

EIR

Executive Intelligence Review

March 30, 2001 Vol. 28 No. 13

\$10.00

Hoof-and-Mouth Brings Dark Age to Europe
LaRouche Webcast on 'Bush's First 60 Days'
D.C. Hospital Backers Win Congressional Briefing

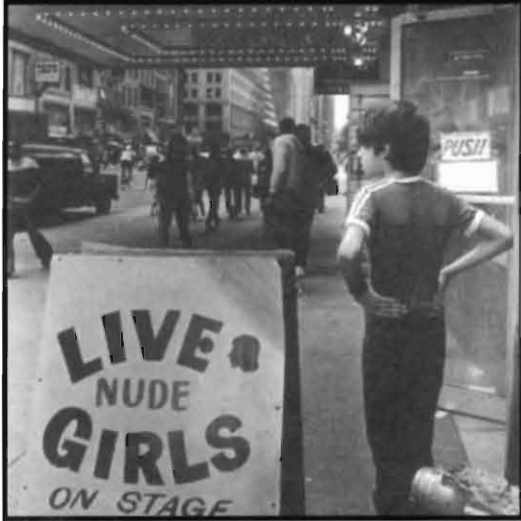
LaRouche: The Science-Driver Principle in Economics



ECONOMICS I.Q. TEST

Does \$10 million = \$10 million?

FROM PROSTITUTION



YES

NO

FROM THE PRODUCTION OF STEEL



If you said **YES**, you are a candidate:

- for the Nobel Prize in economics
- to become the Dean of the Wharton School of Economics
- to become a U.S. Congressman (R-Disneyland)

If you said **NO**, then there's hope for you! Learn the science of physical economy as developed by Gottfried Leibniz, Alexander Hamilton, and Lyndon LaRouche. Join the fight to rebuild the economy of the United States and the the world.

You Can't Fool All the People All the Time. . . Subscribe to:

Executive Intelligence Review

U.S., Canada and Mexico only

1 year	\$396
6 months	\$225
3 months	\$125

Foreign Rates

1 year	\$490
6 months	\$265
3 months	\$145

I would like to subscribe to *Executive Intelligence Review* for

1 year 6 months 3 months

I enclose \$ _____ check or money order

Please charge my MasterCard Visa

Card No. _____ Exp. date _____

Signature _____

Name _____

Company _____

Phone () _____

Address _____

City _____ State _____ Zip _____

Make checks payable to EIR News Service Inc.
P.O. Box 17390, Washington, D.C. 20041-0390.

Founder and Contributing Editor:

Lyndon H. LaRouche, Jr.

Editorial Board: *Lyndon H. LaRouche, Jr.,
Muriel Mirak-Weissbach, Antony Papert, Gerald
Rose, Dennis Small, Edward Spannaus, Nancy
Spannaus, Jeffrey Steinberg, William Wertz*
Editor: *Paul Gallagher*

Associate Editors: *Ronald Kokinda, Susan Welsh*
Managing Editor: *John Sigerson*
Science Editor: *Marjorie Mazel Hecht*
Special Projects: *Mark Burdman*
Book Editor: *Katherine Notley*
Photo Editor: *Stuart Lewis*
Circulation Manager: *Stanley Ezrol*

INTELLIGENCE DIRECTORS:

Asia and Africa: *Linda de Hoyos*
Counterintelligence: *Jeffrey Steinberg,
Michele Steinberg*

Economics: *Marcia Merry Baker,
William Engdahl*

History: *Anton Chaitkin*

Ibero-America: *Dennis Small*

Law: *Edward Spannaus*

Russia and Eastern Europe:

Rachel Douglas

United States: *Debra Freeman, Suzanne Rose*

INTERNATIONAL BUREAUS:

Bogotá: *Javier Almaro*

Berlin: *Rainer Apel*

Buenos Aires: *Gerardo Terán*

Caracas: *David Ramonet*

Copenhagen: *Poul Rasmussen*

Houston: *Harley Schlanger*

Lima: *Sara Madueño*

Melbourne: *Robert Barwick*

Mexico City: *Hugo López Ochoa*

Milan: *Leonardo Servadio*

New Delhi: *Susan Maitra*

Paris: *Christine Bierre*

Rio de Janeiro: *Silvia Palacios*

Stockholm: *Michael Ericson*

United Nations, N.Y.C.: *Leni Rubinstein*

Washington, D.C.: *William Jones*

Wiesbaden: *Göran Haglund*

*EIR (ISSN 0273-6314) is published weekly (50 issues)
except for the second week of July and the last week of
December, by EIR News Service Inc., 317 Pennsylvania
Ave., S.E., 3rd Floor, Washington, DC 20003. (202)
544-7010. For subscriptions: (703) 777-9451, or toll-
free, 888-EIR-3258.*

*World Wide Web site: <http://www.larouchepub.com>
e-mail: eirns@larouchepub.com*

European Headquarters: Executive Intelligence Review
Nachrichtenagentur GmbH, Postfach 2308,
D-65013 Wiesbaden, Bahnstrasse 9-A, D-65205,
Wiesbaden, Federal Republic of Germany
Tel: 49-611-73650. Homepage: <http://www.eirma.com>
E-mail: eirma@eirma.com Executive Directors: Anno
Hellenbroich, Michael Liebig

In Denmark: EIR, Post Box 2613, 2100 Copenhagen ØE,
Tel. 35-43 60 40

In Mexico: EIR, Serapio Rendón No. 70 Int. 28, Col. San
Rafael, Del. Cuauhtémoc. México, DF 06470. Tels: 55-66-
0963, 55-46-2597, 55-46-0931, 55-46-0933 y 55-46-2400.

Japan subscription sales: O.T.O. Research Corporation,
Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo
160. Tel: (03) 3208-7821.

Copyright © 2001 EIR News Service. All rights reserved.
Reproduction in whole or in part without permission strictly
prohibited. Periodicals postage paid at Washington D.C.,
and at an additional mailing offices.

Domestic subscriptions: 3 months—\$125, 6 months—\$225,
1 year—\$396, Single issue—\$10

Postmaster: Send all address changes to *EIR*, P.O. Box
17390, Washington, D.C. 20041-0390.

From the Associate Editor

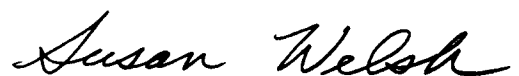
As the stock market sinks like a stone, many people are recalling that “political extremist,” Lyndon LaRouche, who had been telling them it would happen—and whom they had blissfully, foolishly, ignored. Perhaps you are one of them, picking up *EIR* for the first time. Permit me to introduce ourselves.

Actually, LaRouche introduces us best, in a footnote on page 21: “*EIR* has never been produced to be something thrown away, like yesterday’s newsweekly; it has been designed to be kept on file, as a living record of the crucial conceptual developments of the decades, since March 1974, when it was founded. My own featured contributions to those pages, during the recent half-dozen years, are of outstanding relevance to the present situation, on that account.”

In nearly ever issue, LaRouche provides a major conceptual article, such as this week’s “The Gravity of Economic Intentions.” (In fact, he writes them faster than most people can read them. If you are a subscriber who suffers from this conundrum, I can only refer you to LaRouche’s advice on page 32: “Have fun!”) Mastering this challenging, provocative work is indispensable, for citizens and policy-makers to overcome the crisis which is now hard upon us.

This week, two major campaigns by the LaRouche movement have shaped our coverage—both of them addressed by LaRouche at the webcast seminar in Washington which is reported in our *Economics* section (page 4). The first campaign, is the international mobilization to stop the financier oligarchy from shutting down Washington’s D.C. General Hospital, the only public hospital serving the predominantly black population of the nation’s capital. As we report in *National*, this is not some single-issue “good cause,” but is intended to put a spotlight on the need for government to act according to the Constitutional principle of the General Welfare. You will be shocked to find what the oligarchy has in mind for the real estate upon which D.C. General is currently located—and for the residents of the surrounding neighborhoods.

Second, is our campaign for re-regulation of energy production and distribution. In addition to the coverage in *Economics*, don’t miss Michael Billington’s report on how Indonesia was used by the energy cartel as their “trial balloon” for privatization—and destruction—of the energy resources of a sovereign nation.



EIR Contents

Cover This Week

*Artist's composite
picture of a maglev
train: rapid transit
for the 21st Century.*



20 The Science-Driver Principle in Economics: The Gravity of Economic Intentions

By Lyndon H. LaRouche, Jr. "The presently ongoing crash of the world's present financial system, defines a breaking-point in the century of the preceding, post-McKinley-assassination, cultural and political history of our planet as a whole. The fact, that the present financial system is beyond saving, requires our acceptance of the available new system waiting in the wings. In that new system, economic policy is no longer controlled by the financial system, but is coming under the influence of an axiomatic change."

Economics

4 LaRouche on Economic Crash, and 'Insanity in High Places'

In a webcast address on "The Bush Administration: The First 60 Days," Lyndon LaRouche warned of the factor of "insanity in high places" toward the presently ongoing economic crash and the measures need to solve it. These General Welfare measures must nevertheless be taken, LaRouche insisted — even under the Presidency of George W. Bush.

6 To Save Russia's Economy, Destroy the Financial Oligarchy

An interview with Tatyana Koryagina.

8 Russians See 'Systemic' World Financial Crisis

9 Hoof-and-Mouth Brings Dark Age to Europe

12 Today's BSE, HMD Mirror Medieval Pestilences

13 EIR Energy Crisis Update: Agenda for National Energy Emergency Action

15 Pennsylvania Dereg: 'Greed, Broken Promises'

17 Electricity Deregulation Has Been a Disaster

An interview with Carl Wood.

International

56 Domingo Cavallo Means Certain Death for Argentina

The new Finance Minister, the international bankers' boy, is aware that imposition of IMF austerity plans requires dictatorial measures, because such looting is provoking a social explosion.

58 Who's Bringing on the Crash of 2001? Japan Criticizes IMF in Washington

60 Bush Government Favors Narco-Peace in Colombia

61 Looting Indonesia: The Energy Brokers' 'Warm-Up' for California

64 Is Bush Sudan Policy Becoming a Colonial Grab for Oil?

66 Macedonia Faces the 'Taliban of Europe'

68 International Intelligence

National

70 D.C. Hospital Mobilization Wins Congressional Briefing

A unique Congressional briefing on the principle of the General Welfare of the nation, was the latest fruit of the battle to save D.C. General Hospital from imminent shutdown by the financier oligarchy.

72 Developers, Government Planners Eying Land Around D.C. General

74 Bush Repays Campaign Debt to Rainwater

75 Bush Gave Sharon Green Light for War

77 'Neo-Cons' Demanding a New Korean Conflict

78 Congressional Closeup

Interviews

6 Tatyana Koryagina

Professor Koryagina, an Academician of the Russian Academy of Natural Sciences and Senior Scientist of the Institute for Macroeconomic Research at the Ministry of Economics and Trade Development of the Russian Federation, is one of the leading Russian experts on the problems of the "shadow economy" and organized crime.

17 Carl Wood

Carl Wood is a Public Utility Commissioner of California, appointed in 1999 by Gov. Gray Davis (D) to a six-year term.

Departments

80 Editorial

Bush: Worse Collapse, Worse Provocations.

Photo and graphic credits: Cover, Thyssen Henschel. Page 6, EIRNS/Christopher Lewis. Page 16, State of Pennsylvania website. Page 17, CPUC web site. Page 21, EIRNS/Carlos de Hoyos. Pages 26, 33-35, 44, 48, 50, 52, EIRNS. Pages 41, 46, EIRNS/Philip Ulanowsky. Page 53, National Archives. Pages 62 (Camdessus), 71, EIRNS/Stuart Lewis. Page 62 (Suharto), Japanese Foreign Ministry. Page 67, NATO. Page 73, EIRNS/Claude Jones.

LaRouche on Economic Crash, And ‘Insanity in High Places’

by Anita Gallagher

In a webcast address on “The Bush Administration: The First 60 Days,” delivered on March 21 and broadcast internationally by www.larouche.com and www.larouchein2004.com, American statesman Lyndon LaRouche warned of the factor of “insanity in high places” toward the presently ongoing economic crash and the measures need to solve it. These General Welfare measures must nevertheless be taken, LaRouche insisted—even under the Presidency of George W. Bush—to save the planet from a new “Dark Age,” which emphatically includes the danger of early war in the Mideast, and even war with Russia. “The Bush Administration, at the highest level, ideologically, is determined to obliterate Russia from the map,” LaRouche warned, in answer to a question from Russia, one of many from diplomats and American leaders during the three-hour webcast.

Greenspan’s Hour of Doom Strikes

The worsening financial crash in which LaRouche’s intervention took place—the crash he had forecast—lent great urgency to the dialogue. It prompted one diplomat at the United Nations, listening from New York, to ask if Federal Reserve Chairman Alan Greenspan’s policy of deep interest rate cuts were “what Franklin Roosevelt would have done.” In January, LaRouche had warned that Greenspan would soon, like Rumpelstiltskin, simply “stomp his foot and disappear,” as it became obvious that he has no control over the economic and financial dive in progress. Now, on March 20, with his latest rate cut, Greenspan had indeed disappeared.

“A rate cut is absolutely an insane thing,” LaRouche told the questioner. “What is *needed* is a return to a protectionist policy. The world financial system is bankrupt. . . . What is important today, is to *separate* the real economy from the financial system. . . . One of the ways you do it, is that you introduce protectionism and regulation,” and conduit money

into specific projects, which are “*earmarked* for a specific economic result. . . . You’ve got to *steer* credit. We need more credit, but you’ve got to steer it into physical things, which are beneficial to the real economy.”

LaRouche also laid bare exactly what the “poor fool” Greenspan’s rate cuts would do: “The danger now, of a rate cut, is that we are now in a situation which is analogous in terms of rollover of debt, to Germany in the Summer of 1923. We have reached the point that the attempt to roll over an existing amount of debt, requires more inflation than the debt you’re rolling over. Now, it is precisely that kind of problem which resulted in the explosion of the German reichsmark over the period of, especially, July through November 1923.”

“That’s what the issue is, of course, in Japan,” where a policy of virtual zero interest rates “threatens to contribute to a process of blowing up the world economy in a hyperinflationary explosion,” LaRouche said.

The system has to be put through a bankruptcy reorganization now. And the way to do it is, you’ve got to get the government convinced it’s got to do it.”

As LaRouche spoke, Heinz Brestel, of the German daily *Frankfurter Allgemeine Zeitung*, had just written that “something that was impossible only a few days ago has happened. Alan Greenspan, who is always compared to the Messiah, now seems to be on his way to Golgotha. The stockbrokers and traders who only a few days ago had total faith in him, are now saying he has lost control. He reportedly wanted to cut interest rates by 0.75 points yesterday, but the majority of the 12-member Federal Reserve Board voted against him, and he may now be forced to resign.”

The Survival Option

In his succinct address, LaRouche, who is currently a candidate for the Democratic Presidential nomination in

2004, emphasized several themes, which were further developed in the two-and-one-half hours of questions from elected officials, constituency leaders, and others:

- There are only three national cultures in the world which are capable of assuming responsibility for getting the world as a whole out of the present crisis: the United States, Russia, and the capable, but opposed, British Empire.

- The Bush Administration is irrational, and does not function; there are crazies in it, typified by people who think like Pat Robertson. But, there are also more intelligent people, such as Defense Secretary Donald Rumsfeld and Vice-President Dick Cheney, who are capable of implementing intelligent policies, if they are told to do so by a combination of powerful forces in the United States and Europe. Such forces might say to Bush, “Okay. You were elected on lunatic ideas: So what? But now you’re President: Don’t be a lunatic anymore.”

“Therefore, the issue is: Can the United States come to its senses, abandon the present policy, which the incumbent President has adopted so far, and get into partnership with Western Europe, together with Russia, together with Asia, to build a Eurasian economic mobilization of about a 25-year immediate perspective, of long-term technology export, and build the world as a whole—including Africa, which is hopeless unless we do this; Central and South America, Australia, and New Zealand—build the rest of the world around a partnership between the United States, and Western Europe, in cooperation with continental Eurasia?” LaRouche said.

- On the war danger, LaRouche emphasized, “If there is a war in the Middle East now, it will not be because some *factors* in the Middle East have control over whether or not there will be a war; there will be a new war in the Middle East only if [Israeli Prime Minister Ariel] Sharon and George W. Bush’s Presidency want it. Otherwise it will not occur.”

Preparing for the Blowout

State Rep. Erik Fleming (D-Miss.) asked LaRouche how state legislators could prepare for the coming blowout; his state is still projecting “growth,” while others around it have collapsing budgets. LaRouche replied that the problem can only be considered on a national level: “We have to look at a probable 30% across-the-board collapse in the real economy—perhaps differentially in different areas—or even a 50% collapse in the next 12 months.

“It isn’t possible to go along with this situation. The only way to deal with it, is on a Federal and international level. We have to get political clout to do that. We can’t *wait* for next year; we are looking at a bottomless depression right now. The poor fool Greenspan is gone. It’s over. The bottom fell out, after his half-point rate cut. By May—or April—we are going down fast. Japan is in a crisis. . . . Past the Summer, we’re not looking at how we ‘deal with’ the situation; we’re looking at a revolution in policy,” LaRouche said.

“Otherwise, we’re not going to make it. We need a funda-

mental change in Washington,” to say that FDR was right in 1933. Herbert Hoover cooperated with the incoming Roosevelt Administration. The Bush Administration must either change its ways, or adopt the lesson of Hoover, who cooperated with FDR’s policy during the four months of transition in 1933, LaRouche said.

The audience was clearly grappling with how to get the clout to get LaRouche’s policies through. A mid-Atlantic regional labor official asked LaRouche how to get the AFL-CIO at the top to go out on a limb and support LaRouche, as he had done.

LaRouche said the labor movement should recall how it came into being in a new form in the FDR years. “I’m trying to present issues where they have national and international significance,” LaRouche said. “Not in the way issues are usually done, as single issues and so forth, in the United States. That kind of politics won’t work.

“What’s happening to pensions and hospitals is crucial—it’s a fight for the general welfare, and that’s how the modern labor movement developed, with John L. Lewis and FDR, for the general welfare. . . . It was a fight. The idea that the labor movement was not a trade association, but it was a fight of the working people, for the defense of the general welfare, knowing that the defense of the general welfare is in the interest of all of them. Therefore, you fight for a higher principle, and then come in, having won the principle, to claim your rights under the principle.

“What are we up against? A Stone-Age majority in the Supreme Court. We need a movement reviving the American Intellectual Tradition, to fight for the general welfare, mobilized around specific problems.”

LaRouche noted that “the present inventory of technology on the shelves of our manufacturing facilities and laboratories—it’s not adequate to meet our needs. We have areas of research, including space research, from which we can generate the new kinds of technologies needed to increase the productive powers of labor, and solve the problems of humanity over the coming period.”

The live broadcast was open to anyone in the world with Internet access and speakers. There was participation from Russia, Japan, Brazil, Argentina, Colombia, Peru, Bosnia, Vietnam, Laos, Indonesia, Tanzania, Zambia, and Zimbabwe: leaders, diplomats, journalists, academics, and activists. An audience of approximately 80 was gathered in a Washington, D.C. hotel, and in New York City, a gathering of mainly diplomats was held near the United Nations. From the United States, representatives of the National Black Caucus of State Legislators, organized labor, minority and community activists, and students were represented in the Washington audience. In particular, a number of those in the Washington audience were participants in the fight to save D.C. General Hospital, who attended the webcast to look at that battle from the higher standpoint of winning the war for economic justice. (LaRouche’s full address is posted at www.larouchepub.com, and will appear in next week’s *EIR*.)



To Save Russia's Economy, Destroy the Financial Oligarchy

Prof. Tatyana Koryagina, an Academician of the Russian Academy of Natural Sciences and Senior Scientist of the Institute for Macroeconomic Research at the Ministry of Economics and Trade Development of the Russian Federation, is one of the leading Russian experts on the problems of the "shadow economy" and organized crime, which are ruining the economy. She was interviewed on March 8 in Wiesbaden, Germany, by Hartmut Cramer.

EIR: How do you see the present economic situation in Russia, especially in respect to organized crime?

Koryagina: The actual level of organized crime in Russia is very high. Presently, the volume of the entire shadow economy in our country amounts at least to about 3.3 trillion rubles per year, of which 2.2 trillion rubles, i.e., two-thirds, account for organized crime. The other third of the shadow economy consists mainly of family labor—for instance, in the gardens and little dachas [country cottages], where people grow their own food in order to survive; so-called "official business"; and certain activities by smaller companies which break the law by evading taxes—not in a serious way, since that we would categorize as organized crime, but nevertheless, they break the law.

The total volume of the economy in Russia is very hard to calculate exactly. Last year's GDP was officially estimated at about 6 trillion rubles—

EIR: More than half of economic activity takes place in the "shadow economy"?

Koryagina: In reality this figure is even higher: about 70%. Officially, this figure is not admitted; nobody calculates the figures as rigorously as we in our institute do. But what I say is true.

Of course, this is not only a "Russian phenomenon." Since we also analyze the relevant figures of other countries, we can say, that all over the world the amount of the shadow economy is rather high—even in countries like the United States, where we estimate it to be about 30%; also in Italy it is very high. But we can't tell the exact figures, because we don't know how the statistics in these countries are produced, and how their shadow economy is calculated.

In addition to the problem of the shadow economy, in

Russia we have the problem of massive tax evasion. Practically *all* companies in Russia evade taxes in a big way. So, if one of our economic scientists goes to a company to really find out the truth of its economic activity, he wouldn't have to ask the manager: "How much did you produce today?" but rather: "How much did you *steal* today?" That is, unfortunately, the reality in our country.

EIR: What are the areas where organized crime is most active in Russia, and which are the biggest names?

Koryagina: The financial sector, as well as stealing, and trade in everything that is lucrative. Trade in stolen cars is one specialty of organized crime, for example. But the big areas, of course, are trade in weapons and drugs.

One of the biggest names in these illegal financial and economic activities is that of [Boris] Berezovsky, whose personal wealth *Forbes* magazine estimated at about \$4 billion. Of course, it is difficult to say, whether he really has this amount of money, because *Forbes* estimated his shares; and today these shares can be very high, but tomorrow down to zero.

Another famous name mentioned in respect to organized crime in Russia is Vladimir Gusinsky, who—unlike Berezovsky, whom I would characterize as a "lone wolf"—is the man of the international financial oligarchy. These two are the most famous names in this respect. Of course, it is impossible to say, who in particular is an owner of criminal money, so to speak, but the leading figures of organized crime in Russia are known. While our authorities do go after people connected to organized crime, our Ministry of Internal Affairs usually doesn't catch the big fish. It is obviously a political problem.

