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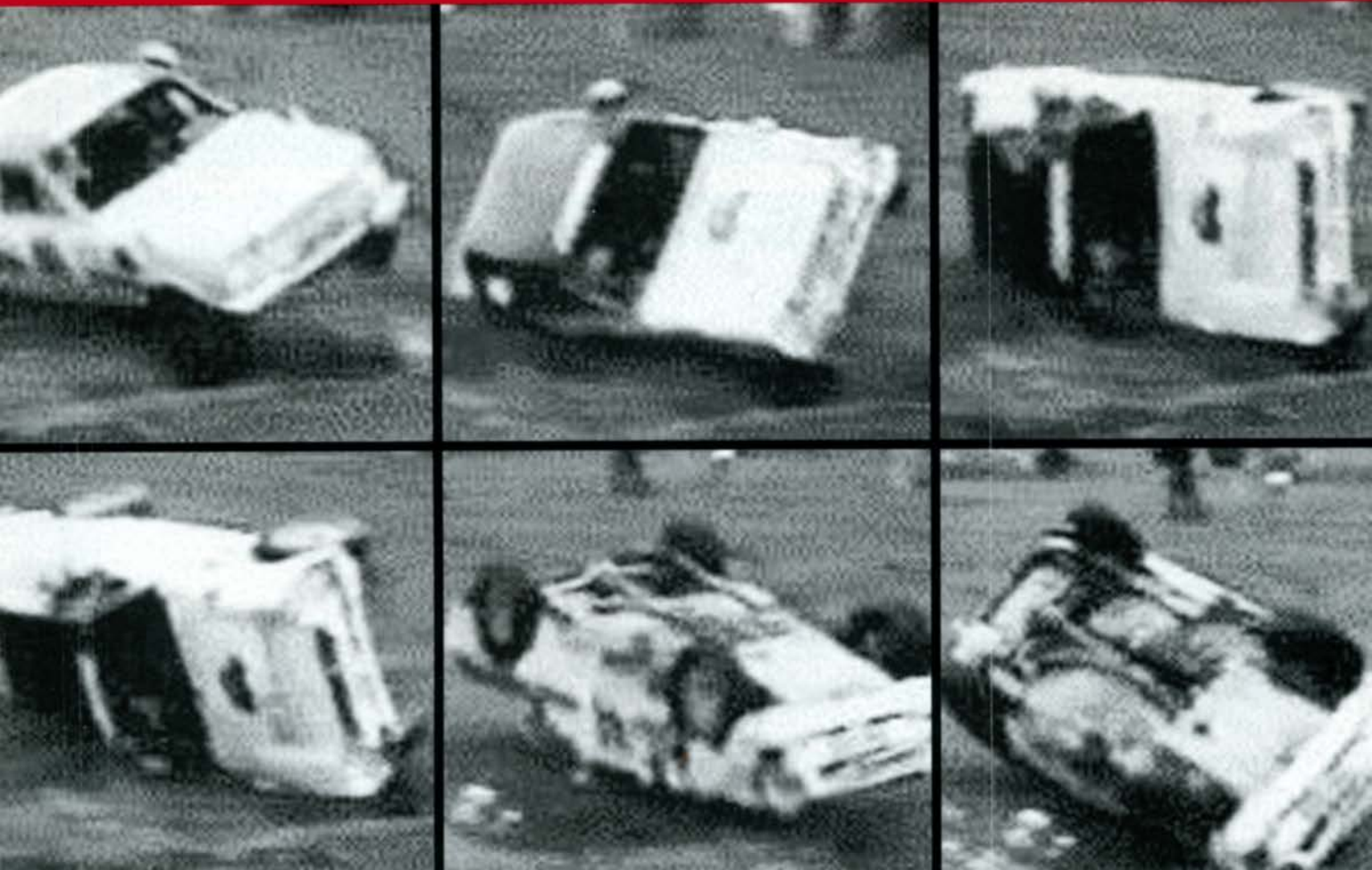
Executive Intelligence Review

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What Wrecked the Mideast Peace Process
Atlanta Mayor Takes on Racist DOJ Campaign

Benchmarking: Faking as an Art of Self-Deception



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The Truth About The Real Economy

Number of weekly paychecks required to buy new car
includes finance costs



The Truth About Their Policies

The Truth About The Bubble

Stock Market Margin Debt, 1992-2000
(billions \$)



LaRouche: Call Them 'The Baby Doomers'



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From the Associate Editor

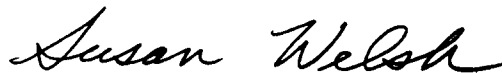
On the rollercoaster of the October 2000 stock market, the wild-eyed trader—your neighbor—thinks he’s made a profit, when his stocks go up on Monday. “Money! I made money!” When the market crashes on Tuesday, he reaches for the Prozac bottle. “I was cheated! There goes my retirement fund! How could this have happened?”

In our *Feature*, Lyndon H. LaRouche, Jr. shows exactly how it happened: what fatally flawed ways of thinking have brought us to the brink of the worst financial collapse in centuries. He cites two examples of the kind of foolish accounting mentality that has guided American policymaking for the past 35 years: the practice of “benchmarking,” whereby supposedly “cost effective” computer simulations replace actual testing of manufactured products; and the Quality Adjustment Method, whereby the official rate of inflation is reduced, by sheer fakery. But such idiotic practices as these are not what actually threatens the U.S. economy today, he writes. The danger comes from that popular opinion which has *tolerated* such lunacies in generally accepted accounting methods.

Now, the whole system is coming down. What previously only LaRouche and *EIR* dared say, is on the front pages of the world’s press. There is no going back to the “good old days”; the rollercoaster is going straight down.

The explosion of violence in the Mideast shows what the future holds, if we don’t act now in a revolutionary way. Even some among the Establishment have apparently realized that the game has gone too far, as evidenced by the decision of certain influentials to “spill the beans” on Hillary Clinton’s grovelling before the Zionist mafia in New York (see *National*).

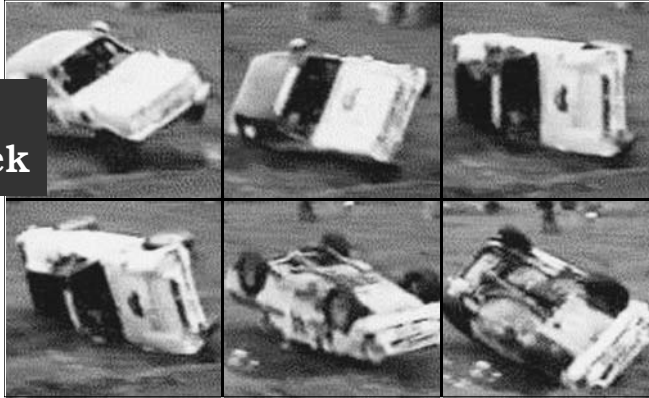
As Election Day nears, the American people confront the choice that they were dumb enough to provide themselves with: between what one French newspaper humorously called “the Cretin” and “the Stiff.” When the collapse deepens, and foreign policy crises become hotter and hotter, neither Bush nor Gore will have the slightest idea what to do. The only hope for the future, is to turn to LaRouche, who has the proven record of scientific forecasting and political leadership, and who knows exactly what has to be done.



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Another vehicle fails the "rollover test."



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By Lyndon H. LaRouche, Jr. The belated official admission, that the U.S. government has been faking its official inflation statistics, plus the surfacing of a ten-year-old letter, in which Ford executives described how they covered up a willful and deadly design-failure in the firm's best-selling Sport Utility Vehicle, "tell us much, if not quite all, about the administrative reasons for the presently onrushing collapse of the global, Anglo-American-dominated financial system." The root of the problem is deeper: the influence of recent trends in *popular opinion*, which have tolerated such lunacies in the name of what might appear to be an accountant's definition of profit.

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‘New Economy’ Bubble Bursts; Investors Lose Billions

by Lothar Komp

Stock prices have been plunging for seven months, and no end is in sight. One thing is sure: If the salami-style crash continues, one slice at a time, for another five months at the same rate, then all the New Economy indexes—the Nasdaq, the German “New Market” (Nemax), and all the rest, will not only have broken through all of the “psychological” and “technical” barriers on their downward course, but will also have fallen below “zero.” Sporadic recoveries of stock prices change nothing in the total picture: The myth of the “New Economy” has been shattered, and the dream of quickly-made fortunes has come to an end. Millions of small investors, as well as wheeler-dealer marketeers, are out in the cold.

In Germany, who still remembers the litany of the New Market journals this spring, which all preached that a “Summer rally” would surely take hold? Later, it was supposed to be the Fall rally. Once the German Nemax-50 index of the New Market had retreated from its peak of 9,600 points in March, analysts, market newsletters, and other professionally euphoric snake-oil salesmen saw, with wonderful regularity, very lucrative “buy opportunities,” which, for those people who fell for it, proved to be a particularly effective method to wipe out money. By mid-October, the Nemax-50 was at 4,000 points, a plunge of a handsome 60%. The American Nasdaq Composite Index is down 40% since its peak in March. The Morgan Stanley Internet index of stocks is down 49% from its peak this year.

A Global, Systemic Crisis

What is manifest in the falling Nemax in Germany—and the glitter off the gold of get-rich-quick—is not merely the temporary panic reaction of the smaller, or even larger investors. *It is a side effect of a far more comprehensive and lawful development.* In the following article, John Hoefle provides

graphic documentation of the underlying processes.

The entire world financial system has gone off the tracks, because of the gigantic dislocations which had built up over decades. It has contracted a deadly disease, which cannot be cured by blood-letting on the stock-markets, nor by pep-pills prescribed by central banks. The entirety of the financial, monetary, and economic crisis phenomena which are hitting like a fist now—from the crash of technology stocks to the tailspin of the euro, to the sudden outbreak of price-inflation—are but different expressions of the disease which is running its course.

A well-known German economist, who is among the more knowledgeable about the U.S. economy in Germany, recently emphasized to this publication that the dramatic distortions and imbalances—worldwide, but particularly in the United States—will necessarily end in a financial catastrophe, of which the current events on the stock markets are but a relatively mild foretaste. In view of the explosive increase of the U.S. current account deficit, an unparalleled dynamic of money-creation, and the illusion of the “New Economy” (created simply by statistical manipulation), will surpass all historical precedents in the inevitable catastrophe, including the stock market crash of 1929.

In comparison to the current situation, the U.S. economy in 1929 was relatively healthy and still ran up trade surpluses. The imminent explosion of imbalances, this economist said, surpass his powers of imagination, and offers such a terrifying perspective that he would not dare to think through the consequences in any detail. Who can say what the world will look after the dollar collapses to a quarter of its current value?

The stock markets are, to be sure, the most obvious and visible aspect of a farther-reaching process of collapse. It is necessary to consider closely the dimension of the crash in

technology stocks which has already occurred. Thirteen years ago, in October 1987, stock prices fell by 20%, and that was called a stock market crash. But how are we supposed to describe the 40% plunge of the Nasdaq, or the 60% dive of the New Market in the year 2000? It has to be kept in mind that the Nasdaq is no longer an exotic market for small and medium-sized firms. The highest rated (according to stock value) firms in the whole world are traded there: Intel, Microsoft, and Cisco. And even these stocks have been decimated.

Intel stocks collapsed, since the beginning of September, from \$75 to less than half, \$35, within just five weeks. Microsoft was at \$120 in December 1999, but on Oct. 17, only \$50 remained. One of the symbols of the Internet age, Amazon.com, the world's largest Internet trading firm, swallowed a collapse from December 1999 to mid-October 2000 of \$113 to \$22—a whopping 80%. The stocks of computer producer Apple were still over \$70 at the end of August. After announcing its profits would be lower than forecast at the beginning of September, stocks fell in three days to less than one-third of their previous value, and then dropped to \$13 by the beginning of October. Dell Computer went from \$60 in March to \$22 by mid-October. The shares of software producer Novell, in March still at \$42, are now to be had for \$8. All of these U.S. firms are heavyweights on the stock market. There are countless smaller firms in addition, especially in the Internet sector, whose values have fallen to less than one-tenth of what they were in March 2000. In Germany, millions of smaller investors watched as the price of the “tech stocks” went from 105 euro to 35 euro.

In Asia, all of the large stocks are rapidly approaching the levels they had in the course of the 1997-98 Asia crisis. The Japanese Nikkei-Index fell in mid-October to its lowest level in 19 months. South Korea is similar. In Taiwan, the stock prices have reached their lowest level in 54 months. Southeast Asian currencies are again under massive pressure. On Oct. 18, the Japanese government suddenly decided to postpone the reform of capital gains taxes for an indeterminate time, because otherwise, as the *Financial Times* emphasized, “a new sell-off on the stock market” threatened.

The apparently inexorable fall of the euro also belongs to this picture. As one European banking source said on Oct. 19, the U.S. stock market can only be held together if the euro is slaughtered at the same time.

Bankruptcy

Another symptom of the worldwide financial crisis is the wave of bankruptcies in corporate bonds. The rate of insolvency in high-yield corporate bonds, so-called “junk bonds,” is now as high as it was ten years ago. Out of fear of more defaults, the risk premium demanded by investors is as large as it was following the Russian moratorium and the collapse of the Long Term Capital Management hedge-fund in the Fall of 1998. William Cross, the chief manager of the largest fund in the world specializing in bonds, the Total Return Funds,

recently warned all investors to avoid corporate bonds “at all costs.” Investors should cut a wide berth around all bonds which cannot prove they are state guaranteed. These warnings are probably too late for a number of large banks, as indicated by the continuing reports and rumors about billions in losses by Deutsche Bank, Crédit Suisse, and a number of American investment banks in the “junk bond” business.

U.S. Federal Reserve Chairman Alan Greenspan and Treasury Secretary Larry Summers will do anything conceivable to keep up the facade of stability until the U.S. election on Nov. 7. Greenspan has proven in the past that he will not shrink from opening the money sluices for the banking system. But these strategists have largely already played their trump cards. The Damocles' Sword of a dollar crisis is rapidly descending on the U.S. economy. And all bets are open for the period following Nov. 7.

Commentaries on the Crash

Morten Bjoern Hansen and Ole Bang Nielsen, *Berlingske Tidende*, Oct. 20:

The International Monetary Fund is deeply worried about the decline of the euro, according to sources close to the IMF. “The IMF thinks that the currency markets are massively underrating the strength of the euro. The IMF fears that the heavy fall of the euro vis-à-vis the dollar can harm the stability of the currency markets in the future, sources close to the IMF tell *Berlingske Tidende*.

“The violent capital flight into the U.S., which has sunk the euro, is, to a large extent, tied to the strength of the dollar. The IMF is nervous about the effect when the markets realize that the euro is way too cheap, and that will give a strong and destructive correction of the rates. . . .

“The mood can quickly change to the advantage of the euro. Should that happen, the IMF fears the consequences, the greater the underrating of the euro is. A sharp turn can send the high-flying U.S. economy crashing to the ground, sending shock waves throughout the entire world economy.”

Heather Connon, “The Fear of Red October,” *London Sunday Observer*, Oct. 15:

“With shares already depressed, there couldn't be a crash—or could there? . . . It does not take much to make investors nervous in October—remember 1987 and 1990, not to mention 1929—so the last thing the City [of London] needs is someone drawing parallels between the current markets and some of those big crashes.”

For many investors, the crash has already happened. The U.S. Nasdaq and its British equivalent, the Techmark 1000, have both lost about one-fifth of their value since the beginning of September, and about 40% since their peaks in March.

The Whole Financial System Is Crumbling

by John Hoefle

The wild swings in the stock markets, the decline in corporate profits, the bankruptcy rumors and shotgun mergers of financial institutions once considered “too big to fail,” the rising level of defaults in the bond markets, and the panic which surfaces with increasing frequency among the gamblers in today’s “investment” casino, are not discrete elements, but are all parts of a whole: the disintegration of the global financial system. Forget the media hype about this explanation and that explanation—it’s nothing more than a soap opera to keep the suckers in the market and keep economics out of the U.S. election process. What is taking place before your very eyes, is the death throes of the current financial system. But it’s even worse than that: The entire system—political, financial, and cultural—is disintegrating. Forget the populist posturing, the single issues, the obsessions with “my money” and all the narrow little issues, and turn your attention to the question which counts: When this system collapses, what will replace it?

The only acceptable answer to that question—putting the financial system through bankruptcy proceedings, shutting down the casino, and launching a crash program of rebuilding the productive sector—leads directly to Lyndon LaRouche, the man who has devoted his entire life to saving mankind from the criminal stupidity of the elite which has led the world into the largest speculative bubble of all time, and led civilization itself to the brink of collapse.

No Stock Answers

Panic and volatility have become the name of the game in global stock markets, particularly in the so-called high-tech arena. On Oct. 12, the Davy Jones Industrial Average fell 379 points and the Nasdaq Composite fell 94 points; the next day, the Plunge Protection Team rode to the rescue, prompting a market “recovery.” But that recovery was short-lived: On the morning of Oct. 18, the Dow plunged 433 points, triggering yet another rescue effort. We’ve gone from one rescue effort every few years, to one rescue effort every few months, to, at least lately, one rescue effort a week. The Plunge group, a.k.a. the President’s Working Group on Financial Markets, is now manipulating the markets on an almost daily basis.

Many of the hot-shot Internet and computer-related high-tech stocks have already died, and the Nasdaq is headed in the same direction. It is likely that the sharp rise in the Nasdaq in late 1999 will be seen as the last gasp of the tech stocks.

FIGURE 1
Nasdaq Composite, Daily Closing,
Jan. 3, 1995–Oct. 13, 2000



Source: Nasdaq.

The value of all stocks traded on the Nasdaq doubled in 1999, and rose an astonishing 87% between Oct. 19, 1999, and March 10, 2000 (Figure 1). That sharp jump has all the markings of a manipulated event, a classic suckers’ rally which allowed the insiders to make loads of money in order to clean up their books for the end of the year, then quietly sell out to all the “little” investors who poured into the market to make a killing. That killing indeed occurred. Between March 10 and April 14, the Nasdaq plummeted 34%. As of this writing, it appears inexorably headed below 3,000, well below its peak of 5,048.

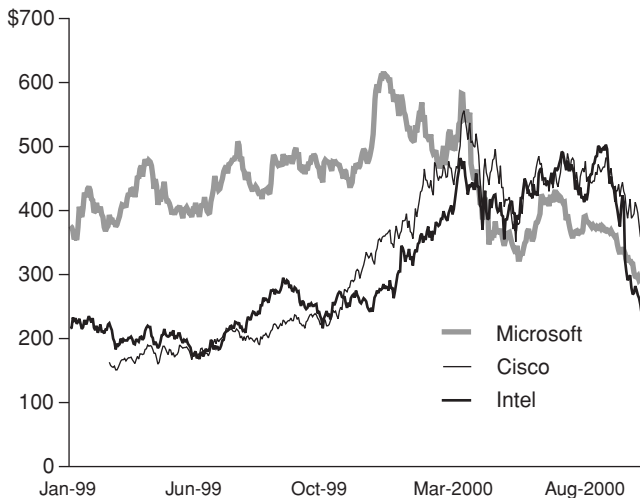
While another bump upwards is possible, the engine which had driven the Nasdaq to such absurd heights is sputtering and losing power fast. For the year to date, the Morgan Stanley Internet Index is down 49%, and at least 30 Internet companies which had market capitalizations of at least \$1 billion at the end of 1999, have lost 85% or more of their value since then.

Even more ominous are the sharp drops in the values of the Nasdaq giants. Microsoft, once the most valuable company in the world in terms of market capitalization, has seen its value more than halved since last fall (Figure 2). While part of Microsoft’s decline can be attributed to the anti-trust suit by the U.S. Department of Justice, the larger problem is the decline of the global economy. Intel and Cisco Systems, which with Microsoft were three of the four largest companies in the world by market capitalization at the end of 1999, have also fallen dramatically from their lofty heights. Intel’s stock has lost half its value since the end of August, and Cisco is down by a third since March. Other Nasdaq titans have also fallen: Amazon.com is off 81% from its peak, Yahoo! is down

FIGURE 2

Market Capitalization: Microsoft, Intel, and Cisco Systems

(Billions \$)



Source: Yahoo! Finance.

80%, Dell and e-Bay are off 59%, America Online is off 54%, and Oracle is down 27%. Oracle (number 12), AOL (31), Dell (44), and Yahoo! (77) were all among the world's 100 largest public companies at the end of 1999, ranked by market capitalization.

Many of the Internet companies have been kept alive by venture capital, bank loans, and junk bonds, but those sources of capital have largely dried up, leaving the firms in a death spiral of no income and no cash cushion.

The turmoil has also hit the corporate bond market, where the junk bond sector is the bleeding edge. The junk bond market, with some \$690 billion of bonds outstanding, is now far bigger than it was during the heyday of now-defunct Drexel Burnham Lambert and its star bubblebuilder Michael Milken. In fact, more junk bonds were issued in 1998 alone, than in all of the 1980s (Figure 3). The 1980s boom ended with soaring default rates on junk bonds, a process which is occurring again, but on a much larger scale. Moody's Investors Services predicts that the default rate on speculative grade debt will top 8% by mid-2001.

Given the rumors flying through the markets in recent weeks, the losses in the junk bond market may already be much higher than has been admitted. Morgan Stanley Dean Witter and Deutsche Bank are each rumored to have lost a billion dollars on their junk bond dealings. Morgan Stanley took the unusual step of issuing a press release on Oct. 11, denying that it had suffered such huge losses, claiming it had lost only \$90 million.

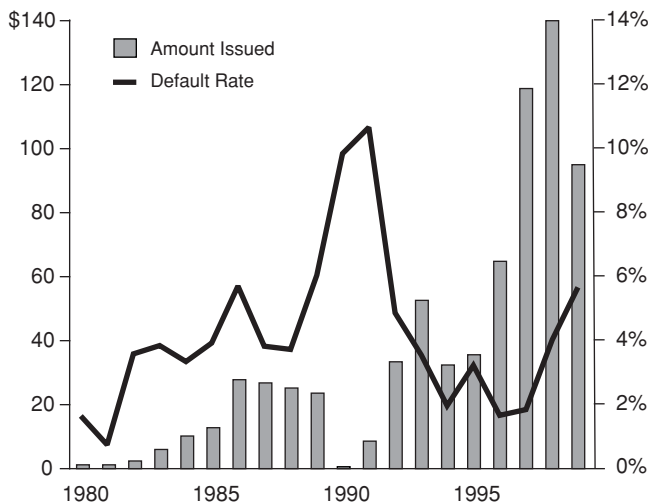
The biggest area of concern in the junk bond area is with bonds issued by telecommunications companies. The past

FIGURE 3

Junk Bonds and Defaults on the Rise

Amount Issued (Billions \$)

Default Rate



Sources: Thomson Financial Securities Data, Moody's Investors Services.

few years have seen a frenzy of activity in the telecom sector, as big companies gobble up each other and smaller companies take on huge amounts of debt in hopes of cracking into the big time. For seven of the last eight years, the telecom sector has been either first or second in dollar volume of announced mergers and acquisitions, creating a class of giant companies; a third of the 30 largest companies in the world are telecommunications manufacturers or service providers. At the same time, many companies—particularly in Europe—have gone deeply into debt to buy the rights to frequencies in the broadcast spectrum. As the economic foundation underlying the bubble crumbles, these debts threaten some of the biggest commercial and investment banks in the world.

A 500-Pound Gorilla

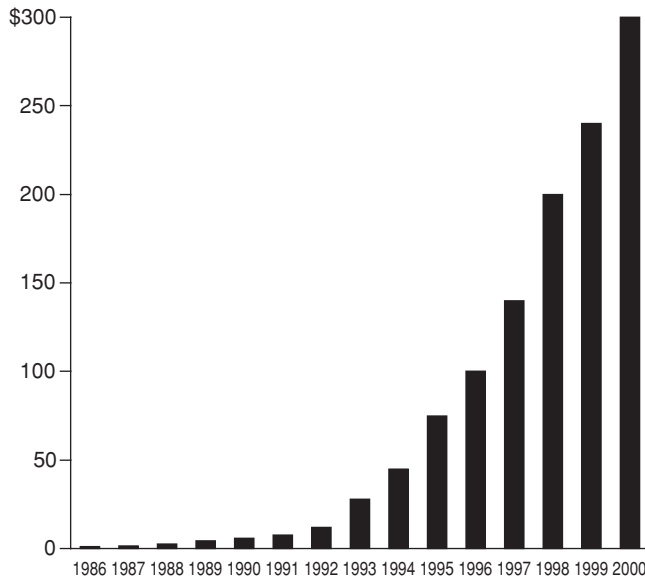
While reams of newsprint have been devoted to the state of the stock market and much has been written about bonds, references to derivatives have almost disappeared from the press. That's akin to reporting on the nervousness of a room full of people, without mentioning that there is an angry, unstable 500-pound gorilla glowering from the corner.

In this case, that gorilla is the \$300 trillion global derivatives market (Figure 4). Globally, *EIR* estimates, there are some \$400 trillion in financial aggregates outstanding, of which about 75% is in derivatives, with the remaining portion in debt, stocks, and the like. This figure is two to three times higher than the so-called "official" derivatives figures (the highest official figure released to date is \$131 trillion, for some 70 selected financial institutions at the end of 1998). (That there is a concerted effort to downplay the size of the derivatives market, was made clear by the *Washington Post*

FIGURE 4

World Derivatives Totals

(Trillions \$)



Source: EIR estimate.

TABLE 1

World's Largest Derivatives Institutions, 1999

Bank	Country	Trillions \$
1. Chase Manhattan	U.S.A.	12.9
2. Deutsche Bank	Germany	11.1
3. J.P. Morgan	U.S.A.	8.9
4. BNP Paribas	France	7.4
5. Citigroup	U.S.A.	7.4
6. UBS	Switzerland	5.6
7. Société Générale	France	5.2
8. Goldman Sachs	U.S.A.	5.2
9. Bank of America	U.S.A.	5.1
10. Crédit Suisse	Switzerland	4.6
11. Fuji Bank	Japan	4.3
12. Merrill Lynch	U.S.A.	3.9
13. Tokyo-Mitsubishi	Japan	3.7
14. Morgan Stanley	U.S.A.	3.4
15. Lehman Brothers	U.S.A.	2.9

Sources: Swaps Monitor, EIR.

some months ago, in a reference to the “\$5 trillion” global derivatives market; later in the article, the *Post* admitted that the global derivatives market actually had a notional principal value of \$88 trillion, but that only \$5 trillion was at risk.)

Even using the official figures, it is clear that the banking system is hopelessly, fatally addicted to derivatives (**Table 1**). U.S. commercial bank holding companies had \$42 trillion in derivatives as of June 30, 2000, led by Chase Manhattan

with \$14.4 trillion and J.P. Morgan with \$9.6 trillion. The recently announced merger of Chase and Morgan will create a bank with \$24 trillion in derivatives. It is highly likely that the merger of these two banks was a direct result of huge derivatives at one or both of the institutions.

German-U.S. Maglev Pact Boosts Export Prospects

by Rainer Apel

In the context of the International Transportation Symposium, “Moving To the 21st Century,” in Washington, D.C. on Oct. 9-12, which was attended by delegations from 90 countries, U.S. Secretary of Transportation Rodney E. Slater and German Transportation Minister Reinhard Klimmt, signed an agreement on the exchange of technological information on magnetically levitated (maglev) rail technology. The agreement includes the establishment of a joint governmental commission, which is to prepare for the first use of the German Transrapid maglev rail system in the United States, within the next four or five years.

Potential candidates for the first such line include from Washington, D.C. to Baltimore, whose mayors are considering a maglev link that, at about 320 miles per hour, would reduce travel time between the cities to 17 minutes. The first U.S. maglev line would get Federal funding of \$950 million, which would cover about one-third of the construction costs for a 40-50 kilometer project.

There are also at least six other options that might see the start of construction work by no later than 2003, including in the Los Angeles, Pittsburgh, Atlanta, Las Vegas, and Miami areas, and one in the state of Louisiana. The commission has a three-year mandate, to select a route and prepare for the first U.S.-German maglev project.

Why Now?

The use of the German maglev system in America has been being talked about for some time, and even after the signing of the U.S. Transportation Equity Act for the 21st Century about two years ago, many experts and politicians remained skeptical that such a project would come about in the near future. What made the Slater-Klimmt agreement possible now, is, as the Germans see it, the attempt of the outgoing Clinton Administration to make sure that, first, the next administration is prevented from opting out of the project again, and second, its desire that the project finally take off.

Slater is seen as a backer of maglev technology. And, whereas frictions seem to now dominate most aspects of relations between Germany and the United States, positive mod-

els of cooperation, particularly in the field of 21st-Century technologies, are possible, if there is commitment on both sides.

There is also genuine interest among U.S. politicians for the maglev system, for example, on municipal and state levels. Gerhard Otto Rübekönig, a member of the Social Democrats' parliamentary group in the German Bundestag, who was at the conference with Klimmt, reported in a background interview with this author that the discussion with Baltimore Mayor Martin O'Malley showed the American to be a genuine admirer of the maglev option. And, during Rübekönig's meeting with Washington Mayor Anthony Williams, there was a similar openness to the new technology.

At the moment, Baltimore hopes to be selected as the site for the Summer 2012 Olympics, which is envisaged as a big boost for investments in the city and the region. A modern, efficient transportation system that could bring several hundred thousand visitors from Washington, D.C. to Baltimore within less than 20 minutes, is what Baltimore needs, O'Malley said.

O'Malley also made clear that the city and the region need such a system even without the Olympics, because the volume of passenger traffic is showing such an enormous increase already, that highways and airlines won't be able to handle it in the very near future.

The Maryland Mass Transit Administration estimates the cost of the project to be \$3.3-3.6 billion, of which one-third would come from the Federal government, another \$500 million from the state and the city, and a undefined amount from the city of Washington. The rest would have to be funded by private investors. If built, the maglev line would run from downtown Baltimore's Camden Yard baseball stadium to Washington's Union Station, with a stop at Baltimore-Washington International Airport.

Reviving the Maglev in Germany

As Rübekönig recalled, the prospects for a maglev project on the American continent seemed grim, after the German government decided in February, to walk out of the envisaged, first fully commercial maglev project, the line from Hamburg to Berlin. If Germany was not committed to building the maglev system, how could other countries be expected to buy it? A few weeks after that devastating decision, Rübekönig toured the United States and got a first-hand impression of what a maglev project would look like, in six densely populated urban American regions. He brought home the impression that Americans would very much like a maglev rail line in their neighborhood, a prospect that even environmentalists in America would endorse. (By comparison, the Greens in Germany, coalition partner of the Social Democrats in the national government of Chancellor Gerhard Schröder, have an anti-maglev orientation.)

What changed things in favor of a renewed debate on the maglev technology in Germany, was the visit of Chinese Prime Minister Zhu Rongji and Shanghai Mayor Xi Huangdi



The German Transrapid, a magnetically levitated (maglev) rail system that will allow overland travel at speeds of 300 kilometers per hour or higher.

at the end of June. Both took a ride on the 34 kilometer Transrapid experimental track, in northwestern Germany. Xi Huangdi said that as far as he and his faction in the municipal administration of Shanghai are concerned, they are prepared to proceed by next Spring with the construction of the first Chinese maglev line connecting the city with the rapidly expanding international airport at Pudong, about 42 kilometers away. Xi Huangdi also said that, given the way such projects are built in China, the maglev line could be completed in less than 12 months, "because we in China are very efficient." A final decision has not been made in Shanghai, but it is expected by December this year. And, if nothing gets in the way of the work of the U.S.-German governmental commission, a decision on an American maglev project could be taken next year, as well.

The potential projects in China and the United States, have led to reconsideration in Germany, to select similar maglev projects connecting one or two of the bigger German cities with international airports. A decision on such a project, for example, in Munich, Frankfurt, or Düsseldorf-Cologne, is expected before the end of this year. It would not be a long line, like the one planned between Hamburg and Berlin, which would be 280 kilometers long, which had been dropped, but it would be a new beginning. In that sense, the meetings between Klimmt and Slater certainly were helpful.

LaRouche Briefs Italian Parliament on Financial Crisis, What Must Be Done

by Liliana Gorini

On Oct. 12, American economist and former Presidential candidate Lyndon LaRouche was the main speaker at an informal hearing held by the Foreign Affairs Committee of the Italian Parliament (the Chamber of Deputies) in Rome. The hearing, announced as an “informal hearing with Professor LaRouche on the reform of the Bretton Woods system, the present oil crisis, and the roots of inflation,” had been requested by Hon. Giovanni Bianchi, a member of the Committee and spokesman for the legislation on debt relief for poor countries which had been approved unanimously by the Italian Parliament in July.

Those who know Italian politics, and the ongoing fights between the government parties and the opposition on domestic issues, can appreciate the importance of this event, and the fact that, at LaRouche’s presentation, as in the case of the legislation for debt relief in the Jubilee Year, there was unusual agreement between the government and the opposition parties. The reason for this agreement lies in the role that Italy can play as “the conscience of Europe,” as LaRouche put it, because of its geographic and historic position as the bridge to Africa, the Middle East, and the Balkans, and because of the moral role that Pope John Paul II assigned to Italy and its political institutions in the Jubilee Year, in order to create a “new, more just economic system” which will overcome the deadly mistakes of the old International Monetary Fund system. Many politicians from left to right refer to this moral role that Italy has to play internationally. An example of this, is the fact that many politicians and economists involved in the legislation for debt relief, are also involved in the peace process in the Middle East, and very practically in the attempt to develop water resources in Palestine, as well as in the campaign to stop the embargo against Iraq.

When LaRouche was invited to address the Foreign Affairs Committee, the Chamber of Deputies was discussing the 2001 budget, a discussion which is taking place in the midst of social tensions all over Italy, due to the continuously increasing oil prices. In Sicily, all economic activity and transportation were blocked for almost a week, because of a protest strike against rising gasoline prices.

LaRouche’s ten-point memorandum on the oil crisis (see *EIR*, Sept. 29, 2000) was taken very seriously by the members of Parliament attending his presentation, because even the Governor of the Bank of Italy, Antonio Fazio, admits that

the oil crisis will have devastating effects on the economy and employment.

The Global Breakdown Crisis

The chairman of the morning session, Hon. Vincenzo Trantino, introduced LaRouche as “the world-renowned economist and former Presidential candidate,” and also welcomed his wife, Helga Zepp-LaRouche, and the president and vice president of the Solidarity Movement (Movimento Solidarietà, an Italian political party associated with LaRouche’s ideas), Paolo Raimondi and Liliana Gorini. LaRouche made an opening statement, which was followed by almost an hour of questions to him from the ten members of Parliament attending, representing both the government parties and the opposition; the discussion took up double the usual time allotted, “because of the importance of the issues discussed,” as the chairman put it, in thanking LaRouche at the end of the session.

In his opening statement, LaRouche rejected the accusation that oil-producing countries are responsible for the present hike in oil prices, explaining that “after the overthrow of the Shah, there was a shift in the market of oil, away from previously existing country-to-country contracts, to the development of the spot market” and derivatives speculation, so that “when petroleum leaves the producing countries, it stays on the sea for 30-60 days, and futures contracts change owners 20 to 50 times.” This, he said, is the immediate cause of the price hike, which may go as high as \$50-100 a barrel. He then explained the other two factors involved: the present hyperinflationary spiral and the massive looting of the euro and Japanese yen in order to stave off a financial crash until after the U.S. elections on Nov. 7. He proposed that the Italian Parliament and government urgently go back to “state-to-state agreements which existed before,” which, even if they “do not solve the entire problem, help to develop a pattern, to bring nations together and work together in the event of a collapse,” and to work toward the reorganization of the financial and monetary system. LaRouche compared the present crisis to the collapse of the Bardi and Peruzzi banking houses in the 14th Century, stating that “we are on the edge of the worst crisis in three centuries,” and that only by reviving the nation-state, subjecting all bankrupt financial institutions to orderly bankruptcy procedures, and mobilizing the neces-

sary political will to act, will the crisis be averted.

The first question came from Hon. [NAME??query sent to LIL] Frau, a member of the opposition party Forza Italia, who first thanked LaRouche for the dramatic clarity of his introduction, reminding the audience that what LaRouche proposed, used to be Italy's policy of direct agreements with oil-producing countries, from the time of industrialist Enrico Mattei up to the oil crisis in 1973. But, he asked, would this not reduce the power of the Organization of Petroleum Exporting Countries? He had two more questions on the Bretton Woods system and the role of the U.S. dollar, and about LaRouche's proposal for orderly bankruptcy, since Italian law equates it to forced liquidation for the bankrupt institutions.

LaRouche answered that Europe should go back to the policies adopted by U.S. President Franklin Delano Roosevelt, and by French pro-industrial banker Jean Monnet after the war, in rebuilding Europe after the ravages of the war. Europe, LaRouche said, no longer has to depend on the United States for credit creation. Today, you have other new combinations, such as the Association of Southeast Asian Nations-Plus-3 (ASEAN plus China, Japan, and South Korea) group in Asia, similar developments in Ibero-America and elsewhere, groupings that should be treated as full partners. Protectionist measures should be adopted, such as those taken between 1945 and 1965. Central banks, "which are all bankrupt," he said, should be transformed into national banks, and the Italian bankruptcy law should be changed accordingly, to conform to the criteria of Christian social welfare law, since "only the authority of the government can protect the general welfare," and only the government can promise to pay back credits 25 years from now. "Governments must not allow mass unemployment, and must make sure that savings are not wiped out" when the crisis erupts with its full force.

The second question came from Hon. Giovanni Bianchi, representing the government parties, regarding the recently adopted legislation on debt relief for the poor countries. He recalled that Mattei had been "eliminated" in 1962 for his policies of direct agreements with the oil producing nations, and that the present financial crisis "exposes how slow politics is, with respect to financial and economic decisions." He demanded a "recovery of politics." He also asked LaRouche to elaborate on his concept of the sovereign nation-state.

LaRouche answered that the magnitude of the crisis (with as much as \$400 trillion in short-term debt, compared to a world annual GDP of \$41 trillion, estimated at the beginning of the year), shows that globalization has failed, as the Anglo-American attempt to bail out this debt by looting the euro and the yen, has failed, creating conflicts within the Group of Seven. What South Korea, Japan, and western Europe should do is go back to national banking, putting financial institutions under bankruptcy law, and preparing legislation for the creation of long-term credit for infrastructural and development projects. Italy should use the positive experience of its legislation for debt relief, which has been adopted unanimously,

and by the motions and interrogatories on the New Bretton Woods, to adopt such legislation quickly.

The last question came from Hon. Michele Rallo, who reminded his parliamentary colleagues that he had introduced an interrogatory on the New Bretton Woods, which received an official answer from the Italian government, "recognizing the importance of the issue." He asked LaRouche what step Italy should take next, since "it is clear that the government will only act once the crisis has erupted."

LaRouche's suggestion, keeping in mind the sovereignty of the Italian Parliament and government, was to keep up the momentum created by the legislation on debt relief and the motions toward a New Bretton Woods, and prepare similar legislation for the oil and financial crises. "We need more Giuseppe Verdis!" he said, referring to the centennial of the great Italian composer next year, "and there should be more music in Italian politics," he concluded—by which he meant, less fighting over domestic issues, and more agreement on fundamental issues in which Italy can play a role internationally, such as debt and development.

LaRouche had a number of other important political meetings, including a discussion with a meeting at the Italian Senate in Rome, where he discussed similar issues with Senators, again representing both the government and opposition parties.

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Asian Nations Debate Economic Future

The global financial crisis is hitting Asia again, and diplomacy is focussed on protecting their physical economies. Mary Burdman reports.

As the world financial crash sweeps through Asia, destroying whatever remnants of credibility the free-market, International Monetary Fund-dictated “Washington Consensus,” might have had in the region, tensions are growing between East Asian governments and the United States. A key indication of the cross-Pacific fault line, is that China has been digging in its heels, as Washington and the European Union (EU) demand harsher and harsher conditions — on non-trade issues! — for China to finally join the World Trade Organization (WTO).

The ploys from Washington, including President Bill Clinton sending U.S. Trade Representative Charlene Barshefsky to Beijing on Oct. 12, in a last-minute effort to demand that China knuckle under to the WTO demands just hours before Prime Minister Zhu Rongji left for a ten-day visit to Japan and South Korea, and Secretary of State Madeleine Albright’s barging into the negotiations on the Korean peninsula, demonstrate the desperation at the center of the crashing world system. U.S. Treasury Secretary Lawrence Summers and Federal Reserve Chairman Alan Greenspan will try anything, to keep world funds flowing into Wall Street, until the U.S. elections.

