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LaRouche Rallies Democrats To Stop Emergency Rule
Northwest Power Crisis Deepens: Go Nuclear!
Why Kissinger's Cronies Pulled Their China Ploy Now

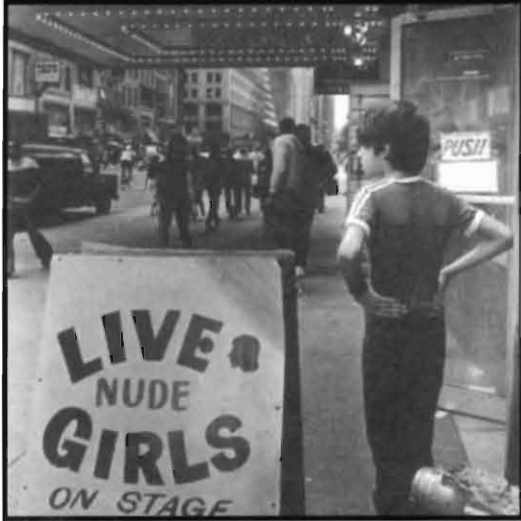
The Demise of the Great Importer of Last Resort



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From the Associate Editor

On this, the eve of the inauguration of George W. Bush, we bring you some pretty strong stuff. You're going to need it.

The London and Wall Street financier oligarchy, those behind the Bush "crisis-management team," are preparing Nazi-style "rule by decree," to take effect under conditions of global financial breakdown.

Do you think it an exaggeration to compare today's events, to those of the Nazi period? Consider the following.

- Our *Feature* gives a glimpse into the abyss of an economic meltdown just ahead, if we continue the oligarchy's insane financial and economic policies. The U.S. consumer society, the "importer of last resort" which can scarcely produce anything anymore, is about to become unable to buy up the rest of the world's production. "For the sake of a nail, the kingdom was lost"—and we no longer produce nails! A falling dollar, collapsing imports, hyperinflation: Now, think of Weimar Germany, when Hitler came to power. Think of the fact that he was financed by the Governor of the Bank of England, as well as by Prescott Bush, the grandfather of our new President.

- The New York Council on Foreign Relations has, for the past year, been putting into place a "crisis-management" team, to rule *without respect to the institutions of constitutional government*. The CFR's latest provocation in this respect, the "Tiananmen Papers" caper, is analyzed in our *International* section. Last July, the same group "role-played" scenarios for what to do in case of a financial meltdown, one of which was, according to a participant: "We had to decide whether to take powers from the President."

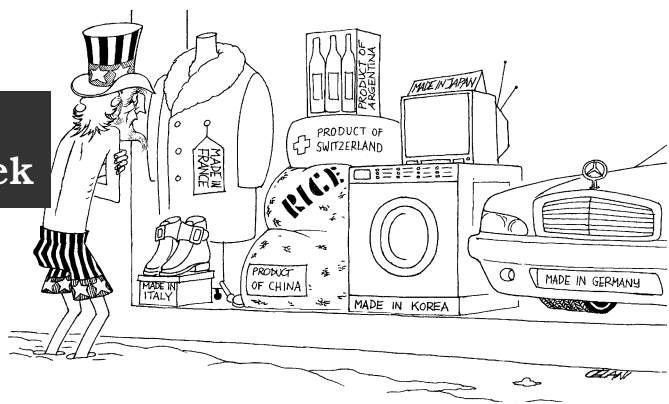
- The nomination of John Ashcroft as Attorney General is, to this oligarchical effort, as the Reichstag fire was to Hitler's rise. It is intended to break the resistance of the Legislature to dictatorial rule. Justice Antonin Scalia's suspension of the U.S. Constitution, in order to install G.W. Bush in office, was accepted by the entire Senate and most of the House, on Jan. 6. The Ashcroft nomination is intended to force Congress to grovel even lower.

But there is resistance, catalyzed by the LaRouche movement. The Congressional Black Caucus had the courage to walk out (the text of their impassioned press conference is published in *National*). Take that resistance the next, crucial step: Defeat the Ashcroft nomination, and jam up the whole fascist "emergency rule" game-plan.

Susan Welsh

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By Lyndon H. LaRouche, Jr. Federal Reserve Chairman Alan Greenspan may soon be reenacting the flight from the pages of history, in his nightshirt, of the formerly all-powerful, terrifying Chief Justice of England, Lord Sir George Jeffreys. As for the U.S. economy, “it has not yet lost its nightshirt, but, it must be noted that the presently ongoing financial collapse appears to be bottomless.” On the pages of future, not-so-distant history, “this presently ongoing collapse of the overblown U.S. financial bubble, will be known as ‘The Demise of the Great Importer of Last Resort.’ ”

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Northwest Power Crisis Deepens: Go Nuclear!

by Marsha Freeman

The electricity crisis that has gripped the state of California for the past eight months has now spread throughout the region, engulfing the Pacific Northwest states of Washington and Oregon. The Northwest, long the bastion of inexpensive electricity from Federal hydroelectric plants strung along the Columbia and Snake Rivers, is now experiencing the shutdown of its aluminum, paper, and other energy-intensive industries. Electricity shortages plus deregulation have led to explosive prices, making production uneconomical.

California customers of Pacific Gas and Electric and Southern California Edison will soon see their rates rise 9%, in an attempt to keep the utilities out of bankruptcy, and help them recoup some of the extra nearly \$11 billion they have paid out to power suppliers. But residents of the state of Washington will see rate increases of up to 50%, as the region struggles with shortages, and manipulated, speculative prices.

For the first time in a decade, the Pacific Northwest is suffering from low levels of precipitation. Experts estimate that the snowpack in the mountains, whose Spring melt supplies the water to power the dams, is only 75% of normal this year. This Winter, hydroelectric reservoirs should be refilling with water to run turbines next Summer, but water is being drained faster than it is flowing into the manmade lakes.

The West Coast has depended heavily upon the 11,000 MW of mainly hydroelectric power the Federal Bonneville Power Authority sells and distributes to public utilities and industries in the region. Through Bonneville's long-term contracts, prices have remained stable and some of the lowest in the nation. But the Bonneville dams no longer produce enough power for the region, and with the cold snap this Winter, communities have found themselves thrown onto the speculation-driven open market. The situation will only worsen over the next year, when long-term Bonneville contracts expire, and must be renegotiated. Beginning on Oct. 1,

Bonneville itself will have to buy a quarter of its power from the open market.

But the crisis that is now hitting this region was not created by nature, but by the acts of men.

The shortage of generating capacity controlled by utilities in the state of California led the Federal government to intervene in an emergency situation, "to keep the lights on" across that state. Energy Secretary Bill Richardson invoked his authority under the Federal Power Act on Dec. 13 (which order has been extended to the present time), requiring energy suppliers in the region to sell California power at a reasonable cost. When cold spells hit the Northwest, local utilities saw their demand increase, but all excess power was being shipped south. Spot market prices zoomed to \$3,200 per megawatt-hour for utilities that had been paying \$30 the year before, leading to the double-digit rate increases now going into effect in Washington State.

The situation has become so critical, that Idaho Governor Dirk Kempthorne issued a directive on Dec. 22 to the Idaho Public Utilities Commission, to restrict utilities that are drawing down dam-generated reserves from selling electricity to California, directly defying Secretary Richardson's Federal order. Gov. Kempthorne reiterated his directive on Jan. 10.

Calculations at the end of December indicated that the Northwest will find itself about 4,000 MW, or 15%, short of the power the region will need through January. Emergency meetings have been held by the region's Emergency Response Team, and calls for conservation have been made by each state's governor.

The Northwest Almost Went Nuclear

It was recognized thirty years ago that electricity demand on the West Coast would exceed what could be provided by Federal dams. In the late 1960s, planners saw that with the 6-

7% per year ongoing demand growth, capacity to supplement the region's hydroelectric power would be needed by the 1970s. Nuclear power was the obvious answer, in the West and nationally.

To generate 1,000 MW of electricity in conventional steam turbine systems would require 11.9 million barrels of (mostly imported) oil, or 3.3 million tons of coal. Because the energy flux density in a nuclear fission reaction is orders of magnitude higher than that of burning fossil fuels (see **Table 1**), annual refueling was all a nuclear plant required for operation, rather than unit trains of coal or long-distance pipelines for oil.

In 1973 the Washington Public Power Supply System (WPPSS) secured a permit and began construction of WPPSS nuclear Unit 2, placed on land leased by the Federal government at the Hanford nuclear reservation. It was designed to produce 1,120 MW of power for the state. Two years later, the Unit 1 plant was under construction, as well. In neighboring Oregon, the Trojan nuclear plant had begun construction in 1971.

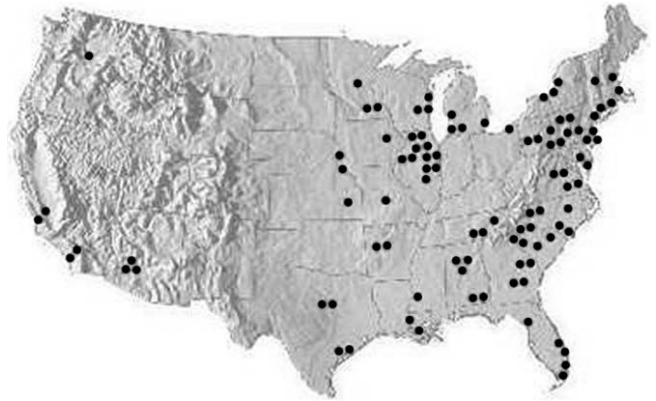
The 1973 Middle East war, and oil crisis of the following year, led to drastic cutbacks in energy use, as prices for petroleum quadrupled, and coal prices soared. Projections that future electricity growth would be cut to 1-2% under Jimmy Carter's "conservation" regime, led to the first round of nuclear power plant cancellations around the nation, which numbered 39 by 1979.

But in the Northwest, a drought suffered by the region in 1976-77 led to power shortages, and in 1978, construction began on additional WPPSS Units 3, 4, and 5. This boom in nuclear power plant construction, however, did not last long.

In 1979, the "accident" at the Three Mile Island nuclear plant in Pennsylvania provided the small but vocal anti-nuclear "environmentalist" movement, the hot news item which it needed to substitute public irrationality and fear for reasonable planning. Acceding to public pressure, the Federal Nuclear Regulatory Commission heaped piles of new "safety" regulations upon utilities with nuclear power plants, requiring

FIGURE 1

103 Operating Nuclear Plants Produce 20% of U.S. Power



Source: Nuclear Energy Institute.

- *The cheapest, most reliable and efficient 20% of the U.S. electrical power grid, is nuclear.*
- *Total U.S. capacity added only 11,000 megawatts power from all energy sources (1.5%) in past five years. No capacity was added in California in a decade.*
- *5,000 MW of nuclear power was abandoned under construction—up to 75% complete—in Washington State. The Northwest region is 4,000 MW short of capacity in January 2001.*
- *GE and other U.S. firms currently build 1,000 MW and larger nuclear units in Japan, Korea, Taiwan in 4-5 years to operation, in cooperation with those nations.*

them to spend billions of dollars to retrofit facilities. "Intervenor," that is, very well-funded modern-day Luddites, tied utilities up in court for years, stretching out construction times and doubling and quadrupling power plant costs. When Federal Reserve Chairman Paul Volcker raised interest rates over the Columbus Day weekend in 1979, and utilities faced double-digit costs for borrowing funds for construction, the death knell was sounded for nuclear power.

In Washington State, the WPPSS management estimated in 1981 that it would cost \$23.8 billion to complete its five planned nuclear units, due to the inflation ravaging the capital markets, the NRC requirements, and sabotage by the environmentalists. Facing a financial market that required it to pay 15-16% interest rates, WPPSS found that in July 1981, it had saturated the bond market. The Carter Administration's "controlled disintegration" of the economy and collapse in growth made it appear that the planned nuclear plants would create a surplus of power.

At the beginning of the following year, all construction was stopped on WPPSS Units 4 and 5, and they were cancelled. In April 1982, construction was halted on Unit 1, which was more than 60% complete at the time. In July 1983, the utility ran out of funds, and work on Unit 3, then 75%

TABLE 1

Energy Flux Density Comparisons

Solar—biomass	0.0000001
Solar—earth surface	0.0002
Solar—near-earth orbit	0.001
Solar—near-solar orbit	1.0
Fossil	10.0
Nuclear Fission	50.0 to 200.0

Energy flux density is measured by the amount of power, in megawatts, through the surface area of various energy systems. The higher the figure, the more efficient the system in creating heat to raise the temperature of water. Today's nuclear fission reactors are between 5 and 20 times more efficient than comparable fossil-plant plants.

complete, was halted.

The cancellation of the four nuclear plants left the Bonneville Power Authority, and the consortium of 88 public utilities that had financed them, billions of dollars in debt, and in court with lawsuits for years. But to put the widely publicized WPPSS “fiasco” in perspective: *Tri-City Herald* reporter Chris Mulick, writing on Dec. 31 of last year, remarked that the current combined debt of more than \$10 billion accumulated by the two California utilities in only eight months on the deregulated free market, is already twice the size of the WPPSS default, in 1980s dollars.

Eventually, WPPSS Unit 2 went into operation, and is the only one of the five planned WPPSS nuclear plants to ever produce power. As unbelievable as it may sound in today’s crisis situation, in 1998 there was talk of *shutting down* Unit 2, because Bonneville Power was trying to get its wholesale rates down to 2 cents per kilowatt-hour so it could “compete” under deregulation. The cost of power from the nuclear unit was 2.8 cents. Now, the power from Unit 2 is one of the cheapest sources in the region, and is less than one-tenth what the utilities are being forced to pay for power on the “open market.”

The insane flight forward in half the nation’s states toward deregulation, has actually led to the closure of operating plants in the past seven years, simply because they needed upgrades, maintenance, or refurbishment, and it was feared that such investments would make the plants “non-competitive.” These included the Trojan plant in Oregon, and the San Onofre plant in California.

In total, between 1974 and 1987, fully 104 of the 227 nuclear power plants that had been ordered during those years were cancelled (see **Table 2**). About a dozen were already more than half complete. A look at the map of nuclear power plants in operation around the United States today provides a quick glimpse as to why California and the Pacific Northwest have run short of capacity. If just the other four WPPSS units had been built, the Northwest would have a shade under 5,000 MW of power it does not have today.

A Return to Sanity?

Robert Engelken, Western Regional Director for the Nuclear Regulatory Commission, who had also been a plant inspector for 15 years, was interviewed in California’s *Valley Pioneer* newspaper, just before his retirement. In the Oct. 13, 1982 article, the reporter remarked that “the depth of public objection to nuclear power apparently is not perceived as very substantial by Engelken.” “If people are hurting for energy the public relations problems will evaporate very quickly,” Engelken said. “All it would take would be a cut-off of energy resources, and there would an instant need to create electricity.” Engelken believes that today “there is a crisis developing rather rapidly, I believe, and I think we’d better start thinking seriously about getting back into nuclear power.”

According to experts in the nuclear industry, the opera-

TABLE 2

Orders and Cancellations of Nuclear Power Plants

Year	New Orders Placed	Plants Cancelled
1966	20	0
1967	31	0
1968	16	0
1969	7	0
1970	14	0
1971	21	0
1972	38	0
1973	41	0
1974	26	4
1975	4	11
1976	3	2
1977	4	9
1978	2	13
1979	0	8
1980	0	16
1981	0	6
1982	0	8
1983	0	6
1984	0	8
1985	0	0
1986	0	3
1987	0	0
		TOTAL 104

Source: U.S. Council on Energy Awareness.

tional nuclear plants that have been shut down over the past decade could not be reopened, as they have been stripped of their nuclear and generating equipment.

The one exception to that may be Browns Ferry Unit 1 in Alabama. It is more than a decade since the Tennessee Valley Authority (TVA) shut down its three reactors at that site, over concerns about safety. Units 2 and 3 have been brought back into operation, but the third unit has remained in mothballs. Early last year, the TVA began to consider reactivating Unit 1. Demand has skyrocketed, and the plant could add more than 1,000 MW to TVA’s electric grid. In the 1970s, TVA had 17 nuclear power plants in the pipeline. Today it has five operating plants. Nationally, the plants that had been partially completed were largely “left to ruin,” according to General Electric, and would be impractical to complete.

Now that the crunch has hit, many utilities are scampering to make sure they at least will have their operational nuclear plants to depend upon in the future. Recently, five reactors near the end of their 30-year operating licenses, at Calvert Cliffs in Maryland, and the Oconnee units in South Carolina, have been granted 20-year license extensions. Five more have filed for renewals, and the Nuclear Energy Institute foresees

that over the next five years, 28 more applications for license extensions will be filed. There is very little talk today about shutting down plants.

But holding on to the status quo, of 103 operating plants, will not solve the problem. The nation must start building new plants.

Over these last twenty years that the United States has not been building new nuclear plants, the focus of world nuclear activity shifted to Asia. There, nations intent upon building up their infrastructure, have taken the lead in nuclear power technology. In Japan, General Electric has put nuclear plants on line in *48 months*, ahead of schedule, and on budget.

Dr. Bert Wolfe, former head of GE Nuclear, is concerned that American manufacturers are close to losing the capability of building nuclear power plants. Were GE to receive an order from an American utility for a plant, the pressure vessel would have to be *imported from Japan* to build it. U.S. companies are so dependent upon sales to Asia, that the recent (perhaps temporary) cancellation of a nuclear plant in Taiwan, led to immediate lay-offs at GE. Dr. Wolfe suggests that to save time, new plants could be placed at sites where there are already operating nuclear reactors, to cut down on the approval time required in Washington.

In the 1960s, Dr. Wolfe reminds us, the plan was for there to be 1,000 nuclear power plants on line in the U.S. by the end of the century. Indeed, California's Pacific Gas and Electric projected at that time that it would be *entirely* nuclear by the 1980s. We have lost three decades.

Now that the folly of the past decades has become obvious, the press is increasingly reporting that today's 103 operating nuclear plants produce about 20% of the nation's power, reliably, safely, and at reasonable cost. There are indications the tide of "public opinion" may be shifting, driven by the prospect of freezing in the dark this Winter, and withering in the heat next Summer.

Steve Kerekes at the Nuclear Energy Institute reports that a group of utility executives approached NEI last year, and asked them to set up a task force to examine what would be required for new power plant deployment. The 15-member task force, which held its first meeting in September, includes the three U.S. nuclear manufacturers and two construction companies, in addition to utility executives.

They are looking into putting together a consortium of companies to order perhaps 10 or 20 plants, to minimize the cost of each unit through economies of scale of production, and standardization. Each of the 103 plants operating today is nearly unique. The companies would pool their resources, thereby spreading their risk, and are considering a time frame of perhaps three years for orders to be placed.

The timetable envisioned by the utilities should be accelerated, and may very well be, by the fast-paced flow of events that has brought us back to the realization that was so obvious thirty years ago — we must go nuclear.

Asset-Stripping Plan for Russian Electricity Forestalled

by Rachel Douglas

"United Energy Systems should be reformed not according to Chubais, but according to reason," declared Russian President Vladimir Putin in his RTR TV and Radio Russia interview on Dec. 25. "As we know, very often the manager of a big company, planning a reform, considers the interests of this company, but not the interests of the economy as a whole. The United Energy Systems are to be transformed in a way to benefit the whole economy, rather than the particular company, not to mention personal interests."

With that, the Russian head of state confirmed that, on the question of reforming the country's major infrastructure, he is unwilling to walk in lock-step with his liberal economic advisers, down a path to the dismemberment, fire sale, and asset-stripping of those national assets. Suddenly, at the end of 2000, the debate over the future of the national electricity utility shifted: away from a farcical debate among different schemes for deregulation as a means to loot, toward consideration of the national interest. The governors of some provinces in Siberia, who already took part in preparing for President Putin an outline for the revival of Russia's physical economy, are involved (see "Is Russia's Putin Breaking with 'Liberal Reform' Economics?" *EIR*, Dec. 8, 2000).

Anatoli Chubais is the chief executive officer of United Energy Systems (UES), which comprises the generating and transmission capacities for electricity in Russia. He was one of the young economists, schooled by Lord Harris of High Cross and other apostles of the Mont Pelerin Society's radical monetarism, to impose such neo-liberalism in Russia after the breakup of the Soviet Union. Under Boris Yeltsin's Presidency, Chubais oversaw the first, fire-sale stage of the privatization of Russian industry.

As first deputy premiers in 1997, Chubais and his fellow "young reformer," Boris Nemtsov, set their sights on the privatization and deregulation of the so-called natural monopolies: UES, the Ministry of Railroads, the natural gas monopoly Gazprom, and the communications system. The model they promoted was the British Commonwealth scheme, under which the income-stream section of a utility — sales and delivery — may be hived off as a separate, financial company, while the physical plant and equipment is subdivided into several privatized firms that are supposed to compete, but have often ended up being asset-stripped by their new owners. Chubais's

attempts to introduce this model for UES were blocked repeatedly, “breakup” of the natural monopolies being a red flag for the left opposition in the Russian parliament. Like the other natural monopolies, UES has sold shares to Russian and foreign investors, but it is still 53% state-owned.

Chubais’s Latest Proposal

In the latest edition of UES restructuring, Chubais submitted for government deliberation a plan to create ten to fifteen regional utilities, which would attract foreign investment as they were privatized. The transmission grid would remain mostly in state hands.

This draft was amended by Putin and his advisers on Dec. 12, at a meeting without Chubais present. A fracas ensued on Dec. 15, when the government met and approved the plan, but Prime Minister Mikhail Kasyanov accidentally — so he said — submitted the unamended version. Outside of these meetings, fellow monetarist and former Finance Minister Boris Fyodorov circulated a blistering attack on Chubais for preparing to sell off assets of the new companies, to the detriment of existing shareholders. “Mr. Putin will not persuade foreign investors that he is serious about protecting their interests!” editorialized the London *Financial Times*.

A farce was taking shape: shareholder values versus insider pocketing of proceeds.

Andrei Illarionov is yet another monetarist, who had attacked the Chubais scheme in terms similar to Fyodorov’s. But, he also plays a special, sometimes ambiguous role as nominally an adviser to Putin on economic policy. Thus, his denunciation of Chubais at the Dec. 15 cabinet session, where Illarionov charged that Chubais intended not really to attract investment, but to profit from the new privatization, signalled trouble for the UES plan. “The President does not appreciate this structural reform,” intoned Illarionov.

On Dec. 22, the government newspaper *Rossiyskaya Gazeta* analyzed the events around UES. After summarizing Illarionov’s argument, the article went further, to ask, “Is it even possible to take Brazil or Britain — countries with totally different climates and distances — as models?” The President, wrote *Rossiyskaya Gazeta*, was likely to turn the whole matter over to the State Council (the new body, at the Nov. 22 inaugural session of which, Khabarovsk Governor Viktor Ishayev delivered an outline of dirigist measures for economic recovery).

And so Putin did. At the Dec. 26 session of the State Council, Governor Viktor Kress of Tomsk was named to head a new commission on the reform of the energy sector. It is to submit its recommendations by March 1, a deadline Kress says will likely be postponed. Kress, an ally of Ishayev, was one of the Siberian governors who met with Putin at Novosibirsk in November, and told him that the surviving capabilities of Russia’s defense industry should be used to jump-start the economy as a whole — regardless of what happens with foreign investment.

Will Czech Republic Oust Free Marketeers?

by Alexander Hartmann

Some people may have thought, that the political and social situation in the “reformed” countries of Eastern Europe was stable. Although the original reformers, who replaced the Communist governments a decade ago, were voted out of office in most countries, and replaced by the same forces they had deposed in the first place, these “post-Communists” have apparently been “tamed” by the international community — or by their own corruption — and have all turned into their opposites. Hoping to gain access to membership in NATO or the European Union, they have adopted the same policies of free trade and globalization, that had been introduced by the erstwhile reformers.

But, the appearance of stability was misleading. This became most visible in the Czech Republic, when on Jan. 3, 100,000 citizens assembled on Prague’s famous Wenceslas Square, for the biggest rally since the 1989 “velvet revolution” which ended Communist rule, to protest against the decision by the Czech Television Council (CTC) to appoint a new director for the public TV station Ceske Televis (CT).

Power Politics

In December, the unofficial “grand coalition” of Prime Minister Milos Zeman’s Social Democrats and the Civic Union of arch-monetarist former Prime Minister Vaclav Klaus — which is tolerating Zeman’s minority government — used their controlling majority in the CTC to install Jiri Hodac as CT director. Hodac, in turn, fired the CT news director, and appointed Dana Bobosikova in his place.

Both Hodac and Bobosikova are close to Klaus’s ODS party: Hodac had applied for the job as the ODS spokesman, while Bobosikova worked for a while as a personal consultant to Klaus, who was the architect of the free-market economic reforms in the Czech Republic, and is an ardent supporter of the monetarist Mont Pelerin Society. His policies were an unmitigated disaster.

Although Klaus’s ODS lost the parliamentary elections two years ago, the minority government of the Social Democrats continued his policies. In order to avoid any policy changes, the two parties started wheeling and dealing to occupy as many positions of power as possible, including control over the Czech National Bank. They even changed the election laws to make life difficult for other parties, proving what kind of a “liberal” Klaus is.



Former Czech Prime Minister Vaclav Klaus, darling of the Mont Pelerin Society. His political faction is facing a popular insurrection.

A Spark Creates a Fire

But, this move to take control of the public media, has proven to be the “straw that broke the camel’s back.” A group of journalists working at CT declared that Hodac’s appointment was a flagrant attempt to quiet the voices of opposition, and occupied the newsroom, both to protest against the political interference, and to prevent Hodac from taking control of the station. In response, Hodac and Bobosikova fired the rebelling journalists and blocked the terrestrial transmitters, to prevent the “rebels’ ” broadcasts from being aired; nevertheless, these could be received via cable and satellite. Hodac and Bobosikova started to produce their own program, which was broadcast by means of the terrestrial transmitters.

Klaus and Hodac had miscalculated. The whole affair ignited a reaction among the Czech population, that goes far beyond mere protests against Hodac’s appointment as such, and can only be explained as a manifestation of long-standing disgust at the representatives of the political system. Citizens feel betrayed by the Social Democrats, who campaigned against Klaus’s policies in the elections two years ago, only to join forces with him to continue his neo-liberal policies, after the elections. After 11 years of propaganda about the paradise which “capitalism” (i.e., Klaus’s policies) would create, people realize that this has been a lie all along, as they got poverty and organized crime instead.

That is why 100,000 citizens protested with banners and speeches against what they call “*Demokratura*” and called for an “end to the totalitarian system.” Similar rallies, though smaller, were held in Brno and Ostrava. At the rally, the strik-

ing journalists were supported by trade unionists, clergy, artists, and civic organizations.

Now, the governing Social Democrats are attempting to exercise damage control, and are distancing themselves from Hodac. On Jan. 12, a new law will be voted up on the “fast track,” to immediately fire the CTC members, and to change the mechanism according to which the new CTC members will be appointed; these, in turn, will then appoint a replacement for Hodac, who had stopped producing his own program, and resigned a day later. Faced with the overwhelming disgust of the population, the reformers are beating a retreat, while the population has learned once again, that they are citizens, and not subjects.

Labor Protests in Other Countries

The Czech Republic is not the only country where support for the “reformers” is waning. In Poland, a nurses’ strike has been ongoing for nearly six weeks. Hundreds of nurses spent Christmas occupying the Health Ministry, with presents and food supplied by supporters and patients. Both in Poland and in the Czech Republic, the strikes are supported by about 90% of the population.

In many other Eastern European countries, there have been strikes, too, in recent weeks:

- In Poland, in addition to the nurses’ strike, there have been strikes by mine workers, and in early December, fishermen blocked Poland’s ports in a two-hour action which involved 90% of Poland’s fishing fleet, with about 1,200 vessels.

- In Macedonia, court workers went on strike on Dec. 11, paralyzing the country’s justice system.

- In Greece, the General Confederation of Workers of Greece and the ADEDY union, which represents public employees, staged a strike against labor reforms being discussed in Parliament. This hit air, rail, road, and ship transport, and other public facilities, paralyzing the whole country.

- In Belarus, some 168,000 teachers signed a petition demanding that their wages be increased to the average level of industrial jobs. The head of the Trade Union of Education and Science Workers did not rule out a strike, but the union is too poor to support striking members financially.

- In Hungary, where the trade unions are quite weak, health workers announced a series of demonstrations, including a warning strike, because the budget submitted by the government did not allow for pay raises for health workers. On Dec. 9, ten thousand health workers took to the streets in Budapest,

- On Dec. 8, thousands of public-sector workers participated in a one-day warning strike, at various places in Croatia.

Thus, at a time when the myth of the “New Economy” in Western countries is making a hard landing, the political situation in Eastern Europe is just as ripe for sudden changes as it was 11 years ago, when the Communist regimes collapsed.

Fox's New Budget Will Keep Mexico Anchored to IMF Conditions

by Ronald Moncayo

President Vicente Fox's government presented its proposed 2001 budget to Mexico's Congress in December, and it reveals that the Fox government intends to continue, in yet more radical form, the suicidal neo-liberal International Monetary Fund (IMF) policies carried out under the previous two Presidents, Carlos Salinas de Gortari and Ernesto Zedillo.

Unlike his predecessors, however, Fox intends to anchor Mexico to these policies, under conditions of the final disintegration of the world financial system, and the imminent disappearance of the consumerist bubble in the United States, which in recent years has purchased more than 80% of Mexican exports. If the policies of Salinas and Zedillo created an economic and social tragedy for the majority of Mexicans, Fox's adherence to these policies, if he continues to insist on imposing them come what may, will lead to a true national holocaust.

This lunacy was not "Made in Mexico." It is a product of the international financial oligarchy, that of Wall Street and the City of London, which has imposed these policies on Mexico and its population. The budget which Fox sent to Congress, was drafted to meet the conditions and terms which the North American Free Trade Agreement (NAFTA), the International Monetary Fund, and the World Bank have foisted on Mexico.

First Condition: Grow Less

By even the Fox Administration's own wildly fraudulent statistical calculations, the new economic program is premised on an increase in unemployment in Mexico. They argue it thusly: Mexico's Gross Domestic Product (that is, the sum of goods and services produced in a year, in monetary terms) grew 7.5% in the year 2000. They assume that this growth rate represents the creation of fewer than 800,000 jobs a year, although a large proportion of these jobs are in the "informal" sector, and are unproductive in physical-economic terms.

According to the National Population Commission (Conapo), 1 million youths join the ranks of the Economically Active Population each year. If we add to this number, the official figures that claim there are only 600,000 unemployed

in Mexico (an enormous lie), Mexico would need more than 1.5 million new jobs each year, which would require, by the government statisticians' standards, annual growth rates of at least 10%.

During his election campaign, Fox promised to create 1.2 million new jobs a year. Now, in the best Salinas style, he informs the nation that the economy will only grow 4.5% in 2001, meaning that—with luck—450,000 new jobs will be created. During the combined ten years of the Salinas and Zedillo governments, 25% of the population sank into extreme poverty. Now, according to his own calculations, Fox will generate more unemployment.

However, all of these are Fox's calculations, and reality will be much worse. Mexico will actually experience negative growth in 2001, as the principal market for its exports goes "poof."

In the expenditures column, the first thing that Fox, like Zedillo before him, undertook to secure, was payment of "the financial cost of the debt," currently some \$20 billion; that is, 15.5% of total federal government expenditures. At the same time, he imposed zero growth on the rest of expenditures. What has been included in this budget, is the presence of an "extra" 25 billion pesos (close to \$2.5 billion, at the current exchange rate of nearly 10 pesos to the dollar) for World Bank-inspired beggars' programs, the so-called "tortilla scholarships" and "micro-credits for Mom and Pop businesses."

Thus, the continuity of the economic model of past years is reaffirmed; that is, the punctual payment of the foreign and domestic public debt, and greater impoverishment of the population.

Second Condition: Inflation Ceiling of 6.5%

A second condition which defined the Fox Administration's proposed economic and financial programs, is to achieve an inflation rate of under 6.5% by December 2001. But the reason for this foolishness as an axiom of economic policy, is the condition required under NAFTA, that by the year 2003, the United States, Canada, and Mexico should all have the same inflation rate, which should be of no more than

3%. This condition has been dubbed “inflationary convergence.”

From the earliest days of the Zedillo government, in 1995, it was established that the strategy to follow to reach this goal, would be strict control over monetary emission, accompanied by a nuclear-bomb-proof fiscal discipline. Guillermo Ortíz, the emperor of the Bank of Mexico, quickly complied, and Mexico now finds itself in the unusual position, in which its central bank does not *issue* money, but *withdraws* money from circulation, to the tune of some 350 million pesos daily.

In the final days of Zedillo’s government, Ortíz demanded that Zedillo do his part in limiting spending still further, imposing greater fiscal austerity and/or extra taxes in the last days of regime. Instead, Zedillo left that dirty job to Fox, who announced without hesitation that the public deficit, as a percentage of the GDP, would go from 1% in 2000, to 0.5% in 2001. In the face of huge protests from various sectors, Fox had to pull back slightly, setting the deficit goal instead at 0.65% of the GDP. Fox says that he will achieve this result with an increase in net real public revenues on the order of 25 billion pesos, through a combination of increasing taxes and eliminating tax exemptions for different categories.

This “fiscal package” is to be announced in its totality by March 2001. In addition, it is already known that Fox will not substantially increase spending; what there will be, are cutbacks in expenditures for agriculture, energy, state governments, and others, at the same time that existing spending categories are reallocated. In particular, emphasis will be given to granting of scholarships for education (dubbed “*tortibecas*,” or “tortilla scholarships”). However, spending for education as a whole will decrease, from the 26.4% of total spending devoted to education in 2000, down to 25.6% in 2001. And Fox calls himself the Education President.

Third Condition: Expand Exports!

The balance of payment’s current account is made up of the sum of the trade balance (exports minus imports), and the balance of services (including interest payments on the foreign debt). Mexico’s current account balance has been systematically negative, because of the interest payments on the foreign debt (in 1999, alone, Mexico paid \$13 billion in interest), and, often, because imports have exceeded exports.

Of total exports, the *maquiladora* assembly-plant sector consistently produces a surplus, although it requires a great flow of imports which simply enter the country, and then leave as *maquiladoras* exports. For example, in 1999, *maquiladora* exports totalled \$64 billion, but \$50 billion worth of imports was necessary to make that possible. That is to say, for every dollar exported by the *maquiladoras*, 78¢ worth of imports are required. (The *maquiladoras* are not, properly speaking, part of the Mexican economy, but rather an enclave of foreign-owned factories on Mexican soil, operating on the basis of virtual slave labor, and contributing nothing to the economy.)

In 1999, exports totalled \$137 billion, and imports, \$142

billion. Thus, the *maquiladoras* represent 41% of Mexico’s total trade.

This situation leaves Mexico highly vulnerable, because of its total dependence on production for export. The requirement that Mexico not exceed a 3.8% current account deficit, relative to GDP, means that Mexico’s deficit cannot exceed \$23 billion, some \$5 billion more than in 2000. According to the calculations of Fox and his economists, a deficit this size is “manageable,” and does not represent a significant “risk” for the international speculators who need to continue exploiting the national economy down to the last resource possible.

Mussolini-Style Insanity

Fox, seeking to be prudent, will soon end up a tragic figure. The official budget proposals were accompanied by a document entitled, “General Political Economy Criteria,” which purports to “provide elements which facilitate comprehension and analysis.” In this document, it is argued that the government’s medium-term economic objective will be “to increase the growth potential of the Mexican economy in an environment of price stability,” and that current economic policy is defined by that framework. At the same time, it analyzes two conjunctural crises, which it asserts must be faced immediately:

1. That the national economy in the year 2000 grew too much, so much so that it is not possible to satisfy demand in such a short time, and therefore the economy must be slowed down;

2. That the economy of the United States grew more than 5% in the year 2000, but in the year 2001, that will slow down to 3%, at the same time that the price of oil will fall, thereby cutting into what Mexico can expect to earn from its oil exports.

The combination of these situations, as expressed in the budget objectives, leads Fox to argue that his economic policy for 2001 should aim for less domestic growth, and much greater exports—to a market that is not going to exist!

Despite the fact that this program is a completely recessive one, and that his model is designed to serve foreign interests, with great cynicism, Fox promises more job creation, an increase in the buying power of wages, that everyone pay taxes, the strengthening of domestic savings, stimulation of credits, etc.—“in sum, an economic policy which is inclusive, participatory, responsible, and committed to the hopes and desires of everyone.”

It’s just what corporatist Fascist Benito Mussolini promised to Italy, in the 1920s—and just as fraudulent.

By the end of January, according to the Constitution, the official budget should be approved. Some changes will certainly be made, but they will probably be minor ones. The population, still enthralled by Fox’s victory, will soon become disillusioned, when they see that, while they knew whom they were voting against in the last election, what they did not wish to see, is that they voted for a new executioner.

Business Briefs

Finance

Schmidt Scores U.S. for Blocking Market Controls

Germany's former Chancellor Helmut Schmidt said that if the United States dropped its opposition, leading nations could decide on financial market controls, to confront financial turmoil. In an interview in the Berlin daily *Der Tagesspiegel* on Jan. 2, Schmidt said that it is time that governments regain power over the globalized financial markets; in particular, "the investment banks and hedge funds are exposed rather insufficiently to banking supervision, so that there, controls must be imposed."

"The most important governments, the G-7 plus China plus Russia, must jointly resolve: We want to put this and that under control, and you have the obligation to translate that into national legislation," Schmidt said. It is possible to achieve that, "if the most important states want it. But the Americans do not want it, at present. And the EU [European Union] does not have a common financial foreign policy, not even an internal financial policy."

Schmidt voiced dissatisfaction with the current generation of EU politicians. He pointed to Charles de Gaulle, Jean Monnet, Robert Schuman, Giscard d'Estaing, and Konrad Adenauer as leaders who promoted European progress.

Transportation

Rail Passenger Service Links Russia, Asia, Iran

Regular rail passenger service among Russia, Central Asia, and Iran via Turkmenistan was scheduled to begin on Jan. 11. The rail line is an extension of the Iran-Turkmenistan line from Mashhad to Sarakhs and the Russia-Tajikistan line from Moscow to Dushanbe. The two lines will be joined at Chardzhou on the Turkmen side.

The new line will make travel from Dushanbe to Tehran possible in 55 hours, with two of those hours required to change gauges at the Iranian border, from Russia's

1,520 millimeter to Iran's 1,435 mm. The Uzbek capital, Tashkent, will also be served by the route. Initially, trains will run once a week.

Meanwhile, the 341 kilometer Buchara-Samarkand line, another important Central Asian rail segment, will be modernized, with investments of \$155 million, \$70 million of which has been okayed by the Asian Development Bank; \$80 million will be shouldered by the state railway company of Uzbekistan, and \$5 million by the Organization of Petroleum Exporting Countries Development Fund.

In year-end reviews, Russian and Kazak government officials emphasized that transport corridor development is a priority. In Moscow, Alexander Kolik, head of the economic policy department of the Russian Transport Ministry, said on Dec. 27, that Russia could expect an additional \$3-5 billion in annual revenues resulting from international commodity transit through Russia.