EIR: That brings us to the question: Who really has the power in Russia right now? The elected President and government, or organized crime?

Koryagina: During the time of President [Boris] Yeltsin, the answer to this question was clear: surely, organized crime. Now, the situation is different. Organized crime still has a lot of power, because the state has not limited it. But President [Vladimir] Putin wants to do so, and therefore, we could see the power of organized crime in Russia being weakened rather quickly. It is possible to disrupt the connections of these crimi-

nals, especially their financial connections. And I think, under the present circumstances, it is better for our organized crime figures to go abroad.

EIR: Some of them are already abroad.

Koryagina: Yes, in France and Spain, but also in Germany. Berezovsky presently is probably hiding in France; Gusinsky is under arrest in southern Spain, and he had many business and financial activities going on in Gibraltar, which, of course, belongs to Great Britain.

EIR: Why has President Putin so far hesitated to really demolish organized crime, and finish off Gusinsky and Berezovsky by destroying their financial empire?

Koryagina: One reason is, Putin does not control the media. Now, he *doesn't want* to control the media, because he is trying to be a democratic President. The media controlled by Gusinsky — he *directly owns* NTV, one of the biggest Russian TV stations, as well as many newspapers, and in addition, many correspondents in the other TV stations and media are on his payroll—they are very aggressively going against Putin. This, for President Putin, is a very serious problem. Already the media have blamed him for not being a “democrat,” and this has done much damage to Putin, as it has shaped the public opinion of the entire world in this direction. Putin is indeed in a very difficult situation; he is walking a very thin tightrope.

Otherwise Putin's problem is the international financial oligarchy, since Russian organized crime is simply part of international organized crime. And on this level, our President has to face a lot of pressure: The international financial oligarchy is threatening to withhold credits, for example. Even official organizations like the International Monetary Fund are doing this; maybe some people in these institutions don't know what they are doing, and why, but it is a serious problem for Russia.

EIR: What is the economic policy of the Putin government, other than its fight against organized crime?

Koryagina: Primarily to promote our industry, and this is very difficult, since during the time of “shock therapy” our industry was widely destroyed. Today we have only little maneuvering room, and almost no money to invest. A lot of our economic activity involves barter; mainly inside Russia, but also mainly with Eastern countries, because they also had to suffer under “shock therapy,” and don't have money to pay. To revive our industry, and bring our country back to a path of growth in our productive capacities, is the biggest challenge right now, and that is what Putin wants to master, I think.

On a political-strategic level, President Putin wants Russia to act as a bridge between East and West, especially between Asia and Europe, and to have good relations with all the other countries in the world.

EIR: What is the most important thing the Western leaders should do now, in respect to Russia?

Koryagina: Talk. The Western countries should respectfully talk with Russia, and with Putin. They should respect our position: The situation in Russia after “shock therapy” being pushed through by our liberals is awful; the condition in our industry and our society in general is poor. We have to carry a huge burden of internal debt, which *has* to be paid to our people. President Putin is indeed in a very serious situation. In addition to this, Russia has a huge amount of debt to the Western countries, especially Germany.

EIR: What is, in your view, the best way to solve the problem of Russia's enormous foreign debt?

Koryagina: We tried to solve this question in our negotiations with the members of the Paris Club, but so far without success; right now, we are in a trap. The recent proposals by Italy and Germany, however, to turn the debt into investment, would be a very good solution. For example, by giving Italian and German companies shares in new joint ventures in the productive sector: especially in high-tech machine-tool building, but also in the automobile sector. This would not only be advantageous for Russia, but for Italy and Germany too, because by investing in the real economy of Russia, they can expand their exports of capital goods, create additional productive jobs, reduce unemployment, etc. Paying the debt in exchange for productive investment in the real economy, as Moscow discusses this right now with Rome and Berlin, is an excellent concept; but whether it will be fully realized remains to be seen.

I personally have still another proposal, a rather radical one, but just, to solve our problem of the foreign debt: The huge sums of flight capital, which organized crime figures like Berezovsky, Gusinsky, and their ilk have channelled out of Russia in the last ten years, and then deposited in international banks in Western Europe and abroad, should be confiscated and used to pay our foreign debt. When I first made this proposal several years ago, most of my fellow scientists in Russia laughed at me; but recently, even people in our government have started to take it seriously and have begun to discuss it.

EIR: You said the situation in Russia is very serious, but at the same time people hope that with Putin it will improve. Can you give us some examples?

Koryagina: The situation now is rather better than several years ago, but it is still on a very low level. But *tendentially* it is much better. Putin stated publicly that the income of families must go up; and this is very important.

Speaking about income: If you look *structurally* at how much the various professions earn in Russia right now, you get a glimpse of the enormous problem our government is facing. At the bottom of the income ladder rank the people engaged in culture, then come those Russians engaged in

medicine, education, and science; above them, rank those who are active in agriculture. Our farmers earn, in real terms, about 1,000 rubles a month, that is, \$30 to \$35.

To give you an example: I receive as a monthly salary 1,100 rubles in cash; in my village, the farmers receive, maybe, 100 rubles in cash, but about 900 rubles in the form of agricultural products like potatoes, grain, corn, milk, bread, etc. And since these products in a city like Moscow cost much more than in a village in the Russian countryside, in *real* terms, the farmers “earn” more than scientists, artists, doctors, and teachers in our cities.

EIR: How do they survive?

Koryagina: By working many jobs, of all sorts. Driving a taxi is one way; digging graves, like one of my friends—a nuclear physicist—does, is another. His wife, also a qualified scientist, works as a cleaning woman. I survive, because I have a little dacha in a village outside Moscow, where I grow potatoes and vegetables. Of course, it is crazy that we scientists drive taxis, grow potatoes, and even are forced to dig graves, rather than doing research and writing scientific pa-

pers, but that is the ugly consequence of the “shock therapy” imposed on us by our liberals.

EIR: President Putin has been in power now a good year. How much time does he still have, in the eyes of the Russian population, to improve this desperate situation?

Koryagina: I think, about one year. Our people are still waiting; they do believe by now, that Putin *wants* to change the situation for the better. But if he can’t make *big* changes, then our people will soon become disappointed. The Russian people regard Putin as the last hope after Yeltsin. Although Yeltsin presented Putin as “his man,” the Russian people, after some months of watching Putin with some suspicion, realized—especially after Putin successfully solved the problem with the war in Chechnya—that he actually was different than Yeltsin. And now, our population wants Putin to also accomplish an “economic Chechnya,” to radically improve the economic situation; and that for the *whole population*, for the *whole state*.

I hope Putin will be a national leader. He is clever, calm, and doesn’t speak like Gorbachov, who talked about *every-*

Russians See ‘Systemic’ World Financial Crisis

The ongoing worldwide financial crisis has amplified the discussion in Russia, about the consequences of a collapse of the U.S. dollar. Economist Sergei Glazyev, corresponding member of the Russian Academy of Sciences and chairman of the State Duma’s (lower house of Parliament) Committee on Economic Policy and Business, released a statement on March 16 dealing with the latest financial events. These, he said, were no mere “market fluctuations”; rather, “this is a systemic crisis, which will have very grave consequences for the entire world financial system. It is especially alarming, that the epicenter of the crisis is the United States, a nation whose national currency is effectively a world currency.”

Glazyev also noted that “the dollar is only 4% backed up by [U.S.] gold reserves. Yet, in order to satisfy the interests of financial speculators, an astronomical quantity of dollars has been put into circulation. As a result, the market has overheated, and the numerous financial pyramids, which were constructed during the past 20 years on a base of various securities and their derivatives, can no longer remain stable.”

Now that “panic among the speculators” is observed, Glazyev said, look for the crisis to spread from stock mar-

kets into other areas, including currencies. The process is not controllable: “Theory and practical experience both tell us, that if a major financial crisis begins, it is extremely difficult to halt its spontaneous development. Local crises may be neutralized in one way or another, but a crisis, spreading from the epicenter of the world financial system, is practically impossible to stop.”

Regarding the impact of the latest events on Russia, Glazyev said that the Russian market “has not yet been restored after the August [1998] crisis, so—to put it crudely—there’s nothing to shake.” But, he added, a collapse of the dollar, and a transition into “the depression stage,” will not fail to affect the heavily dollarized Russian economy. Companies and ordinary citizens, who keep their funds in dollars, will be hit. He suggested that Russia diversify its currency holdings into the euro and other currencies, “in order to reduce our dependence on the dollar,” and implement existing proposals to strengthen the role of the ruble within the Russian economy.

Also on March 16, the Russian government daily *Rossiyskaya Gazeta* advised investors to get out of the dollar. Author Alexander Velichenko documented the desolate situation of the U.S. financial markets, emphasizing the catastrophic accumulation of unpayable debt and the threat of a collapse of the U.S. banking system in the wake of the present stock market crash. Velichenko noted that some British and American experts have already called for an “inflationary solution” to the internal debt crisis.

—Rachel Douglas

thing without knowing *anything*. We Russians don't like people who just blabber around, like Gorbachov. I believe that Putin is serious about improving the economic situation. He wants necessary interventions by the state in order to build up infrastructure and industry, the productive sector in general. That is an economic concept totally different than that of communist planning. This aspect of Putin's program is definitely not liked by the liberals, because they don't want the state to control or regulate anything.

EIR: Putin wants a mixed economy, with as many necessary interventions by the state in the field of infrastructure, energy, etc. as needed, and as much freedom for productive private enterprise as possible?

Koryagina: Yes, pretty much like what we see in China right now. Our institute has developed a program to establish a two-tiered economy, where the state cares for all those activities that are important for our people not only to survive, but to live a decent life and develop themselves, and their children. That means, that the state regulates everything which is decisive for the development of the whole country and the whole population, in terms of strategic industries, infrastructure, and energy, as well as health care, education, pensions, etc., and leaves the rest to private enterprise.

EIR: That brings us, in conclusion, naturally, to the present energy crisis in California. What is your comment on that?

Koryagina: The people in California got exactly what we Russians got from the liberals like [Anatoli] Chubais. That is not only what our people think, but this is even openly talked about in our newspapers. I hope the Americans will draw the appropriate lessons for themselves.

EIR: Would you, finally, like to say something about what the Western governments should do right now, to help Russia to succeed?

Koryagina: At this moment, it is very important, that the foreign states support our Interior Ministry and prosecutors in their attempt to find the Russian flight capital and confiscate it, so that at least some of it can be used to pay our foreign debt. If one really tried to get the Russian flight capital, one could find at least \$100 billion very easily. To be clear: We do not propose to simply confiscate this money, which was stolen from the Russian people in the first place, but that it be done strictly according to established legal standards. Guskinsky and Berezovsky have the right to hire good lawyers—they certainly have the money to do so—and then our government can argue its case in court.

Ultimately, success in radically changing our economic situation for the better depends entirely on breaking the power of the financial oligarchy and organized crime, which operates, as you well know, internationally. That is the key to solve our problems in Russia.

Hoof-and-Mouth Brings Dark Age to Europe

by Rosa Tennenbaum

That the much-feared hoof-and-mouth disease (HMD) broke out in Great Britain, is probably not more than an unhappy coincidence; any other European country could have been hit just as well. But the way the country is handling the crisis, was, until recently, uniquely British: the method of the Middle Ages, as if a vaccine had never been developed.

The whole countryside is closed down. In areas where HMD has been raging, things are at a standstill. Any movement of people, animals, or goods is forbidden, or permitted only under official supervision. Children are not allowed to go to school, nor women to shop, nor the whole family to go to church on Sunday. The epidemic guards and the killing squads are the only ones allowed into the disinfection areas. If their gruesome task is carried out, all cloven-hoof animals are killed, and the pyres burn; silence descends upon the area. The farmer and his family are left alone; the only animals they keep, is their dog or their cat.

These images suggest that the Black Death is reappearing, but this is not the case. HMD is very infectious for cattle, but it does not harm humans. It is not even deadly for animals, in most cases. Two weeks after the animal comes down with the illness, which causes fever and blisters on the mouth and the hooves, it generally recovers. Older animals rarely die, but among young ones the death rate is 50-70%. After the animal recovers, its productivity is significantly lowered. Meat and milk can be consumed without any risk, as the virus does not affect people.

What makes HMD dangerous, is that the virus is extremely infectious. Infected animals pass it on, but the agent, sticking to clothes, shoes, suitcases, and tires, is spread mainly by human movement; it can easily bridge continents. Wild animals and migrating birds can also spread it. The efforts of British officials to gain control of the disease by extreme epidemiological measures will inevitably end in failure, because of the very nature of the epidemic. Despite that, British Prime Minister Tony Blair's government is holding tooth and nail to this strategy.

History of HMD in Britain

Hoof-and-mouth disease has been known since ancient times. In Europe, it is documented as having existed since the 18th Century. It has regularly broken out, and farmers

have fought the disease by restricting movements and closing animal markets temporarily.

In Britain, the history of HMD started in 1839. The disease was endemic throughout the 19th Century, with hundreds of small outbreaks. At the turn of the 20th Century, a group of extremely wealthy farmers, generally noblemen, started to press for eliminating the virus. They wanted to protect their valuable pedigreed animals, since recovered animals showed lower productivity, and therefore were unfit for breeding. These farmers suffered higher losses by HMD than normal farmers with their herds.

These wealthy farmers lobbied for the idea of eradicating the disease, and making the country disease-free. In 1910, the new policy was introduced: When HMD broke out, the whole herd was culled and burned, and the region was put under quarantine. As long as the outbreaks were small, this measure was reasonable and accepted. In the first big epidemic of the 20th Century (1922-24), 250,000 animals were culled, a huge number at that time. Killing squads often arrived on the farms after animals had already recovered, and farmers had to watch their healthy cattle being killed. Protests of angry farmers were suppressed by the government, which accused them of spreading the disease.

In the 1950s, a vaccine against HMD was developed, and widely used on the continent to stop, and later to eradicate the epidemic. Epidemics could now be put on hold within a short time. Not so in Britain. There, the use of vaccine was not considered. In the late 1950s, the government started to block imports from countries that vaccinated their cattle.

During the last big epidemic of 1967-68, the disease went out of control, despite the culling of hundreds of thousands of animals. A vaccination plan was drafted, but the high-point had passed, and cases went down. Again, Britain had handled HMD without using the vaccine—at the cost of 450,000 animals.

Abigail Woods, who researched this history of HMD at the Centre for the History of Science, Technology and Medicine at the University of Manchester, points to the role London played to force through its method of handling HMD internationally. Other countries followed the British example, and demanded, from their importing partners, proof that imported animals were “free of HMD without vaccination.” This continues today. It has been *economic* interests from the very beginning, that made state control of the epidemic a precondition. At the head of this movement was (and is) Great Britain.

After the crisis of 1967 was survived without using the vaccine, British officials started to lobby massively in the European Union (EU) for their policy. In continental Europe, HMD was eradicated by regular vaccination in the 1960s and 1970s. When Denmark joined the EU, things changed. Denmark traditionally exported large amounts of meat to the United States and Japan, and both countries made the renunciation of vaccination mandatory for meat imports. In addition,

the European-wide policy of handling illnesses had to be harmonized, with the introduction of the European “single market” in 1992. And, despite the fact that HMD was for many years no longer a problem, thanks to vaccination, vaccination was abandoned.

The Epidemic Returns

In the age of globalization, with virtually unhindered traffic of people and goods, it was only a question of time before the epidemic would return. In Great Britain, more than 300,000 animals were killed within the first three weeks of the current epidemic, but the number of daily outbreaks is still rising. In desperation, London decided to do by culling, what others do by vaccination: In a radius of two miles around outbreaks, all animals are to be killed and burned. “Slaughter on suspicion,” Agriculture Minister Nick Brown calls this program. One million animals, including healthy animals, as the minister himself admits, will be killed, rather than vaccinated, just because they are cloven-hoof animals. In Scotland, 200,000 sheep will be culled. Whole regions will be transformed into livestock-free zones. The county of Cumbria, for instance, will lose all its livestock.

Up until now, there was hardly any questioning of the way London was handling the crisis. But, when Nick Brown announced the 1 million mass-culling, there was an outcry, not only from farmers, but also from veterinarians and others. The killing squads are already stretched thin, even with Army help. It takes seven days, on average, to kill an infected herd, and another six to seven days to burn the carcasses. These are decomposing in the fields, attracting foxes and birds, which spread the disease to rats and deer. It is truly a nightmare.

“This isn’t even medieval; it is the Dark Ages,” the London *Sunday Times* commented on March 18. In Cumbria, farmers and their veterinarians are refusing to collaborate, and say they will not surrender their livestock, as long as there are no signs of HMD. “Stop this brutal slaughter now, and give us the vaccine,” Mark H. Brown demanded in the *Times* on March 17. He accused the ministry of “blindly following a policy developed in the 1920s. But times have changed. . . . So why are we not using the vaccine? Fifty million doses are available.”

Jonathan Miller attacked the policy of the Ministry for Agriculture and Fisheries (MAFF) in the *Sunday Times* of March 18: “Arguing with these people [on vaccination] is akin to disputing theology with the Inquisition. The British farm establishment . . . does not deviate from this line. . . . MAFF has persuaded the European Union to develop a faultless strategy for creating havoc. First, deny vaccination so the European herd is vulnerable. Then (by closing abattoirs, increasing animal travel) increase the risk that the herd will be infected. When the virus appears, impose a chaotic, primitive slaughter. . . . Massively disrupt the life of the countryside

(and now much of the continent), inconveniencing millions with arbitrary and meaningless restrictions. When it is all over, get ready to go through it all again because the herd is still unvaccinated and just as vulnerable as ever. God forbid the eco-terrorists catch on to how easy this is: apparently one could close down the entire EU armed with nothing more than a ham sandwich and a list of petting farms.”

Enormous Economic Damage

The Centre for Economics and Business Research calculated the economic losses, caused by HMD to £9 billion (\$18 billion) plus £3 billion in lower tax revenues. The biggest impact will be on tourism, with £7.9 billion, according to this study, but the losses in agriculture were already estimated to run at £3 billion. For comparison: Britain’s total meat exports are £400 million, and live animals exports account for £42 million per year.

Pressure is mounting. The Elm Farm Research Centre, a leading organic farming charity, prepared a legal case against the government. They want a public examination of the arguments for and against vaccination. The challenge was written by Britain’s most prominent veterinarians, who said that the ministry’s mass-culling policy is “scientifically mistaken, helps to spread the disease, is agriculturally and economically suicidal, and could be illegal under European law.”

It proposes immediate emergency vaccinations which could “enormously” reduce the risk of airborne and vehicular spread of the diseases to unaffected areas and would increase public confidence. “It is also ethically and politically acceptable, a rational response to an exceptionally infective condition, and which has a very rapid response. It could result in near 100% vaccination rates within five days and almost complete immunity in ten days. A reduction to zero could be expected within three weeks.”

Veterinary experts expect that the high-point of the HMD crisis will not be reached before the beginning of May, and say that it will not decline noticeably before August. That is an indirect indictment of the British government’s policy. The epidemic cannot be eradicated in an area with a high animal density, as is the case everywhere in Europe, unless you eradicate the whole herd along with it.

A Threat to All of Europe

The incompetence in London is threatening agriculture in all of Europe. The virus is spreading freely, and has already travelled to Ireland (one case), France (one case), and the Netherlands (two cases). It will certainly spread further; it is only a question of time, when it will hit, and where. It hit the northeastern part of the Netherlands, which is only 30 miles from Germany. This could lead to the much-feared “melt-down,” because this region has one of the highest animal densities in the world. The Dutch government immediately

appealed for a vaccination program at the European Commission in Brussels, but the EC declined it.

Is all of Europe heading in the British direction? Whole regions in Ireland, France, Belgium, the Netherlands, and Germany already look like it. Wide areas are sealed off; smaller roads have been barricaded; larger ones are being blocked and controlled by police. Any movement needs official permission, and is being surveilled. National borders inside the EU have been re-erected. The only thing lacking is the pyres. “We do not want to have circumstances like in the Middle Ages, like in Great Britain, now,” the Dutch Agriculture Minister said, in criticizing the European Commission’s neglect. “We will not put up pyres. If our capacities to destroy the cattle in the slaughterhouses do not suffice, we will start vaccination.”

Such a fight against using the vaccine might be understandable in countries where animal density is lower, such as in the Americas. But in Europe, and in this region in particular, it is suicidal, and it is completely out of question that HMD could be stamped out in any other way. Immediately after the outbreak in Great Britain, the Association of German Veterinarians warned that if HMD comes to the continent, the whole cloven-hoof population in Central Europe will be threatened with extinction, and they demanded preventive immunization. Now, that has happened.

This is not the first epidemic Europe has experienced; the last big one was just 30 years ago. The vaccine worked magnificently in the 1960s and ’70s. The disease was brought to a standstill within several days. And vaccination is cheap: One dose costs around \$1, plus the costs for the veterinarian, which is the bigger part. During the past 20 years, the vaccine has been greatly improved. Immunity starts after four days, is completed after 21 days, and lasts for 12 months. The exact variant of the virus raging in Europe right now is clearly identified. The fact that vaccinated animals could carry the virus for up to six months, does not play any role in an immunized herd. And Europe was already cut off from world trade, anyway, when the first country had registered one single case.

So, what is Europe waiting for? This crisis demonstrates that supranational institutions such as the EU bureaucracy are incapable of acting rationally in a crisis. It shows again the enormous power London — which controls the EU Council of Veterinarians and the Office for Animal Health — exerts in Brussels, just as in the case of “Mad Cow” disease (bovine spongiform encephalopathy, or BSE), where London prevented any measures, even examination for years. Globalization brought us the return of this dangerous epidemic, and supranational institutions, such as the EU, have prevented it from being responded to effectively. It just goes to show that only the nation-state is able to safeguard the well-being of its population. This is now proven true, even for animals.

Today's BSE, HMD Mirror Medieval Pestilences

by William F. Wertz

Epidemics of livestock pestilences spread among livestock during the Great Famine in the early 14th Century during the years 1315-22, nearly a generation before the first of four outbreaks of the bubonic plague struck Europe beginning in 1347.

The early 1300s was the beginning of a Little Ice Age, which lasted until about 1700. During this period, severely cold Winters were followed by heavy rains and flooding in the Spring and Summer months. In 1316, the Baltic Sea froze over. The hardest Winter was 1317-18. During the Winter of 1321-22, the Baltic and parts of the North Sea froze over. Due to this Ice Age, communication with Greenland was gradually lost, Norse settlements there were extinguished, and cultivation of grain disappeared from Iceland and was severely reduced in Scandinavia. Overall, a shorter growing season resulted throughout northern Europe.