Accession to the WTO is a “flagship” issue for those liberalizing tendencies in Beijing, who consider this as confirmation that China is “joining the world club.” However, the fast pace of the crash will soon mean that the WTO, itself already literally bankrupt, like the rest of the current system, will no longer exist. China’s renewed recalcitrance on WTO demands — Beijing had resisted conceding to the ruinous free-trade demands for 14 years — indicates that even the liberalizers, led by Prime Minister Zhu, are giving much more credibility to those who warn, correctly, that the WTO regime would gravely endanger China’s national economic security.

What is critical at this juncture, is that China’s leaders, like those of Japan, South Korea, and other Asian nations, take measures now to ensure that essential production and trade continue, even as the current world financial system, dominated by the Wall Street-London vast speculative bubble, vaporizes. The regional discussions around creating an Asian Monetary Fund (AMF), which led to the Chiang Mai Initiative (CMI) of May 6-8, could be the basis of creating regional agreements which could sustain national economies in the cataclysm to come.

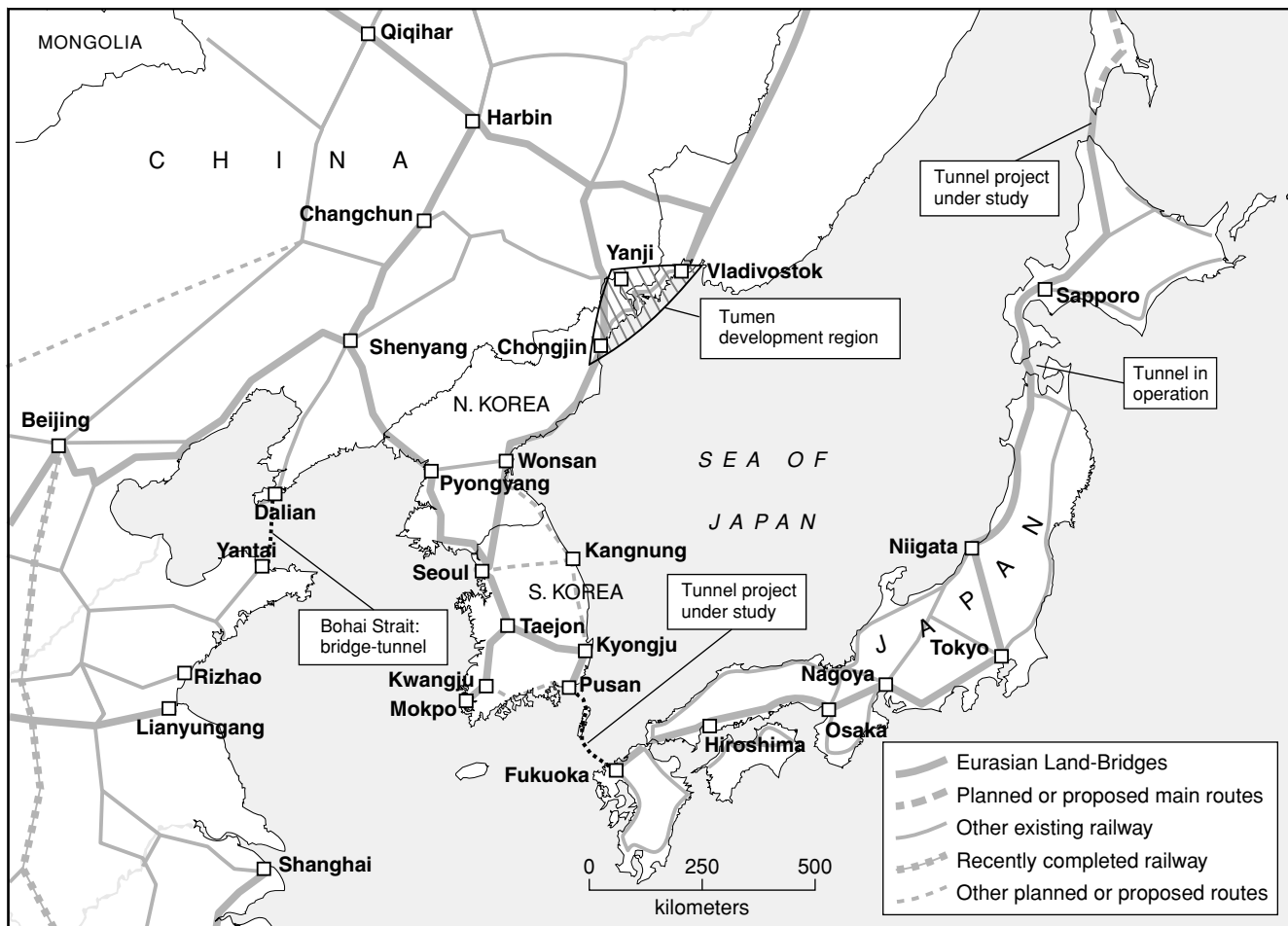
The much-touted Asian “recovery” from the 1997-99 debacle, is an extremely fragile structure, built almost entirely upon exports to the United States, financed by the monstrous American debt bubble and trade deficit. The imminent collapse of this monster poses a dire threat — and critical opportunity — to Asia. When the U.S. market vanishes, Asian nations will have to revive regional trade, which was badly disrupted in 1997-99, or fall into worse chaos themselves. More important, were an economic policy based on construction of the energy and transport infrastructure, and industrial capacity, so urgently needed by China, South Asia, Northeast Asia, and eastern Russia, to be undertaken on the level of Lyndon LaRouche’s “Eurasian Land-Bridge” concept, this would create a market far greater and more valuable than that of the United States.

Asian Meetings

It is in this context, that Zhu Rongji made official visits to Japan and South Korea, with a delegation including Foreign Minister Tang Jiaxuan; Zeng Peiyan, Minister of the State Development Planning Commission; Sheng Huaren, Minister of the State Economic and Trade Commission; Finance Minister Xiang Huaicheng; Minister of Foreign Trade and Economic Cooperation Shi Guangsheng; and Director Gui Shiyong of the Research Office of the State Council. Japan had originally proposed the AMF in 1997, which was crushed by the U.S. Treasury, and South Korea has created, in the peace and reunification drive with the North, the center of a Northeast Asian “Iron Silk Road” great project. On Oct. 19, Zhu Rongji, Japanese Prime Minister Yoshiro Mori, and South Korean President Kim Dae-jung met in Seoul, on the eve of the two-day Asia-Europe Meeting (ASEM) summit. Then, during the first week of November, there will be a heads-of-state summit of the ten members of the Association of Southeast Asian Nations plus China, Japan, and South Korea (“ASEAN-Plus-3”) on the Chiang Mai Initiative and AMF, again, in Chiang Mai, Thailand.

While Chiang Mai remains a defensive monetary fund, which could not withstand the coming financial meltdown, the very discussion process itself is intolerable to Wall Street. Conflicting reports are now coming from Asian capitals, on what this November meeting is to do. This will either result in the successful creation of the CMI as a new regional fund,

FIGURE 1
High-Speed Rail Projects Proposed by EIR, 1996



To protect their economies, Asian nations must put development of the Eurasian Land-Bridge at the center of their deliberations.

independent of the current bankrupt structures; in nothing new; or, in the creation of an AMF linked, or even subordinated, to the International Monetary Fund (IMF). The last would not only surrender the \$700 billion in reserves held by Asian nations to the IMF, but also *politically* destroy the Asian regional discussion.

Enormous pressure is being applied from the United States for the latter option.

President Clinton has made getting China into the WTO a cornerstone of the “new economy”- and “democracy”-obsessed policy of his Administration. Under the U.S.-China WTO agreement, Clinton said on May 10, “China will slash the tariffs that protect its inefficient state-run industries, industries which the Communist Party has long used to exercise day-to-day control over people’s lives.” The key, is his beloved Internet. When, he said, a “critical mass” of Internet

users is reached in China, then “there will be a sea change.” Now, just six months later, Chinese “dot.com” firms are dying like flies.

China made all the concessions, Clinton said. “If you saw the deal, you would ask why they signed it. The deal we negotiated with them does not give them one bit of increased access to our markets, but gives us huge increased access to their markets. . . . It’s necessary to keep our economy going.”

Yet, even while the U.S. pressure increases, what is under discussion in leading circles in Asia, as is also the case among European elites, is, what is to be done *after* the crash. The critical issue is, as LaRouche has emphasized repeatedly, that there can be no accommodation with the current system. Tactical defensive measures can accomplish nothing, because there is nothing to be gained. The political will must be found, to make a clean break with the Wall Street-London IMF sys-

tem. In such times, only new ideas, such as LaRouche's proposal for a New Bretton Woods, can accomplish anything.

Will China 'Just Say No'?

China might not make it into the WTO by the end of 2000, proclaimed Trade Representative Barshefsky in Washington, D.C. on Oct. 7. She made this pronouncement, despite the fact that President Clinton had finally signed legislation that week granting U.S. Permanent Normal Trade Relations to China. "For us to wrap up the negotiations this year, the mainland will have to make very rapid progress in the talks," she said. "If the negotiations conclude this year, great. If they conclude next year, great. It is largely up to China."

Chinese head WTO negotiator Long Yongtu had made clear, as the final WTO documents were being negotiated in Geneva at the end of September, that new, even harsher conditions were being imposed on China, that go beyond anything imposed on the United States or EU nations. On Sept. 29, Geneva WTO representative Pierre Girard said of the talks with China, "The limited nature of progress achieved on these vital issues"—including "reform" of China's legal and judicial system, "intellectual property" rights, and granting access to services trade and other markets—"tends to put into question our target of concluding this accession process this year." Extra rules were demanded from China, as a non-free-market economy.

"It is inappropriate and unnecessary to invent a new set of [WTO] rules specifically for China," stated Long Yongtu in Geneva. Western trade negotiators, he said, "always think China is too big, China is developing too fast. . . . We cannot accept provisions which are detrimental to China's legitimate rights under WTO. What we care mostly is not the specific timing of accession, but the terms of accession."

As Mayor Xu Kuangdi of Shanghai, China's biggest industrial city, told visiting Singapore Deputy Prime Minister Lee Hsien Loong in a "lively discussion" on Oct. 17, China will not be able to accommodate to the additional demands being imposed by the WTO, the Singapore *Business Times* reported. Xu said that China cannot close its doors to the outside world, and has to open up by joining the WTO. However, after initial optimism on the Chinese side early this year, negotiations had to be re-started due to ever-more "non-trade" conditions on China.

"Both leaders quipped that the Americans may be the ones behind those new conditions to apply pressure on Beijing," the *Business Times* reported. Xu noted that the United States is in a "sensitive" period before the elections, and Clinton might not want to do anything to jeopardize Al Gore's election chances. Also, a "weak U.S. President" would give in to the demands of trade unions, human rights groups, and non-governmental organizations.

Xu stated that it would be China's high-tech businesses which have the most to lose from WTO entry, because they

are financially very vulnerable, and would have big problems facing competition from foreign companies.

Zhu Rongji stated, just before he left Japan for South Korea on Oct. 18: "We are aware of both the pros and cons arising from China's accession to the WTO. We can dive into the international markets, but at the same time, we will be exposed to greater competition and many challenges from abroad. We will make maximum efforts to make the benefits more than offset the drawbacks."

Two Government Reports

More and more reports are emerging, that China is beginning to realize the heavy toll the WTO deals will take on its economy, and in some areas and in some significant ways, they are trying to back away. Two important government reports came out in September. One, from the State Administration of Machinery Industry, documented how China's machinery industry, including its most modern capacity, will suffer "the most and the longest" from joining the WTO. Then, on Sept. 18, Lu Zhiqiang, Deputy Director of the Development Research Center under the State Council, told the *China Daily* that China is inadequately prepared to join the WTO. "As far as I know, few serious studies have ever been conducted about relevant laws on foreign trade, overseas investment, and rules and regulations of the WTO, so that Chinese firms can meet challenges while undertaking their obligations," said Lu. "Solid and down-to-earth preparatory work is scarce, although officials and entrepreneurs have long been crying wolf." He said that the urgent issue for China is economic security, and management of its industries, not by central planning, but by market economy rules.

President Jiang Zemin and Premier Zhu Rongji have repeatedly urged domestic firms to adapt to the international environment of the economic globalization, *China Daily* reported. They are concerned about economic security, due to the fear that extensive links of the world's economies will increase the vulnerability of China's economy to fluctuations.

In a panicked response to all this, President Clinton sent Barshefsky to Beijing without prior notice. Zhu Rongji cleared his calendar, and may even have had to delay his departure for Tokyo, to meet her. On coming out of the meeting, Barshefsky was only "hopeful" that obstacles would be overcome. "There are a large number of issues . . . nothing insurmountable," she said. Zhu reportedly assured Barshefsky that China will honor its WTO concessions.

'Coordinating Korea'

Washington is also trying to reassert control over diplomacy on the Korean peninsula. Following North Korean National Defense Commission Vice Chairman Cho Myongnok's Washington visit on Oct. 9-12, Albright announced that she will visit Pyongyang, likely on Oct. 24, and will also try to arrange for President Clinton to visit North Korea "before

the end of this year.”

On Oct. 19, the South Korean daily *Chosun Ilbo* reported that Albright will meet South Korean Foreign Minister Lee Jong-binn and Japanese Foreign Minister Yohei Kono in Seoul after she leaves Pyongyang, to “coordinate” policies toward North Korea.

Policy-makers in Seoul are not happy. The United States “was not satisfied with the way things were going,” Choi Jin Wook of the Korea Institute of National Unification told the *International Herald Tribune*. “Washington was desperately trying to gain control of the negotiations with the North.”

“Until this June, the United States had the lead in resolving Korean issues,” the *International Herald Tribune* quoted Park Young Ho, director of unification policy at the Institute. “Since Korea took the lead at the summit, the Americans were worried about losing control of the peace process on the Korean peninsula.” However, he said, “the peace treaty [on Korea] is not to be done between the U.S. and North Korea. The peace arrangement is to be made between the two Koreas.”

How much damage can be done, is indicated by the fact that Pyongyang may soon hold talks with the IMF, Fund spokesman Thomas Dawson said on Oct. 13. Dawson spoke of warming relations with North Korea, and said that North Korea has shown much interest in IMF activities. North Korea had been invited to attend the IMF-World Bank conference in Prague in September, although this did not happen.

During the 1997-98 crisis, Summers, then deputy to Treasury Secretary Robert Rubin, forced hard-hit Asian nations, including South Korea and Indonesia, into the jaws of the IMF’s brutal conditionalities. If North Korea is forced on the same route, the potential of the “Iron Silk Road” will be rapidly crushed. This is what sane regional policy must prevent.

What Role for Japan?

Japan, as by far the leading economy, and with the strongest military, will have to play a leading role. One eminent Chinese economist, who knows Japan very well, told *EIR* that the critical issue, is what role Japan is going to play in Asia. On a recent visit to Tokyo for discussions of Asia-Pacific economic cooperation, he had asked leading Japanese officials, whether they were going to play the role which Germany plays in Europe, or the role which Britain plays? If Japan still wants to retain its “special relationship” to the United States, which he likened to the British “special relationship” to the United States, it could not play a central role in Asia.

The Chinese economist said, that while he could not get any definitive answer from his Japanese counterparts, one leading official did indicate that Japan would soon take important action. What that is, remains to be seen.

Singapore’s Senior Minister Lee Kuan Yew, who is close to both China and Japan, told the London *Financial Times* on Oct. 10 that Japan is moving away from the multilateral trade

system for the first time. Since the WTO Seattle summit failed last November, East Asia has become restive, and Japan has begun to move away from reliance on the multilateral trading system, and is instead conducting bilateral discussions on forming free-trade agreements with countries including South Korea and Singapore.

Japan has “got to face the U.S. dollar. They’ve got to face the euro. If they can carve out a special economic relationship with East Asia, then the yen will automatically play a key role,” said Lee Kuan Yew. “After Seattle, the Japanese must be redoing their sums. They can see that U.S. interests do not always coincide with their interests, their needs, and they cannot make all their initiatives compatible with the U.S. grand design.”

However, Lee told the *Financial Times*, “the Asian Monetary Fund, which the Japanese are proposing, has received some encouraging response from the new director of the IMF—providing it is an additional arm of the IMF for dealing with crisis, not acting independently.”

An insight into the views of certain circles in Japan, was provided by the *Australian Financial Review*’s account of the sparks flying at the annual International Conference on Financial Markets and Policies in East Asia, held in Canberra by the Reserve Bank of Australia. There, former Japanese Finance Minister Eisuke Sakakibara (a.k.a. “Mr. Yen”) “cross[ed] swords with Uncle Sam,” and the usual conference “jargon” broke down, “to expose high international finance for what it really is—hard geopolitics between great powers,” the *Review* wrote. Sakakibara clashed with San Francisco Federal Reserve Vice President Reuven Glick, while Australian Reserve Bank Deputy Governor S.A. Grenville discussed Australian financial cooperation with East Asia, the ASEAN-Plus-3 group, and the AMF—and the conflicts among Asian nations, Australia, and the United States on these questions.

Sakakibara asserted that “the U.S. has this mentality of using the crisis. Trying to use or even create a crisis to change a country’s political regime is intervention—unlawful intervention. When I say these things to my Western counterparts, they say, ‘Well, isn’t it good that a corrupt government collapsed?’ ” Indonesia was the government in question, he said. The terms of the financial package for Indonesia were designed to bring “intolerable pressure to bear on the Suharto regime. I tried, Japan tried, to modify the policy, but against the coalition of the U.S., the IMF, and Germany, I was powerless,” he said.

All this, however, was challenged by the Fed’s Glick. “I think it’s a little far-fetched to say that it is only Western countries” that act in accordance with their self-interest in the international financial system, he asserted. He defended the U.S. failure to join the emergency rescue package for Thailand, while committing itself to “support” for South Korea: “You have to pick and choose where you will spend your resources.”

Sakakibara shot back: “Even in Korea, the U.S. never spent any bilateral money — that’s a detail you should know.” The Congress did not allow the Treasury to pay the money that it had announced for South Korea. That was why Asia could not rely “even on a great country like the U.S.,” Sakakibara said. “Even if the U.S. Treasury wants to act globally, the U.S. Congress and the Federal Reserve wouldn’t let them.”

Soon thereafter, the City of London’s *Financial Times* launched an absurd scandal against Sakakibara, for alleged ties to a banker imprisoned for fraud.

Chinese-Japanese Discussions

In this situation, the six-day visit of Zhu Rongji to Japan was productive. Despite a lack—at least publicly—of any agreements on the AMF, or the Eurasian Land-Bridge, mutual relations have improved. One concrete accomplishment was that a special-technology hotline, which had been agreed to during President Jiang Zemin’s visit to Japan in November 1998, was opened—and could be very useful in the near future.

Most important, is that the Zhu-Mori discussions were apparently able to lay the basis taking the sting out of the vexing issues unresolved since the end of World War II. These questions were given relatively less importance, than during Jiang Zemin’s earlier visit. Zhu brought up the “huge damage” inflicted by Japanese militarism, but acknowledged that the Japanese people were also victims, and are “not responsible. With history as a mirror, we want to move towards the future. I hope history will never repeat itself.” Prime Minister Mori agreed with this perspective.

At the end of their first meeting on Oct. 13, Zhu said, “We need to turn a new page via the friendship of the two countries. . . . China is ready to actively discuss regional cooperation between China and Japan, among China, Japan, and South Korea, as well as among” ASEAN and ASEAN-Plus-3. “China wants to see Japan play a positive role in promoting the balanced development of the regional economy, as well as raising the economic strength of Asia as a whole.”

Mori responded that Japan wants to strengthen coordination and cooperation with Beijing, to promote regional cooperation under the ASEAN-Plus-3 framework. Both praised the détente on the Korean peninsula.

While a central issue was Japanese participation in developing western China, a priority of Beijing, lacking was the explicit call for Chinese-Japanese cooperation to construct the Eurasian Land-Bridge. The Land-Bridge had been noted, both in the communiqué of Jiang’s 1998 visit, and in the speech delivered by Foreign Minister Kono when he made a four-day preparatory visit to Beijing. In a speech to the Party School of the Central Committee of the Chinese Communist Party on Aug. 31, Kono not only called for a multilateral dialogue to ensure peace and stability in Northeast Asia, but also proposed economic cooperation, including to develop the Mekong River basin, and to improve transport and distri-

bution infrastructure between East and Central Asia under the Eurasia Land-Bridge initiative.

Zhu Rongji did call for Japanese investment in the development of western China over the next 30-50 years, including construction of railroads, freeways, airports, and other infrastructure, as well as four east-west gas pipelines. In the context of making a “strategic readjustment” of its economy, China is, for the first time, allowing foreign investors to take a controlling share in strategic projects, such as the new pipelines. This is part of a special policy to encourage foreign investment into China’s western regions.

Mori answered that Japan will send a joint government-business inspection mission in the first half of 2001. Mori called on China to ensure that the environment for foreign investment is improved, by improving debt repayment, and easing restraints on foreign steel and insurance.

Much of the discussion was focussed on the private sector. Takashi Imai, chairman of Japan’s Federation of Economic Organizations, which Zhu Rongji addressed, said, “We want to continue to ask the Chinese government to improve the country’s legal and tax systems, and promote deregulation and improve the investment environment.” Imai said that China should “more actively accept direct [private] foreign investment” from Japan. However, Japanese firms are known in China for their reluctance to transfer more advanced technology, in contrast to German firms. Official Japanese aid to China is also under pressure, from some circles in the ruling Liberal Democratic Party which are making China’s “military buildup” an issue. Japan, however, has the second-highest defense budget in the world, second only to the United States, and much higher than China’s.

The Zhu-Mori statement, also said that “the Japanese side promised to work to provide further cooperation in terms of technology and expertise for the purpose of China’s participation in the WTO. We share the view that it is important to improve China’s domestic legal system.”

Asian leaders should look again, to LaRouche’s recommendations in his policy paper, “Trade Without Currency” (see *EIR*, Aug. 4, 2000). There, he called for creation of a system based on a basket of hard commodities, not currencies, as the only means to generate productive trade and economic relations. These hard commodities must be defined on the basis of the Hamiltonian principles, which had been the foundation of the 18th- and 19th-Century “American System.” Nothing else will do.

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LaRouche's New Bretton Woods Must Be the Fruit of the Jubilee

by Nina Ogden

The following article was written to accompany Lyndon LaRouche's writings on his New Bretton Woods System proposal, for a series of discussions in anticipation of the Nov. 5 Jubilee Day for Government Officials.

American statesman and economist Lyndon LaRouche has characterized the 20th Century as one of catastrophe. In his essay "Jesus Christ and Civilization" (*EIR*, Oct. 6, 2000), LaRouche states:

As I have repeatedly warned of late, events have already reached the point which I had warned would have arrived, *unless* certain prescribed changes were instituted. Despite my repeated warnings of the need to reverse the policies which have created this risk, the refusal of governments and others to heed my warnings has now already brought the U.S.A. into the final phase of an onrushing, global financial collapse. Worse, that onrushing, global financial collapse, threatens now to plunge global civilization into a *threatened* new dark age for all humanity. . . .

That presumed, now look at the deeper, essential, longer-range aspects of the problem. Consider the fact, that history, as we presently know it, has been dominated by cycles of collapse, and, sometimes, at best, recovery. Therefore, how might we be assured, now, that even if we were to rescue humanity from the effects of the presently onrushing global financial and monetary collapse, by the measures which I have proposed, that our thus-revived civilization will not begin to slide back, a generation or two later, into a new round of collapse, a collapse perhaps even worse than that which menaces us at the present moment, a collapse to be suffered by your children or grandchildren.

The two issues so identified and distinguished, are linked to a third, overriding consideration. Is it possible, that even the mastering of the immediate financial crisis, requires that we must also act now to overcome the more distant threat of a new dark age? In other words, though I have shown how the world could recover from the presently onrushing global financial collapse, perhaps the world will not adopt the option I have given it. Is there, then, some deeper, longer range sickness

within the world's presently leading institutions, which, as seems probable at this moment, would prevent the world from accepting such a workable, near-term recovery program?¹

Pope John Paul II's decision to publish the "Third Prophecy of Fatima" in Spring 2000 constitutes a call for repentance to the whole world for the events of the 20th Century. In a commentary on the publication of the Third Secret of Fatima, Cardinal Joseph Ratzinger, Prefect of the Congregation for the Doctrine of the Faith, puts forward the interpretation that the third secret deals with the events of the 20th Century—and therefore, with things now in the past. But he also makes it very clear, that the terrors and the false doctrines of the 20th Century carry forward into our new century ("that it [the world] might be reduced to ashes by a sea of fire, no longer seems pure fantasy").

Cardinal Ratzinger writes:

To understand the signs of the times means to accept the urgency of penance, of conversion, of faith. This is the correct response to this moment of history, characterized by the grave perils outlined in the images to follow. . . .²

In his 1984 Apostolic Letter *Salvifici Doloris*, "On the Christian Meaning of Human Suffering," Pope John Paul II wrote, that the world of suffering

. . . at some periods of time and in some eras of human existence, becomes, as it were, particularly concentrated. This happens, for example, in cases of natural disasters, epidemics, catastrophes, upheavals and various social scourges: one thinks, for example, of a bad harvest and connected with it—or with various other causes—the scourge of famine. One thinks finally, of war. I speak of this in a particular way. I speak of the last two World Wars, the second of which brought with it a much greater harvest of death, and a much heavier

1. Lyndon H. LaRouche, Jr., "Jesus Christ and Civilization," *EIR*, Oct. 6, 2000.

2. Joseph Cardinal Ratzinger, quoted in *EIR*, July 21, 2000, pp. 38-39.

burden of human sufferings. The second half of our century, in its turn, brings with it—as though in proportion to the mistakes and transgressions of our contemporary civilization—such a horrible threat of nuclear war that we cannot think of this period except in terms of an incomparable accumulation of sufferings, even to the possible self-destruction of humanity. In this way, that world of suffering which, in brief, has its subject in each human being, seems in our age to be transformed—perhaps more than at any other moment—into a special “world”: the world which as never before has been transformed by progress through man’s work and, at the same time, as never before, in danger because of man’s mistakes and offenses.³

Sixteen years later on World Youth Day, in the year of the Great Jubilee, at the Tor Vergata University campus outside Rome, the Pope rallied the more than 2 million young people who had gathered there, to take action in the battle for the good. He told them:

It is Christ who provokes in you the desire to make of your life something great, the will to follow an ideal, the refusal to let yourself be swallowed by mediocrity, the courage to engage yourself with humility and persevere to improve yourself and society, making it more humane and brotherly. . . . Today you are here gathered to state that in the new century you will not lend yourselves to being instruments of violence and destruction; you will defend peace, paying even with your person if necessary. You will not be resigned in the face of a world where other human beings starve, are illiterate, have no job. You will defend life in each moment of its Earthly development, you will use all of your energy to make this Earth more and more livable for everybody.

In this year of the Great Jubilee, the Pope shows us the way, not only to the remission of sin in the degraded acts of individuals, but also in what he has identified as “the structures of sin.” Not to uproot these vicious structures, which have caused the suffering of the majority of the people in all the nations of the world, would be a tragedy.

The immediate step called for by Pope John Paul II, guided by Scripture, is the remedy of debt forgiveness, which the Senate and the Chamber of Deputies of the Italian Parliament passed into law in June—cancelling the foreign debt of all the developing nations owed to the nation of Italy. The cry for this debt forgiveness has been heard from the suffering nations of the world, who have called on the lender nations to be Good Samaritans, real neighbors to the poor, and act, as

3. Pope John Paul II, *Salvifici Doloris* Apostolic Letter “On the Christian Meaning of Human Suffering” (Boston: Daughters of St. Paul Books, 1984), Chapter 8, pp. 11-12.

the Italian Parliament has, to cancel the debt. At the June 22 hearings of the Congressional Bicameral Jubilee 2000 Commission in Argentina, Msgr. Héctor Aguer, Archbishop of La Plata, noted that debt forgiveness cannot be offered only to the poorest countries at the point that they can no longer pay. Foreign debt threatens Argentina’s ability to effectively constitute a free, just, and sovereign nation. “You can guess what our epitaph would be,” Monsignor Aguer said: “Here lies the Argentine Republic. She lived paying, and died owing.” If the creditors don’t stop their looting, he warned, “they won’t find in the debtors even that classic pound of flesh, which Shylock—until now, the most famous of creditors—has demanded.”

Beyond Debt Moratorium

On the first weekend in November, parliamentarians from the whole world will gather in Rome in recognition of the Great Jubilee. One would hope that the parliamentarians of the creditor nations would be able to report that they, like their Italian colleagues, have passed into law effective plans for the cancellation of the debt. One would also hope that they will take up the other paradigmatic action of the Italian Parliament, where a motion was introduced in favor of the establishment of a New Bretton Woods agreement.

Why must there be action beyond the forgiveness of the debt? What has caused the situation Monsignor Aguer described, and not only for his nation? We need only turn to Pope Paul VI’s *Populorum Progressio*, “On the Development of Peoples,” to find:

The development of people has the church’s close attention, particularly the development of those peoples who are striving to escape from hunger, misery, endemic diseases and ignorance; of those who are looking for a wider share in the benefits of civilization and a more active improvement of their human qualities; of those who are aiming purposefully at their complete fulfillment. Following on the Second Vatican Ecumenical Council, a renewed consciousness of the demands of the Gospel makes it her duty to put herself at the service of all, to help them grasp their serious problem in all its dimensions and to convince them that solidarity in action at this turning point in human history is a matter of urgency.⁴

It is helpful for us to look at Paul VI’s *Populorum Progressio*, written in 1967, and see that the basic problems which he identified, which could have been solved with relative facility at that time, have now become so deeply embedded in the fabric of society, that the most deluded and evil activities are now popularly accepted as an unchangeable state of affairs. Further proving the urgency, he says:

4. Pope Paul VI, *Populorum Progressio* “On the Development of Peoples” (Boston: St. Paul Editions, 1961) Section 1, p. 3.

Development cannot be limited to mere economic growth. In order to be authentic, it must be complete: integral; that is, it has to promote the good of every man and of the whole man. . . . In the design of God, every man is called upon to develop and fulfill himself, for every life is a vocation. . . . But each man is a member of society. He is a part of the whole of society. It is not just certain individuals, but all men who are called to this fullness of development. Civilizations are born, develop and die. But humanity is advancing along the path of history like the waves of a rising tide encroaching gradually along the shore. We have inherited from past generations, and we have benefitted from the work of our contemporaries: for this reason we have obligations toward all, and we cannot refuse to interest ourselves in those who will come after us in the human family.⁵ . . .

We want to be clearly understood: the present situation must be faced with courage, and the injustices linked with it must be fought against and overcome. Development demands bold transformations, innovations that go deep. Urgent reforms should be undertaken without delay.⁶

Next, he states something which has become almost unthinkable in the West today: “[I]ndividual initiative alone and the mere free play of competition could never assure successful development.”⁷ In the chapter, “Beyond Liberalism”—a shocking title for today—Pope Paul VI spells it out:

In other words: the rule of free trade, taken by itself, is no longer able to govern international relations. . . . The teaching of Leo XIII in Rerum Novarum is always valid: if the positions of the contracting parties are too unequal, the consent of the parties does not suffice to guarantee the justice of their contract and the rule of free agreement remains subservient to the demands of natural law⁸ [emphasis added].

It seems impossible that at the present time of horrible suffering,

- when the President of the United States has had to declare AIDS and other infectious epidemic diseases a national security threat;
- when it is increasingly reported in the European press and elsewhere, that the presently rotted-out world monetary and financial system is facing a chain-reaction collapse;
- when the Holy Father’s pleas for relief for the suffering people of the world are so passionate; and

5. *Ibid.*, Sections 15-18.

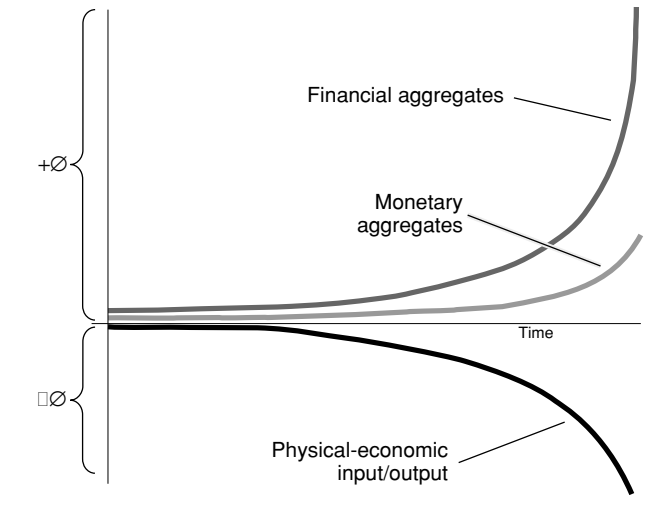
6. *Ibid.*, Section 32, p. 20.

7. *Ibid.*, Section 33, p. 20.

8. *Ibid.*, Section 58, pp. 35-36.

FIGURE 1

LaRouche's Typical Collapse Function



- when a whole century of social encyclicals so clearly locate the dangerous consequences of the free-trade policies now hegemonic in world affairs,

that there would not be a determination by those who work in the area of economics to create an effective, fundamental solution to these problems.

In his World Peace Day 2000 message, the Pope called for “a new and deeper reflection on the nature of the economy and its purposes” in light of the accelerating rate of problems posed by globalization. Yet, so far—outside Italy—the only responses have been papers and conferences whose premises are the very free-market axioms which have themselves created the crisis! When the April 30 Rome Conference “On Ethics and Finance,” organized by the Centissimus Annus-Pro Pontifice Foundation, chose as its draft document, “Global Economy and Finance: Problems and Perspectives for the Year 2000,” the outcome was foredoomed. The foundation chose to focus on the one area of finance—the *bubble*—that is increasingly divorced from the physical economy itself. The foundation’s document says it was chosen because, “For the past 20 years, finance has been the fastest-growing sector of the world economy, which has led to a financialization of globalization.” In reality, it is the cancer which is killing the world’s physical production, as Lyndon LaRouche’s “Triple Curve” function (**Figure 1**) shows.⁹ Thus, the conference remained locked into the bubble, attempting to coat financial speculation with a deodorant labelled “ethics,” and thus sanitize the odor of the present system’s decay.

Father Drew Christiansen, S.J., an adviser to the Vatican

9. Lyndon H. LaRouche, Jr., “We Are at the End of an Epoch,” keynote speech to the Conference of the International Caucus of Labor Committees and the Schiller Institute, Eltville, Germany, *EIR*, Jan. 1, 1996.

on world trade issues, identified the problem in a May interview with Catholic News Service:

Father Christiansen said many people, including Michael Novak, . . . resident scholar at the American Enterprise Institute located in Washington, D.C., talked about micro-enterprise and so on, but micro-enterprise doesn't build highways, ports, airports, communications infrastructure, or health care, or education systems.¹⁰

One must identify the difference between nominalist economic doctrines and what *Populorum Progressio*, in the chapter on "Christian Vision of Development," calls "authentic" economic ideas, which promote the good of the whole man. In *Populorum Progressio*'s "Liberal Capitalism" section, Paul VI writes:

It is unfortunate that in these new conditions of society a system has been constructed which considers profit as the key motive for economic progress, competition as the supreme law of economics, and private ownership of the means of production as an absolute right that has no limits and carries no corresponding social obligation.

It is simply not possible to say, as the "Global Economy and Finance" document does, that derivatives or other speculative instruments, currency speculation, or any of the activities that make up the "New Economy" today, can, in any way—if treated "ethically"—solve the needs of the poorest of the poor—or meet the criteria of Christian economics. U.S. President Franklin D. Roosevelt's Second Inaugural Speech, "A Rendezvous with Destiny," states the correct approach:

Governments can err, Presidents can make mistakes. But the immortal Dante tells us, that Divine justice weighs the sins of the cold-blooded and the sins of the warm-hearted on different scales. Better the occasional faults of a government that lives in the spirit of charity than the consistent omissions of a government frozen in the ice of its own indifference.

Reading the social encyclicals, and the writings of Lyndon LaRouche, searching for solutions to the economic crisis facing all the nations, one is doubly surprised—by the virtue and justice of LaRouche's intervention into the culture of death, and also by the sharpest censure of the shibboleths of currently popular social and economic practice by the authors of the social encyclicals themselves. The very beginning of Pope John Paul II's *Laborem Exercens*, "On Human Work,"

10. John Norton interview with Rev. Drew Christiansen, S.J., Catholic News Service, May 2, 2000.

written in 1981 on the 90th anniversary of *Rerum Novarum*, states that our economic life depends on work:

The Church finds in the very first pages of the Book of *Genesis* the source of her conviction that work is a fundamental dimension of human existence on earth. . . . Man is the image of God partly through the mandate received through his Creator to subdue, to dominate, the earth. In carrying out this mandate, man, every human being, reflects the very action of the Creator of the universe.¹¹

These profound but basic ideas are found not only in *Laborem Exercens*, but also in every other social encyclical. In *Populorum Progressio*, "Action to be Undertaken, the Universal Purpose of Created Things," spells this out: "Fill the earth and subdue it: the Bible, from the first page on, teaches us that the whole of creation is for man, that it is his responsibility to develop it by intelligent effort and by means of his labor to perfect it, so to speak, for his use."¹²

LaRouche's Policy

LaRouche stands alone today, as the author of the "New Bretton Woods" strategy. This measure has already been introduced by members of the Italian Senate and European Parliament into their respective bodies. LaRouche's proposals for:

1. A New Bretton Woods—a meeting of *all* nations to agree on a new monetary system to replace the present bankrupt one;
2. Construction of a New Silk Road-Eurasian Land-Bridge, to provide "development corridors" to bring productive technologies eastward, and to Africa;
3. "On a Basket of Hard Commodities: Trade Without Currency,"¹³ an interim measure to be used by regional groupings of nations now for their economic development.

These concrete proposals are the way to actually *implement* the Church's social teaching, as expressed in the encyclicals cited.

Lyndon LaRouche's 1991 book, *The Science of Christian Economy*, in its opening chapter, "On the 100th Anniversary of *Rerum Novarum*," discusses this connection. LaRouche cites *Rerum Novarum*'s concluding sentence in Section 72: "For laws are to be obeyed only insofar as they conform with right reason and thus with the eternal law of God." LaRouche then cites Leo XIII's footnote in *Rerum Novarum* from St. Thomas Aquinas's *Summa Theologica*, which defines an unjust law:

11. Pope John Paul II, *Laborem Exercens*, "On Human Work" (Washington, D.C.: Office of Publishing Services, U.S. Catholic Conference, 1981), Section 4, pp. 9-10.

12. Pope Paul VI, *op. cit.*, Section 22, p. 14.

13. Lyndon H. LaRouche, Jr., "On a Basket of Hard Commodities: Trade without Currency, *EIR*, Aug. 4, 2000.

“Human law is law only in virtue of its accordance with right reason: and, thus it is manifest that it flows from the eternal law. And insofar as it [man-made law — LHL] deviates from right reason it is called an unjust law; in such case it is not law at all, but rather a species of violence.”

A hundred years ago, *Rerum Novarum* treated the remedying of the evil then being run by a “devouring usury” which, “although often condemned by the Church, but practiced nevertheless under another form by avaricious and grasping men, has increased the evil” effected by the handing over of workers, “each alone and defenseless, to the inhumanity of the employers and the unbridled greed of competitors.”

At the time of the assassination of U.S. President John F. Kennedy at the end of 1963, approximately three quarters of a century had passed. It appeared to most observers then, that the pleas for economic justice in *Rerum Novarum*, if not yet successful, were assuredly on the way to becoming so.

In the so-called “industrialized capitalist” sectors of this planet, the trade-union movement and other meliorist agencies had won, and were continuing to win, cumulatively invaluable and putatively permanent gains in human rights for most strata of the populations. Although a vicious form of neo-colonialism had been established at the end of the 1939-45 World War, the spirit of the United Nations Organization’s First Development Decade Project, and the U.S. Kennedy Administration’s Alliance for Progress, suggested a commitment to global justice paralleling and perhaps echoing the rise of the civil rights movement inside the U.S.A. itself.

During the middle of the 1960s, that hopeful direction of development was reversed. During the recent quarter-century, social conditions in most parts of the world are far worse, on the average, than during the 1960s, and threaten to become soon far worse than 100 years ago.