At a special event for diplomatic missions in Almaty on the same day, Kazakstan Foreign Minister Erlan Idrisov stressed Kazakstan's role as a transit point for trade and communications between Europe and Asia. Earlier in December, Kazak media reported that the government has presented a new proposal to China for joint work on the completion of a 6,500 km modern rail link from the European Atlantic coast to the Kazak-Chinese border. The project was also discussed between the Presidents of Kazakstan and Russia in Moscow, as well as in other high-level diplomatic meetings, in mid-November.

Science

China Plans To Boost International Cooperation

Chinese Minister of Science and Technology Zhu Lilan announced in a Dec. 27 press conference, that as part of China's Tenth Five-Year Plan, funds for international cooperation will be increased by at least 100 million yuan (\$12 million), to launch a major international science and technology program.

For the first time, *People's Daily Online*

stated, the International Space Station (ISS) is listed as one of the important elements in its international scientific cooperation. Other projects to be considered include a high-energy physics hadron collider, and projects in nuclear physics, new materials, Earth science, life sciences, and other fields.

Wang Shaoqi, head of the international cooperation department of the Ministry of Science and Technology, reported that more than 100 major international science-research programs are currently under way. At the same time, China will support young scientists taking part in the high-tech programs launched by the European Union, and will join more international organizations.

In the white paper on the Chinese space program issued in November, while international cooperation was discussed as an important goal, neither Russia nor the United States, the two major partners in the ISS, were mentioned by name for increased cooperation.

Africa

Economists Push Stronger Industrial Policy

Two-dozen African economists have urged changes in policy, including a role for the state, to industrialize the continent, according to *African Economists Insist on Stronger Industrial Policy*, a book summarizing many of their findings, by Thandika Mkandawire, currently director of the UN Research Institute for Social Development, and Charles C. Soludo, a member of the Governing Council of the Nigerian Economic Society. The economists carried out some 30 separate studies, in the largest African research project on structural adjustment so far, but the individual studies have not yet been published.

Industrial policy in Africa—or rather, the lack of one—is an area that particularly concerns these economists. Equating earlier industrialization approaches with "statist" policies of intervention, the World Bank has exhibited a "deep-rooted anti-industrial-policy position," argue Mkandawire and Soludo. Economic liberalization and the removal of state protection in Africa came too

KAZAKHSTAN President Nursultan Nazarbayev has issued a decree for the foundation of a Kazakhstan Development Bank, to begin operation in July 2001. The bank will be built on contributions from all of the nation's districts, and preferentially support investments of industrial facilities.

THE SOUTHERN AFRICAN Development Community has plans under way to link all hydropower firms in the 14-nation group into a common power network to strengthen power distribution. Dubbed the "Southern Africa Power Pool," member countries will complement each other's power supply in such crucial times as droughts, when hydroelectric supply is affected.

JORDAN will start operating a small nuclear research reactor in early 2002. Energy Minister Wael Sabri told the *Al-Arab Al-Youm* newspaper on Dec. 31, that this past year, Jordan, in cooperation with the International Atomic Energy Agency, began construction of the \$1.7 million, 27 kilowatt reactor. This introduction of nuclear research into Jordan can help lay the basis for the nuclear-centered LaRouche Oasis Plan, for large-scale desalination and energy production for the Middle East.

THE RUSSIAN State Statistics Committee told Interfax on Jan. 4 that if existing mortality trends continue, only 58% of young men now age 16 will reach their 60th birthday. Committee experts noted that this was only slightly better than the projections for 16-year-olds in 1897, when 56% were expected to reach 60.

CHOLERA is raging in South Africa, with the number of cases doubling over the last month to have afflicted more than 12,000 people. The epidemic has spread to Zambia, Malawi, Swaziland, Mozambique, and Tanzania. Malawi's National Statistical Office has warned that 22%, or 2 million, of the country's 9 million residents have no access to proper sanitation or sewerage systems.

fast to allow industry to adapt. Unable to adapt to stiff global competition, at a time when investment levels in Africa were declining, many of the continent's fledgling industries were forced to scale back or shut down. African exports of manufactured goods declined drastically. The book also shows how International Monetary Fund structural adjustment programs have encouraged the export of raw mineral and agricultural products, basing Africa's trade even more solidly on primary commodities.

The authors agree with proponents of export-oriented policies, that trade can help spur economic growth in Africa, but say that this will happen "especially when a country has increased the share of manufactures in its exports." For this to happen, African countries will need to adopt explicit industrial policies, somewhat along the lines of the more successful East Asia states.

While private initiative will be important in spurring greater industrialization in Africa, say the researchers, "these forces need to be managed with appropriate state-interventionist policies to resolve pervasive market failures." This should include some protection for "infant industries," in a way that gradually allows them to mature and enhance their international competitiveness.

India

National Mission Set Up For Technology Education

Indian Prime Minister Atal Behari Vajpayee announced the formation of the National Mission for Technology Education, at the 88th session of the Indian Science Congress on "Food, Nutrition, and Environmental Security," in New Delhi, on Jan. 3. Vajpayee said that the objective is "to ramp up, on a crash basis, the facilities at technology and engineering institutions. It will also seek to close the gap between academia and industry, on one hand, and between teaching and research institutions, on the other."

Vajpayee invited scientists to take "bold and unconventional" initiatives. He assured them that there will be a hike in investments for R&D, removal of bureaucratic controls

in research and higher-education institutions, and radical reform in the governance structures of higher education. He said that the challenges and opportunities of global competition in the emerging "knowledge economy" had placed a major task before the nation, to create top-level professionals in information and bio-technology.

Urging the promotion of innovative public-private partnership for funding scientific research, Vajpayee focussed on educating farmers and narrowing the gap between the farmers and the scientists, in an era of "precision agriculture" that is knowledge-intensive, and uses the latest that the science has explored.

Eurasia

Russian TV Boosts Trans-Siberian Railroad

On Jan. 2, a Russian public-television special showed how the Trans-Siberian Railroad is being extended into East Asia. The occasion was the first train to run in a newly electrified section of the route, the day before. More than 9,000 kilometers of the line is now electrified, with only 270 kilometers more to be upgraded.

"Every new electrified section of the railway brings us to a new level in terms of technology, production, and economic potential," the commentator said. "Electrification will make it possible to increase both the freight volume and the speed of trains."

"The electrification of the Trans-Siberian Railway is not a single major project of the 21st century. An agreement has been reached on restoring the rail connection between the Democratic People's Republic of Korea and the Republic of Korea," the commentator continued. "The Trans-Siberian Railway will stretch to the port of Pusan, South Korea, and will become the most important transport bridge linking Europe and Asia. The construction of tunnels and bridges to link the continent with Japan, via Sakhalin, will start in 2001. The Railway Ministry's experts believe that a rail connection of Tokyo with London will become reality within the first decade of this century."

The Demise of An Importer Of Last Resort

by Lyndon H. LaRouche, Jr.

December 23, 2000

Amidst events coinciding with the burking of the Presidential candidacy of Vice-President Al Gore, by the hands of the U.S. Supreme Court majority, the U.S. economy promptly entered a phase of political and economic collapse comparable to, as I have said earlier, that experienced by the East Germany regime of Honecker and Mielke, during November 1989.¹ It were likely that another, more ancient historic event will also soon be noted, the fall of Federal Reserve Chairman Alan Greenspan, as a reenactment of the flight from the pages of history, in his nightshirt, of the formerly all-powerful, terrifying Chief Justice of England, Lord Sir George Jeffreys.

The U.S. economy has not yet lost its nightshirt, but, it must be noted that the presently ongoing financial collapse appears to be bottomless. If things continue as they are going on world markets right now, the last glimpse of the Greenspan bubble will be that of a disembodied, flapping nightshirt, minus the Greenspan mislaid along the way, in its wildest contortions of all, vanishing over the brink of the horizon. On the pages of future, not-so-distant history, this presently ongoing collapse of the overblown U.S. financial bubble, will be known as “The Demise of the Great Importer of Last Resort.”

Future historians will shake their heads slowly, and grimly, when they read that the leading U.S. press and elected political officials of this moment, were talking about the continued performance of “the economy,” arguing about what will be “good for the economy,” an economy which they themselves had already killed and buried by night, with the incumbency of Greenspan’s immediate predecessor, Fed Chairman Paul Volcker, decades earlier. What is collapsing today, is not an economy, but a vast financial bubble, a bubble whose chief economic expres-

1. See Lyndon H. LaRouche, Jr., “Lesson of the Cole Incident: Stop Privatizing Our Generals,” *EIR*, Nov. 10, 2000.



A Honduran child produces for the U.S. market. Nobody is going to be buying baseballs, when Alan Greenspan's Depression hits full-force.

sion is the U.S. financial system's role as "The Importer of Last Resort" for the world at large.

Look at what is called U.S. production. How much of the nominal U.S. production output's content is the resale of imported components, assemblies, and even entire products? Compare the country of origin of your clothing, and nearly everything else, by type, which you wore or used otherwise two decades ago, and the country of origin of the same or a similar product today. Look at the resort to virtual slave-labor operations, abroad, to export productive employment from the United States (and also western Europe) into regions where the price of labor is relatively the cheapest, and relative skills most marginal. Look at the U.S. industrial corporations, so-called; what portion of the total income of those entities has been a reflection of pure financial speculation, such as that associated with City of London-pivoted mergers and acquisitions?

In effect, the world has been supporting, until about now, a vast U.S. dollar-denominated financial bubble, all largely for the purpose of propping up an inflated, intrinsically bankrupt U.S. economy's role as "importer of last resort" for much of the world.

What happens, when that financial bubble moves into its inevitable chain-reaction-collapse phase? That is what is happening now.

The Year-End Open-to-Buy Crisis

Examine the effects of such a shift upon the purchasing power, and purchases among a large portion of the upper 40%

of U.S. family-income brackets. This includes the upper 20% of those family-income brackets, and the lower half of that upper 40%, the latter being the most significant concentration of purchasing-power among the lower 80% of family-income brackets. What has happened, just recently, to a lot of people in the upper 40%; focus upon the special impact upon the lower half of that 40%, the leading element of purchasing-power among the lower 80% of the population as a whole.

Now, look at this from the standpoint of what the purchasing agents of the U.S. have faced, in managing what are called their open-to-buy accounts, during the August-December 2000 interval of pre-Christmas sales-planning. Look at the relationship between the collapse of the so-called "New Economy" and the present predicament of the manager of the open-to-buy accounts of retailer, wholesaler, and whatever passes today for a so-called manufacturer. Look at the special way in which this will impact the lower half of that upper 40%. Look at this in terms of the magnitude of the capital financial losses suffered by so-called investors and shareholders through the collapse of the "New Economy" bubble world-wide.

Look at the prospective hang-over of unsold inventory of all kinds of enterprises on the day after Christmas. Who is hanging among the needles dropping from that poor Christmas tree? Then, look ahead to the end of January, and, then, to February, and then to Spring. What is that fading unsold inventory's effect on the level of purchase orders issued to the entire world by what had been formerly the world's importer of last resort? What is the effect on China, for example?

On Mexico, for example? All around the world?

With the collapse of the relative value of the U.S. dollar, perhaps by more than 10%, ultimately to perhaps as little as 60% of its present exchange-rate, what happens to the world market serviced by the United States as importer of last resort for the world as a whole?

Something analogous, but far, far less severe happened in the U.S. during 1929-1932. What we faced then, was a world-wide financial and economic crisis. What threatens the world immediately today, is a global economic-break-down crisis.

Now, taking such facts as the impact of a collapse of the purchasing-power of the importer of last resort, upon the U.S. and world economy as a whole, we have a situation in which none of the measures even conceived to be politically feasible by either the outgoing Clinton Administration or incoming Bush Administration, have any relevance for the realities of 2001. What must then be said of wishfully self-deluded fools, who are thinking in terms of "How do we adapt to the realities of the incoming new administration?" Since I am the only international figure who has a competent grip on the realities of this situation, where does the tactical, as well as the strategic center of world politics lie at this moment?

Time to leave wishful dream-land, and come back to reality.

The Bursting of the U.S. Import Bubble

by Richard Freeman

During the past few decades, but especially the past five years, the United States has attempted to disguise and compensate for a physical economy that is contracting at the rate of 1 to 2% per annum, and producing a falling living standard, by a simple expedient: using its overvalued dollar to import — suck in — goods from other countries. What the U.S. does not produce, and in many crucial instances, is no longer capable of producing, it imports from abroad. As a result, imports have soared far above exports, leading to record trade deficits, with each year's deficit successively dwarfing the previous year's. In turn, the rising trade deficit is the leading element that swells the current account deficit.

To cover the current account deficit, Wall Street and the City of London have rigged the world financial system so that large flows of foreign-held dollars are attracted back into investment in the United States. What the United States pays in dollars for its physical goods and other items that make up the current account deficit, and more, is brought back into the United States.

This entire system of foreign goods flowing out of other countries and into the United States is held aloft by the U.S. financial bubble. Foreigners will bring dollars across the Atlantic and Pacific Oceans into the United States, for investment in the U.S., only as long as the dollar is seen as a sound currency, and as long as dollar-denominated investment instruments — such as U.S. Treasury bonds, corporate bonds, stocks, derivatives — pay a relatively higher rate of return than the comparable instruments of other nations in the world. Thus, the bubble of the U.S. investment market has to be maintained, in order for the Anglo-American financier oligarchy to keep its grip on power.

This is not a healthy arrangement for any of the nations concerned. The United States is importing such a huge amount of physical goods, mostly, not because its economy is expanding, but because it has impaired or permanently destroyed the capacity to produce these goods by its own productive facilities. The exception is the increase of imports of luxury goods, in particular cars, by the upper 20% of the population by income rank, whose income has come in significant measure from the financial bubble.

De-Leveraging Is Imminent

This bubble's imminent explosion, in the worst breakdown crisis in 300 years, ends this system. The recent halving

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of the value of the Nasdaq stock index over the past 10 months, wiping out over \$3 trillion in market capitalization, indicates the direction this will take. As the value of the bubble falls, various foreign investors, for safety reasons, will yank their money out of the United States, and act to get out of dollar-denominated investments altogether. This will send the dollar plummeting: A 40% fall in the value of the overvalued dollar—whose strength rests upon the “strength” of the bubble—is likely. At that point, the effect will spread to cause a lighting de-leveraging of the highly leveraged U.S. financial system. The dollar-centered financial system as a whole will shatter.

There will be a simultaneous pulverizing of physical economies, given the way world trade is presently constituted. Without the flow of foreign-held dollars into the United States, the U.S. will not be able to finance its current account deficit, which consists primarily of its trade deficit.

This will have consequences from two sides. On the side of the United States, from consumer goods, such as clothing and household appliances, to capital goods, such as machine tools and electrical equipment, this country imports between 20 and 75% of all the goods it consumes each year. The flow of a large portion of these goods will be cut off.

On the side of the rest of the world: Japan, Taiwan, the Philippines, Malaysia, Thailand, and Nigeria export between 25% and 40% of all their physical goods exports to the U.S.; China exports 41.9% of its physical goods exports to the U.S.; Ibero-America, not counting Mexico, exports 36.5% of all its physical goods exports to the U.S.; Ibero-America, when Mexico is included, exports 56.6% of its physical goods exports to the U.S. In the case of Mexico and Canada, more than 83% of their physical goods exports go to the United States.

The effect of the contraction of this trade will be non-linear. In the midst of the financial disintegration of the past decade, for many nations in Asia and Ibero-America, exports to the U.S. represent all that allows them to keep certain factories open. The removal of this trade will force shutdowns of large swathes of manufacturing in their economies, which will impact the non-export domestic economy.

As for the United States, only by stealing goods from the rest of the world, through the strong dollar, has it been able to keep certain industries open, albeit at reduced rates of production. Now, the sharp contraction of goods trade between the U.S. and the rest of the world will step up the production collapse. This will create a worldwide interacting downward spiral, also affecting Europe, which will see the markets for trade in Asia and the Americas drastically fall.

By selecting key representative sectors of the economy, we will see just how extensive America’s import dependency is. The high degree of U.S. import dependency emerged from the implementation of the “post-industrial society” policy, a deliberate policy of shutting down manufacturing and agriculture.

History of the Crisis

Emerging from World War II, the U.S. was an exporting nation, which exported many capital goods to war-torn nations of Europe, and elsewhere around the world. This is what an industrial nation should be: a capital goods exporter, exporting machine tools, tractors, electrical generating equipment, etc., with an emphasis on the developing world. Based on that, for the most part, it will run a trade surplus. The United States continued in that manner, in modified form, up through the end of the 1960s. Even as late as 1975, the U.S. ran a physical (merchandise) goods trade surplus of \$8.9 billion.

But during the 1960s, the City of London-Wall Street financier oligarchy imposed a post-industrial society policy. This policy closed down manufacturing, agriculture, and infrastructure, and built up non-productive services and a large speculative bubble. In 1971, this policy reached a catastrophic turning point, when President Richard Nixon took the U.S. dollar off the gold reserve standard. This divorced financial flows from productive flows, and set the basis for the build-up of the speculative Eurodollar market.

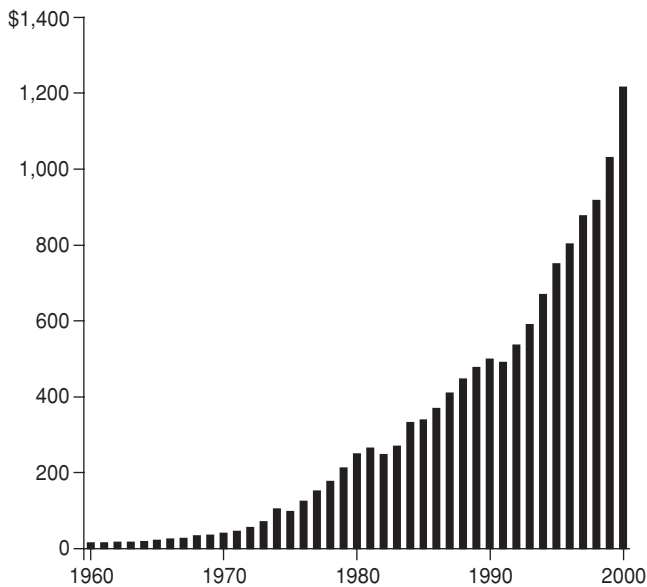
In October 1979, under the Administration of Jimmy Carter, then-Federal Reserve Board Chairman Paul Volcker instituted a policy that he explicitly called “the controlled disintegration of the economy,” as an extreme variant of the post-industrial society. Volcker began forcing upward the prime interest rate charged by commercial banks, so that by November 1980, the prime rate had reached 21.5%. Interest rates were held at double-digit rates for five years, through the end of 1984. As a result, in the period 1980-84, this killed off a layer of the U.S. manufacturing base, causing companies to shut down partially or completely. A surge of imports began, in order to replace the manufacturing capacity America had lost. The machine-tool industry makes this case in a particularly dramatic way.

During the decade of the 1990s, the focus of the post-industrial society policy was to extend the process of “globalization,” one of whose key features is that manufacturing is outsourced to some of the poorest countries. Goods are produced where workers—frequently children—are paid from 10¢, up to \$2 per hour. The 1993 passage of the North American Free Trade Agreement (NAFTA), with its slave-labor *maquiladora* system, was carried out with this purpose in mind (see article, p. 24). During the 1990s decade, a second surge of imports was fostered.

Figure 1 shows that the level of physical goods imported into the U.S. rose dramatically during the period 1960-2000. In 1981, the United States imported \$265.1 billion worth of physical goods; by 1990, this had risen to \$498.3 billion, a near doubling, which is already a sizeable amount. But between 1991 and 2000, the level of U.S. physical goods imports surged from \$491 billion to a projected \$1.215 trillion, which is an explosive growth of 2.5 times. But even this understates the actual growth: The forced devaluation of many currencies against the U.S. dollar during the latter part of the decade of

FIGURE 1
U.S. Physical Goods Imports, 1960-2000

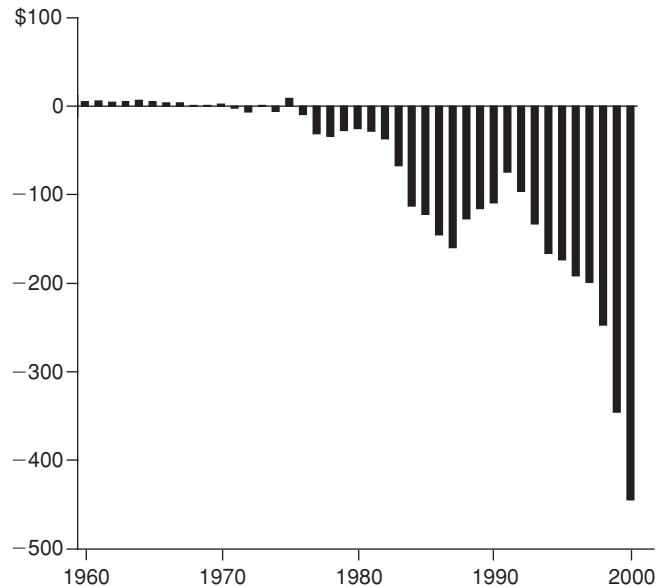
(\$ Billions)



*First ten months of 2000, annualized.
 Source: U.S. Department of Commerce; *EIR*.

FIGURE 2
U.S. Physical Goods Trade Deficit, 1960-2000

(\$ Billions)



*first ten months of 2000 annualized
 Source: U.S. Department of Commerce; *EIR*.

the 1990s, meant that the dollar could buy more physical goods. Thus, whereas \$1,000 worth of imports may have commanded and represented 50 goods from Mexico in 1990, because of the devaluation of the Mexican peso, the same \$1,000 worth of imports may have commanded and represented 100 goods from Mexico in 2000. *EIR* is investigating further this added volume of goods imports commanded by an overvalued dollar.

Figure 2 shows that the surge in imports pushed forward the U.S. trade deficit in physical goods. In 1995, the U.S. physical goods trade deficit had already reached a record \$173.6 billion, but by 2000, it had skyrocketed to a projected \$444.1 trillion, an increase of more than two and half times in only five years. (For the same reason that the dollar amount understates the size of the U.S. physical goods import level, it also understates the size of the U.S. physical goods trade deficit.)

Figure 3 presents the U.S. current account deficit, in which the trade deficit is the principal force. There are two main differences between the current account deficit and the physical goods trade deficit. First, the current account is comprised of three main elements. Two of the elements are the balance on investment income, and the balance on unilateral transfers. Second, while the third element of the current account deficit is the trade deficit, the current account utilizes

the trade deficit on goods and services, whereas above, we concerned ourselves only with the physical goods trade deficit and excluded services. But, given its overwhelming size, the trade deficit in physical goods drives forward the deficit of the current account. (For a more detailed explanation of how the current account balance works, see “U.S. Current Account Deficit Could Rupture Economy,” *EIR*, April 21, 2000).

Based on the trend of Commerce Department data, the U.S. current account deficit for 2000, would be projected to a record \$440 billion. But even that disguises the deficit’s real magnitude, which, due to the reason cited above and other reasons, is, in fact, significantly larger.

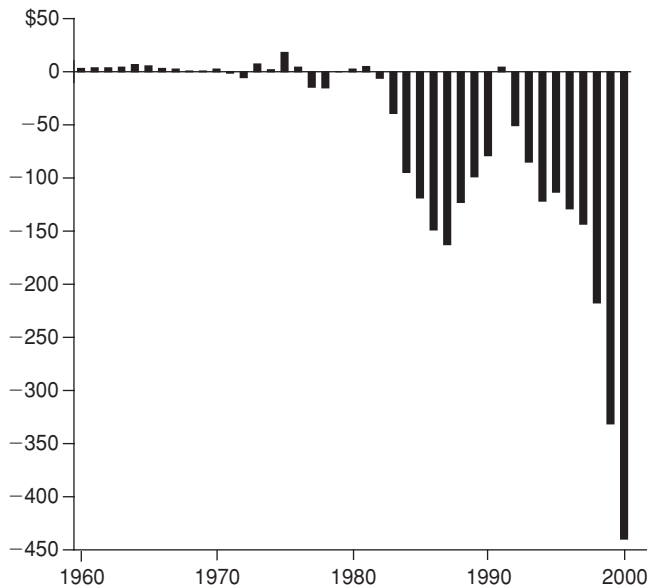
Thus, the imposition of the post-industrial society policy fed the rising U.S. physical goods trade deficit, which in turn, swelled the current account deficit.

Rising Consumer Goods Imports

We now look at key sectors of the U.S. economy, to see how extensive America’s dependency on imported physical goods has become. A large portion of everything we consume, from the clothing on our backs, to home appliances, to machine tools, is imported. To depict this point, *EIR* has selected representative sectors from the consumer goods market basket, the producer goods market basket, and intermediate goods.

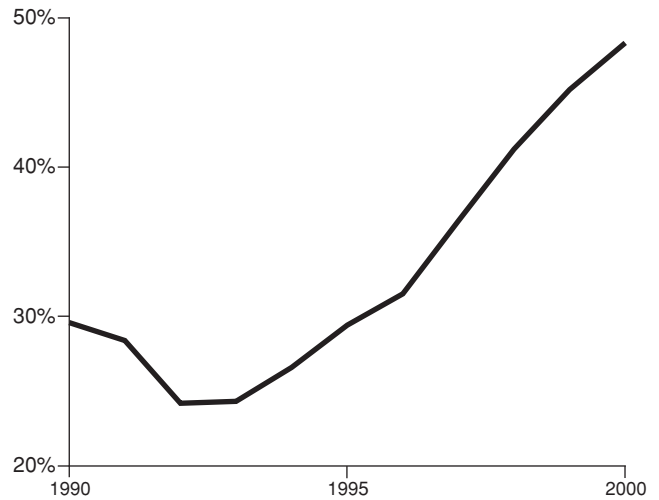
FIGURE 3
U.S. Current Account, 1960-2000

(\$ Billions)



*first nine months of 2000 annualized
 Source: U.S. Department of Commerce; *EIR*.

FIGURE 4
Men's/Boys' Trousers: Imports as a Percent of Total U.S. Consumption



Source: U.S. Department of Commerce; World Trade Organization; *EIR*.

In each case, we examine America's total consumption of a particular good, and what percentage is supplied strictly by imports. Start with consumer goods.

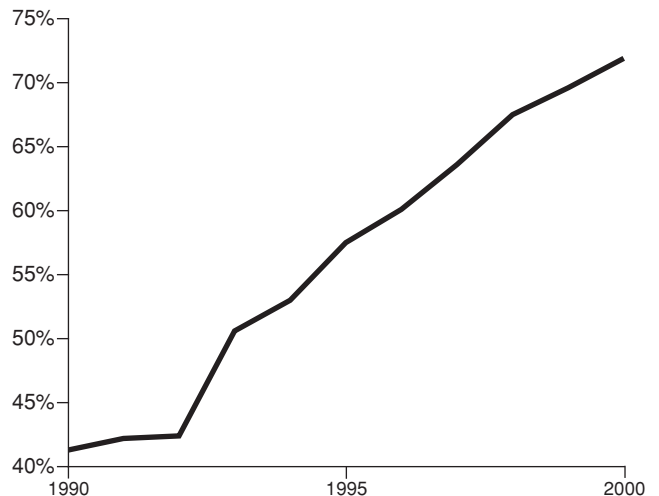
Figure 4 documents that in 1990, 26.1% of all the men's/boys' trousers that America consumed were imported. By 2000, 48.3% were imported. This near doubling indicates just how strong the policy of the overvalued dollar was during the decade of the 1990s, in flooding America with imports. (In many instances, consistent U.S. Commerce Department data only extend back to either 1989 or 1990, and therefore our graphs only go that far back. However, in instances where either Commerce Department or industry trade association data permitted a longer timeframe, *EIR* utilized those data.)

Figure 5 shows that between 1990 and 2000, the percentage of all shirts that America's men and boys consumed, which were imported, rose from 42.9% to 71.9%. **Figure 6** shows that between 1990 and 2000, the import content of all the outerwear garments (that is, all clothing that is not underwear) which America's men and boys consumed, rose from 28.3% to 53.7%.

Figure 7 shows a similar story for women's/girls' blouses. **Figure 8** documents that between 1990 and 2000, the import content of all the outerwear garments which America's women and girls consumed, rose from 31.5% to 51.1%.

Thus, between 1990 and 2000, the import content of all

FIGURE 5
Men's/Boys' Shirts: Imports as a Percent of Total U.S. Consumption

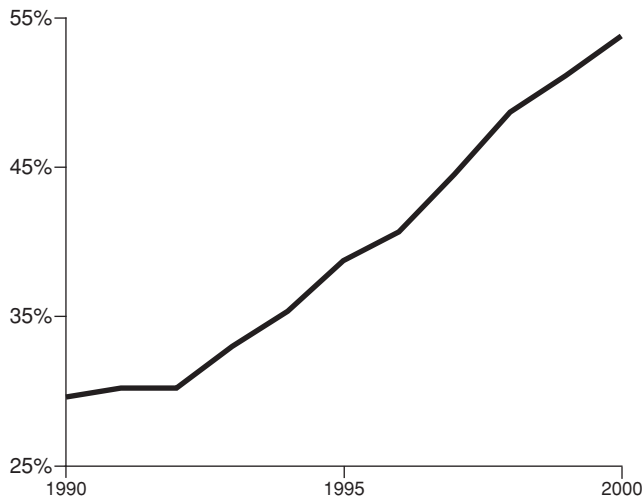


Source: U.S. Department of Commerce; World Trade Organization; *EIR*.

outerwear garments consumed by all Americans, rose from 29.9% to 52.5%. Today, half of all clothing that every man, woman, and child wears, is imported. But consideration of

FIGURE 6

All Men's/Boys' Outerwear Clothing: Imports as a Percent of Total U.S. Consumption



Source: U.S. Department of Commerce; World Trade Organization; *EIR*.

FIGURE 7

Women's/Girls' Blouses: Imports as a Percent of Total U.S. Consumption

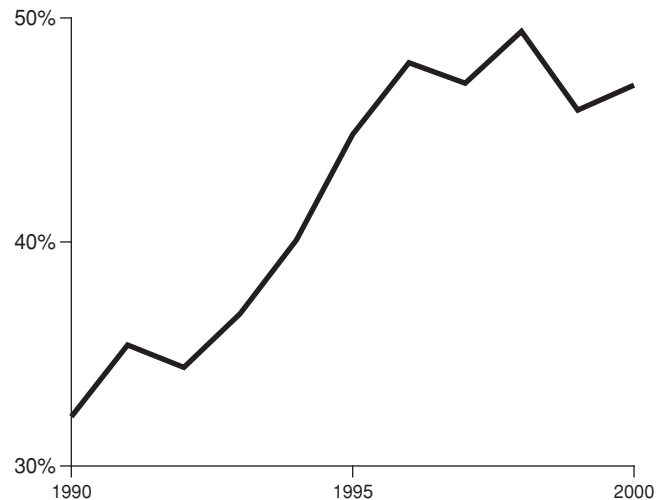


Source: U.S. Department of Commerce; World Trade Organization; *EIR*.

this arrangement, shows how America exists through looting. The imported clothing is produced in slave-labor conditions in countries such as Bangladesh, the Dominican Republic, and Thailand, where workers—often children—are paid

FIGURE 8

All Women's/Girls' Outerwear Clothing: Imports as a Percent of Total U.S. Consumption



Source: U.S. Department of Commerce; World Trade Organization; *EIR*.

as little as 10 to 25¢ per hour. A large retailer, like Wal-Mart or K-Mart, will buy a finished shirt, for example, for perhaps \$3, and sell it for \$8 in its store in America. Had the shirt been produced in America, with the garment worker paid a decent wage, it might cost \$15 to \$20 to make, and sell for \$25. Inside the United States, as a result of the post-industrial society policy, real living standards are falling. But through this arrangement, the American family, whose living standard would not permit it to buy a \$25 shirt, may be able to purchase it for \$8. Thus, even with the imports, America's total level of reproductive economic activity is falling; but remove the imports, and the economy would be in a free-fall.

Figure 9 shows that in 1990, 21.1% of all household cooking equipment that Americans consumed, was imported. Today, the figure is 35.3%. **Figure 10** shows that the same process is under way for housewares and fans.

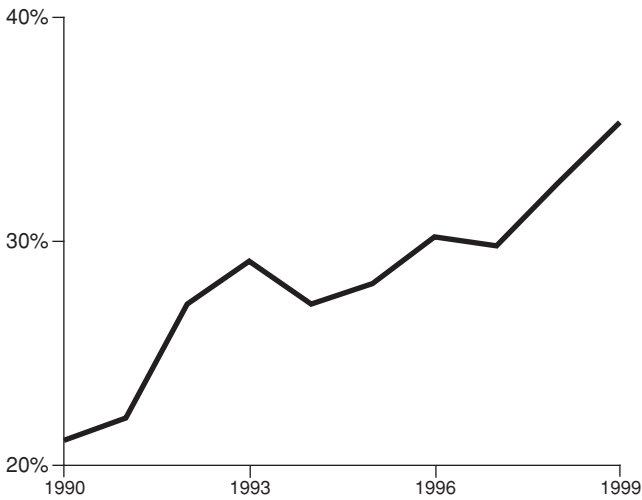
Figure 11 documents that in 1972, 2.5% of all the motor vehicles that Americans purchased, were imported. Today, the figure is 34.2%. (*EIR* is investigating what percentage of parts that go into American motor vehicles, is imported.)

Intermediate Goods

But the dependency of America's economy on imported goods, even to function at a declining level, extends beyond the consumer goods sector to all other processes of the economy.

FIGURE 9

Household Cooking Equipment Imports as a Percent of Total U.S. Consumption



Source: U.S. Department of Commerce; World Trade Organization; *EIR*.

FIGURE 11

Motor Vehicles and Vehicle Bodies: Imports as a Percent of Total U.S. Consumption



Source: U.S. Department of Commerce; World Trade Organization; *EIR*.

FIGURE 10

Electric Housewares and Fans: Imports as a Percent of Total U.S. Consumption



Source: U.S. Department of Commerce; World Trade Organization; *EIR*.

FIGURE 12

Ceramic Tile: Imports as a Percent of Total U.S. Consumption



Source: U.S. Department of Commerce; World Trade Organization; *EIR*.

There is a whole range of intermediate goods that are necessary for the production process. **Figure 12** shows that in 1972, 35.4% of all the ceramic tile that America consumed, came from imports. By 1997, 61.8% came from

imports. Ceramic tiles are used on floors and walls in houses, for example.

In the cases of steel, and sawmill and planing products—different types of cut lumber—which are shown in **Figures**

FIGURE 13

Steel: Imports as a Percent of Total U.S. Consumption



Source: U.S. Department of Commerce; World Trade Organization; *EIR*.

FIGURE 15

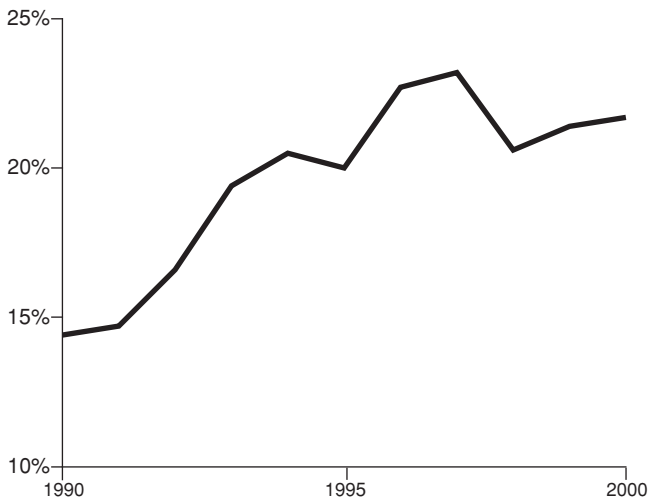
Industrial Fasteners: Imports as a Percent of Total U.S. Consumption



Source: U.S. Department of Commerce; World Trade Organization; *EIR*.

FIGURE 14

Sawmill and Planing Mill Products: Imports as a Percent of Total U.S. Consumption



Source: U.S. Department of Commerce; World Trade Organization; *EIR*.

13 and 14, respectively, the import dependency has grown.

Figure 15 shows that in 1972, 8% of all industrial fasteners which America consumed—consisting primarily of a basic product, screws—were imported. In 1999, 22.2% were imported.

Capital Goods

But most fascinating, is the way that imports have moved into a domain in which America had long been a leading force: capital goods.

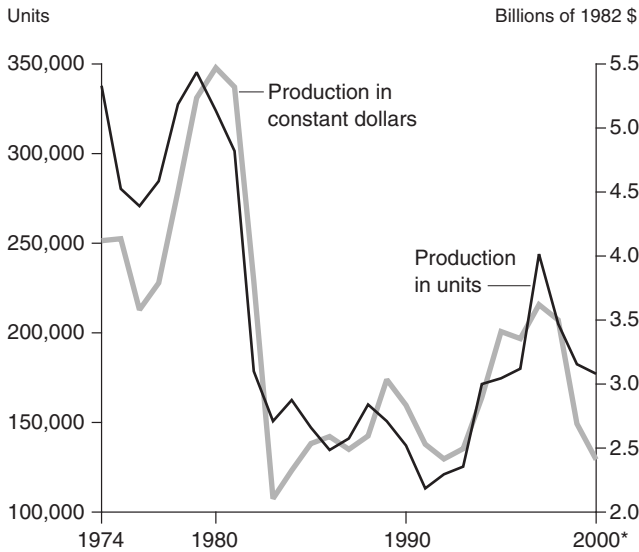
This process is most clearly elucidated by the machine-tool industry, which forcefully makes a general point that applies to most industries throughout the United States: that the primary reason that America imports most goods, including machine tools, is that the corrosive post-industrial society policy had been implemented to destroy America's internal production capacity first. The flood of imports came only secondarily.

In October 1979, Jimmy Carter's Federal Reserve Board chairman, Paul Volcker, sent the prime interest rate into the stratosphere, so that it reached 21.5% by November 1980. He held the rate at double-digit levels through the end of 1984. This crushed all manufacturing, but is most exemplified by machine-tool production. Figure 16 shows that after an 18-month delay following the start of the policy, Volcker's policy caused a straight free-fall collapse in production. America's machine-tool production has never remotely recovered, either in units produced or in dollar volume of shipments, to the level that it had in the period prior to Volcker's action. The catastrophic effect of Volcker's policy is that it forced the permanent shutdown of America's capacity.

The Midwest and New England are America's two main regions for machine-tool production. Between 1977 and 1992, the number of operating machine-tool plants in the

FIGURE 16

U.S. Machine Tool Production, in Units and in 1982 Constant Dollars



* First six months, annualized.

Sources: Association for Manufacturing Technology; U.S. Department of Commerce; *EIR*.

Midwest fell from 567 to 317, a reduction of 44.1%; the number of machine-tool plants in New England fell from 275 to 155, a reduction of 58.2%. Most of these closings occurred by 1984.