The terrible weather ushered in or laid the foundation for fatal diseases or murrains. Among draft animals, those affected were castrated bulls or oxen. Since these animals were used to plow fields, the diseases affected the ability of farmers to plow the fields for grain. Among food animals, those affected were primarily sheep and cows.

The initial and principal pestilential disease was rinderpest, a disease which affected ruminants (cud-chewing animals). Once the disease hit, it ran its course in a week or so. The infected animals manifested discharge around the nose, mouth, and eyes. These early symptoms were succeeded by stench, recurrent debilitating and explosive diarrhea with consequent dehydration and tenesmus (the animals attempt to defecate when nothing remains to be voided). Death was followed by rapid putrefaction.

Recently, observers have described the practice in England of slaughtering hundreds of thousands of animals with hoof-and-mouth disease, followed by the burning of their carcasses, as a throwback to the Dark Ages. In fact, during the early 1300s, the diseased animals were burned after their demise. However, the continuous rain often hampered the burning, thus forcing their mass burial.

The rains also made it difficult to cure (dry) hay for animal feed. As a result, in the Winter cold, stores of fodder would run out, thus weakening strong animals and making them more susceptible to disease through malnutrition.

Also, due to the perpetual rains, sheep suffered from liver fluke, an infestation of parasite worms. During 1319-22, especially cattle murrains, that "endured a long time," followed the wet weather pestilences.

Prelude to the Black Death

Another factor which contributed to the destruction of food production and distribution, was widespread warfare in the affected area of Europe. Until 1319, there was a dynastic struggle among Norway, Denmark, and Sweden. In 1314, there was war between Ludwig of Bavaria and Duke Frederick of Austria. There was also an on-again, off-again war in Flanders, as French troops tried to bring Flanders under French control. In the British Isles, the English and the Scots were at war. In 1315, Scottish forces invaded Ireland as a second front in their war against England. In the same year, Wales revolted against England.

As a result of both the natural disasters of this period and the aforementioned social chaos, sheep and goat flocks fell by as much as 70%, and "a great pestilence of oxen and cattle" affected especially Germany, France, and England.

The resulting "Great Hunger" afflicted an area of 400,000 square miles with a population in excess of 30 million. The population, which had been growing until 1300, began to decline, even before the later outbreak of the Black Death in 1347.

Because of hoarding and speculation, prices soared, for example, by as much as 800% in France. People were malnourished, and consequently more vulnerable to disease. A contagion of dysentery prevailed in these years.

Poor people who were in their thirties and forties when the Black Death began in 1347, would have been young children in 1315-22. The effect of the famine on such children would have resulted in the inadequate development of their immune systems, thus increasing the rate of morbidity among this generation during the subsequent Black Death.

Today, the danger is potentially greater, because of the rapid and widespread proliferation of the diseases as a result of globalization and the fact that, in the case of bovine spongiform encephalopathy (BSE, or "Mad Cow" disease), the disease is transmittable to human beings.

However, today, the spread of livestock diseases has been created not by a natural disaster, but rather by the man-made ideology of free trade and deregulation, as promoted by the likes of Margaret Thatcher. Moreover, its outbreak occurs not a generation prior to the outbreak of the Black Death as in the 14th Century, but in the context of an already-existing global epidemic of AIDS and other pandemic diseases, potentially threatening the continued existence of the human species.

Material for this article comes mainly from The Great Famine, by William C. Jordan, and A Distant Mirror: The Calamitous Fourteenth Century, by Barbara Tuchman.

Agenda for National Energy Emergency Action

I. Considerations for Re-Regulation:

International

■ **France:** On March 20, Prime Minister Lionel Jospin, speaking in Brussels, pointed to the California energy crisis in demanding that the European Union slow down plans for economic privatization and liberalization. The remarks are very significant, coming on the eve of the EU economic summit in Stockholm, March 24-25. The British government is already an-

gered by Jospin's opposition, when Britain is pushing for accelerating the privatization of public services. Jospin met with European Commission President Romano Prodi on March 20, and said afterward, on the subject of a European Commission plan to fully liberalize the gas and electricity sectors by the year 2005: "We think that the question cannot be put exclusively

in terms of fixing early dates for liberalization." He pointed to "problems" in California with the deregulated energy grid, and train wrecks in England.

■ **Japan:** A March 21 *Daily Yomiuri* (*Japan Times*) editorial was titled, "Power Supply Deregulation Must Not Go Too Far." It calls for "restraint" and "careful steps" in deregulation, given the blackouts in California. The editorial ends: "Unlike hamburgers and clothes, cheaper electricity is not necessarily a good thing. The task of ensuring the stability of power supplied is directly linked with the nation's energy security."

II. Scope of Energy Crisis:

Physical Economy

■ **California:** From March 19-21, rolling blackouts hit the state again, with outages lasting for an hour or more per site. This week, unlike in January, the blackouts hit statewide, for the first time since World War II. While the immediate causes are under scrutiny—energy cartels "gaming" the markets, large amounts of power capacity down for maintenance simultaneously, smaller suppliers not being paid, the impact of the Bonneville Power Administration's drought—the fundamental cause is the refusal of Federal authority to intervene, to act in the public interest.

The state is paying \$45-60 million a day for power purchases. This means that more and more state projects of all types are being cancelled—educational, water, etc.—to shunt public funds into the dere-

gulated electricity markets. Meantime, Gov. Gray Davis's intent to market state bonds for a bailout, is confronting a situation of financial blowout, where stock values are plummeting, and corporate pressures for liquidity are at crisis levels.

In the California electricity generation base itself, financial chaos is spreading, in the absence of Chapter 11 bankruptcy intervention into the collapsed utilities, Pacific Gas & Electric, and Southern Edison. Many of the smaller companies supplying power into the California system (not the energy cartel "merchant" firms), having not been paid for months, are themselves facing bankruptcy. This accounts for growing amounts of power offline during Stage 3 alerts and blackouts.

Then, there is the major traditional out-

of-state supplier, Bonneville Power Administration. On March 14, U.S. Senators from the Northwest proposed that Oregon-based BPA be moved to the head of the line, to get paid for more than \$100 million it is owed by California utilities. This proposal was defeated; California Sen. Dianne Feinstein (D) said it would force the bankruptcy of the California utilities. Bonneville, too, is facing a financial end-game scenario by the Fall, due mainly to the drought. Only orderly Chapter 11 intervention can keep the energy system operating.

■ **Northwest:** Here, utility indebtedness and insolvency are also going out of control. Seattle City Light has had to borrow \$689 million to avoid a \$300 million deficit by Fall, and to finance capital projects, which heretofore have been covered by cash.

■ **Massachusetts:** Massachusetts Electric filed for another rate increase in March, which would bring rates to 8.385¢ per kilowatt-hour, up from 3.8¢ five months ago. The power wholesale market in New England is very volatile.

III. Energy Infrastructure:

Crises and Reactions

■ **Nuclear Power:** On March 7, Sen. Pete Domenici (R-N.M.) introduced S. 472, the “Nuclear Energy Electricity Supply Assurance Act of 2001,” with 11

co-sponsors. The bill would authorize \$50 million in FY02 for a study of Generation IV nuclear systems (modular, passively safe new reactor designs that have been

on the drawing boards for years), with the goal of selecting and designing at least one Generation IV system for demonstration by Sept. 30, 2004. S. 472 calls for reform of the Nuclear Regulatory Commission to facilitate the development of new nuclear technology, directs the Department of Energy to study and report on the possibility of completing unfinished nuclear plants, and authorizes funding to upgrade nuclear and other science education.

IV. Policy Response:

Federal, State, and Local

■ **Bush Administration:** A marathon series of deregulation speeches took place in Washington, D.C. on March 19-20, to insist on the “markets” policy, and denounce any proposal for energy price-controls.

There were the following highly publicized events: a two-day National Energy Summit held by the National Chamber of Commerce; a four-hour hearing on March 20 by the House Energy Subcommittee of the Commerce Committee; a meeting on March 19, between the President and the Energy Taskforce; an NBC “Today Show” appearance on March 19 by Energy Secretary Spencer Abraham.

Speakers during this series included Federal Energy Regulatory Commission head Curt Hebert; Sen. Frank Murkowski (R-Ak.), and energy cartel spokesmen. They uniformly insisted on further deregulation. Abraham said on NBC-TV that energy “price controls aren’t going to increase supply. They’re not going to reduce demand. They’re just going to make more blackouts certain.” “Supply” is being used as the thematic to refuse to address the real issues of hyperinflation, mega-profits, or economic breakdown.

Enron Chief of Staff Steven Kean told the Chamber of Commerce on March 19, that there must be no interference in the “free market.” He further denounced the “enormous protectionist” tendency popping up around the country, saying it was “creating problems.”

■ **Mandatory Electricity Consump-**

tion Cuts, as policy, have now been prominently proposed in Washington, D.C., by Rep. Joe Barton (D-Tex.), chairman of the March 20 House Energy hearing (fourth in a series, and set to continue on March 22). Barton told the packed chamber that his committee has been asked to come up with proposals for California by the coming weekend. Indicating the rule-by-decree thinking present in the Administration, he made the point later at the hearing, that the energy problem in California is elementary “Economics 101.” Barton said: Either increase supply, or reduce demand. He then asked the FERC board members present, to look into whether FERC has the *authority to enforce demand-cutbacks on California*, excepting nursing homes and hospitals.

Rep. Chris Cox (R-Calif.) said that rolling blackouts in his state were too “blunt an instrument” for forcing usage cuts. But “prices” (high prices) would discriminate better, forcing cutbacks in demand.

On March 20, a dramatically confrontationalist episode involved Rep. Richard Burr (R-N.C.). He pointed his finger menacingly at each of the FERC members present, shouting, “Answer me! Do you, or do you not, dare to call the power supplier companies ‘pirates’?” Barr thus defended North Carolina-based Duke Energy, which company is internationally prominent in the energy cartel. (Rep. Bob Filner [D-Calif.], on March 2, asked the San Diego District Attorney to press criminal charges against Duke, Reliant, and others, for bilk-

ing California. Many other individuals and states are taking the same approach.)

■ **Pennsylvania’s “Model” Deregulation:** This was the featured claim on March 20, in a live webcast of the Chamber of Commerce National Energy Summit—Day 2, by Pennsylvania Gov. Tom Ridge (R). He was the final and featured speaker of the day, saying that “marketplace solutions must be the linchpin of energy policy.” He added, “California’s problem wasn’t too much faith in the marketplace. It was too little. I am here today to say that marketplace solutions work. And I offer Pennsylvania’s experience as Exhibit A.” The state passed deregulation legislation in late 1996, just four months after California.

Ridge did not acknowledge that the electricity provider to 1 million Pennsylvania accounts (20% of all accounts in the state), is asking for a 30% rate hike! New Jersey-based GPU made its case in five-day hearings March 12-16, before the Public Utility Commission, in the state.

Pennsylvania Rep. Camille “Bud” George, chairman of the state’s House Energy Committee, has called deregulation in Pennsylvania “a lurid story of greed and broken promises.” (See separate article on the details of the worsening crisis in the state.)

■ **Pennsylvania:** The political forces are coalescing in order to oppose the lie of “deregulation” and to address the energy crisis in the state and nation. On March 20, the state’s House of Representatives passed House Resolution 100, calling on its Judiciary Committee to hold public hearings (using subpoena powers, and sparing no expense) to show why “energy prices across the Commonwealth have fluctuated dramatically over the course of the past year.”

Pennsylvania Dereg: 'Greed, Broken Promises'

by John Hoefle

Faced with the spectacular failure of electricity deregulation in California, proponents of deregulation have repeatedly pointed to Pennsylvania as a state where deregulation was "done right," where deregulation works. But the absence of headline-grabbing blackouts is not the same as success, and "California-style" cracks are already appearing in Pennsylvania. Deregulation's model state is already on the road to failure.

In Pennsylvania, like every other state, deregulation was pushed as a way to save consumers money by lowering electricity rates. The Pennsylvania law, grandly styled the Electricity Generation Customer Choice and Competition Act of 1996, implemented a ten-year cap on electricity rates in the state, to run from 1999 until 2009. The act called for the phasing-in of "customer choice and competition" over a three-year period, with one-third of the state's electricity users being allowed to choose their electricity supplier in 1999, another third in 2000, and the remainder in 2001. So, the state which is touted as proving deregulation works, has actually had "full choice" for only three months. During the latter part of 2000, when Pennsylvania was widely called the alternative to California, the state had not even completed the implementation of its customer choice program!

In fact, "full choice" had been in effect for only a month and a half, before the Pennsylvania Public Utility Commission (PUC) began a series of hearings on the request by GPU Inc. to eliminate the rate cap and allow it to raise prices. On Feb. 15, the PUC held the first of a series of hearings on GPU's request to allow it to raise rates at its two regulated Pennsylvania utilities, Pennsylvania Electric (Penelec) and Metropolitan Edison (Met-Ed), by 29% and 32%, respectively.

GPU's request is just the tip of the iceberg. Politically, having GPU take the lead in attacking the rate cap is useful, since New Jersey-based GPU is an out-of-state company; even better, GPU has reached an agreement to be bought by Ohio's FirstEnergy, further removing it from the political consequences of its actions.

Pennsylvania State Rep. Camille "Bud" George, Democratic chairman of the House Environmental Resources and Energy Committee, summed the situation up last May, noting that far from being a success, deregulation in Pennsylvania is actually a "lurid story of greed and broken promises."

"Pennsylvanians face higher taxes and electric rates, re-

duced reliability, fewer jobs, guaranteed price gouging by utilities and disrupted finances for school districts and municipalities," George warned. " 'Electric Choice' is the culprit."

Behind Closed Doors

Deregulation got off to an inauspicious start in Pennsylvania in 1996, when the deregulation bill passed literally in the middle of the night, after bypassing the normal legislative reviews. The final version of the bill was not hammered out by elected officials, but was rather crafted in some 200 hours of by-invitation-only, closed-door negotiations between the PUC, the major electric utilities, industry groups, and state consumer advocates. The bill was passed by the House at 4:24 a.m. on Nov. 26, 1996, by a vote of 171-28 (a day after it passed the Senate 40-10), despite Representative George's pointing out during the debate that "there aren't ten people in this floor who know anything about this bill." When Gov. Tom Ridge (R) signed the bill into law, Pennsylvania became the fourth state to capitulate to deregulation, after California, Rhode Island, and New Hampshire.

Pennsylvania's bill did manage to avoid one of California's biggest blunders, that of forcing utilities to buy all of their electricity through auction on the spot market, but otherwise contains the same axiomatic fallacies. Much has also been made of Pennsylvania's decision not to force the state's regulated utilities to divest themselves of their electricity generation capabilities, but some such divestitures have occurred anyway, notably with GPU's decision to sell the generation assets of Penelec and Met-Ed, and place itself and its customers at the mercy of the "market."

With the support of Governor Ridge, the law also gave most of the oversight of the deregulation process to the PUC, rather than the Legislature, making it easier for the financier crowd behind deregulation to steer it in the "proper" direction. Under the PUC, electricity customers who have not elected to switch suppliers, have been arbitrarily and involuntarily switched to energy pirate companies, making a mockery of "choice."

Marginal Utility

While deregulation weakens the utility system from within, the rapid consolidation among utility holding companies further reduces the state's control over its power grid. Peco Energy (née Philadelphia Electric), the state's largest electricity generator, was bought by Chicago's Unicom (nee Commonwealth Edison), which renamed itself Exelon. Akron-based FirstEnergy, which already owns Pennsylvania Power, is buying GPU, which owns Penelec and Met-Ed, giving it, assuming the merger goes through, three of the state's 11 investor-owned utilities. Allegheny Energy, based in Hagerstown, Maryland, already owns West Penn Power, and New York's Consolidated Edison owns Pike County Power & Light. This means that six of the state's investor-owned regulated utilities are either already owned by out-of-

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE RESOLUTION

No. 100 Session of
2001

INTRODUCED BY GANNON, MARCH 14, 2001

AS AMENDED, HOUSE OF REPRESENTATIVES, MARCH 20, 2001

A RESOLUTION

1 Directing the Judiciary Committee to hold public hearings on
2 energy prices.

3 WHEREAS, The citizens of this Commonwealth are dependent upon
4 energy sources for comfortable and productive lives; and

5 WHEREAS, Energy prices across this Commonwealth have
6 fluctuated dramatically over the course of the past year; and

7 WHEREAS, The causes of these dramatic energy price
8 fluctuations are not readily apparent to the citizens of this
9 Commonwealth; and

10 WHEREAS, There is growing concern among the citizens of this
11 Commonwealth for answers regarding the causes of dramatic
12 fluctuations in the price of energy; therefore be it

13 RESOLVED, That the House of Representatives direct the
14 Judiciary Committee to hold public hearings to study the
15 availability, supply and price of energy provided from any
16 source, including Philadelphia Gas Works and the Philadelphia
17 Gas Commission, including any price hikes occurring during any

Despite repeated insistence that Pennsylvania deregulation "works," electricity prices are climbing fast, and the legislature has passed a bill authorizing an investigation of pricing.

state companies, or are in the process of becoming so.

One could argue that, under a competent regulatory policy, out-of-state ownership of a regulated utility would not be a problem, but such absentee ownership presents a significant problem in a deregulated environment, as the profits of Enron, Dynegy, et al., at the expense of California, amply demonstrate.

Furthermore, this corporate restructuring is just the beginning of a process in which the regulated utilities themselves would disappear, with both the generation and transmission capabilities passing into the hands of financier-related corporations.

Enron President Jeffrey Skilling gave the game away in a recent interview in *BusinessWeek*. When asked who should own the power plants, Skilling replied: "Financial institutions, insurance companies, and pension funds. They have the lowest cost of capital. What we should be doing as an industry is packaging them in a way where we take away the risks that they don't like. They don't like to operate things. They don't like to take the risk on commodity prices. We ought to do that stuff and then sell them the underlying asset with kind of an annuity return."

In other words, the big commercial and investment banks, insurance companies, and financial funds would own the power plants, selling the power through companies such as Enron at whatever the market will bear. Every time one of those companies loses money in the derivatives market, your electric bill will go up. That's the plan.

Enron, of course, sees this as a good thing. "If you walk around the halls here, people have a mission," Skilling told *BusinessWeek*. "The mission is we're on the side of angels. We're taking on the entrenched monopolies. In every business we've been in, we're the good guys. That's why they don't like us. Customers love us, but the incumbents don't like us. We're bringing the benefits of choice and free markets to the world."

Enron demonstrated its commitment to "choice" by lobbying hard to have hundreds of thousands of Peco customers involuntarily switched to the New Power Company, a joint venture it formed with IBM and America Online (and with financing from GE Capital), to market electricity first in Pennsylvania, and then nationally. The PUC complied, giving 300,000 Peco customers to New Power, even though those customers had not elected to leave Peco.

Against the General Welfare

As part of the deregulation bill, the real estate taxes paid by utilities under the 30-year-old Public Utility Realty Tax Act (PURTA) were significantly reduced, and a 1998 follow-up bill removed all electric power plants from paying PURTA effective Jan. 1, 2000. The revenue from this tax had been distributed to more than 3,000 counties, cities, towns, and school districts in the state. In 1997, the PURTA funds amounted to \$167.5 million, but will drop by more than two-thirds, to a projected \$53 million in fiscal year 2000-2001.

In May 2000, for example, SEPTA, the Southeast Pennsylvania Transit Authority, which serves the greater Philadelphia area, announced that its PURTA receipts would be just \$3.2 million, compared to the \$28 million it received the previous May.

These tax cuts for the generators—but not necessarily passed on to their customers—will force already underfunded local governments and school districts to either raise taxes or cut spending—or both—to compensate for the lost revenue.

Governor Ridge claims that the benefits to the state's citizens, local governments, and schools from deregulation, in the form of lower electricity rates, more than offsets these tax losses: But those lower rates will last only as long as the rate caps. In the long run, rates will rise, and when they do, those "savings" will quickly evaporate.

Pennsylvania's deregulation has not been a success, but a failure; the best one can say for it is that it has thus far been a more discreet act of piracy than its California sibling.

Electricity Deregulation Has Been a Disaster

Carl Wood is a Public Utility Commissioner of California, appointed in 1999 by Gov. Gray Davis (D) to a six-year term. He was raised in California, and became politically active in the Civil Rights Movement during his years at the University of California. An industrial electrician since 1975, he has worked for Kaiser Steel, and for Southern California Edison as an electrician at the San Onofre Nuclear Generating Facility. During 1987-97 he also served on the National Executive Board of the Utility Workers Union (UWUA). In March 1997, he joined the UWUA national staff as National Deregulation Coordinator, and has testified in that capacity before Congressional and state legislative committees on the impacts of deregulation on electric power reliability, consumer prices, and worker protection.

He was interviewed by Gabriele Chaitkin in Los Angeles on March 16.

EIR: Yesterday, for the first time in more than a week, we had a Stage 2 alert in California, which, as a California Independent Systems Operator spokesman said, “demonstrates how we’re still operating on the edge here.” You were outspoken against deregulation long before you were appointed in 1999 to your current position as Commissioner of the Public Utilities Commission (PUC) in California, while many policymakers embraced deregulation. . . . Why do you think that Public Utility Commissioners in office in every state in the country, and in positions of responsibility, went along with the energy deregulation bandwagon?

Wood: Well, in some cases, it’s because that’s why they were appointed. In the case of the California Commission, the commissioners were directed by then-Gov. Pete Wilson [R] to implement deregulation of the industry. So, it was explicitly a policy of the state administration; it was not a matter of any reluctance to go along with it. It was explicitly a directive from the administration. That was in response to demands from the large industrial consumers, steel-makers, cement-makers, oil refineries, and so forth, to lower the rates that

industrial customers paid for electricity in California, which were higher than the national average, and they perceived that that could be accomplished by introducing market mechanisms.

EIR: Is there now a shift in mood? Are some of the commissioners speaking out like you are?

Wood: I just addressed the California situation. I think in other states there was a lot of reluctance to go along with deregulation. But frankly, the political environment is one of what has been described as “market triumphalism,” something that flows out of Thatcherism and Reaganism, but has really dictated the prevailing political rhetoric in this country. So, it just wasn’t an acceptable position to challenge market solutions to any kind of problem. And I think for that reason, most commissioners understand their industries fairly well: There is a great deal of skepticism about the wisdom of going down this path, but many were reluctant and continue to be reluctant to openly challenge these proposals and these ideologies.

EIR: As you said at a recent forum on energy in Los Angeles, you basically need a political movement, so that they have some leeway to do something.

