author John Cassidy highlighted the fact that the owner of Fox TV, the *New York Post*, the *London Times*, most recently the *Wall Street Journal*, and scores of other lesser news outlets, had hosted a fundraiser for Hillary Clinton’s Senate re-election campaign in July 2006 at his midtown Manhattan News Corp. headquarters. The event, and a subsequent West Coast Murdoch soiré, attended by Bill Clinton, provoked speculation that Murdoch was preparing to back Hillary Clinton’s Presidential campaign—in much the same way that he had backed the mayoral campaign of Ed Koch, and the Labour Party candidacy of Tony Blair.

Murdoch’s backing always comes with strings attached, and the second-generation protégé of the British oligarchy’s 20th-Century propaganda baron, Lord Beaverbrook, is making a major move to corner the present and future news-manufacturing institutions of America, and turn them into a Brave New World of data mining, psychological profiling, and subliminal marketing, touching upon everything from toothpaste to Presidents.

Indicative of Murdoch’s long-term plans were his 2005 purchases of two Internet entities, MySpace and IGN Entertainment, Inc. These youth-oriented, web-based corporations gave Murdoch a lion’s share of the market in interactive video-games, and access, through MySpace, to personality profiles of an estimated 175 million people worldwide.

Murdoch is smart enough to know that the odds are that the next President of the United States will be a Democrat, and he does not wish to be left out. He also knows that the youth vote was the decisive factor in the 2006 Democratic Party midterm election sweep. In that context, Rupert Murdoch may be the most dangerous charter member of the VRWC.

It's Only Paper!

With the outbreak of a full-blown banking crisis the week of Aug. 6, the world is once again on notice to act to address the *cause* of the crises of this sort. Lyndon LaRouche has put forward the measures to “right” the financial system before, notably at the time of the crashes of 1987 and 1998. By rejecting his solutions then, the powers-that-be only made the next crisis that much bigger.

On the current occasion, we turn to one of the documents LaRouche wrote in the Fall of 1998, which gave precise instructions for action. The article, called “People First!,” ended as follows:

“The central principled issue of financial reorganization, is that the defense and deployment of those forms of U.S. sovereign debt, are the financial mechanisms of credit-creation, through which the U.S. real economy shall be revived from its present degenerated, torpid condition.

“3.5. With one additional provision, let paper values otherwise, fall as low as they please. ‘It is only paper, after all.’ If a bank’s net worth is less than zero, we may choose to support its continued functioning, because the sovereign U.S. requires that such a bank exist for the needs of the citizens and economy of that locality. The protection of modest financial and other assets of individuals, households, and certain varieties of enterprises which are defined as essential in physical-economic terms, follows from the same general principle.

“3.6. The object is to expand the physical-economic activity and productivity of the economy and of the population as a whole, such that the economy is meeting the needs of the entire population, and also operating above physical-economic break-even levels. To this purpose, U.S. national credit must be supplied, through national-banking methods, radiating through participating private banks, into the relevant enterprises of the nation’s government and private sector. . . .

“Our nation has done this in the past, has known how to do that in the past, and can apply those lessons to doing the same, or better, once again.

“During 1861-1876, again during the economic

mobilization of 1914-1917, and during 1933-1945, the U.S. used a combination of large-scale infrastructure-building and science-driver programs in technological progress, with effects whose successes astonished the world of those periods. The leading priorities in organizing a long-term period of successful, global economic reconstruction, are the following.

“4.1. Basic economic infrastructure: principally water-management and general sanitation; mass transportation of freight and passengers; power, with emphasis upon increasing energy-flux density and coherence of primary sources; basic urban infrastructure as such; and, national and international mass systems of education, science, and health-care. Large-scale, long-term investment in these improvements in basic economic infrastructure, supply the foundation upon which the potential for real economic growth depends.

“4.2. Fostering employment of operatives in basic agricultural and industrial production, with emphasis upon those increases in the productive physical-economic powers of labor which are realized solely through emphasis upon increased rates and levels of per-capita investment in capital-intensive, power-intensive modes of scientific and technological progress.

“4.3. Increasing the role of the machine-tool-design sector of production as a percentile of total labor-force employment, and the development of these capabilities to ever higher international standards, and with greater density of efficient delivery into national economies and the localities of those economies.

“4.4. Integrating the educational, fundamental research, and machine-tool-design functions of the world’s and national economies around science-driver programs, including the aggressive exploration and colonization of nearby portions of our Solar System. . . .