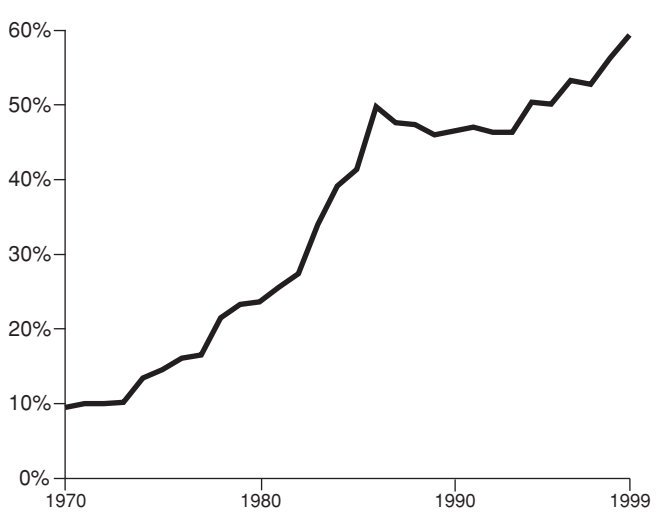
America compensated for the loss of productive capacity by importing; overwhelmingly, it was not the level of imports that caused the loss of production, but the other way around. **Figure 17** shows that in 1970, 9.5% of all machine tools that America consumed, were imported. Even by 1979, the year that Volcker imposed his interest rate action, only 23.3% of all the machine tools that America consumed, were imported. However, by 1986, as a consequence of Volcker's action, the percentage of all machine tools consumed, which were imported, shot up to 49.8%. Today, 59.4% of all machine tools used in the U.S. are imported.

Figure 18 shows that import dependency has struck another U.S. capital goods industry, that of electrical equipment. This category includes such crucial machines as specialty transformers; steam, gas, and hydraulic turbines; and and turbine generator sets. In 1972, 3.2% of all electrical equipment in use in America was imported. By 1999, imports accounted for 25.1%.

The tremendous dependency, fostered by the post-industrial society policy of the United States, to loot physical goods imports from other countries, extends across the American economy, from consumer goods to intermediate and capital goods. On the opposite side, there are nations

FIGURE 17

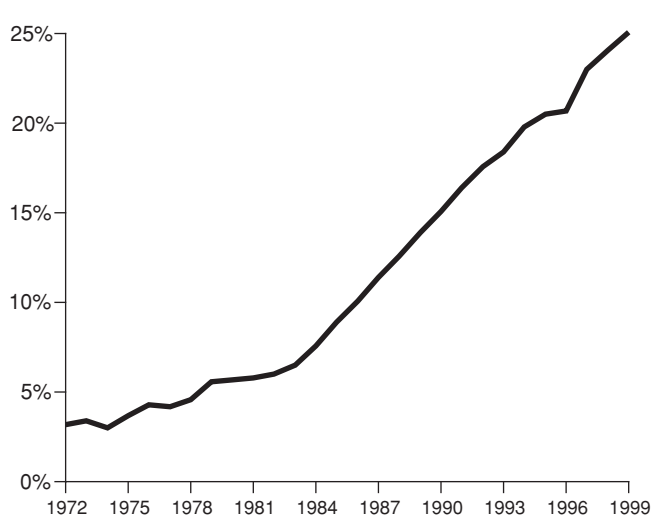
Machine Tools: Imports as a Percent of Total U.S. Consumption



Source: U.S. Department of Commerce; World Trade Organization; *EIR*.

FIGURE 18

Electrical Equipment: Imports as a Percent of Total U.S. Consumption



Source: U.S. Department of Commerce; World Trade Organization; *EIR*.

that send a large percentage of their exports to the United States. This relationship has become unsustainable, as the financial bubble that held this relationship together, is bursting. This will collapse the world financial system, and pulverize world trade.

Mexico Is Exporting Its Heart Out

by Dennis Small

Trade, like blood circulation, can be a good thing. But when Dr. Dracula (Ph.D. in Economics from Harvard) proposes to increase the flow of *your* blood past his doorstep, and you find yourself growing alarmingly anemic, it's time to start asking questions.

Far-fetched? Then take a look across the U.S. southern border to Mexico, where Señor Dr. Dracula reigns supreme, courtesy of Wall Street and the City of London. Mexico is being bled white, and one of the principal mechanisms of this looting process is a vast increase in Mexican trade flows over the last two decades, especially of exports from the *maquiladoras*, or in-bond assembly plants, to the U.S. consumer market.

No country in the world is more thoroughly dependent on trade with the United States than Mexico. According to official Mexican statistics, a whopping 90% of Mexico's exports in 2000 went to the United States—a market that is about to disappear. (Even Puerto Rico exports only about 88% of its total exports to the U.S. mainland.) Yet, no country in the world is more cited than Mexico as the “success story” which supposedly proves that free trade and globalization work, and that “export-led growth,” with full integration into the world financial and trade markets, is the way all countries should go. Special plaudits are reserved for the U.S.-Mexico-Canada North American Free Trade Agreement (NAFTA), put into motion in the early 1990s by President Sir George Bush and Mexican President Carlos Salinas de Gortari, and, in particular, for the extraordinary rates of growth of the *maquiladoras* located principally along the Mexican border with the United States.

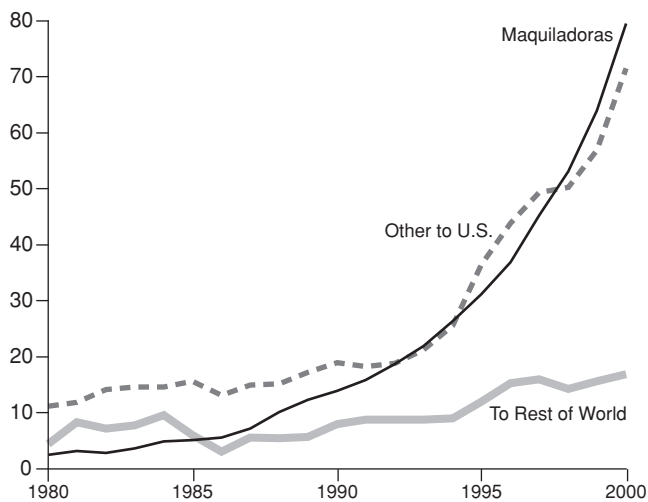
Hold-out nations—ranging from Brazil in South America, to Malaysia in Southeast Asia, to recalcitrant Russia—are sternly advised by Wall Street public-relations men to give up their sinful, protectionist ways, forget their internal markets, orient only to the global marketplace, and join Mexico in reaping the benefits of unbridled free trade.

Mexico's foreign trade has, in fact, grown phenomenally over the last 20 years (see **Figure 1**), led by total exports to the United States, and in particular by exports from the *maquiladoras* (which go almost exclusively to the United States). Trade is now more than one-third of Mexico's Gross National Product.

So, if things worked as the propagandists of globalization insist they do, such trade growth would have translated into

FIGURE 1
Mexico: Export Trends

(Billions \$)



Sources: Banco de México, INEGI.

progress for the Mexican economy and its population. But what the Mexico case actually demonstrates, is that there is an *inverse* relationship between this globalized trade boom and the real physical economy. In the case of Mexico, while *maquiladora* foreign trade barreled ahead by more than 19% per year on average over the last two decades, and total trade grew by more than 12% per annum, the country's physical economy (as measured by *EIR*'s market-basket studies¹) *collapsed* by more than 2% yearly over the same time period (see **Figure 2**). Even GNP, which by no means measures the real economy, but only the monetary sum of what is bought and sold within a country (including all sorts of unproductive activities), only inched up by about 2.7% per year during that period.

This unmistakable *inverse* pattern exists because foreign trade, in today's world, has become a giant looting mechanism, rather than a vehicle whereby sovereign nations exchange goods and technology, enhancing their own capabilities within a global division of labor, to the mutual benefit of each and all.

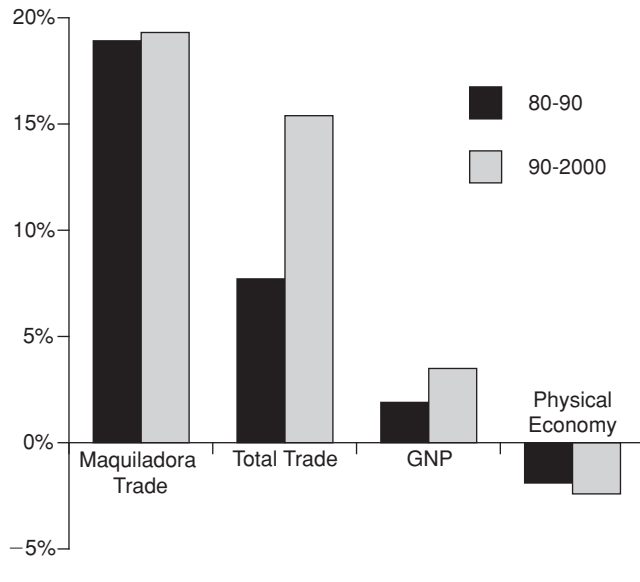
For example, in a healthy developing economy, about half its imports would be capital goods and other technology-bearing products, to speed its industrialization process. In Mexico, however, only 14% of total imports are capital goods, and about one-third of these go for the *maquiladora* sector, which in no way benefits Mexico's national development.

1. “The Debt Bomb Is Set To Explode in Mexico—Again,” *EIR*, Feb. 28, 1997.

FIGURE 2

Mexico: Comparative Growth Rates

(Annual Averages)



Sources: Banco de México, INEGI; *EIR*.

Thus, less than 10% of Mexican imports are usable capital goods. On the other hand, a shocking 35% of its imports are semi-finished products for the *maquiladora* sector, which are then simply re-exported as assembled consumer goods.

Under globalization, trade looting occurs through a variety of mechanisms. Rather than being a vehicle for transmitting technology *into* developing economies, trade works to transfer wealth *out*, in the form of cheap labor and underpriced final products. This shows up as progressively worsening terms of trade for Third World nations (i.e., the average price of their exports drops, while import prices rise), which is brought about by outright cheating and market manipulation by the global financial oligarchy. Furthermore, export earnings are then used principally to repay a large and growing foreign debt, rather than for internal development.

In each of these ways, Mexico today is exporting its heart out.

Export Dependency

Given its geographic proximity, the lion's share (between two-thirds and three-quarters) of Mexican trade has historically been with the United States. But the extreme, 90% dependence currently, *on a market that is about to disappear*, is a result of the Bush-Salinas NAFTA binge of the 1990s.

As **Figure 3** shows, in 1980, some 76% of Mexico's exports went to the United States. In 1990, the share had risen slightly, to 80%. But then, over the NAFTA decade of the 1990s, it leapt to the current level of 90%. Mexico's depen-

dence on the United States for its imports is only slightly less extreme, currently hovering at around 75% of total imports.²

But even more significant than this indication of dependency on the U.S. export market, is the fact that the cancerous foreign enclave, the *maquiladora* sector, has grown to dramatically dominate *all* exports. If we look at the origin of Mexico's exports to the United States, as shown in **Figure 3**, it is noteworthy that, in 1980, non-*maquiladora* exports to the United States were more than four times as large as *maquiladora* exports (62% versus 14% of the total). By 1990, non-*maquiladora* exports to the United States were only about one-third larger than *maquiladora* exports. But by 2000, the *maquiladoras* had taken the lead, 47% to 43%.

This dramatic shift stands out more clearly if we look at the *maquiladora* share of total exports against all others combined, as we do in **Figure 4**. *Maquiladora* exports rose from only 14% of total Mexican exports in 1980, to 34% in 1990, to a scandalous 47% of the total in 2000. In absolute terms, this was more than a 30-fold increase, from \$25 billion in 1980, to \$79.5 billion in 2000. Non-*maquiladora* exports to all parts of the world grew less than sixfold in the same two decades (from \$15.5 billion to \$88.4 billion).

When the import side of the trade picture is taken into account, the dominance of the *maquiladora* sector is only slightly less dramatic: It was 41% of total Mexican trade in 2000 (see **Figure 5**).

But the economic significance of the *maquiladora* sector is not simply that it has become the largest component of Mexico's foreign trade. It is also the sole source of a trade surplus. Over the last two decades, the *maquiladora* trade has consistently run a large, and growing, trade surplus—very convenient for paying the foreign debt (see **Figure 6**). The annual surplus really shot up beginning in 1995, in response to the explosion of the Mexican debt bubble in 1994-95, more

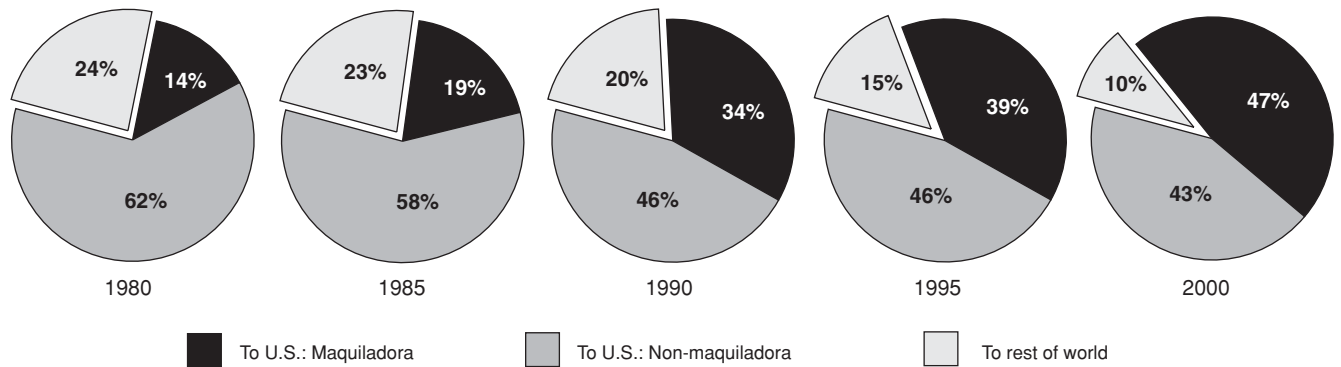
2. Throughout this study, we have used official Mexican trade statistics only, as provided on the websites of the Banco de Mexico and INEGI, the official statistical agency. There is a notorious discrepancy between U.S. data and Mexican data for U.S.-Mexican trade, with the U.S. numbers being significantly lower—by about 10% of the total for Mexican exports, and 16% for Mexican imports. For example, if U.S. data are used, “only” 82% of Mexican exports went to the United States in 2000, as compared to the 90% figure provided by Mexican numbers.

The U.S. Department of Commerce published a study of these discrepancies, in which they studied the years 1996 and 1997, based on research conducted by a joint U.S.-Mexican task force. The study found that about half of the discrepancy for Mexican imports is explained by what they call “Partner Country Attribution” errors—i.e., the fact that Mexico reports only the leading country of origin for imports of goods whose components in fact have more than one country of origin. The other half is unexplained “residual differences.” However, in the case of Mexican exports, more than 90% of the discrepancy is unexplained “residual differences.”

For these reasons and for internal consistency of the data, we have chosen to use Mexico's data throughout—with the caveat that we may be overstating the U.S. share of Mexico's trade, especially imports, by a few percentage points, although the trends and growth rates are almost identical with both data series.

FIGURE 3

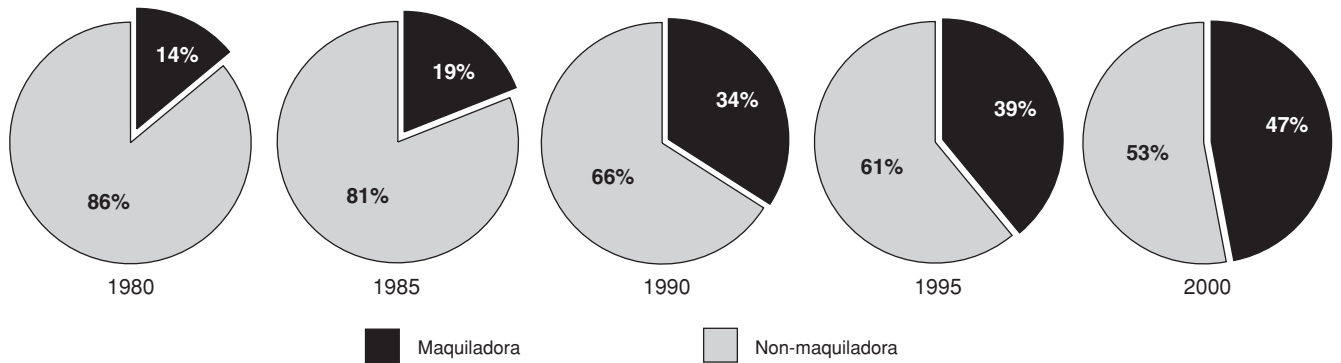
Mexico's Export Dependency on the U.S.



Sources: Banco de México, INEGI.

FIGURE 4

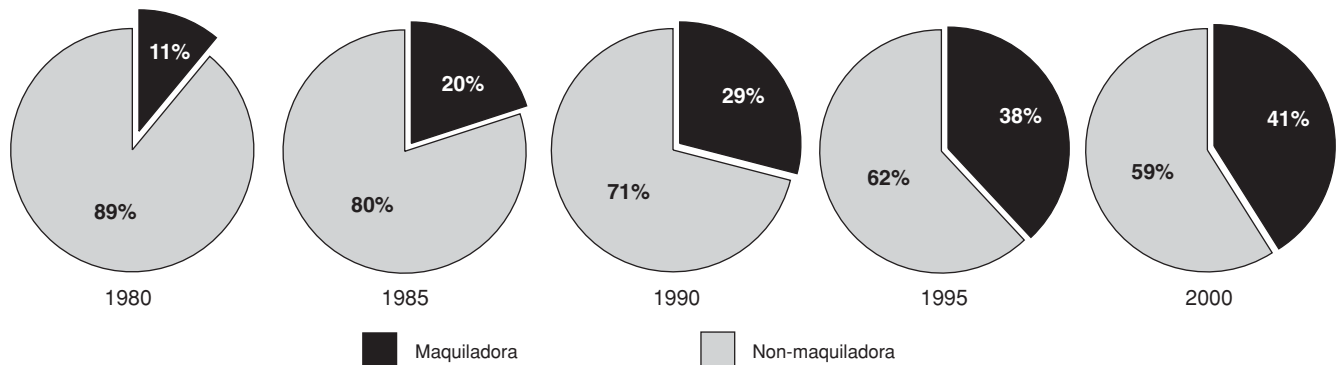
Mexico: Maquiladora Share of Total Exports



Sources: Banco de México, INEGI.

FIGURE 5

Mexico: Maquiladora Share of Total Trade

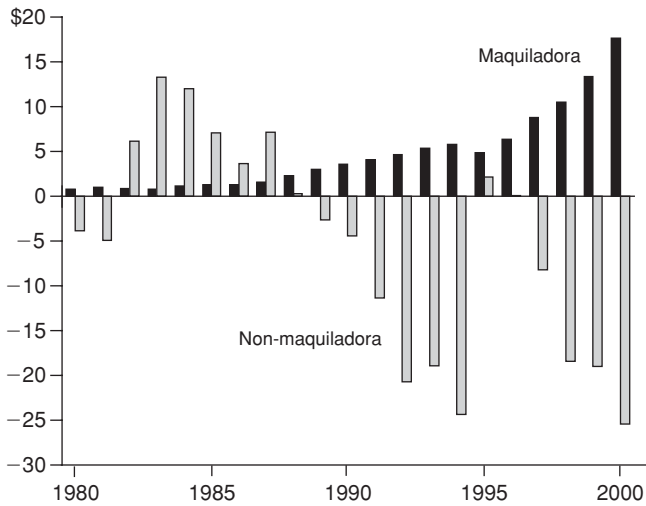


Sources: Banco de México, INEGI.

FIGURE 6

Mexico: Trade Balance

(Billions \$)

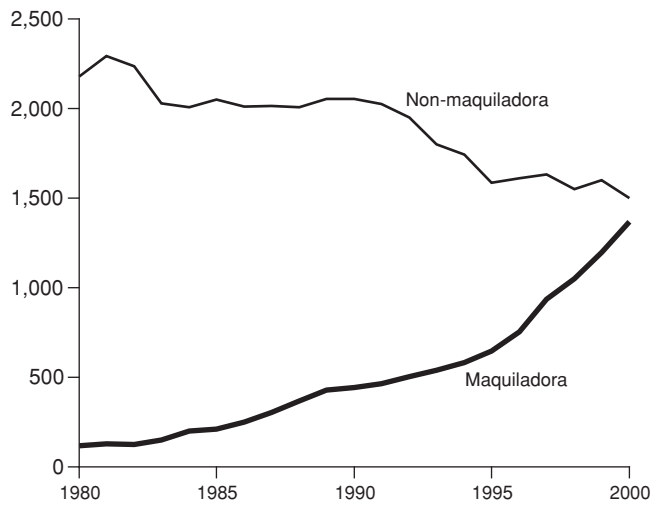


Sources: Banco de México, INEGI.

FIGURE 7

Mexico: Employment in Manufacturing

(Thousands)



Sources: Banco de México, INEGI; EIR.

than tripling, from \$4.9 billion in 1995, to \$17.7 billion in 2000. The cumulative *maquiladora* surplus from 1990-2000, the NAFTA decade, was more than \$85 billion.

Meanwhile, non-*maquiladora* trade has consistently run a large, and growing, *deficit*, cumulatively totalling almost \$150 billion over the same period. The only exceptions were 1995 and 1996, where, again in response to the debt crisis, Mexico was forced by the International Monetary Fund and its creditors to slam the brakes on non-*maquiladora* imports, resulting in a momentary trade surplus in that sector as well.

Is Cancer Now Classified as Economic Growth?

It must here be underscored that the *maquiladoras* are, properly speaking, not part of the Mexican economy: They are a foreign enclave on Mexican territory, which grind up Mexican slave labor, and spread Auschwitz-like conditions, especially in the north of Mexico. They are a cancer (see box). And the inescapable reality is that Mexico, a nation of 100 million people, has come to be dominated by that cancer. Nearly half of all its trade is from the *maquiladoras*. And nearly half of all its manufacturing employment is in the *maquiladora* sector—at slave-labor wages.

Figure 7 shows that *maquiladora* employment has skyrocketed by an order of magnitude, from a mere 120,000 twenty years ago, to about 1.4 million today—an average annual rate of increase of 13%. At the same time, actual em-

ployment in the manufacturing sector of Mexico proper,³ has dropped by about one-third, from 2.2 million to about 1.5 million—an average annual *decline* of 2%. In other words, about the same number of workers are now employed in these *maquiladora* slave-labor shops, as are actually employed in the entire manufacturing sector of Mexico proper. And this, again, in a nation of 100 million.

Figure 8 presents the same categories of employment over a slightly longer time period, and shows the cancer more starkly. The darker shaded portion corresponds to EIR's estimate of real employment in the non-*maquiladora* manufacturing sector, which we have intentionally labelled simply as "Mexico"; everything else is, in fact, not a functional part of Mexico's productive physical economy. The only thing that has grown, is the cancer.

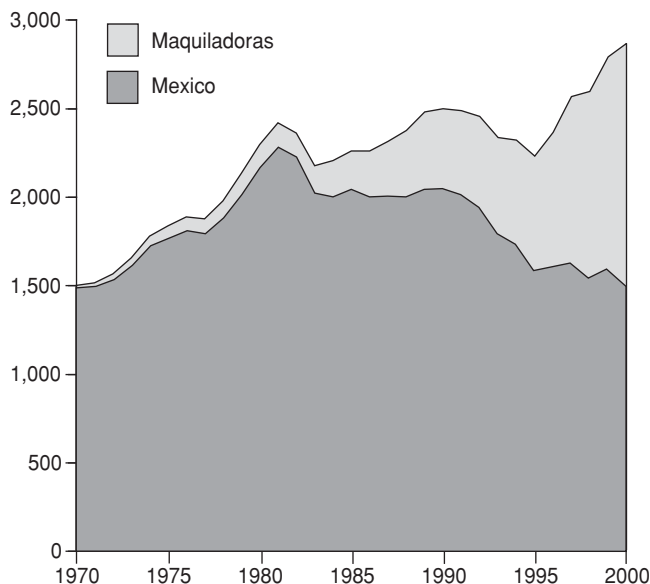
Wages in the *maquiladoras* have dropped from \$1.40 per hour in 1980, to about 78¢ per hour today (see **Figure 9**). In other words, as *maquiladora* employment has increased tenfold, average wages have fallen by about half. But the hourly wage levels only tell part of the story. Social and infrastructure conditions in the *maquiladora* belt are pure Hell. The majority of the workers are young women and girls. And the average period of employment is about nine months per

3. These are not official Mexican statistics, which vastly overstate real employment in manufacturing. In 1997, EIR published an extensive study with our own calculations (see EIR, Feb. 28, 1997 for details on methodology), which have been updated for this report.

FIGURE 8

Mexico: Real Employment in Manufacturing

(Thousands)



Sources: Banco de México, INEGI; *EIR*.

job. In other words, people are being ground up and spit out onto the human trash heap, and into the massive pool of Mexico's unemployed which, according to *EIR*'s calculations, are, in reality, about 50% of the total labor force.

Although U.S. wages in the manufacturing sector are no great shakes, it is nonetheless revealing to note that, back in 1980, the *maquiladora* wage was about one-fifth of the corresponding U.S. manufacturing wage. By 1990, that had dropped to less than one-tenth. And today, it is approximately one-twentieth. Is it any wonder that runaway shops south of the border are the order of the day?

Consider the insanity of it all:

- U.S. manufacturing jobs are fleeing to Mexico's *maquiladoras*;
- the *maquiladoras*, in turn, are exporting cheap products to the U.S. consumer bubble;
- that bubble, in turn, is kept going by a speculative financial bubble maintained, in part, by massive Mexican debt payments to Wall Street;
- and those flows, in turn, are premised on the *maquiladora* export binge.

The result: U.S. industry and jobs are collapsing; Mexico's physical economy and labor force are being ground up; trade is booming; the foreign debt is being paid punctually; and Wall Street, including Señor Dr. Dracula, is laughing all the way to the bank.

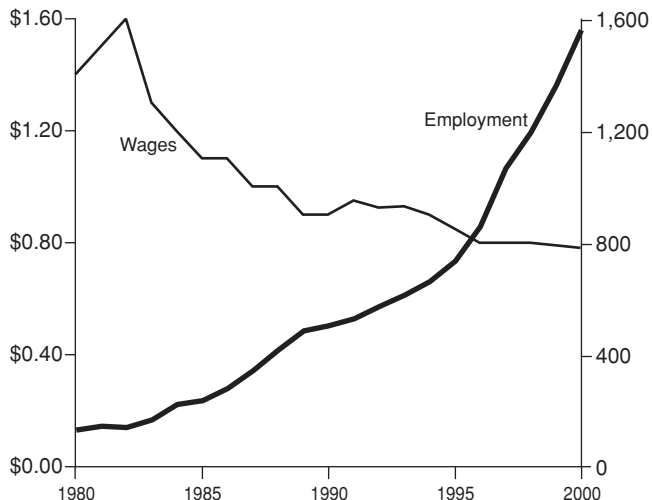
Ah, the wonders of free trade and globalization!

FIGURE 9

Mexico: Maquiladora Wages and Employment

(\$/hour)

(thousands)



Sources: Banco de México, INEGI, CTM; *Twin Plant News*; AFL-CIO.

Dollarization and Death

But the worst is yet to come. Observe the composition of *maquiladora* exports (Table 1). In 2000, some 54% of all *maquiladora* exports were "electrical and electronic goods and equipment," i.e., parts for computers, radios, TVs, and similar consumer items. This \$43.1 billion in exports dwarfs even Mexico's oil exports, which amount to about \$10 billion per year (depending on world oil prices). Another 10% of *maquiladora* exports was textiles and clothing, and 5% was auto parts. These three categories, which together account for almost 70% of all *maquiladora* exports, are principally composed of consumer goods which will plummet to near

TABLE 1

Mexico: Maquiladora Exports, 2000

	Billions \$	% of Total
Electrical and electronic goods and equipment	43.1	54%
Special machinery and equipment	13.8	17%
Textiles, clothing, leather goods	7.9	10%
Auto parts	4.3	5%
Other	10.4	14%
Total	79.5	100%

Sources: Banco de México, INEGI.

zero when the Wall Street debt bubble bursts. Soon enough, the only thing Mexico will be able to export to the United States will be wave upon wave of desperate, unemployed workers.

In fact, such (legal and illegal) migration of labor into the United States—and the sizable flow of dollar remittances in the reverse direction—are already a rapidly growing feature of the crisis in Mexico, and across all of Central and South America as well.

For example, according to a recent study by the Inter-American Dialogue, remittances to Mexico from the 8 million Mexicans in the United States, were almost \$5 billion in 1997, and may have risen to \$7-8 billion in 2000. This is the equivalent of about 5% of Mexico's total exports.

The case of El Salvador is even more dramatic, and points to a broader issue. Worker remittances to El Salvador are 47% of its total foreign exchange earnings, i.e., they are about equal to all of El Salvador's other export earnings combined. To put it more directly, *El Salvador's principal export is its own labor force*, which its domestic economy clearly can no longer sustain.

This is not an anomaly. Guatemalan remittances are 20% of its export earnings. And Ecuadoran remittances have grown to the point that they are the country's number-two source of foreign exchange, second only to oil.

This phenomenon of the imposed, involuntary export of large chunks of the labor force of Ibero-American nations, is one of the underlying economic realities driving the financial oligarchy's current campaign for Ibero-America to dollarize—i.e., to abandon their own currency and sovereignty, in favor of the U.S. dollar—and thereby put an end to the nation-state.

Four additional critical economic factors underlie the dollarization drive in Ibero-America:

1. The growing export-dependency of these countries on the United States (as shown abundantly in the case of Mexico);

2. The take-over of nearly all national banking by foreign banks, as *EIR* has documented (see "British Banks Establish Death Grip over Ibero-America," *EIR*, Aug. 22, 1997);

3. The conversion of all domestic debt (including bonds issued on the internal market) into de facto dollar-denominated foreign obligations; and

4. The growing preponderance of the international drug trade all across Ibero-America—which is, of course, also denominated in dollars.

Thus, El Salvador recently decided to join Argentina, Ecuador, and Panama in dollarizing. Their argument was straightforward: If most of our foreign exchange comes from dollar remittances from our people in the United States, and our trade is increasingly dominated by the United States, and our entire domestic financial and credit structure has become little more than an adjunct of the U.S. Federal Reserve, why bother with the fiction of keeping our own currency?

At the end of 2000, the Guatemalan legislature voted to allow the dollar to circulate as legal tender in that country—the first step toward full dollarization. One must ask: Is Mexico next? And will all of Ibero-America finally fully dollarize, and perhaps export 100% of its national output to the United States, at exactly the point that the dollar vaporizes, the U.S. market vanishes, and the entire *Titanic* finally sinks?

Such is the logic of free trade and globalization.

'Maquiladoras' Are A Cancer

The following is excerpted from "Mexico's Labor Force: 50% Unemployment, and Rising," EIR, Feb. 28, 1997. In the almost four years since it was written, the trends have overwhelmingly confirmed its accuracy.

It would be a mistake to consider the *maquiladoras* as part of the Mexican economy. . . . They may be located on Mexican soil; they may employ Mexican workers, but they are in fact nothing but foreign enclaves on Mexican territory, which assemble goods out of imported parts and export largely semi-finished and finished products, mainly to the United States. Even the miserable slave wages that

the workers are paid scarcely have an impact on Mexico. It is well documented that a large share is used by the workers for purchases across the border in the United States.

The only thing that the *maquiladoras* leave Mexico, is a monstrous social and political bill for the "privilege" of providing slave labor to facilitate debt repayment. Gigantic urban ghettos of *maquila* workers and their families have spread along the border, with little or no infrastructure available. The squalor and health hazards are matched only by the slave-labor working conditions that the assembly workers (for the most part, young women and girls) are forced to endure.

In short, the *maquiladoras* are far worse than a foreign enclave on Mexican soil. By all rights, they must be considered an economic *cancer*, which has grown prodigiously on the body of the Mexican economy.

'Old Economy' of Dow Non-Industrials Is Just As Fundamentally Unsound

by John Hoefle

The claim is made, with increasing frequency as the once-mighty Nasdaq Composite Index slides inexorably toward reality, that the decimation of the dot-coms is not a danger, because the "old" economy is stronger than ever. It is admitted that there were elements of the "tech stock bubble" which were foolish and unsustainable, among them being the idea that corporations can exist in perpetuity without the slightest whiff of profit, as long as they gain sufficient "mindshare" in cyberspace. It was an interesting idea, the experts tell us, but some people got carried away. Still, there's no reason to worry, because we still have the old economy, with its old-style "offline" profits, made even more efficient and profitable by the Internet.

To which we reply: nonsense.

The Internet mania, with dot-coms springing up almost overnight into multi-billion-dollar corporations, has indeed imploded. Many of the dot-coms disappeared in 2000, and most of the rest saw their stock prices plummet; drops of 75% were commonplace, and many Internet stocks lost 90% or more of their value during the year. Even the biggest Internet companies got hurt.

Take America Online and Yahoo!, which both made the list of 100 largest corporations in the world—ranked by market capitalization—in 1999. AOL, with a market cap of \$125 billion, was number 31 worldwide, putting it ahead of such companies as French oil giant TotalFinaElf, Swiss pharmaceutical giant Novartis, Germany's Siemens, Sony, and Procter & Gamble. Yahoo!, with a market cap of \$70 billion, was number 72, ahead of DaimlerChrysler, Chevron, and Fujitsu.

In fact, three of the top four companies on the 1999 list were computer-related companies: Intel, Cisco Systems, and Microsoft, with Oracle, IBM, Sun, and EMC joining them in the top 20. Other computer-related companies in the top 100 included Hewlett-Packard, Texas Instruments, Dell, JDS Uniphase, Motorola, SAP, and Compaq. The list was also studied with telecommunications, financial, and pharmaceutical firms. In 1999, services, information, and finance were riding high, with many pundits asserting that the Information Age had finally broken free from the clutches of the Industrial Age.

That fantasy was smashed in 2000, with the Nasdaq losing a third of its value in March and April, and sliding inexorably downward from there. The Nasdaq, which soared 86% in

1999, finished 2000 down 50% from its March peak, wiping out over \$3 trillion in market value. The Internet companies were the hardest hit, with the Goldman Sachs Internet Index falling 75% for the year; Amazon.com, the one-time e-business superstar, saw its market cap fall 82% from its peak, and the big computer companies also fell sharply: Dell fell 70% from its peak, Microsoft 62%, Intel 60%, AOL 56%, Sun 56%, Cisco 50%, and Oracle and IBM 37% each. Many of the telecommunications companies also took large hits, as their abilities to pay their huge debts came into question.

General Decline

With such a dramatic collapse, once can see why the spin doctors suddenly started touting the alleged vigor of the old economy, which the year before they had relegated to the dustbin of economic history.

Leading this resurgence was General Electric, which regained the title of world's most valuable company from Microsoft, thanks to the anti-trust suit by the U.S. Department of Justice and the decline of the computer sector. GE has a proud tradition as one of the world's great industrial corporations, tracing its roots back to the laboratories of Thomas Edison, but that is only one part of the story. While Edison provided the genius, the company itself was put together by financier J.P. Morgan, as a vehicle for controlling and profiting from Edison's breakthroughs.

As such, the company has always represented the uneasy alliance between production and finance, and in recent years finance has gained a firm upper hand. Under chairman and chief executive officer Jack Welch, GE has become a bastion of that parasitic philosophy known as shareholder values, in which corporations are viewed not as contributors to the general welfare, but merely as money machines, spinning off profits to Wall Street. Under Welch, GE has become as much a bank as a manufacturer, with half its profits generated by its financial operations. In 1999, 50% of GE's revenue came from its GE Capital subsidiary, compared to 10.4% from its industrial products and services sector, 9.5% from its aircraft engines division, 9% from power systems, and 5% from appliances. GE's television network, NBC, provided another 5% of the company's revenue in 1999.

The situation at GE is even worse than the above numbers suggest, since finance dominates even the productive aspects

of the company. Decisions regarding research and production are made more on the basis of how they will affect the company's stock price and its standing on Wall Street, than on how they will affect the world. Each GE subsidiary is expected to meet ever-tighter annual financial criteria, and those managers who don't meet their numbers are quickly replaced. Such dedication to shareholder values has made GE and Welch the darlings of Wall Street, with Welch touted as the top executive of the decade, or maybe of all time. But choosing to worship at the altar of finance has left GE much diminished in its ability to improve the physical economy. The world would be much better off were GE to return to its scientific and industrial roots; the world has more than enough banks, but desperately needs advanced technology.

The ascension of finance and services over industry can also be seen in the composition of the Dow Jones Industrial Average (**Table 1**). The Dow consists of 30 stocks, including such noted "industrials" as Citigroup, J.P. Morgan Chase, American Express, Microsoft, Walt Disney, Home Depot, Wal-Mart, and McDonald's. J.P. Morgan Chase is the largest derivatives bank in the world, with some \$23 trillion of derivatives bets, while Citicorp is number two in the United States, with nearly \$8 trillion, giving the Dow "industrials" more derivatives bets than any country in the world, except for the United States.

Even the industrial companies in the Dow, have shifted significantly over to the service sector, as the example of GE shows. The two phone companies (AT&T and Baby Bell SBC Communications) have become largely service companies, though they do have important infrastructure components. Coca-Cola, Johnson & Johnson, Procter & Gamble, Merck, and Philip Morris manufacture products, but hardly qualify as heavy industry. Intel, IBM, and Hewlett-Packard are all world-class manufacturers, but their products are predominantly used in the overhead sectors.

Fortunately, there are still some heavy-industry companies in the Dow, such as Boeing, Exxon Mobil, Minnesota Mining and Manufacturing, Caterpillar, United Technologies, International Paper, and Alcoa. But even these companies are heavily influenced, if not dominated, by the post-industrial shareholder values disease. Exxon Mobil's identity is at least as much informed by its role as a key member of the global oil cartel as it is by its industrial might.

Overhead Soars

On top of that, in conjunction with the overall economy's shift from production to finance and other services, the output of the industrial sector increasingly goes to support the overhead sector.

Compare the case of machine tools with computers. Machine tools have one purpose, and that is to make other machines. As such, not only is the production of machine tools clearly productive, but the resulting tools are also used for productive purposes. The most modern machine tools are con-

TABLE 1

The 30 Stocks in the Dow Jones Industrial Average, as of Dec. 29, 2000 (year-end)

(Market Capitalization in \$ Billions)

Company	Symbol	Market Cap
Alcoa	AA	29.0
American Express	AXP	73.1
AT&T	T	64.7
Boeing	BA	58.6
Caterpillar	CAT	16.3
Citigroup	CAT	229.4
Coca-Cola	KO	151.1
Walt Disney	DIS	60.2
Du Pont	DD	50.2
Eastman Kodak	EK	11.8
Exxon Mobil	XOM	302.2
General Electric	GE	475.0
General Motors	GM	28.8
Hewlett-Packard	HWP	62.4
Home Depot	HD	106.1
Honeywell	HON	37.7
Intel	INTC	202.3
IBM	IBM	149.1
International Paper	IP	19.6
Johnson & Johnson	JNJ	146.0
McDonald's	MCD	44.6
Merck	MRK	215.9
Microsoft	MSFT	231.3
Minnesota Mining	MMM	47.5
JP Morgan	JPM	26.5
Philip Morris	MO	97.8
Procter & Gamble	PG	102.3
SBC Communications	SBC	161.6
United Tech.	UTX	36.8
Wal-Mart	WMT	237.3

Notes:

- 1) As of Dec. 31, 2000, Chase Manhattan Corp. acquired Dow component J.P. Morgan & Co. As of Jan. 2, 2001, Chase, which changed its name to J.P. Morgan Chase & Co., replaced Morgan in the Dow, under the symbol JPM.
- 2) General Electric is in the process of acquiring Honeywell (Honeywell, in turn, is the former AlliedSignal, which adopted the Honeywell name when it acquired that company).