Wood: That’s right. California is really proof of that, because once last Summer’s market prices hit the San Diego area like a bombshell, it just blew open the whole political climate and made it possible to discuss all sorts of alternatives. You have a situation, where even conservative Republican officeholders are discussing public ownership of utility facilities. You have people like U.S. Rep. Duncan Hunter, who is a conservative Republican from San Diego, calling for public ownership of generating facilities. The County Board of Supervisors there—all Republican—was investigating, and continues to investigate public ownership. And that certainly was not part of the acceptable range of political choices only a year ago. That’s in response to the outrage of the public, and their putting demands on public officials.

EIR: You said that there was a reluctance to go along with deregulation, but why couldn’t people see that deregulation is actually a rigging of the markets? You mentioned former British Prime Minister Margaret Thatcher; it’s not a mythical “free” market. Why would people not see that?

Wood: There wasn’t a lot of real-world experience with markets with this particular commodity, and its behavior in markets is different from any other commodity. It really lends itself to market manipulation. Due to the perishable nature of it, supply and demand have to be in balance at every moment; it is not storable in any economic way, and there are no good substitutes for it. For these reasons it is a product which lends itself to market manipulation, and I think that many people were naive, or sometimes blinded by theory, and there was maybe a lack of real-world experience. . . .

There was also, in fairness to the proponents of deregula-

tion, I am convinced, a general expectation that the Federal Energy Regulatory Commission [FERC] would enforce the Federal Power Act, which says that wholesale transactions “that are not just and reasonable are not lawful.” Those are literally the words! This is a 1935 Roosevelt-era law that introduced this concept, that wholesale electric prices must be “just and reasonable.” If they are not just and reasonable, they are not lawful. FERC is the agency of the government that has the duty and the authority to enforce that. And I think that most of the players, even the big utilities, expected that FERC would enforce the law. And they haven’t. They refuse to do that.

EIR: I think you were the one who said that energy is not a commodity?

Wood: That’s right. It’s an essential service. It’s an essential infrastructure element of modern society. Of course, it has qualities of being a commodity, but it is much more than a commodity. This is not pork bellies, or grain, or automobiles. It’s something that is necessary for virtually every function of modern society. In the same way that you don’t generally turn over highway systems, for example, to the private sector—although, of course, we have done some of that with toll roads, but in general that’s viewed as something that government has to do. It involves big expenditures, it involves unique facilities. You do not have multiple parallel highways going to most places. That would be a waste of capital expenditures, and it wouldn’t be economical. Control over passage on those highways would give whoever owned them, a monopoly control. They would be able to charge extortionist prices, if they were not carefully regulated. Well, electricity is the same. It’s necessary for the functioning of modern society, it’s a necessary service. It’s also essential for health and safety.

EIR: The Democratic Party in many places here in California plans to hold public forums, to get citizens to think straight on this policy mess of deregulation, and how to restore re-regulation. What principles and points would you advise be brought out to prepare citizens in this area?

Wood: To me the key point is, that this is an essential public service, and it needs to be regulated as part of public policy. Now, that can take different forms. It can take the form of public ownership, municipalization, or state ownership of an energy authority, or it can take the form simply of traditional regulation over privately owned utilities. But to think, that we will be better off with unregulated monopolies, than we are with regulated monopolies, is just foolish. It’s worse than naïve.

EIR: They are unregulated and a cartel.

Wood: That’s right. That’s the form of monopoly that this takes. There is sort of a semantic confusion. People say, “Well, this isn’t a monopoly, because there is not a single provider. And it’s only a monopoly when there is this one

company.” Well, that’s not true. There are different forms of monopolies. There are trusts, which are a single company, and there are cartels, which are arrangements among multiple companies, to divide the market. That’s what we have in the West right now. There is a functioning energy cartel. Now, whether that is organized on the basis of explicit collusion, or whether there are tacit signals that are being sent, or whether it is merely something that has arisen out of a strategic bidding behavior on the part of the generators and marketers, is not completely clear yet; and some of those would be criminal and others are not necessarily criminal.

But what we do know is, that prices are not “just and reasonable.” And almost everybody acknowledges that. Even FERC acknowledges that. It’s because these companies are able to exercise market power in the current market that exists in the Western United States. And that’s the definition of a cartel.

EIR: On March 2, U.S. Rep. Bob Filner (D) from San Diego sent a letter to the District Attorney, asking for criminal charges against Duke Power, Reliant, Dynegy, and some other energy cartel companies, for their actions in bilking people and firms in California by overcharging, “gaming” the markets. There are also legislative bills in California and Texas to demand givebacks for windfall profits. Would this go into the direction of looking into the criminality and culpability of these companies?

Wood: You just described two processes. One is the ongoing investigation that several governmental entities are conducting, including this Commission. The PUC has an investigation, that has been going on since the end of the last Summer into market behavior, and if we find evidence of criminal behavior, then we will refer it to the state Attorney General. The state Attorney General is also conducting an investigation into possible criminal conduct, and the FERC supposedly is conducting an investigation, although I think it is better described as a whitewash.

EIR: In the same light, it was reported yesterday that FERC ordered Williams Energy Market & Trading and AES Southland to show why they should not be forced to refund \$10.8 million to California utilities for taking generating units off-line last year, which forced the utilities to pay higher prices for power. The Commission said that its investigation “determined that the companies appeared to have financial incentives to prolong any outages from these two generating units.”

Wood: That’s a tiny amount of money that they are looking at! Williams has probably made more money out of this crisis than anybody, and the amount of over-collections that they have received, I’m quite sure, must be in the billions.

EIR: It’s easy to refund \$10 million.

Wood: That’s right, if you made half a billion or a billion dollars. So, there is the possibility of criminal conduct, but,

obviously, if I were aware of specific information, because we are conducting investigations, I can't discuss it. But there are investigations that are ongoing, that is the point. The state legislature just opened an investigation itself, and it is going to be conducting investigations, and it has subpoena power. That's going to be proceeding.

But then, the other part is about trying to understand the market manipulation, because whether it was legal or illegal, it is still clear that the market was being manipulated. We, also, at the PUC, are conducting an investigation, and we have gained some understanding of what's going on. We've been blocked there, because the market participants have been very slow to provide information that we have subpoenaed. I've issued over a hundred subpoenas, and many of them have not been completely complied with. Again, FERC, which has the authority to order compliance, has just ignored our request.

EIR: In a speech at an energy forum in Los Angeles about two weeks ago, you told us that these companies are actually siphoning millions of dollars out of California. How does it work, and what can be done about this?

Wood: Well, it's very easy how it works. They own generating plants in some cases, in other cases they simply buy and sell as commodity traders. Because the market is dysfunctional and is not workably competitive, then they can get prices that are ten times or more of what the actual production cost of the electricity is. It's pretty straightforward. The companies that generate in California are well known. It's a matter of public record. It's companies like Reliant, Dynegy, AES, Duke, and Southern. And then there are trading companies that have been very, very active in this market, that have extracted hundreds of millions or even billions of dollars, and those are companies like Williams and Enron. They are the big players. One thing that is obvious, most of these companies that I have named were strong supporters of George W. Bush.

EIR: Yesterday, Energy Secretary Spencer Abraham and FERC head Curt Hebert insisted at a Senate hearing in Washington, D.C., that deregulation must remain. They used the worn-out myths that "demand was what caused energy prices to go way up, and that the deregulation in California would have not been a problem, if there had not been rate caps on consumers." Sen. Dianne Feinstein (D-Calif.) said in opposition, that she has regional support from Sen. Gordon Smith (Ore.), a Republican, and others, for electricity caps throughout the region. But the Administration remains intransigent. Feinstein even had charts showing that the demand had remained constant throughout a period when electricity prices rose 400%.

Wood: That's right. We did an analysis here at the PUC last Summer. People who say that markets work, say that when demand is high and supply is limited, then prices should go up—and that's probably true. But the other side of that is,

when demand goes down and supplies are adequate, and there are excess supplies, then prices should go down. We recognized as early as last Summer, that that was not happening, that even during periods in the middle of the night, two o'clock in the morning, when demand was very low, we saw prices that were three, four, five times, what they had been the year before, and what we knew the cost of production to be. Clearly, the market was not functioning in a competitive manner, and that situation has continued since the beginning of last year. This is not brought on primarily because of a lack of supply or excess demand, it's brought on because the market is being manipulated.

EIR: What do you think about the direction of such Federal initiatives as U.S. Rep. Peter DeFazio's (D-Ore.) bill (HR 264) to re-regulate electricity, and nullify the parts of the 1992 Federal Power Act that allow "electricity markets"?

Wood: I am not familiar with the specific legislation. I support the direction he takes on energy issues. More Congressmen will speak out as other states experience these same problems. That's going to happen. It happened here first, but it will happen in other states. It looks like it's starting to happen in New York. I am sure that there are going to be problems, a rise over time, in other states as well.

The Bush Administration is simply wrong. There is no necessity to continue to deregulate. That is a policy choice. And in any policy choice there are winners and losers, and if we continue to deregulate, then the large energy companies and the market speculators will be winners, and the consumers, and the economy as a whole, will be losers. California proved that. And that will continue to be the case. I am convinced that public authority and public control over this vital service is just necessary and the word for that is: Regulation!

EIR: Governor Davis has made a push to put more power plants on line this year, and to avert acute crises, to use so-called "peaker plants." You worked once at the San Onofre nuclear power plant. Nobody, except for Lyndon LaRouche, seems to want to talk about nuclear power plants? What would be your perspective?

Wood: The two nuclear power plants in California are still owned by the utilities. They are supplying a lot of electricity for California, at very cheap prices. One of the ironies of this is, that proponents of deregulation thought that deregulation would drive the nuclear power plants out of business, but in fact it's made them very economically viable, at least in California, and I think in other states as well.

EIR: Do you have anything more that you would like to say?

Wood: Just basically, that deregulation has been a disaster, and this type of service, this commodity that is so essential to people's well-being, needs to be under public control. And that's the direction that we have to move in, and, I'm convinced, that's the direction we are going to move in.

THE SCIENCE-DRIVER PRINCIPLE IN ECONOMICS

The Gravity of Economic Intentions

by Lyndon H. LaRouche, Jr.

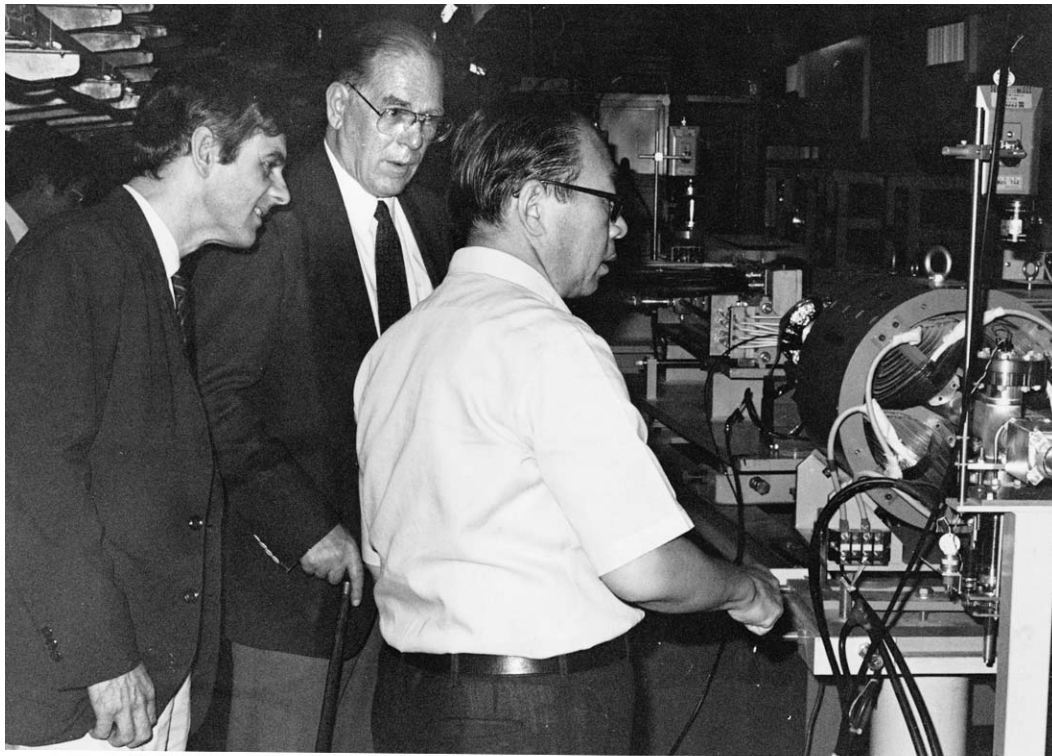
March 10, 2001

The presently ongoing crash of the world's present financial system, defines a breaking-point in the century of the preceding, post-McKinley-assassination, cultural and political history of our planet as a whole.¹ The fact, that the present financial system is beyond saving, requires our acceptance of the available new system waiting in the wings. In that new system, economic policy is no longer controlled by the financial system, but is coming under the influence of an axiomatic change, in which financial systems become merely useful, and dutiful appendages of a new quality of a global system of national economies, economies modelled upon the precedent of that American System of political-economy, as Hamilton, List, and Carey defined the notion of national economy.

Either the world accepts that proposed, admittedly radical change, and very soon, or, the likely alternative is the plunge of the planet into a spiral of economic and demographic collapse, what is fairly described as a new dark age. Any effort to defend the present financial system, as opposed to the needed, sudden change, will only make the present world economic situation catastrophically worse than if no such rescue operation had been attempted.

Under the needed new system, which must be adopted suddenly and soon, the emphasis will be on physical economy, as I have defined today's applicable meaning of what Gottfried Leibniz named physical economy. That definition shall be the new point of reference for thinking about all matters of both public policy and private economic practice. Money and financial systems will no longer have any self-evident axiomatic authority, but will be subordinated to perform their necessary functions as the disposable tissues of real economy, physical economy.

1. On the significance of the McKinley assassination, see Lyndon H. LaRouche, Jr., on this subject, in, among other locations, "As Seen and Said by the Salton Sea," *EIR*, Feb. 16, 2001, pp. 29-30.



Lyndon LaRouche (center) visits a high-energy physics laboratory in Japan, in 1984. The central feature of any effective long-term economic-recovery program for the world today, LaRouche writes, will be a series of “crash” science-driver programs, of accelerated scientific discovery and technological change.

Most of the elements of that new and far better world society already exist, waiting to be rescued and nourished to strength, once they begin to arise out from amid the rubble of the hopelessly doomed present financial system.

In all really important developments in history, things are never really what traditional ways of thinking have been able to recognize up to that point. The popular mind clings desperately to its old ways of thinking, up to the proverbial last minute, or even beyond that, and attempts, desperately, even hysterically, to interpret the existence of the crisis-elements of a radically changed, new situation, as a continuation of the doomed old, habitual ways.

Yet, recognized or not, the new reality is lurking, waiting to be called on stage, and will rule a new and happier phase in world history, on condition that the threatened dark age is prevented.

If a successful emergence of the new, from the carcass of the old, is to occur, it will emerge as a new form of a society becoming self-conscious of its distinctive nature, its people smiling wryly at the habits of thinking of the virtually illiterate cultural savages they still were at the time the relevant, most recent existential crisis erupted. Those U.S. citizens old enough to recall the profound change in generally accepted “values,” which occurred as the Roosevelt recovery superseded the Coolidge depression, may recognize the type of social change in values I have just identified.

The developments of the most recent weeks, since the abortive U.S. Presidential election events of November 7,

2000, have changed the world. The things I have been saying for decades, are not merely demonstrated to have been true, but the entry of the world’s financial crisis into its present terminal phase, during the recent sixty-odd days, has created a new situation, in which a number of those things which I have stated earlier, and which remain true, must be now, once again, restated, this time in light of the present moments’ radically changed world situation. The world is now gripped by a fundamental phase-shift, in which, as is usual for such a situation, things which remain true, must be restated in a qualitatively new context, and, therefore, a correspondingly new way.

Some of those things which need be restated so, include the contents of a recently published book, *Now, Are You Ready To Learn Economics*, which contains some crucially important reports on the background to the current situation, which I presented during the course of the last year.² What I have said in those and other locations during the recent months and years, not only remain true, but present events have made them more relevant than ever before. Nonetheless, as you will find in these present pages, last year’s

2. (Washington, D.C.: EIR News Service, Inc., 2000) *EIR* has never been produced to be something thrown away, like yesterday’s newsweekly; it has been designed to be kept on file, as a living record of the crucial conceptual developments of the decades, since March 1974, when it was founded. My own featured contributions to those pages, during the recent half-dozen years, are of outstanding relevance to the present situation, on that account.

concepts must be presented today in a fresh way, as the profoundly more critical immediate situation of the past sixty-odd days demands.

That said, the subject of this report, is a crucial feature of those radical revisions in U.S. financial and economic policies, which are required, not only to overcome the presently accelerating plunge toward a deep world-wide economic depression, but to lay the foundations for the new renaissance of America, in which economics rules over finance, a new type of thinking, which must replace the presently collapsing system. The issue on which I concentrate here, is the unfortunately little understood, but *presently crucial dependency of short-term recovery measures upon an immediate issue of long-term credits for building up basic economic infrastructure and capital-intensive increase of the productive powers of labor.*

Any successful attack upon those problems, whose outcome will determine the future of mankind, must focus clearly upon certain matters of which most economists, journalists, and related policy-influencers are ignorant at this moment. Now, since world events have shown that my long-range forecasts have been consistently correct, and all those of opposing views profoundly misguided, there is a correspondingly increased likelihood, that among those who have previously refused to listen, some will now not only pay more careful attention to what I say on these matters, but actually go through the cognitive processes of knowing what I say, rather than displaying a common gossip's Pavlovian conditioned-reflex reactions to, perhaps, the mere mention of my name.

The citizen must now finally face and accept the fact, that the presently ongoing, general collapse of the present world financial and monetary systems, is the product of more than thirty years of widespread professional and popular acceptance of beliefs which are fundamentally contrary to scientific principle. For example, as a matter of principle, Jean-Baptiste Colbert and Alexander Hamilton were right, and Dr. François Quesnay, Bernard de Mandeville, and Adam Smith, typify those perniciously false, but popularized ideas, whose influence on both high places and popular opinion, has misled the world into the present global catastrophe. In these pages, I concentrate attention on that issue of principles first, and turn, in the concluding portion of this report, to the techniques for those principles' application.

The point which I shall bring into focus, in the conclusion of this report, is that, the central feature of any effective long-term economic-recovery program for today, will be the role which a *series of "crash program" types of science-driver programs, of accelerated scientific discovery and technological change,* must contribute, if the world's population is to escape a *long-term economic catastrophe already built into the current state, of combined technological underdevelopment and attrition, of the world at large.*

This poses a profound, and most unsettling intellectual challenge to the present generations of the world's economists

and related policy-shapers. The question thus posed is: What *intentions* must be adopted now, to guide the world's day-to-day policy-shaping in those new directions, which will foster achieving the needed growth in the world's productive powers of labor, ten, twenty, thirty years ahead?³ What choices of medium- to long-term effects must we project, more or less reliably, from the decisions we make today.

The most important choice, is to know those principles. After that, it is most important to know that methods by which our nation will be able to forecast those types of reasonably estimated orders of magnitude of medium-term to long-term improvement in per-capita productivity, which may be the best result of the adopted use of those principles. As a necessary, preliminary step, begin here with a review of the role of the calculus in estimating economic progress.

1. Actually Knowing the Calculus

The mathematical conception of that problem of economic policy which I have just identified, depends upon competent understanding of the actual nature of Gottfried Leibniz's discovery of the differential and integral calculus, not only in contrast to the pseudo-calculus of Isaac Newton, but also the rejection of that linear perversion of the Leibniz calculus itself, which has been passed down to today's typical modern classrooms, from the hateful work of such fanatical empiricists as Leonhard Euler and Augustin Cauchy.

The crucial point at issue, in defining the calculus to such effect, is the quality of *intention*, which the founder of modern mathematical physics, Johannes Kepler, embodied as the centrally underlying universal physical principle of astrophysics.⁴ It is that quality of *intention*, which Euler, Cauchy, et al., removed from the calculus, to produce, thus, their mutilated version of it.

The contemporary economist who has not mastered the rudiments of this issue, is not yet qualified to judge what

3. On the subject of "intention," compare Lyndon H. LaRouche, Jr., "The FDR Economic Recovery: Precedent and Practice," Berlin address, March 5, 2001, published in *EIR*, March 16, 2001.

4. It will be made implicitly clear, in the course of this present report, that the effect of the adoption of those "ivory tower" delusions of Aristotle's system which motivated Claudius Ptolemy's hoax, and the impact of both Paolo Sarpi's neo-Ockhamite empiricist dogma and the even more demented practices of the positivists, all have the common effect, of banning the consideration of the causal function of universal physical principles from their systems. Linearization of the Leibniz calculus, as by Euler's dogma, or Cauchy, eliminates the consideration of actual physical cause, *intention*, from the calculations. For example, Galileo made no original discovery, but simply followed the empiricist dogma created by his master, Paolo Sarpi. Thus, the fraud of the modern defense of Galileo from the Inquisition, is that Galileo used the same method as the Aristotelean Ptolemy, to reach a conclusion, as an empiricist, which was arbitrarily opposite to that of Ptolemy's dupes, but based on the same violation of truthfulness as that of the Aristotelean defenders of Ptolemy's hoax.

might, or might not be competent economic-recovery policies for today's situation.

The awful truth to bear in mind, is that the Americas and Europe would not have fallen into the present catastrophe, which has been building up over the recent thirty-odd years, had the varieties of doctrines of economics taught in universities not been, chiefly, systemically incompetent ones. Which among them warned of the present crisis, and described its unfolding, consistently, over more than three decades, in precisely the way it has occurred? Which knew what they were doing? Which foresaw the now painfully manifest effects of what they were doing? Let that record of the economy's presently wretched performance be finally heard, speaking for itself.

The explanation of the causes for today's general, systemic failure in the performance of the economists, bankers, and governments generally, must, of necessity, lie in study of those generally accepted beliefs, which were taught in the universities which graduated the relevant professionals. These are the same beliefs also purveyed, as contemporary, credulous popular opinion, by the so-called "Establishment's" customarily lying, mass media. The ideological source of most of the systemic errors, in the teaching of many subjects, is those same sets of axiomatic beliefs, respecting mathematics, which underlie today's commonplace teaching and professional practice in accounting and economics, among many other topics.

The most crippling root-error in the prevalent, contemporary teaching and practice of mathematics, not only among students of economics, but in physical science in general, has been a literally hysterical refusal to acknowledge that basis, in the combined work of Johannes Kepler and Pierre Fermat, most immediately, upon which Gottfried Leibniz's development of the calculus was developed. Had those students taken the opportunity to study the relevant primary sources in the history of modern science, rather than swallowing the generally accepted classroom and textbook gossip, they would have already known the key point I make here.