The impulses for evil which have caused this recent calamity are not altogether new. A conspicuously leading cause of the greatly increased immiseration and endangerment of the human species, during the past quarter-century, has been the willful murderousness with which such forms of the old “devouring usury” as so-called “International Monetary Fund (IMF) conditionalities” have been so shamelessly applied to the precalculable effect of rapid and large-scale increases of death rates by means of malnutrition, disease, and related mechanisms.

LaRouche concludes that one of the most striking features of this new evil, is the dominant influence of the so-called “New Age,” sometimes expressed as the “rock-drug-sex counterculture,” and increasingly irrationalist, mass-murder-

ous expressions of neo-Malthusianism and anti-progress “ecologism”:

What is notable on these accounts is the increasingly emboldened way in which these two evils, the “New Age” and usury, have exhibited their natural affinities for one another, combining their forces in even the highest places of Anglo-American power, to demand, in the misused name of “freedom” and “ecology,” the rapid extermination and global outlawing of every scientific and moral barrier which has hitherto existed as impediments to rampaging immiseration and dictatorial oppression of mankind.¹⁴

At the time LaRouche wrote this book in 1991, the two formerly hegemonic economic dogmas of this planet, those of Karl Marx (1818-83) and Adam Smith (1723-90), had collapsed, in the first case, and, in the second case, had impoverished the majority of people in nations adhering to it, and accelerating their deaths. It is long past time to heed Leo XIII’s condemnation of that “devouring usury,” and prevent the sins of the 20th Century from continuing into the 21st. The world needs LaRouche’s New Bretton Woods solution, now.

14. Lyndon H. LaRouche, Jr., *The Science of Christian Economy* (Washington, D.C.: Schiller Institute, 1991) pp. 207-209.

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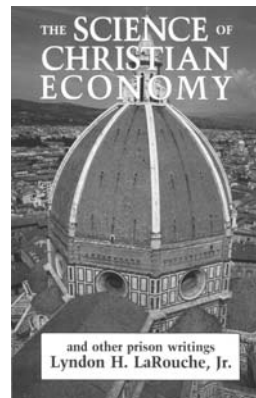
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Business Briefs

Development

Use Space To Bridge 'Have-Have Nots' Divide

"Our greatest challenge now, is to cross the final frontier: to bridge the divide between technology's haves and have-nots, and harness its power to serve all people on this planet," United Nations Secretary General Kofi Annan said on Oct. 4, at the opening of World Space Week. World Space Week was timed to celebrate the anniversary of the launching of Sputnik, and the opening of the space frontier.

Annan recalled that while space technology has provided international telephone service, the Internet, and many other applications, "half of the world's population has never made, or received, a telephone call." Space Week, he advised, "should turn to practical ways of connecting people who need it most."

In his Millennium Report, the Secretary General recalled, he announced a number of new initiatives using space technology. One is the "First on the Ground" disaster-response program, to provide mobile and satellite telephones for humanitarian relief workers. Another is the Health InterNetwork, which aims to establish 10,000 on-line health information centers at hospitals and clinics in the developing world.

Russia

Schiller Institute at Moscow Seminar

Schiller Institute representative Jonathan Tennenbaum addressed an audience of 20 Russian economists on the ongoing financial crisis and the crucial role of Lyndon LaRouche, on Oct. 5, during a visit to Moscow. The meeting, at the Academy of Sciences Institute of Comparative Politology, was chaired by economist Prof. G. Pirogov. The audience represented a cross-section of institutions, including the Russian Ministry of Economics, the Lebedev Institute for Laser Fusion, the magazine *Ekonomicheskaya Gazeta*, and the Central Economic-Mathematical Institute of Academician Dmitri Lvov, and an organization as-

sociated with space biology researcher Pobisk Kuznetsov.

Tennenbaum gave a detailed presentation in Russian, walking the audience through the financial crisis with the help of a series of charts, leading up to the urgency of LaRouche's most recent interventions, crucial ideas from LaRouche's paper "Trade Without Currency" (*EIR*, Aug. 4, 2000), and developments in Asia and Europe. The response was described by one participant as "electrified," sparking a discussion which focussed on the connection between the financial and global strategic crises, the danger of Weimar-like hyperinflation, and the policies Russia requires in the present situation. Copies of a Russian translation of "Trade Without Currency" were distributed to participants.

Tennenbaum's visit included an organizing meeting on how to continue the work of the late Prof. Taras Muranivsky, president of the Moscow Schiller Institute, and a heavy schedule of appointments in institutes of the Academy of Sciences, the Russian Duma (parliament), Moscow University, and elsewhere.

Agriculture

Income of British Farmers Is in Free Fall

Within the past five years, British farmers' incomes have fallen by 90%. A typical 500-acre family farm that earned £80,000 in 1995 now makes £8,000 a year, the *Daily Telegraph* reported on Oct. 13. The average farm made 28% less in 1999-2000 than in the previous year.

A drop in subsidies has been accompanied by low commodity prices, at around £60 a ton for wheat, compared with £120 three years ago. Milk has dropped from 25 pence a liter three years ago to 16 pence, but farmers need 20 pence to stay in business. The crisis has been hitting the typical middle-sized highly productive farms (100 to 130 cows) the hardest, and will have tremendous consequences for the British economy. The National Farmers Union predicts further job losses in an industry that had already lost 22,000 workers in a year.

The farm organizations blame the weak euro, soaring fuel costs, and low farm prices.

The dairy sector had the worst year, but there has also been a collapse in root crop prices, and the crisis is expected to continue into next year. The situation would be even worse, were it not for a bumper harvest last year and the payment of "agrimonetary" compensation to bridge the gap between the pound and the low value of the euro, in which subsidies are measured.

The farm crisis is showing effects on the general landscape as well. Vast tracts of the uplands are in the process of returning to wilderness, which will accelerate if the worsening rural recession continues to drive farmers off the land and back into the towns.

Eastern Europe

Trust Report Details Biological Holocaust

The European Children's Trust has issued a report, entitled "The Silent Crisis," that zeros in on the condition of children in the countries of the former Soviet Union, and identifies poverty as the major cause of disease and the drastic drop in life expectancy.

The report says that 50 million children in eastern Europe are exposed to tuberculosis levels that are "usually associated" with the Third World. The study measures infant mortality, the proportion of the population not expected to live to 60 years of age, and the number of TB cases. It says that TB rates rose to an average of 67.6 cases per 1,000 people in 1997; but that number varies widely, from 20 in the Czech Republic; to 80 in Russia, Latvia, Lithuania, and Turkmenistan; to 150 in Georgia.

The Trust urges that debt relief be given to the former Soviet countries, where poverty has risen tenfold since the fall of communism.

Asia

ASEAN Rejects Free Trade Zone

The Association of Southeast Asian Nations (ASEAN) on Oct. 6 rejected the proposal to create a \$1 trillion free-trade zone with Aus-

tralia and New Zealand, despite a report recommending the zone. ASEAN's ten economic ministers, at their annual meeting, in Chiang Mai, Thailand, instead agreed on a "closer economic partnership."

"We can't be overambitious. It's not an easy thing to merge the two regions together," Thai Deputy Prime Minister Supachai Panitchpakdi stated. The ministers' press statement said that the economic partnership between the two regions, would be defined further by senior officials who would make recommendations in 2001.

Malaysia refused to cut tariffs protecting its domestic auto industry, to meet the "free trade" agreement. "At this point in time, the environment is just not right as far as Malaysia is concerned. Even within AFTA [Asian Free Trade Association] we are still evolving," stated Malaysian International Trade and Industry Minister Rafidah Aziz. "We are so preoccupied. We want to make sure the AFTA works. We are not about being political heroes. We are talking about something that benefits the people." She said that expanding the existing ties between ASEAN and the Closer Economic Relations Pact (CER), formed by Australia and New Zealand, would require political decisions.

Indonesian Minister of Industry and Trade Luhut Pandjaitan stated, "We are not ready yet on the Indonesian side to set up a free-trade area between AFTA and CER." A joint task force of ASEAN and CER has just issued a report calling for setting up a tariff-free zone "at the earliest possible time." This would be "not only feasible but advisable if both ASEAN and CER are at least to keep pace with the rapidly changing world of today."

Nuclear Energy

Czech Republic Defies European Union Critics

Czech authorities gave the green light on Oct. 9 for the activation of the first of two reactors at the Temelin nuclear power station. When the two reactors are operational, Temelin will provide some 20% of the Czech Republic's power needs. Work began on the Temelin plant in 1983.

The decision flies in the face of opposi-

tion to the nuclear program from within the European Union. The day before, Austrian Chancellor Wolfgang Schuessel repeated his warning that if the Czechs proceeded with the plant, Austria could sabotage the Czech Republic's EU membership talks. And, Austrian environmentalists blockaded a border post between the two countries. Austria built a nuclear power plant, but decided, in a 1978 referendum, not to put it, or any other nuclear plant, on line.

Although the environmental ministers of Austria and Germany have stated that the plants will not pass rigorous safety inspections, a spokesman for the UN International Atomic Energy Agency stated the week before the Czech decision that the plant meets IAEA safety standards, and that Austrian and other EU protests are a political, not a technical, issue.

Energy

Russia To Propose 25 Projects to Europeans

Russian Deputy Prime Minister Viktor Khristenko has been commissioned by President Vladimir Putin to present the European Union (EU) with a list of 25 projects for potential cooperation, *Financial Times Deutschland* reported on Oct. 12. He will do so at the EU-Russia Summit in Paris, on Oct. 30.

The list will include projects for exploration of new oil and gas fields in Russia; construction of new pipelines from Russia to western Europe; construction of cross-border power transmission lines from Russia to Europe; and related projects in the energy-industrial sector of Russia. The entire package is said to require billions of dollars of new investment. The construction of a new pipeline alone will require \$3-4 billion, and annual input of \$2-3 billion into the exploration of new fields is required.

The EU investments are envisaged by Russia to not only ensure future increased deliveries of oil and gas to Europe, but also to fund the restoration of the domestic gas pipeline grid owned by GazProm, which operates 150,000 kilometers of pipes inside Russia, most of which are in urgent need of repair or replacement, over the next few years.

CHINA will both reduce and cancel debt owed by African nations worth \$1.21 billion over the next two years, Chinese Minister of Foreign Trade and Economic Cooperation Shi Guangsheng said on Oct. 11. China will expand its economic assistance to Africa as its own economy expands, Shi said, including credits to Chinese firms to help them invest in Africa, and to train more professionals.

MALAYSIA and India signed major trade agreements on Oct. 12, to correct their trade imbalance. Annual trade of \$2.7 billion heavily favors Malaysia, which accounts for \$2.2 billion, mostly exports of crude and palm oil to India. Under the new agreement, India's exports to Malaysia would include pharmaceuticals, electronic goods, oil meal, locomotives, rubber, and latex.

A CHOLERA outbreak in northern Kwazulu-Natal province in South Africa is a result of poverty, Water Affairs and Forestry Minister Ronnie Kasrils said on Oct. 6. "Poverty is at the root of this cholera outbreak. This tragedy can be directly linked to the problems people still have in accessing clean water," he said. So far, 1,603 cases have been reported.

GERMANY has launched an initiative to woo Indian information technology firms to set up shop in Germany, urging them to tap the vast opportunities offered by the \$50 billion German IT market. "An India Division has been set up in the Berlin-based Industrial Investment Council, and negotiations are at an advanced stage to help the first Indian IT company to be set up," ICC Chairman Hans Christoph Von Rohr said.

MCDONALD'S was struck for the first time in Italy on Oct. 7, to protest "insufferable working conditions," according to *Quotidiano.net*. "Extreme measures were used to punish workers, who are mostly university students," said the news service, which cited "vulgar language, and even physical measures" as not uncommon.

Benchmarking: Faking as an Art of Self-Deception

by Lyndon H. LaRouche, Jr.

September 30, 2000

'Footprints Do Not Make People'

Two related technical matters of special significance, popped up among fresh reports delivered to the desks of *EIR*'s economics section, during the week ending September 30, 2000. One such report, was the belated official admission, that the U.S. government has been continuing what is in fact a decades-old method for faking its official inflation statistics, the so-called "Quality Adjustment Factor."¹ The second, was the surfacing of a ten-year-old letter, in which certain Ford executives described how they, continuing the "systems analysis" tradition of accounting specialist Robert S. McNamara's 1950s reign at that firm, had organized the presently continuing, if now tattered cover-up of a willful and deadly design-failure in the firm's best-selling Sport Utility Vehicle (SUV).²

Both cases are to be considered as typical of the way in which a combination

1. On Sept. 26, the U.S. Bureau of Labor Statistics (BLS) released a report to the media, that it is preparing to revise upward the Consumer Price Index for the 12 months ending in August, based on a "glitch" involving "quality-improvement allowances." See accompanying article in this *Feature*. *EIR* first exposed the Federal Reserve Board's practice of hiding inflation by use of the so-called Quality Adjustment Factor in its Oct. 4, 1983 edition. An article by Richard Freeman reported that the Fed, in collusion with the BLS, had been concocting such fraudulent factors, and using them to overstate production levels, while the BLS understated inflation, since 1967. LaRouche presented the QAF hoax in a nationwide half-hour TV show during his campaign for the Presidency, aired on ABC-TV on Feb. 4, 1984. LaRouche stated that he and *EIR* had determined that the rate of inflation in 1983 had been faked by as much as three times, and should have been reported as three times higher than it was.

2. Keith Bradsher, "Ford Memo Restricted Tire Suppliers' Rollover Tests," *New York Times*, Sept. 27, 2000. See also Richard Freeman, "Ford SUV, Firestone Tire Share the Blame for Road Deaths," *EIR*, Oct. 6, 2000; Lyndon H. LaRouche, Jr., "The Coming Scientific Revolution," *EIR*, April 30, 1999; and Jonathan Tennenbaum, Rudiger Rumpf, and Ralf Schauerhammer, "The Fallacy of Benchmarking," *EIR*, June 11, 1999.



“If we reduced costs and expenses to zero, as today’s ruling neo-liberal fanatics would tend to do,” writes LaRouche, “that would simply collapse the enterprise, and any real profit-margins earned by production, even an entire national economy, could vanish accordingly.” Here: The demolition of the steel industry in McKeesport, Pennsylvania, 1985. Steel was deemed “unprofitable” in a post-industrial economy.

of willful fraud and elementary incompetence has reigned, under current standards of financial accounting practice. I emphasize those standards adopted not only by Wall Street’s financial houses and law firms, but also by related official functions of the U.S. government. Both examples, the Quality Adjustment Factor and Ford’s reliance on substituting so-called “bench-marking” for engineering, as in the SUV case, when combined, tell us much, if not quite all, about the administrative reasons for the presently onrushing collapse of the global, Anglo-American-dominated financial system.

Follies such as these two aberrations, could not be understood competently by anyone, unless he or she acknowledged the fact, that, since the richly deserved fall of ancient Babylon, no powerful empire was ruined, except by the implied consent of its prevailing popular opinion, or, as it is said in Latin, *vox populi*. The underlying issue expressed by the two cited and related types of practices, is the disaster lurking wherever the standards of today’s generally accepted accounting practice, are regarded, by implied consent of popular opinion, as the principal authority for assessing the competence of the management of the real economic affairs by either business or government.

It is neither the Quality Adjustment Factor, nor bench-marking, nor related kinds of current practices, as such, which actually threaten the U.S. economy today. The danger comes from that popular opinion which has tolerated that recent thirty-five years’ trend in U.S. policy-making, as a result of which, lunacies in generally accepted accounting methods

have been tolerated, lunacies which are merely typified by the two aberrations I have just cited.

Typically, in angered response to my criticism of today’s popular accounting mythologies, some wild-eyed executive might wave a profit-and-loss sheet menacingly in my direction. “Here,” he threatens, his finger almost punching through the paper where the report’s bottom line is indicated, “is where the profit is made!” He snarls, “Profit is income, less costs and expenses!”

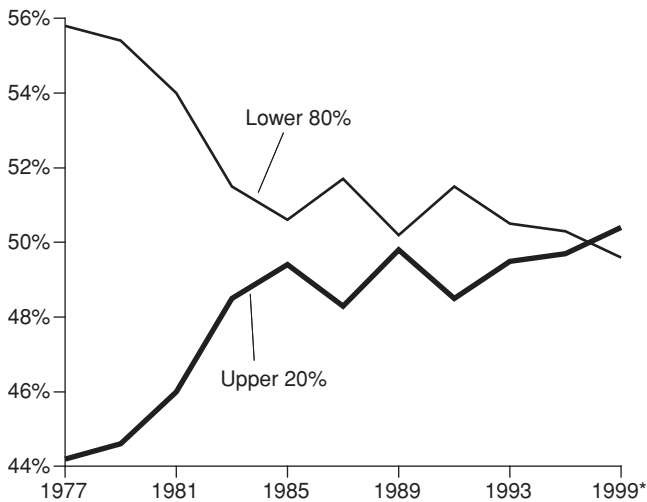
That unhappy fellow would not know what he is actually saying. Simply keeping paid costs and expenses below whatever the reported financial income might be, might appear to be the accountant’s definition of profit, but, as we should recognize from the facts of the currently onrushing global financial collapse, this accounting practice does not show us the way in which the real profit of a nation is actually *generated*. Accounting figures are, at their very best, merely statistics, footprints of a passing reality. Footprints do not make people, or economies.

For example, if we reduced costs and expenses to zero, as today’s ruling neo-liberal fanatics would tend to do, that would simply collapse the enterprise, and any real profit-margins earned by production, even an entire national economy, could vanish accordingly. So, because of precisely that neo-liberal way of thinking in the practice of both governments and influential private entities, at this moment of writing, the near-term disintegration of the present form of U.S. economy, is looming for the short term immediately ahead.

FIGURE 1

Since Jimmy Carter: America's Richest 20% Now Make More than the Other 80%

(percent)



*Projected

Sources: Congressional Budget Office; EIR.

Admittedly, a household must live within its income, if at all possible. However, that is not the same as defining what the level of household and related consumption must be set, set by those who control such levels of expenditure as prevailing wage-rates. Standards of household income, for example, must be set to ensure a real income somewhat better than that required to sustain a currently typical level of potential productivity of the operatives supplied to the economy by that household. If necessary development and maintenance of basic economic infrastructure does not occur, that chiefly by action of government, the best efforts of private entrepreneurs can not save the national economy.

Thus, the shrinking portion of the total U.S. national income received by the lower eighty percent of family households, since the year of President Jimmy Carter's inauguration (Figure 1), is correlated with a collapse of the level of real-economic productivity of the U.S. labor-force. Worse, that decline in the ration of total national income assigned to maintaining the potential productivity of the labor-force's households, has been complemented by a willful collapse, to parallel effect, of the basic economic infrastructure and levels of investment in physically productive forms of capital investment during the same twenty-four-year period to date. The lack of control over such matters by the lower eighty percent of family households, is typified by the draconian policies introduced by Carter-appointed Federal Reserve Chairman Paul Volcker, beginning Autumn 1979, a policy-shaping ma-

trix continued, to the present date, by both Volcker and his successor, Chairman Alan Greenspan.

The kind of angry fellow I have described, should have learned some ABCs of real economy, by reading, for example, U.S. Treasury Secretary Alexander Hamilton's 1791 Report to the U.S. Congress *On The Subject of Manufactures*. That fellow should have recognized, as Democrats turned 1980 Reagan supporters did, what a terrible President Carter had been. That fellow should have also recognized, that, apart from some good things Reagan did, Reagan's Mont Pelerin Society-influenced economic policies, complemented the increasingly awful effects of growing power of former Trilateral Commission member, Vice-President Bush. Thus, the trend in economic policies under the 1981-1989 Reagan Administration, was mainly a continuation of the same Carter policies of practice which had turned out so many 1980, anti-Trilateral Commission votes against both Carter and Bush, and for Reagan.

What the angry poor fellow should have begun to recognize, from painful experience over all these years, is that the key to understanding the ruin of our national economy over the course of the past thirty-five years, is that the Clinton-Gore Administration, like those of Nixon, Carter, Reagan, and Bush earlier, were one and all dupes of the leading popular charlatan in economics teaching, the Mont Pelerin Society's silliest neo-liberal fanatic, Professor Milton Friedman. Our angry fellow should have looked back further, not only to the neo-liberal economic-policy bungling of Harry Truman, which caused the 1946-1948 recession, but should also know, that the 1957-1958 U.S. recession was chiefly the direct result of nothing other than the influence exerted upon President Eisenhower by the same Arthur Burns who had sponsored the career of Milton Friedman. Indeed, just as Jimmy Carter's miserable performance elected Ronald Reagan, so, a nation made restive by Harry Truman, had turned to elect Dwight Eisenhower. Sometimes, the more things change, the more they remain the same.

Today, in the case of a ruined, formerly prosperous, major U.S. enterprise, the nature of the sickness controlling the mind of any unhappy victim of his own blind faith in the supposed authority of a profit-and-loss report, is shown by the relevant crucial point in evidence, that he refuses to face a certain very elementary kind of fact. He refused to accept the reality, as the neo-liberal economic policy-shapers behind Truman, Eisenhower, Nixon, Carter, Reagan, Bush, and Clinton-Gore refused, that real profit is not generated by deducting from physical output, but, directly the opposite, by generating real—that is, *physical*—value added, above the nation's incurred, necessary physical costs of production.

This real profit is found in that new capital formation generated in excess of the preceding period's combined profit, costs, and expenses: physical capital, not merely nominal, financial capital. This must be, generally, new capital formation generated either in the form of technological progress, or



The Clinton-Gore administration, like those of Nixon, Carter, Reagan, and Bush earlier, “were one and all dupes of the leading popular charlatan in economics teaching, the Mont Pelerin Society’s silliest neo-liberal fanatic, Professor Milton Friedman” (shown here).

expenditures made as part of functionally necessary contribution to scientific and technological progress in the process of production and design of products.

Typical of that sick managerial mentality, which has driven our nation into its now looming bankruptcy, is the case of the company which failed because greedy absentee ownership, or the like, preferred to distribute income among the shareholders and their financier partners, as profit, rather than making the indispensable investments in progress which would have reversed what became, thus, ultimately, the threatened bankruptcy of an obsolescence-ridden, looted husk of that firm’s former productive prosperity. By cutting back on investments and related costs, rather than investing in modernizing, shareholders’ greed and the folly of the accountants and financial specialists who advised them, often brought a once-prosperous enterprise to ruin. Not only firms, but national economies, such as today’s ruined U.S. economy, have been brought low by the influence of that popularized sort of accounting mentality, expressed by such laws enacted during the early 1980s as Garn-St Germain and Kemp-Roth.

When these policies had been imposed, top-down, by the cabal of merchant bankers who control both our major banks and corporate manufacturing and related enterprises, the result was a decline in national economic productivity. To compensate for the inefficiencies and looting thus accomplished by the controlling financier interests, the households from the lower eighty percent of the family incomes were commanded to assume the burden of the result, in such forms as reduced real incomes from their labor, and reduction of the basic economic infrastructure supplied to the households and communities of the nation. The collapse in productivity was not

caused by the operatives and their households; the collapse was induced, almost entirely, by the financier and associated interests which controlled the economy top-down.

As physiocrat François Quesnay explained his principle of *laissez-faire* to any French farmer, or others, who happened to overhear the preaching of that doctrine, the underdogs must suffer, all for the sake of the pleasure and enrichment of even the bungling wastrels among those landed feudal aristocrats and others, who rule over them.

Thus, in some other cases, what should be counted as Value Added, may be honestly reflected in some financial accounting statements, but, in no case, is the Value Added reported actually created according to the “ivory tower” schemes which are characteristic of contemporary standard financial accounting practice. Real Value Added is supplied from a different universe than financial accounting describes. Footprints do not cause people. *Real value added is generated by cost- and expense-incurring actions, which increase the productive powers of labor, as those powers are defined in physical-economic, not financial terms.*

What Went Wrong?

So, the credulous devotee of financial accounting statements, will go all the way to bankruptcy court, insisting, “I don’t know how it could have happened. I ran my company according to the textbooks, just as the best Wall Street experts advised me. Something just went wrong. It might have been those greedy union members, who would not allow me to slash their pay and fringe-benefits as I wished.” Indeed, something did go wrong; that is precisely the reason that U.S. economic recovery which President Franklin Roosevelt had

made possible, was subsequently brought to its present ruin.

Franklin Roosevelt—FDR, like all great American leaders before him, mobilized an increase in the U.S. productive powers of labor, as measured in physical, rather than accounting terms, and as measurable in physical results, per capita of labor-force and per square kilometer of the nation's surface area. Since the middle of the 1960s, especially since the awful crisis of mid-August 1971, more and more of those types of actions which FDR had mustered to make the U.S. economy more powerful than ever, were torn out, melted down, or simply left to rot. By not paying for the upkeep of those infrastructure, education, health-care, and other essential public and entrepreneurial functions, on which U.S. economic success under FDR had depended, the detractors of FDR deducted, and deducted, and deducted, all for the sake of a merely nominal, financial-accounting profit, a drunken carpet-baggers' orgy of incompetence, waste, and pilfering of national legacies, all done in the self-righteous pursuit of a combination of "fiscal conservatism" and sundry, related neo-liberal countercultural fads.

So, the devotees of Professor Milton Friedman's and Adam Smith's perverted notions of "free trade," and "the right price," have dragged our nation to the door of the poorhouse. What these glassy-eyed ideologues have miscounted as a growth in National Income, a growth which they claim has been produced by aid of their deductions, was, in fact, a mere accounting fiction, the footprint of a man who never walked. Without their blind faith in the eternal magic of financial accounting's market-place, we could not have come to enjoy that wonderful ruin which grips both our national economy, and most of the world, today.

The cruel and persisting decline in the share of total nominal National Income received by the lower eighty percentile of U.S. family-income brackets, since President Jimmy Carter's inauguration, is among the key facts which demonstrate the methods by which our nation's economy has been ruined (**Figure 1**, above). That increasingly savage decline in the payment of the incurred costs of maintaining the net physical productivity of the national labor-force, including household income required, is what is reflected in that decline in the ration of National Income shared by the lower eighty percent of family-income brackets. All of those expenditures which had caused a real increase in the average productive powers of labor of the U.S. labor-force as a whole, were stripped away, clump by clump, especially since the rampage of ruin, sometimes praised as "fiscal austerity," unleashed by Presidents Nixon and Carter.

To "balance the books" according to nothing different than Carter's notion of fiscal austerity, a foolish and desperately hungry man might have decided to feast himself and his family on his own, roasted left leg. In principle, such were the measures by which Prime Ministers Harold Wilson, Margaret Thatcher, and Tony Blair, have purported, in succession, to feed the economy of Britain, while in reality ruining it. So,

the U.S. Federal budget and National Income accounts have been, in fact, increasingly unbalanced, since the Presidencies of Nixon and, especially, Carter. In the name of cutting costs from the budgets of the Federal, state, and local governments, and our farms and industries, we gutted the infrastructure and Federal regulatory measures upon which the health of the national economy, and productivity of our labor-force, had depended. We slashed investment in sustaining technological progress, and lost per-capita physical productivity as a result of the ensuing technological attrition.

Thus, the skyscrapers grew taller, suburbia sprawled, while the work-places of the factories and farms were shrunk or even abandoned, and while the slums and the ranks of the nation's homeless and destitute grew more crowded and worse. Soon now, those skyscrapers will be recognized as the great monuments of the folly they represent, as the veritable tombstones of a deceased prosperity.

To help bring about that magical transformation of a powerful economy into a ruined one, the Federal Reserve System, with complicity of the U.S. Government, concocted the accounting fraud known as the Quality Adjustment Factor. Similarly, the once-proud industrial giants of North America and Europe increased accounting profit-rates by eliminating those categories of costly, but indispensable engineering departments and related capital improvements, upon which the earlier excellence of those industries, and quality and reliability of their products, had depended more or less absolutely. This latter accounting fraud became known as "bench-marking."

It was not the accountants themselves who caused this ruin; the accountants merely did as they were told. Rather, as in the case of the U.S.A. since the assassination of President William McKinley, the axiomatic standards of accounting imposed upon government and general business practice, were those which had been introduced under, chiefly, Presidents Theodore Roosevelt and Woodrow Wilson. It was the financier interests represented by those Presidents, which demanded and orchestrated the ruinous actions which the bungling accountants dutifully carried out.

Not only did those two Presidents represent, personally, the social and related prejudices of the defeated Confederacy. Like their predecessor in folly, the Democratic President Grover Cleveland who had prepared the way for introduction of a racist "Jim Crow" doctrine, Theodore Roosevelt and Ku Klux Klan booster Woodrow Wilson represented that New York Wall Street interest which had been the most deadly domestic enemy of the U.S. Constitution since that treasonous agent of the British Foreign Office's Jeremy Bentham, Aaron Burr, had founded the Bank of Manhattan.

It was under those gravely immoral Presidents, and their notable successor, Calvin Coolidge, that the ruinous trends in institutions of government and public financial practice were consolidated. This was done under the direction and control of the rentier-financier oligarchy which has dominated the financial world, increasingly, from London, for most of the

centuries since the reign of Britain's King George I. In more recent times, this has been done to the U.S. economy more directly, by Wall Street's leading financial houses and their associated law firms, a collection which top-ranking Wall Street insiders of this century have named the "British, American, Canadian" cabal. That cabal has been the British monarchy's chief partner and ally, especially since the Presidencies of Theodore Roosevelt and Woodrow Wilson.

Thus, during almost the entirety of the Twentieth Century, excepting chiefly the 1933-1945 Presidency of the patriot Franklin Roosevelt, and, briefly, under President Kennedy, the institutions of the U.S. have been under the increasing control of that type of continuing rentier-financier alliance among London, the legacy of the defeated Confederacy, and Wall Street.

It has been that specific circumstance, under which the current standards of prevailing accounting practice were established. Accountants, to qualify for continued employment in their practice, were obliged to adapt to the standards so imposed, standards imposed through the combination of institutional interests represented, since President Theodore Roosevelt and Woodrow Wilson, by the permanent bureaucracies of the Wall Street-controlled Federal Reserve System, U.S. Treasury, and U.S. Department of Justice. All of this developed under the immediate control of the same leading Wall Street financial houses and their associated law firms which, together with the British monarchy's London, Canada, and Australia, control all of the leading U.S. mass news and entertainment media today. Today's generally accepted, corrupt standards of accounting practice, have been purely and simply the result of that corrupt oligarchical arrangement. The accountants, to remain accepted in their chosen occupation, simply did as they were told: "I was just doing my job," the accused bureaucrat whined.

In other words, what went wrong with the U.S. economy, has been, most immediately, the combination of Wall Street's management and its corrupting influence over the policies of both the U.S. government, and general financial accounting practice. What went wrong, was chiefly blind faith in what has been considered lately as generally accepted, "bottom line" standards of accounting practice. Taking the controlling role of London and Wall Street's merchant-banking interests into account, the following point is fairly stated.

Our nation has been undermined, thus, by the influence of the kind of accountants who were experts in subtracting, but had not yet learned how to add competently. They did not understand, that footprints do not make people. So, the U.S. was misled, not so much by those accountants, as by its own popular opinion which those accountants have usually shared. So, under the influence of that trend in popular opinion, our nation fell prey, more or less inevitably, to such clumsy frauds as the Quality Adjustment Factor, and the fatal flaw embedded intentionally in the design of the Ford Explorer. So, out of blind faith in a nominal increase in financial asset-values,

values which did not exist in physical reality, but only in the delusions of current financial accounting practice, the greatest financial bubble in history was inflated to the degree that bubble is, at this moment of writing, about to pop. I shall now show how such wonderful outcomes were achieved.

Once again: what really went wrong, was the influence of recent trends in popular opinion, which controlled the minds of most of the lower eighty percent of our family households, and others, during these decades. Just as it was the popular opinion of ancient Rome which destroyed it from within, so today's current Romantic trends in U.S. popular opinion have been decisive, in causing the submission of our people to the policies which have ruined our economy, and most of them besides.

1. The Lesson of Plato's Cave

Let us turn our attention, if only for a moment, to a time and place a few years beyond the present. Presume that the U.S. of that time had come safely up and out of the presently onrushing world-wide depression. In that case, we may be certain that my recovery-policies for a New Bretton Woods would have been adopted, and that, therefore, in a battered but wiser U.S.A. thereafter, no one would graduate to become a certifiable professional accountant or economist, unless he or she had mastered a certain lesson to be learned from the fable of Plato's Cave.

That said, return attention to the present mess, carrying the contrasting thought about a possible, happier future in mind. The fundamental difference in method, between the incompetence of today's financial-accounting practice, and competent methods in economics, is, as I shall show here, a real-life illustration of the profound scientific truth underlying Plato's allegory.

Very soon, even most of the nominal financial assets still being counted at this moment, will be wiped from the books, as surely as Weimar Germany's 1923 *Reichsmarks* were wiped from the books. The choice of the exact way in which that eradication will occur, remains undecided for the moment, but the fact that the financial catastrophe of the present, global magnitude, and internal composition, is fully underway, and override to happen, is a fact no longer to be doubted by any adult who is both tolerably literate and also sane.

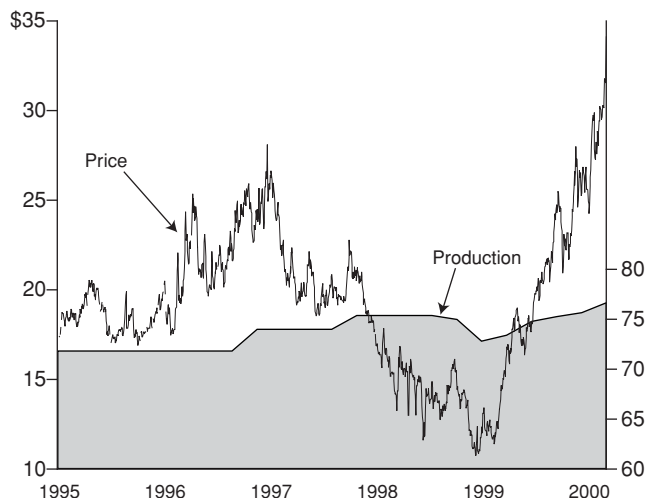
As the accompanying figure (**Figure 2**) shows, the recent years' hyperinflation in financial-asset values, has recently begun to spill over into the area of commodity-price inflation, is typified in petroleum and many other crucial areas (**Table 1**). This shows the approximate rate at which an outer limit for the present global financial system, and also the U.S. dollar, is being reached. At the present moment of writing these words, both the U.S. dollar and world financial system are operating along a curve which is related, in mathematical form, to a Riemannian shock-front; the world is currently in an increas-

FIGURE 2

Oil Price Soars, Regardless of Production Level

Oil price, West Texas crude (\$ per barrel)

World Oil Production Millions of Barrels Per Day*



*Yearly average, 1995-1998; quarterly average, 1999-2000 Q3.

Source: U.S. Department of Energy; International Energy Agency

ingly turbulent “transsonic” region, approaching the discontinuity associated with entry into the “supersonic.” Any effort to postpone the financial collapse by more financial pumping, has the effect of accelerating the rate at which either a reversed-leverage financial implosion or an hyperinflationary explosion, strikes. The more energetically Wall Street and Washington try to delay the general collapse, the quicker and harder the catastrophe becomes.

In that onrushing, terrible moment of truth, when perhaps even most of the world’s present financial holdings suddenly vanish, and when a large portion of what are presently the upper twenty-percentile of the U.S. family-income brackets will be plunged into reliving the early phase of President Herbert Hoover’s Coolidge-built Great Depression, there will be, nevertheless, certain real, and relatively sound economic values, values which remain standing, at least for that moment. These real values include people, their talents, places of production, technologies, and so on, each and all physical realities of a far more durable quality than the mere paper of any financial asset.

Presuming that nations choose to survive at that moment of crisis, how might governments sort out the mess? How should we put real values back to work, and how shall we measure the relationship between those real values and the nominal financial values we assign to that portion of the financial paper, which prudence dictates that we allow to survive in one degree and form or another?

The immediate task, in that moment, on which all good which might follow depends absolutely, is to bring our presently ruined U.S. and world economies out of the wreckage caused by the presently onrushing crisis, with some sort of workable economic system newly in place. At that time, if governments still standing are reasonably sane, the kind of energetically protectionist economic system which nations will seek to organize, will be recognizably consistent with the best periods of the U.S. economy, such as that described by Treasury Secretary Alexander Hamilton, or by the Henry C. Carey who played a leading role in the 1861-1876 emergence of the U.S. as the leading agro-industrial nation of the world, or the U.S. economy revived from its ashes under the leadership of FDR. There will be certain differences in the design, but the fundamental principles would be recognizable by Benjamin Franklin, Alexander Hamilton, Friedrich List, Carey, or that great admirer of the American System of Carey et al., Russia’s scientist-industrializer and railway builder Mendeleev.

Sane nations will prefer this model of reference for chiefly two reasons. First, it typifies the best model of a functioning nation-state economy which has existed previously on this planet, and, second, it is the model which best matches the surviving building-blocks out of which the rebuilding of the world’s economies must be initially assembled, under conditions of crisis such as the one currently onrushing. It is necessary to rely as much as possible upon those kinds of radical changes which have a well-established precedent as having been successful. So, for the purposes of the present discussion, let us agree upon that general direction of measures to be taken, thus simplifying the terrain on which the discussion of today’s topic is to be situated.

The leading practical question of policy then becomes: Under those kinds of circumstances, what yardstick shall we adopt for setting a standard of measurement for financial values, including money itself?³

The crucial point, once again, is that people leave footprints, but that footprints do not make people. That is the lesson of Plato’s Cave. That is a fact which few among our present generations of accountants have ever really understood, until now. That is key for understanding how and why the so-called literate portion of the general population of U.S. adults, failed to recognize the nature and importance of such typical frauds of accounting practice as the Quality Adjustment Factor and “bench-marking.”

Unless, and until our citizens are aroused to recognize the importance of the fact, that footprints do not make people, the actual making of people in local communities and family households, is now going to become suddenly very, very much more difficult than it is already. Until the importance of that fact is understood for practice, that miserable state of

3. See, Lyndon H. LaRouche, Jr., “Trade Without Currency,” *EIR*, Aug. 4, 2000.

TABLE 1

The Global Commodity-Price-Inflation Spiral

Product or Raw Material	Period Covered	Unit Price	Initial Price	End Price	Percentage Increase
Metals*					
Hot-rolled steel sheet	May '99-May '00	\$/ton	270	325	20%
Aluminum (primary ingot)	May '99-May '00	cents/lb	65	76	17
Copper (wirebar)	May '99-May '00	cents/lb	70	89	27
Nickel (melting cathode)	May '99-May '00	cents/lb	275	373	37
Pulp, Paper*					
Pulp (bleached softwood)	May '99-May '00	\$/metric ton	425	660	67
Boxboard	May '99-May '00	\$/metric ton	470	590	25
Chemicals*					
Benzene (spot)	May '99-May '00	cents/lb	73	132	81
Chlorine	May '99-May '00	\$/ton	161	249	55
Sulphuric Acid	May '99-May '00	\$/ton	38	52	37
Plastics*					
Polypropylene	May '99-May '00	cents/lb	30	49	63
Poly vinyl chloride	May '99-May '00	cents/lb	22	48	118
LDPE (liner grade)	May '99-May '00	cents/lb	29	58	100
Ethylene (spot)	May '99-May '00	cents/lb	19	35	84
Electronic components*					
Capacitors	May '99-May '00	cents/each	2.5	7.5	200
Memory (4M Flash)	May '99-May '00	\$/each	4.75	6.50	37
Housing					
Home in Santa Clara County, California	2nd Q '99-2nd Q '00	thousands \$	402	558	39
Condominium in New York City	July '99-July '00	thousands \$	601	855	42
Agricultural inputs					
Ammonia	May '00-June '00	\$/ton	110	190	73
Energy					
West Texas Crude Petroleum	Jan. 1, '99-Aug. 31, '00	\$/barrel	12.33	33.33	170
California Utility Cost of Purchasing Electricity	July '99-July '00	\$/megawatt	30	175	480
San Diego Customer Monthly Electric Bill	July '99-July '00	dollars	55	110	100
Iowa home heating propane	July '99-July '00	cents/gallon	44	84	91

* Prices that U.S. industrial managers pay for goods used in production.

affairs will be the condition throughout this planet, during the years immediately ahead. Therefore, the chance of U.S. survival depends on the number of persons who finally understand the importance of the allegory of Plato's Cave.

To that purpose, the paradox of Plato's Cave may be fairly restated and summarized as follows.