Sources: Bloomberg; Yahoo! Finance.

trolled by computer, which allows them to make parts with unparalleled precision. That is an example of how computers increase manufacturing productivity, but relatively few computers are used for such purposes. Most computers are used in the service sector, and thus count as overhead. They may make overhead workers more efficient, but they do not make them more productive, since, strictly speaking, those workers are not engaged in productive activities. Office workers may

perform useful, even necessary jobs, but from a physical-economic standpoint, those jobs fall into the overhead category and as such must ultimately be supported by factory output, agriculture, and related productive activity.

The same principle holds true for the auto makers and the oil companies, much of whose production goes to support the overhead sector. Many of the automobiles produced in the United States are bought by workers who commute to office jobs; the production of these cars, and the gas and oil they consume, go to supporting the overhead sector.

The failure to distinguish between the productive and overhead sectors, renders virtually every “mainstream” discussion of economics irrelevant. The rise of financial aggregates and money supplies around the world in recent years is presented as proof of growth, while what they really represent are growing—increasingly unpayable—claims on a deteriorating productive sector. Federal Reserve Chairman Alan Greenspan’s claims that the U.S. economy is more productive than ever reflect this fundamental error; Dr. Greenspan is declaring that the patient is growing, but that growth is in the tumor, not the healthy tissue. Not only that, but Greenspan

actively nurtures the tumor, to keep the “growth” going.

The reality is that the old economy has decayed significantly, and is no more fundamentally sound than the Internet economy. Any sound economy is based upon creating a continuous series of fundamental scientific discoveries, then developing the technological means to spread the new knowledge throughout the economy. What we have seen in the last decade in computers, should be the norm across the board, but it is not. Where are our new nuclear power plants? Where are our magnetically levitated high-speed trains? Where are our sterilized, irradiated foods?

The U.S. economy is largely living off the technologies of the past, particularly the breakthroughs generated by the NASA space program. Our physical plant is deteriorating. The electricity grid is breaking down, water shortages are rampant, diseases which were once virtually eliminated are making a comeback. Our health care system is decaying, despite technological advances; our labor force is rapidly losing the skills required to fix things; our transportation grid is approaching gridlock in many areas. Only a fool would call the economy, old or new, fundamentally sound.

Retail Sales Slump A Sign of Breakdown

by John Hoefle

The bankruptcy announcements by retailers Montgomery Wards and Bradlees in the week after Christmas, are but the most obvious retail-sector examples of the breakdown process which is under way in the U.S. economy. Overall, retail sales for the November-December holiday season—in which retailers generally get about one-quarter of their annual sales—came in well under projections, with company after company reporting stagnant same-store sales and warning that they will commit the cardinal sin of failing to meet Wall Street’s earnings projections.

After adjustment for even the understated “official” inflation rate, U.S. retail sales fell, across the board, from previous years’ levels. More ominously for the real economy: more than 40,000 immediate-term layoffs are involved, in only the biggest of the “casualty” announcements made by the U.S. retail-sales sector since Christmas—Sears, Bradlees, and Montgomery Ward.

The reasons presented for the sales shortfall are several: a declining stock market; bad weather; higher energy bills, which reduce the amount of money households have to spend for presents; the changing structure of the retail market, and

consumer worries about a recession. These explanations remind one of the fable about the blind men and the elephant: Each man accurately presents one aspect of the problem, but none of them explain the whole, global breakdown—economic, political, and cultural.

The full picture of the 2000 holiday retail season has yet to emerge, but the early indicators show that the hoped-for surge in sales over last year simply did not occur. Same-store sales, the statistic which measures this year’s sales against last year’s sales in the same store, were up 2.1% for this holiday season (November-December), the lowest increase since 1995, while December’s same-store sales were up just 0.7%, the smallest rise since at least 1969, according to Bank of Tokyo-Mitsubishi analyst Mike Niemira. These statistics are based upon sales at 81 retail chains, and do not indicate the carnage at the thousands of smaller stores, whose sales are being steadily eroded by the growth of giant superstore chains.

During the last ten years, same-store sales in December have increased an average of 4.3% a year, and increased 6.7% in 1999. Both the nominal 0.7% increase in December 2000, and the 2.1% November-December combined increase reported, are actually significant drops in sales, when inflation is taken into account.

Reality Creeps In

In preparation for each holiday season, retailers have to project the level of future sales for a wide range of products, then buy inventory accordingly; a company which underestimates the level of sales can wind up without sufficient inven-

tory and thus lose sales, while a company which overestimates sales will have too much inventory on hand and will have to lower prices or otherwise liquidate excess products. Such planning implicitly involves accurately forecasting the state of the economy. Over the recent decades, the process has been relatively simple: Buy more than last year, as bubble-money drove spending ever higher. But this year, the party stopped, and the hangover began.

Among the more conspicuous buyers in recent years have been the newly minted class of dot-com millionaires and billionaires, whose sudden paper fortunes have driven selected housing prices, restaurant profits, and luxury car sales to dizzying heights. Many of these dot-commers took stock options in lieu of higher salaries, and borrowed money to finance their new lifestyles, while waiting for their stock options to vest, or preferring to leave their money in the market. Now that the bottom has fallen out of the Internet stocks, many of these *nouveaux riches* find themselves *nouveaux pauvres*, and facing crushing debts.

A similar process has occurred among “investors” in the so-called New Economy. The fall of the Nasdaq by 50% from its peak of 5,048 in March to 2,470 at year’s end, wiped out over \$3 trillion in the value of Nasdaq stocks. The New Economy stocks also fell in Europe and Asia, wiping out even more fictitious capital.

Compare this to the insistence, by Wall Street and the politicians during the political campaign season, that the economy was healthy and that growth would continue. Retailers—and the manufacturers of the products retailers sell, and the wholesalers acting as middlemen—who believed this nonsense, overestimated holiday sales, leading to dramatic price-cuts during the holiday season and leaving many with an overhang of inventory entering 2001.

This in-progress collapse of U.S. purchasing power has ramifications far beyond the United States. The conspicuous consumption among the upper percentiles of the U.S. income strata, and the willingness of those in the lower income percentiles to go ever deeper into debt to finance their own purchases, has triggered a flood of goods into the United States. For nations whose domestic markets have faltered, the slowdown in U.S. holiday sales is an ominous sign indeed.

Bad News at the Mall

In the retail sector more narrowly, the bankruptcies of Montgomery Ward and Bradlees, and the store closings announced by Sears Roebuck, are signs of things to come.

Montgomery Ward, which is owned by General Electric, filed for Chapter 11 bankruptcy on Dec. 28, and announced plans to close its 250 stores in 30 states, cutting 28,000 jobs.

Bradlees, a regional discount chain, filed for Chapter 11 bankruptcy on Dec. 26. The firm operates 105 stores and three distribution centers in seven Northeastern states, and employs 9,800 people, and will begin winding down operations immediately.



The collapse of U.S. consumer purchasing power has ramifications far beyond the United States.

In its bankruptcy petition, Massachusetts-based Bradlees cited “a general economic downturn, including rising interest rates and higher gas and heating oil prices, as factors which have reduced the disposable income available to Bradlees’ core customers.” The company also cited “new competition, unseasonable weather in the first half of 2000, and more recently, the tightening of trade credit and curtailment of inventory shipments” having “an adverse affect on the Company’s ability to continue to operate.”

Sears Roebuck & Co., the nation’s second-largest retailer behind Wal-Mart, announced on Jan. 4 that it will close 89 underperforming stores, among them four full-line department stores, 53 NTB National Tire & Battery stores, and 30 hardware stores. Sears also said that it would consider options for its pest-control business. Closing the 89 stores will involve some 2,400 job cuts, or just under 1% of Sears’s workforce. Overall, Sears operates 860 full-line department stores and 2,100 specialty stores, and employs 275,000 people. Same-store sales at Sears were off 1.1% for the five weeks ended Dec. 30.

Among other major retailers, sales also fell. Same-store sales in December, unadjusted for inflation, were up only 0.3% at Wal-Mart and up 0.7% at Kmart, but down 0.1% at Target, 0.4% at Saks, 1.6% at J.C. Penney, and 2.9% at Nordstrom’s. Federated Department Stores, owners of Macy’s and Bloomingdale’s, projected a 1% to 2% decrease in sales, and jeweler Zales reported a 3-4% decline in sales during the November-December period.

Why Kissinger's Cronies Have Pulled Their China Ploy Now!

by Lyndon H. LaRouche, Jr.¹

January 8, 2001

During the past days, the New York Council on Foreign Relations (CFR), a bastion of such notables as China specialists Henry A. Kissinger and Winston Lord, has unleashed its efforts to manipulate the leadership succession of the government of China. The featured element of this onslaught has been the unveiling of what are alleged to be authentic records, which it calls *The Tiananmen Papers*, allegedly secret records from circles of the China leadership from the period of the celebrated 1989 student demonstrations in Tiananmen Square. This release, published in the January/February edition of CFR's *Foreign Affairs*, has already been a featured subject of a major, Cold-War-style propaganda barrage in the U.S.A.

By the nature of the subject-matter, it is clear, that if the CFR's documents contain any new truths at all, those facts were already known to the U.S.A., British, and other intelligence communities more than a decade ago, and could have been published at any time during that interval, but were not. Whatever the degree of truth and untruth in the CFR documents themselves, the publication of this dubiously conveyed material, is clearly intended to signal war-like changes in the policies of the incoming U.S. Administration of President-elect George W. Bush.

Thus, rather than be lured into a tiresome debate over what are, at best, merely alleged to be top-secret documents which had been withheld over about a decade or more, let us not be fools. Let us focus on the most crucial fact about this

CFR release; let us focus upon what is clearly not in doubt, the circumstances under which CFR has munificently elected to bestow these alleged pieces of learning upon us.

In short, the question whether there is any truth, or none, in any of this published CFR material, has no relevance for the discussion of current strategic implications of CFR's choice of conduct in this affair.

I, too, have lately dredged up afresh some well-documented past material—on the relationship of Nazi dictator Adolf Hitler to the grandfather of President-elect George W. Bush. The legitimate question would be, why do I bring up such absolutely truthful facts about the past now? As everyone should know, I have squarely met my obligation to meet that challenge; in the case of the so-called *Tiananmen Papers*, CFR and its fellow-Confederates have not.

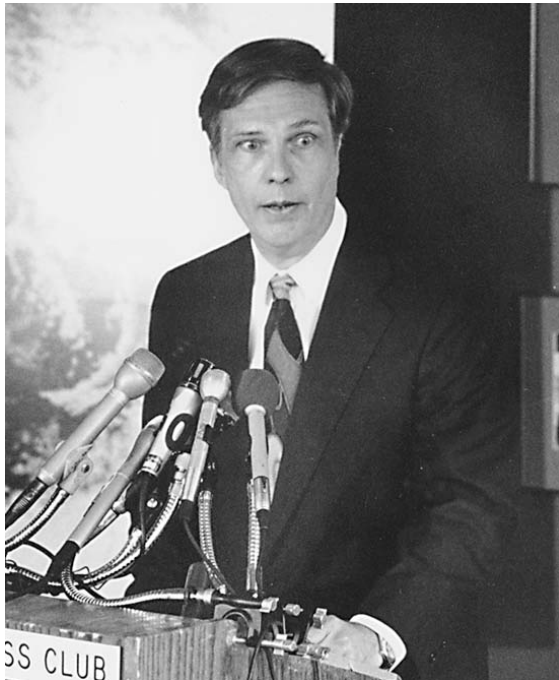
Unfortunately, CFR being what it is, we would be fools to expect a truthful response to that challenge from that quarter. Fortunately, we have much other evidence which accounts for the present circumstances of CFR's present actions in this matter.

For those who know the present world economic situation, the circumstances of the CFR actions are well known. The incoming Bush Administration is doomed even before it is sworn in. It is doomed, by everything it has heretofore asserted to be its economic and social principles, probably doomed, that by its own errant will, to be cast up as wreckage on the shores of the presently onrushing, greatest financial crash in modern history.

By no stretch of the imagination, could the already-doomed Alan Greenspan provide a President Bush a "soft landing."

Were that incoming administration to come to its senses,

1. The author is a declared candidate for the Y2004 U.S. Presidential nomination of the Democratic Party.



Council on Foreign Relations “Asia specialist” Winston Lord (left) and aging Mephistopheles Henry Kissinger. Though not in the new Bush Administration as yet, they have moved immediately to set a Bush “crisis management team” on a collision course with China and Russia, in the midst of a worsening economic crisis.

abandon those principles which would doom it, and accept a reasonable alternative, the new administration could survive the coming crisis rather well. What if it chooses not to make such imperative changes in its profile? Then, it is doomed to undergo a catastrophe of its own making, and that soon.

In the case that the new administration prefers to cling desperately to the policy-anchors of its presently sinking policy-ship, what else might it carry down, besides our United States, with that lost ship? This brings us directly to the context in which the CFR’s latest crisis-management stunt has been staged.

First, let us clear up the often hotly-debated issue of CFR itself. Then, the relevant points of CFR’s relationship to Kissinger and the Bush Administration are clear. Then, we shall consider the kind of crisis-management orientation which an unredeemed Bush Administration would find itself more or less inevitably doomed to follow, as a course of strategic action over the period immediately ahead.

Elliott, Kissinger, and Brzezinski

In short, the New York Council on Foreign Relations is a product of the aftermath of both the assassination of the patriotic U.S. President William McKinley and Teddy Roosevelt’s and Woodrow Wilson’s leading the U.S.A. into World War I. In short, the assassination of McKinley, turned the U.S.A., whose principal historic adversary, until that time, had been the British monarchy, into a virtual associate member of what was to become the Queen’s own British Commonwealth of today.

One of the more notable figures who bridges the period

of the early 1920s, when CFR was formed to perform such an agent-of-influence role, was the notorious neo-Confederate, Nashville Agrarian, and Harvard Professor, William Yandell Elliott, the “Dr. Frankenstein” who created, among others, the monsters Henry A. Kissinger and Zbigniew Brzezinski. It was Elliott, as an in-fact agent of influence of the British intelligence community, who played a leading role in pushing for such a British Commonwealth. It was through Elliott, that Kissinger rode, on a Rockefeller checkbook, to training in the London Tavistock Institute, and returned to the CFR to serve under George Franklin, and, more notably, Arms Control and Disarmament Agency’s John J. McCloy and McGeorge Bundy, as part of the team dedicated to establishing world government through the threat of nuclear-missile barrages.

Typical of Kissinger, were Elliott’s affinities to the proverbial “Lost Cause” of the slaveholders’ Confederacy, and Kissinger’s repeatedly avowed affinities for the anti-Americanism of the Holy Alliance’s Prince Metternich, Britain’s Bloody Castlereagh, and Franklin Roosevelt’s war-time ally and foe Winston Churchill. Those features of the Kissinger profile have been massively documented, by me and my associates, from overwhelming sources, including Kissinger himself, over the course of more than a quarter-century.

Elliott’s Confederates Kissinger and Brzezinski began to play the significant role for which they are known today, in association with CFR circles, in the aftermath of the assassination of President John F. Kennedy and Richard M. Nixon’s 1966 launching of the same pro-racist Southern Strategy which took top-down control over the Republican Party’s

national machine, and which also took top-down control of the Democratic Party machinery under CFR operative Brzezinski's choice, President Jimmy Carter.

Thus, like the Nixon, Carter, and George H.W. Bush, Sr. administrations, Kissinger and Brzezinski typify the forces gathered around the mass political base of the pro-racist Southern Strategy. They typify the "American Tory" circles and the policies which have dominated U.S. domestic and foreign policy, that increasingly, during the recent thirty-five years.

Kissinger's Allies

The common outlook of both the New York side of the CFR circles and the neo-Confederates, such as Senator Trent Lott and former Democratic National Committee Chairman Don Fowler, of the Southern Strategy's base, is their hatred of precisely those social elements of national economic policy which have repeatedly supplied the economic strength, and rise to world leadership of our United States. Like Elliott and the rest of that mint-julep-propelled pack of ultra-decadent Nashville Agrarians, they hate "Yankee" as they define "Damn Yankees." They hate the technologically progressive independent family farmer. They hate the industrial operative and entrepreneur. They hate infrastructure. They hate the idea of devotion to fundamental scientific and technological progress.

Thus, through their power, rallied around such themes as "free trade," "deregulation," and other attributes of Nashville Agrarian utopianism, they, beginning with Nixon, continuing with Carter, set into place a national matrix of economic policy-shaping which has transformed the overall successful U.S. economy of the 1933-1965 revival of our national prosperity, into the calamitous state of bankruptcy which engulfs it more, each passing day. That once-great economy has been ruined today.

Under the influence of such a cabal of power, which has reigned over our nation during the greater part of thirty-five years, and through the unleashing of "globalization" during the period since the 1989-1991 dissolution of the former Soviet power, not only have the mismanagers of our national economy, such as Federal Reserve Chairmen Paul Volcker and Alan Greenspan, wrecked the U.S. economy almost beyond repair, but a similar perilous state of economic affairs prevails throughout most of the world.

Thus, like the pagan Caesars before them, those who are merely typified by Kissinger and Brzezinski today, have brought their empire to its brink of self-imposed economic doom.

President 'Miniver Cheevy' Bush

President-elect George Bush, as he stands, up to this moment, suggests a Broadway parody of the Classical model for an emperor who enters office to bring the waiting doom upon his empire. He assumes the office of President in a republic

which, although facing the greatest crisis in its history, and that rather immediately, could be saved, unless George, like Shakespeare's Hamlet of the Third Act soliloquy, refuses, out of intellectual cowardice, or a fair imitation thereof, to choose to change his course of action in accord with the requirements of the office he has come to occupy.

In short, were Bush's administration to react according to established profile, his administration is soon doomed to collapse into a global catastrophe. So, the great empires of the past collapsed, in fragments, into the dust of the destiny, like that of the Biblical Nineveh, awaiting them. There is no possible way, in which the combination of the economic policies, social policies, and strategic outlooks which the new President carries into office, would not doom his administration, and our nation, to early destruction, by its own hand.

This prospective spectacle has been savored in the British press. The Bush Administration, and its current choice of economic policy-outlooks, is a something, like President Jimmy Carter before it, better suited to "Tobacco Road" than Washington's Pennsylvania Avenue. Yet, the British, while invidiously relishing the self-humiliation of the U.S.A., on the one hand, know that the five-nation bloc of the United Kingdom, Canada, Australia, New Zealand, and the U.S.A. could not survive to rule the world, if the U.S. were simply to go down into the economic and social ruin which the incoming Bush Administration promises to bring about very quickly.

Thus, in this circumstance, the lessons of the Hitler administration are recommended, as discreetly as might be mentioned, to the relevant hoary veterans of the crisis-management circles from the Nixon, Ford, and Carter White House. Their inclination will be, to use covert methods to create the "who me?" crises, to which they will then respond vengefully, to keep the world off-balance: that is the rule for the kind of impossible situation which a President Bush's own foolish policies will create for him. In such occasions for crisis-management diplomacy, these were the methods followed by Hitler, and by such U.S. circles, too.

In other words, during a period in which the U.S.A.'s friends in Europe and Asia are tending to seek an alternative to a U.S.-led financial and economic collapse in Eurasian cooperation, how shall the Anglo-American Five keep themselves together, and their former allies and satrapies in line? Crisis-management.

In the strict sense, such crisis-management alternatives will do about as much good for the people of the U.S.A. as Hitler brought, in the end, to Germany. In any case, the U.S. were doomed. If it simply follows the Bush-Republican line, as presently given, the U.S. is soon finished as a nation. If it resorts to global crisis-management as a way of trying to keep a dying Anglo-American world-rule temporarily in place, then the entire planet faces a prolonged new dark age for all humanity, for perhaps decades yet to come.

The problem with a regime such as Bush's has set out to

be, is that they are so enamored of their fanciful self-image of the role they intend to play on the mere stage of their historical fantasies, that they will do nothing to avert the real-world doom which acting out that fantasy imposes upon them. Thus, those who would play Olympian Zeus bring upon themselves the awful twilight of such self-anointed gods.

The dirty game by CFR and others, with the current *Tiananmen Papers*, is a harbinger of the early unleashing of but one among a wide-ranging series of Hitler-like crisis-management operations abroad.

If the members of the Congress, notably of the Senate, continue to placate the recent trend, then we shall all go virtually to Hell in this life, together, I to Heaven and heathen John Ashcroft to his well-earned racist's cranny in Hell.

These are the stakes for which we, of all nations, are all playing, unless we change the game.

CFR Mobilizes For U.S.-China Crisis

by Kathy Wolfe

Late Friday, Jan. 5, the New York Council on Foreign Relations (CFR) and its magazine *Foreign Affairs* began faxing worldwide, a press release entitled "The Tiananmen Papers." Clearly trying to evoke the memory of the "Pentagon Papers," which served to discredit the U.S. government during the Vietnam War, this CFR attempt to drag up the 1989 demonstrations in Beijing, and the Chinese military suppression of those demonstrations, is an intelligence operation against the current government of China. It is also an open declaration from the foremost bastion of the "liberal Eastern Establishment," that they will provide full support for those forces in the incoming Bush Administration who are trying to provoke a crisis with China, to justify "crisis-management" rule by decree.

Facing the worst financial crash in history, the Wall Street and London financiers who run and fund the CFR do not wish China, Japan, and South Korea to be cooperating with the member-nations of the Association of Southeast Asian Nations, the new ASEAN-Plus-3 alliance which could potentially create an Asian Monetary Fund, and overturn the current International Monetary Fund global system (see *EIR*, Dec. 8, 2000).

The CFR story appeared on the front pages of the Jan. 6 *Washington Post*, the *New York Times*, and other major U.S. and European press; it was the lead of the TV news, and of the Jan. 7 CBS News show "60 Minutes." It is being followed by major CFR press conferences on "The Tiananmen Papers" in New York on Jan. 11 and in Washington on Jan. 17, as well

as by CFR operations inside China itself.

The CFR's so-called hot news is the claim that, under the pseudonym Zhang Liang, "a loyal member of the Communist Party" has somehow smuggled out of China, tapes and transcripts of Deng Xiaoping being urged in 1989, by then-Premier Li Peng and Army brass such as Gen. Wang Zhen, to deploy the military to crush the demonstrations in Tiananmen Square. *Voilà*, these computer disks were brought to Columbia University's Dr. Andrew Nathan, Princeton's Dr. Perry Link, and other CFR officials, who are publishing them in the CFR journal *Foreign Affairs*, as a stand-alone book, and in a string of press releases abroad, trying to discredit the entire current Chinese leadership.

"The release of these papers at this time is a direct challenge to Jiang Zemin," who is due to step down in 2002, to Li Peng (who is now China's parliamentary chairman), and is an attempt to cause a succession crisis in China, Nathan told "60 Minutes." (Nathan is a top U.S. "Sinologist" and co-author of the *Foreign Affairs* article with Link.) "This is the sign of an intense power struggle—much more intense than the outside world appreciates," Nathan claimed. "Somebody very high in the Chinese government wants documents to come out that are the crown-jewel secrets of the Chinese political system."

Whether or not the tapes are authentic, the CFR is directly interfering into domestic Chinese politics. "60 Minutes" even had "Zhang Liang" on TV—speaking from Nathan's New York City office, with his face blacked out—to tell his tale and demand "reform." "The [CFR] experts say the documents' release is a strategic move by reform-minded [Beijing] officials to try to influence the choosing of the next Chinese President," CBS's Mike Wallace said.

Not only America's leading Sinologists, but also top Bush-league politicians are weighing in loudly. "The documents are clearly authentic," James Lilley, Bush Ambassador to Beijing in 1989, told "60 Minutes." "Deng was persuaded by his inner circle to kill these people. Li Peng was in the lead of it. . . . Reformers in the Communist Party are clearly trying to use these transcripts to embarrass Li Peng and Jiang before Jiang's term is up in 2002. Li Peng is their special target."

"Professor Nathan sees the documents as a crucial revival of the issues and ideas of Tiananmen that could determine the future of China," Wallace said. "Do we go back to what [liberal former Chinese Communist Party Chairman] Zhao Ziyang advocated and failed to carry out in 1989? That's the really big struggle over the future of China," Nathan told Wallace. "That is what these papers are about."

Cui Bono? The Strategic Context

A spokesman for the Chinese Foreign Ministry, Zhu Bangzao, called the papers an effort to "disrupt China by the despicable means of fabricating materials and distorting facts." However, the timing of the CFR's release of "The

Tiananmen Papers” has less to do with China’s 2002 succession, than with the Wall Street-CFR desire to have the new U.S. Administration provoke *whatever* convenient strategic crisis it can manufacture, in response to the financial crash.

The CFR “Tiananmen” story breaks just after the late-December appointment of Donald Rumsfeld and Paul O’Neill as U.S. Defense and Treasury Secretaries, as promoted by their former protégé, Vice President Richard Cheney. A July 1998 report of the “Commission to Assess the Ballistic Missile Threat to the United States,” chaired by Rumsfeld, promoted the idea that the United States needs to be concerned immediately about a nuclear threat to America from North Korea and China, and from various “rogue” states by 2003. Since the report was issued, *EIR* has received numerous statements by neo-conservative GOP Asia analysts, that any new GOP administration in 2001 would adopt this report whole-hog and set up North Korea and China as the new enemy image for the United States.

Other strategic context items include the Oct. 11 report by the Pentagon’s National Defense University, “The United States and Japan: Advancing Toward a Mature Partnership,” which calls on the United States to ditch the Clinton partnership with China, push Japan to rearm, and prepare for a military confrontation with China. “A large concentration of U.S. forces in Japan — approximately 75% — are stationed on Okinawa,” the report states, “because in matters of security, distance matters. Okinawa is positioned . . . only about one hour’s flying time from Taiwan, Korea, and the South China Sea.”

The CFR “Tiananmen Papers” story also breaks only weeks after CFR leader Winston Lord, with his blueblood Chinese wife Betty Bao Lord, who had been deeply involved in promoting the 1989 events in Beijing, visited both China and Taiwan.

It is also noteworthy that on Jan. 6, Japan’s Nikkei News reported that the U.S.-North Korea agreement is “already falling apart,” according to Bush-linked sources. The U.S. defense establishment, Nikkei reports, is already demanding that North Korea accept cancellation of the nuclear reactors promised by Clinton in 1994, in exchange for which Pyongyang stopped its own nuclear program. North Korean Chairman Kim Jong-il is already under intense criticism from his own military for going very far in the peace process with Clinton and President Kim Dae-jung in the South. Such a Bush insult to Pyongyang would be a red flag for the North Korean elite.

The CFR “Tiananmen Papers” ploy, and the provocations of North Korea, demonstrate that the “crisis-management” teams, from both sides of the supposed liberal/conservative “divide,” are preparing the way for the new administration’s foreign policy to be a disaster. The coincidence of the CFR domestic interference in Chinese politics, and Bush kicking Pyongyang in the face, will not be lost on the combined Chinese and North Korean military. It is deliberately meant to provoke them.

The CFR’s and George Soros’s ‘Man in China’

by Michael O. Billington

Although the release of the so-called “Tiananmen Papers” by the Council on Foreign Relations (CFR) in New York is primarily for Western consumption, it is also true that the CFR leadership of the Liberal Eastern Establishment in the United States, is issuing a declaration concerning the direction it prefers for Chinese economic and social policy. That preference is revealed by the figure put forward as the “hero” in all the commentaries on the release of the papers. Zhao Ziyang was Secretary General of the Chinese Communist Party and heir-apparent to senior statesman Deng Xiaoping at the time of the Tiananmen Square crisis in 1989. Columbia’s Prof. Andrew Nathan, the central figure in the preparation of the material for publication of the “Tiananmen Papers,” told Mike Wallace on the CBS show “Sixty Minutes”: “Do we go back to what Zhao Ziyang advocated and which he failed to carry out in 1989? Do we get back onto the track of evolution? That’s the really big struggle over the future of China. That is what these papers are about.”

Who is Zhao Ziyang? What is the “track” that these spokesmen for the dying beast on Wall Street demand for the Chinese nation, with the threat of sanctions and military confrontation emanating simultaneously from the incoming Bush Administration?

Zhao is portrayed as the advocate of democracy and freedom for the Chinese people, against the hard-liners, such as Deng Xiaoping and then-Premier Li Peng, who ordered the crackdown on the mass demonstrations in Tiananmen Square on June 4, 1989. However, the truth is that Zhao had become, by that time, the spokesman for the Anglo-American financial cartels and the rapacious “shock therapy” looting of the Chinese economy and the Chinese population, a policy that was subsequently implemented in Russia and the other East bloc nations in a manner now widely recognized as not only destructive, but genocidal (see Sergei Glazyev, *Genocide: Russia and the New World Order* [EIR News Service: Washington, D.C., 1999]).

In May 1981, a few years after Deng Xiaoping initiated the reform and “opening up” policies which saved China from the devastation of the Cultural Revolution, there was a conference in Beijing of David Rockefeller’s and Henry Kissinger’s Trilateral Commission. At that meeting, Chase Manhattan Bank’s chief, William C. Butcher, told Xinhua News Agency that China’s reform would only succeed if the leadership rejected large industry or great development projects in favor of labor-intensive production. Heavy industry and infrastruc-

ture, he said, “take two great things, a great deal of energy and a great deal of money, neither of which are abundant in China.” Instead, it was proposed that China’s vast population be made available as cheap labor to Western process industries, primarily for export, as a means of accumulating foreign currency.

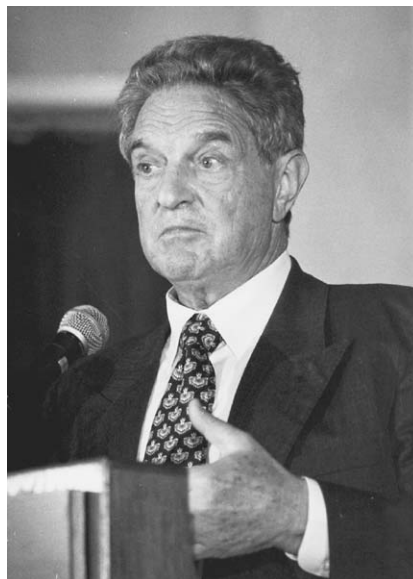
Some Chinese leaders, including some considered “pro-reform,” such as Hu Yaobang (who preceded Zhao Ziyang as Secretary General of the CCP), opposed the “process industry” approach as portending the revival of the old 19th-Century colonial concessions, since it would not serve as a locomotive for developing China’s own domestic industrial capacity. He denounced what he called the “two ends outside,” referring to industries which imported raw materials and semi-finished goods from “outside” the country and merely processed them into exports, returning the product to the “outside.” This, he warned, would simply utilize the cheap labor of a desperate Chinese population, without improving either the population or the national economy in the long run.

Zhao Ziyang and George Soros

Zhao Ziyang, on the other hand, enthusiastically endorsed the policy, and the ideology that went with it. After a trip to the United States in the mid-1980s, Zhao returned with a booklist for all the college campuses, composed of fascist economists from the Vienna School of von Mises and von Hayek, with Milton Friedman’s “shock therapy” tomes at the top of the list. Friedman subsequently visited China repeatedly during the 1980s, becoming known as “Chinese Milton.” After a well-publicized interview with Zhao Ziyang, Friedman reported that he had found his man: “We have a good impression of this person and his wisdom. He has profound knowledge of economic problems and is determined to enlarge the scope of the market. He is willing to experiment and learn, and listen humbly to the suggestions and opinions of others.” A British colonial Consul couldn’t have been more precise.

Also included on Zhao Ziyang’s curriculum were Samuel Huntington’s proposals for dictatorial imposition of free trade and deregulation, the Club of Rome’s anti-population hoax *Limits to Growth*, Norbert Wiener’s cybernetic prognostications on the mind as a machine, and Alvin Toffler’s lunatic ravings on the Third Wave and post-industrial society. Following one of Toffler’s visits to China, he praised Zhao Ziyang as the great hope for China. Toffler fantasized about the ideal Chinese future, without ugly “Second Wave” industries, picturing a peasant wading through his paddy field, talking to his broker on a cellular phone, placing futures contracts on the derivatives markets!

Another promoter of Zhao Ziyang’s policies was George Soros, the Hungarian-born asset of the British Rothschild interests, who made a fortune as a hedge-fund gambler. Soros would soon become famous as the sponsor of Harvard economist Jeffrey Sachs and the “shock therapy” destruction of Russia and Eastern Europe, after the fall of the Soviet Union.



Mega-speculator George Soros was one of those Western free-trade fanatics, along with economist Milton Friedman, who pronounced Zhao Ziyang “their man” in China, back in the late 1980s.

Zhao arranged for Soros to come to China, where he financed both a semi-official think-tank associated with Zhao, and an independent think-tank later held responsible by the government for coordinating the 1989 demonstrations. Soros also financed the deployment of young economists to the West, including to Chile, to study the methods of Milton Friedman’s “Chicago School” at first hand. Soros was an ardent advocate of the Alvin Toffler-style “post-industrial” economics, denouncing the hydroelectric dams and steel mills built under Stalin as “pyramids built by a modern pharaoh.” He described the problem in the Soviet Union in the late 1980s as resulting from the “lack of an accomplished economist” like Zhao, with his think-tank full of “brilliant young intellectuals at his disposal.”

The result of the emphasis on the “process industry for export” approach, was a cutback in investment in both agriculture and in maintaining the aging heavy industry. A huge number of peasants and unemployed workers from the interior began pouring into the cities on the coast, becoming known as the “blind flow,” recycling in and out of the low-skill jobs in the largely foreign-owned process industries, and contributing to a growing unrest. The student demonstrations in the Spring of 1989 intersected this unrest in the general population.

The demonstrations were, on the one hand, filled with references to the rich moral tradition of both East and West: the sayings of Confucius, the Three Principles of Sun Yat-sen, quotes from Abraham Lincoln, and the music of Beethoven played on the loud-speaker system. But the opposite tendency, towards anarchy and libertarianism, was also present. It has been widely discussed that the cooler minds among the leadership of the demonstrations were attempting to end the occupation of the Square after the government had arranged official meetings with their spokesmen. However, the young “hunger strikers,” goaded on by the world’s press, took over

the strike process, preventing any resolution. Increasingly, the demonstrations took on the character of an ungoverned mob with no purpose other than the destruction of authority — a fact admitted even by the organizers of the earlier stages of the process.

Such a situation was not without precedent in recent Chinese history. The disastrous Cultural Revolution had ended only 13 years earlier. Deng Xiaoping and others of the Chinese leadership had seen the country nearly destroyed, while many, including Deng, had been jailed and tortured by the “Red Guard” mobs. The vision of another outbreak of such anarchy, destroying the considerable progress that had been achieved through the reform process, was anything but a paranoid reaction to the events on Tiananmen Square.

Consider, in context, the attribution of the following words (whether truly or falsely) to Deng Xiaoping in the “Tiananmen Papers”: “We should be extra careful about the laws, especially the laws and regulations on assembly, association, marches, demonstrations, journalism, and publishing. Activities that break the law must be suppressed. We can’t just allow people to demonstrate whenever they want to. If people demonstrate 365 days a year and don’t want to do anything else, reform and opening up will get nowhere.”

Reform and Development

Following the military operations to crush the demonstrations in Tiananmen Square, Deng Xiaoping and the Chinese leadership did *not* allow a return to isolation, nor to total central planning. What the leadership *did* do, was to banish George Soros from China. This, and the removal of Zhao Ziyang from his leadership position, helped to curtail the tendency toward shock therapy, and led to a reconsideration of the policy of prioritizing the free-trade zones on the coast, at the expense of agriculture and the development of the interior. The “great project” ideas, to transform the nation, then came to the fore, such as the Three Gorges Dam, the Great Eurasian Land-Bridge, magnetically levitated trains, and the expanded use of nuclear energy.

Compare the developments in China with the devastation of the former states of the Soviet Union during the 1990s, when the policies of George Soros and Henry Kissinger reigned supreme. Look at the financial crisis which swept Asia in 1997, orchestrated by the speculative looting of George Soros, and enforced through the conditionalities of the International Monetary Fund, leaving the region in deep depression, plagued by separatist and communal violence spawned by the economic breakdown. Not only was China relatively self-protected from the speculation, through the retention of protective measures for its economy, but China’s stability was also essential for the rest of Asia, in surviving at least as well as it has thus far.

Is this why Professor Nathan and the fellows at the Council on Foreign Relations want to “go back to what Zhao Ziyang advocated”?

Danger From Bush’s ‘Crisis Management’ Team

by Our Special Correspondent

The Dec. 28 appointment of Donald Rumsfeld as Defense Secretary, and the earlier appointment of Paul O’Neill as Treasury Secretary, both originally suggested by Vice President Richard Cheney, brings to Washington the same team of “crisis managers” who ran the 1974-77 Ford-Rockefeller Administration. Last time, they crisis-managed the after-effects of Nixon’s 1971 U.S. dollar crash; the post-Watergate constitutional crisis; the mid-1970s oil shock; the decline of U.S. power in Asia, after the loss of Vietnam; and the New York City bankruptcy, which nearly brought down every bank on Wall Street. The result was to continue the wrong policy course which had created the mess, and to pave the way for the even more disastrous Jimmy Carter Trilateral Commission-dominated Administration that followed.

The new Bush crisis-management team is heavy on the apparatus of the RAND Corp., the Pentagon spin-off which specializes in managing war scenarios around the world, where O’Neill was chairman, and Rumsfeld an active trustee at the time of their December appointments. Facing a global financial breakdown, “the game is to use crises and crisis-management to try to set up a world dictatorship,” *EIR* Founding Editor Lyndon LaRouche said on Jan. 10, “which will use terror to try to get Europe in line, behind wars with Russia, China, Africa, South America,” including the use of military special warfare operations.

China, North Korea, Iran, Iraq, and other countries dubbed “rogue states” by Margaret Thatcher in her 1996 Fulton, Missouri speech, are the special targets to provoke crises. The elite defense establishment’s July 1998 “Commission to Assess the Ballistic Missile Threat to the United States,” headed by Rumsfeld, concluded that China, North Korea, and other “rogue states” will pose a direct ballistic-missile threat to the American mainland by 2003.

In his Dec. 28 press conference with Rumsfeld announcing Rumsfeld’s appointment, George W. Bush praised the “alarming findings” of the 1998 Rumsfeld Commission report



Donald Rumsfeld

on the missile threat, and said that he wants Rumsfeld to do a “selling job on missile defense.” This refers to the National Missile Defense (NMD) and Asian Theater Missile Defense (TMD), for which the Pentagon proposes to place elements in Japan and South Korea. China, Russia, South Korea, France, and other nations have declared it a red flag, designed to provoke a new Cold War arms race.

1970s Crisis Encore

This same “crisis management” team had worked together in the unprecedented constitutional crisis of Watergate and the accompanying 1970s disasters mentioned above. After President Nixon was forced out, Rumsfeld became head of the 1974 Ford transition team, then Ford’s Director of White House Operations, and then Ford’s White House Chief of Staff. When Rumsfeld became Defense Secretary in 1975, he brought in his protégé, Richard Cheney, to replace him as White House Chief of Staff, and brought O’Neill into Ford’s Office of Management and Budget. (The new Bush U.S. Secretary of State, Colin Powell, was also at the Ford OMB and was the protégé of Frank Carlucci, O’Neill’s closest colleague there.)