This lack of this indispensable knowledge, even among many of the most senior physical scientists of today, is chiefly a reflection of pure ideological stubbornness, often veering into hysteria, among the relevant educational institutions and the Babylonian-like peer-review priesthood of the trade-craft's journals. The way in which most university graduates, and others, have been induced to believe the popularly taught errors on this account, is through the cultivation of their fear of that perceived risk to their careers, or simply their reputations among their neighbors and friends, or with the local newspaper editor, if they were overhead saying anything which deviates from what they consider it advantageous to be overheard saying.

Fortunately, the core-problem being addressed at this immediate point in my report, is one within the intellectual reach of any of recent generations of secondary-school students

who have been exposed to even a semblance of competent methods of classroom instruction. We focus on that issue of scientific method here, only insofar as that is indispensable for understanding the economic-policy issues immediately at hand. Broader treatment of that scientific question, is left to relevant occasions.

On this account, I encouraged my associate Bruce Director to present an approximately one-hour, video-recorded presentation of the core of Kepler's discovery, as delivered to a recent national conference held in Reston, Virginia.⁵ Although this issue had been rather thoroughly addressed, by me and by my collaborators, over earlier decades, to get the same point across to a broader audience, it was pedagogically necessary, given the victimization of recent generations by prevalent, poor standards of contemporary public and higher education, to present the experimental material in the form of animated illustrations, rather than only the otherwise adequate, literary description of the motion to be associated with static images.

A video recording of that approximately one-hour session is being produced. I have proposed that an updated version of that be produced, adding about a quarter-hour, to include a clearer demonstration of that common principle which led to Leibniz's original development of a calculus, and underlay both Kepler's discovery of the principle of universal gravitation, and Fermat's discovery of the concept of a physical principle of "quickest time." I have requested, that an expanded series of such pedagogical exercises be developed and circulated as a much-needed, standard tactic of education in the elementary principles of both physical science and economic policy-shaping.

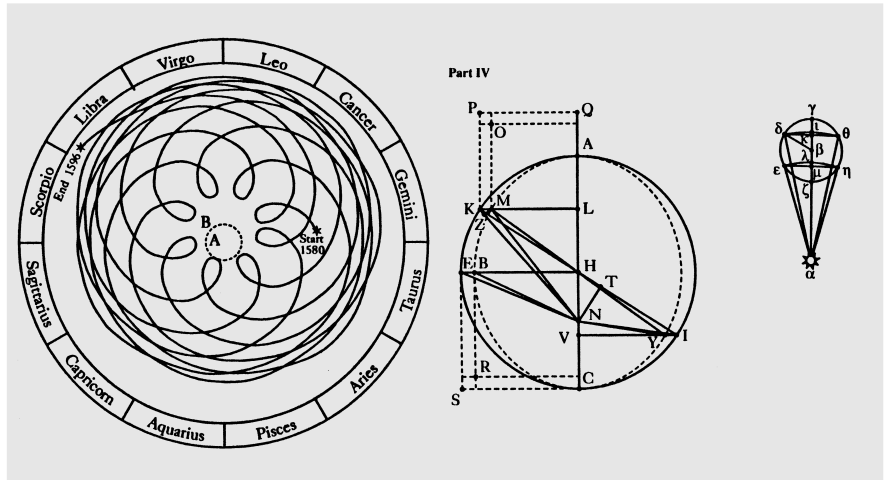
It is my wish, that the reader should have available a copy of that referenced videotape, either in the form presented at that conference, or the amended version scheduled for later presentation.⁶ Here, I limit myself, as much as is tolerable, to summarizing those selected, crucial issues of immediate relevance to the subject of economics. To situate the discussion, I summarize the immediately relevant historical background as follows.

Kepler and the Orbit of Mars

The scientific knowledge, that the Earth orbits the Sun, was already well established knowledge within Plato's Academy, prior to the ideologically motivated hoax crafted by the Roman Empire's Claudius Ptolemy. Blind faith in the so-called Ptolemaic system, persisted even in modern European civilization, as recently as the Seventeenth Century, willfully misrepresenting Earth as a fixed point in the universe. This Ptolemaic doctrine was a purely ideological concoction, introduced to bring the teaching of astronomy into conformity

5. Presidents' Day Conference of the Schiller Institute and International Caucus of Labor Committees (ICLC), Reston, Virginia, Feb. 17-18, 2001.

6. Call 1-888-EIR-3258 (toll-free) for ordering information.



Johannes Kepler, with illustrations from his *The New Astronomy*. On the left, Kepler's depiction of the "pretzel-like" motions of Mars from 1580 until 1596, as they would have to be drawn, from the unscientific geocentric conception of Ptolemy and Tycho Brahe. On the right, two of Kepler's working diagrams, through which he demonstrated the actual ellipticity of the Martian orbit.

with Aristotle. The characteristic feature of that hoax by Ptolemy, is the assumption that science must be limited to abstract deductive concoctions, such as formal mathematical schemes, with no effort to discover the physical causes for action in the universe.⁷ That same error has been continued, in an even more vicious version, and pervasively, by the modern empiricists and logical positivists.

In modern times, the evidence that the Earth moves with respect to the Sun, had been shown by the Fifteenth-Century founder of modern experimental science, Cardinal Nicholas of Cusa.⁸ It was a follower of the work of Cusa and Leonardo da Vinci, Johannes Kepler, who settled the issues scientifically, with his original discovery of a principle of universal gravitation, as detailed in his *New Astronomy*,⁹ and also the general law for configuration of the Solar System, in his *The Harmony of the World*.¹⁰ Kepler's crucial accomplishment in this matter, was his empirical demonstration of the incompetence of the statistical method employed for mapping observations of the orbits, by Ptolemy, Copernicus, and Tycho Brahe.

The proof of Copernicus' and Brahe's error, subsumed

7. Modern empiricism, such as that of Galileo, Hobbes, and Newton, is Ockham follower Paolo Sarpi's vulgarization of Aristotelean method; logical positivism, is simply empiricism vulgarized in the extreme. Notably, the exact same "ivory tower" foolishness of the Aristoteleans and empiricists, underlies the argument of the followers of Thomas Hobbes, John Locke, François Quesnay (*laissez-faire*), the pro-satanic Bernard de Mandeville, and Adam Smith, in social theory and economics.

8. E.g., *De Docta Ignorantia*.

9. Johannes Kepler, *New Astronomy* (1609), William Donahue, trans. (Cambridge: Cambridge University Press, 1992).

10. *The Harmony of the World*, E.J. Eiton, A.M. Duncan, and J.V. Field, trans. (Philadelphia: The American Philosophical Society, 1997).

Kepler's discovery of both a universal principle of gravitation, and also, the related harmonic composition of the Solar System's planetary orbits. The relevance of this to a physical science of economics, is that which I have underlined in a previous publication.¹¹ As I stressed in that earlier publication, as in my Berlin Address of March 5th, the common feature of the physical sciences of astronomy and economics, is the principle of *intention*.

Kepler's solution for defining an elliptical, or approximately elliptical, orbital pathway of Mars (and other planets), was, in first approximation, his adducing the controlling feature determining the combined position and change of velocity of such a non-uniform curvature, according to equality of the area of the angle swept from the relevant focus of the ellipse. That ratio implies the integral value of the orbit as a whole. By adducing the musical-harmonic values of the orbit so defined, and comparing those values for the principal planets considered, Kepler also defined the planetary system, including the specification of a required former planet occupying a harmonic position later shown to correspond to the mass of planetary fragments known, since the work of Gauss, as the asteroid belt.

Thus, in first approximation, the combination of the equal-areas principle respecting each planet, and the harmonic characteristics among those orbits, defined a controlling intention of both the planet individually, and the relative pathways of each orbit within the system as a whole. This combination of conditions which the planetary orbit must satisfy, to reach the next position in a pathway of non-uniform curvature, represented the *intention* which controls such an orbit, as a regular

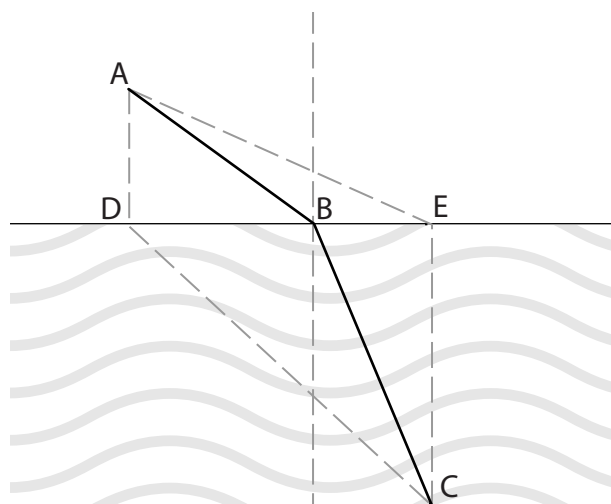
11. Lyndon H. LaRouche, Jr., "A Philosophy for Victory: Can We Change the Universe?" *EIR*, March 2, 2001.

Fermat's Principle Of Least Time

When a ray of light passes from air into water, the light ray is bent. In the illustration, AB is the light ray in air, BC, the new direction of the ray after it enters the water. When the ray passes from a less dense to a more dense medium, it always bends towards the normal (perpendicular) to the surface, but the angle depends upon the density of the medium it is entering.

In 1661, a French philosopher and mathematician, Pierre de Fermat, proved that the light bends at such an angle that it always traverses the path from A to C in the least time. This is Fermat's celebrated *Principle of Least Time*, which he hypothesized to be a universal law of nature ("Nature always acts by the shortest course.")

The following consideration might aid in understanding it. Suppose a lifeguard, standing at A, must rescue a drowning swimmer at C. What is his fastest path? As he can run faster than he can swim, to run directly to the water at D, and swim to C would maximize the time spent in the water; it would thus be the slowest path. However, to run all the way to E, and then plunge into the water, while giving him the shortest path through water, would not minimize his time. The path of least time, is to run to an intermediate point B, and then swim a slightly diagonal course to C. To calculate where the precise point B lies, which will minimize his time, might require a course in optics



followed by some calculations, which we hope the life-guard does not pause to carry out.

Now, consider the light beam, aimed at the point A. When it enters into the water, it will bend at precisely the correct angle, such that, when it reaches C, its total path from A to C will have been completed in the least time. How could the light ray "know" to do that? If Fermat's principle is correct, it is *as if he were attributing a will* to the light ray. So, argued the opponents of Fermat, including the prominent Cartesian, Clerselier, who concluded on this basis that Fermat's Principle must be wrong. But it is not! In this way Fermat's Principle elegantly illustrates the concept of *intent* in nature.—*Laurence Hecht*

mathematical trajectory could not, prior to Kepler's work.

Such controlling intentions are also called *universal physical principles*. The planet acts as if it were governed by a conscious intention to satisfy those conditions; that intention is otherwise to be recognized as an efficient principle, which acts constantly upon the entire domain in which the action is occurring. That is the simplest of the truthful definitions of a universal physical principle.

From these considerations, Kepler adduced his discovery of a such a principle, known as *universal gravitation*, including what are mistakenly identified by empiricists as "Kepler's three laws."¹² Kepler's relative success on these accounts,

12. The attempt to reduce Kepler's discovery of universal gravitation, as by the followers of Newton, to the so-called "Three Laws," must be recognized for what it is. In order to detour around the crucial issue posed by non-uniform orbital curvatures, the attempt was made to represent the notion of a universal physical principle as an empirically manifest *intention*. To that latter purpose, the effect of intention was described, by a true believer in the reductionist schemes of Aristotle and Galileo's master Paolo Sarpi. It is that fraudulent description which is responsible for the three-body paradox of Newton et al.

implied the need to supersede what were then generally taught ideas about mathematics, by a new kind of mathematics, one suited for dealing with those physical processes which, like the Solar System, could only be described mathematically as pathways of action with non-uniform curvature. Kepler's relegation of the task of addressing that problem to "future mathematicians," prompted the discovery and initial development of the calculus by Gottfried Leibniz.

This Leibniz calculus employed the concept of the smallest interval of action, as *not* reducible to a straight-line pathway between dots, but a trajectory of categorically non-uniform curvature.¹³ It is that view of the calculus, as situated within the context of the Leibniz monadology, which was lost to most modern classrooms, lost through the intervention of empiricists working in the vein of Euler, Lagrange, Cauchy,

13. Thus, explicitly contrary to the argument against the monadology by Leonhard Euler, and contrary to the vulgarization of the Leibniz calculus by Augustin Cauchy.

Clausius, Grassmann, et al.¹⁴ It is the quality of *intention*, as Kepler defines the notion, which distinguishes Leibniz’s related notions of a principle of least action and a monadology, from the reductionist fantasies of an Aristotle, or the empiricists and positivists.

The significance of the Leibniz calculus were better appreciated, when we consider how much the progress of modern experimental science owes to the application of intense rigor to the treatment of what are *relatively tiny, but also globally significant, measurably characteristic differences in long-range effects*. This is the *universally characteristic* feature of the work leading to the founding of modern astrophysics, and the discovery of universal gravitation by Kepler. This, as I shall emphasize in this report, is the key to forecasting the long-range effects of current economic policy.

This focus of experimental method, on seemingly tiny, but persistent margins of deviation from the predictions of some pre-existing standard theory, is the history of the development of the notion of the relativity of physical time, from the discovery of a principle of “quickest time,” by Fermat, through the development of this notion through the combined work of Huyghens, Leibniz, and Bernoulli. Similarly, we have the case of the proof of the folly of Isaac Newton’s doctrine on light, as Arago’s experimental apparatus proved the case for Fresnel’s argument.

In partial, first approximation, Kepler’s measured trajectory of the Mars orbit, defines the intention of that planet’s motion, by the notion that equal areas are swept, in equal time, by the radius of one of the two focii of the ellipse. In Leibniz’s hands, that expressed intention of the orbit assumes the form of the non-linear differential of the Leibniz calculus, the form of *non-uniform curvature*. To locate the orbits among the planets, one must refine the differential, in accord with the tuning of the orbital harmonics. Thus, the case of Kepler’s determination of the existence of a missing orbit of a planet, later discovered to be the asteroid belt, which must have formerly existed, is crucial experimental physical proof of the validity of both the Kepler conception as a whole, and also the implications which Leibniz adduced for mathematics from Kepler’s challenge to “future mathematicians.”

In the same vein, the successive contributions to the mathematics of a multiply-connected manifold, by Carl Gauss and Bernard Riemann, provide us today the needed framework of conceptual reference to deal with the evidence showing that life is itself a universal physical principle, existing independently of principles adduced from only non-living processes. Finally, in this same vein, my own original work, in the science of physical economy, enables us today to subsume the notion of a noösphere, as that was defined by Vladimir Vernadsky, within a generalized macroeco-



“My own original work, in the science of physical economy, enables us today to subsume the notion of a noösphere, as that was defined by Vladimir Vernadsky, within a generalized macroeconomic conception.”

mic conception.¹⁵

These immediately preceding observations bring us to defining the physical significance of a notion of *intention*, as Kepler employs that for his principal discoveries in astrophysics (and also other cases), and as I emphasize the same notion, as key for long-range forecasting, in the science of physical economy.

The significance of very small margins of difference, is shown most dramatically, by the argument of Vernadsky for the biosphere. The development of the atmosphere, oceans, and so on, by the action of life, over billions of years, corresponds to a major change in the non-living planet, through the cumulative, marginally small, momentary action of life as a universal physical principle. To make clear the significance of the term “universal physical principle,” as the empirical evidence of biogeochemistry attests, we must recognize that life, as a category of universal physical principle, is characterized by its expression of an intention which we recognize as making the difference between living and non-living forms of organization.

The actions of human cognition, over millions of years, resulting in the emergence of major changes in the biosphere, include the development of the biosphere to a degree not possible without the cumulative, momentarily tiny, but nonetheless efficient effects of cognitive action. The principle of cognition, like the categorical principle of life, similarly, expresses an intention, an intention which is otherwise identified by a strict use of the term *reason*.

In each of the three key instances referenced, Kepler’s discovery of universal gravitation, and Vernadsky’s defini-

15. It was from the standpoint of this view of living processes, that I developed my original discoveries in the science of physical economy, during the course of work of the 1948-1952 interval. The explicit adoption of Vernadsky’s conception of the noösphere, occurred first in my letter of March 1973, leading to the subsequent founding of the Fusion Energy Foundation. See LaRouche, op. cit.

14. LaRouche, op. cit.

tions of the biosphere and of the noösphere, we have often a relatively very small margin of deviation from what would otherwise be defined as mathematically uniform curvature. This difference is identified by Kepler as corresponding to a margin of *intention*, intention in the sense of action directed by a cognitive mind. In the practice of physical science, experimental physical science as distinct from mere mathematics, such demonstrated cases of *intention* always identify the proof on which the discovery of some universal physical principle depends. The term *intention*, so employed in the sense of Kepler's argument, is equivalent to all proper use of the term *universal physical principle*.

With Bernhard Riemann's 1854 habilitation dissertation, all arbitrary definitions, axioms, and postulates of a formal mathematics, such as customary classroom teaching of Euclidean geometry, are banned from science.¹⁶ They are replaced only by experimentally validated universal physical principles. Each such principle, expressed as an efficient intention, corresponds to a "dimension" of a Riemannian multiply-connected manifold.

In Vernadsky's noösphere, as in the Platonic universe known to the experimental work of Kepler, there are three multiply-connected categories of universal physical principle: a.) non-living; b.) living (biosphere); and, c.) cognitive (noëtic). All three, taken together, are multiply-connected, in Riemann's usage of that notion; all three are equally existent "from the beginning" of the universe so defined.¹⁷ The three, combined as a Riemannian-style multiply-connected manifold, represent a noösphere. My contribution to this configuration, is defining the composition of the sub-manifold of universal cognitive principles. That latter sub-manifold constitutes a category of universal physical principles, so defined experimentally because its efficient existence is expressed as physical effects which are *intentionally* products of its action. The noösphere subsumed by cognitive action, is the experimental domain corresponding, as subject, to the science of physical economy.

To complete the outline of the point made, concerning scientific method, thus far, I must restate the argument, respecting this use of *intention*, made in an earlier location.

When we today, following Kepler, use the term *intention* as a synonym for the concept of the Leibniz calculus, we are using *intention* as synonymous with *Mind*. Does a planet, then, have a "mind"? Or, is "mind" a metaphor for what Kepler reads as a controlling intention embedded into the planetary orbit by the Creator of the universe? Why should that metaphor be considered as necessary?

In Kepler's work, *Mind* and *intention* are qualities which the cognitive powers of the human mind are able to recognize, as what we may rightly term *universal physical principles*.

16. LaRouche, op. cit.

17. This is not to argue that human consciousness existed as if "from the beginning," but only that the principle expressed for us as cognition, did.

Man recognizes that distinct quality of Mind, and that corresponding *intention*, as underlying certain distinctive qualities of trajectories. The scientist employs such use of the terms *Mind*, *intention*, and *universal physical principles*, as of the same set of metaphorical notions, because *the cognitive power of the human is able to recognize the Mind and intention expressed by a Keplerian orbit, as the intention of a universal Being of a nature It shares with the individual human cognitive personality*. That image, of the Creator as made in the cognitive image of man, is the mirror-reflection, for the scientist, of man as developed by the universe, uniquely, in the image of the Creator, that according to the *intention* of that Creator.

This use of *metaphor* in physical science so-called, is not literary decoration, not optional usage. As I have made the elaborated argument in sundry locations published earlier, any physical principle occurs only in a form which is *not directly representable* in terms of sense-perception.

To represent a principle, using languages which are commonly employed for reporting sense-perceptual types of imageries, we are obliged to resort to ironical juxtapositions of terms, phrases, and clauses, in a language otherwise used for pedestrian sorts of communications. This objective is accomplished in the only way possible, by forcing the mind to recognize a paradoxical expression, which is not explicable in simply sense-perceptual terms. These paradoxical expressions are identified in scholarly usage, as forms of *irony*, of which the most perfect type is *metaphor*.

In physical science, as usually considered to be distinct from Classical forms of artistic composition, these paradoxes occur in exactly the type of form confronted by Kepler in the matter of the non-uniformity of the curvature of the Mars orbit, and by Fermat in the instance of "quickest time" in refraction of light. The hypothetical intuition of a solution for such a paradox, if that hypothesis is validated experimentally, becomes an addition to the repertoire of known universal physical principles. This discovery of principle then exists as an *efficient idea*. This idea, is not reducible to a form in sense-perception, but rather exists as the unseen object which causes what Plato describes, allegorically, as the perceptible shadows cast on the irregular surface of the wall of a dimly firelit cave.¹⁸

The recognition of such an experimentally rooted paradox, is an act of cognition, of *Mind*. The paradox, if experimentally validated, corresponds to an efficient *intention*, whose efficiency as a principle exists externally to any object of sense-perception, but whose efficiency as a principle, as an intention, is experimentally demonstrable. Such notions, such as experimentally validated universal physical principles, are *ideas* in the strictest sense of the term; they exist as objects of thought only within the domain of cognition, but they are

18. Plato, *The Republic*, Book 6.

rooted in the paradoxes of sense-perception, and are demonstrated to be efficiently existing principles of physical action by their experimentally demonstrable, crucial quality of effects upon the domain of sense-perception.

That connection, once shown, is a subject in its own right; but, one qualification must be made here, and at this point in my account.

As typified by the discoveries which Kepler elaborates in his *New Astronomy* and *Harmony of the World*, and as Riemann's 1854 habilitation dissertation implicitly defines this notion, the discovery of an experimentally validatable universal physical principle, corresponds to a paradox within the pre-established representation of the universe.¹⁹ Relative to a formal mathematical physics, this paradox is always expressed in terms of what Leibniz named *Analysis Situs*, or paradoxical geometries of position.²⁰ The first-approximation determination of the Mars orbit, in terms of intention expressed as equal areas in equal time, by Kepler, typifies this, and, as Fermat's experimental case for a principle of quickest time, also expresses this.

In such matters, the use of *Mind* and *intention* in respect to physical principles, thus signifies the question: "To whose Mind are we referring?"

In the general case, of the universe as merely observed by man, "Who?" is the Creator. In the case of man's efficient intervention into the order of the universe, "Who?" signifies man acting, by nature, as a creature made in the image of the Creator, who, like the Creator, and subject to the limitations the Creator has imposed, acts to impose the intervention of the qualities of Mind and intention into the consequences of mankind's willful interventions.

It is there, and nowhere else, that the subject of a science of economics is situated.