Not only accounting statistics, but all of that experience which we may attribute directly to our powers of sense-perception, are merely the footprints left by the real universe, in its passing from one place and time to another. Plato likens such sense-perceptions to the distorted shadows which a fire's light projects upon the irregular surface of a cave's interior. Sense-perception is not knowledge of the real universe, but knows only shadows of reality. Knowledge is not perception; knowledge is what we are able to prove, experimentally, to be the reality which the mere shadows reflect.

To acquire knowledge, we must experiment, thereby to discover how our behavior can willfully, predictably *change the patterns of change* among those shadows.⁴ The simplest true example of such knowledge, is given to us by an experiment of the type which demonstrates the reliability of what is for us a newly discovered physical principle of our universe.

The term *knowledge*, as properly used within the practice of physical science, means just that. It means, therefore, the experimentally demonstrated, willful ability of persons to cause a predictable change in the physical behavior of the universe, a change from what the result would be were we

4. This, for example, is also an allusion to a crucial paradox of that fabulous Crab Nebula from which Earth receives most of its cosmic-ray showers. The relevance of such anomalies to the problem of methods of accounting to be used by economists, will become apparent below.

acting contrary to, or without knowledge of that discovered, experimentally demonstrated, universal physical principle. *What we actually know, is limited to those changes in our own mental habits, by means of which the action of our hands increases the power of human beings to exist, per capita and per square kilometer of the Earth's biospherical area, in our universe.* Knowledge, so defined, is typified by the definition of universal physical principles which physicist Bernhard Riemann's habilitation dissertation premised upon the preceding, related work of Carl Gauss on the principles of physical-space-time curvature.

The term knowledge has a broader, more inclusive meaning than merely knowledge of universal physical principles alone, but that, as I shall indicate a bit later here, is entirely coherent with the short definition I have just stated.

That definition, in short, points out, implicitly, the fundamental absurdity in today's faith in present standards of both accounting in particular, and statistical analysis in general. That definition, looking back from the definition of so-called hyper-geometries by Riemann, through sundry predecessors, all the way back to Plato, is key to a modern, rigorous appreciation of the practical application of the paradox of Plato's Cave. That is the reason that no competent scientists, or other clear-thinking persons, would ever claim to have knowledge based on mere personal sense-experience, or upon mere statistical evidence.

That is why competent production managers of former times, seldom believed what accountants said in the latter's attempts to explain how, or what kinds of real economy actually work. The statistics used by the accountants are merely the footprints left on the pavement, left by a creature whose species and behavioral characteristic remain essentially unknown to that accountant who is speaking merely as an accountant. Sometimes accountants told important truths about economic processes, but when they did, they were not speaking as representatives of currently practiced accounting dogma, but "off the record," so to speak. Under the influence of the Teddy Roosevelt-Woodrow Wilson-Calvin Coolidge legacy, most notably, the problem has been, that the accountants, when speaking merely as accountants, were instructed to speak only of the shadows of Plato's Cave. Like today's CEOs and financial race-track touts of the increasingly bankrupt "new economy" bubble-structures, they were neither allowed, nor inclined to concern themselves with matters of the real world.

The problem with today's accounting practice and its credulous clients, may be compared, therefore, with playing children's unreal-world sorts of games. In this case, the style of the game is too often akin to that of the hate- and violence-promoting Pokémon and other Nintendo-style games, which have been used to transform even pre-adolescent children, and also increasing rations of law-enforcement officers, into unthinking, programmed killers. Accountants, too, are often, if unintentionally, killers of an almost mindless quality: "Just

doing my job."

The working point in that comparison, is that accounting relies upon rules which apply only to an imaginary universe, an "ivory tower" world, whose premises lie outside the reality of physical cause and effect, but, nonetheless, a form of mysticism commonly used to pass judgment on the real world. The rules applicable only to that imaginary, "ivory tower" universe, are thus imposed as external standards of conduct, as these are dictated to the minds of the real people acting with their hands in a real universe. In other words, financial accounting today has become a mystical form of mass insanity, a kind of pathology akin to the superstition which causes some mental cases to avoid, that more or less hysterically, putting their foot down over a crack in the pavement on which they are walking: "Step on a crack; break your mother's back!"

Today's rules governing modern financial accounting, are not the first such widely practiced form of insanity to have appeared in history.

The modern practice of financial accounting according to Wall Street's standards today, has its roots in feudal society, with the introduction of the doctrine now seen in double-entry booking, by the so-called "Lombard" merchant bankers, such as the Bardi, Peruzzi, and Medici of the Thirteenth and Fourteenth Centuries. These methods of accounting, used during that earlier period of globalization of economic and other affairs, were those which shaped directly, what became known as the Fourteenth-Century "New Dark Age," the worst demographic, social, and political calamity which Europe has suffered since that time. The vast financial bubble which is in the process of bursting out at this moment, is essentially a product of nothing other than a modern resurrection of those principles of accounting which feudal merchant bankers such as the Bardi and Peruzzi, used to bring about the New Dark Age of that time.

In the modern world, there are relevant kinds of mass-insanity, not only in current financial-accounting practice, but in sundry forms which are similar to those to be seen in present-day accounting practice.

Among the most relevant such cases for present discussion, is that of the crude variety of philosophical materialism known as empiricism. The latter was introduced to Seventeenth-Century England from Venice, by the Paolo Sarpi who exerted decisive influence on Sir Francis Bacon, the Sarpi whose personal lackey, Galileo Galilei, taught mathematics and philosophy to Bacon's intimate, Thomas Hobbes. This form of empiricism is an expression of exactly the same underlying mental disorder characteristic of both modern accounting practice, and of the doctrines of political-economy prevalent in today's universities.

This form of empiricism, and its radical outgrowth, logical positivism, was the basis used by the founders of the British East India Company's accounting doctrines, to defend their version of the system already developed in essentials by

merchant bankers such as the Bardi and Peruzzi. Followers of John Locke such as Bernard Mandeville, Adam Smith, and Jeremy Bentham, are typical of the empiricists who have served as apologists for the modern forms of the old feudal merchant-bankers' accounting systems.

Modern Wall Street practices are, without question, rooted in a wild-eyed sort of mysticism; but there is nothing mystical in the connection between the Wall Street financier oligarchy's continuation of the same axiomatic assumptions which caused the Fourteenth-Century collapse of Europe into a general New Dark Age. The merchant bankers of today's Wall Street, for which the leading banks are, in turn, merely puppets, are, like their cousins, the merchant bankers of tyrant William of Orange's Netherlands and London, nothing other than a continuation of the tradition of the merchant-banking practices of the *fondi* of the same ancient Venice, which plunged Europe into a cultural, demographic, and moral decline of more than a century. This was the decline culminating in both the New Dark Age of the Fourteenth Century, and also in the subsequent succession of the Hundred Years War, and the English Wars of the Roses.

Admittedly, there have been certain changes in the system of merchant banking since the Fourteenth Century, but as in the case of any deadly virus which has made the species-jump from beast to man, the merchant-banking tradition of old imperial, Thirteenth-Century Venice, is a stubborn type of infection, which has adapted itself to the new institutional conditions which had emerged as the modern species of nation-state. The essential features of today's generally accepted financial practices and accounting methods, are the presently specific expression of that same, ancient principle of parasitism.

The most efficient way to recognize the essential folly of today's standards of accounting practice, is to recognize their inherently pathological features, as expressed by modern philosophical empiricism. Galileo's fraudulent approach to issues of modern physical science, is among the simplest and best examples of the kind of folly which Plato attacked through the presentation of the Plato's Cave allegory.

When Economics Was First Discovered

A key historical fact, which must be made clear, is, that contrary to popular opinion, the practice of political economy did not exist earlier than Europe's Fifteenth-Century Renaissance. Although we may, and must look at earlier forms of society from the conceptual standpoint of a qualified modern economist, we must not misuse such comparisons as an excuse for the illiterate's blunder often committed by readers of Aristotle, for example. We must not commit the folly, of assuming that earlier forms of society had any practical knowledge whatsoever of the kind of economic policy-shaping, or practice of actual national economies, which first emerged during the course of Europe's Fifteenth Century. The reason for making that distinction is not a matter of debat-

ing mere descriptions; the distinction to be made is functional, and axiomatic.

Take into account what I have written, at considerable length, in numerous published locations, respecting the uniqueness of the beginning of the modern nation-state, and modern economy, in the setting of Europe's Fifteenth-Century Golden Renaissance.

As I have emphasized in those locations, two writings from inside that century were the most significant in identifying then, the principles which made that revolutionary form of society distinct from, and superior to all others. As I have elaborated in those locations, both revolutionary changes had been prescribed by the Cardinal Nicholas of Cusa who had played a key role in the organizing of the celebrated great ecumenical Council of Florence. It was Cusa who set forth the principles for founding the modern form of a community of individually sovereign nation-states, in his *Concordantia Catholica*, and who founded the functionally related existence of modern physical science, that beginning with the publication of his *De Docta Ignorantia*. The functional interdependence of those two writings, typifies the axiomatic changes in the organization of society, which separates modern European from ancient and medieval history. It is only in the context of those changes, that actual political economy came into existence.

It is from this standpoint, that we can best understand the lack of any meaningful coincidence between the principles of today's "ivory tower" methods of financial accounting, and real-world economics. The latter two occur in the same place, and in the practice of the same persons, but they are not only different forms of behavior, but, in fact intrinsically antagonistic forms. Insofar as the term economics is used as a way of expressing the belief that there are ascertainable natural principles, governing the kind of growth unique to the successful cases of the development of modern European civilization since the Fifteenth Century, and that these principles ought to inform the policy-shaping of governments, the intentional practice of modern economics did not exist prior to that century.

The very name of economics becomes *functionally* meaningless, if we attempt to attribute its intended practice to earlier times than the Fifteenth-Century revolution in statecraft which was centered initially in Italy, and which spread from there into France, and then England. I say again, as a matter of needed emphasis, that, in other words, while we may describe earlier societies through the eyes and methods of the modern economist, those societies themselves, including the celebrated Aristotle, had no competent notion of the practice of economics as a branch of knowledge. As I have stressed in earlier locations, the combination of the notion of the modern sovereign nation-state with the notion of a generality of application of experimental physical science, was associated with the adoption of the notion of the *general welfare* as that century's King Louis XI of France and Henry VII of England intro-



The Church of Santa Maria Novella in Florence, Italy. The modern nation-state and the science of political economy did not exist, prior to the Fifteenth-Century Golden Renaissance.

duced this principle of the modern sovereign form of nation-state into Europe's practice.

The following point, which has been the central feature of my classroom and published writings on the modern state for more than thirty years, I have emphasized from a somewhat different starting-point than my late friend, Professor Friedrich von der Heydte, but our respective arguments on this character of the Fifteenth Century, converge on the same core conclusion. The appreciation of the significance of the Fifteenth-Century Renaissance for all modern statecraft and law, is broadly identical. It is crucial for all modern study of political economy, and also crucial for the particular issues under consideration in this present report.⁵

In all known cultures of the Mediterranean region, from most ancient until modern, the prevalent form of existence of societies and of practice of law was imperial. That is, only to a personality with the qualities of an emperor, was attributed the authority to define principles of law. Kings and others might rule, but only under supervision by the code of law defined by an emperor or an analogous kind of relevant official, one with the attributed imperial authority to define law. It was only within the setting of the Fifteenth-Century Renaissance, with the birth of the institution of sovereign nation-state, that a new, anti-imperialist principle of law was estab-

lished in practice.

It was through the British monarchy's global overreach, combined with the successive aftermaths of the nuclear bombing of Hiroshima and the 1989-1991 dissolution of the Soviet system, that the presently ongoing return to the feudalistic barbarism of an imperial system of "rule of law," has become general practice, under the name of "globalization," that among what had become earlier, modern sovereign nation-states.

The imperial system in law is characteristic of both the Latin Roman Empire and its Byzantine successor. The same notion of imperial law, as adapted from the Code of the Roman Emperor Diocletian, ruled feudal Europe through the period of the Guelph League wars and the New Dark Age which Venice's Guelph League puppet and the merchant bankers brought about. During the entire span of history, there were certain changes, each for better or for worse, in the notions of imperial law, but the principle of the "global authority" of some imperial (e.g., "global") "rule of law" persisted in all leading forms of political society. It was not until the Fifteenth-Century Renaissance, that the Christian, natural-law principle of the general welfare was introduced as an alternative to the hitherto prevalent, imperialist notion of "rule of law."

In the region of Europe and related parts of the Mediterranean littoral, under all systems of empire, from ancient Mesopotamia until the Fifteenth Century, the majority of humanity was treated in practice, as human cattle, as slaves, serfs, and other forms of subjects, rather than actually as persons. They were used, or culled, according to the perceived advantage in

5. Friedrich Freiherr von der Heydte, *Die Geburtsstunde des souveränen Staates* (Regensburg, Germany: Druck und Verlag Josef Habel, 1952). My point of departure was my contributions to the resurrection of Leibniz's science of physical economy; Professor von der Heydte proceeded from his expertise in the history of law.



The Colosseum in Rome. "In the region of Europe and related parts of the Mediterranean littoral, under all systems of empire, from ancient Mesopotamia until the Fifteenth Century, the majority of humanity was treated in practice, as human cattle, as slaves, serfs, and other forms of subjects, rather than actually as persons."

doing this of a ruling oligarchy. The institution of the emperor was an inevitable, thus characteristic tendency of all oligarchical systems; it was an institution responsive to the requirement that the stability of a naturally immoral and anarchic system such as oligarchical society, will inevitably tear itself apart unless it imposes an order upon itself from above.

Thus, the so-called systems of law prior to Fifteenth-Century Europe, represented a rule of law without, and contrary to any moral principle, merely a way of setting rules, either based on perceived custom or imposed as positive law, arbitrarily, from above. The function of the emperor was therefore always implicit in such oligarchical systems; for that reason, it was the tendency in such societies, that oligarchies would submit themselves to someone performing the arbitrary function of emperor, an emperor who was accepted as the only legitimate source of law throughout the portion of the world so ordered.

Such were the empires of Mesopotamia, Rome, Byzantium, and the European feudal system under the modern Caesars sometimes called Kaisers, Czars, or simply emperors. The attempt, especially since the 1989-1991 actions of Prime Minister Thatcher, President François Mitterrand, and President George Bush, to establish a global "rule of law" at the pleasure of an English-speaking cabal composed of both the British monarchy's United Kingdom, Canada, Australia, and New Zealand, and a Wall Street-controlled U.S.A., is a new form of the same old imperialism, and essentially nothing else. It is all, like Shelley's famed Ozymandias, a doomed empire, already, presently, at the verge of toppling, shattered, into the dust.

These imperial forms of society are systemically alien to the sovereign form of modern nation-state. The latter is defined by two distinguishing, universal principles, both, in turn,

derived from the notion that the only morally tolerable form of government, is the authority which government enjoys solely on the basis of its efficient commitment to serve the general welfare of all of the people and their posterity.

The opening three paragraphs of the 1776 U.S. Declaration of Independence and the Preamble of the 1789 U.S. Federal Constitution, are a typical reflection of that principle. Under the government of a sovereign nation-state republic, no law or law-making process can be tolerated, which puts the claims of a self-interested oligarchy, especially a feudalistic or financier oligarchy, above the interest expressed by any individual person. No code of law is allowable, which violates the axiomatic basis for the very existence of the modern sovereign nation-state republic, the supremacy of the principle of promotion of the general welfare of the living and posterity of human beings who are, in turn, defined as made in the image of the Creator of the universe. That latter is the natural law, the law upon which the United States was founded, and thus the only legitimate law of the U.S.A. That law is absolutely opposed to the notion of a "rule of law" as such a revival of old imperial law has been demanded from among the supporters of the post-1989-1991 form of the English-speaking monarchical imperium.

The crucial two points of law and science, bearing upon our topic of accounting here, are that *the notion of modern political-economy is inseparable from the notion of a modern form of European civilization, as that civilization is defined, as a whole, by the existence of sovereign nation-states within that civilization as a whole.*

Although only a relatively few modern nations are truly sovereign nation-state republics, the impact of the mere existence of the form of sovereign nation-states brought into being by the influence of that Renaissance, was so powerful, that



Statue of Jeanne d'Arc in Paris. From her contribution to the establishment of France as a sovereign nation-state, there is a direct continuity of statecraft extending to the founding of the American Republic in 1776.

even imperial governments most violently hostile to that new kind of institution, have been forced to reckon with the practical implications of this new form of society. The impact of the existence of even the idea of the modern sovereign nation-state republic upon this planet as a whole, is not collateral, but pervasively systemic, even among nations which are avowedly, like the British monarchy, deadly adversaries of that institution.

If we trace the modern history of statecraft from the impact of Jacques Coeur and Jeanne d'Arc on the establishment of the first modern sovereign nation-states, those of France's Louis XI and England's Henry VII, and if we trace the origins of the pre-1688 Massachusetts Bay Colony and the later United States to those Renaissance developments, we are able to show how and why the creation of the U.S.A. of the Declaration of Independence and 1789 Federal Constitution, has shaped the course of all modern European civilization since 1776. So, as avowed British agent of influence Henry A. Kiss-

inger has specified in his public addresses and writings, the alliance of the British monarchy with Prince Metternich's Holy Alliance, was contracted with the intent to destroy the U.S. republic, ruin the emerging nation-states of Central and South America, and eradicate the influence of the American Revolution within Europe. Modern civilization was dominated, even in this perverse way, by the British monarchy's and Holy Alliance's shared fear of the powerful influence of even the mere existence of the intellectual tradition of that U.S. republic.⁶

Thus, the effort of the post-1988 global financier oligarchy, to establish, at last, a world-wide English-speaking global empire, centered on London and Wall Street, as imitation of and successor to the ancient Roman Empire, is itself a process entirely governed by fearful reaction to the mere fact of existence of the model of society implicit in the 1776 Declaration of Independence and 1789 Preamble of the Federal Constitution. The birth of the modern nation-state and its specific quality of law, within the womb of the Fifteenth-Century Renaissance, has defined the permeating issue of all modern European civilization, and its world-wide impact, ever since.

The correlated expression of this Fifteenth-Century revolution, is the unprecedented trend for increase of the potential relative population-density, a modern trend which has been shaped entirely through the institutional changes associated with the birth of the modern form of sovereign nation-state.

This revolutionary change in demographic and related characteristics of human existence, is, in all essential respects, a product of the interacting relationship between the principles set forth in Cusa's two cited writings: the basing of a form of society upon the principle of the modern sovereign nation-state, the principle of law associated, as I have said above, with the term *general welfare*, and the fact that the general welfare could be promoted only through the fostering of those increases in the productive powers of labor, per capita and per square kilometer, which depend upon the intention of fostering forced-draft programs of scientific and technological progress, to effects which promote the general welfare. Thus, in essentials, we have the functional interdependency of Cusa's *Concordantia Catholica* with his *De Docta Ignorantia*.

The two principles are, in fact, a single principle. There could be no efficient service of the general welfare, without a commitment to the specific benefits unique to scientific and technological progress. To impose that principle upon gov-

6. Henry A. Kissinger, *A World Restored: Metternich, Castlereagh and the Problems of Peace 1812-1822* (Boston: Houghton-Mifflin, 1957), and "Reflections on a Partnership: British and American Attitudes to Postwar Foreign Policy, Address in Commemoration of the Bicentenary of the Office of Foreign Secretary," May 10, 1982, Royal Institute of International Affairs (Chatham House), London. Excerpts are published in *EIR*, Sept. 22, 1995, p. 33.

ernment and law-making, a state of the form implied by *Concordantia Catholica*, or Dante Alighieri's argument in *De Monarchia*, earlier, is indispensable. The dependency is reciprocal; without the one principle, the other could not efficiently exist. The notion of modern political economy, came into existence and practice solely as a result of that Fifteenth-Century revolution in statecraft.

Since that time, the essential political, social, and related issues within now globally extended modern European civilization, have been the persisting defense, by oligarchical interests, of the imperial tradition of globalization consistent with the perpetuation of systems of feudal and merchant-banking oligarchy, and with a correlated determination to eradicate the institution of the modern sovereign nation-state republic. So, modern, globally extended European civilization, has been essentially a continuing mortal conflict between the legacy of ancient pagan Rome, Romanticism in philosophy and law, against the Classical Greek legacy as expressed in the corrected form supplied by the early Christian Apostles and reaffirmed by the Fifteenth-Century Renaissance.

Thus, the oligarchical tradition expressed by proposals for "globalization" and "world rule of law" today, have been and remain the most deadly enemy of the continued existence of our U.S.A. That oligarchical enemy, including its advocates among us, is determined, as were the satanic pair of H.G. Wells and Bertrand Russell, and accomplices of such moral degradation as Secretary of State Madeleine Albright, who has stated her allegiance to Wells publicly, to eradicate those forms of political economy consistent with the notion of that modern sovereign nation-state. The modern oligarchs are opposed to the continued existence of any political or economic institution which is committed to promotion of the general welfare, through emphasis upon scientific and technological progress in the modes of production.

The attempt to subvert and ruin the emergence of modern physical science, by the promotion of the empiricist hoax introduced by Paolo Sarpi's lackey Galileo, is typical of the forms of the oligarchical, Romantic legacy which have emerged as part of the effort to halt the spread and development of the modern form of sovereign nation-state republic. Sarpi's use of Galileo, in launching the latter's and Fludd's efforts to discredit the scientific revolution unleashed by Johannes Kepler, is merely typical of this conflict. That role of Galileo's hoax, in corrupting the way in which most among today's university-trained ideologues, for example, think about physical science and accounting, is the best choice of topic for investigating the intellectual roots of the way in which today's popular opinion has fostered the onrushing global financial catastrophe. The corruption represented by Galileo, is the most efficient example of the importance of Plato's allegory of the Cave for present-day society.⁷

7. Let us be clear, that the inquisitional charge made against Galileo, was evil, and a shame upon Christianity at that time. Unfortunately, the fact that

2. Science Versus Accounting

I have documented this argument in sundry published locations. The revolutionary quality which is characteristic of the global influence of the modern form of sovereign nation-state, is expressed by a moral commitment to a certain patriotic trend in U.S. thinking. Thus, until the recent three-and-a-half decades, the morality of existing national policy of economic practice, was judged by the standard of what was, in effect, a commitment to a general increase of the potential relative population-density of humanity. Similarly, this expression of sanity was to be found, wherever the world had been efficiently touched by the influence of that modern sovereign nation-state set into motion by the Fifteenth-Century Renaissance.

Implicitly at least, this increase in potential relative population-density, was understood to require a correlated improvement in the demographic characteristics of entire populations and their component family households, or, in other words, what is signified by any rational use of the terms "improved standard of living." Any contrary impulse, such as that of the "ecology" myths popularized during the recent thirty-five years, is to be recognized as expressing a return to the superstitions which had prevailed under the most oppressive forms of ancient and medieval society.

As I have stressed in locations published earlier, the efficient existence of a notion of universal human rights, depends absolutely upon the role of the sovereign nation-state in fostering the economic policies consistent with generalized scientific and technological progress in the welfare of a growing human population. The notions of human rights and of sanity, are congruent in the terms I have just summarized.

On this account, there could be no competent practice of theoretical and applied political economy, which is not premised upon the axiomatic foundation of the fostering of the discovery and application of newly discovered universal physical principles. As I shall show in the following pages, it is inevitable, that Galileo's widely-spread hoaxes respecting the physical organization of our universe, would have tended to foster a state of popular opinion consistent with the same "ivory tower" outlook, characteristic of presently accepted notions of financial accounting. The contrast between the principles of physical science presented by Johannes Kepler's founding of modern astrophysics, and the intentional fraud which Galileo circulated against Kepler's work, is the clearest example of the relevant political and scientific connections. This brings the central fallacy of contemporary financial accounting into clear focus. Stated in popular language, the

Galileo was right, against those who accused and tried him, does not make Galileo an honest person, but merely a dishonest person who happened to suffer a disgusting injustice which did more damage to the Christian churches than it did to Galileo himself.



Johannes Kepler (left) and Galileo Galilei. Galileo’s empiricist hoaxes with respect to the physical organization of the universe, and his fraud against Kepler’s work, express “exactly the same underlying mental disorder characteristic of both modern accounting practice, and of the doctrines of political-economy prevalent in today’s universities.”

issue to be made clear in this way, is the matter of “How do we connect the dots among sense-impressions?”

The ground now to be covered here, is in part a restatement of a case presented in locations published earlier. The difference between those earlier treatments, and what is said here, is that our concern here is to show the causes for that self-destructive form of *mass political behavior* resulting from the state of mind induced by the popularization of the empiricist interpretation of the connection among sense-impressions. Insofar as I point out here certain physical principles which I have addressed adequately in earlier locations, I do that now for the purpose of exposing the issues of state of mind associated with those subject-matters, rather than those subject-matters as such.

The following points of review and summary are supplied in aid of that purpose.

My Method

It is typical of my several original and other contributions to science, that my standpoint in physical science and art here, is the implications of the fact that the human species is unique among living species. This uniqueness is what I have defined as human nature. In other words, *the nature of the member of the human species*. This distinction rests upon the proof that

the human species is the only living type which is capable of willfully increasing, without limit, the potential relative population-density of its entire species, not only on Earth, but also within the Solar System and the universe at large. The effect of man’s successful practice on this account, is measurable in terms of increase of man’s power to exist as a species, in and over the physical universe, as measurable in physical terms, per capita, and per square kilometer of the cross-sectional area of the Earth’s Vernadskyian biosphere.

Therefore, the only useful definition, the only scientific definition, of *the individual human will*, as distinct from the kinds of choices available to lower forms of life, is the choice of those forms of action, by means of which society increases its potential relative population-density. That potential is defined according to the measurable standard which I have just stated, once again, here. These forms of specifically human action occur uniquely in the following typical guises.

1. As a matter of universal principle, the specifically human will is expressed solely in two categorical forms: a) the validated discovery of *universal physical principles*, and b) the discovery of *universal principles governing those interactions among the sovereign cognitive processes of human individuals*,

which bear upon choices of action which increase the potential relative population-density.

Provably universal principles of Classical artistic composition, such as J.S. Bach's discovery and development of the universal principles of well-tempered polyphony, like the principles of artistic composition developed, typically, by Leonardo da Vinci, are typical of valid universal principles of artistic composition. There are also other aspects of statecraft, including the discovered principle of the sovereign nation-state republic, which have the exact same quality as universal Classical artistic principles, but which are not yet customarily recognized as being artistic principles. *No other forms of action than these two, universal physical principles and universal principles of Classical forms of artistic composition, can be right classed as expressing a specifically human will.*

2. The term "human will" is therefore rightly restricted in use, to signify a quality of mental activity which is specifically human, and not to be found among lower forms of life. This quality of will, is expressed by the forms of action which increase (e.g., change) mankind's potential relative population-density. Only the discovery or recognition of a valid universal principle, or of a technology derived from such a principle, alters the potential relative population-density in the indicated fashion. Classical artistic principles, as I defined that term, bears upon those aspects of the human will which enable mankind to cooperate in generating and applying valid discoveries of universal physical principle. Only those forms of action reflect the *specifically human* form of will.
3. Knowledge of universal principles can not be obtained by merely deductive modes of thinking; *they are generated solely by means of the perfectly sovereign cognitive powers of the developed individual human mind, and in no other way.* They are never generated by deductive methods, for example, and they are always experimentally validatable as universal principles.
4. Knowledge of universal principles is *communicated* solely in the same way such principles are originally discovered, by replication of the original act of discovery in the mind of another individual. They can not be communicated by deductive modes of argument.
5. The validity of universal principles, whether physical principles, or of the form of Classical artistic principles, is demonstrated by experimental tests of a uniquely specific type. Bernhard Riemann's argument on this point applies. Each qualifying such

principle, whether physical or artistic in quality, belongs to the form of multiply-connected manifold which Riemann described in his 1854 habilitation dissertation.

Certain qualifications must be added to Riemann's design, qualifications which I have stressed repeatedly in earlier published locations, and to which I shall give some relevant attention below.

6. The validity of a proposed universal physical principle involves special qualities of experimental considerations, from which we derive what should be recognized as the only valid systemic definition of *technology*.

As I have elaborated in numerous locations published earlier, the discovery of a valid universal physical principle features three primary elements. These are: A) The formulation of a paradox which has a definite physical basis, but which can not be resolved, deductively or otherwise, in terms of pre-existing opinion; B) The generation of an insight into a new principle, which, if proven, would solve the paradox; and C) The design of a successful experiment which shows conclusively the universalizable validity of the proposed new principle. Only the first and the last of these three steps coincide with the domain of sense-perception or with deductive modes of communication. The middle step, cognitive insight, can not be observed by means of the senses, nor defined by deductive procedures. The certainty of the existence and validity, or, *Socratic truthfulness*, of the act of insight, depends upon both the provoking paradox and the experimental validity of the proposed principle. The act of discovery itself, can be "seen" only by the cognitive powers of mind.

That is to emphasize, that by re-enacting all three steps in one's own mind, one can "see," with one's cognitive powers, the actual cognitive action taken by the mind of the original discoverer. By the repeated re-enacting of such acts of discovery of principle, as by a student in a Classical humanist program of education, one develops one's innate human potential for true knowledge of this uniquely cognitive quality. One can "see" such processes only in that way: the developed power of the cognitive potential of the individual mind for Socratic self-knowledge, self-consciousness. No other policy of education is competently human in quality.

For example, the ability of a performing musician to reproduce the intention of a Bach, Mozart, Beethoven, et al., depends upon precisely that kind of cognitive replication of the relationship among paradox and demonstrable resolution which can be known as having occurred in the mind of the original composer. Conductor Wilhelm Furtwängler sometimes referred to this as a principle of "playing between the notes." This conception of the composing and performance of Classical art, is essentially identical to the function of the

notion of the principle of *Mind*, respecting the definition of orbits, in Johannes Kepler's *The New Astronomy*. This quality of cognition-governed performance, is what sets Classical forms of artistic composition and their replication absolutely apart from all inferior, other forms of artistic composition. This is the only principled meaning of the properly used term "Classical."

7. Typically, conceptions which are usefully distinguished as *technologies*, arise in the process of experimental validation of universal principles. There will be, in the design of such an experiment, a novel feature which corresponds to the experimental proof of the principle at issue. The application of principles to new choices of materials, or combinations of assemblies or processes, will, similarly, define additional technologies associated with the principle. *Thus, the application of such technologies is included among the acts of the specifically human will.*
8. *These expressions of the specifically human will, identified and listed above, are principled features of a sane condition of the individual human mind.* Such acts of the sane mind, are reflected, in their effects, as an impulse for increase of the potential relative population-density of mankind, as measurable in relevant physical terms, per capita, and per square kilometer.
9. Thus, that composition of the sovereign nation-state's constitution and practice, when efficiently expressed as improvement of the general welfare, represents the healthy state of mind of the culture associated with both that form of state, and among the members of a community of principle among states which are united to the purpose of promoting the general welfare among them.
10. The issue tabled for this present report, is the matter of pathological states of mind of either entire societies, or of a controlling stratum of such a society. The popular opinion underlying the relevant acceptance of today's generally accepted modes of financial accounting, is typical of such pathological states of mind of the popular opinion of entire nations.

Lunatics Squatting in Ivory Towers

The fundamental principle of geometry set forth in Riemann's 1854 habilitation dissertation, was unique. Yet, it was also an expression of a characteristic impulse reflected by a centuries-long tendency, a direction among the same scien-

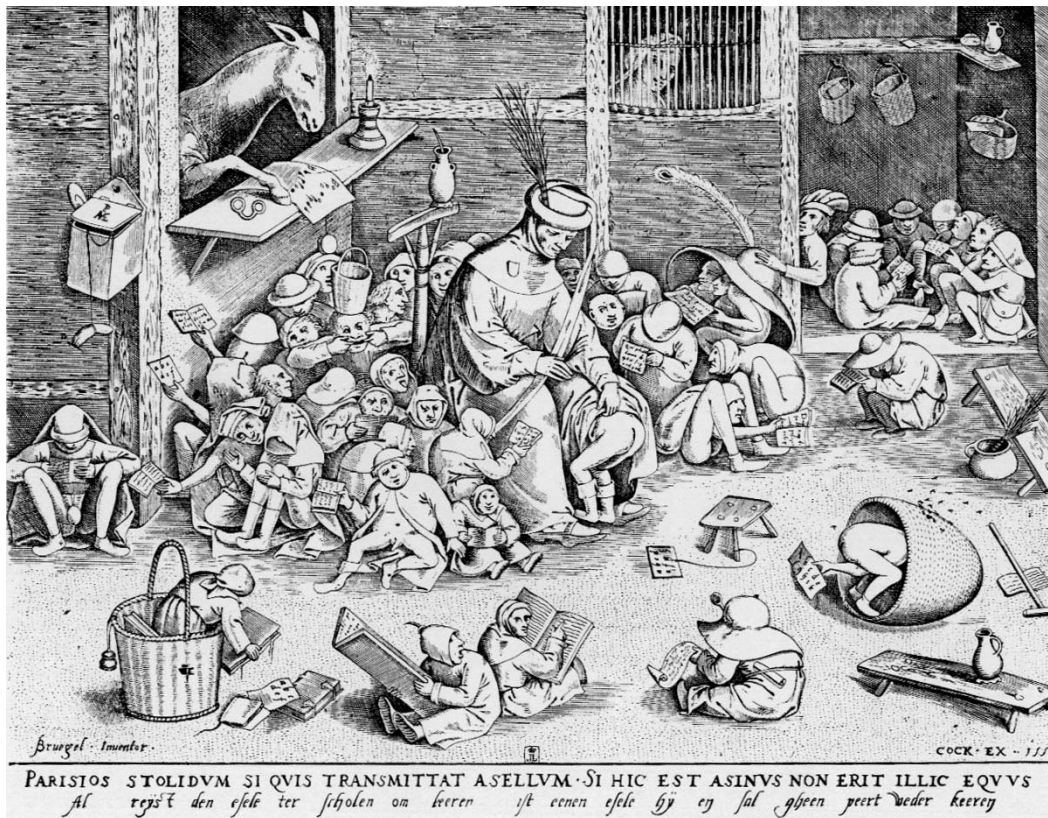
tists whose work populates the net progress of all European science. I mean the progress from Plato's Academy at Athens through such followers of Nicholas of Cusa's *De Docta Ignorantia* as Leonardo da Vinci, Johannes Kepler, Gottfried Leibniz, the circles of France's Lazare Carnot and Gaspard Monge, and Riemann's immediate predecessor in this field, Carl Gauss.

This principle, which can be recognized as implicit in such writings as Plato's *Timaeus*, was set forth frankly by Riemann, who showed that we must reject all arbitrary notions of matter, space, and time, such as those of Galileo, Descartes, Newton, Euler, et al. What is to be rejected, is such notions as adopting a so-called Euclidean geometry as the adopted "ivory tower" framework for conceptualizing real-life functions in the physical universe. Thus, Riemann, following the explicit argument against Euclidean geometry, by Gauss, Gauss's teacher Abraham Kaestner, and the Leibniz on whom Kaestner based himself, defined a universal quality of physical geometry. In this physical geometry, the so-called "ivory tower" axioms of the geometry and undergraduate physics classroom, must be discarded, and the notions of axiomatic principles of geometry limited to experimentally proven universal physical principles.

The notion of "action at a distance," as specified by Sarpi's lackey Galileo, and as copied by Isaac Newton and his followers, is among the most typical examples of modern society's attempts to explain the physical universe in "ivory tower" language. Galileo, who has, in effect, no conception of real physical processes, defines action at a distance, as occurring within an assumed "Euclidean space-time," and as among perceived objects of sense-perception.

That same pathological notion by Galileo, is typical of all modern empiricism and radical positivism. It is also the sole basis for the generally accepted academic teaching of the dogma of "free trade;" it is the implicit basis for the artificing of what are presently generally accepted forms of financial accounting. The specific root of both the Quality Adjustment Factor and the quackery of "bench-marking," is the "ivory tower" conception of space, time, and matter, as carried to a wildly lunatic extreme. It is the typical modern form of the delusion I have cited at the outset, the delusion that it is footprints which cause the existence of the people associated with those marks.

In the history of physics, the most celebrated, most direct and simple proof of the absurdity of the "ivory tower" notion of "action at a distance," has been provided by the successive development of modern astrophysics. That has been done, chiefly, by Kepler and Gauss. The succession, of Kepler's refutation of the incompetent methods used by Ptolemy, Copernicus, and Tycho Brahe, succeeded by Gauss's empirical proof, in connection with the discovery of the asteroid orbits, of Kepler's version of the Solar System, is the most convenient sort of conclusive demonstration of a comprehensive



Lunatics squatting in ivory towers. Here: “The Ass at School,” engraving by Peter Bruegel the Elder, 1557.

case against the absurdity of the method of Galileo and Newton.

This version of the proof is doubly appropriate, since it was Newton and his associates who created today’s widely repeated, but fraudulent argument for the toleration of empiricism in classrooms, in the form of their own outright lying denial of the fact that the discovery of the principle of universal gravitation was documented in detail in that *New Astronomy* of Kepler, which Newton and his associates had crudely plagiarized decades later.⁸

What Kepler presents, in his *The New Astronomy*, describes the Solar System as, in fact, a Riemannian form of what is called either a multiply-connected manifold, or a *physical* hyper-geometry. Kepler, there, shows Ptolemy, Copernicus, and Brahe as bunglers, because of their attempt to simply connect the dots between observed points in the schema of their observations: *the footprints*. Instead of the mere *a posteriori* curve-fitting on which those fellows had relied, Kepler’s

concern, and accomplishment, was to determine what principle (*Mind, intention*) of the Solar System as a whole would require such orbits to come into existence. Of crucial significance, had been Kepler’s denunciation of Ptolemy’s fraudulent,⁹ and Copernicus’, and Tycho’s clumsy errors, in their attempts to connect the dots among a series of observations, the attempt to define the orbital pathway with mathematical precision by conceptually crude, anti-scientific, “curve-fitting” methods. One among Kepler’s scientifically crucial and devastating arguments on this account, was the experimental fact, that it would be impossible to predetermine a precise mathematical formula, for such simple reasons as the fact, that the number of sources acting upon the orbit of any body was not completely known. One must determine the orbital pathway by an approach entirely different than that of the cited three predecessors. It was through examining the implications of the elliptic character of the observed Mars orbit, that

8. Jonathan Tennenbaum and Bruce Director, “How Gauss Determined the Orbit of Ceres,” *Fidelio*, Summer 1998. Contrast Kepler’s discovery of universal gravitation, as elaborated in his *The New Astronomy*, to the attempted plagiarism of *The New Astronomy*, later, by Newton et al., resulting in the concoction of the “three laws,” a concoction reflecting Newton’s effort to explain Kepler’s discovery entirely from the standpoint of Galileo’s “action at a distance.”

9. Claudius Ptolemy was, among his other faults, a hoaxster, who has been shown to have faked some of his observations, and reported falsely in ways intended to discredit the well-established solar hypothesis, well established centuries before Ptolemy’s lifetime. When we take into account the vicious religious persecution, even in modern Europe, of those who questioned Ptolemy’s hypothesis, we have a fair estimate not only of those who conducted that persecution, but also the apology offered for the method of argument which they employed to such effect.

Kepler was led to define a first approximation of a universal physical principle governing the determining of the orbits of which the Solar System is composed.

It was on the basis explicitly stated by Kepler, that Gottfried Leibniz became the first to define a calculus, unlike the simplistic and unworkable attempted imitation by Isaac Newton. In Leibniz's calculus, the smallest difference is never reducible to a linear form, that prohibition being exactly the warning which Kepler had specified in leaving the development of a calculus as a challenge to future mathematicians. The Kepler notion of actual Solar orbits was, following the earlier study of geometry, of quadrature of the circle by Cusa, the first application to physics of the notion of a truly non-linear function. Leibniz's original discovery of the calculus, was the first success in bringing the notion of non-linear functions, as expressed by the intrinsic non-linearity of an "infinitesimally" small interval, into the domain of non-linear mathematical-physical functions.

Amid this work, Kepler included one discovery which was to be proven crucial by new discoveries made at the beginning of the Nineteenth Century. By applying the universal physical principle which his treatment of the Mars orbit had provoked, Kepler defined the necessary existence of a missing planet, which must have lain in a specified quality of orbit, lying between those of Mars and Jupiter. Kepler insisted that such a planet must have been created, and must have been destroyed because of the adduced harmonic characteristics of that orbit. Two centuries later, Gauss, studying three short intervals of observed motion of what proved to be the asteroid Ceres, demonstrated the existence of the orbit which Kepler had prescribed for the missing planet, now referred to as the Asteroid belt.