Now, Vice President-elect Cheney has overseen the re-selection of Rumsfeld as Defense Secretary; Cheney said recently that Rumsfeld is the “role model” for his life. There are so many other Ford Administration re-runs in the Bush crisis-management team — including today’s hapless Federal Reserve Chairman Alan Greenspan, who was on Ford’s White House Council of Economic Advisers — that even the Dec. 29 *Washington Post* had an article titled “Ford Administration Players Return for an Encore.”

Of course, even more obvious is the fact that the George W. Bush Cabinet is a replay of his father’s regime, which was the epitome of government-by-crisis-management, beginning with the December 1989 invasion of Panama to serve a “global cop” arrest warrant on Gen. Manuel Noriega. Both Cheney and Powell were pivotal crisis-managers in the 1991 Operation Desert Storm war against Iraq, which, a decade later, has left the Persian Gulf in a state of perpetual conflict and looming war danger.

‘Sarajevo Was an Accident’

The classified portion of the July 1998 Rumsfeld Commission report contains “hawkish statements” by Rumsfeld specifically with regard to China and North Korea, as direct missile threats to America, the *Washington Times* reported in front-page coverage of his appointment on Dec. 29. The *Times* has been a special recipient of regular leaks of classified information attacking China and North Korea from high-level defense sources, and there is no reason to believe they would wish to distort Rumsfeld’s view on the matter and jeopardize that relationship.

The 1998 Rumsfeld Commission report was taken very seriously within the U.S. military-industrial complex. Its for-

mat was to criticize the then-existing 1995 official U.S. National Intelligence Estimate (NIE) on missiles by the CIA, for not taking the missile threat seriously enough in a short enough time frame. Subsequently, in September 1999, the CIA issued a new NIE on the missile threat, changed to match the Rumsfeld Commission findings, stating that North Korea, Iran, Iraq, and China will be a substantial threat to the United States starting in 2003.

Following the Rumsfeld Report, GOP Thatcherites, led by House International Relations Committee Chairman Rep. Benjamin Gilman (R-N.Y.) and Senate Foreign Relations Committee Chairman Jesse Helms (R-N.C.), made months of hair-raising statements about potential North Korean and Chinese missile attacks on America. Gilman, in one 1999 speech, said that Seattle was in immediate jeopardy of a North Korean hit. Helms hosted extensive testimony on the North Korean-Chinese threat and the urgent need to change the NIE, by CIA missile expert Robert Walpole in September 1999.

The NMD and TMD programs were also given a \$6 billion funding boost and put on a fast track after the 1998 Rumsfeld Commission report, but failed in testing as recently as this past summer, leading President Clinton to postpone consideration of National Missile Defense.

Meanwhile, reality on the other side of the Pacific is that peace has broken out in Asia. China has continually made every effort to further its partnership with the United States, begun by President Clinton, and North Korea has opened up dramatically to the South and the United States.

Oblivious, George W. Bush plans a new boost for the NMD-TMD, and Rumsfeld, standing at his side, on Dec. 28, said that the “export of know-how to field missiles that could hit the United States,” a charge usually made against North Korea and China, is “proliferating around the world, and I consider that to be a threat.”

“With a blood-lusting hyena like Ashcroft as Attorney General, Rumsfeld for DOD is like the appointment of Andropov in the U.S.S.R. as its empire was dying — and about as appropriate,” Asia hand Dr. Chalmers Johnson commented on Dec. 31. “This all looks very much like the last days of the Soviet empire, which was also stuck in an 18th-Century paradigm which didn’t work, with reactionaries in charge of the government. . . .

“The U.S. just doesn’t work anymore, but the Bush people are utterly incapable of seeing this. The electric grid is collapsing because of deregulation, the tires are made so poorly that they are blowing up the cars, the country, everywhere we turn, is falling apart due to lunatic ideologies. So, under those circumstances, they try to bring back people from the ‘good old days,’ ” said Dr. Johnson.

Asked about a possible new U.S.-China confrontation, Johnson warned that Taiwan today “is the equivalent of Sarajevo in 1914. There was no interest in an actual war at that time either, but with such crazy people in what they think is power, it’s very dangerous.”

Taiwan in Financial And Political Turmoil

by Leni Rubinstein

Unlike 1997-98, when Asia was hit with a major financial speculative assault, and Taiwan seemed to weather the storm pretty well, the international financial and economic collapse is now hitting Taiwan full force. This fact, in combination with the incoming Bush Administration's geopolitical foreign policy, makes up the recipe for a potential international strategic crisis.

The blow against Taiwan has been hard and fast, and is continuing. In 2000, the Taiwan Stock Exchange (Taix) saw a drop of 54.4%, with losses of \$109 billion in market capitalization, an exodus of local industries, and the highest unemployment rate in 15 years. A total of 4,303 manufacturing companies islandwide closed down in the first 11 months of 2000, up 17% from the previous year. When the state-run China Steel Corp. in November put out an advertisement for 85 jobs, it got 6,800 applicants.

The 'Green Silicon Island' President

The election of Chen Shui-bian to Taiwan's Presidency in the beginning of last year, has made Taiwan very vulnerable. Chen Shui-bian, who was elected by less than 40% of the population, does not have the confidence of Taiwan's industry and business community, because of several factors. During



The Presidential tenure of Chen Shui-bian in Taiwan, begun with great controversy early last year, has so far been a period of sharp financial and economic decline on the island.

the financial assault on Asia in 1998, a number of people in leading positions took protective measures against the speculators, both publicly and secretly. One such example was the collaboration between Hong Kong and Taiwan, in keeping megaspeculator George Soros at bay. With the new government, a number of young, inexperienced people have been put in key positions, and the old "protection team" is gone.

Secondly, a total ignorance regarding economy reigns supreme. One of the new government's first acts was to stop the construction of Taiwan's fourth nuclear power plant. This act, apart from clearly violating the Constitution of Taiwan, is endangering an already precarious energy supply for the future. And, despite warnings from leading economists, that one of the reasons for Taiwan's financial and economic problems lies in the global collapse of so-called high-tech products, the government's publicly stated, main goal is the development of a "knowledge-based" economy, and to turn Taiwan into a "Green Silicon Island." Taiwan's information technology (IT) hardware production last year was \$23 billion, and if Taiwanese companies outside of Taiwan are included, the total IT production was \$47 billion, up 18% from 1999, and making Taiwan the second-largest producer of IT hardware in the world, after the United States.

Taiwan has invested about \$40 billion in mainland China, and about \$20 billion in Malaysia, the Philippines, Thailand, Vietnam, and Indonesia combined. Most of the investments, however, have gone into the manufacturing of textiles, electronics, and IT-related appliances, the which products have then been exported to the United States, Europe, and Japan—the U.S. remaining by far the biggest export market, followed by Japan. With a collapsing U.S. economy, Taiwan's economy is in for a major blow. The chief economist at the International Commercial Bank of China in Taiwan, Wang Hehsong, in November 2000, issued a strong warning: He told Taiwan's businessmen to diversify their investments, and not simply focus on electronics and IT products, in order to prevent future financial and economic troubles.

In a show of total inadequacy to the crisis, Taiwan Premier Chang Chun-hsiung, in an article in the *Asian Wall Street Journal* on Dec. 27, wrote that the problems Taiwan is facing, were partly due to its transformation process and industrial upgrading toward becoming a "knowledge-based" economy. Chang wrote, that although there are problems with impaired assets in some financial institutions, the Taipei government is "closely monitoring the situation" and has taken "appropriate measures." These measures include encouraging mergers and acquisitions among financial institutions, promoting the establishment of asset-management companies, and lifting a ban on mergers of foreign and domestic financial institutions, measures that will make life easier for the speculators.

Cross-Strait Relations Blocked

Added to President Chen Shui-bian's miserable performance, and the spreading in Taiwan of a high degree of uncer-

tainty for the future, is Chen's continued foggy and ambiguous attitude regarding the relationship to mainland China. There are repeated calls from the three opposition parties, the Kuomintang, The People First, and The New Party, for Chen Shui-bian to accept the 1992 agreement between Taiwan and mainland China, for the negotiations across the Taiwan Strait to be based upon the concept of "one China, different interpretations." Chen has refused to do so.

Several high-level sources in Taiwan told *EIR* in December, that the reason Chen Shui-bian has been stalling on this important issue, is that he has been counting on, and waiting for, a Bush government to take power in the United States, and that requests for added military assistance from Washington would be presented, as soon as the new U.S. government has taken office. In a meeting on Dec. 27 with a Japanese delegation of the Taiwan-Japanese Relations Research Association, Chen Shui-bian urged: "In the face of [China's] intensified military build-up, its ever-increasing military budget, and deployment of guided missiles in its coastal regions, our two countries must share information and cooperate more closely in the defense field in order to maintain peace, security, and stability in the Taiwan Strait and the entire Asia-Pacific area"—a statement foreboding dangerous developments in the future.

By contrast, an ever-increasing number of Taiwan legislators are continuously visiting mainland China to improve relations across the Taiwan Strait. Last November, the highest-level official from the Kuomintang (KMT) ever to visit the mainland, the former interior minister and vice chairman of KMT, Wu Poh-hsiung, led a 40-person delegation on a 12-day tour, which included meetings with several top officials in Beijing and Shanghai. Upon returning to Taiwan, Wu held

a press conference, in which he blamed Chen Shui-bian's cross-strait policies for causing a heightened degree of anxiety among Beijing leaders. Wu stated that the Chinese government views the cross-strait situation as "extremely critical," and is making "necessary preparations, including military preparations," in case the situation worsens. "I come back to Taiwan, and it seems no one here is particularly concerned—they go around saying, that there will not be a war within the next year. But this is not in accordance with the facts. We in Taiwan must acquire a deeper understanding of the situation on the other side of the Strait. . . . After taking back Hong Kong and Macao, people in China—ordinary people, as well as government officials—are anxious for Taiwan to return to the fold. People in Taiwan should really take notice of this phenomenon," Wu said. He also warned, that as the economic gap between Taiwan and China is closing, Taiwan will have less and less bargaining power with its much larger neighbor, making a direct resolution to the cross-strait tensions even more urgent.

It should be added, that these statements were issued by a very pragmatic senior politician, and that similar evaluations have been offered to *EIR* from top parliamentarians and scholars, who frequently visit mainland China to meet with officials there.

The Western media celebrated the establishment of the so-called three "mini-links," which were opened on Jan. 2. For the first time in 52 years, direct trade, post, and shipping links between Taiwan's outlying islands of Kinmen and Matsu and selected mainland Chinese ports were established. However, this was a unilateral move from the Taiwan side, and got, at best, a lukewarm response from Beijing. The three links are between the outlying islands and mainland China,

U.S. Admiral Denounces Anti-China 'Blue Team'

A former U.S. defense attaché in Beijing, Rear Adm. Eric A. McVadon (ret.), wrote in the *Far Eastern Economic Review* for Dec. 21, that the "Blue Team's" (a reference to an alternative, supposedly tougher U.S. intelligence assessment) "unrelieved confrontation" must be replaced by one based on "real U.S. interests, neither tinted nor tainted by yellow journalism and partisanship." He says that there simply is no so-called "Red Team" which is soft on China. "Indeed, if there is a Red Team it is constituted of those in China who think like the U.S. Blue Team. The two feed on each other's often extreme and inflammatory views."

Admiral McVadon says that China has problems, and has done "many reprehensible things," but then points to

the many good things it has done—agreement to international conventions (including the Comprehensive Test Ban Treaty), "unprecedented economic growth," a serious fight against corruption, and an opening up internally that leaves most Chinese happy about living in China. "President Jiang Zemin has even subjected himself to inept interrogation by Mike Wallace on U.S. national television," said McVadon.

Referring to the many U.S. provocations against China—including the 1996 deployment of U.S. aircraft carriers off Taiwan, 100,000 U.S. troops stationed in the region, the revised U.S.-Japan Treaty security treaty, and recently revised Defense Guidelines—he proposes a "Purple Team," between Blue and Red, which will be less anxious to "start every bilateral exchange with an insult or two."

"The U.S. does not want China as an enemy," Admiral McVadon concluded.

and do not affect Taiwan proper.

As of this writing, two different legislative delegations are visiting mainland China to discuss the possibilities for opening up the three direct links with Taiwan proper. According to Chang Jung-kung, director general of the KMT Department of Mainland Research, who accompanied the Taiwan legislators during their meetings, Beijing's position on the proposed "three direct links" is, that all two-way exchanges should occur under the "one China" principle, and that Beijing considers the "three direct links" initiative a "domestic affair," which could be implemented on a "special case" basis. This view was echoed on Jan. 7 by Wu Jung-kuei, director of the Ministry of Transportation and Communication (for Taiwan), who said that full cross-strait shipping exchanges would be restricted and insignificant, if the "one China" issue were not tackled.

Because of the rapidly deteriorating financial and economic situation in Taiwan, the business community has put increasing pressure on Chen Shui-bian to ease the restrictions imposed by former President Lee Teng-hui regarding investment in China, and the government has declared that new, more flexible guidelines will be issued before the Chinese New Year, Jan. 24. Also, from the beginning of this year, Taiwan has allowed journalists from China to open their first-ever bureau. A reporter and an editor from China's state-owned Xinhua news bureau opened their office in late December in Taipei. Their restrictions, however, are severe, and have met protests from Beijing. The office must be staffed with rotating journalists, who can stay in Taiwan for only a month at a time. If the journalists wish to leave Taipei, they first have to get permission from the government. The journalists are allowed to participate in press conferences, but when it comes to individual interviews, they must apply one month before a planned date.

There are plans for easing the restrictions for mainland Chinese visiting Taiwan, and plans are being worked out to allow academic degrees obtained in mainland China to be valid in Taiwan. Taiwan is also seeing an increased number of high-level delegations from mainland China. However, in light of the combination of the unravelling international financial and economic crisis, the policies of the current Chen Shui-bian government, the expected policies from the new Bush government, and the recent major, Cold-War-style propaganda from the United States, the situation across the Taiwan Strait has the potential for becoming a strategic flash-point.

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Germany

New Year Begins with Government Crisis

by Rainer Apel

The government of Chancellor Gerhard Schröder is sailing into very troubled waters, after the first two Cabinet ministers cracked under mounting public pressure: On Jan. 9, the Minister of Public Health, Andrea Fischer, and of Agriculture, Karl-Heinz Funke, announced their resignations, which had been expected for several weeks.

The growing public hysteria over the spread of "Mad Cow" disease, an hysteria fanned especially by Fischer's own Green party fellow-members, tilted the balance against her. During the past few months, she had come under increasing public attacks for her disastrous "health reform" project, which is modelled on health maintenance organizations in the United States. There has not passed a single day in recent weeks, without at least one protest action by medical personnel in one or several German cities, against Fischer. She has been the most hated minister in the Cabinet, and her mishandling of the sensitive "Mad Cow" issue, with a mixture of arrogance, populism, and suppression of compromising facts on the conduct of her ministry on this matter, made it impossible for her to stay. She had been expected to resign already before the Christmas recess, but Chancellor Schröder, in an unconvincing effort to pretend that the Cabinet stands firm, issued statements of support, keeping her in for another three weeks. But with the end of the recess, she had to quit, as did the Minister of Agriculture, who was charged with the same mishandling as she was.

More Ministers Are in Trouble

An additional catalyst for these two resignations has been that several other Cabinet ministers have made bad news headlines, provoking calls for their dismissal: Labor Minister Walter Riester, because of his pension fund privatization plan; Finance Minister Hans Eichel, because of revelations about private use of government aircraft; Defense Minister Rudolf Scharping, because of proposed budget cuts in the Armed Forces, and, most recently, charges about depleted-uranium ammunition having been used in the Balkans; and, finally, Foreign Minister (and also Vice Chancellor) Joschka Fischer, whose role as a violence-promoting anarchist in the Frankfurt underground of the late 1960s and early 1970s is now being exposed.

The case of Joschka Fischer poses the most serious threat to the Chancellor, because Fischer, having risen to the post

of Vice Chancellor, is the essential trump card of the Green party, in domestic affairs as well as internationally, because he has strong backing in policymaking circles around outgoing U.S. Secretary of State Madeleine Albright. In an interview with the German weekly *Die Zeit*, Albright said on June 8, 2000: “I am interested in Joschka Fischer intellectually. . . . Also among foreign ministers, friendships can develop. . . . He is an extremely fascinating personality.” Already months before Fischer became Foreign Minister in October 1998, Albright and her circles sent out signals that they would welcome his rise to that post. One may say, as many in Germany do these days, that with Albright leaving office, Fischer’s time is also up, and someone gave him and Schröder a message with the revelations, that the time to leave is now.

Deals With Russia

There are, however, other aspects that come into the picture, which go beyond the international repercussions that every change of U.S. Administration brings. The timing of the Fischer revelations is also interesting from another perspective: The crisis hits Schröder at a point at which he is about to negotiate crucial, long-term physical-economic deals with Russia. Especially the idea of replacing the discredited monetarist scheme of “debt for equity” with a productive-industry-oriented new project of “debt for new investments,” which Schröder and Russian President Vladimir Putin okayed during their “predominantly private” weekend in Russia on Jan. 6-7, has drawn fierce opposition from among leading monetarist circles in Germany and the West. Exemplary was a venomous statement against the project issued in mid-December by Otto Graf Lambsdorff, a leading Mont Pelerinite and chairman of the European section of the Trilateral Commission. Lambsdorff said that the project is dangerous, because it undermines the Russian free market “reforms.”

The project, as discussed by Schröder and Putin, would initially involve about \$3 billion of Russia’s \$35 billion of debt to Germany, in two or three select investment projects in Russia. The debt would be turned into real investments of German industrial firms, in the construction of new plants in the three preferential sectors of machine-building, light industry, and food production. The Russian contribution would be to provide the real estate for these plants free of charge, and the infrastructure (power, water, roads, railroads,



German Vice Chancellor and Foreign Minister Joschka Fischer (left) and Chancellor Gerhard Schröder. Germany may have a new government by Spring.

and the like) at a fee acceptable to the Germans. Therefore, unlike the old debt-for-equity scheme that has promoted the looting of Russia during the past ten years, the new Schröder-Putin scheme would promote real investments in crucial sectors.

So, while Schröder was in the process of preparing for this important weekend with Putin, on Jan. 4, two days before his departure, the left-wing/liberal weekly *Stern* appeared with a big story on Joschka Fischer’s old days as a street-fighter in Frankfurt. The report is accompanied by several photographs of masked men—Fischer and four of his friends—as they assault a policeman, force him to the ground, and kick him while he is lying there; the arrival of other policemen chases the assailants away, saving the policeman on the ground from a worse fate. The photographs were first published the day after that incident, on April 8, 1973—but for more than 27 years, the broader public, except for a few insiders, did not know that one of the masked men in those pictures was Fischer.

The *Stern* report was the kick-off for a much broader media campaign, as other news dailies printed more details on those street-fighting days. When Schröder returned from Moscow on the evening of Jan. 7, the weekly *Der Spiegel* sent to print its Jan. 8 issue, with a 16-page cover-story on Fischer. Thus, within a few days, the mood in Germany changed dramatically, as the escalating crisis of confidence no longer affected a few Cabinet ministers, but now implicated the Vice Chancellor and Foreign Minister himself, affecting the innermost core of this coalition government.

Enemies Among the Greens

Chancellor Schröder’s immediate response to the revelations in *Spiegel* was to reaffirm his full support for Fischer,

but that statement is not worth much in this kind of situation: Many people are already counting the days until Fischer's departure. The decisive impulse to drop him may even come from within the Green party itself, which, for the sake of its own survival, may suddenly call on him to resign. The Greens have lost 40% or more of their vote in every election since October 1998, and already before the Fischer scandal broke, they were on the verge of being kicked out of the state legislatures in Rhineland-Palatinate and Baden-Württemberg, where elections are scheduled for March 25. The last thing the Greens need is negative headlines on Joschka Fischer.

One also has to keep in mind that Joschka Fischer has many enemies among the Greens themselves. In fact, a great deal of the revelations that are making life difficult these days for Fischer, have come from members of the former Frankfurt underground, from people who have fallen out with him and see a chance for settling old scores. Two books published last year by two former co-fighters of Fischer's, Christian Schmid and Jutta Ditfurth, already caused great damage to his reputation, because of the sensitive details they contained on his street-fighting days in Frankfurt.

The Green party still includes an influential anti-militarist current, which originated with the anti-Vietnam War movement of the 1960s, and for these Greenies, the fact that Fischer okayed the NATO air-war against Serbia in 1999, was a big

provocation that has to be revenged. The news headlines coming in these days on the use of depleted-uranium ammunition Serbia, revive that inner-Green Party outrage at Fischer and add to his troubles. Therefore, even if Schröder tries to keep Fischer in office, the Green party, the minor coalition partner, may soon demand his dismissal, posing the Chancellor with the choice of either sacrificing his Vice Chancellor, or holding onto him and witnessing his own fall, as the government's popularity drops through the floor.

All of this is occurring as Schröder, with his diplomacy with Russia, has just begun to define some genuine interests of the industrial nation Germany, as opposed to the interests of Federal Reserve Board Chairman Alan Greenspan and his Wall Street and London friends, who don't want investments in Russia, but rather, demand unabated capital infusions from Germany and the rest of Europe to keep the bubble afloat. The timing of the latest escalation in the German government crisis indicates that some geopolitical monetarist circles that are responsible for the rise of George "Dubya" Bush to the White House, want to teach Germany a lesson, and tighten the leash around the necks of the German elite. And one of the strings pulled, has the name, "Joschka Fischer." How Schröder will get out of this, if at all, remains to be seen. Germany may have a new government before Spring.

Challenges of Human Space Exploration

by Marsha Freeman

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Did Bush Sabotage Clinton's Middle East Peace Efforts?

by Dean Andromidas

The failure of President Bill Clinton to conclude a Middle East peace settlement in his last days in office, begs the question whether he was a victim of sabotage by the incoming Bush Administration. It is well known that Clinton felt compelled to "coordinate" his policy with Bush's transition team. The Bush Administration will be unable to deal with the unfolding systemic financial crisis about to blow up in their faces. As with the elder Bush, when confronted with a crisis, George W. will look for a war in an attempt to maintain control. Such a war, as insane and dangerous as it would be, would serve the only policy outlook the Bush crowd knows: "crisis management," and strong-arm tactics against the opposition to these policies, both domestic and international.

On Jan. 7, speaking before the Israel Policy Forum in New York, President Clinton outlined the principles which he hoped would lay the basis for the Palestinians and Israelis to negotiate a final peace agreement (see *Documentation*). The principles were remarkable for several of the points they contained, as well as their deep failings. They no doubt reflect some of the effects of "coordinating" with the Bush transition team.

Clinton called for a sovereign Palestinian state, whose viability necessitates that its territory be contiguous and not a collection of Bantustans, especially on the West Bank. Although calling for a Palestinian right to return to Palestine, and compensation for losses from an international fund, he ruled out an unlimited right to return to Israel. While calling for a non-militarized state, he also called for an international peacekeeping force along the Jordan Valley. On Jerusalem, Clinton called for an arrangement whereby it would be the capital of two states, where access to the religious sites would be enjoyed by all sides. He alluded to, but did not detail certain formulas that he had presented to the two parties on the issue of the religious sites.

The most glaring omission, which is the fundamental reason why his proposal, as it stands, could never be accepted, is the concept, "The name for peace is development." In the Middle East context, this means the development of water resources.

On Jan. 3, during his international webcast, Lyndon LaRouche underscored precisely this point. He said that there

will never be "peace in the Middle East, unless there is a massive program of desalination to ensure that there is the water and the energy needed, so that the children of the present inhabitants of the region have a peaceful future for their grandchildren. That should be the policy of the United States."

Sources close to the peace process underscored that the Clinton proposal, as flawed as these sources admit it was, nonetheless brought Palestinian Authority President Yasser Arafat and Israeli Prime Minister Ehud Barak closer to concluding an agreement than ever before in the seven years since the Oslo Accords came into effect. These sources believe that with the inclusion of programs for water and economic development, both sides would have been prepared to make the compromises required to strike an agreement. Barak, faced with a tough reelection campaign, and Arafat, faced with Palestinian rage in the street, are not the main problems to concluding an agreement, according to these sources. But, they assert, the Bush Administration will definitely not have the motivation to make peace in the Middle East. Furthermore, they say, there are a lot of illusions among the leaders in the region about the true intentions of the Bush Administration.

Bush Intervenes in Israeli Elections

In "Temple Mount Fanatics Foment a New Thirty Years War (*EIR*, Nov. 3, 2000), *EIR* warned that Likud Chairman Ariel Sharon's provocative march onto the Al Haram Al Sharif/Temple Mount, the spark that ignited the current Al Aqsa *Intifada*, would lead to religious war that will spread far beyond the confines of the Middle East. Furthermore, Lyndon LaRouche has warned, that if the religious sites of Jerusalem continue to be the focus of political struggle, a religious war on a far greater scale than that which ravaged Central Europe for 30 years in the 17th Century, is assured. The events of the past week leave little doubt that religious war is on Bush's agenda.

On Jan. 8, some 200,000 Israelis demonstrated in Jerusalem against their government's efforts to reach a political compromise with the Palestinians on Jerusalem and the Al Haram Al Sharif/Temple Mount. The so-called "non-political" demonstration, under the slogan "Jerusalem I Pledge To You," was a show of support for Sharon, who is expected to defeat Barak in the Feb. 6 elections for Prime Minister. Although Sharon was not a speaker, it was organized by the right-wing Israeli politician Natan Sharansky, leader of the ethnic Russian Yisrael Ba'aliya party, along with Jerusalem Mayor Ehud Olmert, a leading member of Sharon's Likud party.

Among the featured speakers was the American, Ron Lauder, heir to the Estée Lauder cosmetic empire and chairman of the Conference of Presidents of Major American Jewish Organizations. Lauder, a leading funder of Bush's Presidential campaign, bankrolled the election campaign of former Israeli Prime Minister Benjamin "Bibi" Netanyahu. Sharon

has also been the object of Lauder's monetary largess.

Lauder's appearance provoked outrage, both in Israel as well in the Jewish community in the United States, because it was a direct intervention by a leader of a mass-based American Jewish organization into internal Israeli politics. Although he claimed to have attended as an "individual" and spoke only for "tens of millions of Jews throughout the world," no fewer than 15 member-organizations of the Conference of Presidents of Major Jewish Organizations, and other American Jewish leaders, are calling for Lauder's censure, if not dismissal as chairman of the organization.

On the same podium was Rabbi Yisraeli Ariel, founder of the Temple Mount Institute, one of the most dangerous of the messianic Temple Mount fanatical organizations. These organizations are committed to the destruction of the mosques on the Al Haram Al Sharif/Temple Mount, in order to build the "Third Temple," crucial to their goal of forming a "theocratic state." Ariel was co-founder of Rabbi Meir Kahane's fascist Kach party, which is now considered a terrorist organization by both the Israeli and U.S. governments.

The massive demonstration was financed by the One Jerusalem organization, which represents the same Israeli-American, right-wing Zionist-Christian fundamentalist axis, which played one of the most important roles in putting George W. Bush into the White House. Formed right after last July's failed Camp David summit, the founders of the organization include American and Israeli leaders with close connections to the Bush Administration.

Among its American founders is David P. Steinmann, chairman of the Washington, D.C.-based Jewish Institute for National Security Affairs, one of the most important right-wing American Zionist policy organizations in the United States. Another is Doug Feith, a former Deputy Assistant Secretary of Defense in the Reagan Administration and a leading figure among right-wing Washington think-tanks, including the Heritage Foundation and the American Enterprise Institute, which have been the spawning grounds for Bush Administration officials. Feith's good friend is the notorious Richard Perle, one of Bush's security policy advisers.

Among the Israelis is Tom Rose, publisher and chief executive officer of the *Jerusalem Post*, which is the Israeli mouthpiece for the Hollinger Corp., and David Bar-Illan and Ambassador Dore Gold, both leading members of the Likud who held leading positions in the former Netanyahu government.

The demonstration was also funded by several "Christian Zionist" and Christian fundamentalist organizations with deep roots in the United States. Foremost, was the International Christian Embassy in Jerusalem, which recently held its international conference in Jerusalem, with Sharon as its featured speaker. Others included Bridges for Peace, Christian Friends of Israel, and the Galilee Experience. All these organizations support Israel's control of Jerusalem, the Old City, and the "Land of Israel," as if the Palestinian, Arab, and Muslim populations did not exist.

Warning on the Temple Mount

On Jan. 3, five days before the Jerusalem demonstration, the Keshev Center for the protection of Democracy in Israel (see accompanying article) released its report on the threats by fanatical Jewish groups to destroy the mosques on the Al Haram Al Sharif/Temple Mount. It should be noted that the Keshev center was formed following the assassination of Israeli Prime Minister Yitzhak Rabin, who was killed by Amir Yigal, a right-wing fanatic from the religious circles of the Temple Mount.

In a letter addressed to Prime Minister Barak endorsing the report, the former head of the Shin Bet, Israel's internal security service, Carmi Gilon, and former Israeli Police Commissioner Assaf Hefetz, warned of the dangers posed by radical rabbis calling for attacks on the Temple Mount—especially following the recent killing of Binyamin Kahane, the son of slain extremist Meir Kahane. This letter, which is being circulated throughout Israel as a petition, warns, "An attack on the Islamic holy sites would likely lead to all out war and unleash destructive forces that would imperil Israel's existence."

The Keshev report details more than 12 major groups that have tens of thousands of supporters, all committed to building King Solomon's "Third Temple," a move that would trigger a major international religious war. Rabbi Ariel, who spoke alongside Lauder, plays a feature role in the report.

Hillel Weiss, chairman of the "Temple Mount Lovers," the umbrella group comprising almost all the Temple Mount organizations, in a guarded discussion with *EIR*, confirmed that the Temple Mount will become the major focus of provocations by his followers. Weiss revealed that a group of leading ultra-Orthodox rabbis are expected to lift a religious ban on observant Jews from entering the Temple Mount. Although, according to Weiss, this will not affect the ban by Israel's Chief Rabbinical Council, which is the most important, it will nonetheless allow up to 100,000 observant Jews to enter the Temple Mount.

It is not hard to imagine this leading to large groups of "Temple Mount Lovers" entering the Al Haram Al Sharif/Temple Mount and confronting Muslim worshippers with a major provocation. Although the Israeli government has ordered the holy site closed to Jewish Israelis since the beginning of the current *Intifada*, the closure is expected to be lifted after the elections. This will definitely happen if Sharon is elected.

Sharon: A Wolf in Sheep's Clothing

While opinion polls give Sharon a 30-point lead over Barak, the same polls show that the majority of the Israeli population want an agreement with the Palestinians that would ensure peace and security. Thus, the Israeli electorate is being presented with a new Sharon, under the slogan, "Only Sharon Can Bring Peace." Because Sharon makes an improbable peacenik, his spin-doctors are keeping him on a tight

leash “for fear that in a moment of poor concentration he will blurt out his real, extremist, right-wing views,” as it was put by Barak campaign spokesman Tom Wagner.

One of these moments of “poor concentration” occurred during an interview Sharon gave to *Khar Habad*, the mouthpiece of the right-wing ultra-Orthodox Jewish Lubavitcher group, which is one of his main funders. Sharon declared, “The Oslo agreement exists no more — period.” As for making his promised “painful concessions” for peace, he said that he has already made them, by promising not to militarily retake the West Bank cities of Nablus and Jericho and “all those places that are the birthplace of the Jewish people.”

Sharon rejected out of hand Clinton’s peace proposal, saying that he would never divide Jerusalem; he would keep all the Jewish settlements and territories Israel requires for its security. As for a Palestinian state, it could be formed only after an interim agreement which would have no time-table, and would result in a state that would constitute a group of unconnected bantustans that would cover no more than the 40% of the West Bank which the Palestinians already control.

In the Jan. 9 *Jerusalem Post*, Gen. Shlomo Gavit (ret.), former head of Israeli military intelligence, wrote that a Sharon prime ministership would lead to the end of negotiations with the Palestinians, and an increase of high-intensity violence, under a new Arab slogan, “Israel Understands Only Force.” The inevitable Israeli countermeasures, he warned, would bring upon Israel international criticism. Furthermore, the Arab public, in each and every Arab country, would not only support the Palestinian cause, but would pressure their governments to support or even join the Palestinian struggle, not just morally, but possibly militarily.

Documentation

Clinton: There Must Be A Viable Palestinian State

The following are excerpts from President Clinton’s speech before the Israel Policy Forum, on Jan. 7.

First, I think there can be no genuine resolution to the conflict without a sovereign, viable, Palestinian state that accommodates Israel’s security requirements and the demographic realities. That suggests Palestinian sovereignty over Gaza, the vast majority of the West Bank, the incorporation into Israel of settlement blocks, with the goal of maximizing the number of settlers in Israel while minimizing the land annexed. . . . For Palestine to be viable [it] must be a geographically contiguous state.

Now, the land annexed into Israel, into settlement blocks, should include as few Palestinians as possible, consistent with the logic of two separate homelands. And to make the agreement durable, I think there will have to be some territorial swaps and other arrangements.

Second, a solution will have to be found for the Palestinian refugees who have suffered a great deal. . . . A solution that allows them to return to a Palestinian state that will provide all Palestinians with a place they can safely and proudly call home. All Palestinian refugees who wish to live in this homeland should have the right to do so. All others who want to find new homes, whether in their current locations or in third countries, should be able to do so, consistent with those countries’ sovereign decisions. And that includes Israel.

All refugees should receive compensation from the international community for their losses, and assistance in building new lives.

Now, you all know what the rub is. That was a lot of artful language for saying that you cannot expect Israel to acknowledge an unlimited right of return to present-day Israel, and at the same time, to give up Gaza and the West Bank and have the settlement blocks as compact as possible, because of where a lot of these refugees came from. We cannot expect Israel to make a decision that would threaten the very foundations of the state of Israel, and would undermine the whole logic of peace. And it shouldn’t be done. . . .

Third, there will be no peace, and no peace agreement, unless the Israeli people have lasting security guarantees. These need not and should not come at the expense of Palestinian sovereignty, or interfere with Palestinian territorial integrity.

So my parameters rely on an international presence in Palestine to provide border security along the Jordan Valley and to monitor implementation of the final agreement. They rely on a non-militarized Palestine, a phased Israeli withdrawal, to address Israeli security needs in the Jordan Valley, and other essential arrangements to ensure Israel’s ability to defend itself.

Fourth, I come to the issue of Jerusalem, perhaps the most emotional and sensitive of all. It is a historic, cultural, and political center for both Israelis and Palestinians, a unique city sacred to all three monotheistic religions. And I believe the parameters I have established flow from four fair and logical propositions.

First, Jerusalem should be an open and undivided city, with assured freedom of access and worship for all. It should encompass the internationally recognized capitals of two states, Israel and Palestine. Second, what is Arab should be Palestinian, for why would Israel want to govern in perpetuity the lives of hundreds of thousands of Palestinians? Third, what is Jewish should be Israeli. That would give rise to a Jewish Jerusalem, larger and more vibrant than any in history.

Fourth, what is holy to both requires a special care to meet the needs of all. . . .

I have offered formulations on the Haram Ash-Shareef, and the area holy to the Jewish people, an area which for 2,000 years, as I said at Camp David, has been the focus of Jewish yearning, that I believed fairly addressed the concerns of both sides.

Fifth, and finally, any agreement will have to mark the decision to end the conflict, for neither side can afford to make these painful compromises, only to be subjected to further demands.

Temple Mount Nuts Threaten Israeli State

by Michele Steinberg

A report released on Jan. 3 by Keshev, the Center for the Protection of Democracy in Israel, warns that messianic Jewish sects “are extremely likely to take violent action against the Temple Mount,” where the holiest of Palestine’s Islamic religious sites are located. Jerusalem’s Temple Mount was seized by the Israeli Army in the 1967 Arab-Israeli war, and today, that seizure has taken on almost mystical significance. In recent years it has been used to build up Ariel Sharon, an officer in that war, as the “savior” of Biblical Israel. With heavy support from the Temple Mount crazies, and from the overlapping paramilitary movement of Israeli settlers on Palestinian land, Sharon, the Likud candidate for Prime Minister, is being projected to win the Israeli election.

The 20-page Keshev memorandum, entitled “Objective Temple Mount: A Current Look at Threats to the Temple Mount by Extremist and Messianic Groups,” warns that “the Temple Mount is analogous to a smoldering volcano that is bubbling and threatening to erupt—a threat that is liable to endanger Israel’s existence.” Not only does the report warn of an imminent threat to the Islamic holy sites, but demands that Prime Minister Ehud Barak, and other Israeli leaders, take immediate action to protect the sites of the Temple Mount, take pre-emptive action to stop a possible Jewish “suicide” terrorist from carrying out the attacks, and act to protect the Temple Mount with an international UN, or multilateral force. The report also profiles more than a dozen organizations that are part of the “Temple Lovers” (Shocharey HaMi-dash) plot.

With this call for immediate action, the Keshev report goes further than any other public Israeli document in identifying this internal Jewish threat, which not only kills Muslims, but also pro-peace leaders, including former Prime Minister Yitzhak Rabin. It is the first institution inside Israel to publicly address the truth raised in the new *EIR* Special Report, “Who Is Sparking Religious War in the Middle East?” which expo-

ses the Temple Mount fanatics inside Israel and their international supporters among British-based Freemasonic lodges and U.S. Protestant Armageddon cults.

The Keshev report identifies that the “Temple Lovers” are in full mobilization to prepare for the rebuilding of the “Third Temple of Jerusalem,” and with the Dec. 31 assassination of one of their leaders, Binyamin Zeev Kahane, son of slain terrorist Meir Kahane, there is a high likelihood that these groups will take revenge. In the belief-structure of the Temple Lovers, says the report, what is necessary to rebuild the Third Temple, is that all the Islamic mosques be blown-up, levelled, and eliminated, because they are located where the old Second Temple of the Jews had stood. (The Old Testament Book of Lamentations says that God destroyed the Second Temple because of a breach of faith.)

International Force Called For

According to a letter to Prime Minister Barak from Dr. Yuval Karniel, Chairman of the Executive Committee of Keshev, and Yizhar Be’er, the group’s Executive Director, “The threats against the Temple Mount have reached a critical stage. More than ten *boides* of Temple lovers, comprising tens of thousands of people, are acting to reinstitute Temple practices and rituals [including animal sacrifice]. There has been dramatic growth in the number of activists and supporters and increasing ideological and public support for the idea of destroying the mosques.

“In the event of harm to the holy sites, all the blame will be placed on Israel [and] destructive forces of apocalyptic power will likely be unleashed. Therefore, regardless of the nature of the political settlement regarding the Temple Mount, it is in Israel’s vital interest to have international figures and bodies share responsibility over the holy sites . . . even if it is impossible to sign a peace agreement at this time. Thus, we believe that the government of Israel should take immediate steps to invite international bodies (the UN or a multilateral force) to share responsibility for security of the holy sites on the Temple Mount.”

Of particular concern to Keshev is the Shuvu Banim yeshiva, located in the Old City’s Muslim Quarter in Jerusalem, just *ten meters* away from the Temple Mount. The Shuvu Banim is described as a “dangerous extremist group composed of [members] with criminal backgrounds, and . . . army veterans with military operational capabilities. Most of the students come from depressed communities with high unemployment, and have anarchistic mentalities and no fear of law or government.” In addition, the “extremist and charismatic personality” of the yeshiva’s head, Rabbi Eliezer Berland, “mark this group likely to take violent action regarding the Temple Mount.”