“The only true moral equivalent of war, is to mobilize for development of the world’s economy, to the benefit of each and all nations of the planet, and to do this in a way we have never mobilized before, except for purposes of war. That, in summary, is the task, the policy which sane governments will adopt now.”

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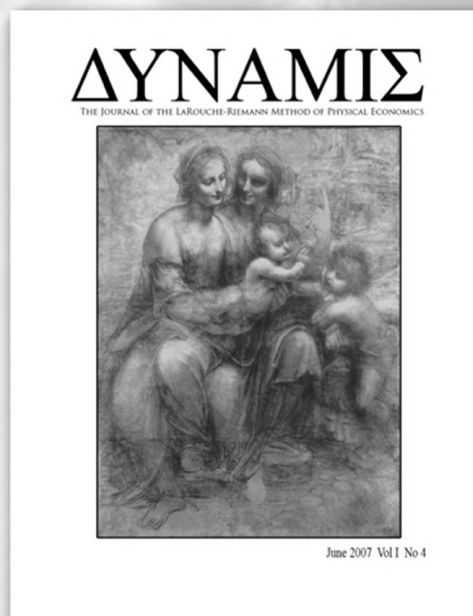
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ALABAMA

• BIRMINGHAM Ch.4 Wed: 11-11:30 pm
• HUNTSVILLE Ch.2 Mon-Fri: every 4 hrs.; Sun: Afternoons

ALASKA

• ANCHORAGE Ch.9 Thu: 10 pm

CALIFORNIA

• BEVERLY HILLS T/W Ch.43 Wed: 4 pm
• CLAY/CONCORD Comcast Ch.26
2nd Tue: 7 pm; Astound Ch.31 Tue: 7:30 pm
• CONTRA COSTA Comcast Ch.26
2nd Tue: 7 pm
• COSTA MESA TimeWarner Ch.35;
Thu: 5:30 pm
• E.LOS ANGELES T/W Ch.98 Mon: 2 pm
• HOLLYWOOD T/W Ch.24 Tue: 4:30-5 pm
• LANCASTER • PALMDALE T/W
Ch.36 Sun: 1 pm
• LONG BEACH Analog Ch.65/69;
Digital Ch.95; 4th Tue: 1-1:30 pm
• LOS ANGELES T/W Ch. 98 Wed: 3-3:30 pm
• MARINA DEL REY T/W Ch.98 Wed:
3-3:30 pm; T/W Ch.24; Thu & Fri: 4 pm
• MIDWILSHIRE T/W Ch.24 Tue: 4:30-5 pm
• NE SAN FDO. VLY. Comcast Ch.20
Wed: 4 pm
• N.ORANGE COUNTY T/W
Ch.95/97/98 Fri: 4-4:30 pm
• SANTA MONICA T/W Ch.77 Wed: 3-3:30 pm
• WALNUT CREEK Comcast Ch.6 2nd
Tue: 7 pm; Astound Ch.31 Tue: 7:30 pm
• VAN NUYS TimeWarner Ch.25 Sun:
5:30 pm
• W. SAN FDO. VLY. TimeWarner
Ch.34 Wed: 5:30 pm

CONNECTICUT

• GROTON--Ch.12 Mon: 5 pm
• NEW HAVEN Ch.23 Sat: 6 pm

DISTRICT

• WASHINGTON Comcast Ch.95; RCN
Ch.10 Irregular Days/Times

FLORIDA

• ESCAMBIA Cox Ch.4 Last Sat: 4:30 pm

ILLINOIS

• CHICAGO Ch.21
Comcast/RCN/WOW*
• PEORIA COUNTY Insight Ch.22 Sun:
7:30 pm
• QUAD CITIES Mediacom Ch.19 Thu:
11 pm

IOWA

• QUAD CITIES Mediacom Ch.19 Thu:
11 pm

KENTUCKY

• BOONE/KENTON Insight Ch.21 Sun:
1 am; Fri: Midnight
• JEFFERSON Insight Ch.98 Fri: 2-2:30 pm

LOUISIANA

• ORLEANS PARISH Cox Ch.78 Tue: 4 am & 4 pm

MAINE

• PORTLAND TimeWarner Ch.2 Mon:
1&11 am,5 pm

MARYLAND

• ANNE ARUNDEL Annapolis Ch.76
Milleneum Ch.99; Sat: 12:30 am;
Sun: 12:30 am; Tue: 6:30 pm
• P.G.COUNTY Comcast Ch.76
Thu/Fri: 11:30 am