Kepler's choice of method, and Gauss's, is paralleled by Mendeleev's development of the periodic table of physical chemistry. How many modern students actually trace out the experimental method employed by Mendeleev? How many know the systemic connection to the work of Louis Pasteur, for example? How many, like the duped admirers of the empiricist method of Galileo, Newton, et al., may have learned much, but actually know little or nothing, because, instead of knowing what they are talking about, they have merely learned to play the children's game of "connect the dots": to fill in between the dots, *the footprints*, without re-experiencing the actual rediscovery of the original discovery of principle?

From Galileo through Leonhard Euler and Immanuel Kant, and beyond, the empiricist enemies of the Cusa, Leonardo, Kepler, Leibniz tradition in science, have insisted upon an "ivory tower" universe, in which all principles could be derived, using only deductive methods, and "ivory tower" assumptions, as if at the blackboard. They have assumed, as did the influential Leibniz-haters Euler and Lagrange, that all knowledge of physics could be reduced to a universe in

which all action could be defined in terms of straight-line modes of action-at-a-distance: *connecting the footprints*. This was also the basis for the Seventeenth-Century origins of the doctrine of Galileo pupil Thomas Hobbes, and of what became known as the "free trade" dogma of John Locke, Bernard Mandeville, Adam Smith, and also the *laissez-faire* cult of the pro-feudal ideologue Dr. François Quesnay. Buried deep within such ideologies as theirs, an awful lunacy prevails, the same lunacy which underlies today's doctrines of financial accounting, the lunacy which is the principled intellectual cause for the presently onrushing collapse of the world's present financial system.

The specific lunacy to which we refer, is the core doctrine of "free trade" as specified by Mandeville, Adam Smith, and British Foreign Office official Jeremy Bentham. The core of the relevant argument runs as follows.

The argument of Mandeville, and the implicit argument of all empiricists on that and similar matters, is that it is the more or less random action, involving many thousands, or even billions, or more interactions, which lead to a determined kind of net result. Mandeville was most explicit, in insisting that, by this random principle, freedom to practice vices would be the most likely, and necessary way to produce good. The drug legalization, practiced against China, by the British monarchy, and proposals for drug legalization world-wide today, are premised upon that same argument used by Mandeville. Adam Smith's doctrine of "free trade" was based upon the same queer, pro-satanic logic, as was that of utilitarian and 1789-1794 British Foreign Office controller of French Jacobin terrorists, Jeremy Bentham.

Essentially, the argument of Physiocrat Quesnay was the same in form as that of the Adam Smith who plagiarized both Quesnay and Turgot; the only significant difference lay in Quesnay's choice of result. Implicit *Frondiste* Quesnay's argument was, that the universe is organized in such a way, that it is the aristocratic landlord's title to the ownership of his property, which is the cause for the landlord's profit, obtained from that agricultural domain. Smith, a lackey of the British East India Company, preferred the greedy pleasures of the Dutch and British merchant-banker class to the delights sought among Quesnay's beloved, parasitical, landed aristocrats.

Up to a point, the proponents of these kinds of lunatic argument in support of empiricism, present themselves, in the form of secretions of *idiot savants*, as being supremely logical, rabid advocates of pure deduction. However, when pressed into a corner, to explain how their random action in the small, might actually produce the beneficial outcome which they promise us, they become suddenly glassy-eyed. They show themselves, like Mandeville and Adam Smith, to be the wild-eyed lunatics they are at their core. The god of Mandeville and Smith, is a wild-eyed devil, akin to James Clerk Maxwell's and Norbert Wiener's mathematical

“demon,” the “invisible hand,” hidden behind the interstices of the statistically infinitesimal. It is that satanic demon, which is, for all among them and their followers, the Babylonian god they worship, a nasty *djinn* who manipulates the statistically accidental, thus to produce a universe under the imperial rule of greed and kindred pornographic lustings. In fact, the entirety of what historical records identify as the Eighteenth-Century British and French Enlightenment, was composed of raving madmen, like Bertrand Russell, Wiener, and von Neumann, of just this sort. Such are the free traders, and such is most of the practice of financial accounting today

The conventional academic sort of explanation of all this, is that so-called logic which the “free traders” and their like attribute to their social doctrines. That conventional view, is presented by them and their customary academic apologists, as nothing other than a product of solidly grounded materialism of the sort associated with the legacies of Galileo and Newton. The fact is, the social theory of these so-called economists, does not originate within the domain of physical science; rather, the origins of empiricist doctrines of physical science, are the kind of cockeyed social theory, also known as “philosophical liberalism,” and sometimes called “democracy,” which Hobbes, Locke, Mandeville, David Hume, Adam Smith, and Jeremy Bentham typify, echoing thus the ancient Athenian architects of the political assassination of Socrates.

Like the empiricists’ theories respecting nature in general, their ideas of physical science, are derived to be consistent with the way in which they think about the proper relationships of man to man. The origin of the order which Galileo’s and Newton’s doctrine attributes to the physical universe, is derived to conform to the social prejudices of such as lackey Galileo’s master Paolo Sarpi.

Take the case of the currently fashionable dogma rampant under the rubric of statistical thermodynamics, the dogma launched during the middle of the Nineteenth Century by Clausius, Kelvin, Grassmann, et al. That is to emphasize the doctrine of universal entropy associated with the so-called “three laws” of thermodynamics. It is essentially a form of superstition, essentially a continuation of the social doctrines of Hobbes, Locke, Mandeville, et al., from the Seventeenth and Eighteenth Centuries. Thus Clausius, Kelvin, and Grassmann begat Helmholtz, Rayleigh, et al., and also the statistical thermodynamics of Ludwig Boltzmann, from which the careers of Bertrand Russell’s acolytes Norbert Wiener (of “cybernetics”) and John von Neumann (of “systems analysis” and “artificial intelligence” notoriety), were manufactured. These are the footprints of the social theory of Hobbes, Locke, Mandeville, Adam Smith, François Quesnay, et al. embossed upon the body of physical-science doctrine.

To put the lunacy of empiricism into perspective, focus upon the issue of that notion of thermodynamics. Examine this from the standpoint of the science of physical economy.

Such a notion of a universal thermodynamic order (as distinct from describing a local phase-space condition) stands in contradiction to the most fundamental of the relevant experimental evidence. I must repeat myself in some part here, but it is necessary to do so, so that the argument on this point might be a properly organized one.

1. The primary fact of human existence, is that man is the only species which is capable of willfully increasing the potential relative population-density of its species as a whole.
2. In the history and known pre-historical record of the existence of the human species, this capability is expressed in terms of those forms of technologies which correspond to derivatives of discoveries of universal physical principles.
3. In the history and known prehistorical record of the Earth’s biosphere, there are three classes of what are fairly regarded as thermodynamical phenomena. A) Ostensibly non-living physical processes. B) Living processes in general. C) Human existence and activity. By the standards used by the errant Clausius et al., the first class is apparently predominantly entropic, and certainly at least relatively so, relative to living processes and to human activity. By the same standard, as defined by Vernadsky’s biogeochemistry, for example, living processes are categorically anti-entropic. By virtue of his cognitive processes, mankind represents a higher order of universal physical principle of an anti-entropic quality, than living processes otherwise.
4. Empiricism, like kindred “ivory tower” dogmas, not merely denies the existence of distinct physical principles of life and cognition, but insists, and usually with a great show of deductive fanaticism, that the existence of living processes has yet to be proven “scientifically” from the standpoint of empiricism and radical positivism.

Empiricists, especially of the most radical positivist types of “ivory tower” fanatics, insist that living processes are derived, that by a kind of evolution related to “free trade,” from mechanical interactions within the domain of non-living particles. Similarly, wild-eyed fanatics, such as Norbert Wiener, John von Neumann, and their devotees, have insisted upon an essentially mechanical origin of those processes which the physical evidence shows to be the action of a distinct universal physical principle of cognition.

The significance of those popularized empiricist objections, is shown to be, that living processes, even as modestly

defined on this account by Pasteur, Vernadsky, et al., are demonstrated to be independent of and superior to non-living processes. Similarly, the quality of cognition, unique to mankind, shows itself to be a distinct quality of universal physical principle of anti-entropy, which is independent of, and superior in power to the systemic characteristics of lower forms of life.

5. These immediately foregoing considerations lead us directly to the most crucial conception in all physical science. When mankind acts according to a discovered universal physical principle, that specific action is expressed as mankind's increasing power in and over the universe. This shows that the universe is obliged, as if by pre-design, to obey such human commands. That evidence is the sole basis in physical science for stating, echoing Plato's argument in his *Timaeus*, that the member of the human species is made in the image of the ruler, and creator of the universe.
6. In turn, since that creative act of cognition exists uniquely within the bounds of the sovereign individual human mind, the nature of man lies not in a characteristic of humanity considered primarily as a species, in the sense that lower forms of life may be so studied. The nature of mankind is located within the nature of the individual person, the sovereign cognitive nature of that person.
7. Thus, we have the conceptions of the composition of universal physical law as a Riemannian sort of multiply-connected manifold, a law which defines human nature, and also rigorously defines a principle of natural law, a notion superior in authority to any other concept of law.

What Is Between Those Dots?

The typical questions at this point, would include: If the dots can not be connected by straight-line approximations, how are they to be connected? The answer, in brief, is that the connection between the dots must be conceived as congruent with the form of the action by means of which the connection is generated.

In physical science, this connection is represented by the discovery of validated universal principles. Respecting human action, including cooperation, in applying such physical principles, the validatable universal principles of artistic composition prevail. Both cases take us entirely out of the confines of a domain of deductive logic, and into a domain which Leibniz named *Analysis Situs*.

In Classical artistic composition, for example, the best typification of *Analysis Situs* is the role of metaphor in Classical modes of composition of poetry. The principles of well-

tempered polyphony developed by J.S. Bach, introduce notions of tuning and counterpoint which lie entirely beyond the rules of composition of vulgar doctrinaires such as Rameau, sterile pedant Fux of *Gradus ad Parnassum*, and the hoaxter Helmholtz.

The same point is reflected in the concluding portion of Riemann's 1854 habilitation dissertation, in his prohibition of any attempt to determine the characteristic physical-space-time curvature of a specific manifold by formal mathematical exercises, as if at the blackboard. Riemann insisted that such values can be determined solely by relevant types of experimental methods. The "gap" between the formal mathematical structures and the determination of that characteristic curvature, should be adopted as the Classic example of what really lies in the space between the dots.

Whenever we are led to an appropriate effort to find a direct connection between two matters which prior belief suggests ought to be deductively congruent, but which are not, we have defined an ironical "gap" in meaning between those two matters, sometimes a conflict in meaning of the same term or phrase. The true metaphor in Classical poetry, or the need for resolution of a lawfully generated dissonance, as according to the Bach-Mozart principles of the Lydian interval, in music, has such a form, the form of a true ontological paradox, as Plato's *Parmenides* typifies an ontological paradox. Such conjunctions, like the need for an experimentally defined characteristic curvature of a Riemannian manifold, typify propositions submitted to the mercies of what Leibniz defined as *Analysis Situs*.

In any idealized manifold which were properly susceptible of nothing more than deductive solutions, the feasibility of such solutions depends upon certain assumed preconditions. Chiefly, for such a case, we must assume that all of the axioms of physical space-time are given, and that they remain unchangeable during the interval of action being considered. If we also assume that the connections among the points of that manifold are simply continuous throughout, a linear portrait of events occurring within the bounds of that manifold were nominally feasible.

However, the moment we consider any change in the manifold, or encounter apparent discontinuities, linear connections are no longer feasible forms of real-world solutions to propositions stated. *Analysis Situs*, as defined by Leibniz, Riemann, and others, always corresponds to such a case. We are then compelled to enter the domain of a theory of gaps, discontinuities; that is the only competent definition of the term "non-linear" in mathematical physics. True Classical metaphor, as it forms the substance of Classical poetry, drama, and Classical composition after Bach, is typical of such well-ordered, non-linear domains. Kepler's condemnation of the linear methods of Ptolemy, Copernicus, and Tycho Brahe, expresses precisely such a recognition of what Leibniz later termed *Analysis Situs*.

For the purpose of this present report, the following sum-

mary is probably sufficient.

All among the significant transformations which occur within the domain of economy, are either of the non-linear form associated with *Analysis Situs*, or are actions to be judged from the standpoint of *Analysis Situs*. The non-linear characteristics include, generically, either physical principles, or principles associated with Classical artistic composition. These two, interacting types of characteristics define the domain within which all significant economic actions occur.

The standard of measurement of economic performance is that which I have stated at the outset: the increase of the potential relative population-density of the human species, as the effects are measurable per capita and per square kilometer. To understand the connections which prompt effects to be so judged, we must recognize the essentially non-linear connections associated with validated universal physical principles and social activity judged from the standpoint of methods of Classical artistic composition.

It was not merely ignoring those considerations, but ruthlessly violating the very idea of their existence, which has been the continuing cause for the recent thirty-five years process of corruption and impending disintegration of the world's presently hegemonic financial system.

Who Are You, Little Man?

As I have elaborated the following point in previously published locations, the viewpoint I have just situated focuses attention on the heart of all political and moral issues, and therefore upon the axiomatic issues of political economy. This is not political economy as popular academic contentions define that subject, but, rather, emphasizes the axiomatic premises of political economy, the axioms of political-economy defined, primarily, as measuring the causes of changes in the increase of the potential relative population-density of mankind, as measured physically per capita and per square kilometer. As I have said, we are obliged, by this axiomatic standard, to recognize the crucial importance of distinguishing adult persons, and even entire societies, morally and intellectually, as variously infantile, childish, or relatively mature. This distinction is among the leading issues in statecraft.

In general, the degeneration of the U.S. economy over the course of the recent thirty-five years, is to be regarded as a descent of the strata of the population's presently political dominant generation of university graduates—the “Baby Boomer” generation, from the moral level of childishness rampant among the “Organization Man” types of the 1950s, toward infantilism. As I shall indicate, there is no exaggeration in that characterization; rather, facing the fact I have posed in this way, may prove key to the ability of the United States to outlive the presently onrushing collapse of the global financial system. In short, the road to survival means that they must suddenly grow up. One might hope, that the shocks of the onrushing financial collapse might prod them into doing so.

I mean, by infantile, childish, or mature, a view of per-

sonal moral and cultural development of the personality, as such distinctions are expressed in terms of where and how the individual locates his or her personal social identity with past, present, and future society. Reasonably moral adults locate their identities in respect to the outcome of their current personal decisions, or lack of decision, in the development and future of not only their own children and grandchildren, but in what is, in effect, the entirety of those future generations of their society. The individual who is truly and fully morally adult, like Plato's philosopher-king, locates his or her personal moral identity in the combined past, present, and future generations of all mankind. The morally matured Christian seeks to walk thus in imitation of Christ.

These moral distinctions should recall to mind what we have considered above, in contrasting a non-linear, even anti-entropic causal connection among observable events, to the simplistic, linear delusion of the empiricists and their like. Speaking in relative terms, in the extreme, the infant and child, insofar as they fall far short of the outlook of the matured personality, the philosopher-king, locate the mortal, biological individual's crude, bestial-like passions as the connection among sense-impressions. That contrasts the lower extreme, of those in such a larval state of development of their personality, to those in the desired, adult state of moral development. The lower, in that case, typifies the typical depravity of the adult who has not risen above the mental and moral condition of the empiricist or Physiocrat. Kepler's view of the organization of the Solar System, in contrast to the depraved hoaxster Claudius Ptolemy, and the honest but failed astronomers Copernicus and Tycho, represents a state of mind corresponding to the morally and intellectually matured personality.

All true scientific and artistic geniuses known to us from history, exhibit, as Cusa, Leonardo da Vinci, Leibniz, Bach, Mozart, and Beethoven do, both the model of the Classical Greek tradition, as in opposition to the Romantic, and the qualitatively superior moral outlook typified by Kepler's superior conception of the needed approach to understanding the lawful composition of our Solar System. They are able, early in their lives, somewhere in post-infantile, early childhood, to comprehend the entirety of their mortal life as it were but an instant in a simultaneity of eternity. Thus, for them, time and space dissolve in mere sequences of “before and after,” an instant expressed in the form “What shall I do with my life?” It is the habits first acquired in the development of that outlook, early in childhood, which drive the quality of personal self-development later to be recognized as the distinctive quality of our true geniuses.

Paradoxically, once we look at genius in that way, we must assess genius as the natural potential of every child. Unfortunately, in the non-genius, this specific commitment, sometimes described as “inner directedness,” does not emerge soon enough in the child's development. Where this does not occur, the habit of “other-directedness” stifles and stultifies the natural cognitive potential of the child; we have



“Genius is the quality of insight which generates validatable revolutionary discoveries in science and Classical art-forms.” Here: A Classical concert by the Niños Cantores and Schola Cantorum of Mexico.

the relatively inferior quality of development of the individual's character, the quality which tends to make its victims prey to the influence of “popular opinion,” rather than an inner-directed commitment to reason, and thus to truthfulness, that even in opposition to the forceful contrary expression of popular opinion by the relevant society.

This contrast is necessarily the case. Genius is the quality of insight which generates validatable revolutionary discoveries in science and Classical art-forms. Such discoveries are revolutionary, precisely because they overturn a relevant sort of prevailing opinion. As we witness in the instance of the destructive intellectual and moral defects of the human mind caused by habituation to the empiricist way of thinking, popular opinion, when it is opposed to truth, has the kind of corrosive effect on the victim's mental life, which is to be regarded as a mental disease. Notably, the seductive quality of mental diseases such as empiricism, lies in their appeal to the baser infantile impulses, as typified by “my personal pleasure,” “my personal appetites,” “my personal pain.”

The child who remains morally at the level of infancy, the adolescent who remains morally childish, and the adult whose emotional and intellectual development is that of an adolescent, typify the generic forms of the most common types of mental diseases. Thus, we have the case of the adult who rejects concern for the policies of an imperilled nation, saying, with a swinishness typical of the type, “I can't be bothered with that; I have to worry about my interests, and those of my family and community!” Once we have reflected upon, and recognized those types of behavior as the mental

diseases they represent, we are able to recognize empiricism, and today's common practice of financial accounting, as typical of the kinds of mental disorders which can bring out the collapse, even the virtual self-extinction of the society so afflicted.

Thus, moral maturity exists only in that state of the individual mind which is implied, in English-language usage, by the poet Wordsworth's adoption of the phrase “intimations of immortality.” It is only when the individual acts, as a mortal being upon the simultaneity of eternity, acts as if under God's eye, rather than as a hedonist, seeking to act thus to benefit universal human existence, that the person is being a truly adult human individual. It is when the members of society see one another in those terms of reference, see their society so, that a morally mature form of society will have come into existence.

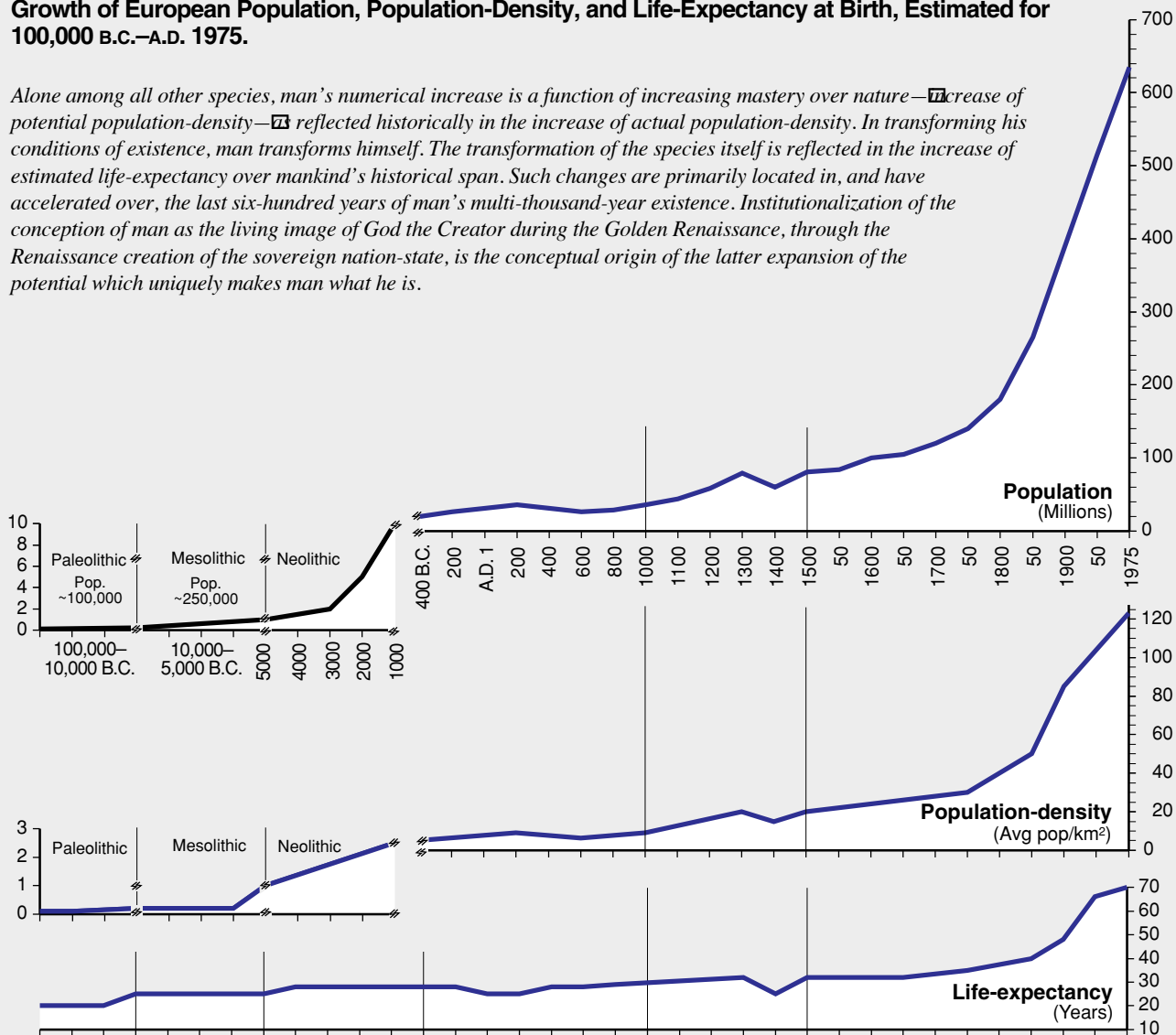
Man is intrinsically good by nature, endowed from birth with the equipment and impulses needed to produce a moral adult personality and a happy society. All of the principal, systemic disorders of society are derived from an abortion of the development of that inborn potential, from the lack of commitment to the development of that potential, from the moment of the infant's birth, by both the parents and the society as a whole. The object is to bring the infant and child to true adulthood, to the conception of one's self as functioning according to an intimation of immortality. Such is the obligation to promote the general welfare.

From this vantage-point, we may understand the role of cultures, and thus recognize that certain kinds of culture are

FIGURE 3

Growth of European Population, Population-Density, and Life-Expectancy at Birth, Estimated for 100,000 B.C.–A.D. 1975.

Alone among all other species, man's numerical increase is a function of increasing mastery over nature— \square increase of potential population-density— \square reflected historically in the increase of actual population-density. In transforming his conditions of existence, man transforms himself. The transformation of the species itself is reflected in the increase of estimated life-expectancy over mankind's historical span. Such changes are primarily located in, and have accelerated over, the last six-hundred years of man's multi-thousand-year existence. Institutionalization of the conception of man as the living image of God the Creator during the Golden Renaissance, through the Renaissance creation of the sovereign nation-state, is the conceptual origin of the latter expansion of the potential which uniquely makes man what he is.



All charts are based on standard estimates compiled by existing schools of demography. None claim any more precision than the indicative; however, the scaling flattens out what might otherwise be locally, or even temporally, significant variation, reducing all thereby to the set of changes which is significant, independent of the quality of estimates and scaling of the graphs. Sources: For population and population-density, Colin McEvedy and Richard Jones, *Atlas of World Population History*; for life-expectancy, various studies in historical demography.

Note breaks and changes in scales.

viciously pathological, cultures from whose influence humanity is to be rescued. The study of cultures, and of their processes of evolution and devolution, thus appear to the literate person as the standpoint from which statecraft is to be defined for practice. The beginning of a sane practice of statecraft, is to recognize that certain cultures are relatively good, certain others absolutely, or relatively bad, and still others relatively better or worse than those with which they might be compared. Most importantly, we must never regard a cul-

ture as of a fixed type, but must assess it from the standpoint of the comparative level it represents, and, more important in the long run, how it is changing itself, for better or worse.

The essential problem of today's crisis, is, that, during the recent thirty-five years, the culture of globally extended European civilization, that of the U.S.A. most notably, has changed itself for the worse. There were defects earlier, even serious defects, but, at least, it was a culture which had, on balance, the moral fitness to survive. Unless we are now pre-

pared to undo the cultural paradigm-shift which has taken over the nation during the recent thirty-five years, this nation were soon doomed. Yes, there were terrible faults in U.S. culture of 1945-1965; but, the worst problem of all, was that that culture allowed the 1965-2000 cultural paradigm-shift to occur.

The nature of this moral and cultural retrogression of the recent thirty-five years, is to be recognized as, predominantly, a lunatic's lurch into the state of depravity typical of a distant past condition of humanity, to the condition of Europe during the Fourteenth Century, a return from a world whose leading institutions are those of the modern sovereign nation-state, to a self-doomed form of medieval feudal society.

This degeneration has been brought about in exactly the way in which Vice-President Al Gore's parody of "Mein Kampf," his *Earth in the Balance*, explains his motive for turning back the clock. Gore cites the same chart which I have used frequently, showing the great gains in condition of life under modern European civilization's influence, beginning with the Fifteenth-Century Renaissance (**Figure 3**). Gore condemns that progress, and proposes methods to turn back the clock to the Middle Ages. His policies, which are typical among the lunatic fads of the past thirty-five years' cultural paradigm-shifters, represent, and that explicitly, cultural warfare against the existence of modern civilization.

Thus the lying lunacies known as the Quality Adjustment Factor and "bench-marking" were allowed to develop out of the "systems analysis" first popularized during the 1940s and 1950s, and out of the ecology cults which sprang up like mushrooms in a manure-pile, during the later 1960s and early 1970s. This could not have occurred without uprooting every institution responsible for progress since the beginning of Europe's Fifteenth Century. In the language of a psychologist, this cultural downshift, merely typified by the case of Gore's advocacy, is a change in society analogous to a shift to psychosis in the case of a neurotic individual personality.

It has been the exclusion of sane standards of deliberation, from the selection of leading candidates and policies, which has prevented the implications of the recent policy trends from being addressed in the political process. That has been the essential depravity of the trajectory followed by the U.S. political process since about the time of the assassination of President Kennedy. That thus typifies the cause for the threatened doom of civilization, now menacing us during the short term immediately ahead. Only rejecting that recent trend, will save this civilization from a global catastrophe it will have brought upon itself.

It is not necessary that God bring an Apocalypse into being. Uncontrollable natural catastrophes aside, no Apocalypse has occurred, or will occur, except one that foolishly stubborn popular opinion brings upon itself. Such is the essence of the awful crisis now onrushing; such is the presently perilous condition of all existing cultures of this planet considered as a whole.

The Quality Adjustment Method

How Statistical Fakery Wipes Out Inflation

by Richard Freeman

The actual U.S. rate of inflation is higher by 3 times or more, than the Consumer Price Index (CPI) official rate of 3.4% posted by the Bureau of Labor Statistics of the U.S. Department of Labor. The CPI is corrupted by the Quality Adjustment Method (formerly called the Quality Adjustment Factor), which covers up and hides inflation, and also distorts U.S. Gross Domestic Product and industrial production.

Americans and others are kept in the dark about the U.S. inflation rate through the debasing influence of the Quality Adjustment Method (QAM). Perhaps one citizen in 100,000 has heard of the QAM, yet the Department of Labor, Department of Commerce, and the U.S. Federal Reserve Board of Governors each has a staff devoted predominantly to the application of this method of statistical fraud.

The successful functioning of the U.S. economy is incompatible with the continued application of the QAM. Introduced in 1967 by the financier oligarchy during Arthur Burns's regime at the Federal Reserve, and spread by statisticians, it is set up to exclude anywhere from one-quarter to three-quarters of true inflation. It works from the continuous *assumption* that the quality of goods is improving; therefore, if the price of a product rose 10%, and the statisticians of the BLS claim two-thirds of the price increase was due to improved quality (the veracity of that statement will be explored below), the inflation of that product's price is reported as only 3.3%

But this is only half the use of the QAM; it represents another major problem. As Lyndon LaRouche shows in this *Feature*, any accounting system that attempts to measure footprints of economic activity, rather than the transformative activity of human beings who make the footprints, has a fundamental problem.

The pricing results of the Quality Adjustment Method, once fabricated, are turned over the Commerce Department's Bureau of Economic Analysis. The BEA makes the assumption that improved quality is the equivalent of increased output. So, if it is assumed that the *quality* of the product cited above improved by 6.7% per year, then the *output* is assumed to have increased by 6.7% (or more) per year. The BEA will apply this method to hundreds of products, and the increased output attributed to each of these products is added to Gross

Domestic Product (GDP). That is a prime reason why real physical production is falling, but GDP is rising.

Further, the QAM is turned over to the Federal Reserve Board of Governors, which publishes the Industrial Production Index. The Fed uses the QAM to “increase” industrial production in a manner similar to the Department of Commerce’s hiking of GDP.

Therefore, the QAM is central in the calculation of three of the most important and closely-watched gauges of the economy: inflation, GDP, and industrial production. The fraud of pervades each of these three.

Exposing the QAM

Lyndon LaRouche and *EIR* brought to light the charlatry of the Quality Adjustment Method in 1983 (see R. Freeman, “‘Quality Adjustment Factor’: How the Fed Hides Inflation,” *EIR*, Oct. 4, 1983). On Feb. 4, 1984, then-Democratic Party Presidential pre-candidate LaRouche brought the exposé of the QAM to the nation in a half-hour broadcast on ABC television. LaRouche said: “At the end of the first quarter of 1983, we were shocked to notice that both the Federal Reserve and Bureau of Labor Statistics were faking the figures for both industrial output and for unemployment by very wide margins. Later, we discovered also that the reported rate of inflation was being faked as well. It was being faked by as much as three times, that is, the rate of inflation during 1983 was about three times as much as the government has reported to you.”

While the QAM is a statistical fraud of considerable importance, for the City of London-Wall Street financier oligarchy, it takes on the character of a strategic weapon. Three examples stand out.

First, it is being used to loot the American population. More than 100 million Americans are covered by cost-of-living adjustments in their wage contracts, and programs such as Social Security, Medicare, Unemployment Insurance, etc., which are supposed to protect them against inflation. *EIR* has calculated that BLS lying about the rate of inflation, in which the QAM plays a great role, has this year stolen between \$278 and \$328 billion from these Americans.

Second, the QAM is being applied to cover up the hideous consequences of the policy adopted by Federal Reserve Board Chairman Alan Greenspan. In the third quarter 1998, acting on behalf of the financier oligarchy, Greenspan desperately revved up the printing presses, in order to hold up the bloated mass of speculative financial property titles, which were at the point of disintegration following the September 1998 Long Term Capital Management hedge-fund failure. That policy put the world on the path toward a hyperinflationary spiral, which will have the same devastating consequences as the hyperinflation which ravaged Weimar Germany from March through November 1923. Even though the prices of basic commodities, such as oil and polyvinylchloride, and consumer products, such as housing, are rising in the range of

15% to 180% per year, the BLS insists that inflation is only 3.4%.

Third, the QAM is a vital element in the fake claim of a U.S. “noninflationary economic expansion.” The QAM underreports inflation, and helps overstate GDP and industrial production. The lie of economic growth has a strategic implication: it is being employed to draw foreign funds into the United States, to cover over a projected \$430 billion annual current account deficit in 2000. This foreign funds inflow helps the United States to hold up the value of the dollar and to import a large volume of goods. Were the myth about the U.S. economy shattered, it would precipitate a dollar crisis and the withdrawal of foreign funds, which would puncture the U.S. financial system.

How the QAM Distorts Inflation

The QAM is used to adjust the reporting of prices on both a producer level and on a retail/consumer level. The BLS reports two types of price indexes: the Producer Price Index (PPI), which measures the change of price of a good at the producer level; and the Consumer Price Index (CPI), which measures the change of price of a market basket of goods at the retail level. Both divisions work on the same principle.

Between 1980 and 1981, for example, the average transaction price of a new car rose from \$7,574 to \$8,910, an increase of \$1,336. Based on that, it is possible to calculate the rate of car-price inflation for 1981, at 17.6%, a very substantial increase.

But the wizards at the BLS got rid of most of that increase. In a BLS document, “Quality Changes for Passenger Cars, 1969-99,” the BLS initially attributed 99% of the price increase to “improved quality.” Then, after it made further adjustments, the BLS finally attributed 66% of the 1981 increase in the price of a car to “improved quality,” and 34% to actual price increase. The BLS reported to the BEA, that only \$454 of the \$1,336 price increase in 1981 was actually an increase in price. Thus, *the BLS threw away two-thirds, or \$882, of the price increase you paid in 1981.* It reported an auto-price inflation rate of just 6.0%.

What is considered improved quality? There are various things that the BLS, and other agencies consider quality improvements, including: a new catalytic converter to meet an “air-quality-emissions” code set by the Congress; the change of a material from a metal to plastic; the change of a truck to a sport utility vehicle; the “upgrading” of a “convenience package,” which might include power door locks, a security alarm, power steering and power seats, or the introduction of CD players. In effect, the manufacturer is allowed to deduct all his costs in these areas (which costs he has passed on to consumers), from the BLS reporting of his price.

Many of what are counted as improvements, are not improvements at all. Consider the overall construction of a car. Since 1967, there has been a general reduction in the weight of a car by more than one-third of a ton. In part, this has been

done in order to increase mileage efficiency. Yet, despite the lies of the Naderites, highway safety tests show that lighter cars suffer far worse damage in collisions with cars which weigh 3,000 pounds or more, or with inanimate objects, such as trees or walls.

The recasting of light trucks into sports utility vehicles is no improvement, as the fundamental design flaw in the Ford Explorer SUV shows. That SUV has a tendency to roll over under certain speed and load conditions, and, when paired with Firestone tires, has resulted in many unnecessary deaths. The “upgrading” of a convenience package, so that a car has a better security alarm or other accessories, does not constitute a fundamental improvement.

The Reality of Product Improvement

But let us grant, for a moment, that all the above-alleged improvements were improvements. For centuries in America, there have been improvements in the quality of products, and crucially, in the production and engineering processes which generated those improved products. This is not an exception, but the normal feature of a developing society. The basis of all economics starts with the sovereign individual mind creating new validatable scientific discoveries of fundamental principle. These discoveries are then transmitted into the economy through newly incorporated scientific advances in machine-tool design, or upgraded infrastructure. In America, during periods when revolutionary advance in machine-tool design improved products, this was considered normal. The revolutionary process would reduce the actual price paid for products.

Then in 1967, the QAM was manufactured by the oligarchy at the time of a paradigm shift imposed on the United States toward a post-industrial society. The fact that this shift would build a speculative bubble, which would feed inflation, had to be concealed somehow.

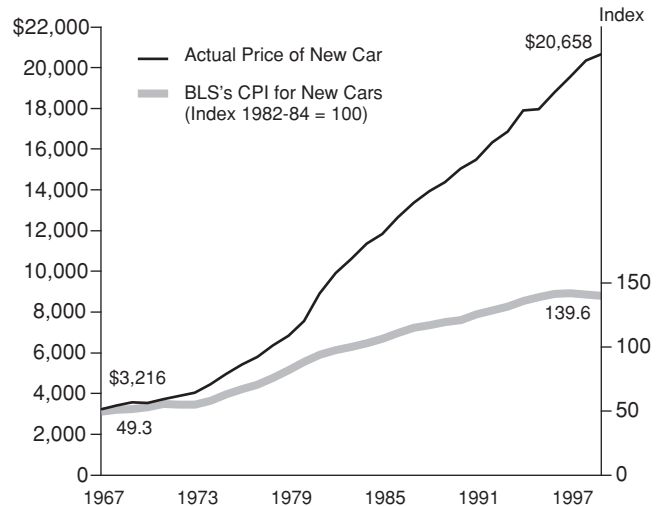
In the development of the automobile, since the 1890s, many fundamental improvements were made, from the electric starter motor, replacing the hand crank, around 1911-12; to the system of transmission to replace the earlier direct linkage of the engine to the driving wheels; to the introduction of the independent front suspension as universal during the 1930s; to the myriad progressions in engine design and function. There was a revolution in the automobile, in particular, up through 1950.

But since 1967, when the QAM was instituted, the improvements have not been of the dimension of the accumulated fundamental changes of the period from 1890 through 1950. Why should there be a QAM after 1967, when most of the fundamental changes occurred before 1967? There is no need for a QAM. In fact, for nearly two centuries of the history of the United States until 1967, there was no QAM for anything, and for a sound reason: Improved quality should be treated as an inherent feature of a healthy economy.

In fact, since 1967, several fundamental features of the

FIGURE 1

Increase of Actual New Car Price Compared to BLS Computation of CPI for New Cars



Sources: Department of Commerce's Bureau of Economic Analysis; Department of Labor's Bureau of Labor Statistics; *EIR*.

car have deteriorated, not improved. Cars which weigh one-third to one-half ton less than they did 30 years ago, are more likely to sustain more serious damage to the car and passenger, when they collide with a stationary object. In many instances, the cost of car repair, because of the design problem of the cars, has risen sharply.

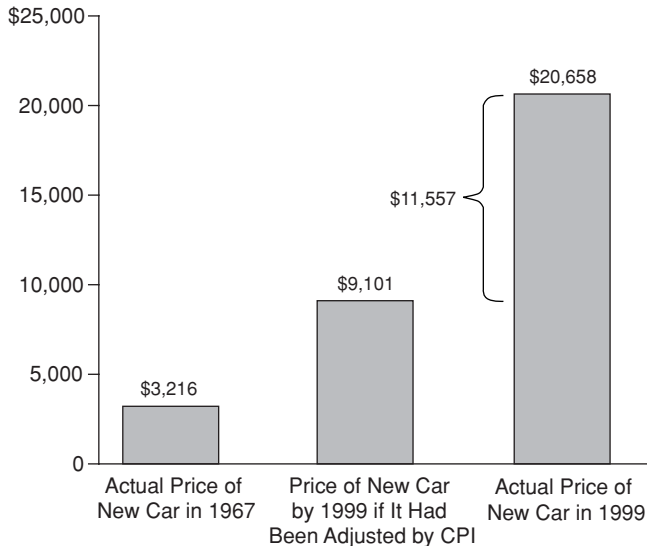
Now, let us return to what has happened in the reporting of the increase of car prices, considered over the period 1967-99. **Figure 1** shows that, according to the BEA, the average transaction price of a new car was \$3,216 in 1967 (the BEA bases its data on a survey of 125 car models every year). By 1999, the transaction price of a new car had jumped to \$20,658. This is the price that a consumer pays for a car—an increase of 6.42 times.

In the same figure, using the same starting point on the graph, look at the BLS Consumer Price Index for the cost of a new car. Based on an index, in which the value of the years 1982-84 is set equal to 100, the index level was at 49.3 in 1967. By 1999, the index had trudged up to 139.6—an increase of only 2.83 times.

Compare the two curves. They're both supposed to be measuring the same thing, but the curve of the transaction price of a new car represents reality: what makes the path of the CPI curve so much slower, is the QAM. The CPI index for the cost of a new car only accounted for 44% of the actual price increase over the past 30-plus years. It attributed 56% of the actual price increase to alleged “improved quality,” and excluded it from counting. Between 1967 and 1999, the actual increase of the price of a new car was 2.27 times greater than

FIGURE 2

BLS Makes Disappear \$11,557 in Increase in Price of New Car Since 1967



Sources: Department of Commerce's Bureau of Economic Analysis; Department of Labor's Bureau of Labor Statistics; *EIR*.

what the CPI fraudulently reported.

Figure 2 shows the ability of the BLS to cut down inflation. The first bar graph shows that the transaction cost of a new car was \$3,216 in 1967. It then shows what the car would cost in 1999 if it had been "adjusted" by the CPI index: \$9,101. No such vehicle was to be found in 1999, even by believers in the statistics of the BLS. It is only in its published reports that the BLS "made disappear" the \$11,557 in the actual cost of a car.