By identifying some 20 groups and their leaders by name, the Keshev report may be one of the most important contributions to peace that the international community has seen, and may serve to avert another tragedy, like the murder of Rabin by one of the Temple Mount fanatics in 1995.

Colombians Gird for War, While Pastrana Fiddles

by Valerie Rush

Colombians are preparing for the outbreak of total war, as the narco-terrorist Revolutionary Armed Forces of Colombia (FARC) continues to ignore government appeals for a return to the negotiating table, and the Jan. 31 expiration date on the “demilitarized zone” under their control draws near. When that deadline arrives, President Andrés Pastrana must either unilaterally extend the deadline—as he did last December—or acknowledge the failure of his appeasement strategy, and order the Colombian Armed Forces to reclaim the Switzerland-sized chunk of territory, now known as “FARC-landia,” which the narco-terrorists have ruled as their private fiefdom for the past two years. If Pastrana issues that order, Colombia’s hard-pressed military will face an entrenched, 20,000-strong terrorist army, trained and equipped with the most sophisticated weaponry that drug money can buy.

Pastrana, who was elected solely on his promise to secure peace, will do everything in his power to preserve the farce of unending peace talks with the FARC. Indeed, in a Christmas Eve address to the nation, he insisted, “We have made progress on peace. We should be optimistic.” This, despite the fact that terrorist violence is at an all-time high, kidnapping and drug-trafficking remain the FARC’s leading sources of revenue, more than half the national territory is unprotected and at the mercy of the narco-terrorists, and Pastrana’s highly touted peace talks were abandoned by the FARC more than two months ago.

As if to underline with what contempt the FARC views Pastrana’s so-called “peace process,” 50 of their gunmen were deployed out of the so-called “demilitarized zone” on Dec. 29—just five days after Pastrana’s appeal for “optimism”—to ambush a car carrying the leader of the Congressional Peace Commission, Congressman Diego Turbay. Forcing Turbay, his mother, driver, and several others to lie face down on the side of the road, the FARC assassins put a bullet through the head of each victim. The national clamor for Pastrana to bury his stinking “peace process” and to order in the troops, has thus far been ignored.

In a commentary in the daily *El Tiempo* of Dec. 31, Sen. Enrique Gómez Hurtado denounced Pastrana’s treasonous behavior. Hurtado, brother of the murdered former Senator Alvaro Gómez Hurtado and leader of the National Salvation Movement, wrote: “All Colombians must actively take a stand in the face of the generalized collapse of the state. The future of the nation is being handed over, through the apparently unlimited surrender of the sovereignty and dignity of

the Colombian people.”

Numerous other newspaper columnists have been only slightly more diplomatic, in denouncing Pastrana for his “weakness,” his “air of unreality,” and his abandonment of the national interest. Polls show that the vast majority of Colombians are fed up with Pastrana’s dalliance with the terrorists, and want the army unleashed against the FARC.

From Bad to Worse

Pastrana has apparently decided that he can shore up his failed peace strategy by delivering a new DMZ, this one carved out of Bolivar province in northern Colombia, to the National Liberation Army (ELN), a 5,000-man terrorist outfit whose main leaders are in jail and whose activities center on kidnappings, narcotics trafficking, and demolition of national infrastructure. Pastrana has even allowed the proposed DMZ to be situated just outside Barrancabermeja, Colombia’s leading oil-refining city. The ELN has cultivated its “radical” image by bombing the country’s main oil pipelines, hundreds, perhaps thousands, of times over the past decade. Both Cuba’s Fidel Castro and Venezuela’s President Hugo Chávez have played important roles in mediating Pastrana’s negotiations with the ELN, and another sucker deal appears to be in the works, helped along by the ELN’s highly publicized release of 43 of its kidnap victims, just in time for Christmas.

The citizens of Bolivar are having none of it. After months of protests against the DMZ failed to change Pastrana’s mind, they have reportedly begun to stockpile weapons, apparently determined to prevent a repetition of FARC-landia in their region.

The *Miami Herald* editorialized on Dec. 27 that Pastrana “should think twice before giving a second guerrilla group safe haven,” after what the FARC did with its government-authorized DMZ: “FARC-landia [is] a haven for staging attacks, training new guerrillas, stashing kidnap victims and cultivating coca. . . . The guerrilla army has grown to 20,000 soldiers, many of them children.” The *Herald* concludes that not only should the new DMZ plan be abandoned, but, “come Jan. 31, moreover, Mr. Pastrana should think twice before permitting the FARC to keep abusing the goodwill offered in hopes of peace.”

Surprisingly, this same view was expressed by the *Washington Post*, which has heretofore been a supporter of Pastrana’s “peace process.” The *Post*’s Jan. 3 lead editorial urged an end to the “political fiction” of peace negotiations with the FARC. Pastrana’s strategy, and State Department backing for that strategy, it said, has been centered on the “political fiction” that the FARC and ELN “are conventional insurgent movements with political agendas that can be negotiated—and not syndicates whose main interests now center on consolidating control over territory and drug revenues.” The *Post* called on Pastrana to “shut down the safe zones for the guerrillas,” and on the Bush Administration to “stop pretending that it is only supporting a campaign against the drug traffic in Colombia.”

Smashing Brazil High On Anglo-American Agenda

by Cynthia R. Rush

If Brazil doesn't accept the Anglo-American 2005 timetable for creating the Free Trade Area of the Americas (FTAA), "it risks finding itself isolated," warned Kenneth Maxwell, of the New York Council on Foreign Relations (CFR), in an article in the Dec. 15, 2000 edition of the Brazilian magazine *Notícia e Opinião*. During the Clinton Administration, Brazil has fashioned an "alternative policy" to the FTAA, he complained, causing the plan for a free-trade zone "from Alaska to Tierra del Fuego" of former President Sir George Bush, to languish.

This will all change "once the United States focusses again on the project of hemispheric free trade," as it "will surely do" under a George W. Bush Administration, Maxwell threatened. Brazil's current trade partners in the Common Market of the South, or Mercosur, which includes Brazil, Argentina, Paraguay, and Uruguay, will begin to jump ship, "to grab the bigger prize offered by access to the vast NAFTA [North American Free Trade Agreement] market." So, the CFR official warns, Brazil would do well to act with "foresight and initiative," and drop its resistance to FTAA, instead of acting "like the proverbial King Canute the Great," the Viking ruler who tried to hold back the tide, and was, "of course, quickly swamped as a consequence."

Maxwell is one of many spokesmen for the Anglo-American policymaking apparatus shaping the agenda of the incoming Bush Administration, who are prepared to "swamp" Brazil should it not agree to fully embrace free trade and slave labor—at the cost of its existence as a sovereign nation-state. It's not that Brazil has even broken with globalization, either. President Fernando Henrique Cardoso's plan has always been to strengthen Mercosur and forge bilateral trade deals with other Ibero-American countries, to enhance Brazil's negotiating position with the United States regarding FTAA, which is scheduled to go into effect in 2005.

But, as the world financial and strategic crisis deepened in the recent period, Cardoso has begun to consider other options, including expanding diplomatic and trade initiatives with South Africa, Russia, and India, and certainly keeping one eye on the trade and economic cooperation agreements which several Asian nations have concluded among themselves as self-defense against financial and currency crises.

The Anglo-American financial oligarchy wants to make

sure Brazil goes no further in this direction. The Inter-American Dialogue (IAD), the Washington think-tank run from Wall Street, in its Dec. 15, 2000 report, "A Time for Decisions: U.S. Policy in the Western Hemisphere," worries that Brazil has become much more assertive in foreign policy, and that the South American giant sees FTAA as "a second-order priority." The United States must have Brazil's backing for many crucial issues in hemispheric affairs, the IAD demands. Above all, if the United States and Brazil can't find "common ground," free trade is doomed.

The Markets Will Run the Show

According to Robert B. Zoellick, mooted to become Bush's Trade Representative, Bush will get back on track with an agenda of "free trade and democracy," multilateralism, and even biodiversity. In remarks prepared for the CFR last October, he said that Bush will place "fast-track" legislation before the U.S. Congress immediately, so that, at the April Summit of the Americas, in Quebec, the hemisphere's leaders will know that it is already under discussion.

A protégé of former Secretary of State James Baker III, and praised by Federal Reserve Board Chairman Alan Greenspan as "one of the most efficient officials in Washington," Zoellick called for the creation of a "North American Community . . . emphasizing the private sector, non-governmental organizations, markets, and the ability of private groups to organize themselves to overcome problems." Who needs large infrastructure projects, or state control over credit, to be directed to industrial development projects? In the 21st Century, Zoellick said, the private sector "will equal or exceed governmental power in many areas." Hence, the new President will promote the formation of an "inter-American civil society," made up of NGOs, churches, private charities, and so on.

The message here is that the "market," not the sovereign nation-state, will run the show. Maxwell recommended that Brazil split the trade portfolio off from its Foreign Ministry, Itamaraty, which organized the historic August 2000 summit of South American Presidents in Brasilia, which so rattled Wall Street. Brazil needs an "aggressive, high-powered, and business-oriented negotiator in charge of its FTAA team," Maxwell said, "who can mobilize Brazil to act with the self-confidence the Mexicans displayed" when they joined NAFTA, "and made it what they wanted, all in their national interests"—a baldfaced lie.

Gary Becker, a Nobel Prize winner in economics and a vociferous promoter of the fascist Mont Pelerin Society's views, went further. In an article in Colombia's *El Tiempo* on Dec. 31, he recommended that the United States isolate Brazil by breaking up Mercosur, through separate free-trade agreements with member-nations Argentina and Uruguay. These would be stepping stones for the creation of a hemispheric NAFTA. The "great success" of the existing NAFTA, he gushed, "is the best argument, politically and economically, for its hemispheric expansion."

Book Review

On Death Row in Texas: A View from France

by Christine Bierre

La machine tuer

by Colette Berthès with Bernard Fillaire
Éditions les arnes, 2000
paperbound, FF 98

La machine tuer (“The Killing Machine”) is a book about the author’s fight to save the life of Odell Barnes, a man condemned to death in Texas. With great simplicity, and the moving spirit that characterizes any selfless struggle to bring about justice, Colette Berthès presents us with the case of Odell Barnes, which is both common and very special.

It is the story of a black child born in the ghetto of Wichita Falls, a run-down city in Texas where Afro-American children have no chance to survive. His father was an alcoholic who beat his wife. Then there was the street, “a garbage heap into which all vices were thrown” and welfare was non-existent. Dealers and drug users were all over the place, and every family, at one point or another, had at least one member in jail.

Barnes was not spared this fate: alcohol, misdemeanors, crack, women . . . he went through it all. Then came a rapid escalation. He was first sentenced to ten years in prison in 1987 for several holdups. Twenty-two months later, he was released on parole, even though he had asked to remain in prison until he could finish a vocational education with skills that would allow him to get and hold down a job.

On the outside, unable to find work, he fell back into his old ways, taking up with his buddies — Johnny Ray Humphrey and Pat Williams, the main local dealer — and petty crimes. Then, he made a major mistake, stealing \$3,000 from one of Williams’s thugs, who promised a reward to anyone who would help him take revenge. Barnes was later accused, wrongfully, of killing one of his lovers, Helen Bass.

The author depicts the corruption in Texas, whose climate Barnes characterized as “just as vicious as the justice system,” hot in Summer, very cold in Winter, and no flowers in Spring. A state in which Gov. George W. Bush, who okayed the executions of over 100 death row prisoners, ruled the roost.

The investigators and lawyers whom Barnes was finally able to hire, thanks in part to money raised by the French

association “Lutte pour la Justice” (Fight for Justice), managed to uncover a whole system of corruption. At the bottom of the ladder were overzealous policemen, ready, in order to keep their jobs, to falsify evidence and to produce cooperative witnesses. At the top, corrupt prosecuting attorneys and judges, ready, in order to get reelected, to demand capital punishment.

Then you have a perfectly unjust system of defense, whose efficiency depends on money, wherein it is up to the defendant’s lawyer to conduct a counter-investigation proving his client’s innocence. Many death row prisoners are there because their lawyers were court-appointed, unmotivated, all too often incompetent, and/or without the financial means to defend their clients.

Berthès also reveals to us a vicious system where nothing can stop the legal machine, once it has pronounced the death sentence. Although the counter-investigation led by Barnes’s friends proved his innocence beyond the shadow of a doubt, and uncovered a conspiracy against him, involving attorney Barry Macha and killers Pat Williams and Johnny Ray Humphrey, no appeals court, not even the U.S. Supreme Court, found a way to stop the death machine!

Although the conditions leading to Barnes’s execution are relatively commonplace in the United States, Berthès also shows us a very special quality in Barnes which allowed him, while looking death in the face, to spark a powerful international movement against the death penalty, bringing tens of thousands of people to fight for a cause, which made them better people.

As a young child, he was said to be curious about everything, blessed with a magical smile, a kind of Robin Hood of the ghetto. According to the author, in prison, Barnes painted a lot: “One painting showed a brightly colored butterfly, with folded wings, coming out of the pupa. Every time I look at this painting, I think of the transformation of Barnes. The petty delinquent from the Wichita Falls ghetto became, in this gray, inhuman place on death row, a generous man, filled with compassion, enjoying every tiny crumb of happiness, be it his own or others.”

There was also something very special in the movement that developed in France and elsewhere, to save him. “I entered into his life by chance, or perhaps, as Jim Morrison says, because ‘we tend towards a goal that has chosen us already,’ ” reports Berthès.

A long-time militant for various humanitarian causes, Berthès began on a small scale, mobilizing acquaintances, contacting newspapers, translating a leaflet. Little by little, a powerful movement for Odell Barnes was built. Within a few months, more than 400 people had joined Lutte pour la Justice and tens of thousands of francs had been raised to pay for investigators, DNA and other forensic laboratory tests, as well as lawyers. From the schoolchildren holding bake sales, to the artists who donated their time, a true citizens’ movement shook up France, even drawing the attention of bigwigs such as Minister of Education Jack Lang and André Vallini.

LaRouche Rallies Democrats vs. Nazi-Style Emergency Rule

by Debra Hanania-Freeman

In the weeks following the disastrous Presidential campaign of the Democratic Party's anointed loser, Al Gore, the Democratic Party has been left in a state of complete disarray. With the sole exception of Bill Clinton, prominent national Democrats, from Senate leader Tom Daschle (S.D.) to The Rev. Jesse Jackson, have been engaged in a hysterical search for "consensus" and conciliation with a Bush Administration whose stated policies stand in direct opposition not only to the best traditions of the party of Franklin Roosevelt and John Kennedy, but to the founders of the Republic.

Increasingly, among those Democrats who recognize that the Democratic Party's year 2000 election campaign represented a terrible mistake, of substituting unprincipled political opportunism for policies designed to protect and uphold the principle of the general welfare, Lyndon LaRouche is emerging as the critical rallying point. He is central to the effort to save both the Democratic Party and the nation, from what would otherwise appear to be assured ruin at the hands of President-elect Bush's incoming apparatus. Nowhere has this critical shift been more evident than in the hours following LaRouche's Jan. 3 address to an international audience in Washington, D.C.

During the course of the Washington, D.C. event, which was also broadcast live via the Internet, LaRouche responded to a question from the Congressional Black Caucus regarding Bush's nomination of former U.S. Senator John Ashcroft to the post of Attorney General of the United States, by insisting that the Ashcroft nomination had to be stopped at all costs, including holding up Bush's then-pending certification by Congress unless Bush pulled back the nomination.

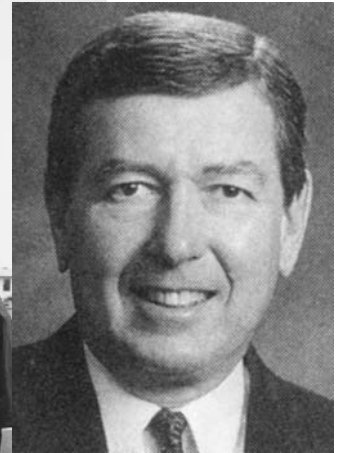
A Deliberate Provocation

Calling the nomination a deliberate insult and provocation, LaRouche compared the situation to that which existed

in Germany on Feb. 28, 1933 when, in response to the Nazi-orchestrated Reichstag fire, the famous *Notverordnung* (emergency rule) was established, giving the state the power to designate which parts of its own population were to be considered "enemies of the state," and to imprison and/or execute them under conditions of emergency rule. Thus, less than seven weeks after having been named as Chancellor, Hitler successfully established himself as dictator. (For the full text of the question, and LaRouche's response, see *EIR* Jan. 12, 2001, p. 77.)

LaRouche's answer startled the audience, and was clearly far more than the questioners had bargained for. Nevertheless, within hours, the situation on Capitol Hill was undergoing a dramatic shift. Prior to the LaRouche address, the Congress seemed to lack both the energy and the enthusiasm to mount any challenge to the incoming Bush regime. Indeed, rumors were that certification would not even require a roll-call vote, but would occur by simple acclamation. But, by midday on Jan. 4, a group of House members, most of them members of the Congressional Black Caucus, were searching feverishly for a member of the Senate who would sign on to a challenge, and force an immediate Congressional debate.

The momentum for this had also been fuelled by an earlier initiative by LaRouche and his supporters. As the 107th Congress was being sworn in, and LaRouche was throwing down the gauntlet on the Ashcroft nomination, LaRouche's supporters were on Capitol Hill acting on an initiative that LaRouche had launched a few weeks earlier. Every member of the House and Senate received a packet that included an Open Letter to Investigate Vote Fraud and Save the Constitution, signed by over 320 prominent Democrats, including a former member of President Clinton's Cabinet, several former Members of Congress, a former U.S. Senator, 126 state legislators, 40 labor leaders, and a host of others.



FDR-Political Action Committee demonstrates against the Ashcroft nomination outside the U.S. Capitol on Jan. 6, as Congress in joint session was debating the certification of George W. Bush's election. Black Caucus and other Representatives were about to walk out of the session. Inset: Attorney General-designee John Ashcroft.

LaRouche had launched the initiative at a Dec. 12 seminar, when he called for the formation of a special Congressional Commission to investigate what he referred to, as two compelling issues raised during the course of the recent electoral crisis: first, the question of the possible significance of evidence of willful misconduct in the case of the Florida Presidential vote; and second, the question of whether the kind of ballot confusion generated by the many types of ballot designs, and methods, used in Florida, was itself an impairment of the elections.

LaRouche had expressed his confidence that President Clinton, like President Grant in the 1876 electoral crisis, would be disposed to encourage such an independent commission. Indeed, amidst grave concerns about the legitimacy of an election fraught with numerous violations of the 1965 Voting Rights Act by both Bush and Gore, particularly in the midst of a global financial crisis of unprecedented proportions, support for LaRouche's initiative was immediate and overwhelming.

Gore Blocks Action

But, as LaRouche was seeking to rally his fellow Democrats around the need to return to that quality of leadership which FDR represented, including by announcing that he would seek the Democratic Presidential nomination in 2004, Al Gore clearly had a very different idea.

First, Gore tried to dissuade Florida Representative Alcee Hastings, who was an initiator of the effort to mount an objec-

tion to Bush's certification, to back off. When that attempt failed, Gore and several others began phoning Democratic members of Congress urging them not to attend the Jan. 6 Joint Session where the objection would be raised. Gore lied that there was no opposition to Bush, and that, in fact, there probably wouldn't even be a roll-call vote.

But Gore wasn't the only Democrat who had cut a deal with Bush. Apparently, in order to get a power-sharing deal with Senate Republican leader Trent Lott (Miss.), Democratic Senate leader Daschle had promised Lott that Democrats would mount no challenge to Bush's certification. On Jan. 5, Daschle convened what turned out to be a four-hour meeting of the Senate's Democratic Caucus to ensure that no Democratic Senator would back Hastings's initiative.

Daschle succeeded in stopping any Democratic Senator from stepping forward, but the Joint Session was anything but tranquil.

Democratic Protests

The first protest came from Rep. Peter Deutsch (D-Fla.), who made a motion for a quorum call. It was obvious to all present that there was not a sufficient number of members present to conduct business. Both the *New York Times* and the *Washington Post* reported that less than one-third of the members of the House, and less than half the Senate, were present. Despite the fact that quorum calls are among the most common legislative maneuvers in the Congress, Gore, who as Vice President serves as the presiding officer of the U.S.

Senate, immediately gavelled the motion out of order!

Deutsch was followed by a dozen members of the Congressional Black Caucus, including Alcee Hastings (D-Fla.), Sheila Jackson Lee (D-Tex.), William Clay (D-Mo.), Maxine Waters (D-Calif.), and Jesse Jackson, Jr. (D-Ill.). Gore repeatedly swung his gavel, ruling that unless their objection had a Senator's signature, they were out of order. Finally, Jackson appealed to Senate Democrats, "Is it the case, that no Democratic member of the Senate will rise in support of this Democratic objection, brought by Democratic members of the House, on behalf of Democratic voters?" Silence. Again, Gore swung his gavel. Thirteen members of the Congressional Black Caucus walked out in protest, and immediately convened a press conference.

In that press conference (see report, p. 62), the visibly upset and angry Representatives delivered powerful and articulate statements slamming the rampant violations of the Voting Rights Act that were apparent in the Federal elections, along with the unconscionable role of the right-wing U.S. Supreme Court majority around Chief Justice William Rehnquist and Associate Justice Antonin Scalia. Four speakers made clear that there would be no peace for the Bush Administration, and specifically challenged the Ashcroft nomination.

Meanwhile, Gore joked with the House Parliamentarian, whose advice he had repeatedly invoked in silencing the Congressional Black Caucus, "Hey, thanks, guys! I always do well when I'm given a script." Gore also smiled for photogra-

phers as he autographed the gavel he had swung so freely on Bush's behalf for Dennis Hastert (Ill.), the Republican Speaker of the House.

The Ashcroft Nomination

Now, the focus has shifted to the mounting controversy over the Ashcroft nomination. Despite an attempt to rush Ashcroft's confirmation through with hastily scheduled hearings that are to commence on Jan. 16, the nomination is recognized to be in serious trouble.

LaRouche has thrown the full weight of his international movement behind the effort to stop Ashcroft, and opposition to the nomination is growing rapidly. Although Lott has threatened to nullify all power-sharing deals if Ashcroft is given a hard time, it seems that this time, Daschle has no chance of silencing Senate Democrats, who have no choice but to respond to the growing outrage of their constituents. Lott has insisted that he has the 51 votes required for confirmation. But, as we go to press, there is a growing threat that a group of Democratic Senators will defy Daschle and launch a filibuster. And, although Lott and Daschle may be able to find 51 votes in favor of confirmation, well-placed Senate sources say that they absolutely do not have the 61 votes they would need to quell a filibuster.

Testimony to the Senate Judiciary Committee strongly opposing Ashcroft's nomination, delivered on behalf of Lyndon LaRouche, follows below.

LaRouche Spokesperson Tells Senate

Ashcroft as Attorney General Threatens Constitutional Rule

The following is testimony by Dr. Debra H. Freeman in opposition to the nomination of John Ashcroft to the post of U.S. Attorney General, as delivered to the Senate Judiciary Committee, Jan. 16, 2001. Subheads have been added.

My name is Dr. Debra H. Freeman. I appear before the Committee as the national spokesperson for Lyndon H. LaRouche, Jr., to voice the strongest possible opposition to the nomination of John Ashcroft as the next Attorney General of the United States. My opposition to Mr. Ashcroft's confirmation is shaped by two considerations that go beyond the normal factors that one would weigh, in considering a candidate for the top law enforcement post in the U.S. Federal Executive Branch.

The first of those factors is the extraordinary global finan-

cial and monetary crisis that will be the first and overriding order of business confronting the incoming Bush Administration, as even President-elect Bush and Vice President-elect Richard Cheney have limitedly acknowledged in public statements. The scope of the onrushing world financial and economic crisis, however, goes far beyond anything that anyone in the incoming Administration now anticipates, and it will require a dramatic reversal of most of the policy axioms that have governed U.S. official policy over the past 35 years, if the United States is to survive in its present, albeit weakened, Constitutional form. Unlike the so-called "Asia Crisis" of 1997-98, and the so-called "Russia" and "Brazil" crises of 1998-99, the epicenter of the current phase of global monetary and physical economic disintegration is the advanced sector, specifically the United States, with our skyrocketing balance

of trade deficit, negative household savings, and collapsing real industrial output. Thus, the crisis phase that we have now entered has the most profound implications for the well-being of the American population, and goes to the heart of our domestic tranquility and the common good.

The second factor, in this context, is the role that the next Attorney General will play, as a leading member of the Executive Branch crisis team, dealing with the global financial and monetary crisis, and the other consequent regional and domestic crises, that will arise from these extraordinary circumstances. As the chief law enforcement official of the Federal Executive Branch, the next Attorney General will have responsibilities in this broader crisis-management team setting, that will often supercede his more immediate role within the Justice Department and subsumed Federal law enforcement agencies, proper. Thus, no assessment of Mr. Ashcroft's qualifications can be competently made, without first considering his role within a Presidential team, focussed on dealing with this now unavoidable series of crises.

The Administration's Choices

The incoming Administration will be faced, immediately, with the choice between: 1) abandoning the current economic and monetary policy axioms and returning to policies that, in the past, have led the United States and the world out of the path of disaster, as during the Presidency of Franklin D. Roosevelt; or, 2) under the guise of "crisis management," imposing a form of brutal bureaucratic fascism on the United States, that bears striking similarities to the conditions under which Adolf Hitler seized power in Germany in 1933. It was Hitler's "crisis management" of the Reichstag fire and other events, real and manufactured, that established the dictatorship that no one in Germany had anticipated, even weeks before the coup was carried out. Unlike "normal times," the realities of the present crisis period mean that there is no middle ground between these two polar extremes. The luxury of "muddling through" for the next four years is no longer on the table.

These rather blunt words are necessary at this time. They underscore the danger represented by the confirmation of John Ashcroft, under circumstances compounded greatly by the Scalia-Rehnquist majority on the current U.S. Supreme Court, which further increases the danger of a Hitler-style crisis-management dictatorship. Lyndon LaRouche discussed this specific danger, during a Jan. 3, 2001 public symposium in Washington, D.C., in response to a question from members of the U.S. Congress. I quote from Mr. LaRouche's response to the question about the Ashcroft nomination:

"First of all, when Bush put Ashcroft in, as a nomination for the Justice Department, he made it clear, the Ku Klux Klan was riding again. That's clear. Now, maybe Bush didn't know what he was doing. But somebody in the Bush team did. And a lot of them had the voice to say something about it. Ashcroft

was an insult to the Congress. If the Democrats in the Congress, capitulate to the Ashcroft nomination, the Congress is finished.

"This is pretty much like the same thing that Germany did, in Feb. 28, 1933, when the famous *Notverordnung* (emergency decree) was established. Just remember, after the Reichstag burning, the Reichstag fire, that Göring, who commanded at that time, Prussia—he was the Minister-President of Prussia at the time—set into motion an operation. As part of this, operating under rules of Carl Schmitt, a famous pro-Nazi jurist of Germany, they passed this act called the *Notverordnung*, the emergency act, which gave the state the power, according to Schmitt's doctrine, to designate which part of his own population were enemies, and to imprison them, freely. And to eliminate them. This was the dictatorship.

"Now, remember, that Hitler had come into power on Jan. 30 of that same year. Less than two months earlier. He'd come in as a minority party, which had been discredited in the previous election. He was put in by bankers, including the father of President George Bush (the former President), Prescott Bush. Prescott Bush, as agent for Harriman of New York, worked with the British banks, to put Adolf Hitler into power in January of 1933. At that time Hitler was discredited, and about to be bombed out. He was stuck into power because that was the last chance to get him into power.

"Everyone said, no, Hitler's not going to make it, because the majority of the population is against him. Then, on Feb. 28, 1933, the *Notverordnung* act was passed, on the pretext of the Reichstag fire. And this established a dictatorship, which Germany did not get rid of until 1945.

"Now, I'm not suggesting that the case of Ashcroft is comparable to the Reichstag fire. But it's a provocation, a deliberate provocation. And if the Democratic Party and decent Republicans do not combine to throw that nomination back in the face of the nominator, this Congress isn't worth anything. That is, because it will have surrendered its dignity.

"If you give those kinds of powers, of a Justice Department, to that Ashcroft, and what he represents, under that flag, you don't have any justice left in the United States. . . .

"We're going into a period in which either we do the kinds of things I indicated in summary to you today, or else, what you're going to have, is not a government. You're going to have something like a Nazi regime. Maybe not initially at the surface. What you're going to have is a government which cannot pass legislation, meaningful legislation. How does a

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government which cannot pass meaningful legislation, under conditions of crisis, govern? They govern in every case in known history, by what's known as crisis management. In other words, just like the Reichstag fire in Germany.

“What you're going to get with a frustrated Bush Administration, if it's determined to prevent itself from being opposed, you're going to get crisis management. Where members of the special warfare types, of the secret government, the secret police teams, will set off provocations, which will be used to bring about dictatorial powers and emotion, in the name of crisis management.

“You will have small wars set off in various parts of the world, which the Bush Administration will respond to, with crisis-management methods of provocation. That's what you'll get. And that's the problem. And you have to face that. You've got to control this process now, while you still have the power to do so. Don't be like the dumb Germans, who, after Hitler was appointed to the Chancellorship, in January 1933, sat back and said, 'No, we're going to defeat him at the next election.' There was never a next election—there was just this '*Jawohl*,' for Hitler as dictator. Because the *Notverordnung* of February 1933, *eliminated* the political factor.

“And that's the danger you'll get here. If the Bush Administration is determined to hammer its way through on this thing, it's not resisted, and you allow it to do so, you will find that it is strongly tempted. And you look at, remember what former President George Bush's specialty was, as I remember very well. Remember Iran-Contra, one of the biggest mass-murder swindles in modern history, run by Vice President Bush, under special powers, given to him under special orders, with the Executive Branch. *He* ran Iran-Contra, the biggest drug-running game in the world. And behind Bush—and I know these guys very well, because I've been up against them; most of my problems came from these characters—these guys, pushed to the wall, will come out with knives in the dark. They will not fight you politically; they will get you in the back. They will use their thugs to get you. That's their method—know it.

“So, don't sit back and be nice guys. When Bush makes some proposal, which is sensible, it should be treated as a sensible proposal. But when he tries to shove a provocation down your throat, like Ashcroft, no. No way, buddy. No way.”

The Case of Antonin Scalia

Lyndon LaRouche, in an article published in the Jan. 1, 2001 issue of *Executive Intelligence Review*, developed, at great length, the added dangers inherent in the outlook of Associate Supreme Court Justice Antonin Scalia. These are not academic issues. Under the crisis conditions that I have already cited, the danger of a Rehnquist-Scalia Supreme Court majority, with a co-thinker like Mr. Ashcroft in the post of Attorney General, is that the Court and the Justice Department would function as a road-block to the necessary



Dr. Debra H. Freeman, who delivered Lyndon LaRouche's assessment of the danger of emergency rule by decree in the current crisis, to the Senate Judiciary Committee.

emergency economic measures that any sensible President would adopt, to promote the general welfare. Worse, they would usher in the kinds of police-state measures that were adopted by the Nazis after February 1933, against any pockets of policy resistance LaRouche began his article, “Scalia and the Intent of Law,” with the following warning:

“A crucial, systemic, and deadly element of constitutional fraud, permeates and subsumes the most notable rulings bearing upon criminal justice, political, and economic issues, among those uttered by the U.S. Supreme Court's Associate Justice Antonin Scalia. For reasons I shall identify here, Scalia's avowed doctrine of 'textualism,' if continued in practice under presently onrushing conditions of deep financial crisis, leads, quickly, either to a self-doomed fascist dictatorship, or a rapid descent of society directly into chaos.

“If Scalia's dogma were to continue to define the majority view of the U.S. Supreme Court, an early slide into chaos could occur simply as a result of a specific political inability of the incoming government: its inability to muster the kind of political support needed for any of those kinds of legislative and other measures, by means of which our nation could be saved from the now rapidly accelerating threat of financial and economic chaos. No effective measures to deal with this present crisis, could be taken, without overriding promptly virtually every principle for which Scalia has presently come to represent in that Court. . . .

“Given the implications of the grave financial crises faced by the U.S.A. today, the crucial fact of greatest importance concerning Scalia's doctrines on law, is that his political and legal outlook is identical, on all crucially relevant points of comparison, to the legal dogmas used to bring Adolf Hitler to

power during a roughly comparable period of grave financial crisis in Germany. Specifically, Scalia expresses the same explicitly Romantic dogmas of the pro-fascist ‘conservative revolution’ of G.W.F. Hegel, Friedrich Nietzsche, et al., which Scalia has imitated, in keeping with the model precedent of the so-called ‘Crown Jurist’ of Nazi Germany, Carl Schmitt. That is the Schmitt who was the legal architect of the doctrine creating those dictatorial powers given, with ‘finality,’ to the Nazi regime of Adolf Hitler.

“At this juncture, that importance of *that* issue of Scalia’s personality, must not be avoided, and my warning should not be considered as in any way an exaggerated one. Even allowing for the secondary differences in method between that British radical-empiricist school, which is followed by Scalia, and continental European forms of philosophical Romanticism of Schmitt and his predecessors, Scalia’s radically nominalist form of legal philosophy, is implicitly fully as evil in its inhering effects, and shares all of the crucial features, which were the worst implications of the way in which the doctrines of Schmitt were used to confer dictatorial (*Notverordnung*) powers upon Adolf Hitler. Indeed, from the standpoint of philosophy of law in general, Scalia’s doctrine is intrinsically even more hideous than that of Schmitt.

“Even from the standpoint of Scalia’s specifically British, radical-empiricist dogma of ‘textualism,’ it is already clear, that under the relatively gravest conditions of international banking crisis, such as those of 1932-1933 and, the worse crisis of today, that the application of the legal doctrines of either a Schmitt or a Scalia must tend to result, equally, in either the early imposition of the most hideous modern form of dictatorship, as ferocious as that of Hitler, within the U.S.A. itself; or, as I have already said, in the more likely alternative, the attempt to enforce Scalia’s or kindred doctrine, would lead to the simple disintegration of the U.S. as a nation, a disintegration like that of Shelley’s *Ozymandias*.

“I recapitulate that just-stated point for clarity, as follows. *It were inevitable, that if the doctrine expressed by Scalia, were to continue to prevail at the highest levels of the U.S. government, that under the conditions of crisis now confronting the U.S.A., and also the world at large, the result must either be a form of a dictatorship in the U.S.A. as bad, and probably worse than that in Germany under the Hitler dictatorship, or, should such a dictatorship fail, as is likely, the worst dark age in the recent memory of our planet.* I am not predicting an Armageddon; I am Jonah delivering a warning to the U.S. Nineveh, warning of the available choice before us all. Unless Scalia’s influence is effectively resisted, such dismal prospects were virtually inevitable for the near future.”

A Long-Standing Record

Mr. Ashcroft has a long-standing record of public policy positions that contradict the fundamental Constitutional provisions of the General Welfare Clause of the Preamble, that

demand of the Federal Government, nothing less than the zealous pursuit of the inalienable rights of every individual citizen to “life, liberty and the pursuit of happiness.” As Missouri Attorney General, as Governor, and later as U.S. Senator, Mr. Ashcroft has fought against the rights of all Americans to equal educational opportunities, he has been a zealous advocate of the death penalty, has placed states’ rights above the proper role of the Federal Government, and has labored to undermine the U.S. Constitution through a series of efforts to remove safeguards against frivolous or radical amendments.

One of the unfortunate legacies of the Clinton Administration is that the Department of Justice and the Federal Bureau of Investigation, today, enjoy greater unchecked bureaucratic power than at any time in recent memory. Early efforts by the Clinton Administration to curb the excessive powers of the DOJ and the FBI, built up during previous administrations, were successfully thwarted, to the point that the Presidency, itself, became a first-order target of Federal law enforcement agencies, rendering later reform impossible. In the past, I have presented testimony before this Committee, documenting the shameful pattern of judicial abuses by the FBI and the Department of Justice Criminal Division, in Operation Fruehmenschen (which targeted thousands of African-American elected officials for judicial frame-up), in the Waco and Ruby Ridge massacres, and, most emphatically, in the railroad prosecution of Lyndon LaRouche and dozens of his political associates. The LaRouche case was described by former U.S. Attorney General Ramsey Clark, in 1995 testimony before an independent commission on Justice Department tyranny: “I believe [the LaRouche case] involves a broader range of deliberate and systematic misconduct and abuse of power over a longer period of time in an effort to destroy a political movement and leader, than any other Federal prosecution in my time or to my knowledge.”

In 1998, a bipartisan majority of members of the House of Representatives backed the McDade-Murtha bill, which attempted to place serious constraints on the Justice Department, the FBI, and other Federal law enforcement agencies — to prevent the continuing pattern of official criminality and abuses, targeted against American citizens. That effort was only partially successful. Much remains to be done to assure that the U.S. Justice Department no longer serves as a government-sponsored political police and assassination bureau.

Were John Ashcroft to be confirmed as Attorney General, he would only augment the horrible abuses of power and criminal tyranny, already rampant within the Justice Department and FBI bureaucracies, especially under the global crisis conditions I have outlined above. For all of these reasons, the appointment of John Ashcroft must be rejected by this Committee.

Thank you.

The Real Friends of America Should Not Remain Passive Now

by Helga Zepp-LaRouche

The chairman of the Civil Rights Movement-Solidarity, of Germany, released this statement on the U.S. leadership crisis on Jan. 8, 2001, as a mass leaflet. It has been translated from the German by EIR, and subheads have been added.

For some time, there has been a growing sense of uneasiness among many Europeans, over various failures developing in the U.S.A., at the rising use of the death penalty, at the extreme growth of the prison populations and the privatization of penal systems, at the growing violence by youth and by the police; but also at the arrogantly unilateral conduct of a U.S. foreign policy, which increasingly ignores European interests. But up to now, a real thinking through of the whole condition of America has been lacking in public discussion.

What I say now, I wish to say with all possible caution, for it is of the greatest importance that it be understood rightly. My observations, even if they may appear monstrous to many, are the opposite of an anti-American view. I wish for nothing so much, as that America return to the high ideals of the Fathers of the American Revolution, of Lincoln, Franklin D. Roosevelt, and Martin Luther King. What I nonetheless must say, is carefully thought through, and the expression of a deep concern over the situation in the U.S.A. and its implications for the world.

The fundamental problem consists in the fact that the American leadership has no grasp of the escalating financial and economic crisis. It was said, up to the past November's Presidential election, that an "economic miracle" ruled in America, with perpetual "prosperity." This bubble of illusion is now broken: The stock markets are melting down, production is slumping, unemployment growing, the trade and payments deficits have never before taken on such an order of magnitude, and the U.S.A. can no longer remain the credit-financed "importer of last resort" for the products of the rest of the world economy. The end of the line has been reached. The traditional market mechanisms no longer hold. Greenspan's "drumroll" of interest-rate cuts has not even held things up for three days, and neither further cuts in the interest rates, nor large tax cuts, nor new arms programs, will overcome the economic and financial crisis.