2. Long-Term Investment

There are two currently popular delusions, respecting economies, without which the presently onrushing form of global financial collapse would not have occurred. The name for one of these delusions is "money," as in "monetarism." The name for the other is "the market." Once the student is liberated from that pair of delusions, the true nature of an economy can begin to be brought into focus.

The rational notion of paper money, found its origins as a constitutional idea, early in the history of the English colonies of North America. This idea was first practiced as a successful use of the issue of paper money by the pre-1688 Commonwealth of Massachusetts. That success was referenced in a crucial proposal by Cotton Mather, and echoed afresh by a

follower of Mather, Benjamin Franklin.²¹ Nonetheless, although the issue and circulation of paper money, as an expression of public credit, by a government, can be a very beneficial practice, paper money itself remains forever "only paper," as the leaders of the Massachusetts Bay Colony made very clear in issuing such currency. Money is sometimes worth less even than the paper on which it is printed, as we ought to be reminded by events such as Germany's 1923 hyperinflation, and both the 1929-1932 and today's collapsing financial markets.

The happier leaders within the Massachusetts Bay Colony already recognized, during the Seventeenth Century, that we must make a categorical distinction between the issue of money by a nation's government, and the use of the form of money circulated from foreign agencies, such as that of the Seventeenth Century's Stuart monarchy of the Massachusetts colonists' time. That difference lies, essentially, in the fact, that our nation is sovereign (or, should be) in the case of a domestic issue of paper currency, and not in the case of our use of a foreign currency. Otherwise, that said, paper money remains "only paper"; neither it, nor so-called "shareholder value," has any intrinsic economic value. Any contrary opinion about money or shareholder value, is to be recognized as a delusion, and, under the circumstances of the world's present financial crisis, a very dangerous delusion, often even, perhaps, a morally criminal, as much as a painful one.²²

To understand any economic process, an elementary distinction must be made between the two principal sets of relations which define a real economy, which is to say a *physical economy*, as distinct from a mere money-economy. On the one side, we have mankind's physical relationship to nature, as this is measurable in physical terms, per capita and per square kilometer of "macro-economic" area. In the other aspect of physical economy, there are the sets of social relations within society, which affect, and largely govern the willful evolution of society's practiced relationship to nature, per capita and per square kilometer. In relationship to a purely physical economy, money, paper or otherwise, comes into play, as a sometimes useful, as a necessary *political fiction*, in the physical organizing of the social relations within the economy. Paper money, issued as public credit, by a sovereign (or, worse, anyone else), remains always a mere political fiction.²³

To understand all of those crucial issues of policy-making posed by the present global financial collapse, the most efficient approach is to look at Vernadsky's view of the physical

21. H. Graham Lowry, *How The Nation Was Won: America's Untold Story* (Washington, D.C.: Executive Intelligence Review, 1988).

22. Typical of such delusions is the argument that there exists a category of "honest money," as an alternative to paper money.

23. A monetarist is like the man who took only the shadow cast by his bride on his honeymoon, while leaving the bride herself, for the rest of eternity, gathering dust at the altar.

19. LaRouche, op. cit.

20. Ibid.



Contrary to the views of the fascist economist Milton Friedman, paper money remains “only paper”; neither it, nor so-called “shareholder value,” has any intrinsic economic value.

universe as I look at the work of Vernadsky.²⁴

The first step toward understanding how a real economy works, therefore, is to sort out those connections. All taken together, any economy is essentially a physical economy, and is an expression of a complex of *intentions*, as I have just previously described the use of the term “intentions” in the preceding pages.

On the matter of what might be called a “theory of money,” we must, as I shall indicate, derive the function to be assigned to money in a rational way. That is to say, that, in a sane society, it is the physical economy which defines the meaning and value of money; this is in opposition to those foolish people who attempt to derive economic processes as a secretion from one of those “ivory tower” concoctions called “monetary theory.”

However, before coming to the matter of the real economy, we must dispense with the second of the two distracting delusions which I referenced above, the delusion called “the market.” I shall summarize the relevant argument by, first, quoting once again, as on some earlier occasions, a relevant passage from Adam Smith’s 1759 *Theory of the Moral Sentiments*, and then use that citation as the pivot on which to make, once again, my general observation on the heathen doctrine of “little green men under the floorboards,” which is the essence of the *laissez-faire* argument commonly used by such ideologues as François Quesnay, Bernard de Mande-

ville, Adam Smith, and Jeremy Bentham.²⁵

That adversary of civilized life, Adam Smith, wrote:

“The administration of the great system of the universe . . . the care of the universal happiness of all sensible and rational beings, is the business of God and not of man. To man is allotted a much humbler department, but one much more suitable to the weakness of his powers, and to the narrowness of his comprehension; the care of his own happiness, of that of his family, his friends, his country . . . But though we are . . . endowed with a very strong desire of those ends, it has been intrusted to the slow and uncertain determinations of our reason to find out the proper means of bringing them about. *Nature has directed us to the greater part of these by original and immediate instincts. Hunger, thirst, the passion which unites the two sexes, the love of pleasure, and the dread of pain, prompt us to apply those means for their own sakes, and without any consideration of their tendency to those beneficent ends which the great Director of nature intended to produce by them.*” (italics added)

Decades prior to Smith’s writing those lines, the “mephistophelean” Mandeville had already insisted that evil must

24. This also means, to look at the distinction between living and non-living processes as Kepler did, and as Kepler relied on the work of Plato before him. We must include the view of man, as distinct from other living creatures, as Vernadsky did, a view which is implicitly pervasive throughout Kepler’s work, as in such locations as Plato’s *Timaeus*.

25. As cited in Lyndon H. LaRouche, Jr. and David P. Goldman, *The Ugly Truth about Milton Friedman* (New York: New Benjamin Franklin House, 1980), p. 107. Mandeville sets forth his pro-satanic doctrine in his *The Fable of the Bees* (1714); the late Friedrich von Hayek designated Mandeville as the virtual “patron anti-saint” of von Hayek’s Mont Pelerin Society; Adam Smith was a lackey of Britain’s Lord Shelburne from 1763 on; the British Foreign Office’s Bentham, another Shelburne lackey, is the putative founder of the utilitarian current in economics.

not be banned, since, according to his argument, it is by allowing both good and evil to have free play in man's affairs, that good will be ultimately brought about. Mandeville's Faustian sophistry is the model imitated by those, such as his devotees of the Mont Pelerin Society, who condemn, invidiously, as "corrupt," adversaries of the "free market" principle, such as governments or persons who oppose legalizing the trade in so-called "recreational" drugs.²⁶

Pro-feudalist Quesnay argued that the profit of the aristocrat's estate, was brought into being as a predicate of the aristocrat's mere hereditary title to the estate (e.g., "shareholder value"), on which the role of the serfs was defined, by Quesnay, as essentially that of human cattle.²⁷ The doctrine of English and British empiricism, introduced to the English-speaking world by Venice's Mephisto-like Paolo Sarpi, defines social processes, including economic processes, as like percussive interactions among Hobbesian particles floating in Euclidean space-time; empiricism defines history, including economy, as a kind of statistical result of those amassed kinematic interactions.

Hence we have in today's U.S., the frankly corrupt doctrine of the "free market" upheld by the Mont Pelerin Society, the American Enterprise Institute, and like-spirited followers of Britain's nastiest nanny, Margaret Thatcher. It is truly a lunatic doctrine, as also a modern parody of the medieval *Bogomil* cult of "the chosen ones."

On the one side, the economists of that curious persuasion insist, that mankind must not interfere with the magical statistical processes of the so-called "free market." At the same time, those brainwashed doctrinaires insist, that that perfectly anarchical market, like a crooked gambling table, is mysteriously rigged, as if by an invisible hand, to ensure that the prices will ultimately be "right," and that privileged people will be rewarded by the influence of some magical taint of bias, a bias in favor of the "chosen ones," built into that crooked gambling-table which that market is in fact.²⁸

26. This has been the argument in favor of legalization of the cocaine and heroin traffic by such devotees of the Mont Pelerin cult as Professor Milton Friedman. See LaRouche and Goldman, op. cit., pp. 305-322.

27. To situate the role of the strange Dr. Quesnay in the history of political-economy, it is essential to locate the opposition to the policies of France's nation-builders, Cardinal Mazarin and Jean-Baptiste Colbert, by the alliance of the feudalist *Fronde* with that pagan monster Louis XIV. This alliance overlapped the Europe-wide network of salons, operating under the direction of Venice's Abbé Antonio Conti. From the relatively momentary period of a few years, that the possibility existed, that Gottfried Leibniz might become the future Prime Minister for the British monarchy, Conti played the leading role, until his 1749 death, in organizing both the Newton myth, and the anti-Colbert and anti-Leibniz campaign throughout Europe. The position of the disgusting mere tinkler Rameau, and the use of the Rameau myth against Johann Sebastian Bach, were, like the creation of the figure of Voltaire and the role of Quesnay, expressions of the early Eighteenth-Century campaigns coordinated by Conti from the Paris of the pagan Sun-King Louis XIV, and of the minority of Louis XV.

28. The type referenced here as "the chosen ones" suggest the cases of two U.S. Presidents Bush, neither of which showed any talent for actually earning money by their own independent skills, but had wealth bestowed upon them

Neither Mandeville, Smith, nor Bentham, ever claimed to have rational knowledge of why this allegedly perfectly democratic statistical process assured such a statistically consistent, corrupt result. As Smith spoke for himself, blind faith in the "free market" principle, "*prompt[s] us to apply those means for their own sakes, and without any consideration of their tendency to those beneficent ends which the great Director of nature intended to produce by them.*" Although they admit they have no knowledge of what the efficient principle is, or how it operates, they insist that it would be morally wrong of anyone, to attempt to interfere with the unfathomable logic of that wonderful underworld domain where such little green men, often disguised as investment bankers, dwell and reign.

If society legalizes crime, it adds criminal proceeds to its official gross national product accounts; if it counts the proceeds of crime as part of the nation's wealth, it thus legalizes crime. If the state intervenes to legalize the international traffic in recreational drugs, the state becomes a drug-pusher, as Secretary of State and H.G. Wells devotee Madeleine Albright's reign did; if it accounts the income of prostitution as part of the taxable gross national product, the President becomes a pimp. In short, leave it up to whatever little green men, whoever or whatever they might be, controlling the universe from under the floorboards of the universal gambling hall. Smith's economics is not science, it is a religion of heathen crap-shooters, probably a tradition of the Babylonian or kindred origins which economist J.M. Keynes attributed to the content of the chest of collected scientific papers of Sir Isaac Newton.²⁹

The most insane variety of that English-speaking empiricist tradition, are those monetarist models concocted in the spirit of John Law, in his time, or, in ours, such as John von Neumann's and Oskar Morgenstern's radically positivist concoction, *The Theory of Games & Economic Behavior*.³⁰ Von Neumann, like "information theory" hoaxster Norbert Wiener, was a former acolyte of Bertrand Russell, whose work reflects the wildly ivory-tower rantings of Russell's *Principia Mathematica*.³¹

At their least worst, all of those beliefs associated with today's fashionable varieties of monetarist teaching, are derived from the same "ivory tower" fantasizing which Kepler pointed out as the root of the fallacies of the astronomical systems of Ptolemy, Copernicus, and Brahe. Each fantasist of that collection, begins, as von Neumann and Morgenstern

by the relevant little green men under the floorboards. See Anton Chaitkin and Webster Tarpley, *George Bush: The Unauthorized Biography* (Washington, D.C.: Executive Intelligence Review, 1992).

29. John Maynard Keynes, "Newton the Man," in *Essays in Biography* (New York: The Norton Library, 1951).

30. John von Neumann and Oskar Morgenstern, *Theory of Games and Economic Behavior*, 3rd ed. (Princeton: Princeton University Press, 1953).

31. Alfred N. Whitehead and Bertrand Russell, *Principia Mathematica* (Cambridge: Cambridge University Press, 1994, reprint of 1927 edition).

did, with a made-up, arbitrary set of assumptions: the logical positivist's equivalent of a set of arbitrarily chosen definitions, axioms, and postulates. That set of assumptions, like some game just made up by mischievous children, then defines what they are willing to take into account as the acknowledged variety of social facts which they select as belonging to their scheme, their whimsically chosen, childish "rules of the game." That scheme becomes, for them, as for Claudius Ptolemy and his modern dupes, the substitute for a "universe," as represented by the specific mathematical fantasy which they construct.

Other evidence, for which no place is provided in the set of definitions, axioms, and postulates of their system, they ignore, as irrelevant to their system. No physical principles, as I have defined physical principles above, are allowed to intervene in their analysis. On this account, they imitate exactly the willful fraud against physical science perpetrated by Claudius Ptolemy and his modern devotees. The devotees of those constructs then insist upon explaining everything they choose to notice in a real economy, according to the ivory tower model they have constructed.

We shall define a completely different, much happier notion of a market, at a later point in this report.

Biosphere and Noösphere

The principle of production is, that, *through the realization of scientific and technological progress, the average member of the human species, is able to improve the longevity and other demographic characteristics of his or her society's entire population, and to increase its per-capita useful output within a diminishing amount of required, average land-area per capita.* The performance of an economy, is to be measured as the increased production of people, people who are of increased per-capita power to exist and reign, that within what Vernadsky identifies as the noösphere.

The increase of the physical-economic potential associated with the individual can be defined in two distinct, functional ways. Most simply, it implies the individual's potential *for society* within the bounds of the specific state of development of the society/economy within which the individual is functionally situated. However, we have other significant cases, in which we must assess what the individual would have as the more or less immediate potential to become, were he, with his existing personal capabilities, situated in, for example, a less underdeveloped society/economy. To similar effect, we must sometimes emphasize what a present labor-force, or some part of it, has the potential to become merely by virtue of being situated in more favorable sorts of relevant conditions; as for example, the increased potential for society represented by a trained engineer transferred from crude manual labor, to an occupation consistent with his, or her potential.

Such an increase of power, is to be considered as analogous to a trajectory, in the sense that a specific planetary orbit is *a trajectory of constant, if not uniform change*, a trajectory defined by intention. That signifies a quality of trajectory

which is distinguished from what is still, today, an ordinary classroom-mathematical type of trajectory, in that it expresses an *intention*, rather than a mechanically predetermined outcome, such as the latter might be implied by the application of conventional methods of today's financial accounting.

We are not defining the individual as, thus, fixed in quality, or of fixed absolute needs. In the language of Heraclitus and Plato, the trajectory of development of the individual in society, and of the society per individual, is *the trajectory of becoming*: of bringing both the individual and the society continually to a higher state, per capita and per average unit of relevant area.

In first approximation, this distinction connotes Kepler's use of the terms *Mind* and *intention*. It signifies, thus, the validation of *a universal physical principle*, as I have defined the correspondence of intention and universal physical principle, in the preceding section of this report. In the case of economy, such intentions include all the connotations associated with the general category of regular non-living and living processes; but, in addition to that, there is also a qualitative change included in the connotation. Man's intentions are *cognitively willful*, in a sense that the *quality of intention* associated with either non-living processes, or lower forms of life, is not.

Thus, physical economy represents a category of universal physical principle, but a principle of a different specific quality than either non-living or living processes otherwise defined.

We come now, to the point where we must state and address the crucial paradox upon whose solution all long-range economic forecasting depends. This paradox presents us, at this stage of the report, with an interim result, which I shall now summarize, and address more adequately at a later point in the report as a whole.

At first, perhaps, the argument which I shall introduce in a paragraph a short space below, will not be an easy one for many readers, at their first reading of it. It is paradoxical, but it is essential that it be made; otherwise some essential facts are overlooked. As all important statements of principle, this must be stated in the form of *Analysis Situs*, and must, therefore, assume the quality of metaphor. It is necessary to pose the issue in such a paradoxical way, that the solution to the paradox can be provoked, and then discovered. The secret of knowledge is never to turn one's back on a well-formulated paradox; to turn away from such a paradox, is to turn away from the possibility of gaining what Socrates' principles would recognize as being actually knowledge.

Besides, you should not balk at being challenged to make a serious mental effort. Making discoveries is *fun!* It is fun in the sense connoted by our mind's hearing Archimedes' shout of "Eureka!" People labor greatly to make discoveries of principle, because, as it was for Archimedes, it is great fun to do so. Such fun is a way of life, a way of practicing being alive. It is the quality of playfulness of the great scientific discoverer, the greatest Classical composers and performers. One

does it, because it is good to do it.

Having fun, in the sense of Archimedes' cry of "Eureka!" expresses the joy of doing good, and it therefore is the essence of morality. It is the quality of *agapē* of Plato's Socrates, and of the anti-pharisaical (anti-"single issue") Apostle Paul's *I Corinthians* 13.

Science and great Classical artistic compositions are not entertainments; they are a way of life; all progress in the human condition depends upon individual personalities which have such fun in doing good for mankind. *Fun*, as I have implicitly defined a special meaning for that term here, is that special quality of playfulness which sets the happy human child, and the greatest scientist, a Mozart or a Beethoven, apart from, and above the happy playfulness of the boy's companion, that puppy. Thus, I rarely say "Bless you!" to my friends; I deliver a much happier injunction, "Have *fun!*" Or, I enjoin them, "Be careful; don't behave yourself. (Don't be another miserable Kantian!) Have *fun!*" Or, in the terms of Friedrich Schiller, reach upward, from the tragic to the *sublime*.³²

The result of making such a necessary distinction as I have made here so far, between a universe which includes mankind, and another, which, at least conjecturally, might not, is to imply that the universe in which the universal physical principle known as economy exists, is of the general form of a Riemannian manifold. That universe incorporates three categories of universal physical principle: non-living, living, and cognitive. These specific categories of principles, are multiply-connected, in Riemann's sense. The characteristic of the manifold, is the universal physical principle of physical economy. Such is the nature of the universe in which *the sheer fun* of human cognition is the dominant consideration, the end-result toward which all multiply-connected features are rightly aimed.

Therefore, now, let us have some *fun!* Start a run of such fun, by noting, that, from this point on, you will be considering a physical economy in its role as a *macroeconomic noösphere*. In other words, we are defining the noösphere as "under the management of" a macroeconomy defined in the language, and by the methods of physical economy. That means, that we are restating everything Vernadsky has stated for the noösphere and its subsumed biosphere, but, this time, restated, and amplified in the language of my approach to the science of physical economy.

From this standpoint, the functional relationship of the noösphere to the biosphere, is expressed chiefly as what mac-

32. Friedrich Schiller, "On the Sublime," in *Friedrich Schiller, Poet of Freedom*, Vol. III (Washington, D.C.: Schiller Institute, 1990), p. 255. The sublime is the point of difference between Plato and the Classical Greek tragedians, as Plato's Socratic dialogues epitomize that distinction. In modern Classical drama, the notion of the sublime is typified by both Schiller's Joan of Arc and the real-life Jeanne d'Arc whose essential historical reality is captured by Schiller. She died horribly, but not tragically; she spent her life for a mission of great outcome for European civilization as a whole. So, the truly sublime Christ, no tragic figure, died for the benefit of all mankind.

roeconomics views as *basic economic infrastructure*. This means, chiefly, *the development of the land-area of a national physical economy as an indivisible unit of action, that over a relatively long-term period of not less than approximately a quarter-century, or even much longer*. This apparently paradoxical principle of national-income accounting, is crucial; therefore, I elaborate the point I have just made.³³

The most general of the inherent fallacies of today's conventional financial accounting and national-income accounting practice, is of the same type as those who, unlike Kepler, tried to explain astronomical processes in terms of simple mathematical connections among observed point-positions of celestial objects. Just as Kepler recognized the importance of adducing the moment-to-moment principle governing an orbit, from the study of the paradoxes posed by the orbit as a whole, so we must judge the significance of localized, relatively short-term economic developments from the vantage-point of both the whole process within which those developments are situated, and over a time-span sufficiently long to expose the long-term major effects of what seem small, even insignificant variations within a small portion of the short-term developments.

Generally, the minimum interval of time, during which the relationship between short-term aberrations and their large-scale long-term effects, becomes empirically clear, is in the order of not less than a quarter-century, approximately the span of development of a newborn childhood into a fully defined-as-functional adult individual. How, then, can we know results of today's actions, a quarter-century or more hence? How do we know the orbit of the planetary body on which we discover ourselves travelling at this immediate moment?

Since infrastructural development, and long-term capital improvements, or the lack of either or both, define the net outcome of an entire generation of an economy's unfolding, we must never attempt to define the policies properly governing so-called microeconomical functions, except in an axiomatically well-defined macroeconomical setting.

Why the U.S. Is Bankrupt

Take as an example, the trillions of U.S.- dollars-equivalent of unremedied attrition of basic economic infrastructure since the Nixon Administration. See similar trends in continental western Europe, and the worse state of affairs similarly induced within the United Kingdom, as in the brutish looting and ruin of the economies of New Zealand and Australia. Under existing, post-1965-1972 trends in policies, that damage to those economies could never be reversed, but, in fact, would become ever worse, and inevitably so.

There have been several ways, which, combined in effects, have contributed to the ability of governments and others, to concoct fraudulently optimistic reports on overall na-

33. This is the paragraph of which I forewarned you a bit earlier.

FIGURE 10

The South Korea Won Collapses Under Speculative Attack



tional economic performance of these nations' economies.

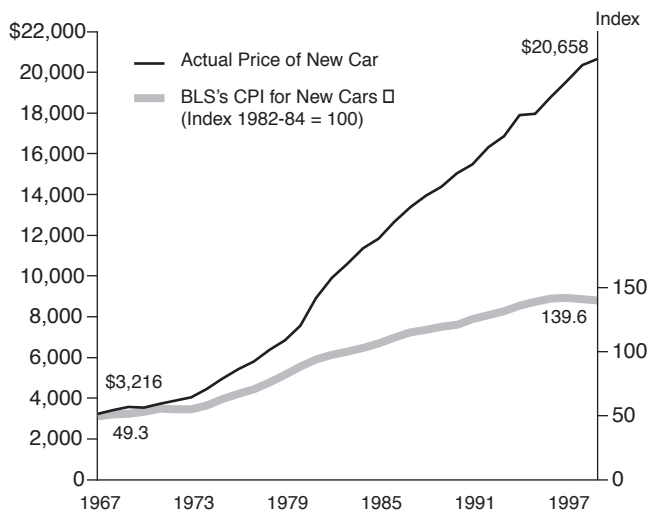
One way has been to conceal the increased degree of looting of nations outside the U.S.A., western continental Europe, and the so-called "developed" nations of the British Commonwealth, by collusion among the world's London financial center, the IMF and World Bank, in organizing runs on national currencies [Figure 1], and against specific commodities. By aid of these measures, national currencies were, repeatedly, arbitrarily depressed, and the foreign indebtedness, including debt to the IMF added, as a way of deflationary looting of the continent of South and Central America, Africa, and so on, under the so-called "floating exchange-rate" monetary system. This latter was called the "liberal system," because it enabled predator nations to loot victimized nations and continents so liberally. The prosperity of the U.S. and the British monarchy's reign, and also western Europe, such as it has been, has depended increasingly on this specific method for post-1971 looting of the nations of South and Central America, Africa, the former Comecon bloc, Southeast Asia, and so on, under the so-called "floating exchange-rate system."