A BLS analyst reported on Oct. 10, "The BLS has quality adjustments for probably thousands of products." Every home appliance has a quality adjustment, as do furniture and clothing, the home itself, telecommunications equipment and computers (the quality adjustment for the computer is called the hedonic index, as will be reported below).

Additional Distortions of Inflation

But the BLS has still other weapons to "reduce" inflation. In the 1990s, the Senate Finance Committee established the Advisory Commission to Study the Consumer Price Index, which was staffed by people whose aim was to reduce the inflation rate further, through various shams and ruses. The Commission issued its final report on Dec. 4, 1996, calling for a series of changes which would lower the CPI by 1.1%. In January 1999, the BLS instituted one of these changes, called the "consumer substitution" change. This assumes that if prices rise, the consumer will strive to make a constant level

of expenditures for a certain category of goods. So, if the price of one item goes up, the consumer will substitute another item, which is cheaper. This may not be at all what happens in reality; but, the BLS made an assumption, which pre-programs in that the consumer would not be paying more for certain categories of goods. A spokesman for the BLS told *EIR* on Sept. 11, 2000, that this assumption alone will permanently take 0.2% per year off the CPI rate.

By use of such gimmicks, and above all the QAM, the BLS has whittled down consumer inflation, from August 1999 through August 2000, to an average of 3.4%. But, as *EIR* has reported, the rate of inflation for certain commodities, such as housing, energy, etc., has risen at rates of 15-180% per year. *EIR* estimates that the true rate of inflation is 10%, three times the official rate.

The oligarchs, and their hired statisticians, are aware of what lying about inflation does. The Advisory Commission to Study the Consumer Price Index, in its December 1996 final report, stated, "Corrections . . . in the CPI . . . would also contribute importantly to reductions in federal budget deficits and the national debt." In particular, "reductions" would cause "lower outlays," which would be lower through "cuts in indexed federal spending programs." That means that many federal programs, such as Social Security, Medicare, Unemployment Insurance, Food Stamps, and so forth, are adjusted by a cost-of-living adjustment, which is pegged to the CPI. By artificially cutting the CPI, the cost-of-living adjustment is lowered, and the expenditures for these programs are lowered. *EIR* documented in a Sept. 28 study, that lying about inflation in this way will gouge between \$278 and \$328 billion from the U.S. population in 2000 (see "Lies About Inflation Are Being Used to Loot the Population").

The QAM Manipulates GDP Growth

But once the QAM is used to depress the reported level of inflation, it is then used to pump up the level of GDP, and in parallel, the Industrial Production Index.

Let us consider the question of computers and accessories, including software. It is the QAM modification of computers and accessories that had an enormous false effect on alleged U.S. GDP growth.

On Oct. 11, an analyst at the National Income and Wealth Division of the Bureau of Economic Analysis of the Department of Commerce, explained how the QAM index for computers is used to increase GDP. It is the same principle by which the QAM for other products is used to increase GDP. The pith of the conversation has been presented in **Table 1**. Assume, stated the analyst, that in the United States, in 1998, total U.S. computer sales were \$100 billion, in current (nominal) dollars, and in 1999, total U.S. computer sales were \$100 billion in current (nominal) dollars. This is line 1 in Table 1. Assume further, he said, that computers as a whole were "20% more powerful" in 1999, than they were in 1998. Then, one assumes that computers cost 20% less in 1999 than they did

TABLE 1

The QAM-Hedonic Index Makes Computer Output 'Grow'

(Billions \$)

	1998	1999
Computer sales in current dollars	\$100	\$100
Computer sales in "real" dollars after QAM adjustment	\$100	\$125

Source: Bureau of Economic Analysis of the Department of Commerce.

in 1998. This is standard QAM procedure, and one deducts 20% from the Producer Price Index for computers in 1999. So, if the producer price index for computers was equal to 100 in 1998, it would be set equal to 80 in 1999. This example assumes that the actual price of a computer has not fallen; it is the quality adjustment that has lowered the price.

However, the analyst now posited a second step, now taken by the Commerce Department: to increase GDP growth. As a result of the QAM, the price of the computers in 1999 is only 80% of what it was in 1998. Therefore, he explained, the output in 1999, of \$100 billion, is worth more. He proposed dividing \$100 billion by 0.8 (80%), and this yields a new adjusted output of computers in 1999 of \$125 billion (that is, \$100 billion divided by 0.8). The rationale is that if prices are only 80% of what they appear to be in 1999, then the \$100 billion in current dollars output is only 80% of what the adjusted output would be, \$125 billion. Thus, by use of the QAM, computer output in 1999 has been increased from \$100 billion to \$125 billion; this represents an increase of 25%. So, the analyst pointed out, prices fell by 20%, but output increased by 25%, through the application of the QAM.

With computers, a process called the hedonic index is applied. In its application to prices, it has the same conceptual overview as the QAM, but there are a few differences. To explain the hedonic index briefly: A computer is thought of as a bundle of characteristics, such as speed, expandable memory, CD drive, etc. In the case where a computer exists in 1999, but a comparable computer did not exist in 1996, then the BEA constructs an "imputed" computer model for 1996, which has the same characteristics, features, and performance as the computer that exists in 1999. Each characteristic has a coefficient that links it to the computer's overall price. An "imputed" price for the 1996 computer is constructed. It is then compared to the 1999 computer. A prime purpose is to compare the prices of the two computers, so that a quality adjustment can be made, showing how superior the 1999 computer is to the 1996 computer.

Some years, computers' prices fall; some years, they rise. But using the hedonic method, as a form of the QAM, the Commerce Department always makes the price of a computer fall 3 to 4 times what it actually fell, if it did fall (or, it makes

TABLE 2

The QAM-Hedonic Index Swells Capital Investment Portion of GDP

(Billions \$)

	2nd Q 1998	2nd Q 2000	Increase
Business capital investment in computers in current dollars	85.5	114.2	28.7
Business capital investment in computers in 1996 inflation- adjusted dollars	144.0	298.5	154.5

Sources: Bureau of Economic Analysis of Department of Commerce; *EIR*.

it fall, if the actual price rose). What the BEA is most interested in, is using a big quality-adjusted fall in price, to create a big quality-adjusted increase in output.

Now, we will look at what effect the hedonic adjustment/quality adjustment upon computers, had on GDP. We will look at this in conjunction with the fact that the United States, alone among major countries, counts computer software as a form of capital spending/investment. That fact, together with hedonic adjustment, made up a huge amount of the supposed increase of real GDP in the United States, between the second quarter of 1998 and the second quarter of 2000.

The predominant way of computing GDP is by the method of the "expenditure system." This adds together four elements: 1) Gross Private Domestic Investment, which includes business capital investment; 2) Personal Consumption Expenditures, which represents personal or consumer expenditures for consumer/personal goods or services; 3) Government Expenditures; and 4) Net Exports. Items 1 and 2 make up the bulk of GDP, and here we are concerned with item 1.

The business expenditure for computers, which is classified as capital investment, is counted as part of Gross Private Domestic Investment. If it rises, GDP rises. **Table 2** shows the Commerce Department's report of the level of business capital investment for computers. It is expressed two ways: in current dollars, and in real (chained) 1996 inflation-adjusted dollars. In the case of the real (chained) 1996 inflation-adjusted dollars, this has already been subjected to the hedonic index quality adjustment. Business capital investment for computers, when stated in current actual dollars, rose, between the second quarter of 1998 and the second quarter of 2000, from \$85.5 billion to \$114.2 billion, an increase of \$28.7 billion. However, when stated in 1996 (chained) inflation-adjusted dollars, the same business capital investment for computers rose, between the second quarter of 1998 and the second quarter of 2000, from \$144.0 billion to \$298.5 billion, an increase of \$154.5 billion.

Amazingly, one can see that business capital investment

TABLE 3

GDP Growth Is Based on Fakery

(Increase Between 2nd Quarter 1998 and 2nd Quarter 2000, Billions 1996 inflation-adjusted dollars)

Counterfeit increase in business expenditures for capital investment in computers	\$125.8
Increase in business expenditures for alleged capital investment in computer software	80.8
Subtotal	206.8
Increase in GDP	843.2

Sources: Bureau of Economic Analysis of Department of Commerce; *EIR*.

for computers rose by \$125.8 billion more (\$154.5 billion minus \$28.7 billion), when stated in 1996 (chained) inflation-adjusted dollars than when stated in current dollars. But this is the same capital investment! The reason for this is the application of the QAM/hedonic index, which took a \$28.7 billion increase in actual current dollars, and turned it into a \$154.5 billion increase in "real" inflation-adjusted dollars. The QAM/hedonic index, all by itself, caused the increase in the level of business expenditure in capital investment for computers, to grow five-fold. The QAM/hedonic index manufactured a counterfeit \$125.8 billion increase in alleged business capital spending for computers.

Now, add in the second element, that the United States is alone among major nations in counting business expenditures for computer software as if it were a capital investment. Between the second quarter 1998 and the second quarter 2000, when stated in 1996 (chained) inflation-adjusted dollars, the business expenditure for so-called capital investment in computer software rose from \$146.7 billion to \$227.5 billion, an increase of \$80.8 billion. This increase of \$80.8 billion increased the capital investment portion of the Gross Domestic Private Investment part of GDP. This in turn increased GDP. But in all other major nations, this investment in computer software would be counted as a business expense, and not as a capital investment, and therefore it would not increase GDP. Therefore, the increase in capital investment for computer software of \$80.8 billion is a fake, unique to the United States.

For the period between the second quarter 1998 and the second quarter 2000, **Table 3** lists the counterfeit \$125.8 billion increase in business expenditures for capital investment in computers which is due solely to the QAM/hedonic index; the \$80.8 billion increase in capital investment for computer software, which is fake and unique to the United States; and the increase of total GDP of the United States in real 1996 inflation-adjusted dollars, of \$843.2 billion. The combination of these first two items totals \$206.6 billion. Thus, between the second quarter 1998 and the second quarter 2000, these two bits of fakery made up 24.5% of all the alleged real GDP

growth of the United States.

But that is just the beginning. In addition to computers, the Quality Adjustment Method is applied to thousands of other products, which artificially increases the alleged output of GDP. This is true for cars, houses, household appliances, furniture, and so forth. A significant part of alleged GDP growth is due to the application of the QAM.

But GDP has deep methodological flaws, and does not measure the performance of the real economy. A good part of GDP growth is the speculative financial cancer, and non-productive overhead services, which is embellished by much statistical foolery. The QAM is central here.

Yet, the story does not end there. The QAM is turned over to the Federal Reserve Board of Governors, which publishes the Industrial Production Index. According to a discussion with Carol Corrado, chief of the Industrial Output Section at the Federal Reserve, on Oct. 10, the Federal Reserve follows the basic method of the Commerce Department, and uses the QAM to increase the reported industrial production of different sectors of the economy.

Thus, the QAM fraud is central in three of the most important parts of the economy—inflation, GDP, and industrial production. It invalidates much that is published about any of these areas. It is a piece of statistical fakery that is destroying the nation.

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Bankers Back 'New Hitler' Sharon in Mideast War Drive

by Jeffrey Steinberg

If President Clinton had realized that he was extending an invitation to unleash a new "*Kristallnacht*," when he assailed Palestinian Authority President Yasser Arafat, to cover for blunders and failures at last Summer's Camp David summit, perhaps he would have taken pause and held his tongue. It may be said, in the President's defense, that his most rabid enemies, centered in the right-wing Zionist apparatus, were hard at work, again, plotting for a bloody religious war over Jerusalem, as a last-ditch effort to derail a successful Camp David II summit in early Autumn. And sources close to the talks say that President Clinton and his most trusted advisers were set up from within the Administration Middle East team by officials with strong ties to Israel and to the Gore camp, to put an offer on the table that Arafat, and the Arab world, could not accept.

That move to blow up the Middle East, which has already left the region on the edge of a full-scale Arab-Israeli war, was itself part of a larger scheme emanating from some clinically insane forces in London and parts of Wall Street, to replay the "Hitler Project" of the 1930s. That scheme has been activated in response to the near-death of the global financial system, a system upon which that London-Wall Street apparatus bases its global political power.

In the early 1930s, the London circles of the House of Windsor, the Bank of England's Montague Norman, the Rothschilds, the Warburgs, and the Morgan and Harriman interests in the United States, bankrolled Hitler and the Nazi Party, as part of their desperate efforts to cling to political power in the wake of a financial crash and world depression—disasters which their own policies had brought about. The results are well-known, but the hard lessons of World War II and the Nazi Holocaust were missed on these financier

oligarchs, who, today, are perfectly willing to again provoke world war and genocide, in order to retain their grip on power over a crumbling planet.

Provocation over the Temple Mount

Thus, Ariel Sharon, the London-Wall Street "Butcher of Lebanon," travelled to the New York City environs on or before Sept. 22, to meet with his financial backers, and to deliver a declaration of war against the Arab and Palestinian people, over control of the Temple Mount holy site in the heart of old Jerusalem. Six days later, back in Israel with, reportedly, a large infusion of cash, Sharon made good on his promise, by personally staging a provocation at the Temple Mount site on behalf of his patrons in the "committee to blow up the world." The Israeli-Palestinian peace process, predictably, exploded.

Some of the facts, as they are known presently to *EIR*, can be summarized as follows.

As first documented in *EIR*'s March 1, 1986 *Special Report*, "Moscow's Secret Weapon: Ariel Sharon and the Israeli Mafia," Sharon has been a longstanding asset of a faction of Anglo-American finance associated with the late Lord Harlech (Sir David Ormsby-Gore, of the extended U.S.-U.K. Gore clan); self-confessed Chatham House asset Sir Henry A. Kissinger; Lord Peter Carrington; the Canadian Bloomfield family, leading players in Prince Philip's own "Murder, Inc."; and the late Johannes von Thurn und Taxis.

This apparatus, operating through the Quatuor Coronati Lodge of British Freemasonry, has promoted an irrationalist global movement among Christian fundamentalists and Jewish extremists devoted to the restoration of the "Third Temple," at the site of the Dome of the Rock on Temple Mount.



Ariel Sharon, the "Butcher of Lebanon," is being backed by the Anglo-American oligarchs to trigger a new Middle East war.

This messianic, armageddonist movement and ideology was promoted with the original Palestine Exploration Project of Prince Edward Albert, later King Edward VII, during the latter part of the 19th Century, and has been a cornerstone of British geopolitical manipulations of the Mideast region ever since.

The Temple Mount operation was revived at the time of the 1967 Arab-Israeli war, and has been promoted with greater intensity in recent years, with such groups as the "Temple Mount Faithful," the Gush Emunim, and the remnants of Rabbi Meir Kahane's Jewish Defense League/Kach Movement, staging frequent armed attacks against the Islamic holy sites at the Temple Mount. Any one successful bombing attack on the Al-Aqsa Mosque could kindle a holy war that would last for decades, and drown the region in blood.

The Grand Mother Lodge of British Freemasonry, the ultimate patrons of the Temple Mount crazies, is run directly out of the House of Windsor by the likes of the Duke of Kent. For all intents and purposes, stooges like Sharon are controlled, top down, by this inner circle of British oligarchism, through flows of cash, chains of operational control, and, above all, the chains of mad ideology.

Sharon's New York patrons

On Sept. 22, Sharon addressed a closed-door session of the Conference of Presidents of Major Jewish Organizations, in New York City. The chairman of that organization, Ronald Lauder, is one of Sharon's leading financial angels. Lauder

financed at least two earlier visits to the United States by Sharon this year, and has transformed the Conference of Presidents into a cheerleading squad for Sharon's war drive. Lauder is the heir to the Estée Lauder cosmetics fortune, was the former Reagan Assistant Secretary of Defense for Europe and NATO (1985-87), and U.S. Ambassador to Austria (1987).

(Lauder may also have ties to some of the more unsavory elements in the upper reaches of the Russian Mafia. According to the Dec. 30, 1996 *Forbes* magazine, in November 1995, during a trip to Moscow to celebrate the opening of a "posh boutique on Red Square," Lauder was feted at a lavish reception, financed and sponsored by Boris Berezovsky, one of Russia's leading oligarchs, and a man dubbed by *Forbes* at the time as "The Godfather of the Kremlin.")

According to official spokesmen for the Conference of Presidents, in his address, Sharon assailed the Summer 2000 Camp David summit, and vowed to lead a campaign to block any surrender of total Israeli sovereignty over the entirety of Jerusalem, including the holy sites at the Temple Mount.

Sharon's rant was attended by, among others, Lally Weymouth, Sidney Zion, and William Safire—all noted newspaper columnists and Sharon publicists. Weymouth is the daughter of Katharine Graham, the chair of the Washington Post Corp. Weymouth, on Sept. 26, shortly after the Sharon provocation at the Temple Mount, published an exclusive interview with him, and later published her own commentary in the *Washington Post*, promoting Sharon's "Big Lie" that his visit to the Temple Mount had nothing to do with the

outbreak of Palestinian riots and protests. Safire and Zion followed Weymouth's lead, publishing similar columns praising Sharon as the savior of Israel. Safire is a senior columnist for the Sulzberger family's *New York Times*, and Zion has recently been hired by Rupert Murdoch's *New York Post* as a featured columnist.

As *EIR* goes to press, Lauder is heading up a delegation of leading right-wing American Zionists to Israel, to stage a "counter-summit" to the Arab Summit scheduled for Cairo on Oct. 21-22. The Lauder session will likely promote Sharon's participation in a war cabinet that would shatter the last vestiges of the Oslo peace process, and bring the region one mighty step closer to a general war.

Another right-wing Zionist wacko who is now prowling around Israel, is Dov Hikind, the Brooklyn, New York State Assemblyman and former Jewish Defense League terrorist, who has been an albatross around the neck of a desperate Hillary Rodham Clinton since she launched her Senatorial campaign (see article p.70). While Hikind is not part of the Lauder delegation, he is on his own one-man wrecking mission, which his office euphemistically called a "solidarity visit." On Oct. 20, Hikind was part of a mob of 100 people who were prevented by Israeli police from staging a riot at the Ateret Cohanim yeshiva, which is a center of Temple Mount terrorists.

A New 'Kristallnacht'

Israeli sources have informed *EIR* that Sharon returned from his New York City junket with a fresh infusion of millions of dollars, to fund the Temple Mount provocations. Reportedly, Lauder was one source of cash, but Sharon also

received hefty sums from Canadian backers, and from some unidentified figures within the Russian Mafia.

According to these sources, Sharon has been parcelling this cash to radical West Bank settlers, and other Temple Mount Jewish fanatics, to conduct a low-intensity war inside Israel, and in the Occupied Territories. Some of the fruits of this operation have appeared nightly on the TV news worldwide, with radical Jewish settlers conducting armed attacks against Palestinian villages, in response to the Palestinian protests and riots, triggered by the Sharon Temple Mount stunt.

What has not been reported outside of Israel, is that these same Jewish underground fanatics, who were behind the assassination of Prime Minister Yitzhak Rabin, have launched what can only be described as a new "Kristallnacht" in Tel Aviv and other Israeli cities, firebombing and looting Arab-owned stores, and even attacking Jewish stores and restaurants that hire Israeli Arabs as employees, in a re-enactment of the Nazi Gestapo's Nov. 9, 1938 "Night of Broken Glass" against German Jews.

The events of the last three weeks, triggered by Sharon's intentional provocation at the Temple Mount, have produced the conditions inside Israel, where the majority of the population has been literally driven insane. Under such conditions, any efforts by politicians to appeal to popular opinion, will only make an already horrible situation worse. It is precisely under such conditions in Weimar Germany, that Hitler came to power, through the financial backing of London and parts of Wall Street. Sharon's current drive for power in Israel ought to stir some powerful images of 1933, within anyone who is still sane.

Sharm Al-Sheikh Summit Leaves Mideast on a Course toward War

by Dean Andromidas

Whether the arrangements announced by President Bill Clinton at the emergency Middle East summit on Oct. 16 in Sharm al-Sheikh, Egypt hold or not, is almost irrelevant, because all the outstanding issues, and especially the blunders forced on an all-too-vulnerable President Clinton, remain unresolved. The summit results saw no indication from Clinton, that he intends to reverse his tragic ganging up with Israel, against Palestinian Authority President Yasser Arafat, as he did after last summer's Camp David meeting. Nor that he will cease putting the religious issue of Jerusalem at the center of the Camp David talks last summer, rather than the development

of water resources and of the region's physical economy.

This was the assessment of U.S. statesman Lyndon LaRouche, who stated bluntly, "The most stupid thing that President Clinton ever did, was to say that Arafat was responsible for blowing up the Mideast peace talks." LaRouche reiterated that Clinton's Middle East policy continues to be dictated by his electoral alliance with the right-wing Zionist lobby, in a desperate effort to secure his wife a seat in the U.S. Senate, and get Vice President Al Gore into the White House.

Officially aimed at stopping the violence and saving the

peace process, the summit failed even to issue a joint communiqué. Instead of an agreement, Clinton read a Presidential statement, indicating what the two sides had agreed upon. But nothing was signed. Among Clinton's concerns, is that neither the Middle East, nor the global financial system, explodes before the Nov. 7 U.S. elections.

Reports of what transpired at the summit made clear that it was simply a continuation of what was happening in the streets of the Palestinian territories, less the stones and Israeli tanks and helicopter gunships. The only point in the summit where Israelis and Palestinians actually sat in the same room to negotiate face to face, was when each side's foreign policy experts met to draft what they hoped would become a final communiqué. The meeting had to be closed down after it degenerated into an undiplomatic shouting match between Israeli Foreign Minister Shlomo Ben Ami and Palestinian chief negotiator Saeb Erekat. The dinners were said to be equally tense. According to reports, not only did the Egyptian authorities refuse to place the Israeli flag next to the Palestinian and Egyptian flags, but also Egyptian government news broadcasts never mentioned Israel, referring only to the "Zionist entity." According to one report, Israeli Prime Minister Ehud Barak, during one of the plenum sessions, referred to King Abdullah of Jordan as the "bedouin King," at which point the latter stormed out of the room.

While not invited to the conference, the specter of Ariel Sharon, whose visit to the Temple Mount/Al-Haram al-Sharif ignited the current conflagration, was ever present. According to reports, Barak's aides could be seen on their mobile telephones calling Sharon every 15 minutes to brief him on developments at the conference.

When it became clear that negotiations at the political and diplomatic echelon were going nowhere, and in fact might lead to violence, the security chiefs of Israel and the Palestinians were flown into Sharm al-Sheikh. This was an attempt to reestablish security cooperation between Israelis and Palestinians, in order to keep the conflagration from escalating even further.

Clinton's statement fell far short of his intention to bring the situation back to the *status quo ante*. The three principal points claimed that both sides would agree to announce an end to violence and a withdrawal of Israeli troops, to a point prior to the outbreak of the conflagration. They also agreed to cooperate with a fact-finding commission under the auspices of the President and in cooperation with United Nations Secretary General Kofi Annan. Third, the two sides expected to meet in two weeks, to assess whether peace negotiations could resume.

Within minutes of the end of the summit, Israel leaked to the press secret agreements that would revive Palestinian-Israeli security cooperation, but this time in the context of a committee chaired by CIA head George Tenet. Under this arrangement, CIA agents will be deployed as "observers" to ensure compliance with the agreement.

Preparing for the Next Phase in the War

Upon his return to Israel, Barak's first order of business was to speed up implementation of a military plan for "unilateral separation" between Israelis and Palestinians. This means, that in the absence of an agreement, the Israelis will move to take what they want in the West Bank, which is the water and militarily strategic points. This encompasses the large settlement blocks that sit on the mountains along the West Bank's border with Israel, and strategic points in the Jordan Valley, which command the other major water source.

This was confirmed by Israeli Deputy Defense Minister Ephaim Sneh, who told Associated Press on Oct. 18, that Barak had ordered a plan of separation as an alternative to a peace treaty. "The idea is that if we don't have an agreement with the Palestinians, we would try to shape the reality here in the closest possible way to what we would like to achieve through agreement. He admitted that this would include barriers, border crossing points, and no dismantling any of the 144 Jewish settlements. According to some reports, it would turn so-called Area A, the part of the territories still under full Israeli security control, into a fortified border. This would leave the Palestinians without any territorial continuity, thus reducing the West Bank into enclaves similar to the Bantustans that existed under *apartheid* in South Africa. The policy would threaten the livelihood of hundreds of thousands of Palestinians, more than 120,000 of whom work in Israel. It would also leave them vulnerable to having their electricity, water, and telecommunications grid disrupted.

It is reported that this plan will be the basis for negotiating an agreement with Sharon for the establishment of a government of national emergency with Sharon's right-wing Likud Party. As of this writing, Sharon has expressed interest, and has asked to see the maps of the operation to see if they meet with his approval.

The debate in Israel on whether Sharon will enter the government, is irrelevant, because on Oct. 30, two days before Clinton hoped to chair a meeting to get peace talks restated, the Israeli Knesset (parliament) will come back from its recess. This will be the moment of truth for Barak's governing coalition, which now holds no more than 30 of the Knesset's 120 seats. The first order of business when the Knesset opens, will be a bill for early elections. Thus, either Barak forms an alliance with Sharon, or his government will fall, opening the way for new elections, which would not be held until the beginning of next year. According to the latest polls, former Prime Minister Benjamin Netanyahu would win an election against Barak.

Meanwhile, the international Jewish lobby has been mobilized to support the Israeli position. By Oct. 22, leaders of America's most important Jewish organizations will have arrived in Jerusalem. Led by Edgar Bronfman, Chairman of the World Jewish Congress, it will include Ron Lauder and Malcolm Honlein of the Conference of Presidents of Major

American Jewish Organizations; Steven Solander, head of the United Jewish Communities of North America; Danny Liebrant, chairman of the Commissioners of Keren Hayesod; and James Tisch of the Jewish Federation of New York.

Lauder, who is the chief financier of Netanyahu's political career, on Oct. 18 called for convening a "world Jewish summit," to be held within two weeks after the Oct. 21 Arab summit. This would be timed just prior to the Nov. 7 U.S. elections.

Palestinians Under Siege

Upon his return from Sharm al-Sheikh, Arafat issued a call to his people to abide by the agreement, but it is feared that the situation has gone beyond his control.

Barak's separation plan drew a sharp attack from Palestinian chief negotiator Erekat, who called it the "gravest step Israel could take." He charged, "This is not a separation plan. It is a plan of suffocation and occupation. It will not be tolerated by us."

The Arab Summit, which will include representatives of 22 Arab nations, will have met in Cairo on Oct. 21 for the first time since 1996, to take up the Palestinian question. Although as of this writing it is impossible to say what decisions will be taken, the summit promises to demonstrate a level of Arab unity not seen in over a decade.

Flash-points for Escalation

Developments in the third week in October offered flash-points that could rapidly internationalize the conflict. The first was the capture of four Israelis by the Hezbollah, including three soldiers who were captured during a clash along the Israeli border with Lebanon. This was followed shortly thereafter by the capture of another Israeli, Elhanan Tannenbaum, a colonel in the Israeli reserves, whom the Hezbollah claim is a Mossad agent. The Hezbollah is demanding that these captives be exchanged with Hezbollah members and Palestinian prisoners held by Israel. While Israel is using diplomatic means to seek their release, Barak has warned, in a not-so-veiled threat to use force, that Israel will hold Lebanon and Syria responsible.

The second point of possible escalation could follow from the bombing of the American warship *USS Cole*, in the Yemeni port of Aden, which killed 17 American sailors. U.S. intelligence sources have informed *EIR* that the damage sustained by the ship would confirm that the device must have involved a sophisticated bomb, either some type of rocket or shaped charge. In any case, it would have required a very high explosive, which would rule out "amateurs" linked to phantom terrorist Osama bin Laden.

It is feared that the attack could serve as a pretext for some wild U.S. attack against Iraq, Sudan, or Afghanistan — as had been done in the past — which would further inflame the situation.

UN Embargo Against Iraq Crumbles

by Muriel Mirak-Weissbach

The sanctions regime imposed on Iraq in 1990, is in the process of deteriorating, without any vote having been taken in any UN body. In a development which epitomizes the new flavor in international relations, certain steps taken unilaterally by certain governments, have established a *fait accompli*, which has utterly undermined the sanctions. What happened was, simply, this: The Russian government decided to send an airplane with political personalities on board, to the Saddam Hussein International Airport, in the Iraqi capital. To accommodate the visit, the Iraqi authorities opened up the airport, and restored its facilities, which had been closed since 1990.

Flying into Baghdad was a forceful way of calling a bluff. That is, since the sanctions had been imposed in 1990, all goods shipped to Iraq had to be approved by the UN Sanctions Committee. Transportation into Iraq had to be organized overland, through Jordan, mainly, as flights into the country were banned. The exceptions were flights organized by the UN itself, which went into Habbaniya Airport, a military airport, 80 kilometers outside the capital.

In addition to the UN regulations, there was an unwritten law, established by pure arbitrary will, whereby passenger flights were also forbidden to land in Iraq. Although the Iraqi government had repeatedly made this known to friendly governments, who were sending in humanitarian aid shipments, and urged them to send in planes, no country dared to challenge the practice.

Russia, France Lead the Way

In August of this year, that changed. Following a visit by Iraqi Deputy Prime Minister Dr. Tariq Aziz, to Moscow, in mid-August, arrangements were made for the Russian plane to land in Baghdad. On Aug. 17, the Baghdad Airport was reopened, and made ready for service. On Aug. 19, the first Russian plane arrived.

Then, on Sept. 21, a plane from France arrived, with several prominent political figures and intellectuals on board. Although the group organizing the flight was private, made up of leftists generally, Foreign Minister Hubert Védrine gave his blessing to the initiative, by announcing, "A charter plane toward Baghdad proposed by a French group would not nec-



An Iraqi Airways plane is loaded with relief supplies at Arlanda Airport, Stockholm, Sweden, on Nov. 15, 1991.

essarily violate the international sanctions.” On board the plane, were former Foreign Minister Claude Cheysson, former Justice Minister Robert Badinter, and Abbé Pierre, a well-known Catholic priest engaged in humanitarian activities.

Since then, nations have been lining up to fly to Baghdad. Morocco, Yemen, and Jordan were among the first Arab countries to follow suit, along with Algeria, Egypt, Syria, Tunisia, the United Arab Emirates, and Yemen. Lebanon and Sudan have announced plans to fly there. Russia has not only continued its flights, but on Oct. 2, the Russian airline Aeroflot made known that it intended to reestablish regular airline service, which had been stopped in 1990. According to a statement by the Iraqi transport minister, “Scheduled flights by Russian planes will start in two weeks, and Iraq requests the planes to fly through Iranian airspace.” Iran responded by saying that it would grant permission. As if to drive home the point, Iranian Foreign Minister Kamal Kharazzi demonstratively flew into Baghdad Airport, for a high-profile visit.

Turkey has also started flights into the neighboring country, and on Oct. 11, announced that it would resume pumping Iraqi oil at full capacity — about 1.6 million barrels per day — through the pipeline from Kirkuk to Turkey’s Mediterranean port of Yumurtalik. The move has manifold implications, not only because Turkey is a NATO member, but because the U.S. and U.K. air raids against targets in northern Iraq, have originated from the Turkish air base at Incirlik. Turkey also called for the lifting of all the sanctions against Iraq.

Most recently, Jürgen Moellemann, a political leader of the German liberal Free Democratic Party (FDP) and president of the German-Arab Friendship Society, announced that

he would soon travel to Iraq, by plane.

U.S. Secretary of State Madeleine Albright and U.S. Defense Secretary William Cohen have protested loudly, and registered their complaints directly with the some of the governments involved. They have insisted, that such passenger flights violate the embargo—a patent lie. State Department spokesman Richard Boucher put it this way: “A violation of the sanctions regime, and an action that’s inconsistent with the sanctions regime, both amount to the same thing. . . . Unapproved flights [are] inconsistent with the sanctions regime. . . . Syria didn’t notify the Sanctions Committee of the flight. . . . Egypt, in fact, did notify the Sanctions Committee, but didn’t wait for the approval.”

No matter how much the State Department may scream, Boucher and company are facing a *fait accompli*. And there is not much they can do about it, unless they wish to start shooting down Russian, French, and other civilian aircraft flying into Baghdad.

On Sept. 28, after a Jordanian plane touched down in the Iraqi capital, Iraqi Deputy Prime Minister Tariq Aziz urged Arab states to adopt “airplane diplomacy” and organize more flights to Baghdad. Correctly characterizing the situation, he said, “It is the beginning of the collapse of the sanctions.”

He could have added, it is the beginning of the collapse of global Anglo-American power; for, that is what the airplane diplomacy symptomizes.

Iraq Rehabilitated

The next steps in the “airplane diplomacy,” will be the restoration of regular airline traffic in and out of the country.

In addition to the Russians, the Indians have also reopened their Baghdad offices. Others are expected to follow suit.

Iraq, itself, will move to reestablish its own airline, too. At the time of Desert Storm, in January 1991, a large number of Iraqi Airways passenger planes were grounded, in Algeria, Iran, and Jordan. Due to lack of maintenance over the intervening period, they have fallen into disuse. Iraqi sources have confirmed that the government now plans to purchase up to 20 Airbus airliners from France, as soon as the sanctions have been lifted officially.

The issue of airline travel has always been a test case for the authority of the United States and U.K. to dictate policy vis-à-vis Iraq. In 1991, this author was engaged in a humanitarian aid effort, under the rubric of the Committee to Save the Children in Iraq, which organized several shipments of medicines, hospital equipment, and food into Iraq. The Committee had been set up on the initiative of the Schiller Institute, together with the Patriarchate of the Chaldean Church in Baghdad, and the International Progress Organization, based in Vienna.

The first major shipment occurred in summer 1991, through an arrangement with the United Nations Inter-Agency Humanitarian Programme for Iraq, Kuwait, and the Iraq/Turkey and Iraq/Iran Border Areas, which chartered a Russian cargo plane to fly supplies directly into Iraq. The mission, which originally was to leave over a month earlier, was systematically sabotaged, and postponed, ostensibly through bureaucratic red tape, but actually, through high-level political interference, from the United States, the U.K., and, at the time, Russia. One leading reason for the sabotage, was that the Committee's initiative was correctly identified as associated with Lyndon LaRouche, the only prominent American political figure to denounce the war and embargo against Iraq. To give just one indication of the sabotage, on July 1, television anchorman Ulrich Wickert used his debut on German national television, to air a slander against the Committee to Save the Children in Iraq, and its organizers. Wickert claimed that it was a swindle, and had nothing to do with humanitarian work. The following day, after weeks of political infighting, the Aeroflot Ilyushin left Frankfurt airport and landed in Habbaniya Airport, outside Baghdad.

During that and subsequent visits to Iraq, members of the Committee arranged with Iraqi authorities to have groups of children, who had been wounded in the war, sent to Germany and the United States for treatment and surgery which, due to the sanctions, they could not receive in Iraq. To transport the children out, again, planes were required. Through the Office of the Executive Delegate of the Secretary General, the first group of 30 children was sent by plane to Frankfurt. A second group, destined for the United States, had to be flown to Amman by propeller plane, and thence by normal carriers to Frankfurt and Washington.

As contributions in kind—food, medical equipment, and

medicines—continued to flow into the Committee from all over Europe and the United States (including massive donations of milk powder by American farmers), the Committee sought further air transportation. Since the Iraqi Airways planes were grounded through the hostilities, some planes were abroad and could be used.

Iraqi Fleet Idled

The fact that Iraq had so many civilian and cargo planes available, and, at that time, in good shape, meant that one could have utilized them for humanitarian shipments, as well as routine travel for UN personnel involved in humanitarian work. In August 1991, en route from Iraq to Europe, this author proposed to the UN Executive Delegate, that Iraqi Airways planes might be used for all such transportation. The Executive Delegate, after studying the idea, drew up an official proposal to this effect, whereby Iraqi Airways planes would be mobilized. The proposal cited the fact that “the lack of regular airflights to and from Iraq, represent[ed] a major constraint in the timely delivery of relief equipment and in the transportation of international staff.” At the time, about three UN chartered flights were being operated monthly. The new proposal contemplated two regular rotations of flights, Amman-Geneva-Baghdad-Geneva-Amman, plus one off-rotation, per month. Iraq would supply the planes, maintenance, and crew, and the UN office would supply the funds.

The UN Sanctions Committee shot the proposal down, even though it originated from the Office of the Executive Delegate. The reason was simply, that even such controlled use of the Iraqi Airways planes, would have been interpreted as a weakening of the sanctions regime.

The Committee to Save the Children in Iraq went ahead nonetheless, and independently organized a flight with an Iraqi Airways cargo plane, from Stockholm, in November 1991. Following a tortuous bureaucratic fight with the UN Sanctions Committee, the Committee to Save the Children in Iraq finally succeeded in acquiring a permit to have one such plane fly a large load of hospital beds, and other equipment, and medicines. The UN Sanctions Committee refused to allow the plane to fly into Iraq, but let it land in the Jordanian capital, Amman. From there, the cargo was transported to Baghdad overland.

That was the first, and last, Iraqi Airways plane to be used for humanitarian aid missions.

This background case (which had not been made public until now) highlights the extreme sensitivity of the matter of airline travel into Iraq, for those in the United States and U.K., who believe they can maintain a pariah status for Iraq.

Now, with the advent of “airplane diplomacy,” the authority of the United States and U.K. is being rendered irrelevant. It is one more indication that the would-be gods of Olympus, who arrogantly believe they can dictate behavior to the rest of the world, to suit their whims and prejudices, will soon be gathering dust on a shelf in a dimly lit museum, somewhere.

A Political Storm That Might Pull Down the French Presidency

by Christine Bierre

A scandal has erupted in France, implicating President Jacques Chirac (RPR, neo-Gaullists) and Prime Minister Lionel Jospin (Socialist Party), which has the ugly potential to bring down the government, and discredit the institutions of the nation. The scandal has broken out at a time when institutional forces in France are more and more openly challenging the unipolar strategic policy of the Anglo-American elites.

The manner in which the crisis broke, is typical of intelligence operations, like the British-steered "Clean Hands" prosecutions which dismantled Italy's post-war political institutions, or, more recently, those directed against former German Chancellor Helmut Kohl. The method is the same: revelations are made of alleged corruption on the part of the person or persons, press campaigns follow, with investigative material, and judicial proceedings are opened up, leading to indictments, convictions, and jailings; or, those targeted resign and disappear from political life.

Although there is no material evidence to identify foreign forces as behind the scandals, it is clear that it is the Anglo-Americans who would have everything to gain from a significant weakening of the French government. Increasingly over recent years, France has come to represent a position of outright opposition to the core policies of the Anglo-American financial oligarchy, and has thereby provoked furious attacks from Margaret Thatcher, Zbigniew Brzezinski, and other figures of that establishment.

In a briefing to the French diplomatic corps in September, Foreign Minister Hubert Védrine issued an explicit denunciation of the economic and strategic policies of the Anglo-American elites worldwide. Védrine also attacked U.S. Secretary of State Madeleine Albright's pontificating on "democracy," at a June 25-27 international conference in Warsaw, and rejected her proposal for a "club of democratic states" (see Mark Burdman, "French Foul Up Albright's 'Democratic' Fascist Scheme," *EIR*, July 7, 2000).

Worse, from the standpoint of these forces, is the fact that France is increasingly coordinating policies with powerful independent countries including China, Russia, and India, exerting leverage to block or sabotage Anglo-American initiatives. It was China, Russia, and France's opposition to the national missile defense program which encouraged President Clinton to postpone the decision to launch the program. It was also Russia and France which first challenged the United

Nations embargo on Iraq, by sending planes into Baghdad Airport.

The Videotape Scandal

On Sept. 22, the leading French daily *Le Monde* published the transcript of a videotape which had been made by Jean Claude Mery, a former RPR executive member who died in 1999, who was in charge of collecting funds for the party from Paris region real estate and construction companies. Mery produced the videotape on May 14, 1996, while he was already under examination by the judges for accepting kickbacks from those real estate firms. The message on the tape confirmed an open secret: that the RPR, under the leadership of Mery and Michel Roussin, who served as chief of cabinet for Chirac both as Prime Minister in 1986 and later on as Mayor of Paris, had organized the system of corruption in the public real estate markets in the Paris region. Mery describes how, in 1985, when he first took responsibility for dealing with the real estate companies for the RPR, the kickbacks paid by those companies to the RPR, in exchange for construction contracts and renovation of all public housing and schools in the Paris area, were "limited" to 300,000 francs per year. After he had reorganized the system, the sum had reached FF 35-40 million per year!