MASSACHUSETTS

• BRAINTREE Comcast Ch.31; BELD
Ch.16 Tue: 8 pm
• CAMBRIDGE Comcast Ch. 10 Tue:
2:30 pm; Fri: 10:30 am
• WALPOLE Comcast Ch.8 Tue: 1-1:30 pm

MICHIGAN

• BYRON CENTER Comcast Ch.25
Mon: 2 & 7 pm
• DETROIT Comcast Ch.68
Unscheduled pop-ins
• KALAMAZOO Charter Ch. 20 Thu: 11 am; Sat: 10 am
• KENT COUNTY Comcast Ch.25 Fri:
1:30 pm
• N.KENT COUNTY Charter Ch.22
Wed: 3:30 & 11 pm
• LAKE ORION Comcast Ch.10
Mon/Tue: 2 & 9 pm
• LIVONIA Brighthouse Ch.12 Thu: 3 pm
• MT.PLEASANT Charter Ch. 3 Tue:
5:30 pm; Wed: 7 am
• PORTAGE Charter Ch.20 Tue/Wed:
8:30 am; Thu: 1:30 pm
• SHELBY TWP. Comcast Ch.20 WOW
Ch.18; Mon/Wed: 6:30 pm
• WAYNE COUNTY Comcast Ch.16/18
Mon: 6-8 pm
• WYOMING Comcast Ch 25 Wed:
9:30 am

MINNESOTA

• BURNSVILLE • EGAN Comcast
Ch.14 Sun, Tue, Thur, Sat: 4:30 pm;
Mon, Wed, Fri.: 4:30 am
• CAMBRIDGE US Cable Ch.10 Wed:
6 pm
• COLD SPRING US Cable Ch.10
Wed: 6 pm
• COLUMBIA HTS. Comcast Ch.15
Wed: 8 pm
• DULUTH Charter Ch.20 Mon: 9 pm;
Wed: 12 pm; Fri: 1 pm
• MINNEAPOLIS TimeWarner Ch.16
Tue: 11 pm
• MINNEAPOLIS (Northern Burbs)
Comcast Ch.15 Thu: 3 & 9 pm
• NEW ULM Ch.14 Fri: 5 pm
• PROCTOR Ch.12 Tue: 5 pm to 1 am
• ST.CLOUD AREA Charter Ch.12
Mon: 9:30 pm

• ST.CROIX VLY. Comcast Ch.14 Thu:
1 & 7 pm; Fridays--9 am
• ST.LOUIS PARK Comcast Ch.15
Sat/Sun/Mon/Tue Midnite, 8 am, 4 pm
• St.PAUL (S&W suburbs) Comcast
Ch.15 Wed: 10:30 am; Fri: 7:30 pm
• S.WASHINGTON Comcast Ch.14
Thu: 8 pm

MISSOURI

• ST.LOUIS Charter Ch.22 Wed: 5 pm;
Thu: 12 Noon

NEVADA

• WASHOE CTY Charter Ch.16 Thu: 2 pm

NEW HAMPSHIRE

• MANCHESTER Comcast Ch.23 Thu:
4:30 pm

NEW JERSEY

• HADDEN TWP Comcast Ch.19 Sun:
10 am
• MERCER CTY Comcast*
• TRENTON Ch.26 3,4 Fri: 6-6:30 pm
• WINDSORS Ch.27 Mon: 5:30-6 pm
• MONTVALE/MAHWAH Cablevision
Ch.76 Mon: 5 pm
• PISCATAWAY Cablevision Ch.22
Thu: 11:30 pm
• UNION Comcast Ch.26 Unsched.
Fillers

NEW MEXICO

• ALBUQUERQUE Comcast Ch.27
Thu: 4 pm
• LOS ALAMOS Comcast Ch.8 Wed:
10 pm
• SANTA FE Comcast--Ch.8 Thu: 9 pm
Sat: 6:30 pm
• SILVER CITY{Conley Productions}
Daily: 8-10 pm
• TAOS Ch.2 Thu: 7 pm