The great danger lies in that, to the degree one tries to conceal the dimensions of the economic crisis, with its center in the U.S.A., a real solution to the problems cannot be consid-

ered in the first place. Then, a sudden and dramatic sharpening of the financial crisis can very rapidly occur, which can no longer be controlled by economic and financial policy-measures, so that emergency regimes are seized upon as the "only remaining way." Even if many specifics today are different, the danger today is like that of the 1930s, that out of a global financial crisis and economic depression, a new fascism will arise, which certainly will show different external forms than in the 1930s, but which will have no less the core characteristics of fascism. There are ominous parallels between the Jan. 30 and Feb. 28, 1933 period, and the present-day situation in the U.S.A., from which we ought to draw lessons as quickly as possible.

American Fascism Was Close, Too

In the U.S.A., too, there arose at that time the danger of an essential fascism based on Social Darwinism, racism, and eugenics, above all as a consequence of the economic Depression after 1929. America only escaped this danger of an "American fascism" by a hair, because just at the right time, a political genius like Franklin D. Roosevelt bestrode the American scene, and pulled his country out of the Depression with dirigistic economic methods. Had not Reichschancellor von Schleicher been overthrown on the 30th of January, 1933, Germany would have been able to put into effect the Lautenbach Plan, supported by part of the government, by management, and the labor unions, which contained, in principle, the same state economic startup measures brought forward by Roosevelt. Then Hitler, and the Second World War, would have been prevented!

Let us never forget, that when Hitler came into power, this happened in the framework of a coalition government, to which belonged a majority of conservatives and technocrats. Only with the "enabling acts," for which the Emergency Ordinances had laid the basis since 1930, and for which the Nazis' own staged Reichstag fire provided the pretext, did Hitler receive dictatorial power. In Hindenburg's conservative circles and in the German military, people deceived themselves with the idea that it were possible to "tame" Hitler, that he could be used and then soon discarded.

In the U.S.A., the decision on the "outcome" of the Presidential election by the Supreme Court is a bad omen. Especially dangerous, is the policy of Associate Justice Antonin

Scalia, which stands in the tradition of Carl Schmitt—the “legal” apologist of the Nazi dictatorship. Here were taken the first important steps toward the dissolution and perversion of the American Constitution. With the threatening confirmation of the John Ashcroft nominated by Bush as Attorney General, who makes no secret of his racist convictions and his preference for the ideology and policy of the Southern states in the U.S. Civil War, another extremely hazardous step is taken. Let us remember the so-called “Thornburgh Doctrine,” of the Attorney General of ex-President George Bush, that de facto declared the national sovereignty of all states outside the United States to be meaningless. Several members of the new Bush team were proven “experts” in “crisis management” and “emergency measures” in the former Nixon and Ford Administrations. Let us not forget that the leading think-tank of the Wall Street establishment, the New York Council on Foreign Relations, has simulated several computer-generated “war games” over the past year, in which emergency measures were used in the case of a global financial crash.

1930s Misestimations, Today’s Warnings

False estimations and illusions made Hitler’s path to power at that time fundamentally easier. In this, the problem was not so much a lack of information. Anyone who wished to, could draw a clear picture for himself of what Hitler represented. It had to do much more, with the incapability to size up the new political, social, and ideological phenomenon. A not inconsiderable problem consisted in the underestimation, on account of his intellectual illiteracy, of the “Bohemian corporal.” The Social Democrats and the unions believed that after Bismarck and Kaiser Wilhelm, they would by now be ready even for Hitler as well. The conservatives and economic leaders believed that they could take over Hitler for themselves. Only a few voices, such as the conservative Ewald von Kleist-Schmenzin or the unionist Wladimir Woytinsky, recognized the danger and also spoke out. Hitler’s seizure of power also awakened no great concern abroad—until it was too late.

These misestimations remain a warning for us today. The greatest danger today, would be passivity in the face of the ever-more-dangerous economic, political, and ideological developments in America. There, in the Democratic Party, the opposition forces have gathered around the person of Lyndon LaRouche, determined to make the purpose of their political interventions the Constitution and the defense of the general welfare. The number is growing of elected representatives at various levels, who sense the Ashcroft nomination to be a provocation directed against the Constitution, and who categorically reject it. Increasing as well, are those who demand that the Congress investigate the unprecedented irregularities in the Presidential election. And there are also an increasing number, who publicly and in their elective bodies, support LaRouche’s demand for a New Bretton Woods system of



Helga Zepp-LaRouche: “The fundamental problem consists in the fact that the American leadership has no grasp of the escalating financial and economic crisis.”

world finance, and for a Lautenbach–Roosevelt economic program corresponding to the conditions of today.

There lies the crux of the matter. The only way that a new fascism can be stopped from developing, once again, from the global financial crisis and depression, lies in putting into effect, worldwide, measures to overcome the financial and economic crisis, and for a new global currency and credit system, in the tradition of Franklin D. Roosevelt and the German economist Dr. Wilhelm Lautenbach, but also that of the Kreditanstalt für Wiederaufbau [Credit Bank for Reconstruction, of post-war Germany]. The alternative to the worldwide depression today lies in the building of the Eurasian Land-Bridge, to which Africa and the American continent must be joined. The most modern transport infrastructure (Transrapid), nuclear energy, and machine-tool technologies, and corresponding educational systems, are part of that. All true patriotic forces in America support such a world economic development perspective.

There is today an opposition in the United States, which must be supported by all those in Germany, who have learned something from history. The most effective way that this can be done, is for Europe to seize the initiative for a reorganization of the world’s financial system, a “New Bretton Woods.” The miscalculations of the 1930s remain a warning for us all, especially for all those, who are not indifferent to the future of the United States.

Black Caucus Demands Justice for Voters, Not Ashcroft for Justice

The time was 2:00 p.m. EST, Saturday, Jan. 6, 2001; the location, the U.S. House of Representatives radio-television gallery. The entire Congressional Black Caucus and several other Representatives had walked out in protest from the Congressional Joint Session certifying the election of George W. Bush as President. Vice President Al Gore had prevented them from presenting Congressional objections to Florida's Electors, and starting a debate and investigation of the extreme irregularities in the Presidential election, including widespread violation of the Voting Rights Act of 1965. The Representatives had been publicly and privately urged by state elected officials and constituents, to initiate that investigation. They had been publicly asked by Lyndon LaRouche to hold up the certification of Bush, until he withdrew the nomination of John Ashcroft for Attorney General. We publish here the statements made by those Representatives to the press, following their walkout, which were nearly universally blacked out in the media coverage of the events of Jan. 6 in Congress.

Rep. Eddie Bernice Johnson (D-Tex.): I'm Eddie Bernice Johnson of the Congressional Black Caucus, and I'm going to ask Mr. Hastings to give his opening statement, and I'll return.

Rep. Alcee Hastings (D-Fla.): Thank you very much, Madam Chair. Today was a very solemn day, and the remarks that many of us were not permitted are regretted by us all. Had I been given an opportunity to go forward with an appropriate objection, I would have indicated that because of the overwhelming evidence of official misconduct, deliberate fraud, and an attempt to suppress voter turnout by unlawful means, I felt the necessity, as do my colleagues from the Congressional Black Caucus and other members of the House of Representatives, to object to the kinds of errors against democracy, the holy grail of democracy, that were permitted in the state of Florida. And we felt that they should not be tolerated, as they would not be



tolerated in other countries. Indeed, we should not tolerate them in America. I would have said to Vice President Gore that Harry Truman once said that what is popular is not always right, and what is right is not always popular. What we were doing here today is right. I, all of our colleagues, and the American people see it that way, and that is why we raised our objection. And it's a proud moment for the conscience of the House of Representatives, those of us that are representing the entirety of the Congressional Black Caucus. In the presence of our chairlady and the members here assembled, we stand proudly to say that we did what was right.

'Without Justice, There Can Be No Peace'

Representative Johnson:

Forty years ago, during the civil rights movement, I marched for justice with a firm belief that my son would not have to march in order to utilize his voting rights. Much to my dismay, 40 years later, I find myself marching again, but this time for my grandchildren, so that they will not have to march in order to be afforded the same rights. How long will we settle for injustice in America? How long will we have to fight to protect the 15th Amendment? How long will we have to struggle for something that should be every American's birthright?



On Election Day, 100 million Americans went to the polls to make their voices heard. Those voices want to be heard still. No hypertechnical manipulation of election law should derail the intent of the voter. We cannot sweep under the carpet the claims of first-time college voters who say they registered to vote, had voter registration cards in their hands, but when they were not allowed to vote at the polls because their names were not on the rolls, the lines were busy all over the country where they tried to call to clarify their registration. We cannot sweep this under the carpet, the cries of those who were incorrectly removed from the polling places in Florida by an inept Texas company hired by Mr. Bush's brother. We cannot ignore believable stories of police intimidation, questionable activities by poll workers, and simple ineptness

by volunteers at the precincts.

We cannot ignore what we saw with our own eyes on television: polls closing on voters in St. Louis, un-American voting lines in Pennsylvania, an incredibly complex ballot in south Florida. There is overwhelming evidence that George W. Bush did not win this election, either by national popular vote or the Florida popular vote. As Members of Congress charged with defending the constitutional principles of this country, it is our duty to challenge this vote. The Vice President, in an incredibly statesmanlike effort to take the high road, has ruled against our challenge. So George W. Bush has managed to ascend to our nation's highest office, but he should be on notice that without justice, there can be no peace. And we will ensure that there is no peace in this Congress until he truly reaches across party lines and corrects these wrongs. He must reach across party lines, racial lines, and philosophical lines. We see what's going on. There will simply be no peace until these problems can be corrected. We have seen his so-called efforts to reach out. He has reached out to conservatives who think like him, even though they might look like us. He has appointed people to fill out our most important Cabinet offices who have a history of activity contrary to the mission of the department where they are.

We are particularly concerned about the appointments for Justice Department and Labor Department. And though we acknowledge the phenomenal competence of Colin Powell and Condoleezza Rice, we know that their brave stances on affirmative action will be meaningless because they are in positions that do not influence domestic policy. We know what's happening to us. We know that he has scoured this country to find the tiny minority of African-Americans who think like him and then parade them in front of television, and perhaps even put some kind of commission in place to say they're going to reform election laws. We must see and feel and know it's the truth and know it's sincere, and we can work with him. You should know by now, based on the fact that he lost the popular vote by more than a half-million voters, and we don't know how many he lost by in Florida, that the American people are not fooled by this propaganda of false claims of unity. He should know, based on the fact that a smaller percentage of African-Americans in his own state voted for him than the tiny percentage that voted for him around the nation.

I am still waiting for Mr. Bush to reach out to the Congressional Black Caucus. I believe he will. And I hope that in due time he will. And we'll be prepared to work with him, because he needs to solicit us in the next four years, and he ought to start right now. If he truly wants to reach out and make this a priority, voting reform, then we can truly work with him. It is ludicrous to even discuss a \$2 trillion tax cut before allocating billions of dollars that will be needed to ensure that the abuses we suffered this time at the polls will never, ever happen again. It is not difficult to fix this problem. We stand firm on

our desire to have it done. We are chagrined, unhappy, and frustrated today, because we know who won by the voters to go to the White House. We will continue to object to the election procedures until they are corrected. I now call on Ms. Meek.

'Our Senators Did Not Stand Up Today'

Rep. Carrie Meek (D-Fla.): . . . We dare not have it repeated. We dare not have the Tilden and the Rutherford Hayes situation repeated again, because it disenfranchised our people at that time. This will disenfranchise—it already has—our people. We don't want that continued. We will always come out. We will always fight. We don't care who isn't there. We're very disappointed that our Senators did not stand up and support us today. We helped to elect those Senators. They will hear from us again, because we feel very disappointed that they didn't say, "We want our African-Americans and our disjointed people who were not able to vote to have someone in the halls of Congress to say, 'Yes, give them a chance to debate this issue so that the world can see what is happening here.' "

We had our votes nullified. That's why we are so sad. They were nullified by defective voting machines, nullified by discrimination and targeted machinery, election machinery, in our neighborhoods. The votes were nullified by a purge of voting lists undertaken by direction from a campaign that retained the equivalent of electoral thugs. I was there. I saw exactly what happened. I was chased by these thugs. I was called a communist by these thugs, a socialist by these thugs, many of them who were not even citizens of this country. That's what happened in this campaign in Miami-Dade, Florida, so that we were illegally struck from the voter list by a process that classified thousands of our people as felons. We were nullified again by deals that were cut in cities, cut by the winning campaign with our leading authorities in our cities. We were nullified by ballots that were printed in such a way that a reasonably thinking citizen could not know for whom they were voting. That's why we're here. Everyone should have a right to know how they're voting and for whom they're voting. We were nullified again by a Secretary of State who has already been given a very big accomplishment by this administration. She utilized her authority to prevent ballot votes from being counted. . . .

All that's left for us now, as the Congressional Black Caucus and as citizens of this country, is to exercise our First Amendment right while we still have it, and before it is further undermined by a politically dominated Supreme Court. We exercise that right today to protest against this ill-chosen nomination. We exercise our right to petition our government for our citizenry to receive a redress of grievances. So I speak for the majority of Americans, particularly African-Americans, who did not vote for the new President-elect, but who now must live under an administration that appears to award spoils

to the victors, even when the electoral process has been so clearly corrupted. I thank you. . . .

‘The World Knows What’s Happening’

Rep. Corrine Brown (D-Fla.): I guess I keep hearing, “You all need to get over this.” Let me tell you something. We will never get over this. We will take this—I personally will take it to my grave. What happened in Florida, we must rededicate ourselves to the fact that it will never happen again. Too many people died, too many people bled, for us to come to this point where an election has been stolen, robbed or

We needed to make a point, to our constituents, and to the people of America, that we’re not going to “go along to get along.” We needed to make a point that the day of doing business as usual is over.

—*Rep. Maxine Waters*

taken from the people. On November the 7th, it is very clear that more people in this country went to the polls and voted for Al Gore than George W. Bush. But let me tell you what is not a secret—that more people in Florida went to the polls and voted for Al Gore than George W. Bush. And, in fact, the election is not close. I represent Duval County, where 27,000 votes were thrown out, 16,000 of them African-Americans, that vote 98% Democratic. I represent Seminole County, where, when I go into the supervisor of elections office, I never go past the counter; where Republicans came into the office and filled out forms. I represent Lake County, where the *Orlando Sentinel* recently counted and found out that Al Gore came out 130 votes ahead, counting conservatively, 130 votes ahead in predominantly Republican areas. Yes, we know that the Supreme Court selected George W. Bush as the President. He was not elected. And it would be a travesty that today that we did not stand up and speak about what has happened. The world knows what’s happening. Florida knows what’s happening. And it is our obligation and duty to stand up today. What happened today happened 100 and some years before, and it took 129 years for Florida to send an African-American to Congress. And we were sent here for a purpose, and one of those purposes is to speak up for the people that have been disenfranchised. Thank you.

‘A Time To Take Destiny Into Your Own Hands’

Rep. Maxine Waters (D-Calif.): What you saw today, on the floor of the House, was African-Americans, the sons

and daughters of slaves, who took their destiny into their own hands, despite the fact there were those who, again, told us to get over it, and tried to shame us, and say we would be divisive. And despite the fact, that leadership of our own party suggested that perhaps we should not do this. And while we are very smart elected officials and politicians, who work in cooperation with our party and our leadership, there comes a time when you have to take your own destiny into your own hands, no matter what is being said by whom.

And so today, we took to the floor, to object, even though we understood what the rules say. We needed to make a point, to our constituents, and to the people of America, that we’re not going to “go along to get along.” We needed to make a point that the day of doing business as usual is over. That we’re elected by our constituents, and we have strong support. As a matter of fact, when you look at the Democratic Party, we come from districts where we stand to come back here over and over again, more than any other members of the House. And so we can use our strength, and our support, to speak up for what is right. And that’s what we did today.

Let me just say, that we will use this model, continuously, and continually, as we fight through the next four years. We’re going to use this model as we deal with the confirmations of some of the appointees and the nominees of this administration. Just as you saw Senators who sat there today, from our own party, and didn’t have the courage to sign their name to an objection, we’re listening to Senators saying, “Oh, yes, we’re going to put Ashcroft on the hot seat, but in the final analysis, we’re going to vote for him, and he’s going to get through.”

Well, I want you to know that *we*, in this Congressional Black Caucus, do not subscribe to that; we’re not going to go along with that; and in addition to joining with all of the civil rights organizations, and people of good will, who know that this man is dangerous, to stop that confirmation, we’re going to take a close look at our Democratic Senators. We’re going to get with them, and we’re going to encourage them, and we’re going to urge. And I want to tell you, if in fact we see the continued kind of lack of courage, lack of support, for the base of the party, that gave 91% of its vote to the Democratic Party, somebody is going to have to pay a price.

And so, I’m very proud of my colleagues here on this podium with us today. We spoke out, we were loud, we were clear, and we understand very well that this is not about any one person; it’s not even about Vice President Gore. This is about our legacy. This is about the sacrifice of our ancestors. This is about the fact that we had people who worked, sacrificed, and died for voting rights. Our people, and a lot of other people, were disenfranchised in Florida. 186,000 votes did not get counted for one reason or the other. Voting machines were outdated and old in minority communities. They gave out laptops to many of the precincts, so that they could check for voters who came in who said they were registered, and

they couldn't find their name. Guess who didn't get the laptops? Minority precincts did not get them. Only one laptop was given in minority precincts.

When you add that to the intimidation of the precincts that were surrounded by police challenging people, asking them questions, people being queried about whether or not they were felons, and people being stopped on the highway on the way to the polling place, the butterfly ballot, and all of the rest, we're very clear about what happened in Florida.

Florida may get its electoral votes counted here today, and the President-elect may become the President. We shall never forget what has taken place in this election, and we're dedicated to the proposition that we have enough power, we have enough strength, and we have enough of what was given to us by our forefathers, to fight this battle all over again. To make sure there's justice for all people.

Rep. Cynthia McKinney (D-Ga.): Cynthia McKinney from Georgia. I would just like to, really, just pose one question. We've come through a very tough, difficult election period, and we've had Democrats coming to the African-American community asking for a vote. And we had Democratic Senators coming into the African-American community, asking the African-American community to vote for them. How is it that when we ask for a signature, from a United States Senator, just so that we could have up to two hours of debate, that we didn't get a single Senator to agree?

If anything, it demonstrates that the African-American community gives its votes too freely. And we get very little in return. That's got to change.

Today's joint session rubberstamps a corrupt electoral process. I think all of the corruption has been demonstrated. You could say that the emperor is naked now. And we all see it. And we don't like what we see.

And so, I'm just pleased to have been a part of making history today, to put on the record, in the most meaningful way that we could, our effort at dissent. This democracy has got to tolerate dissent. And if we're going to talk about electoral reform, which we must discuss, we also might want to discuss Title 3 and Sections 15 through 18, which don't allow for us to have the kind of discussion that we needed to have today, about serious, egregious violations of the personal democratic dignity of America's minorities.

Rep. Sheila Jackson Lee (D-Tex.): You ask us, why we come today. You ask us, why, in an orderly proceeding of the United States House of Representatives in joint session, why we would rise in objection. And I would say to you, that I stand with, both participants and beneficiaries of the civil rights movement, and before, and the bloodshed, and the loss of heroes and sheroes who are part of our community.

I would simply ask you, however, to take a journey with me, either through America, or my district, or the districts of those who are standing alongside of me. Go up to an elderly

person, who in 2000 was voting for the first time. A disabled person. A young person. An African-American male, who was stopped and chastised because of the ramifications of racial profiling. Police roadblocks in Florida, that deterred people from actually getting to the polls. And then the final death knell, in recognition, on Dec. 12, 2000, at 10 p.m., that it is not the vote of the people; it is not the sacrifice that you've made to go and vote; but it is actually five partisan judges of the United States Supreme Court, that seal the fate of more than half of the population who voted for Vice President Gore and Senator Lieberman.

We come because those individuals are voiceless. They are silent. They are frightened, and they are angry. And they asked us, that, if they could not be present today, that we would stand alongside, not, as has been said, what is popular, but what is right, what warrants justice, and what warrants sacrifice.

Might I say to you, as you look at the Congressional Black Caucus, there may be many who silently acknowledge that we sacrifice our political positions, that in the course of this new day of a Republican Supreme Court, a Republican White House, and a Republican Congress, that we jeopardize our political benefits. But we have decided today, that we would diminish that need, if you will, and fight for our constituents in a manner that addresses the question of whether or not they are equal in America.

Might I say to you, that Alexander Hamilton said, "The sacred rights of mankind can never be erased or obscured by mortal power." As I reflected on why I would come here today and object, I think we've failed to realize why this country was founded: for opportunity, for freedom, for justice, and albeit I came here three-fifths of a person, by way of the designated law of the land, it is one that was to draw people here, for what was right.

And so, what I say to you is that, I'm going to hold to the words of Justice Breyer. What the Supreme Court did to us, we tried to undo today, and that was, the Supreme Court *denied* the actual and accurate counting of the votes of Florida. It stopped us in our tracks. And Justice Breyer asked the incredulous question, why couldn't an appropriate remedy be instead, to remand this case with instructions, at this late date; permit the Florida Supreme Court to allow for the undercounted votes; and he was never answered.

And so, for anyone to tell you that this was a majority opinion—it was 5-4 decision. And I will say to you, out of that decision has come, a President-elect who believes that he will act, as he has a mandate; a President-elect who will give us a designee, an Attorney General designee, John Ashcroft, who, to my understanding, has never seen a civil rights bill that he has liked. He gives us Linda Chavez, who cannot understand that affirmative action is outreach and equality.

And so our standing here today, is to put those on notice, that the voiceless will speak, that this will not be a nation

that will be governed by someone who believes that others do not count, and that we will fight 'til, I guess, the dearness of our breath may be lost. To say to the designee for the Attorney General's position, this is not one that you will have. At least you will not have it with silence. And neither will Linda Chavez, on my clock, be able to go to the Department of Labor, and destroy all that has been done. We do believe in justice and equality. And we do believe in the people.

Ashcroft Appointment Is a Slap

Rep. Elijah Cummings (D-Md.): Congressman Elijah Cummings from the state of Maryland. And I'm very, very proud of my colleagues this day.

You know, as I stood here and listened to them, I could not help but think about the fact that we're at a critical moment in history, a very, very critical moment. They have enunciated quite appropriately all the things that went wrong in Florida. Another thing that we must keep in mind, is, it's not only Florida, but it's states throughout this entire country. And the reason why we're at such a critical moment, is that, if you don't correct things now, they can only get worse. This is a critical moment.

It is a critical moment because, if we don't stand up now, it would appear, not only today, but tomorrow, 100 years from now, that African-American people watched their people, Jews, others, disenfranchised in the state of Florida, and throughout the country. And that can not be said.

Another reason why it's a critical moment is because we see what Mr. Bush is already doing. There was so much hope, by so many, that he would come in, and reach a hand, stick out an olive leaf, and say, let's work together. But what we've gotten instead of a hand, is a slap. We've gotten a slap, with a Mr. Ashcroft, who really is the wrong person for Attorney General, and it's very, very clear. But it sends a phenomenal message, and that message is, that I am going to conduct business-as-usual; it does not matter that I did not get the popular vote; it does not matter than I received—that is, Mr. Bush received—votes in Florida that he should not have gotten. It does not matter.

And so the reason why we're at a critical moment, is because—and that's why, when people say, why are they doing this? Why are they standing up? Why are they disrupting this wonderful, wonderful event that we're having today? Well, it's not a wonderful event. It's not a wonderful event for us. It's not a wonderful event for our constituents. It's not a wonderful event for all of those people who are sitting out there, whose votes weren't counted. It's not a wonderful event for those African-American males who came to the polling places, thinking that they could vote, and were told that they were felons, when, in fact, they weren't. It's *not* a wonderful event.

And if somebody doesn't say it, then who will? And this is what we have done today. And so, at this critical moment, we have done the right thing. And when history looks back at

what we did, it may not say that we won in *this* moment. But the fact is, that you may not win a battle, but that doesn't mean that you don't win the war. And so the question is, where do we go from here? And I know that we will fight with everything we've got.

And one last thing. One of the things that Mr. Bush said, when he came into office, on the night that he claimed the victory, he said that he wanted to heal America. Now, if you think about healing, it seems only logical that you would first start off, with what the ailment is, and then try to heal the ailment. Well, the ailment that has divided this country, is the fact that people were disenfranchised, in Florida. I haven't heard too much from Mr. Bush about how to heal that ailment. As a matter of fact, we've seen just the opposite.

And so, we have come here today, to stand up. And even if we had to stand alone, we were going to stand, because we realize that we're not just doing this for us, and the people that I talked about. But we're doing this for generations yet unborn.

Rep. Barbara Lee (D-Calif.): Congresswoman Barbara Lee, 9th Congressional District of California. Today I join with my esteemed colleagues in objecting to this bogus, really, vote, that is being tallied at this moment. We all know, and we want to remind the country and the world, that it was actually the Supreme Court, not the people of the United States, who selected our President. We will not stand by silently while African-American voters are dismissed from polling places, forced to use antiquated machines, and denied their rightful voice.

I went to Florida, to get out the vote. For the same reason that I have gone overseas, to serve as an election observer. Last year, in fact, I served as an election observer with Gen. Colin Powell, and I want you to know that what went down in Florida, would not have been tolerated in Nigeria. We would have called the election, put a halt to it, challenged it. It's not a Democratic or Republican issue. This is an issue with regard to the basic tenets of our democracy. The principle of one person, one vote, really must be more than empty rhetoric.

This dispute also is not a dispute about chads. It's really about fairness.

Martin Luther King, Jr. fought for the right to vote. Medgar Evers died for the right to vote. So, today, we stand here in their memory, and we fight on their behalf. The right to vote is really meaningless, if every vote is not counted. Some of our colleagues are saying that that was then, this is now. But we say, how can you compartmentalize what was done? What happened in Florida impacts future generations. What happened in Florida puts our democracy really on a very shaky ground.

So, I hope that President Bush, and the entire Congress, begins to recognize that something did go wrong, and join us in working toward electoral reform in this next session. Thank you very much.

Why Martin Luther King Was Qualified To Be President

The following is excerpted from Lyndon LaRouche's Jan. 3, 2001 webcast. Subheads have been added.

Debra Freeman: I have a question from Sen. Joe Neal from Nevada. He is the chairman of the Legislative Black Caucus there. And his question is: "How can you get African-Americans to buy into the 1933-65 period, when civil rights were at their worst, especially in the South, during that time-frame?"

Lyndon LaRouche: Well, I think the point is, one has to look back actually at the period, look at what the mentality was. This was a period in which the African-American, so-called, began to move in large numbers out of the Republican Party, into the Democratic Party around Roosevelt. . . . There were some cases, like our old friend Hulan Jack, the former Borough President of Manhattan, who was typical of the so-called African-American role inside the Democratic Party under Roosevelt. In other parts of the country, things were not so good.

Take, for example, remember, Birmingham at the end of the war, after the war had been fought, and the fight among African-Americans in Birmingham for rights, and other cities of the South. So the conditions, even after Roosevelt's Presidency and death, the conditions of African-Americans in the United States in the Democratic Party, were not that good. But there was something else going on, and one has to look back to Martin Luther King; not because he's the only figure. Frederick Douglass before him was extremely important in this respect, as a pacesetter, for the liberation of former slaves.

But Martin was exceptional, in the sense that he rose above other so-called leaders, and this became more clear to us when we lost him, than when we had him. Because suddenly, we looked back a few years after Martin's death, and we could realize more keenly what we had lost in him.

He was a man who had risen to a point of spiritual strength as a leader, where he was not a leader of African-Americans; he was a leader of Americans. He was the type of person, who would have been admirably qualified to become the President of the United States. Because he was, implicitly, a potential President of all the people. He was a leader, really, of all the people.

Real Political Unity

Who rallied around Martin? From the New York area, and other parts of the country, it was the Jewish, Yiddish



Nevada State Sen. Joseph Neal (D) is chairman of the state's Legislative Black Caucus.

Renaissance, the children of the Yiddish Renaissance, [of those] who came to the United States as immigrants, who were among the leading people who responded to the question of civil rights, from the standpoint of the experience of the Yiddish Renaissance, in Eastern Europe, in the struggle for civil and political rights there; the struggle for Jewish emancipation by the Renaissance movement. Others were involved. Martin was never specifically a secretion of African-Americans. He was of African-American so-called extraction, but he was not genetically African-American. There is no such thing as a genetic African-American, really. Human beings are human beings. He was a person who, in that situation, showed himself as a leader of the people. A person who could unify people, around higher goals, which addressed, at the same time, these specific problems of any section of the population.

We lost him. That's our problem now.

People are looking for an interest group kind of composition of politics; I don't believe in it. I believe in responding to the fact that somebody's abused, or suffering, or aspiring to get some freedom and so on, that's fine. But that's not the way real politics works.

Real politics works, when you stop thinking about categories, and think only about human beings. When you say there is no race but the human race. There are idiosyncracies, differences — they're not important. Because when you know people from around the world, you know what's important about a person is their mind, and the moral development of that mind. The creative power of that mind. The development of those qualities of that mind. To be a leader, is a person to see these minds.

It may sound theological, but, look, it's important. Ask yourself, what's your sense of identity? Who do you think you are? What do you think you are? What do you think is your significance once you're dead? Are you a dead dog, to be buried and forgotten? Or does your life *mean* something while you're living it? And will it *mean* something after you're dead? What is that quality that makes your life meaningful, even after you're dead? What do you do with your life, while you're alive, that makes it important even after you're dead, for future generations? What do you do to honor the past, to give new meaning to the past? To give possibility to



Lyndon LaRouche addresses the Jan. 3 Washington seminar by video-conference. "I think the problem is, what we need is leaders of passion. Leaders impassioned by agapē, who love people, who love the future, who are going to fight for the future."

the future? Do you think of yourself as being of a certain skin color, or some other foolish thing?

What It Is To Be President

You think of yourself as a human being, with human qualities, as every other human being has human qualities. And you think about what's important to people, their real interests. The real interest of every person is, what does my life mean when I'm dead? What will it have meant, and what does it continue to mean, when I'm dead? Who is going to ensure that that life of mine will continue to mean something after I'm dead? I raised good children; who's going to protect those children, after I'm dead? Who's going to protect those grandchildren, after I'm dead? Who's going to see to it that they're guaranteed the right to an education, after I'm dead?

That's what it is to be a President. It's to be a person who cares for all of the people, not because of what they think they want, for gratifications, in this moment or that moment of life. But what they *care* about. Particularly as they get older, they think about their children and grandchildren. They think about their life and what does their life *mean*. The in-between being born and dying. What does that life mean in eternity? As expressed typically, by the way you think about your children and grandchildren, and so forth, and those who come after, and other nations.

Martin was the kind of person who expressed that point of view. Others around him did not express that, with the same effectiveness. They did not express what Paul in *I Corinthians* 13, refers to as *agapē*, the Greek term *agapē*, which comes from Plato's dialogues. Which is used by Paul to define that quality. Martin had *agapē* as a quality. That's what his power was. Not the power of a fist. Not the power of a rabble-rousing speech. Not the power of just rabble-agitator. He was a man of

agapē, who, had he lived, would have made a better President than anyone who came after him.

That's what the point is. Frederick Douglass had some of the same qualities, in his time. Other people, less known, have had the same qualities. And it's because there was an instinct for this, among people who had been oppressed. Sometimes people who have not had the best appreciation of life, because having nothing material, having no security, they have nothing left for them, except that which is in them, is essentially human. And sometimes they respond with greater humanity, just because they have nothing but humanity in them, and no other kind of wealth.

No, the African-American generally, responded in a very intelligent, and sensitive way, as expressed by their movement away from the Republican Party, which had betrayed them, into a Democratic Party, which had been their greatest oppressor, when they recognized in Franklin Roosevelt, something, a spark, with which they could identify. And the African-American, despite the abuse that he suffered at the hands of Dixiecrats, and others, continued to cling to that, up to the present time.

This was not the fact they were rewarded. This is the fact that it was human. And sometimes human beings smell something, that they respond, which other people who are less sensitive, may overlook.

So, I don't think that's the problem. I think the problem is, what we need is leaders of passion. Leaders impassioned by *agapē*, who love people, who love the future, who are going to fight for the future, and when the people know they have those kinds of leaders, the people will smell it, and they will respond accordingly. Our concern should be to *be*, to become, and to produce and develop such leaders. That's the answer to the question.

Carl Schmitt Revival Designed To Justify Emergency Rule

by Barbara Boyd

In her warning on the danger of a fascist turn in the United States (see article this issue), Helga Zepp-LaRouche writes, "The decision . . . by the U.S. Supreme Court is a bad omen. Especially dangerous, is the policy of Justice Antonin Scalia, which stands in the tradition of Carl Schmitt—the 'legal' apologist of the Nazi dictatorship."

Lyndon LaRouche recently wrote that U.S. Supreme Court Associate Justice Antonin Scalia's avowed doctrine of literal textualism, which banishes the general welfare clause, and other governing concepts, from the U.S. Constitution, if continued under present conditions of financial collapse, "leads, quickly, either to a self-doomed fascist dictatorship, or, a rapid descent of society directly into chaos." Scalia's "political and legal outlook is identical, in all crucially relevant points of comparison, to the legal dogmas used to bring Hitler to power during a roughly comparable period of grave financial crisis in Germany. . . . [He] expresses the same explicitly Romantic dogmas of the pro-fascist conservative revolution of G.W.F. Hegel, Friedrich Nietzsche, et al., in keeping with the model precedent of the so-called 'Crown Jurist' of Nazi Germany, Carl Schmitt." The same can be said of Bush's Attorney General Designee, and Scalia disciple, John Ashcroft. LaRouche stresses that Americans need to know the history which concluded the Weimar Republic and installed Hitler, in order not to repeat it. The incoming Administration of George W. Bush is headed in exactly the same direction

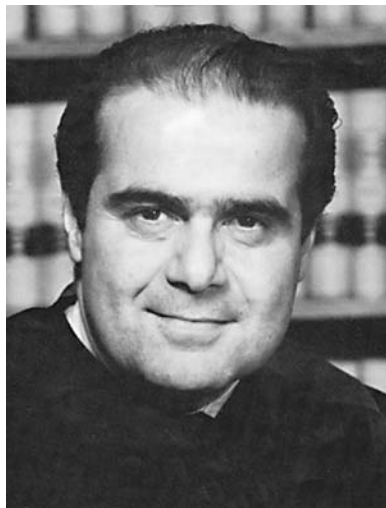
as the Nazi government that his grandfather, Prescott Bush, together with Morgan and British interests, brought to power.

The Nazis' "Crown Jurist," Carl Schmitt, drew on a variety of reactionary resources, including Roman law, Napoleonic, Rousseau, Kant, Hegel, Hobbes, and the Spanish counter-revolutionary Donoso Cortes, to forge a synthetic theory of law which subverted the Weimar Republic's Constitution and rationalized Hitler's legal ascension to power. As the world Depression hit Germany in 1929, Schmitt was brought directly into government, successively advising the Brüning and Von Papen administrations on implementing austerity through rule by emergency decree. As will be shown here, Schmitt's legal analysis of commissarial and sovereign dictatorship, based on Article 48 of the Weimar Constitution, first formulated in 1922, provided the legal basis for Hitler's assumption of power, through the declaration of emergency and suspension of rights of Feb. 28, 1933. Schmitt then authored the authoritative article justifying the enabling laws of March 24, 1933, which transformed Germany, legally, in Schmitt's analysis, from a commissarial to a sovereign dictatorship.

At the urging of the philosopher Martin Heidegger, Schmitt joined the Nazi Party. Heidegger and Schmitt stood in line on May 1, 1933 to join, having previously agreed to do so together. Schmitt proceeded to develop a Nazi theory of law, including the removal of "man" from the German civil code. Arrested for prosecution at Nuremberg, he was detained for 18 months, but never prosecuted. When he was released, he retired to his place of birth, Plettenburg, and referred to his home as San Casciano, the place in Italy where Machiavelli lived while in exile, after losing favor with the Medici family. Schmitt campaigned endlessly, until his death in 1985, to redeem his reputation, portraying himself as an academic victim of events, a man of ideas only, who supported the boorish Hitler because there were no other options.

Schmitt's Campaign Against The Weimar Constitution

Born in 1899 to a Catholic working class family, Schmitt studied jurisprudence at Berlin, Munich, and Strasbourg, where he took his law degree in 1910. A self-proclaimed "Neo-Kantian" in his youth, Schmitt attacked positivism, utilitarianism, and philosophical liberalism. Like Romantic conservative moralists today, Schmitt thought he accurately depicted the world around him by declaring it bereft of "soul."



U.S. Supreme Court Associate Justice Antonin Scalia, whose statements in the recent Presidential election raise the question: At Nuremberg, would Scalia have been on the bench, or in the dock?



Carl Schmitt (inset), the legal apologist for the Nazis' seizure of power, who was arrested for prosecution at Nuremberg, but never prosecuted, and Hjalmar Schacht, the Nazis Economics Minister whose policies led to the extermination camps, in the dock at Nuremberg. Schmitt later tried to portray himself as a mere academic, but his arguments "legally" justified the Nazis' emergency rule.

His was an "inartistic, materialistic, relativistic, and capitalistic age," which elevated "function" as some grand means to a "useless and senseless goal." Right had been transformed into power, faith into calculation, truth into a general recognition of accuracy, beauty into good taste. In place of good and evil, there was a sublime distinction between usefulness and destructiveness. Schmitt attacked the dominant positivist theory of law as a sterile and proceduralist closed system of norms, which was morally neutral and incapable of inspiring fidelity or sacrifice in the population. No one would die for positivism.

In World War I, Schmitt served under the general staff, administering martial law. From this time forward, Schmitt was fascinated by concepts of crisis management, the "state of exception" or "state of emergency." According to Schmitt, how the state acted in the face of "concrete danger" or the "concrete situation," rather than any moral purpose, determined its legitimacy. Schmitt viewed the spread of the Russian Revolution as the greatest peril facing Germany. Plunging into simultaneous studies of Italian Fascism and Leninism, he emerged as a Mussolini devotee, claiming that Il Duce had effectively united the church, an authoritarian state, and a free economy, and created a powerful mythos to motivate the population. This view was shared by the British, including Winston Churchill. Schmitt was also convinced that a closed system of positive laws and existing democratic

norms, were powerless in the face of charismatic political movements and the irrational myths employed by the Bolsheviks to achieve popular success. Democratic "norms" failed in conditions of social upheaval precisely because such moments represented non-linear discontinuities and "original" moments.

Beginning with his book *Political Romanticism* in 1919, and continuing with major books and speeches every year until the demise of the Weimar Republic in 1933, Schmitt launched an unrelenting polemical assault on the Weimar Republic and its Constitution. In his books *Political Romanticism*, *The Crisis of Parliamentary Democracy*, and *Political Theology*, Schmitt attacked the liberalism, protection of individual rights, and pluralism of the German Republic as "Romantic." His attacks echo those of the conservative revolution and populists in the United States today. Parliamentary legitimacy rested on the idea that "endless discussion" could generate truth, Schmitt argued, yet the Weimar Parliament had long ago ceased to represent the people. Instead, it represented powerful interest groups and partisan political formations which were incapable of decisive action, particularly when the very existence of the state was the issue. Schmitt famously commented that a Social Democrat, when asked, "Christ or Barrabas?" would immediately seek consultation and then convene a commission to study the matter. The liberal and Romantic regime had replaced the objectivity of God with

the subjectivity of the individual, and partisanship and interest groups made decisive governmental action impossible.