Mery, who feared for his life because of what he knew, asked Arnaud Hammelin, president of a small TV documentary company, Sunset Press, to tape his testimony and to make it public in case something happened to him. Mery died in June 1999, and last September, Hammelin decided to give the videotape to *Le Monde*, which proceeded to publish it.

Although much of the material in the tapes was already known, what is new and damning is that 1) for the first time, the entire corruption system is described by its author; 2) the role of Roussin, a close collaborator of Chirac, is brought to the fore; and, 3) the entire system was organized on behalf of then-Paris Mayor Chirac. In fact, Mery reports that in October 1985, he personally delivered to Roussin, in Chirac's presence, FF 5 million in cash, paid by a subsidiary of the Compagnie Générale des Eaux.

Mery reports also that the system was organized in such a way that all the parties got some of the loot. Thus, in one case, the Communist Party received FF 1 million and the Socialists FF 3.5 million.



French President Jacques Chirac (left) and Prime Minister Lionel Jospin are targets of a scandal that is threatening the stability of the French state, because of recent challenges to Anglo-American unipolar rule.

Hours after *Le Monde*'s publication of the Mery tape, the weekly *L'Express* revealed on its website that former Finance Minister Dominique Strauss-Kahn had received the original master of the tape when he was still Finance Minister, as part of a deal between the Treasury and fashion magnate Karl Lagerfeld, negotiated by Lagerfeld's lawyer, Alain Belot, also a former collaborator of Strauss-Kahn and former lawyer of Mery. As a result, Lagerfeld's taxes were reduced from FF 300 million to FF 40 million. For several days, Strauss-Kahn found himself at the center of a media storm, suspected of having withheld the tape from the authorities investigating the Mery case, in order to use it later for blackmail purposes against Chirac. The investigating magistrates immediately seized the opportunity to raid Strauss-Kahn's offices and home to look for the videotape, and place Strauss-Kahn under investigation for "obstruction of justice" and for corruption in the Lagerfeld negotiations, even though such deals are common at the Finance Ministry. Strauss-Kahn claims that he misplaced the videotape and, indeed, the judges were not able to find it.

Prime Minister Jospin was also suspected of having known about the videotape. The first damage control measures taken by Jospin, in an attempt to save his government, involved breaking with Strauss-Kahn. He and the top leadership of the Socialist Party (PS), demanded in public statements that Strauss-Kahn collaborate fully with the judges and clear himself in the affair. Throwing Dominique Strauss-Kahn to the wolves, however, will not entirely save Jospin's Socialist Party.

The State Is Tottering

The enemies of France must have rejoiced to see the results of this scandal. In a matter of hours, President Chirac and Prime Minister Jospin were at each other's throats, in a

rare display of disunity at the highest levels of the state.

Not knowing where the attack was coming from, Chirac and his camp first lashed out against Jean Tiberi, the current Mayor of Paris who has decided to run for another term, against the wishes of the RPR leadership. Tiberi has been threatening to use his knowledge of illegal financial practices in the RPR, to blackmail Chirac and the RPR leadership. Later, when the involvement of Strauss-Kahn came to light, Chirac tried to attack the Socialist Party in an attempt to hide his own role in the affair.

Jospin reacted in a more dignified way, calling on Socialist Party members of parliament, who had assembled in Lyon for a meeting, not to allow their attention to be distracted from the essential point: the task of governing.

His appeal for rationality did not, however, prevent his advisers from making incendiary statements to the press, such as, "They have unleashed the dogs, now we're gonna fight."

Will the Government Survive?

Recognizing the terrible consequences that this brawl has had both at home and abroad, Chirac and Jospin decided on a truce. According to *Le Canard Enchaîné*, which appeared in the first week of October, two polls had been decisive in prompting them to make such a decision. According to one poll, 70% said they wanted Chirac to provide an explanation of the scandals, and another showed that 54% would not like to be presented with the choice, in Presidential election run-offs, between Jospin and Chirac.

At the height of the scandal in the last week of September, relations between the two heads of the executive had so deteriorated, that it seemed that early elections would be required to reestablish trust in the leadership. But both Chirac and Jospin realized, that their popularity had sunk so low — Jospin had dropped 16% in popularity, and Chirac 10% — that they would make a poor showing in elections. Both thought that the later such elections were to take place, the better; they could gain time to recoup their images.

The trouble for Chirac and Jospin does not end here. There are legal cases that could blow up in their faces, and elements of the judiciary are out like hounds on the scent of blood.

At this point, Chirac's name could pop up in at least five cases currently under investigation, all related to illegal fundraising practices, dating back to a period when the law provided no framework for the financing of political parties: a case of fictitious jobs for RPR members paid for by the Paris municipality, and four cases of corruption related to market valuations for construction of low-cost public housing, public

schools, modernization of public buildings, and real estate markets.

The situation is similar for Jospin, whose name could emerge in two cases, including one involving kickbacks allegedly given by the Socialist Party to large supermarkets. A close friend of Jospin, a fundraiser for the Socialist Party, is directly targeted by this scandal. Jospin could also be implicated in a scandal involving the student social security organization, the MNEF.

A Ruling for Immunity

In principle, Chirac, as President, is protected from any juridical investigation, according to a finding by the Constitutional Council, which was issued when Roland Dumas (PS) was still its president. The finding of France's highest constitutional court, was that the President of the Republic, while in office, is not liable for alleged crimes or misdemeanors committed before his term in office. No prosecution could begin, until after he has left office. However, the French Supreme Court, which is the body that would decide such cases, has declared that it does not feel bound by this opinion. Although it would be very unusual for these two institutions of the judicial system to be at loggerheads, because they both represent the interests of the French establishment at the highest level, it should not be ruled out entirely, if all hell breaks loose.

Furthermore, the finding of the Constitutional Council has already been questioned by experts, and by the public. In a poll conducted by the Sofres Institute, and published by *Le Monde* on Oct. 5, Chirac seemed to fare well: 49% said that they believe the entire Mery affair was "political manipulation" against Chirac, 34% believe that it was "much ado about nothing," and 16% were indifferent to the entire case. However, 80% said that they thought that the President must testify if summoned by a judge; 72% said that the President should be ready to provide explanations to the French public, and 71% said that they considered the idea of immunity for the President of the Republic "not normal."

On Oct. 8, the stakes were raised. Raymond Forni, the president of the National Assembly, the third-highest state official, called on Chirac to explain himself either before the judges, or before the population. Days later, pandemonium broke out in the National Assembly, when a parliamentarian from the Green Party launched an assault against Chirac's "immunity" as President. He was followed by other parliamentarians, members of the Socialist Party. In response, some RPR deputies demanded explanations from Jospin, regarding reports that his former Finance Minister, Strauss-Kahn, had been in the possession of the famous Mery videotapes. Jospin, joined by Justice Minister Elizabeth Guigou, nipped the debate in the bud, making clear that such a debate would not take place in that form.

Following this eruption, the Presidency and the Prime Ministry came to some agreement for a truce — at least temporarily.

Queen's Britain Goes To Pot

by Mark Burdman

During the week of Oct. 9, Queen Elizabeth II made one of her regular "walkabouts" in Britain, meeting her subjects, and trying to demonstrate that, despite evidence to the contrary, she is a human being. But events took an unusual turn, when she was presented, by one admirer, with a marijuana plant. The next day, the media in Britain highlighted photos of Her Majesty holding the plant in her hand.

Buckingham Palace reacted with great haste, to insist that the Sovereign had been totally surprised when presented with this gift, and had not known it was marijuana. The Palace, of course, is super-sensitive, that such photos might convey the impression that "the Queen pushes drugs," and then, people around the world will start wondering, why a million or so slanders of Lyndon LaRouche have appeared in the international media in the past couple of decades, falsely attributing this quote to LaRouche.

Alas, all the denials from the Palace had a somewhat limited effect. It gave various commentators in the U.K., the opportunity to remind their readers that Elizabeth II's ancestor, Queen Victoria, had regularly used cannabis, in the 19th Century, supposedly for "medicinal reasons."

Beyond this, the walkabout incident came amidst a gigantic campaign in Britain, among the political class and others, to legalize cannabis, as a stepping-stone to wider drug legalization. For many, Her Majesty's holding a marijuana plant aloft seemed to be a deliberate stunt. One Scottish influential told *EIR*: "This was no mere accident. She probably goes into the back rooms, and smokes from time to time."

'Legalize All Narcotics Substances'

During October, Britain has been in a state of frenzy, over legalization of marijuana/cannabis and other drugs. This unhinged state of mind is not entirely surprising, given that the world is in a period of wildly exacerbating global financial and strategic crises. One characteristically British reflex, although one that is by no means shared universally in the country, would be to dive into the worst depths of degeneracy. The more diabolical elements in the Establishment would see such a conjuncture as the present, as the perfect opportunity to launch a global opium war, on the model of what was done to China in the 19th Century, including against the British population itself. Legalizing drugs would also be important, in their view, to provide new sources of funds, to feed the

financial bubble.

This mood is typified by an Oct. 11 commentary by senior London *Times* writer Simon Jenkins, an individual who has known his more clear-headed moments, in having opposed the 1999 Kosovo war and other foreign misadventures of Prime Minister Tony Blair. Since then, Jenkins seems to have had regular bouts of hallucinations, typified by his fanatical promotion of Blair's garish "Millennium Dome" monstrosity in Greenwich.

In his piece, Jenkins proclaimed: "I would formally legalize all narcotics substances," and not just possession and sale, but also supply. He praised as "convincing," the proposal made earlier in the week by a local British police chief, for "the entire market chain to be legalized"; for domestic production and consumption to be made lawful, pub outlets licensed, and distribution decriminalized; and cannabis, once legalized, to be taxed.

Jenkins expanded on the latter point, indicating the desperation in certain London circles, to get their hands on whatever revenues they can find. He reported that there is a growing and "unregulated . . . market in derivatives, of marijuana, coca, and poppy," the which market is very "anarchic." Should cannabis be legalized, this could be "regulated," and revenues generated by taxing the market.

He sophistically argued that "hard drugs are now the greatest menace to world stability, after war and natural disaster," and therefore must be "decriminalized." His other main argument, is that marijuana use in Britain has tripled since the 1970s, under conditions of illegality, and that that figure would drop, should it be legalized.

The fact is, in England and Wales, there are more marijuana smokers per capita than in any other European Union country, and according to the official EU drugs agency, Britain has the largest number of young users of any EU member. There is also a growing use of cocaine, heroin, Ecstasy, and other dangerous drugs. While Jenkins claims that such trends require immediate legalization, experts in the field insist that the enormous scale of use is worsened by widespread ignorance of the medical dangers involved.

Growing drug usage is also a consequence of the economic decay and demoralization brought about by the successive Margaret Thatcher, John Major, and Blair governments. Thatcher, who was Prime Minister from 1979 to 1990, fostered cultural degeneracy and criminality, with her ultra-"free market" radicalism.

Perpetrating Criminal Fraud

Jenkins was followed by other signs of derangement. In the Oct. 14 *Daily Telegraph*, prominent British media figure Sarah Dunant announced that she was performing an act of "civil disobedience" against Britain's drug laws, by announcing to the world, that she is an "occasional" cannabis smoker, and derives "acute pleasure . . . smoking dope with friends." All the more perversely, this 49-year-old Baby Boomer said

that she was doing this, because her 12-year-old daughter, in rage against catching her mother smoking dope, challenged her angrily, to do it publicly, and defy the law, if she felt so strongly about doing it.

The next day's *Sunday Telegraph*, part of the Hollinger Corp. chain, featured an article by 60-year-old former Vatican correspondent Alexander Chancellor, recounting how he was sent by the paper, accompanied by his 73-year-old brother, to Amsterdam, to smoke marijuana at several of that city's legal "cannabis cafés." The article carried a ridiculous photo of the stodgy Chancellor, who claimed he had never tried marijuana before, puffing on a joint. While he tried to be dismissive about the whole episode, his central message was that Holland, with its legalized cannabis, deals with the problem more effectively, and has a much lower rate of cannabis usage among young people, than in Britain, where cannabis is illegal.

The *Sunday Telegraph* also reported assurances from Britain's Royal Pharmaceutical Society (RPS), that, based on a study of six (!) people, it has been "shown" that cannabis has few side effects, and will, in the coming years, be legalized "for medical use." Shortly thereafter, it will be "license[d] for social use."

The RPS claims, supposedly based on another study, that marijuana has proved a wonder drug for those suffering from Multiple Sclerosis (MS). Yet, the same article reports an RPS admission, that cannabis negatively affects one's balance while walking. Himself suffering from MS, this writer can affirm without equivocation, that the last thing someone with MS needs, or should want, is the intake of any substance that has this effect, since balance difficulty while walking is one of the most common, and distressing symptoms of MS—and worsens, naturally, as the disease, which is almost always degenerative and has no known cure, progresses. And this leaves aside, the potential other destructive effects that cannabis could have for MS sufferers, in exacerbating muscle weakness, distorting brain and nervous system functions, and so on.

Advising cannabis for MS is, at best, to perpetrate fraud, and, more likely, a criminal act. The British and other pharmaceutical conglomerates undoubtedly are encouraging such filth, so that they can cash in, if and when cannabis is legalized. It is germane, that in the United States, the main funder of marijuana legalization campaigns, often on bogus "medical" grounds, is mega-speculator George Soros.

The drug-promoting *Times* and *Telegraph* chains are owned, respectively, by Australian Rupert Murdoch and Canadian Conrad Black, both big players in high-flying financial operations. Black likes to make a big deal about his conversion to Roman Catholicism and his moralistic views, but like his idol Thatcher, is a moral-philosophical degenerate.

Unbalanced Politicians

"Balance problems" is an adequate phrase, to describe the state of mind of a growing number of British politicians.

In the past days, Charles Kennedy, leader of the Liberal Democratic Party, has publicly called for the “decriminalization” of cannabis, and for the establishment of a “Royal Commission,” to study and reform drugs policy in Britain.

The situation in the main opposition party, the Conservatives, has become completely insane. At their annual party conference earlier this month, a crucial moment came when the “shadow” Home Secretary, Ann Widdecombe, called for the police in Britain to impose a mandatory fine, for someone caught in possession of, and/or smoking marijuana. While her policy is consistent with the current state of British law, and correctly adheres to maintaining the illegality of marijuana, her statement backfired—and only partially because Widdecombe, who physically resembles a cross between a Sherman tank and a pit-bull terrier, tends to make a caricature of law enforcement toughness, whenever she speaks.

In the days following her speech, a herd of Tories rushed to declare that marijuana smoking is fine. No fewer than eight shadow ministers or leading party spokesman publicly announced that they had, in earlier times, used cannabis. Agriculture spokesman Tim Yeo exulted, about how much he had enjoyed (assuming he still doesn’t) cannabis. Conservative leader William Hague made an embarrassing renunciation of Widdecombe’s cannabis policy, making himself and his Thatcher-loving party look more foolish than it already is.

Did Tony Inhale?

As of this writing, two current Cabinet ministers, members of Blair’s “New Labour” government, have also announced that they had used cannabis when they were younger. More can be expected to follow suit, as they pander to the current frenzy.

The government is nominally committed to holding firm on its anti-drug policy. But Blair, ever the political prostitute, has begun to shift ground. Interviewed on British television over the Oct. 14-15 weekend, he softened his views, declaring that “it is up to people to do what they want to do,” and that it would be “wrong” for him to advise parents to tell their children not to use drugs, if the parents don’t agree.

Blair was attacked for this retreat, by both the Metropolitan Police Federation and the Association of Chief Police Officers. Leading British anti-drugs campaigner Paul Betts, whose teenage daughter Leah had died of drug use in a highly publicized case some years back, said of Blair’s statements: “This is really unhelpful, and it worries me.” He said that it would be irresponsible, and wrong, to leave the matter up to “parental or user choice,” stressing that young people were getting into “deep trouble through cannabis,” and noting that, in his speaking tours throughout Britain, he had come across growing numbers of cases of young people “dropping out of college, or suffering psychological side effects” because of cannabis use.

For the moment, Blair is sticking to the story that he never

smoked marijuana, even in his days as a counterculture rock ’n’ roll freak, claiming that he would not, then, disobey his father’s disapproval of dope-smoking. The story is hard to believe, especially given the report in the Oct. 15 *Sunday Times*, accompanied by a photo of the scraggly, long-haired young Blair, that his 1970s rock group, “Ugly Rumors,” was named after words in a song by the Grateful Dead. The Grateful Dead specialized in what is called “acid (i.e., LSD) rock,” and was notorious, as one of the main promoters worldwide, of both “soft” and “hard” drugs.

Should Blair find it to his advantage with “the public,” he will change his story overnight, perhaps adhering to the infamous phrase of a certain American President whom he has befriended, that he “smoked, but didn’t inhale.”

How Thatcher Wrecked ‘The Common Good’

by Mark Burdman

During the week of Oct. 9, former British Prime Minister, Baroness Margaret Thatcher, celebrated her 75th birthday. It is appropriate, on this occasion, to ask, how will she be seen by historians of the future?



There is little doubt that, should civilization survive its current crisis without descending into a New Dark Age, the evaluation of Thatcher will not be that of her admirers and apologists, in Britain, the United States, and elsewhere, today. Rather, it will be that she was some kind of Genghis Khan in skirts, sweeping around the globe on her broomstick, handbag in tow, wreaking havoc on nations and peoples, with her anti-social fanaticism for the unbridled free market, and the imperative of greed and selfishness. Indeed, for civilization to survive, it is urgent that the Barrenness’s ideas be decisively repudiated now.

Happily, Thatcher has received some pre-birthday commemorations, in a couple of hard-hitting insights into the destruction she wrought as British Prime Minister.

The first, elements of which have already been reported in *EIR*, was a program aired in Germany during the first days of October, on both the Arte television network, and then on the second national television channel, ZDF. This was a

“docu-drama,” composed for the tenth anniversary of German reunification, which occurred on Oct. 3. The actress who played Thatcher, weird bouffant hairdo and all, depicted her ranting against the “German threat,” at one point pulling out from her handbag, a map from 1939, showing Germany’s borders then, and warning that domination of Europe, and perhaps the world, would always be Germany’s aim. She was also depicted conniving with an actor playing the sly and immoral late French President François Mitterrand, to come up with ways to stop, at all costs, the unity of West and East Germany. Thatcher, the world-renowned “anti-Communist,” frantically tried to devise formulas to bolster the decrepit and dying Communist regime of the German Democratic Republic.

‘Hatred of Culture and Civilisation’

Also on Oct. 3, a political bombshell against Thatcher was exploded within Britain, by a peer, another woman member of the House of Lords, Baroness Mary Warnock. It came in the form of an extract, published in the London *Times*, from Baroness Warnock’s new book of memoirs. The *Times* extract was published under the title, “The Iron Legacy,” a play on the description of Thatcher as “The Iron Lady.” The sub-title read, “Ten years after Margaret Thatcher left Downing Street, the educationist Mary Warnock blames her for having destroyed our sense of the common good.”

As Lyndon LaRouche has stressed, “the common good”—or, more exactly, “the general welfare,” as is written in the Preamble to the U.S. Constitution—is the basis for all positive policies of the sovereign nation-state, as the nation-state evolved out of the 15th-Century Golden Renaissance. It is the essential idea, that differentiates humankind from beasts; eliminate it, and man is reduced to bestiality.

Admittedly, Baroness Warnock, a senior figure in the British Establishment, is hardly innocent of some of the vices of that species. Among other things, she has been involved in a number of dubious projects concerning “bio-ethics” and “medical ethics,” and has specialized in “existentialist philosophy.” Also, right before Christmas 1995, she presided over a “jury” which decided that apes should have equal rights with human beings (although she insisted, in a later discussion with this writer, that it was all an elaborate joke). But at the same time, she is one among those British Establishment figures, particularly among the older generation, who believe that Britain should maintain some bottom-line educational, moral, and cultural standards, and should not descend into outright barbarism.

Even though Baroness Warnock’s understanding of “the common good” or “general welfare” does not exactly conform to that of LaRouche, her critique of Thatcher on this point is devastating—and on the mark.

She opens by asking, “What was it that made so many of us detest Margaret Thatcher?” She answers: “Partly it was her deep philistinism, amounting not just to a failure to under-

stand, but a positive hatred of culture, learning, and civilisation.” Warnock lambasts Thatcher’s “ego-centricity,” as well as “the crudity, philistinism, and aggression that made up her character.”

Warnock reports her “total despair” at what Thatcher and her government did to British higher education. Thatcher was wont to claim, that she was steadfastly opposed to the “centralised, managerial, bureaucratic, interventionist style of government.” In reality, Warnock charges, the practice of sending in bureaucratic “experts,” who would override qualified individuals in order to judge the “output” of academic departments, “was like the Stalinist cultural experts sent in to ‘evaluate’ ” Russian music.

In Warnock’s view, “the condition to which higher education was reduced was . . . one of the worst effects of Thatcherism. . . . The concept of learning, the respect for higher education for its own sake, as something intrinsically worth having, an essential part of any civilised society, had been thrown out.”

Warnock acknowledges that, in the years before Thatcher’s 1979-90 reign as Prime Minister, British education suffered from horrible problems. But Thatcher’s means of dealing with them, made the situation far worse.

‘Harmful to Society as a Whole’

Warnock notes that, under Thatcher, “the free market would operate. . . . Parents, it was assumed, wanted their children educated to form a workforce. . . . Of course, in real life, the market could not possibly function as intended. . . . The Thatcherite attempt to supply the language of the free market to education (and, one may assume, to health) not only could not work, but was intensely damaging. The true purpose of education was lost in the commercial jargon of cost-effectiveness, value for money, and quality assurance.”

Warnock charges that “perhaps of all the legacies of Margaret Thatcher, the most pervasive was the assumption that nothing matters except the non-squandering of money. . . . Thatcherism increasingly, as the 1980s went on, became associated with the yuppie culture, the admiration for the upwardly mobile. But ‘upwards’ meant ‘richer.’ In such a culture, it becomes increasingly easy to cross the line between honest and dishonest means of becoming rich.”

The author argues: “If personal wealth is generally seen as the highest value, then the means to attain it may gradually become a matter of indifference. The legacy of Thatcher, then, is still pervasive and harmful to society as a whole. The idea of the common good . . . has simply become lost.”

Baroness Warnock concludes: “Out of her character and her tastes arose a kind of generalised selfishness hard to reconcile with the qualities of a truly civilised society; and since Thatcherism is by no means dead, even under a Labour government, the damage is widespread indeed.”

In other words, “The Iron Legacy” is very much alive under current Prime Minister Tony Blair and Company.

Lockerbie Prosecution Lies in Shambles

by Jeffrey Steinberg

As we near the 12th anniversary of the bombing of Pan Am Flight 103 over Lockerbie, Scotland, the case against two Libyan intelligence officers is apparently coming unglued. Since May, Abdelbaset Ali Mohamed al-Megrahi and Al-Amin Khalifa Fhimah have been on trial at Camp Zeist in the Netherlands, accused of having placed a bomb on an Air Malta flight, which was transferred to Pan Am 103 on Dec. 21, 1988, causing the plane to explode in midair, killing all 259 passengers and crew on board, and 11 people on the ground.

Originally, all available evidence had pointed to the Syria-based Popular Front for the Liberation of Palestine-General Command (PFLP-GC) as the terrorist group behind the bombing. PFLP-GC was widely believed to have carried out the bombing with the backing of Syrian and, possibly, Libyan intelligence, at the behest of Iran's ayatollahs, seeking revenge for U.S. downing of an Iranian Air passenger jet in July 1988, which killed hundreds of civilians.

But the Syria connection was something that was not on the policy agenda of President George Bush or British Prime Minister Margaret Thatcher, particularly after Syria threw its support behind the Anglo-American "Operation Desert Storm" against Saddam Hussein in 1991.

Furthermore, one of the Syrian names that repeatedly emerged in the early phase of the investigation, was Mansur al-Kassar. A convicted international narcotics trafficker and terrorist who had been implicated in the *Achille Lauro* luxury cruise liner hijacking, al-Kassar had been employed by the Bush-Oliver North White House "secret parallel government" as an arms dealer to the Nicaraguan Contras and as the purported "second channel" for negotiating the release of American hostages in Lebanon.

Within months of the conclusion of the "New World Order" war against Iraq, the Bush Justice Department announced that "new evidence" had emerged, proving that Libya had been solely responsible for the Lockerbie bombing. The Libyan intelligence officers were indicted, Syria was let off the hook, and it was believed that Muammar Qaddafi would never cooperate with the World Court, London, or Washington, to allow the men to be tried.

Those plans came unstuck in 1999 when, after years of negotiations, a deal was struck with Qaddafi; Fhimah and al-Megrahi were shipped off to the Netherlands for trial under Scottish law, before a Scottish panel of judges.

In late September, the Crown Prosecution finally called

the only person who claimed to have been an eyewitness to the planting of the bomb at Malta Airport, a former Libyan intelligence officer who testified under the pseudonym "Abdul Majid Giaka." After three days of questioning, Giaka's testimony crumbled, and with it, according to some observers, much of the prosecution case.

Giaka defected to the CIA in August 1988, four months before the bombing. Yet, the first time he made any mention of first-hand knowledge of the Lockerbie bombing was on July 14, 1991, in a meeting with FBI and CIA agents on board a U.S. warship off Malta. Giaka, on the U.S. government payroll for three years, was by then believed by his CIA and FBI handlers to be a compulsive liar and borderline nut.

Giaka knew the meeting was his last chance to retain his ties to the United States, and the lucrative Federal Witness Protection Program (FWPP) "perks." The United States had just announced the Libyan indictments and, according to al-Megrahi's lawyer, William Taylor QC, Giaka stood to receive the \$2 million U.S. government reward, if he provided testimony leading to the conviction of the two Libyans.

It was at this meeting, and a later debriefing in Tysons Corner, Virginia, that Giaka's story first surfaced: How he saw al-Megrahi and Fhimah load the suitcase onto the luggage carousel at Malta on Dec. 21. At first, as Giaka admitted in cross-examination at Camp Zeist, he did not recall whether the incident had occurred in September, October, or December 1988. Years of trial preparation, sweetened by the payments from the FWPP, miraculously aided his memory. But under Taylor's cross-examination, his credibility evaporated.

Defense attorneys have said that, when the prosecution completes its case sometime before Christmas, they will move for a dismissal of all charges.

Another Surprise Twist

On Oct. 9, the trial took another surprise twist, suggesting that the case could evaporate even sooner. Prosecutors announced that new evidence had been provided by a government that could help the defense case. Prosecutors asked for an adjournment until Oct. 17, so the evidence could be assessed. According to one former U.S. intelligence official, the information came from a western European government, probably Sweden or Germany.

Sources close to the trial believe the information is related to a PFLP-GC figure, Mohammed Abu Talb, who was initially believed to have been involved in the plot. Now serving a life sentence in Malmö, Sweden for terrorist attacks against U.S. airlines, Talb was in Malta in the weeks prior to the Lockerbie bombing, and was originally listed by Scottish investigators as a prime suspect. He was also linked to Hafez Dalkamouni, the PFLP-GC bomb-maker and German cell leader. The two men travelled to Malta in October 1988.

Abu Talb is the next witness scheduled to testify. If the sources prove right, and the new evidence in some way implicates him, the investigation could be sent back to square one.

Wall Street Task Force Dictates Opium War Strategy Against Americas

by Gretchen Small

The final report issued on Oct. 12 by a task force convened by the New York Council on Foreign Relations (CFR) and the Inter-American Dialogue to elaborate long-term U.S. policy toward Colombia, is a mandate for war: not a war against the rampaging armies of the drug cartels, but a war against all persons, institutions, and countries in the Americas which might oppose Wall Street's decision to reduce the continent to a no-man's-land of warring drug plantations. The final report, cynically titled "Toward Greater Peace and Security in Colombia," dictates that the United States employ its full diplomatic, military, and economic power, to force Colombia, and its neighbors, to surrender to the narco-terrorist hordes which are marching ever-greater numbers of Colombians, Panamanians, Ecuadorans, and others, into their concentration camps inside Colombia.

The CFR-Dialogue report—which is a de facto policy document of *either* a Bush *or* a Gore administration in Washington—confirms in spades *EIR* Editor-in-Chief Lyndon H. LaRouche's charge, that the Wall Street-London financier interests, maddened by the collapse of their world empire, are carrying out a deliberate strategy of waging a new Opium War against the Americas. New York's CFR and the Washington-headquartered Inter-American Dialogue are, after all, the Anglo-American financiers' premier foreign policy think-tanks on this side of the Atlantic.

If You Fight, the FARC Will Shoot You

The conclusions of the task force's final report can be summed up in three points:

1. Only a "political solution," a negotiated settlement with the FARC and other raging narco-terrorist bands in Colombia, is acceptable. The Colombian state will not be permitted to defeat the narco-terrorists militarily, as Peru's President Alberto Fujimori and the military of Peru proved is eminently feasible.

2. The United States should not supply Colombia's military with the equipment needed to fight the drug traffickers and their armies, but rather must enforce the reorganization of the Colombian military, placing it under virtually direct U.S. command, so that it finally bows to "diplomatic efforts to find a political solution." This policy is called "professionalization of the Armed Forces," and involves purging the military, establishing "monitoring mechanisms," human

rights oversight, etc.

3. The United States must assume a more active role in forcing Colombia and its neighbors to accept the narco-terrorists' terms. "Multilateral structures" are to be set up, under which the United Nations and the Organization of American States will strip Colombia of all sovereignty. The report insists that the Colombian state and elite must be put through "thorough-going reforms," and the international community should draw up "performance criteria and benchmarks" by which Colombia's commitment to "peace" is to be judged.

The task force's "specialists" admit that the drug trade "fuels and benefits" the FARC, the National Liberation Army (ELN), and the United Self-Defense Units of Colombia (AUC) paramilitaries. There was disagreement among them, however, over whether their participation in the drug trade makes them criminals or not, the report stated, without a hint of irony. All concurred, however, that the Andrés Pastrana government's groveling deals with the FARC and ELN are "steps designed to put an end to the country's decades-old conflict." And the report specifically endorsed the Colombian government's decision to hand over to the FARC a Switzerland-sized territory, which functions today as a de facto independent state, and further praised their intention to do the same for the ELN.

This statement of Wall Street policy should not be misread as some proposal for the future; it is being implemented now. Two of the Colombian advisers to the CFR-Dialogue task force, Augusto Ramírez Ocampo and Juan Manuel Santos, recently joined the Pastrana government, as the Development and Finance ministers, respectively.

On Oct. 16, the Pastrana government ordered 388 military officers purged on unspecified, and of course unproven, accusations of "human rights violations." This unprecedented action was taken the same week that the FARC invited a journalist to film the concentration camp where they are holding more than 400 captured policemen and soldiers. The FARC itself released the pictures of the emaciated and dying men, as an unmistakable message: "You see what awaits you, if you do not bow to our demands."

No Opposition But LaRouche

LaRouche now stands as the sole force around which the opposition can rally to defeat such fascist policies. The task

force's basic message is that regardless of whether the next U.S. administration be headed by George W. Bush or Albert Gore, handing power to the narcos in the Americas will be the policy. As their final report notes, their mission is to provide "a long-term time frame, and goes beyond any single administration, either in Colombia or the United States." And they asserted that this is a policy which is to be imposed in Washington by "sustained, high-level bipartisan leadership for years to come."

This message is meant both for opponents of Wall Street's madness inside the United States, and for the rest of the Americas. The task force declared that it is "important to caution against alarmist prognoses"—an unmistakable reference to President Clinton's anti-drug policy adviser, Gen. Barry McCaffrey (ret.). McCaffrey launched a spirited fight in July 1999 to break the policy of "negotiating" with the narco-terrorists, and to mobilize U.S. assistance to the Colombian military and state, so that it might defend itself.

Putting the lie to the Wall Street games, McCaffrey had declared: "There's 240,000 police and army and 37 million people facing savage attack from 25,000 internal enemies funded by hundreds of millions of dollars in drug money. . . . It's a serious emergency situation." Perhaps as many as two-thirds of FARC units "benefit financially from an association with drug criminal organizations by either guarding the crops, transporting the product, or in some cases actually producing HCl," the psychoactive agent in cocaine, according to McCaffrey. All three narco-terrorist armies have, in some cases, he pointed out, "doubled the pay scale of a Colombian infantry battalion and tripled the number of automatic weapons of a Colombian Army battalion." U.S. military assistance is urgently required, he said.

But the real content of Wall Street's report, lies less in its pedantic phrases, than in the composition of the task force itself. The team was co-chaired by U.S. Sen. Bob Graham (D-Fla.), and Brent Scowcroft, former President George Bush's longtime personal aide who served as his National Security Adviser. Joining the direct representatives of Wall Street's law firms and financial houses (Sullivan & Cromwell, Warburg Dillan Read, et al.) on the task force, were an equal mix of Democrats and Bush Republicans. Among its members were President Clinton's former National Security Adviser Anthony Lake, and former White House Chief of Staff Thomas McLarty; Maryland's Kathleen Kennedy Townsend; Manatt, Phelps and Philips partner Jim Jones, Wall Street's Ambassador to Mexico in the first part of the Clinton Administration; Bush's Iran-Contra operative, Elliott Abrams; Ohio Republican Sen. Mike DeWine; Richard Hass, another former member of President Bush's National Security Council team; and that epitome of "bipartisanship," Bush's once-Democratic Assistant Secretary of State for Inter-American Affairs, Bernard Aronson.

The task force was also packed with old, bloody "Colombian hands." One such was Thomas McNamara, president

of David Rockefeller's Americas Society, who, as President Bush's Ambassador to Colombia, helped orchestrate then-President César Gaviria's phony "surrender" deal with the Medellín Cartel and its leader, Pablo Escobar. Gaviria, who today is overseeing the dismantling of the anti-drug Fujimori regime in Peru, became President of Colombia over the murdered body of the fiercely anti-drug nationalist, Luis Carlos Galán, assassinated by an assault rifle whose serial number traced it to an Israeli arms shipment paid for by Iran-Contra's Abrams himself.

Aronson, who oversaw McNamara's deals with the Medellín Cartel as Assistant Secretary of State, has published repeated newspaper commentaries arguing that "peace" in Colombia will be achieved only when the Pastrana government reaches a formal alliance with the bloody FARC.

Freeing Trade in Dope

The policy underpinning the CFR-Dialogue task force report, is drug legalization, although those words do not appear there in print. Both organizations are on the record favoring legalization. It was the Inter-American Dialogue which made itself notorious in 1986 as the first major Wall Street Establishment body to call for legalization of the dope trade, in order to ensure that "strapped economies carrying large burdens of external debt" can meet their payments from the "foreign exchange that the drug trade provides." The CFR followed suit in 1997, issuing its own legalization report, "Rethinking International Drug Control: New Directions for U.S. Policy."

The Project Director for that 1997 CFR report also served on the CFR-Dialogue Colombia task force: Mathea Falco, Jimmy Carter's Assistant Secretary of State for International Affairs, a notorious, outspoken advocate of drug "decriminalization." Falco has made a career out of lobbying for drug legalization, and she, like the CFR itself, is heftily funded by the king of drug legalization, George Soros. Falco also heads a separate, San Francisco-based "Working Group on Colombia" set up by the CFR this year. Falco's only criticism of the final conclusions of the CFR-Dialogue report, was that it did not openly call for the U.S. government to "undertake an active mediating role in Colombia." She would have the United States directly step in to "bring the [Colombian] government and the various guerrilla factions to the negotiating table."

For his part, the project director of the CFR-Dialogue task force, the Inter-American Dialogue's Michael Shifter, argued in an article in the July/August 1999 issue of the CFR's *Foreign Affairs* journal, that just because the FARC and the ELN "have combined revenues of about \$900 million a year, some \$500 million of which is derived from taxes on coca producers and the rest of which comes from kidnapping and extortion," that is no reason to consider them "common criminals or drug mafias," because "their criminal activities help sustain a political agenda."

Clinton's Cave-In to Hillary, Gore Wrecked Mideast Peace

by Edward Spannaus

Every sane observer of the breakdown of the Middle East peace process recognizes that the United States has, in the past few months, abandoned its role as an honest broker, and has displayed a bias toward Israel and against the Palestinians, which has contributed enormously toward the breakdown of the peace talks, and to the outbreak of violence which was triggered by Ariel Sharon's provocative invasion of the Temple Mount holy site on Sept. 28.

President's Clinton's unconscionable blaming of Yasser Arafat for the breakdown of the Camp David talks in July, was the most visible manifestation of this capitulation of his Administration to the Israeli war-hawk faction.

What may be less obvious, is the insidious role that the election campaigns of First Lady Hillary Clinton, and of Vice President Al Gore, have played in causing the President to lose his bearings on Middle East policy, and to abandon seven years of efforts to bring a lasting peace to the Middle East: Gore, because of his close dependence on his foreign policy mentor and top adviser, Leon Fuerth—who is suspected by many to be "Mega," the high-level Israeli mole in the Clinton Administration—now exacerbated even more by Gore's belief that he needs to win Florida in order to win the election; Hillary, because of her shameless pandering to the right-wing Zionist mafia in New York, in the misguided belief that this will win her the New York Jewish vote in her U.S. Senate race.

A few weeks before the opening of the Israeli-Palestinian talks at Camp David this Summer, it was reported that President Clinton had warned Arafat that he could not be expected to put pressure on Israel to meet Palestinian demands in the final-status negotiations, during an election year in the United States. When Clinton met with Arafat on June 15, it was

reported, the President reminded the Palestinian leader that his wife was running for office, as well as his vice president, and that he could not afford to do anything which would cost them votes.

Let us look first at the pressures that have been created for President Clinton around his wife's campaign for the U.S. Senate in New York, and then examine the longer-range problems around Gore and his adviser Fuerth.

Hillary and the New York Elections

In May 1998, Hillary Rodham Clinton supported the creation of an independent Palestinian state, provoking howls of outrage from the New York City-centered right-wing Zionist mafia in the United States.

"It would be in the long-term interest of peace in the Middle East for there to be a State of Palestine . . . a functioning modern state that is on the same footing as other states," the First Lady said in a satellite address to the Seeds of Peace Mideast Youth Summit. For some time after this, President and Mrs. Clinton continued to display a relatively even-handed approach toward the Middle East; they visited the Palestinian National Council in December, and were very well-received.

Almost a year later, in November 1999, Mrs. Clinton again visited Israel and the Palestinian territories. It was then that she made her famous embrace of Arafat's wife Suha, after Mrs. Arafat had made a comment about Israelis poisoning Palestinian children—for which Yasser Arafat later publicly rebuked her. This incident set off even more protests among the hard-line pro-Zionist Jewish spokesmen in New York. For example, the *New York Post* ran a screaming front-page

headline: “First Lady Silent in Face of ‘Blood Libel’ on Israel: Shame on Hillary.”

But up to this point, Hillary remained firm in her support of the peace process. Many of her top advisers in New York were strong advocates of the peace process as well. “The First Lady’s strong support of the peace process is completely in tune with the views of the majority of the New York Jewish community,” said Victor Kovner, a board member of Americans for Peace Now.

But all the while, there was a steady drumbeat of commentary claiming that Hillary had to temper her views in order to win the Jewish vote. At the time of her November visit to the Middle East, for example, the *Jerusalem Post* reported that “winning the Jewish vote big is a must,” and that the First Lady “cannot take Jewish support for granted.”

But, after the Suha Arafat incident, Hillary began to back off. The first sign was in a private December meeting with members of the Orthodox Union. Under intense questioning, Hillary said that financial aid to the Palestinian Authority should be restricted because of anti-Israel textbooks used by Palestinians.

Kissing Hikind’s Rear

But the most insidious operation against Hillary was, and still is, being run by the would-be kingmaker of the Orthodox Jewish community in Brooklyn, New York Assemblyman Dov Hikind—a nominal Democrat. Hikind began working on Hillary already in the Summer of 1999, suggesting that Mrs. Clinton was beginning to distance herself from some “Clintonesque” policies, but he said that the surest way “to confirm her reversals” would be for her to use her influence to get her husband to grant a pardon for the imprisoned Israeli spy Jonathan Pollard. Hikind kept up the pressure, and in April of this year, Hillary decided it was time for her to go to Hikind.

A hard-hitting exposé of Hillary’s sucking-up to Hikind is contained in an article by David Grann in the Oct. 16 issue of the *New Republic*, entitled simply “The Courtship.”

“Hikind occupies a subterranean political world,” wrote Grann. “It is, by all accounts, a grubby, grimy, unedifying, petty little place. But it is there that all New York politicians must eventually go, and where Hillary Clinton . . . has been spending a remarkable amount of her time.”