Another way of perpetrating the fraudulent appearance of net profitability of the predator nations' economies, was to understate the rate of inflation in those economies. One of the most naked of such frauds perpetrated by the U.S. government, was a practice which I denounced in a national TV network broadcast, early in 1984: the hoax called the Quality Adjustment factor [Figure 2]³⁴. That hoax continues to be

34. The broadcast was aired on ABC-TV on Feb. 4, 1984, during my campaign for the Presidency.

FIGURE 20

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



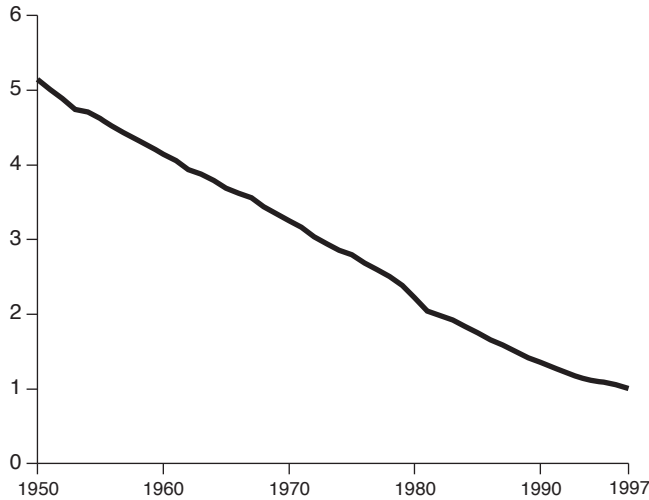
Sources: Department of Commerce's Bureau of Economic Analysis; Department of Labor's Bureau of Labor Statistics; EIR.

The U.S. Bureau of Labor Statistics (BLS) now calculates its Consumer Price Index (CPI) in a way that is corrupted by the Quality Adjustment Method. In the example shown here, 56% of the actual increase in the price of cars was attributed to "improved quality" — and was therefore deducted from the computation of inflation. See Richard Freeman, "The Quality Adjustment Method: How Statistical Fakery Wipes Out Inflation," EIR, Oct. 27, 2000.

FIGURE 3

U.S. Railroad Mileage

(Miles per 1,000 Households)



Sources: Association of American Railroads; U.S. Department of Commerce, Bureau of the Census, *Population Surveys*, various years.

FIGURE 4

Hospital Beds per 1,000 U.S. Population Overall, and in Community Hospitals

(Beds per 1,000 People)

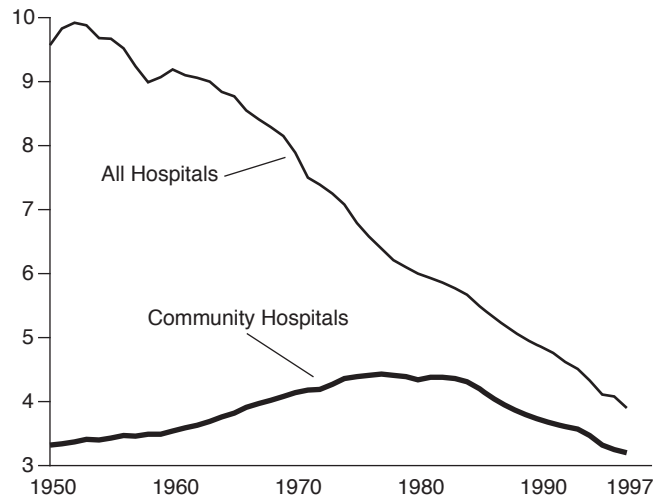
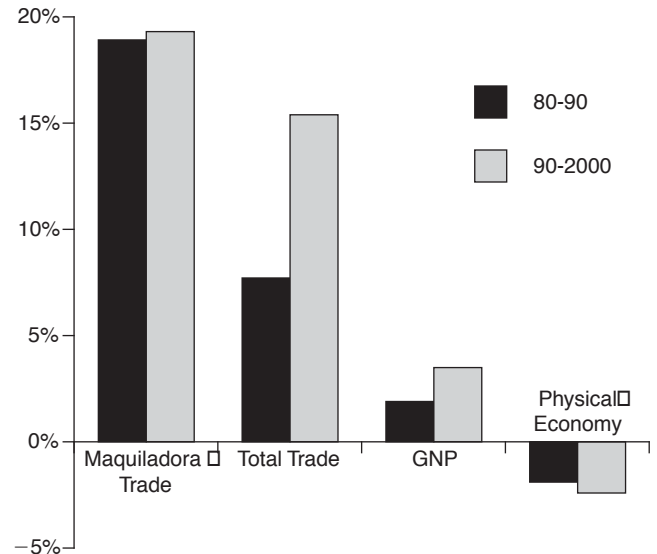


FIGURE 5

Mexico: Comparative Growth Rates

(Annual Averages)



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

perpetrated, to the present time.

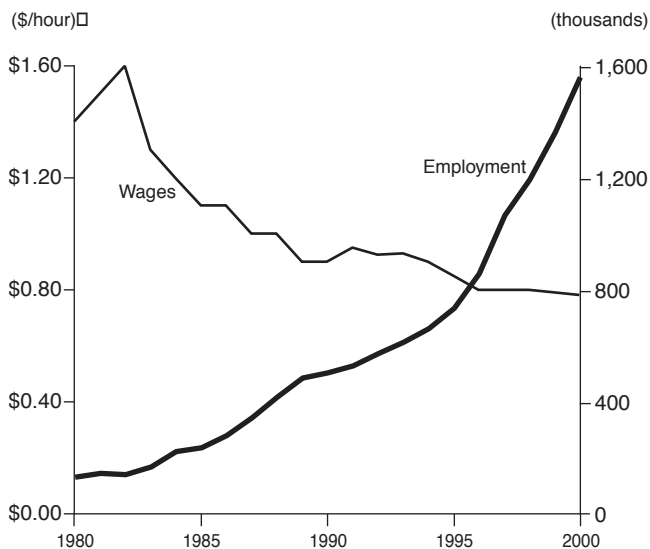
Another accounting swindle to kindred effect, was simply ignoring the material loss to the national economy from depreciation and depletion of basic economic infrastructure [Figures 3 and 4]. By failing to take the current cost of replenishment of this margin of depreciation and depletion into account, in national income and product accounting, the irreversible loss to the future of the economy, caused by abandoning essential infrastructure, was fraudulently suppressed for sake of presenting a success-story, where ruin was actually in progress.

NAFTA and “globalization” generally, have looted most of the world in a two-fold way. The production of more and more of the commodities used in so-called industrialized economies, was “outsourced” to cheap-labor markets abroad [Figures 5, 6, and 7]. The included results, were the accelerated collapse of the earned real income of the U.S., for example, the vanishing of essential production capacities and productive skills from the thus-depleted, importing former agro-industrial powers, and the devastating collapse in the real income-rates of the lower eighty percentile of U.S. family households, for example.

Typical of one of the relevant greatest accounting swindles of them all, was the 1995-2001 hoax called “Y2K.” Under the pretext, that a computer-accounting disaster threatened the world economy on Dec. 31, 1999, a vast financial bubble was generated in the area of what was called, variously, “information technology,” or the “Third Wave” [Fig-

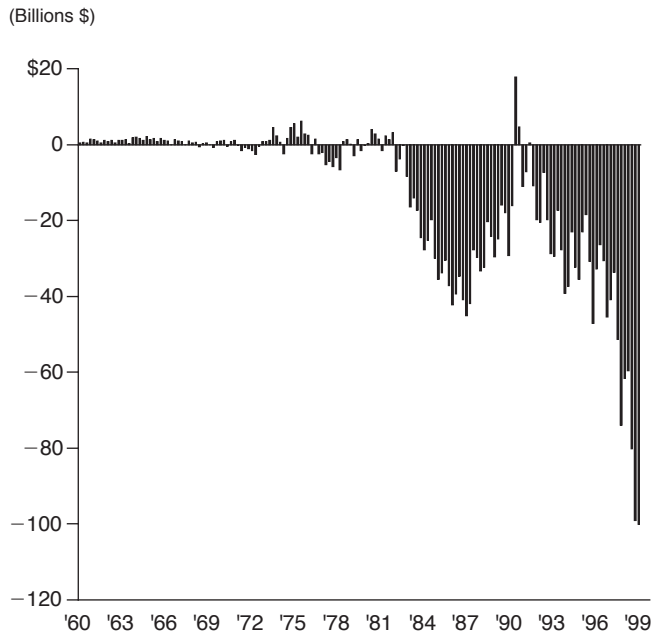
ure 8]. While some part of the computer and related technologies involved are intrinsically potentially useful, especially for administrative functions, the “new economy” bundle was, predominantly, a vast swindle, with about the same benefit to

FIGURE 6 □
Mexico: Maquiladora Wages and Employment □



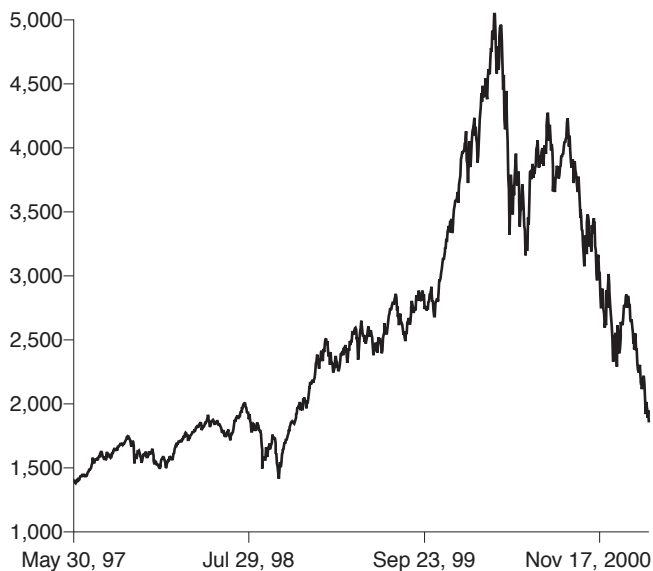
Sources: Banco de México, INEGI, CTM; *Twin Plant News*; AFL-CIO.

FIGURE 7 □
The United States Is Living Off the Rest of the World: Current Account Balance, 1960-99 □



Source: U.S. Department of Commerce.

FIGURE 8 □
Nasdaq Composite Index, 1997-2000



Source: Nasdaq.

national income as might be reflected in IRS estimates, that by legalizing prostitution, legalized supermarket sales of heroin and cocaine, and legalization of all forms of crime generally, the national income might be increased.

Virtually all of those factors on which net rates of

sustained real physical-economic growth depend, were buried under an avalanche of bubbling swindles of one variety or another.

Thus, we have come to the point today, that the outstanding financial debt of the world at large, could never be paid by a world economy attempting to meet those presently required, cancerously multiplying demands for payments. The reason we have entered the worst, greatest financial collapse in all human existence, now, is that the reported economic growth of the world's economy, especially of Europe, the British Commonwealth, and the U.S.A., of the past thirty years, has been one gigantic swindle. The cupboard is bare, because it has been emptied, not by ordinary burglars, but by the lunatic, Thatcher-like greed of the London-centered shareholder-proprietors themselves.

By the standard I have specified above, and taking related facts into account, the so-called developed sector of western Europe, the Americas, and the British Commonwealth, has not actually earned a net profit, as national economies, since the tragic trends set into motion over the 1964-1972 period, by that pestilence typified by Wilson in Britain and Nixon and his "Southern Strategy" in the U.S.A. All reports of net growth in national incomes of these nations over the period since, have been a gigantic accounting fraud. It was my recognition of, and understanding of that *systemic* fraud and its nature,

which was essential to my becoming the most successful long-range economic forecaster known to the public in the world at large today.

Basic Economic Infrastructure

From the standpoint of Vernadsky's outline, this development of basic economic infrastructure is expressed in two clearly distinguishable ways. In some actions, mankind's action simply improves the development of the biosphere as man finds it, as through the transformation of arid regions into biologically rich farmlands.

In the second class of actions, man improves the variety of content of the biosphere, qualitatively, by adding to it new kinds of what Vernadsky calls "natural objects,"³⁵ adding to the repertoire of natural objects already produced by forms of life inferior to mankind. Such "natural objects" introduced to the biosphere as products of cognition, include transportation and power systems. Water management systems represent the combined effect of human promotion of the kind of natural objects already produced by the biosphere as such, combined with added elements which are natural objects of a type unique to the products of cognition. Urban development is chiefly an example of natural objects of cognition.

The development of educational systems, like the role of principles of Classical artistic composition, is a part of the essential infrastructure of the biosphere; but that is a matter to be taken up in the more suitable setting of review, conducted in the immediately following section of this report, of physical economy as a social process, rather than as simply the measurable relations as defined, in effect, per capita and per square kilometer.

For reasons which I shall clarify at a suitable later point in this report, it is necessary to make a certain functional distinction between what is usefully designated as basic economic infrastructure, and other qualities of specifically economic activities.

Broadly, the distinction is, that basic economic infrastructure's development and maintenance, reflects a society's conscious sense of its government's unique responsibility for the economic and related potential embodied in the improvement of *the land-area as a whole*, and *the population considered immediately in its entirety*. Thus, these represent the accountability of the government for the promotion of the interest of the cause of the general welfare, as represented, inclusively, by the entirety of the land-area, per se, and the entirety of the population, per se. Thus, basic economic infrastructure is distinguished from that which, under the American System,

35. "Natural products" is employed here in the sense of Vernadsky's argument. As cited in Lyndon H. LaRouche, Jr., "A Philosophy for Victory: Can We Change the Universe?" *EIR*, March 2, 2001, see Vladimir I. Vernadsky, "On the Fundamental Material-Energetic Difference Between Living and Non-Living Natural Bodies in the Biosphere" (1938), Jonathan Tennenbaum and Rachel Douglas, trans., *21st Century Science & Technology*, Winter 2000-2001.

usually falls within the province of private entrepreneurship, such as agriculture and manufacturing industry. There is, as I shall show in due course, a deeper distinction, but what I have just stated will suffice as a working observation at this juncture.

Usually, areas other than basic economic infrastructure, are associated with the application of man-made discoveries of universal physical principles and their derived technologies, to the design of products and productive processes. This is usually associated with an entrepreneurship of one or a number of persons, acting within the bounds of general law for the society as a whole, but on their own initiative.

In general, functionally, the existence of the latter entrepreneurs is situated on the basis provided by the development of the society's basic economic infrastructure. Their potential is delimited by the quality of environment which the development of the basic economic infrastructure represents. In general, an enterprise situated in an area with relatively poor development of basic economic infrastructure, has a lower potential than the same enterprise would represent, if situated in an area of poorer development and maintenance of basic economic infrastructure. The latter is typified as among the ultimately terrible errors in the recent decades' resort to "outsourcing" and "globalization."

Thus, in modern society, roughly forty to sixty percent of the total investment in development and maintenance of a healthy national economy, will be situated within the domain of basic economic infrastructure. Such development and maintenance of basic economic infrastructure will always be conducted under regulation by the society as a whole, and may be largely, even entirely an economic function of government. This is necessary, since only government has responsibility for, and authority over all of the land-area of the nation. Only the government of a truly sovereign nation-state has the competence to assume responsibility for the assured payment of debt-obligations incurred on the kinds of long-term accounts which the development of basic economic infrastructure incurs.³⁶

However, since the development and maintenance of basic economic infrastructure depends largely upon its own consumption of the products of production, both directly and indirectly, the investment in the development and maintenance of basic economic infrastructure, is a principal stimulant for the growth and maintenance of the level of output and

36. On this account, the development of the principle of Chapter 11 bankruptcy, during the 1930s, remains indispensable policy for any area of long-term commitment to the development and maintenance of basic economic infrastructure, such as a public-health system for a nation, a region of a nation, a region of the planet, or the world as a whole. The claims of debtors' creditors, in such bankruptcy proceedings, must be subordinated to the public interest, that according to the U.S. Constitutional principle of the general welfare. Thus, government meets its responsibilities for honorable treatment of debt incurred in an honorable way to an honorable purpose. This obviously conflicts with any claims presented on the account of a predatory form of "shareholder interest."

productivity of the population and its production as a whole.

In the general form of the functional relationship between the noösphere and biosphere, we are presented with two kinds of expression of qualitative change which the macroeconomic development of the physical economy introduces into the development of the biosphere and noösphere alike. One kind of qualitative change is associated with extension of scale of development, without the additional introduction of new kinds of “natural products” of the noösphere; the other, with the introduction of new qualities of “natural products” of the noösphere.

For example, the simple extension of large-scale water management, extended development of agriculture, and of managed forests, increases the amount and effective energy-flux-density throughput of “biomass” over large areas, with associated qualitative effects on the weather systems within entire regions. Such transformations complement, but are distinct from the transformations caused by introduction of new kinds of natural products of the noösphere to the biosphere. Thus, we must distinguish between qualitative effects of increase of scale and intensity of use of existing programs and technologies, and the qualitative effects of introducing new kinds of technologies, or even new, virtually man-made physical principles of practice.

In the longer run, it is the role of the introduction of new kinds of “natural products” of cognition (discoveries of universal physical principle and their technological derivatives) to become an integral part of the functioning of basic economic infrastructure, which is determining. Despite that, the qualitative improvement in the characteristics of land-area, as biosphere, and as infrastructure, through extended application of already existing principles, is extremely significant.

Functions of Physical Economy

So far, as a matter of emphasis, I have confined the development of my argument to the first aspect of scientific and technological progress: our species’ increase of its power over nature, as measured per capita and per square kilometer. I have referenced the cultural factors, but have not integrated their role. For the remainder of this section, I shall continue to maintain that emphasis. That limitation should be taken for granted by the reader, until we come to the following section of the report.

The essential feature of the process by which mankind increases its species’ power to exist, in and over the universe, is the discovery and application of additional, validated discoveries of universal physical principle. In the experimental validation of such a discovered principle, the design of that experiment includes willful features which express the new principle being tested. Those features of a successful such experiment, then become, in turn, the model for applying the validated principle to man’s willful control over nature. The class of derivatives of successful such proof-of-principle experiments, is called *technologies*.

These technologies appear in various guises. They appear

in a somewhat different form in their application to different kinds of materials. They also appear in the testing and measurement of the functional relationships among varying combinations of materials and technologies.

For example, the fact that a technology works in its direct application to one choice of material, does not mean that it will work in the same way in another. Nor, can we assume that a technology will work to the same effect when a change is made in the combinations of technologies employed for a common function, or when a different material is substituted.

All these and related challenges require the ministrations of a class of specialists expert in the matter of designing the apparatus appropriate to, and conducting proof-of-principle experiments. The attempt to substitute computerized “benchmarking” for such traditional engineering abilities, invites catastrophes. *The universe is not linear.*

With those and related kinds of considerations taken into account, the immediate relationship of human action to the universe, is a function of the accumulation of valid new discoveries of universal physical principle. This includes the categories of universal physical principles specific to living processes, and also to cognitive ones. For the moment, the argument is made only for the case of non-living and living processes, not cognitive relations among persons. With that restriction, man’s power in and over the universe, per capita and per square kilometer, is bounded by the accumulation of valid discoveries of universal physical principles.

This signifies, that man’s per-capita power in and over the universe, as the universe is defined in terms of mankind’s per-capita relationship to it, is to be seen as a function of the accumulation of valid discoveries of universal physical principle. It is the application of that accumulation, in whole, or in part, which delimits man’s potential power in the universe.

In that sense, the universe, as defined in terms of mankind’s relationship to it, is Riemannian. By Riemannian, I mean, in first approximation, the then-revolutionary implications for mathematical physics, of Riemann’s 1854 habilitation dissertation.³⁷ Each validated *intention*, otherwise known as a *universal physical principle*, functions as a “dimension” of a physical geometry from which all so-called Euclidean and related sets of arbitrary definitions, axioms, and postulates have been excluded.

Such a geometry of “n” such dimensions, differs from a kindred geometry of “n+1” dimensions, by an experimentally defined change in “curvature” in passing from one to the other. In physical economy, this is expressed as a change in the characteristic curvature of an economic action occurring within the system as a whole.

So, to illustrate that point in the relatively simplest terms, the introduction of large-scale application of electrical motive-power for individual machinery, replacing reliance on

37. Bernhard Riemann, *Über die Hypothesen, welche der Geometrie zu Grunde liegen*, *Bernhard Riemanns gesammelte mathematische Werke*, H. Weber, ed. (New York: Dover Publications reprint, 1953).

belt-driven-shaft systems used for entire factories, represented a qualitative change in the characteristics of the actions performed by the relevant operatives of machinery, even when the skills and techniques of the operatives were not changed in other respects.

In first approximation, a Riemannian geometry premised upon that habilitation dissertation, would be presumed to include only one class of universal physical principles. In the case at hand, the noösphere as a physical geometry, we have three distinct, but multiply-connected classes of principles: non-living, life, cognition. There is no inherent objection to treating this case as a Riemannian geometry in the conventional sense of Riemann's own intentions.

To the degree such a Riemannian geometry is embodied efficiently in the macroeconomic noösphere in which the members of a society exist and act, a change from a geometry of designation "n" to one of designation "n+1," signifies an increase of the net power of the average action taken by the individual existing and acting within the framework of a noösphere of that latter designation. In other words, an increase in the relative anti-entropy of the system, and also of the action of virtually every person within that society.

Some brief practical illustration of this principled conception is in order at this moment.

When we increase the availability of usable water, of sources of power of increased energy-flux density, of more rapid, more efficient transport of people and goods, we improve the available performance of each person in that society, even if no other change in their behavior is introduced. If we improve both sanitation and health-care, thus reducing the economic losses attributable to illness, impairments, and death, we increase the productivity of that society as a whole.

If, on the other hand, society's zeal to reduce the cost of goods to the lowest possible price, prompts it to cut back on both public expenditure for basic economic infrastructure, and also to eliminate regulation of this area to the effect of ensuring its development, then the average productivity of the labor-force will collapse, as a result of the lack of meeting the costs to be included in prices of all goods, and of developing and maintaining basic economic infrastructure.