NEW YORK

• ALBANY T/W Ch.18 Wed: 5 pm
• BETHLEHEM TimeWarner Ch.18
Thu: 9:30 pm
• BRONX Cablevision Ch.70 Wed: 7:30 am
• BROOKLYN T/W Ch.35; Cablevision
Ch.68 Mon: 10 am
• CHEMUNG T/W Ch.1/99 Tue: 7:30 pm
• ERIE COUNTY Adelphia Ch.20 Thu
10:35 pm
• IRONDEQUOIT T/W Ch.15; Mon/Thu:
7 pm
• JEFFERSON • LEWIS T/W Ch.99
Unscheduled pop-ins
• NIAGARA/ERIE T/W Ch.20 Thu:
10:35 pm
• ONEIDA T/W Ch.99 Thu: 8 or 9 pm
• PENFIELD Ch.15 Penfield Comm.
TV*
• QUEENS T/W Ch.35; Tue: 10:30 am
• QUEENSBURY T/W Ch.71; Mon: 7 pm
• ROCHESTER T/W Ch.15, Sun:9 pm;
Thu:8 pm
• ROCKLAND Cablevision Ch.76 Mon:
5 pm
• SCHENECTADY T/W Ch.16; Fri: 1 p.m.
Sat: 1:30 am
• STATEN ISL. TimeWarner Thu:
Midnite (Ch.35); Sat: 8 am (Ch.34)
• TOMKINS CTY Sun: 12:30 pm; Sat: 6 pm

• TRI-LAKES Adelphia Ch.2 Sun:7 am,
1 pm, 8 pm
• WEBSTER Ch.12 Wed: 9 pm

NORTH CAROLINA

• HICKORY Charter Ch.3 Tue: 10 pm

OHIO

• AMHERST T/W Ch.95 Daily 12 Noon & 10 pm
• CUYAHOGA T/W Ch.21 Wed: 3:30 pm
• OBERLIN Cable Co-Op Ch.9 The: 8 pm

OKLAHOMA

• NORMAN Cox Ch.20 Wed: 9 pm

OREGON

• LINN/BENTON Comcast Ch.29 Tue:
1 pm; Thu: 9 pm
• PORTLAND Tue:6 pm (Ch.22); Thu:3 pm (Ch.23)

RHODE ISLAND

• E.PROVIDENCE Cox Ch.18 Tue:
6:30 pm
• STATEWIDE RI Interconnect Cox
Ch.13
Tue:10-10:30 am

TEXAS

• DALLAS Comcast Ch.13-B Tue:
10:30 pm
• HOUSTON T/W Ch.17 TV Max
Ch.95; Wed: 5:30 pm; Sat: 9 am
• KINGWOOD Cebridge Ch.98 Wed:
5:30 pm; Sat: 9 am

VERMONT

• GREATER FALLS Adelphia Ch.10
Mon,Wed,Fri: 1 pm
• MONTPELIER Adelphia Ch.15 Tue: 9 pm; Wed: 3 pm

VIRGINIA

• ALBERMARLE Comcast Ch.13 Sun:
4 am; Fri: 3 pm
• ARLINGTON Comcast Ch.33 Mon: 1 pm; Tue: 9 am
• CHESTERFIELD Comcast Ch.6 Tue:
5 pm
• FAIRFAX Ch.10 1st & 2nd Wed: 1 pm
• LOUDOUN Comcast Ch.23 Wed: 6 pm
• ROANOKE Ch.78 Tue: 7 pm; Thu: 2 pm

WASHINGTON

• KING COUNTY Comcast Ch.29/77
Sat: 2 pm
• TRI CITIES Charter Ch.13/99 Mon: 7 pm Thu: 9 pm
• WENATCHEE Charter Ch.98 Thu: 1 pm

WISCONSIN

• MARATHON Charter Ch.10 Thu: 9:30 pm; Fri: 12 noon
• MUSKEGO TimeWarner Ch.14 Sat: 4 pm; Sun: 7 am

WYOMING

• GILLETTE Bresnan Ch.31 Tue: 7 pm

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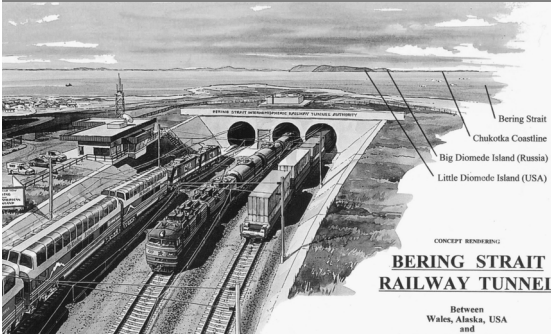
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