In *The Concept of the Political* and *The Dictator*, Schmitt presented his response to liberal democracy and legal positivism. According to Schmitt, the existence of the state presupposes the existence of the political, and the political consists primarily of the relationship between the friend and the foe. Look around you, Schmitt instructs a Germany devoured by war, total economic breakdown, and social crisis, and see whether any other relationship empirically and objectively defines the state's legitimacy, its ability to exist. The most basic definition of the sovereign, Schmitt adds, is the individual who is able to define the exceptional situation, and to define the foe in the exceptional situation.

Weimar's Article 48

In proposing solutions to the Weimar Republic's political paralysis, Schmitt focussed on Article 48 of the Weimar Constitution, which allowed for temporary rule by decree and suspension of rights in emergency situations. Schmitt, taking a page from Roman law and Napoleon III, argued that Article 48 established a commissarial, or temporary dictatorship, without abrogating the Constitution, and, under crisis conditions, was the only means to govern. The job of the temporary dictatorship was to save the existing Constitution, and therefore, rule by the President, under Article 48, did not establish a sovereign or long-term dictatorship. In his campaign to legitimize his theory of Presidential powers under Article 48, Schmitt won the endorsements of Social Democratic Party (SPD) member Hugo Preuss, the author of the Weimar Constitution, and Max Weber, a celebrated racist sociologist who originated the idea of incorporating Article 48 into the Weimar Constitution.

When the Depression hit full force in 1929, Schmitt, then a law professor in Berlin, was asked by Chancellor Heinrich Brüning to advise the government concerning maintenance of the constitution under the brutal austerity regime he proposed to implement, in response to the economic crisis, over the opposition of a fractured Parliament. In a July 28, 1930 opinion for the government, Schmitt argued that because an economic emergency existed, Article 48 allowed the President to issue decrees with the force of law—in effect, to legislate, without regard to Parliament. As a result of Brüning's brutal measures against the German population on behalf of the banks, Nazi representation in the Parliament rose from 12 seats to 107, in the elections of Sept. 14, 1930. Brüning was dismissed, and replaced in the Chancellorship by the intellectually vacant and radically conservative Von Papen.

When Von Papen declared martial law and took over the government of Prussia from the SPD, Schmitt defended the Reich before the German Supreme Court, and strongly supported Von Papen's imposition of harsher economic austerity measures. These measures emphasized wage cuts and reductions in unemployment benefits. Job creation was to be promoted, not through government intervention, but by tax relief

for business. In a speech to a group of industrialists in support of Von Papen's program, Schmitt developed the twin themes, "strong state" and "free economy," arguing that only an authoritarian state could assure the success of a pure free-market economy. While acknowledging that crisis management had not improved the economic situation, Schmitt nevertheless argued for the continued vitality and employment of Article 48, stating that it was the only means to oppose those advocating a "legal functionalism" which stays neutral with respect to truth and values.

The Nazis' 'Crown Jurist'

As *EIR* has documented, Hitler was appointed Chancellor of Germany on Jan. 30, 1933, as a result of the direct support of George W. Bush's grandfather, the Morgan interests, and the British.¹ The last chance for avoiding this result collapsed with the failure of sufficient forces to support Gen. Kurt von Schleicher's efforts to implement an economic recovery. On Feb. 27, 1933, the Nazis, under Hermann Göring's sponsorship, staged the Reichstag fire, and on Feb. 28, Hitler suspended basic constitutional rights, and accused the Communists of sabotage, imprisoning at least 4,000 alleged Communists and banning them from Parliament.

On March 23, the Reichstag passed enabling legislation by a vote of 444 to 94, which stated that henceforth, the Executive, as well as the Reichstag, could pass laws. The "Act to Relieve the Distress of the People and the Reich," effectively legislated Schmitt's 1930 legal opinion authorizing Presidential rule, and installed Hitler's sovereign dictatorship. In an article in the *Deutsche Juristen Zeitung* of March 25, 1933, Schmitt defended the enabling legislation, claiming that the Executive prerogative now included the power to pass new constitutional laws and declare the Weimar Constitution a dead letter. Schmitt found the new law to be the expression of a "triumphant national revolution," equating it with the German Revolution of 1918. According to Schmitt, "The present government wants to be the expression of a unified national political will, which seeks to put an end to the methods of the plural-party state, methods which were destructive of the state and the constitution."

During his service to the Nazis, Schmitt reported directly to Göring and Hans Frank. From his position as a Professor of Law at the University of Berlin, Schmitt supervised a project to conform all German law to Nazi theory. The overall Reich now consisted of three elements, according to Schmitt: state, movement, and people. The state represented the administrative apparatus; the movement represented the political leadership which acted on behalf of the people; and the people, or civil society, lived free of governmental interference, under the shadow and protection of the higher political order. To the extent that orders of the Führer needed democratic legitimacy, they could be voted upon in referenda or plebi-

1. Anton Chaitkin, "Dubya's Grandpa and Great-Grandpa Helped Put Adolf Hitler into Power," *EIR*, Aug. 25, 2000.

scites by the people.

Schmitt's description was altered by the Nazis in only one respect. They found his frank admission that the people were to play a completely passive role, politically unacceptable, and substituted the populist myth that the people represented the "vitality" of the Reich. Hitler did, in fact, submit various measures to the population for votes. According to Schmitt, the Weimar Republic lacked "charismatic leadership," without which the state becomes a directionless "bureaucratic regime."

'Carl Schmitt Abolishes Man'

In revising the criminal code, Schmitt declared that previous law had served only to empower criminals against the population, and he levelled a scathing critique at the German Supreme Court for failing to impose the death sentence on those prosecuted for the Reichstag fire, because the law making arson punishable by death had only been passed after the fire. Henceforth, retroactive laws must be available to judges,

Schmitt argued, who should be allowed to reach the right result, without the hindrance of abstract and irrelevant precedents. Judges could employ "concrete order thinking" in this process. Schmitt's revision of the civil code declared that the "legal concept of man conceals and falsifies the differences between the citizen of the Reich, a foreigner, a Jew, and so on. . . . Seeing equal as equal, and, above all, unequal as unequal, and emphasizing the differences among men of different races, nations, and occupational estates in the sense of God-given realities, those are the goals of National Socialist academic jurists."

The émigré press, which included many of Schmitt's former students, led its coverage of these statements with the headline, "Carl Schmitt Abolishes Man."

Finally, Schmitt justified Hitler's aggression against other nations of Europe by claiming that Germany was creating a *Grossraum*, a sphere of influence, just as the United States had done with the Monroe Doctrine. This formulation, Hitler employed directly in defending his actions.

Schmitt: If Man Were Not Evil, My Ideas Would Be Evil

Since the fall of the Berlin Wall, Carl Schmitt has been the subject of a huge revival in the United States, Russia, Europe, and Ibero-America. This revival, corresponding to similar recent revivals of Martin Heidegger and Friedrich Nietzsche, is indicative of an effort by the British-American-Commonwealth cabal to popularize totalitarian dictatorship as a solution to social collapse. Such dictatorships represent the only possible means for administering the strict austerity regimes they envision. The Schmitt revival has resulted in translations of Schmitt's key tracts against the Weimar Republic into several languages; conferences on Schmitt at Columbia University, Cardozo Law School, Tel Aviv University, and other locations; and more than 2,500 secondary publications on Schmitt.

The Schmitt revival does not mean that the Nazi "Crown Jurist" was previously an unknown or obscure figure in the United States. Samuel Huntington's "Crisis of Democracy" and "Clash of Civilizations" theses, as well as Henry Kissinger's studies of Bismarck, borrowed heavily from Schmitt, without attribution. Mont Pelerin Society founder Friedrich von Hayek studied Schmitt extensively, and criticized him, while appropriating central concepts. Leo Strauss, considered to be the philosophical father of the neo-conservative movement in the United States, is a Schmitt devotee. The Frankfurt School ideologues, particularly Hannah Arendt, Herbert Marcuse, and Walter Ben-

jamin, plagiarized freely from Schmitt. The Frankfurt School's legal theorists, Otto Kirchheimer and Franz Neumann, both students of Schmitt in Germany, spent academic careers formulating abstract critiques of Schmitt while insisting that he was a major, original legal theorist. When the Pinochet dictatorship was imposed in Chile, it was imposed by students of Schmitt who followed, precisely, Schmitt's playbook for "legal" imposition of dictatorship.

The Hobbesian Influence

Schmitt claims Thomas Hobbes as the central influence for his existential theory of the state and his theory of justice, theories in which truth and morality play absolutely no role. Schmitt transformed Hobbes's individual "war of each against all," into wars of identified groups, including states against other states, claiming that the "Westphalian" order of Europe had been completely broken by World War I. For Hobbes, like U.S. Supreme Court Associate Justice Antonin Scalia, truth and justice are "private" values relegated to "civil society," and should not be the subject of government policy.

Hobbes and John Locke have long been the philosophers of choice in justifying the positivist expressions of legal Darwinism embraced by Scalia, Supreme Court Chief Justice William Rehnquist, and Bush Attorney General Designee John Ashcroft, today. Like Hobbes, Schmitt's estimate of man is that he is evil and "dangerous." Schmitt states, "If man were not evil, then my ideas would be evil." At the point that conflict and war end, Schmitt declared, "the political," i.e., the state, also will end.

A Former Political Prisoner's Continuing Fight for Justice and Truth

Michael Billington, an associate of Lyndon H. LaRouche, Jr. since 1972, was released on parole on Oct. 19, 2000, after serving more than ten years in Federal and Virginia State prisons, as part of the political assault against LaRouche and associates. Billington was sentenced to 77 years by the Commonwealth of Virginia, on trumped-up charges of "securities violations." He was interviewed by New Federalist editor Nancy Spannaus for "The LaRouche Connection" cable television program, on Dec. 12.

Spannaus: Today, we're pleased to have with us on The LaRouche Connection, a man who is fast becoming, along with Lyndon LaRouche, the most famous political prisoner from the United States. This is Michael Billington. Pleased to have you on The LaRouche Connection today. And we're going to be talking in particular about material that's in your recent book, called *Reflections of an American Political Prisoner*.

Now, right off the bat, I would imagine, that many Americans would say to you, and to anyone who has this book, "What do you mean, American political prisoners?" And what do you say to people who deny the fact that there are political prisoners in America?

Billington: It's my sense that most people who followed the prosecution of LaRouche, and his associates, recognized that this was political in nature, from the beginning. Part of the problem is that people don't like being caught saying something that their neighbors might not approve of. And so, therefore, they might in their discussion say, "Oh, LaRouche, well, of course he did such and such." But most people recognize, I think, beyond any doubt—and when you talk with them long enough, you find out—that they recognize that this had to be political. They may have doubted that it was *entirely* political—that perhaps some crime had been committed, and so forth.

But many of those people who then read the transcripts, or saw the story of my case, and the way in which I was not only prosecuted with LaRouche in the Federal courts, but then put up in the Commonwealth of Virginia, and convicted, and condemned to 77 years in the penitentiary for—well, for nothing, for what was . . . a crime that if it were committed, would have meant a few months, under normal guidelines—recognize that this was a horrendous

breach of justice. And it helped to convince many, I think, that it was political in nature.

In general, though, I think that those who are watching the political corruption this year, in the election in the United States, have to face the fact, that for many, many years, people tolerated the political persecution of LaRouche, and his associates, like myself, without raising a hue and cry. Accepting the idea that political opponents in America can be dealt with, criminally, in this way, by the criminal Justice Department—a corrupted, criminal Justice Department—is a reflection of why they were subjected, this year, to one of the most corrupt elections in the history of America, and they were unable to do anything about it, or at least up until now. I think it's time that people think about what has to be done, about the horrendous level of corruption that left us in the crisis that we're in today.

Spannaus: Over the time that you were in prison, over ten years, the attitude of many Americans has shifted. They no longer have the trust in the Justice Department and FBI that they once did, prior to Waco, and Ruby Ridge, and all that. But, still, I think that you are correct, that there's an idea of "I don't want to see it, what can I do about it?"

But, for those who do understand, I think one of the major questions I've come up against, is this idea of "77 years, in prison for over ten years. How could anyone have sustained themselves with optimism, and continued to do work as you did?" And I wonder if you could address that.

Billington: Well, there are two sides to that. It's a very, very serious question, because the prison systems in America have degenerated so badly, that those who run the prisons, such as in the Commonwealth of Virginia, are very proud of the fact that they no longer are concerned in any way with rehabilitation, or redemption; that their concern is punishment, it's revenge, it's something that is very anti-Christian, in a nation which takes itself to be "Under God." And therefore, most of those who are subjected to long terms—without parole now, in this state and many other states—are subjected to a long period of bestialization, very little to do, very little access to education, or anything to uplift their spirits or their minds. And it's a very, very serious problem.

In my case, I had many advantages that most people don't. I had the advantage of being part of this global organization,



Michael Billington with his wife Gail, during a temporary release from prison in 1991. He was finally released on parole in October 2000, after serving more than ten years as a political prisoner.

a Renaissance organization, of which I had been part already for 30 years. And I was able to not only continue with the work that I had done in the organization, but I also had the backup of my associates, in terms of making sure that I had access to the material I needed to do my own research, my work. And I also had an audience around the world, who were very concerned with my situation, being in prison, but also interested in the output that I was able to generate while I was in prison.

In general, I think that my ability to sustain the level of work I did, while incarcerated, had a great deal to do with my love of music, and the fact that I had been involved in the process of developing music as a political weapon in America, in being a choir conductor, and a singer, and helping to build choruses around the country. But having imbued myself with works of the great Classical composers, and having had the great joy of conducting works by Bach, and Brahms, and Mozart, Beethoven, before I went to prison, I had in my heart

a quality of beauty that could not be taken away from me, that was not something that could be imprisoned.

Spannaus: No matter how ugly it was where you were.

Billington: Right. No matter the level of ugliness in which we had to live. And I think the greatest experience I had in prison was when one of my co-defendants, who was with me for about a year and a half, Paul Gallagher, and I, at one of the prisons, were able to form a prisoners' chorus, in which we sang many things, including Beethoven's Prisoners' Chorus, from *Fidelio*. And in doing that, in introducing Classical music into that environment, we were able to bring a level of freedom and joy to, especially those who participated, but others as well. That was a demonstration, I think, of the unconquerable spirit of the human mind and human heart.

Spannaus: As I understand it, that was even a problem sometimes with the prison authorities—I mean, they don't like prisoners doing something ugly, nasty, and threatening, but when they do something beautiful, it's just as threatening, or something of that sort.

Billington: Well, actually, they like having prisoners sit around destroying their minds in front of the television, and they don't mind occasional fights, and they don't mind if people take a little drugs, because it generally keeps them deadened. But, if somebody does something which starts to demonstrate freedom of the mind, that generally provokes a counter-motion by the authorities, and it was a problem.

Spannaus: I think this should be a lesson to people on the outside, so to speak, that it is the intention of the oligarchy to have a culture which deadens people's minds, and if Classical music, as we in the LaRouche movement propose, undergoes a resurgence generally, this is considered a threat by the oligarchy. People will be happy, thinking and fighting.

Billington: I believe that's absolutely the case.

Spannaus: Now, the other thing that you were heavily involved in, or at least are known for, while you were in prison, as a major contribution, was work on the philosophy and history of Asia—China, U.S. policy toward Asia in the Second World War, and prior to that. Could you give us a little idea of what was involved there?

Billington: Well, I had had some work in Asia, before I went to prison, but when I went, I decided that, given—

Spannaus: But, you know some languages, right? You were in Thailand—

Billington: I had lived in Thailand, and I had done some work on Asian political intelligence for *EIR*. But I had not done any in-depth research on history and philosophy of China, or any part of Asia, not in any depth. But given the long sentence, and knowing that I had a very long stretch ahead of me, I decided that I needed some focussed work, and

I chose to do that, and it was one of the great decisions of my life. And I was able to spend a great deal of time studying, especially, the Classics of Chinese culture, Chinese Confucian culture. One of my co-defendants in the Federal case, Will Wertz, who's one of the editors of *Fidelio* magazine, that's published by the LaRouche organization, had, during his incarceration, done a great deal of work on, especially, Nicolaus of Cusa, and other of the great thinkers of the Western Renaissance. And in my reviewing his work, Cusa's work and Will's work on Cusa, as well as reading LaRouche's writings of that period, I was able to utilize that, in going back and reading Confucius, and Mencius, and the Song Dynasty Confucian Renaissance, in the 12th Century, in China, especially the work of Zhu Xi, in a way which was tremendously exciting, first of all.

And I vividly remember sitting in one of these squalid cells, propped up on the one plastic chair, with my feet on the commode, in the middle of the night, with a bare bulb, reading 12th-Century Confucian scholarship, with a tremendous sense of excitement. That was really one of the periods in which I had the greatest sense of joy; where I made some fundamental discoveries, as a result of being able to recognize what Leibniz had recognized in his study of China, back in the 17th Century, which was, that you're looking at Chinese antiquity as a culture which had developed even beyond that of Europe at the time. And that this in itself, the cultured cities, the educational system, demonstrated that they had made discoveries of the fundamental truths, which had been made in Western civilization, and demonstrated its highest point in the Renaissance. That recognition—and therefore the necessity to find those connecting points, between the great cultures of East and West—became my own passion, to follow up the work that Leibniz had done three centuries earlier.

And I think I was able to make a certain breakthrough in that work, which had not been done by others, which in that way, generated out to the world, through the organization's publication of these works, and the publication of them in journals by other nations around the world, which was, I think, the thing that most demonstrated to me, and to others around the world, that there's no way that being imprisoned can capture, or destroy, the creative powers of the mind.

Spannaus: Now, I want to go totally somewhere different. Just because I think it might make a connection to what some of our viewers are aware, which is back to the United States, on a totally different level. As I understand it, and as people can learn more by reading in the book, one of the heavy motivating factors for your being targeted for such a long prison term, which was not only because of your prominence in the LaRouche political movement, but was because you had gone toe to toe, so to speak, with Ollie North, and that particular political machine, a pretty nasty part of the Bush machine; we called him a "son-of-a-Bush"; we now have the real "son of the Bush" in the White House. But I wonder if you could

touch on that briefly, just as a reminder to our readers as we enter this era, of what this was all about.

Billington: Well, we had, through many of our publications, exposed the fact that the so-called Project Democracy, which was run by George Bush from his "Presidency of vice" in the White House, and Ollie as part of that, had been involved in some of the most despicable gun-running, drug-running operations, throughout Ibero-America, and elsewhere in the world. And our exposure of that irked some people, and made them particularly upset about the work that we were doing. When at a certain point, we were in contact with some of the people that were being scammed by Ollie North, who were being led to turn over large sums of money to finance the so-called Contra operation, certainly not knowing that what they were financing was a drug-running scam, we had a certain hand in unravelling that particular scam, that particular operation, and I was involved in that. And there's no question but that the targeting of me, in several of the prosecutions that were brought—I was the only one who was convicted in both a Federal and a state case, and therefore had to serve two different sentences—had a great deal to do with the fact that I had irked some of the Bush-North-Project Democracy apparatus, and exposed a great deal of the criminality behind that.

Which certainly has a great deal to do with the fact that we have a new President coming in, or potentially coming in.

Spannaus: It probably also means that some people are very unhappy you're out of prison, but that's good for them.

Billington: I tried make them as sorry as I possibly could that they had put me in prison.

Spannaus: Right, that's true—

Billington: I'll try to make it even worse now.

Spannaus: Just to conclude. You've not been able to get around too much since you've been out of prison, but you've had some interchange with people, in meetings in Virginia and New York, and so forth. I wonder if you could characterize for our viewers, some of the response that you've gotten to your situation, and the book.

Billington: Well, I'm happy with the response from the book, because what I've heard from people—not always directly, but through people who talk to their friends and supporters, who then report back what they think, having read the book. It's enlightening to many of them to see what we have been through. It's a very personal book, and it's certainly unique to my character, and my development, the way in which I developed my ideas, those that I got from LaRouche, those I got from Leibniz, and those that I discovered by reading ancient Chinese culture.

But it surprises people to see both the activities we were involved in, and the development of the ideas, having to do with Plato and Leibniz, and Cusa, and Kepler, and so forth.

And in that way, in a certain sense, it's a book about everybody who's part of this, this fight for the truth, this fight for a Renaissance. And the only reason that I happened to write it, is that I had the time. I was given the time, to write what many people could have written, and each would have been different and unique, but in a certain sense, it is a history of each of us who've joined this fight.

Spannaus: Well, I know that the one response that I got that was most impressive, was, people saying that they finally have a different, and more sensuous, idea of what it means to be a part of this movement, because somehow when they read LaRouche, it seems . . . they think it's above them, and he's a great man, who's taking responsibility for the world, and who knows where he comes from—I don't know, from the head of Zeus, or something. But you, you're a person who in the book is identified as coming from a Midwest town they know, who's grown up in the same period that they may have grown up in, has references that they can address, and this makes them understand, and actually, as far as I can see, be much more committed to ensuring that our country goes in the direction that the LaRouche movement is fighting for.

So, I want to thank you very much, and we'll hope to have you back again.

Stop Tommy Thompson Nomination for HHS

by Marianna Wertz

While stopping George W. Bush's nomination of John Ashcroft as Attorney General is of the utmost strategic importance, Bush's nomination of Wisconsin Governor Tommy Thompson for Secretary of Health and Human Services (HHS) is also of great importance, if the nation is not to descend into what Lyndon LaRouche has warned will be America's equivalent of Nazi-style fascism. Yet, while major Democratic constituency groups, including organized labor and African-Americans, succeeded in blocking the horrendous choice of Linda Chavez at Labor, and these groups have mobilized to stop Ashcroft's nomination, there is virtually no opposition on the horizon to Thompson.

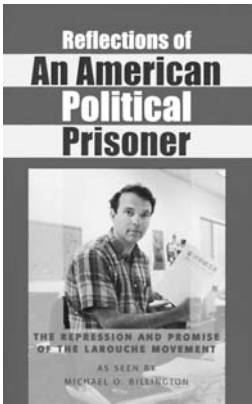
If ever a fox has been put in charge of the chicken coop, that is what putting Thompson in charge of HHS, the nation's largest civilian agency, would do. The media are touting Thompson as a "reformer," who has "revolutionized" his state's welfare system, and will bring the same kind of innovations to the Federal level at HHS. However, just a cursory glance at what he has done in his 14-year term as Governor of Wisconsin indicates that Thompson's commitment is not to the "general welfare," but rather to the complete privatization of all government services, including prisons and welfare services, and to the installation of his cronies in top positions of the private companies that administer the government funds. The result is the lowest welfare rolls in the nation, but former welfare recipients have been thrown on the scrap heap, and the rates of incarceration and racial division are among the highest in the nation.

Driving Down the Standard of Living

Among Thompson's first acts as governor (he was elected in 1986), was to launch Learnfare, the first welfare program in the country to withhold parents' cash benefits if their children skipped too much school.

Thompson also pioneered legislation that penalized women who have another baby while on welfare.

In 1982, Wisconsin became the first state to ask HHS for permission to end welfare as an entitlement, creating a two-year time limit for assistance, which was later the model for the Federal welfare policy that President Clinton, under Al Gore's and "triangulator" Dick Morris's influence, signed in 1996. Under that welfare policy, known as Wisconsin Works,



Political Prisoners in America??

You bet there are.

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Health and Human
Services-designee,
Wisconsin Gov.
Tommy Thompson.*

or W-2, the number of families on welfare has plummeted from 98,000 to fewer than 7,000 today, the greatest decline in the nation.

The new law stopped welfare payments altogether, and required recipients to work at jobs paying below minimum wage. At its inception, the law provided for approximately 15% of the jobs to pay about \$6 per hour, around 50% to pay about \$3.20 per hour; and around 25% to pay about \$3 per hour. In most cases, the payments are considered “grants” rather than “wages,” so the worker does not qualify for earned-income tax credits.

W2 terminated all assistance for post-secondary education and training for welfare-to-work recipients as of mid-1997, and Thompson has twice vetoed legislation allowing W-2 workers to enroll in education programs to upgrade their skills.

W-2 requires parents to work full-time when their children are only *12 weeks old*. It created a new, unlicensed child-care provider category called Provisional Care, whose providers are not required to take any classes to learn basic child-care measures. Child-care subsidies are only provided for a parent who is employed and whose income is at, or below, 165% of the Federal poverty line.

If a W-2 recipient has no income for three months, her children can be forcibly removed to a foster home.

A Federal investigation of Wisconsin’s W-2 program in December 2000 found that minority residents were denied benefits because the state failed to provide interpreters or translate documents. Thompson derided the Federal study as biased and inaccurate.

So many disabled people have been forced off welfare into work in Wisconsin, that the state agency that helps them get and keep jobs stopped accepting new clients in August 2000.

In urban Milwaukee County, which has the lion’s share of the state’s W-2 recipients, as many as nine out of ten former W-2 clients are “mired in poverty,” according to State Sen. Gwen Moore (D-Milwaukee), who criticizes Thompson for spending millions on private prisons, and virtually nothing on education and drug programs that would prevent citizens from going to prison. There has been an estimated 30% increase in food pantry visits since the inception of W-2.

Wisconsin had the highest percentage drop in the nation in 1999 of food-stamp usage by the poor, according to the U.S. General Accounting Office in July 1999. State Sen. Peggy Rosenzweig (R-Wauwatosa) called for an investigation, saying, “A culture of apathy and non-compliance has permeated the food-stamp program under W-2.” The audit found that 29% of recipients got only \$10 or less in monthly benefits.

Thompson’s Cronies

Five agencies administer the W-2 program in Milwaukee County, including the private Maximus, Inc. and YW Works, Inc. In October, Maximus was forced to pay back \$500,000 to the state, and spend another \$500,000 on extra services for the poor in Milwaukee County, to make amends for its “improper spending” of W-2 monies. This included thousands of dollars for hiring Broadway singer Melba Moore to entertain W-2 clients, for restaurant tabs for the former head of Maximus’s Milwaukee office, and for holiday parties for Maximus employees. Two of Maximus’s paid consultants are John Tries and Phil Prange; Tries is a former cabinet secretary for Thompson, and Prange is a Thompson campaign fundraiser.

Thompson is also an avid supporter of prison privatization. In 1996, he invited private prison developers, including Corrections Corp. of America, Wackenhut, and Dominion Venture Group, to make pitches for building prisons in Wisconsin. Thompson’s former top aide, Administration Secretary James Klauser, left Thompson to go to work as a lobbyist for Dominion. John Matthews, recently Thompson’s chief of staff, directs the lobbying effort for Dominion, which is now building a 1,326-bed “speculative” prison in Stanley, Wisconsin — i.e., they are assuming that their “friends” will guarantee that it will be filled when it is finished, though no permission has been granted for the building. Wackenhut’s lobbyist in Wisconsin, Bill McCoshen, is another former Thompson chief of staff.

Wisconsin is number-two in the nation in the racial gap in drug sentencing. Black men in Wisconsin are 53 times more likely to be serving time for drug crimes than white men, according to a June 2000 *Human Rights* report. Thompson’s only response to such reports has been to propose an alternative drug treatment program, which was launched as a pilot project in February 2000, and serves 48 first-time non-violent drug offenders.

Senate Leaders Agree on Power-Sharing Arrangement

Two days after the 107th Congress convened on Jan. 3, Senate Democratic and Republican leaders came to an agreement on how they will share power in a body divided 50/50 between the two parties. Republican Leader Trent Lott (Miss.) and Democratic Leader Tom Daschle (S.D.), who will act as Majority Leader until Jan. 20, appeared together on Jan. 5 to explain the agreement.

The agreement provides for equal membership on committees, and includes a special procedure to discharge committees of consideration of legislation or a nomination if there should be a tie vote. Lott said that this guarantees that “a bill or a nominee cannot be killed at a subcommittee level or even at the committee level.” What is not addressed in the agreement, is the conduct of conference committees. Lott said that, basically, the two sides decided to stick with current rules, which provide Democrats the option of filibustering or amending the appointment of Senate conferees.

The agreement, in the form of a resolution, was passed by voice vote on the Senate floor. Speculation has been rife around Washington, however, that the deal was struck after Democrats agreed to not object to the Florida electoral slate when the Electoral College votes were counted the following day. Of course, the deal goes by the wayside, should the composition of the Senate change due to resignation or death of a Senator. In that vein, there has been speculation that the next Senator to die could be either Jesse Helms (R-N.C.) or Strom Thurmond (R-S.C.), because of health problems and advanced age. The governors of both states, who would appoint someone to fill out the term, are Democrats.

New House Rules Rankle Democrats

Moments after confirming Dennis Hastert (R-Ill.) as Speaker of the House on Jan. 3, Republicans rammed through changes in the House Rules that left Democrats fuming. The new package, as described by Rules Committee Chairman David Dreier (R-Calif.), provides for a new Financial Services Committee, which replaces the Banking Committee, and takes jurisdiction over securities that had originally been held by the Commerce Committee, which is now redesignated the Energy and Commerce Committee.

Dreier explained that this “reflects the coordinated and comprehensive approach to financial services that is emerging in the wake” of the repeal of the Glass-Steagall banking regulation law, last year. The package also included a host of minor technical changes, but it was the committee realignment and committee ratios that caused the most heartburn.

Joe Moakley (D-Mass.), the ranking member on the Rules Committee, said that because of the election results, “the only mandate this Congress and the White House have is to put aside our differences and get things done. But that mandate of cooperation is not reflected in this Republican rules package.” He showed that if the committee ratios reflected the 221 to 211 ratio of Republicans to Democrats, Democrats would get 58 more committee seats than they are now.

John Dingell (D-Mich.), long the ranking member on the Commerce Committee, warned that moving securities jurisdiction to the former Banking Committee is asking for trouble. He said that in the 60 or 70 years that the Commerce Committee has exercised oversight, “there has never been a scandal in that particular line of juris-

dition.” However, he said, the Banking Committee “has presided over some splendid scandals in the area of banking and savings and loans and has never understood what was going on.” These scandals cost taxpayers at least \$500 billion “because of the incompetence and indifference of that committee.” Dingell warned the GOP, “You have made your choice of fools and I should say that you should now look forward to a splendid disaster.”

Dingell also complained of restrictions on Democrats’ ability to complain about legislation in committee reports. He warned that “this is not the way that you begin the affairs of this Congress,” given the questions surrounding the conduct of last November’s Presidential election and all the talk about bipartisan cooperation.

McCain Readies Push for Campaign Finance Reform

Sen. John McCain (R-Ariz.), who unsuccessfully sought the GOP Presidential nomination, is wasting no time putting his number-one legislative priority on the table. On Jan. 4, he appeared at a press conference, flanked by Sens. Russ Feingold (D-Wisc.) and Thad Cochran (R-Miss.), to announce that the three of them would be making campaign finance reform a top priority in the 107th Congress. He said, “We think the best time to address it in a bipartisan fashion would be . . . when the confirmation hearings and nominations are going on, before the Bush legislative agenda comes to the Hill.”

McCain couldn’t say exactly what form the legislation would take, but that it would likely include some kind of a ban on so-called soft money.

Cochran targeted independent groups in election campaigns, which,

compared to candidates' campaigns, he said, have almost no restrictions on them. "We're almost defenseless under the rules that now exist," he said. "That's one reason why I'm interested in being a part of this campaign reform effort."

McCain expressed confidence that there are now at least 59 votes for a reform bill. "Obviously," he said, "we need to get to the magic 60, and I believe today the dam will break and that campaign finance reform will pass." Cochran was coy, however, when he was asked whether he was the sixtieth vote. "I will support this legislative vehicle," he said, though he wants to see it enlarged to strengthen disclosure requirements.

Gephardt Falls for Tax-Cut Schemes

Hours before the 107th Congress opened on Jan. 3, House Minority Leader Richard Gephardt (D-Mo.) indicated that the Democrats would now be more open to some form of compromise with Republicans on tax cuts, than they have been in the past. Appearing on NBC's "Today Show" on Jan. 3, Gephardt said, "I think we need a tax cut. . . . I don't know the exact size. It may be that it has to get bigger because the recession is looming and we've got economic worries out there."

President-elect George W. Bush has been pushing for a \$1.3 trillion tax-cut package, similar to ones vetoed by President Clinton in recent years. While the Democrats won't go for one that large, temporary Senate Majority Leader Tom Daschle (D-S.D.) indicated, later the same afternoon, that one half as large might be acceptable. "It isn't just the size," he said, "it's how we do it, whether or not we're

going to be able to help those people who really need it." The kinds of tax cuts Daschle thinks the Democrats could find agreement on include the marriage penalty and estate taxes, and credits for education.

Meanwhile, the next day, Sen. Ernest F. Hollings (D-S.C.) inserted into the *Congressional Record*, figures from the Congressional Budget Office and the U.S. Budget, showing that the total Federal debt is still increasing, if the various trust funds are not counted in the budget figures. In fiscal year 2000, the Federal debt increased by \$85 billion. Hollings called the claims of a huge budget surplus, "Monkeyshine."

House GOP Shuffles Committee Chairmanships

On Jan. 4, the term-limitation axe fell on veteran House Republicans who have been committee chairmen since the GOP takeover in 1995, when they changed the House Rules to limit committee chairmanships to six years. The reshuffle resulted in some younger members with new-found power, and some former chairmen out in the cold. The choices were made by a 25-member Republican steering committee overseen by Majority Leader Dick Armey (R-Tex.) and Majority Whip Tom DeLay (R-Tex.), neither of whom were subject to any term limits.

The most surprising result was the choice of Bill Thomas (R-Calif.) to succeed the retired Bill Archer (R-Tex.) as chairman of the Ways and Means Committee. Most pundits had expected that gavel to go to Phil Crane (R-Ill.), who has more seniority, and comes from the same state as Speaker Dennis Hastert (R-Ill.). Crane will apparently be allowed to retain chairmanship of the Trade subcommittee,

in spite of the term limitation.

Other changes include Michael Oxley (Ohio) taking over a reorganized Financial Services Committee; Bob Stump (Ariz.) beat out Curt Weldon for Armed Services; Jim Nussle (Iowa) got the Budget Committee; Bill Tauzin (La.), the Commerce Committee; and John Boehner (Ohio), the Education and Workforce Committee. Henry Hyde (Ill.) moves over from Judiciary to International Relations; James Sensenbrenner (Wisc.) moves from Science to Judiciary, James Hansen (Utah) got Resources; Sherwood Boehlert (N.Y.) takes over the Science Committee; Don Young (Ak.) moves from Resources to Transportation; and Chris Smith (N.J.) gets Veterans Affairs.

At least one former chairman was unhappy at the outcome. Former Transportation Committee Chairman Bud Shuster (Pa.), shortly before the chairmanships were confirmed by the full GOP caucus, citing health concerns, announced his resignation from the House, effective at the end of January. During his six years as chairman, he gained a reputation for bringing billions of additional Federal dollars into the nation's transportation system, which brought him much bipartisan support, but also got him into trouble with the GOP leadership, especially Armey and DeLay, on more than one occasion.

On the other side of the aisle, the Democratic caucus announced that Jim Traficant (D-Ohio) would not be seated on any committees, essentially ejecting him from the Democratic Caucus, because he voted for Dennis Hastert (R-Ill.) for Speaker, rather than Minority Leader Richard Gephardt (D-Mo.). It has been reported that Traficant is not interested in switching to the Republican Party, and may remain an independent.

The Dangers of Brzezinski's Fantasies

Is the man who was called the brains behind President Jimmy Carter's foreign policy, nostalgic now, to put his hands on the levers of power once more? The world may remember Zbigniew Brzezinski's and Jimmy Carter's foreign policy as nothing but one chaotic failure, followed by a still more extreme fiasco, followed by some still greater absurdity, until the mind boggled. But apparently the architect of these disasters, Dr. Brzezinski, remembers something else, because his public interventions suggest that Brzezinski, a Democrat, is angling for a "bipartisan" job in the incoming George W. Bush Administration.

Brzezinski's current specialty is the public verbal humiliation of the countries he considers to have been vanquished by his idea of a British-modelled, imperial America. He shrilly lectures these "fallen" countries, that they will never be anything other than poor, backwater satrapies of the triumphant world empire, the English-speaking world empire. As the scion of poor, down-at-the-heels, petty Polish noblemen, Russia is, of course, his favorite target. But Germany is a close second. France seldom escapes the slash of this martinet—although, of course, he never touches Britain. But any Asian country is fair game—and so on and so forth.

In preparation for German Chancellor Gerhard Schröder's recent private visit to Russian President Vladimir Putin, Dr. B. wrote a column in *Die Zeit*, later shortened for American attention-spans in the *Washington Post*. He lectured both leaders like truant schoolboys. The visit, he said, "should not evoke memories of past German-Russian collusion; that era is gone. . . ." Instead, Schröder is instructed to visit St. Petersburg as the leader of one defeated country to another, to show Putin how defeated countries must behave—or else! "Germany's commitment to democracy, its reliance on economic pluralism, its rejection of imperialism, its acceptance of post-World War II territorial realities, its promotion of European unity and of Euro-Atlantic security, as well as its engagement in globalization, are all lessons directly applicable to

Russia's condition. . . ."

In a Munich extravaganza on Nov. 2, 2000, Brzezinski typically ranted that we have come to the end of the Peace of Westphalia. That is, we have come to the end of international politics based on the principle of the sovereign nation-state, dedicated to the general welfare. As Lyndon and Helga LaRouche have often emphasized, that 1648 Peace of Westphalia, which ended the Thirty Years' War, provides a model for how regional and ethnic wars could be resolved today.

In Brzezinski's view, we have turned full-circle on the American Revolution of 1776. That is, that we have returned to the era of the bestial world-empires, like Babylon, Rome, Britain, and, never forget, the Vienna-based Holy Roman Empire. Brzezinski represents the neo-Confederate Southern Strategy (first brought into the White House with Richard Nixon), as it had filtered through the promotion of the Confederacy by the decadent Viennese court of the Austro-Hungarian Empire. Brzezinski, like his twin and rival, Henry A. Kissinger, was a projects of Harvard's exponent of the Confederacy, William Yandell Elliott.

Brzezinski also opined, in Munich, that we have left the era of *homo sapiens*, for the "post-human era." To pursue this further would take us into the territory of another science, psychiatry.

But the mention of Munich, introduces the inevitable comparison of Dr. Brzezinski's rodomontades, with the beer-hall and Reichstag rantings of another product of decadent Viennese culture: the Austrian painter Adolf Hitler. There's the rub! To the extent that a George W. Bush Administration is constitutionally incapable of adopting viable policies to reverse a systemic economic-financial collapse, that Administration is driven toward crisis-management solutions. The "team" of Bush Cabinet nominees, is transparently a crisis-management team. But, under today's conditions, "crisis-management methods" inevitably converge on anti-constitutional dictatorship. Just the road Germany travelled with Hitler in the heartbreak months of 1932-33.

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Three Gorges Dam: The TVA on the Yangtze River

William C. Jones and Marsha Freeman

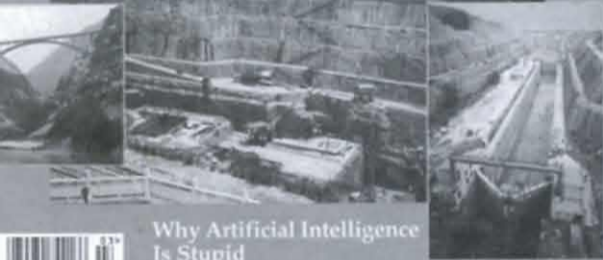
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Three Gorges Dam



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