Hikind had called Hillary “the enemy,” Grann notes. “As a former disciple of the extreme right-wing Rabbi Meir Kahane, Hikind had one litmus test every candidate had to pass: unwavering, unconditional support for Israel.” Hikind had called Hillary “the foremost supporter of a Palestinian state in the United States,” and Yasser Arafat’s “number-one advocate.”

“As the election neared . . . the First Lady became convinced, like so many candidates before her, that she needed Hikind.” In April, over the vehement opposition of many of

her aides and advisers, she went to Brooklyn, where Hikind was sitting *shiva* for his late father, and she spent half an hour on her knees in front of Hikind’s mother. A few days later, Hikind told reporters: “She is a nice lady. She’s not anti-Israel by any means. She just has a point of view that’s on the extreme left.”

Hillary tried to arrange a sit-down meeting, but Hikind stalled, Grann reports. Then, on Aug. 23, she arranged a private meeting with Hikind. “We hit it off,” Hikind later said. “I thought she was mesmerized,” said one of Hikind’s top aides.

What Hikind says he asked for, was that do something dramatic “to get across that she is not an enemy—that she is in fact a friend.” The best way to do that, Hikind told her, would be to persuade her husband to grant clemency to Pollard. The day after the meeting, Hikind learned that Pollard was being transferred to a more dangerous prison compound. He alerted Hillary, who contacted the White House, and within 24 hours, the prison decided not to move Pollard. “The bottom line of this is that she is clearly moving in the right direction,” Hikind says.

Grann closes by describing a recent conversation between Hikind and Hikind’s wife, in which his wife demands to know, “Why are you even talking to her?”

Hikind answers: “I’m just not making it easy for [Republican candidate for U.S. Senate Rick] Lazio. . . . And I’ll tell you something else. Depending on what happens in the next few weeks . . . Hillary Clinton could turn out to be a very good candidate.” After his wife badgers him some more, he protests: “I know exactly what I’m doing.”

“But why do you want to help her?” his wife persists.

“Let’s give them a problem here,” Hikind explains. “Let them be concerned about us. . . . And by the way. After meeting with me, I can hurt Hillary more than ever before. What is her campaign going to do if I endorse Rick Lazio?”

Camp David

If the effects of Hillary’s pandering to the extremists in New York’s Jewish community were restricted to New York, that would be one thing. But there is every indication that Bill Clinton’s abandonment of his role as an “honest broker” in the Middle East peace process is, in part, a direct consequence of his misguided efforts to get Hillary, and Gore, elected in November.

A few days after the Camp David talks began on July 11, Hillary was hit with a scandal about an anti-Semitic statement that she had supposedly uttered 25 years earlier. The scandal was promoted by the *New York Post* starting on July 15, under the front-page headline “Furor over Claim that Clinton Used Anti-Semitic Slur: Hillary Book Brouhaha.” The *Post* interviewed the wife of Paul Fray, a former campaign worker in Arkansas, who said that Hillary had called Fray a “f—king Jew bastard” in 1974. At the same time, the *Post* ran an editorial on “Hillary’s Jewish Problem,” bringing up Hillary’s em-

brace of Suha Arafat last year; plus it ran a commentary by John Podhoretz, saying that the controversy “may have doomed Hillary Clinton’s chances as a Senate candidate,” and urging all of New York’s Jews to tell Hillary to “go back to Arkansas—and rot.”

The controversy continued prominently in the *Post* for a week, with, for example, another column saying that the problem was not what Hillary had said in 1974, but her “position on ‘peace’ today,” and adding, “no politician holding statewide office in New York can be anything other than a stong advocate of Israel if she hopes to keep that job.”

Joe Conason, writing about the controversy in the *New York Observer* on July 18, called it “a typical Rupert Murdoch smear operation.”

“A dubiously sourced anti-Semitic slur, supposedly uttered by Hillary Rodham Clinton in 1974, has been transformed by the *New York Post* almost overnight into the hottest issue of the Senate campaign,” Conason wrote, noting that Murdoch owns the *New York Post*, and HarperCollins, which is publishing the book in question; plus, the story was first picked up by Matt Drudge, who has a show on Murdoch’s Fox TV.

On July 21, the lead story in the Jewish publication *Forward* was headlined: “Put on Defensive by Slur Allegation, First Lady Gropes for Jewish Strategy.” It reported on the alleged anti-Semitic slur, and raised questions about Hillary’s embrace of Suha Arafat, etc., saying that Mrs. Clinton has a “continuing weakness among Jewish voters,” and “an inability to develop a clear strategy for bolstering Jewish support.”

Four days later, on July 25, the Camp David talks ended in failure, and President Clinton put all the blame on Yasser Arafat for the breakdown of the negotiations, saying that the Israelis were willing to move forward, but Arafat was not.

Hillary Goes Overboard

In recent weeks, Mrs. Clinton has outright expressed much stronger pro-Israel positions than previously, some even at variance with her husband’s Administration. On Oct. 7, immediately after the United States had abstained from voting on a UN Security Council resolution which condemned the “excessive use of force” by Israel, Hillary condemned the U.S. abstention, saying that the U.S. should have instead vetoed the resolution. The next day, she described Arafat’s responsibility for the violence as “clear” and “total”—in terms even stronger than those used by Administration officials such as Secretary of State Madeleine Albright.

During the next week, indicating the concern among some U.S. and European institutions that President Clinton had gone too far in caving in to his wife’s electoral ambitions, articles exposing Hillary’s shameless kissing-up to the right-wing Zionist lobby in New York appeared almost simultaneously in the *New Republic*, the *New York Observer*, and the *Frankfurter Allgemeine Zeitung* in Germany.

Gore, Fuerth, and ‘Mega’

This is not Clinton’s first problem with the Israeli war-hawks, and their agents and supporters in the United States. Indeed, much of the scandal-mongering and the impeachment campaign against the President was driven by so-called Christian evangelicals and fundamentalists in the United States who make up part of the fanatical coalition pushing a new Armageddon in the Middle East. Notable among these are televangelists Jerry Falwell and Pat Robertson, both rabid Clinton-haters who hosted then-Israeli Prime Minister Benjamin Netanyahu just as the Monica Lewinsky scandal was breaking in January 1998.

In June 1998, the *Washington Post* ran one of the first profiles to appear in print, of Gore’s National Security Adviser Leon Fuerth. In the middle of the article, it was mentioned that some State Department officials “believe he is the conduit by which inside information is passed to Israeli Prime Minister Benjamin Netanyahu”—a reference that would evoke recollection of the story of the Israeli mole “Mega,” which had broken into the light about a year earlier.

In May 1997, the *Washington Post* reported that during January 1997, U.S. intelligence agencies had opened an investigation to determine if a senior Administration official was passing information to the Israeli government. This came after the National Security Agency had intercepted an Israeli Mossad message referring to “Mega,” regarding an Israeli intelligence effort to obtain a secret Jan. 16, 1997 letter from former Secretary of State Warren Christopher to Arafat. The *Post* noted that this could turn out to be more serious than the Pollard espionage case.

EIR was later told that, immediately after the “Mega” intercept, a Mossad special communications unit had been dispatched to Washington; the team tapped Lewinsky’s phone, among others, and obtained at least 30 X-rated conversations between Clinton and Lewinsky. The threat to expose the tapes was used to get the U.S. government to drop the “Mega” investigation.

According to reports published last year, an Israeli-owned telecommunications company was involved, as a subcontractor, with the installation of a new White House phone system in early 1997; it was reported that an officer of the subcontracting company was able to intercept calls from White House and other government offices, and transmit them directly to Tel Aviv.

Other reports say that there had been an intensive FBI investigation of Israeli spying and hacking into secure telephone networks of the State Department, White House, and Pentagon—an investigation which was apparently subsequently shut down. One source was quoted as saying that “anything involving Israel on this particular matter is off-limits.”

The circumstances of Lewinsky, a known “serial stalker,” being deployed into the White House in 1995 are also a matter of concern. And it is notable that, in February 1997—right at

the point of the “Mega” investigation and the Israeli wiretap operation against Clinton—Lewinsky reestablished contact with the President after Clinton had broken off the relationship almost a full year earlier. On March 29, 1997, the President had his last sexual encounter with Lewinsky, at which point he told her of his suspicions that a foreign embassy was tapping his telephone conversations—a revelation which was contained in the report sent to Congress in September 1998, but which has received remarkably little attention.

Yeltsin’s Tip-Off

It is also highly suggestive, that in his recently published memoirs, former Russian President Boris Yeltsin says that he received an intelligence report in late 1996, that President Clinton’s enemies intended to plant a young female provocateur in his entourage, to set off a major scandal against Clinton.

“In late 1996 after Clinton’s re-election, Russian intelligence sent me a coded report containing a prognosis of how the Republicans would resolve the major political problems emerging for them and noting that Clinton had a particular predilection for beautiful young women,” Yeltsin says. “In the near future, the report said, Clinton’s enemies planned to plant in his entourage a young provocateur who would spark a major scandal capable of ruining the President’s reputation.”

In fact, Lewinsky had been placed in the White House as an unpaid intern in the Summer of 1995, and the President’s dalliance with her is said to have begun during the government shutdown in mid-November 1995. But it was in November 1996, right after the elections, that independent counsel Kenneth Starr diverted his Whitewater investigation into a probe of Clinton’s sex life—which coheres with Yeltsin’s report. And at the same time, articles about the possible impeachment of Clinton appeared in the *Washington Times Insight* magazine and in the *American Spectator*.

All of which points to the broader blackmail pressures already operating on the President throughout his second Administration, even before the pressures coming from Hillary’s and Gore’s election campaigns sent Clinton “over the edge”—at least, for the time being—with regard to his personal role in the Middle East peace process, a role that must be put back on track if a horrific regional war is to be averted.

Check Out This Website:

www.larouchespeaks.com

Atlanta Mayor Takes On DOJ’s ‘Operation Fruehmenschen’

by Debra Hanania Freeman

A naive citizen, relying on the stream of media reports that began appearing nationally sometime in late September, might conclude that Atlanta’s two-term Mayor Bill Campbell is suffering some kind of mental breakdown. Articles reported that he was “lashing out in a paranoid and vituperative fashion,” when he charged that a Federal probe into possible government corruption in his city was racially motivated. Some said he was “playing the race card” (Mayor Campbell is African-American), and threatening to incite a race riot if Federal investigators didn’t back off.



Mayor Bill Campbell

The Oct. 4 *Washington Post* went so far as to speculate that Campbell’s attitudes toward race were the result of childhood trauma caused when he was seven years old, and became the first black student to integrate the school system in his hometown of Raleigh, North Carolina. “Whites taunted the child with racial slurs as he entered the school, and his family, led by his late father, Ralph Sr., who headed the local NAACP [National Association for the Advancement of Colored People], received death threats.”

Mayor Campbell is not crazy, nor is he suffering a breakdown. In fact, Campbell is doing what few others have had the courage to do in the face of a long and sometimes overwhelming pattern of racially and politically motivated targeting of African-American elected officials by the Department of Justice. With a “take no prisoners” strategy, Campbell is fighting back, going directly to those he has sworn to serve, his constituents, with the full truth of the operation against him.

It is not clear just how long the Atlanta Mayor has been a target of Department of Justice investigators. Sources close to City Hall say the “probe” has been active for nine months. But, spokesmen for the Department of Justice have repeatedly refused to comment, and won’t even officially confirm or deny that Mayor Campbell is the target of their investigation,

although there is little question that the DOJ has been the source of repeated, highly inflammatory leaks to the press accusing Campbell of various “crimes.”

The Public Side of the Story

The public side of the story began in early June, when a bribery scandal resulting from a Federal investigation into government contracting practices rocked the neighboring Fulton County government, leading three men, including Fulton County Commissioner Michael Hightower, to enter guilty pleas to a variety of Federal charges.

How the public corruption investigation that led to the guilty pleas started, and its reach, are still not known. But, in what has emerged as a clear pattern in similar cases, the investigation grows ever more broad as targets are nabbed and then seek to cut deals with prosecutors. Jerry Froelich, a criminal defense attorney and former Federal prosecutor, explained, “The only way to get a lighter sentence is to give up somebody else. You get a domino effect. Businesspeople and bureaucrats are often the first to fall in a corruption investigation, but they’re never the targets. Elected officials are the prize for Federal prosecutors.”

Sure enough, three days after the guilty pleas were entered in Fulton County, the *Atlanta Journal-Constitution* claimed that it had evidence, provided by “unidentified sources,” that Federal investigators were taking their probe “up Mitchell Street”—to Atlanta City Hall. The newspaper reported that Federal investigators were making inquiries into similar allegations concerning the city’s government, and that at least three city contractors had already been questioned by the FBI. Although the article stated that the “precise nature of their questions is unknown,” Bruce Kirwan, identified as an attorney for one of those contractors, confirmed that the Federal authorities “seemed mainly concerned with getting the names of people who attended fund-raisers for Mayor Bill Campbell.”

Since one of the men who pled guilty in the Fulton County case was George Greene, an African-American businessman and founder and CEO of Sable Communications, with whom the city of Atlanta had contracts, Mayor Campbell announced that he had “directed the City Attorney to review the [city’s] one ongoing contract with Sable Communications, to determine if the illegal conduct of George Greene in Fulton County should result in termination.” Campbell said that he was unaware of any illegality, but that he welcomed “any scrutiny with the procedures in contracting with the City of Atlanta.”

Campbell told the press that as a former Federal prosecutor himself, he knew that once the guilty pleas were entered in Fulton County, the City of Atlanta would undergo scrutiny. Campbell said that he thought the probe was appropriate and vowed full cooperation, adding that he was certain the investigators would come up empty, especially since Sable’s Fulton County contracts were worth upwards of \$13 million,

whereas its last contract with the City of Atlanta was worth only \$138,000.

Things Get Uglier

All indications were that Mayor Campbell would be proven correct. Then, in a strange turn of events, the Federal grand jury indicted Fred B. Prewitt, the 70-year-old chairman of Atlanta’s Civil Service Review Board, and a close Campbell ally, charging him with three felony counts of making false statements on his personal income tax returns. And, although the indictment never mentioned Prewitt’s job, or his role as a political fundraiser for Campbell, the prosecutor against him was Sally Quillian Yates, the lead prosecutor in the Fulton County cases and the chief of the fraud and public corruption unit in the U.S. Attorney’s office. After Prewitt’s indictment, things seem to get uglier and uglier.

Within one month, the *Atlanta Journal-Constitution*, in a front-page article, reported that Campbell had been accused of taking bribes from a former city employee who had lived in Campbell’s basement for six years, and by a strip club owner, who is under indictment on Federal arson charges.

What was shocking was not the charges themselves, but the fact that Federal investigators would consider anything said by the two men in question to have credibility. More than a year earlier, they had vowed to get the Mayor, after the Mayor revoked a liquor license at a strip club owned by one of them. At that time, the two had threatened a lawsuit to “expose” the Mayor, claiming the Mayor took improper payments from Michael Childs (the club owner) that were delivered by Dewey Clark, who, at the time, was on the Mayor’s staff. Supposedly, the money was to insure that the Mayor would block the revocation of Childs’s liquor license.

But, on May 10, 1999, Campbell did revoke the liquor license, citing allegations of prostitution and other illegal activities in and around Childs’s strip club, including several shootings. The next day, Clark, who had lobbied the Mayor vigorously to renew Childs’s license, resigned, moved out of the Mayor’s home, and went to work at one of Childs’s strip clubs. When the Mayor learned from City Attorney Susan Langford that the two were threatening a lawsuit that would allege that he had accepted bribes, he advised her to alert Fulton County District Attorney Paul Howard. Howard deemed that the evidence of wrongdoing by Campbell had “absolutely no credibility,” and declined to investigate. The lawsuit was never filed.

Childs, who is a nephew of former Atlanta Mayor and UN Ambassador Andrew Young, is currently awaiting trial on Federal arson charges that he hired someone to torch the businesses of four competitors. The multi-millionaire club owner was arrested in February after a government informant secretly recorded him arranging to have a competitor’s club burned. Childs was caught on that same tape talking with the informant about wanting to pay \$20,000 to have Campbell injured. However, Childs was not charged with making

threats against Campbell, and the Feds failed to inform either Campbell or the Atlanta police of the threats. By July, Childs, who had been released on \$2 million bail, was the Feds' prime and only source of evidence that Campbell was guilty of wrongdoing. On July 22, after his cooperation with Federal investigators was made public, Childs finally filed his lawsuit.

In August, the U.S. Attorney's office came back after Prewitt. Prewitt was hauled in for questioning and was told that if he didn't produce evidence against Campbell, he would go to jail for tax evasion and be "broken." Thousands of City Hall documents relating to Prewitt were subpoenaed, and headlines blared that anonymous sources confirmed a broadening of the Federal probe, with the elderly Prewitt as the principal focus. Mayor Campbell refused to fire Prewitt, but remained silent.

But, in middle September, Federal investigators, still unable to turn up any evidence of wrongdoing by Campbell, went too far. On Sept. 15, WSB-TV in Atlanta, quoting "unidentified sources" inside the public corruption task force, carried a special report that Federal investigators were probing Campbell's gambling trips to Mississippi with city contractors and trying to determine the sources of money Campbell used to bet in Tunica, Mississippi casinos. The Mayor's fondness for gambling is well-known, and casino gambling is legal in Tunica.

When the story broke, Mayor Campbell and his family were in Washington, D.C., celebrating his daughter's 11th birthday, and at the same time being honored with an award by the prestigious 100 Black Men of America. A newspaper reporter barged into the black-tie event and confronted Mayor Campbell, insisting that he comment on the report.

DOJ Probe Is 'Hopelessly Out of Control'

Mayor Campbell had had enough. When he returned to Atlanta on Sept. 18, he issued a statement through his spokeswoman, Glenda Blum Minkin, in which he said, "Yes, I gamble at casinos. I have. And I will again. As do 40 million Americans annually. I do it with my own money on my own time and I see no need to apologize to anyone for it."

The next day, in a live television address, Campbell told his constituents that he was the victim of a racially motivated investigation that he characterized as a witch-hunt. Campbell accused the Department of Justice and the FBI of harassment and character assassination in their ongoing investigation of him and the city government. Campbell said that Federal authorities had questioned nearly all of his friends and business acquaintances. "They have tried to persuade them to give evidence of wrongdoing. . . . This is very much like Alice in Wonderland. First the verdict. Now the investigation," he said. "It is hopelessly out of control, with real and serious abuses of the criminal justice system."

The Mayor told his constituents that Federal investigators had repeatedly leaked information to the media and pursued "racially provocative and politically motivated questions."

And, he excoriated the way investigators had pursued Civil Service Review Board Chairman Prewitt. "The Federal authorities hauled him downtown, told him if he did not provide evidence against me, he would be indicted for tax evasion, publicly embarrassed, and he would be broken." The government kept its word, the Mayor continued. Prewitt was indicted on three counts of income-tax fraud in June. Two weeks ago, Campbell said, Prewitt's wife died of a massive stroke. "You see, these matters have a human toll."

Campbell said he believed that the Federal investigation of City Hall began because of his aggressive efforts to control strip clubs in Atlanta, and because of his refusal to back off from his longtime commitment to affirmative action. He pledged that he would "fight, because that is what the people elected me to do." He called on the government to "put up or shut up." "My friends," he concluded, "this insanity must end now, because it's hurting our beloved city." The next morning, he continued his counterattack, taking to the radio airwaves. Campbell reminded listeners of the Frank Ski Morning Show that the FBI had followed and investigated the Rev. Martin Luther King, Jr. in an effort to discredit the civil rights leader at the height of the movement, even bugging his hotel room and sending a highly questionable tape recording of alleged marital infidelities to the young Coretta King.

Campbell recalled that most of the harassment of Dr. King was run out of the Atlanta office of the FBI. He noted that when former U.S. Rep. Mervyn Dymally (D-Calif.) addressed the U.S. Congress on the existence of an illegal FBI policy targeting African-American elected and public officials, Dymally possessed a sworn affidavit by an agent out of the Atlanta office of the FBI. "The FBI has never been a friend of the African-American community, and they are not a friend now," Campbell said. "What I did yesterday [referring to his TV address] . . . was, I stood up and fought back. . . . I've done nothing wrong." He compared to the FBI to "the KGB in Communist Russia."

In another appearance on the Ryan Cameron Show, Campbell said that the FBI and the U.S. Attorney's Office "have an agenda . . . and the agenda is to try to have a character assassination to poison the public mind. The road leads to political assassination." Campbell told listeners that Federal investigators had combed through virtually every city contract. When their efforts turned up nothing illegal, they turned to his personal life, investigating his gambling. And, once again, he ripped into the Feds for their constant "anonymous" leaks to the media.

Constituency Support

Campbell's constituents moved quickly to support him. Comparisons were drawn to Kenneth Starr's vendetta against President Clinton. Others recalled the case of former Washington, D.C. Mayor Marion Barry, who was hounded by the FBI for years. After spending millions of dollars, authorities were unable to produce any evidence of wrongdoing. Instead

of apologizing, several million more was spent to set the Mayor up in a sting operation.

A coalition of black leaders, including civil rights veteran Joseph Lowery, Joe Beasley of Operation PUSH, the Rev. Timothy McDonald of the Concerned Black Clergy of Metro Atlanta, and State Rep. Tyrone Brooks quickly rallied behind the Mayor and demanded a meeting with the U.S. Attorney and the FBI. Campbell's support was not limited to the black community. Several white leaders, including Howard Shook, chairman of the influential Buckhead Neighborhood Alliance, said that Campbell was absolutely correct to bring his defense to the public, rather than think he would get a fair hearing in a "Star Chamber" proceeding.

Some black leaders, however, were noticeably absent. U.S. Rep. John Lewis has repeatedly denied the existence of the FBI's targeting of black elected officials. And, despite the fact that many believed that Sally Quillian Yates, described as the most zealous and vicious of the Federal prosecutors, was carrying out a personal vendetta against Campbell, for his vociferous support of U.S. Rep. Cynthia McKinney during the bitter electoral contest between McKinney and Yates's husband, McKinney has remained silent.

Campbell's critics tried to ridicule him, saying that it was ludicrous to accuse the Department of Justice of targeting him because he has been a champion of affirmative action. Matt Glavin, president of the right-wing Southeastern Legal Foundation, a group with ties to Pat Robertson, who is suing Campbell and the City of Atlanta to invalidate affirmative action, said that since the U.S. Attorney for the district is himself an African-American, and since President Bill Clinton defends affirmative action, the charges were laughable. But, truth is on Campbell's side. There is no questioning the existence of a political assassination bureau run by the DOJ's corrupt permanent bureaucracy. Attorney General Janet Reno doesn't control it, and neither does the President. In fact, the Clinton Administration itself has been victimized by it. Not only were the President and the President's wife targeted, but five members of Clinton's cabinet, four of them members of minorities, have come under attack.

That surely cannot be called coincidence. Nor is there any evidence that Cabinet members of color are more subject to corruption than their white counterparts. Indeed, the two cases that went to trial were practically laughed out of court. Former Agriculture Secretary Mike Espy was completely exonerated; former Housing and Urban Affairs Secretary Henry Cisneros pleaded guilty to a single misdemeanor after a Federal investigation virtually destroyed his personal life.

Seventy members of Congress have faced criminal charges during the past 25 years, and 15% of them are minorities. That is four times their percentage in Congress. And, black congressmen have repeatedly received far harsher punishments than white ones for similar crimes. Mel Reynolds (D-Ill.), for example, was sentenced to five years in prison for having sex with a 16-year-old girl. By contrast, the toughest

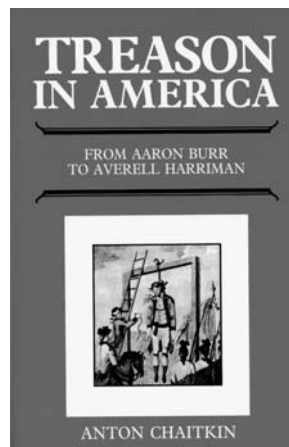
penalty meted out to three white members of Congress prosecuted on similar charges involved a \$500 fine.

And, according to several studies done by the Joint Center for Political and Economic Studies, a Washington, D.C. think-tank, more than 60% of the nation's black elected and public officials have either come under indictment or investigation. Indeed, one explanation for the silence of many of Atlanta's black elected officials in this case, is the fact that so many of them either are, or have been targeted. The most recent case was that of State Senator Ralph David Abernathy III, son of the famous civil rights leader and associate of Martin Luther King, who was recently sentenced to ten years in prison as a result of a "public corruption" indictment.

Unfortunately, there is nothing unusual about the targeting of Atlanta's Mayor. What is unusual, is that Bill Campbell is fighting back, not with a legal "dream team," but by sweeping conventional legal wisdom aside. He has refused to lay low, or to keep quiet. Since the attacks on him are clearly politically and racially motivated, he is fighting back politically. He has decided to argue his case before the only jury that is sure to honestly consider his case: his constituents. And, he has decided to utilize a weapon that is not only lethal, but very difficult to counter in the long run. He has decided to tell his constituents the truth.

Treason in America

From Aaron Burr To Averell Harriman



By Anton Chaitkin

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Texas Criminal Justice System 'Out of Control'

by Marianna Wertz

In the middle of the third Presidential debate on Oct. 17, sandwiched between hogwash and lies, was the discussion of the death penalty. A courageous African-American man asked Texas Gov. George W. Bush if he really intended to convey a sense of "pride," in the second debate, after having put so many people to death in Texas (145 at last count). Bush, who was acting like he was on "downers," said no, he wasn't proud, just "upholding the law," and that capital punishment "saves lives."

Vice President Al Gore, asked his view of capital punishment, said that he too supports the death penalty, because, like Bush, he believes (contrary to almost every study) that it is a "deterrent" to crime. This was the only issue on which the two completely agreed—the two Presidential candidates are warm and fuzzy when it comes to killing people!

Earlier in the day, Bush had been confronted by reporters while campaigning, with the breaking story about two innocent men who have been serving life sentences for rape and murder in Texas prisons since 1988. The real perpetrator of the crime had written Bush a letter in 1998, confessing to committing the crime, but Bush had filed it. Asked about it, Bush said that "the authorities in Austin" conducted a thorough investigation, case closed.

The Texas Defender Service Report

Those two are not the only innocent individuals sitting in Texas prisons, according to a report released by the Texas Defender Service on Oct. 16. The Texas Defender Service, a non-profit organization which provides direct representation to indigent inmates on Texas' death row, released a political bombshell—the most comprehensive report to date on the death penalty in Texas, titled "A State of Denial: Texas Justice and the Death Penalty."

The report documents in bloody detail what it calls "the thoroughly flawed system" of criminal justice in Texas. It covers the systematic use of false or misleading testimony; the use of "junk science" and phony experts to fool juries; the clear pattern of racial disparity in charging and sentencing practices; the practice of executing the mentally ill; sham appeals conducted by sleeping and drugged lawyers; the myth that the appellate courts do anything but rubber-stamp lower-court decisions; and case studies of at least six men who have

been executed despite "substantial and compelling doubt about their guilt."

EIR spoke on Oct. 17 with Maurie Levin, a spokesperson for the Texas Defender Service, about the report, asking if the timing of its release was intended to impact the Presidential campaign. While she said it was "not intended to influence George W. Bush's campaign or embarrass Bush," nevertheless, she said, "We've killed 33 people this year. There are eight more executions scheduled. We're in a time of crisis and no one's going to stop the executions, because there's a Presidential race. But we're going so fast with the number of executions in the midst of a profoundly flawed system, that we felt compelled to call for a stop. It's careening out of control down here."

Blatant Racial Disparities

Because of Bush's routine flaunting of his "inclusiveness," perhaps the report's findings on racial disparities in charging and sentencing practices best exemplifies why this report is so politically damaging. (The reader should not mistake this to say that Gore is any better when it comes to treatment of racial minorities—witness his insistent defense, in the debates, of "middle-class values," and his persistent failure to address the real problems confronting minorities in America.)

According to the report, there is a clear pattern in Texas of disparity in the punishment meted out to those convicted of killing whites as compared to those convicted of killing non-whites. Despite the fact that black males are the most likely murder victims, the death penalty is used most often to punish those convicted of murdering white women, the least likely victims of murder.

- While a 1998 study indicates that 23% of all Texas murder victims were black men, only 0.4% of those executed since the reinstatement of the death penalty were condemned to die for killing a black man.

- Conversely, as of 1998, white women represented 0.8% of murder victims statewide, but 34.2% of those executed since reinstatement were sentenced to die for killing a white woman.

- African-American Texans are the least likely to serve on capital juries, but the most likely to be condemned to die.

Texas Attorney General John Cornyn has described the death penalty in Texas as "a model for the nation." The Texas Defender Service report shows why Texas's death penalty system "is not a model for anyone," according to the Executive Summary. It is thoroughly flawed, and George W. Bush, the man who has been presiding over it for the last five years, is thoroughly rotten. No other governor in American history, indeed, few nations in modern history, has ever executed anywhere near the number of people that Governor Bush has. Should he, or his alter ego, Gore, really be President?

The report is available on the Internet at www.texasdefender.org

Bankruptcy Bill Faces Veto Threat

On Oct. 11, the House adopted an unusual parliamentary procedure in order to pass the Grassley-Gekas bankruptcy reform bill, in the rush before the end of the 106th Congress. On a motion of Steve Chabot (R-Ohio), the House substituted the language of the Senate version of the bill for a State Department authorization bill, and requested a conference with the Senate. The Republicans tried to do it without debate, but Democrats opposed to the bankruptcy bill forced the GOP to allow 20 minutes of debate. Among other things, the bill would, by way of a means test, force many Chapter 7 bankruptcy filers into Chapter 13, which requires that a debtor come up with a plan to repay at least a portion of his debts, rather than allowing a complete write-off, as Chapter 7 provides for.

Jerrold Nadler (D-N.Y.) was particularly incensed at the whole process. He said that the reason the GOP majority was trampling on the rules of the House was "because \$40 million has been spent on lobbying and campaign contributions by the big banks and they must be repaid." He said, "People in the margins of society, those who have had their jobs sent overseas, who have suffered serious illnesses . . . these Americans have very small voices in this Congress, and they are drowned out by millions spent by the big banks."

The bill passed the following day on a voice vote, but the White House made it clear that President Clinton is not happy with it. Chief of Staff John Podesta, in an Oct. 12 letter to House leaders, wrote of Clinton's "deep concern that the bill fails to address some creditor abuses and disadvantages all debtors to an extent unnecessary to stem abuses by a few." Podesta re-

peated the President's "desire to see balanced reform," but said that the House bill "gets the balance wrong."

Intelligence Bill Has 'Official Secrets Act'

The fiscal year 2001 Intelligence Authorization bill, cleared by the House and Senate on Oct. 12, includes a provision that stiffens penalties for the release by current and former government employees of classified information. The provision mandates fines and prison terms up to three years for "knowingly and willfully" disclosing classified information to any person not authorized access to such information.

Porter Goss (R-Fla.), chairman of the House Intelligence Committee, said that intelligence resources have been all too often lost because "those employed by the government and who have access to classified information have chosen to leak that information, and, thus, have ignored their commitments to national security." He said that the provision is "narrowly crafted to protect the rights that all Americans hold dear," and is not an "affront" to the First Amendment.

Opponents of the measure, from both ends of the political spectrum, were not reassured. Nancy Pelosi (D-Calif.) called the provision "an official secrets act" that would allow prosecution of violators "without the government even having to prove any damage to national security." She warned that there's nothing in the bill to "prevent reporters from being hauled in before grand juries and being forced to reveal their sources."

John Conyers (D-Mich.) said that the provision should have been reviewed by the Judiciary Committee, because it involves a change to crimi-

nal statute. The reason it was made part of the Intelligence Authorization bill was because "it will scare the bejesus out of whistleblowers." He said that if the provision had been in effect 30 years ago, disclosures like the Pentagon Papers and the Nixon Administration's support for Pakistan during the 1971 Indo-Pakistan War would have resulted in prosecutions.

Bob Barr (R-Ga.), who, like Conyers, is a member of the Judiciary Committee, also called the provision "an official secrets act," and decried the fact that it was being enacted without any open hearings.

A Few More Spending Bills Inch Forward

As of Oct. 17, there was still no indication as to when the Congress and the White House might reach agreement on eight remaining fiscal year 2001 spending bills. However, a few bills did show signs of life. The House passed the Agriculture Appropriations bill on Oct. 11, including some \$2 billion in emergency aid for farmers, and provisions on sanctions reform and prescription drug re-importation. The conference report on the bill combining the Legislative Branch and Treasury Department appropriations passed the Senate on Oct. 12, after it had been rejected on Sept. 20, including because of a dispute over a Congressional pay raise. Senate GOPers surrendered to the White House on the Missouri River provisions of the Energy and Water Development bill, combined it with the bill funding Veterans Affairs, Housing and Urban Development, and passed it on Oct. 12.

Of the remaining bills, three face the most difficulties: Foreign Operations; Commerce, Justice, State and

the Judiciary; and the Labor, Health, and Human Services and the Education Departments. The Foreign Operations bill is facing a veto threat if it includes language limiting U.S. contributions to international agencies that fund abortions overseas. Democrats and the White House are insisting that the Commerce, Justice, and State bill include an immigration provision that addresses certain immigrants from Central America, and also provides an amnesty for 9 million illegal aliens in this country. The Labor-HHS bill is bogged down in, among other things, disputes related to education funding (see other news item here).

Democrats Say: Fund Education, or Else

Frustration with the GOP's lock over the legislative process, and their apparent inability to get things done despite that control, have led Democrats to begin issuing ultimatums. After House passage of a third continuing resolution (CR), this one expiring on Oct. 21, House Minority Leader Richard Gephardt (D-Mo.) put the GOP on notice that "this is the last long CR for a week that we're going to support until we get the education agenda that we have been talking about for the last two years to be done in the appropriations bills that are left."

The Democrats want funding for 100,000 more school teachers, after-school programs, an education tax credit for school districts to offset the interest cost of bond issues, and other measures. Gephardt said that the appropriations bill that the GOP is working on is "totally inadequate in terms of language and resources."

Two days later, while signing the third CR, President Clinton warned that if Congress fails to meet the Oct.

21 deadline, "any further extensions must be at most a very few days." He called on Congress to "finish its work" and send to the White House a budget "that is fiscally responsible, that reflects the values of the American people, and that invests in the future," especially in education.

Senate Majority Leader Trent Lott (R-Miss.) was unmoved. On NBC's "Meet the Press" on Oct. 15, Lott said, "The important thing to do is to do the right thing and come to an agreement [on the budget]." He said that it's the White House that's always asking for more money, which makes agreement difficult to find. He also said that the GOP-controlled Congress has been getting work done.

Democrats responded by upping the pressure. On Oct. 17, Senate Minority Leader Tom Daschle (D-S.D.) announced that Democrats would take whatever action necessary to force votes on pending legislation. He said that the Senate should be working seven-day weeks, because "we should be finishing the nation's business."

NASA Officials Grilled on Iran Non-Proliferation Act

Some light was thrown on the irrationality of the Iran Non-Proliferation Act on Oct. 12, when two high-ranking officials of the National Aeronautics and Space Administration appeared before the House International Relations Committee to explain NASA's adherence to the law. The bill, signed into law by President Clinton on March 14, prohibits NASA from buying goods and services from entities under the Russian Aviation and Space Agency until the President certifies that none of the entities are involved in weapons proliferation to Iran. The

Administration opposed the bill, but signed it because the House and the Senate had both passed it unanimously.

The issue at the hearing was an exception for crew safety, authored by Dana Rohrabacher (R-Calif.), who stated that his intent "was to address those emergency situations in which the Russians insisted that we pay them to resolve an immediate threat to the lives of our astronauts while on board the International Space Station [ISS]." He accused NASA officials of abusing the exception by misinterpreting the word "imminent," as it appears in the language of the law.

NASA General Counsel Edward Frankle explained that, if the word "imminent" were interpreted literally "imminent" were interpreted literally to mean "immediate," the result would be the sending of astronauts to the ISS in known dangerous situations, because the agency would be prevented from buying necessary safety equipment that can only be obtained from Russia, until there was immediate danger of loss of life of members of the crew. "Such a result . . . means the crew safety exception was self-nullifying and meaningless," Frankle said. He added that Congress did not intend such a result.

Frankle was backed up by the committee's ranking member, Sam Gejdenson (D-Conn.), but Rohrabacher, who was looking for a conspiracy by the Clinton Administration to break the law and put American interests under the threat of weapons of mass destruction, was not mollified. Rohrabacher found no such conspiracy, however, as Frankle maintained that he made his determination on his own, without any pressure from anyone else inside or outside the agency. In fact, NASA Administrator Dan Goldin has yet to make any decision to buy Russian hardware affected by the INA.

Today's American Tragedy

Among people who are both literate and not foolish, the use of the term "tragedy" is restricted to the self-induced doom of entire nations and cultures, to disorders which infect an entire nature or culture with a kind of pervasive self-destructiveness which, uncorrected in that society as a whole, will surely lead it to doom. As Lyndon LaRouche has emphasized, no Classical tragedy was ever composed which violated that distinction. The tragedies composed by Aeschylus, Sophocles, Shakespeare, and Schiller, are each and all excellent examples of that distinction between what fools identify as "personal tragedies" in the small side of social processes, and actual tragedies which occur only on the scale of entire nations or religions or other cultures.

With that qualification, it is permissible and necessary to describe the failure of the principal actor of today's U.S.A., President Bill Clinton, as tragic in the same sense that Classical term is to be applied to the case of the oligarchical gods of Zeus's Olympus, in the Aeschylus *Prometheus*, Hamlet, or each and all of the characters Philip II, Don Carlos, Posa, et al., in Schiller's *Don Carlos*.

The term "tragic" is applicable only to those kinds of decisions which are directly the cause for the doom of entire nations or cultures, and nothing less. Thus, Shakespeare wrote, in *Hamlet*, "Something is rotten in the state of Denmark," which is to say, the entire culture is corrupt to the degree that the kingdom as a whole is doomed by its own currently adopted institutions and associated beliefs. It is Clinton's position as head of state, which qualifies what would be otherwise simply his individual human error, as authentically tragic in the Classical sense of the term.

In all strategic studies conducted on the highest level, the subject is: Can a hopeless situation, a virtually inevitable tragedy, be turned around by the application of some radical change in policy-shaping to the centrally controlling bastions of power, and popular culture, too? Such is the situation of globally extended European civilization as a whole today, the U.S.A. itself most emphatically so. The strategic issue

becomes, thus: What change, and what appropriate instrument of change, can produce the required seeming miracle?

The tragic force in history expresses itself most simply in the U.S.A. today, when foolish people say, "You have to support Gore as the alternative to Bush." The force of tragedy, which grips their Faust-like souls, leers in their facial expressions and tones of voice, when they add: "There is nothing anyone could do to change that!" For such people, God Himself is an outsider, commenting upon a world which is governed by unshakeable faith in the confidence that man is, and therefore must be, intrinsically evil. That is the collective suicide-note which the majority of the United States appears to have signed at this moment. Only someone who rejects that view, is competent to lead the people out of the tragic doom they are presently working to bring upon this society as a whole.

Clearly, there is only one prominent individual on the scene today who has the proven competence to lead people out of the tragic alternatives which stand before us, both in the upcoming election, and in the strategic arena where questions of war and peace, and depression, are being fought out. It is commonplace internationally, to recognize the farce which the U.S. electoral choice, dictated by Wall Street, represents. But only statesman and economist Lyndon LaRouche offers the leadership which can change the nation's direction.

Face the stark reality. President Clinton has virtually resigned as President, by capitulating to the forces of Wall Street under pressures from Al Gore and his wife. The two ostensible choices to replace him are even worse. Public opinion itself remains fearfully antagonistic to any mention of the New Dark Age which looms ahead. A tragedy for the United States is inevitable—unless you act to put Lyndon LaRouche into a position of power to change the direction of our nation.

And the essence of Classical tragedy is that the individual has the free will to act to prevent it.

THE 'NEW ECONOMY' IS DOOMED

The Fraud of the Information Society

The Group of Eight heads of state, meeting in Okinawa in July 2000, proclaimed as its major accomplishment, the establishment of a task force aimed at giving the Third World access to the "Information Revolution." In a parody of Marie Antoinette, they said of the world's poor: "Let them eat laptops!"

EIR's Special Report rips apart the fraud of the Information Society, and tells what must be done to restore economic health to nations where billions of people face hunger and death by infectious disease, while transport, power, and water infrastructure is collapsing.

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