3. Physical Economy as A Social Process

In the opening section of this report, on the subject of the Leibniz discovery of the calculus, I distinguished the notion of processes governed by a universal physical principle, as expressed in the form of *intention*, from that false, mechanical notion of "causality" associated with the work of empiricists such as Isaac Newton and his followers. The latter, mechanical notion, is the false, "Newtonian" notion of "causality" which is still widely accepted in the secondary and university mathematics classroom, today.

As I have also stressed there, in physical systems, we are confronted with two general classifications of *intention*. In the one case, we have the ordinary intention expressed in the non-mechanical determination of a result by a universal physical principle, such as that expressed by a Solar orbit, or the consistent difference which may be manifest, between what are otherwise ostensibly identical chemical processes, when one is associated with a living process, and the other not. In the other case, we have the notion of *willful intention*, in the case of an original cognitive discovery, or its reenactment by a second person. It is the social implications of the second type of case, to which this report turns your attention now.

Empiricists, such as empiricist Galileo's mathematics pupil Thomas Hobbes, degraded society into a collection of so-to-speak kinematically interacting individual objects, like the particles of a gas theory. They assumed a set of fixed, built-in definitions, axioms, and postulates, as underlying the possible behavior of these particles. This is the system of John Locke, satanic Bernhard de Mandeville, David Hume, Adam Smith, and utilitarians such as the British Foreign Office's Jeremy Bentham. That is the underlying basis for their definition of what they term "human nature." Empiricist-turned-Aristotelean Immanuel Kant, insisted upon the same underlying notion. The modern logical positivists have carried that notion to extremes, beyond even that of which the depraved old Hobbes might be accused.³⁸

Put the point in the following terms. If, as I have shown repeatedly, the distinction between the human being and the beasts, is the power to discover a valid universal physical principle, what is the corresponding, natural expression of human relations? If such a discovery typifies the human individual's characteristic potential, what are "human relations"?

It is the communication of those ideas corresponding to valid universal physical principles, from one mind to another, which enables the human species to behave as a human species, rather than a mere interacting collection of particle-like human individualities. It is the accumulation of the transmission of such discoveries of principle, over successive generations, which distinguishes the human species, as a species, from the beasts which Hobbes and his admirers aspired to become. Thus, how does this communication of such notions of principle occur? How, therefore, does mankind develop as mankind?

38. Kant makes clear, most emphatically so in his *Critique of Judgment*, that the empiricist principle, which he defends from a quasi-Aristotelean standpoint, is a principle of pure irrationalism. He makes the point most explicitly in respect to aesthetics, in which he shows himself a pure romanticist, in the literally pagan-Roman sense of *vox populi*. The same is true of G.W.F. Hegel's fascistic (i.e., Napoleonic) theory of the state as revolution, as echoed by Carl Schmitt during the Twentieth Century. Similarly, the empiricist, positivist, and existentialist doctrines of "free trade" and "globalization" today, are based upon the pure irrationalism which is axiomatic in the arguments of Hobbes, Locke, Mandeville, Quesnay, Hume, Adam Smith, Bentham, et al. before Kant.

The pivotal question, so posed, is: How does the transmission of the idea of the actual discovery of a valid universal principle occur? I have covered this in so many previously published locations,³⁹ that I need only summarize the response, once again, here.

The discovery of an *idea*, a platonic form of idea, as the discovery of any valid universal physical principle typifies this, can not be communicated from one person to another in the medium of sense-perception as such, but only by replicating the act of discovery and validation. This is precisely what does occur in any system of education consistent with Classical humanist principles, such as those of Germany's exemplary, former Humboldt reforms.

The distinction of the human being from mere animals, such as the higher apes, is the ability of the human will to discover the quality of intention which I have associated here with what Kepler called *Mind* or *intention*. By adopting that intention, such as a valid universal physical principle, as our own intention, we are able to exert that idea as an efficient act of the individual human will, as a universal physical principle, upon the universe. The ability to discover, or recognize such a quality of *idea*, depends upon our creating that idea within our own cognitive processes. Typical is such transmission of such platonic forms of ideas from Plato's dialogues to the present-day reader, approximately 2,500 years later. It is sufficient that today's reader relive the drama of the Plato dialogues, thus to find himself, or herself, a living participant today in the dialogue as it occurred then.

To identify the method of such transmission, I describe the process once again, summarily, now.

Ideas come into existence as ontological paradoxes. That is to say, more precisely, ideas come into existence in response to what the conscious mind is able to represent to itself in the form of such a paradox. A well-stated such paradox, is represented in the form known as *Analysis Situs*, or, in Classical artistic composition, as *metaphor*. Given the equivalent of a standard theory, if the experience of an actual event or condition, requires that experience be stated by standard theory in ways which are either simply outside, or represent an impossible inconsistency within that standard theory, the juxtaposition of two or more mutually contradictory statements, each consistent with standard theory for describing events, represents an ontological paradox within the terms of that standard theory.

The paradox of the Mars orbit, as adduced and presented by Kepler, is an example of the way in which a statement in the form of *Analysis Situs* arises within the framework of reference proffered by a prevalent standard theory. If a validated *hypothesis* is discovered, which creates a new standard theory eliminating the ontological paradox, we have the discovery of a new valid universal physical principle.

Thus, we have the three-step method by which valid uni-

versal physical principles are made known, and communicated so from one person to another. First, there is the valid statement of an ontological paradox. Second, there is the formation of an *hypothesis*, as a proposed solution for that paradox, in the mind of the individual. Third, there is the demonstration which validates the hypothesis as a universal physical principle.

Although, no such idea can be perceived by sense-perception, the first and third steps so indicated, are rooted in sense-perception. The paradox is demonstrated to be a paradox by the standards of evidence applicable to sense-perception. The validation of the hypothesis is similarly experienced. By aid of those two reference-points, two persons can recognize that they have experienced the same formation of an hypothesis. That validated hypothesis is a platonic *idea*. *All valid notions of universal physical principle, of all types, are platonic ideas*, and, like the ideas of functions within the domain of atomic and nuclear microphysics, could not exist in any different form.

Thus, to enable a student (for example) today, to know what principle Kepler discovered, that student must replicate Kepler's experience in such ways as reexperiencing each step of Kepler's experience, as reported by him in *New Astronomy* and related relevant locations. This method, which is the direct opposite of today's customary textbook education or other transmission of mere "information," is the Socratic method, or, what is otherwise known as a Classical humanist mode of education.

In such ways, persons long dead transmit ideas to us from the past, as if they were alive and speaking directly to us today. Similarly, ideas are transmitted in a cognitive mode among contemporaries, sometimes over great distances. So, we speak to the future.

However, we must go a step further at this juncture. We do not know ideas of that sort in isolation from one another. Knowledge is not only the accumulation of individual such ideas; knowledge is a process of integrating an ongoing accumulation of such ideas, into the kind of world-outlook which Riemann's habilitation dissertation implies.

Ideas are produced by the influence of previously extant ideas, in enabling us to define and resolve newly considered paradoxes of an ontological quality. By this process of integrating assimilated, discovered, and re-discovered ideas of universal physical principle, we develop a quality of mind which may be regarded as "hypothesizing in general," as a way of thinking about the universe.⁴⁰ So, the process of discovering individual new universal physical principles, and integrating such discoveries of principle with our knowledge of principle in general, becomes a self-developing philosophical world-outlook.

Although two persons who have shared the same experience of an idea, may recognize the commonality of their cog-

39. LaRouche, op. cit.

40. i.e., in Plato, higher hypothesis.

nitive experience of the idea's generation, that does not suffice to enable them to recognize that idea as *a distinct idea*. Ideas become distinct for the conscious mind as they are integrated in a process whose implied goal is an unfolding process of hypothesizing-in-general, a process of the form implied by Riemann's habilitation dissertation. It is only as the mind locates each idea within a domain of ideas, and locates their relationship to one another, that the act of cognitive discovery of an individual universal physical principle assumes the quality of a *distinct idea*.

It should be emphasized, as a point of clarification, that most universal principles of physical science are known to us today by the name of the putative discoverer. The student who has relived the original discoverer's experience, has thus reenacted the cognitive generation of the relevant hypothesis, as if that student had been the original discoverer. The student may, thus, reenact the experimental validation of that hypothesis, and thus rightly claim to know, rather than have merely *learned* (like a trained parrot, or a mere dupe of contemporary "information theory") the principle involved.

These features of a moment of Classical humanist education in acquiring knowledge of scientific principles, become generalized through the student's repeating the same kind of reenactment for other discoveries. The social relations among that panoply of discoverers, and the student's personal relationship to them and their work, through cognition (e.g., Classical humanist methods of education), define a multiply-connected manifold of distinct ideas in the cultivated mind of the well-educated graduate.

The essential fallacy of the Hobbesian view of society as a collection of "interacting particles," should be obvious from the standpoint I have just summarized.

Since the progress of the human condition is the distinction of the existence of the human species, the natural relations within society are cognitive relations of the type just illustrated, in the foregoing discussion of transmission of those cognitive qualities of ideas, which correspond to elements of an integrated plenum of valid universal physical principles. It is such ideas, which are transmitted as a living form of idea over even thousands of intervening years, which express the characteristic of the natural form of human relations. It is this quality of relationship, not that of kinematically interacting Hobbesian particles, which defines the reality which the term *society* ought to connote.

Modern Suburban Savages

The difficulty which the foregoing remarks pose for most people today, should not be considered evidence that what I have just described suffers a fault of abstruseness. Rather, the resistance to my argument reflects the fact, that the existing forms of practice in today's prevalent culture, work to the effort of aborting the natural cognitive powers of the human individual in today's society. To state that point more vividly, but without exaggeration, we should reference the more typical U.S. suburbanite from the upper twenty percentile of the

nation's family-income brackets. If not physically, then emotionally and cognitively, an increasing fraction of this stratum today is virtually "brain-damaged," hopefully, not beyond remedy.

Generically, the problem is an old one in type. The causes fall under two headings.

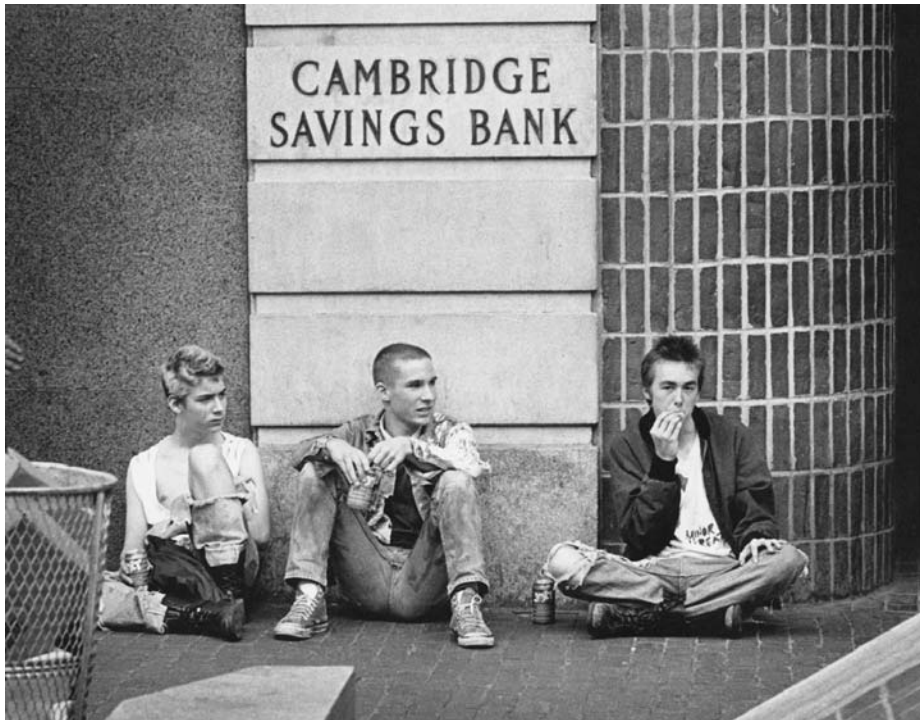
First, there is the need for a certain natural fostering of the cognitive and emotional development of the new individual, through the successive phases of infancy, childhood, adolescence, and young adulthood. This represents a period of approximately a quarter-century, from birth, to a mid-twenties level of potential young-adult maturity. An inadequate, or misdirected approach to the development of the young person during those successive phases, such as an abandonment of principles of Classical humanist education, may cause crippling damage to that personality, presenting us the infantile child or adolescent, the childish, or even dangerously, emotionally infantile adolescent or adult, and so on.

Second, there is the factor of the willful damage to the cognitive powers of the maturing individual, imposed by certain oligarchies, and families, as a way of dumbing-down those more numerous members of society, who are intended, by current policy of practice, to be herded, by the methods of George Orwell's "Big Brother," into the status of virtual human cattle. (E.g., "Let us not educate young people above the level of the employment with which we destine them to be occupied." "Let us not educate them to imagine themselves above the social status to which we intend to degrade them. Promise them everything, but fill them with gin—or marijuana, or cocaine, or non-stop, dumbed-down forms of popular entertainment.")

The folly of mankind in general, is chiefly the result of a combination of those two methods, of negligence or willful malice, for aborting the redeemable goodness which exists as innate potential within each newborn individual person.

The orchestration of public opinion, as by the Webbs and others of the British Fabian Society, and by the American Fabian Walter Lippmann's prescription, typify the mechanisms which have been employed in the effort to degrade the U.S.'s so-called "middle class" and others, into a condition which, in effect, degrades them politically, intellectually, into the social status of virtual human cattle. This tactic of "dumbing down" the mass of the human herd, as by aid of today's popular mass-culture, is sometimes praised, by malicious ideologues, as a popular virtue of "other-directedness." One should remember those human cattle, called the citizens of Rome, marching into their seats within the arena, where they, the paragons of *vox populi*, the mass of Roman predators,⁴¹

41. As I have emphasized, repeatedly, in earlier locations, the Latin term *popular* has the intentional connotation of "the predators," the class of Roman subjects whose chief function was to conquer, loot, or even exterminate other cultures, especially superior ones such as Hellenistic culture. The first modern fascist, the Consul and Emperor Napoleon Bonaparte, typifies the conscious use of the pagan Roman tradition in law and other institutions to create the



Certain oligarchies have decided not to educate young people “to imagine themselves above the social status to which we intend to degrade them. Promise them everything, but fill them with gin—or marijuana, or cocaine, or non-stop, dumbed-down forms of popular entertainment.”

would drool with pleasure at the sight of lions killing and eating Christians.

That, essentially, was the social doctrine of Francis Bacon, Hobbes, John Locke, Bernard de Mandeville, François Quesnay, David Hume, Adam Smith, Jeremy Bentham, et al. That was the aesthetics of Kant, the doctrine of law of Hegel’s confederate Savigny, the principle of the Nazi Nuremberg rally, of the recent motion-picture spectacular *Gladiator*, and the Romantic doctrine of law of the Twentieth-Century neo-Hegelian fanatic Carl Schmitt.

The functional significance of what I have just underlined, is shown by comparing a Classical-humanist school room, in which the pupils relive the cognitive experience of original discoveries of valid principle, with the type of classroom in which students rehearse the expression of those opinions which they are instructed to regard as authoritative opinion. In the latter case, the brutish sort of teacher or parent, will warn the student, “When you have graduated from college, then you should think for yourself; in the meantime, in this classroom, you will learn to think and speak as I tell you.” Or, a surly parent menacing his child, “When you grow up, you can think for yourself; in the meantime, you will believe what I tell you to believe!” Not surprisingly, the usual victim of such rearing reaches the age of twenty-five, or so, having successfully lost the greater part of his, or her innate potential to actually think cognitively, creatively.⁴²

kind of Caesarian society of the predators, which Napoleon established as the model to be imitated by Napoleon III, Mussolini, Hitler, et al.

42. Psychiatrist Dr. Lawrence S. Kubie studied what he termed “the neurotic distortion of the creative process,” and applied that study to the specific case

Thus, wherever the principle of Classical humanist education does not prevail, the student is conditioned to react in ways which conform to generally accepted classroom, or similar standards of social prejudice and teaching.

The case of that fraudulent description of Kepler’s discoveries, associated with the admirers of Newton, is typical. Anyone who had actually worked through the documentation of those discoveries, step by step, could not be taken in. Why, then, are so many otherwise more or less distinguished scientists taken in by that Newton hoax? Simply, because it is the generally accepted classroom mathematical outlook, toward which they make fearful obeisance, for the sake of their careers and reputations among their peers. That typifies the way in which the brainwashing works.

That perversion of the all too typical contemporary classroom, is repeated, in most family households, in places of employment, and in the domain of general expression of what passes for opinion. The majority of today’s under-fifty-five university graduates, typify the suburbanite fads of substituting perceived authoritative opinion, for thinking. The tyranny of popular opinion, as the lemming-like financial suicide of so many who have plunged into the market, typifies this syndrome.

This problem has been aggravated by the sympathy afforded to such degenerates as the late Theodor Adorno and Hannah Arendt. This exemplary pair of existentialist, anti-

of the pattern of cognitive sterility erupting in formerly gifted students at a point proximate to gaining a terminal degree. Hence, the often ironical implications of the academic term, “terminal degree.” Lawrence S. Kubie, “The Fostering of Scientific Creativity,” *Daedalus*, Spring 1962.

civilization fanatics, have been used to popularize their cult of hatred against persons they target as representing “the authoritarian personality.”⁴³ Arendt, for example, premised much of her claim to academic achievement, on her mimicking of both her Nazi friend, Jean-Paul Sartre’s Martin Heidegger, and Karl Jaspers, in promoting what was presented explicitly as a pro-Kant denial of the existence of truth. The result is equivalent to the kind of “Big Brother” syndrome of mass lunacy portrayed by George Orwell’s *1984*. Those who follow such creatures as Adorno and Arendt in their abhorrence of truth, will therefore function in their relations toward other persons as do all true existentialists, as Friedrich Nietzsche did, like hungry rats in a crowded cage.

In the healthy development of the young individual, it is the fostering of the development of the cognitive potential of the infant, child, and adolescent, at every level, which is of paramount importance to family, schools, and society in general. The premium is on development of the child’s and adolescent’s capacity to discover truthfulness, to develop a sense of truthfulness as an inward source of personal identity and authority in society.

The root from which depraved existentialists such as Adorno, Heidegger, Arendt, Sartre, Frantz Fanon, et al., acquired their tradition, was, most immediately the legacy of pagan Rome, or, what is known in modern European history and culture as *Romanticism*. The denial of truth, in favor of caprices of public opinion, as the mob in the Colosseum typifies this, is characteristic of what is known to history as the oligarchical model, the model adopted by European feudalism, promoted by imperial Venice, and continued by the British monarchy to the present day.

The ugly fact about pre-modern forms of society, is that they were, at least predominantly, oligarchical models, in which the relative few, as a ruling caste or oligarchy, treated the majority of humanity as simply wild prey to be hunted, or as virtual human cattle. This is the predominant cultural feature of all known society prior to Europe’s Fifteenth-Century Renaissance, even societies which contributed from within them, some of the most precious contributions humanity today enjoys from earlier times. Do not look for noble savages and their cultures in so-called primitive societies; none are evident, except in the childish fantasies of the credulous. The characteristic faults, moral and otherwise, of present-day, globally extended European culture, are the rotten fruit bequeathed to modern culture by ancient and medieval cultures, all of which were predominantly, viciously examples of the oligarchical model.

The moral and intellectual decadence, on these accounts, of recent generations of young American victims of these trends, must take into account the moral effects of pattern-shifts in the quality of both employment, and of education for

employment, especially during the recent thirty-five years.

During the immediate post-war period, there erupted a tendency for disdain for “blue collar” careers, which was expressed in the coordinated emergence of post-war suburbia and of related fads described, during the 1950s, as “White Collar” and “The Organization Man.” Even in the relatively healthy side of this trend, there was a shift away from the identity of the scientist, to that of the engineer, and a related moral degeneration in the quality of engineering training, expressed by hostility to Classical artistic and related studies and concerns.

These and related trends in the national culture transmitted to the post-war generations, represented a shift away from earlier emphasis on the “rugged individual,” whose sense of identity in acquiring knowledge and doing work, was one’s own “inner-directed” development as a citizen, implicitly equal in moral sense of social status, even to those who held greater relative authority in political and economic life, and so on. The shifts into what I have emphasized as the new-suburbia trends in decadence of the post-war generation’s experience, represented a political and moral down-shift in the sense of the personal identity, from that of often poorly paid, but proud citizen, to the person whose crippled, “other-directed” sense of identity, is that of the menial lackey, even lackeys, such as our present-day Talleyrands and Fouchés, who may have recently risen, if only temporarily, to levels of incomes in the order of millions of dollars.

“Who you are,” became less significant, and what your relative status as a lackey might be, took over the world-outlook of the younger generations, more and more, especially during the recent thirty-five years.

The Cost of Mediocrity

All viable human cultures are characterized by growing populations. Only catastrophes, either natural or man-made, produce any different result. Whenever the collapse of life-expectancies or population-growth is caused by the society itself, rather than external interventions, the determining factor is a triumph of a type of mediocrity akin to that which has been spreading, like a cancer, in Europe and the Americas during the recent thirty-odd years.

The typical cause for all the catastrophes which a culture has brought upon itself, is the mass phenomenon known to Europe, since the literature of ancient Greece, as *the oligarchical model*. The recent thirty-five years’ increasingly widespread and virulent cultural degeneration of the U.S.A. and European populations, typifies the way in which a culture may drag itself to the brink of even threatened extinction. The referenced example of what has happened to the U.S. suburbanite “Baby Boomer” stratum and its offspring, contains some of the most relevant evidence to this effect.

What we know of principles underlying such patterns, is learned chiefly from study of the evidence of the emergence of historical societies in the aftermath of the last great, cyclical

43. T.W. Adorno et al., *The Authoritarian Personality* (New York: Harper, 1950).

melting of the glaciation of great portions of the Northern Hemisphere, a glaciation now approaching, in its customary timely way, once again, unless our development of science enables us to prevent that calamitous effect. What we know that is relevant to the matter before us here, respecting the emergence of mankind from the post-glacial period to date, is fairly summarized as follows.

The highest levels of development of those cultures known to us, present us with calendars and other products of relatively great transoceanic maritime cultures which developed during the millennia preceding the melting of the last great glaciation of the Northern Hemisphere. The characteristics of the relevant, most developed such calendars, are those which contain crucially significant characteristics of transoceanic maritime cultures. We know that the emergence of post-glaciation civilization, and of the cultures which produced it, were concentrated either in coastal areas, or through penetration inland along the course of principal large river-systems.

Typical is the transoceanic culture which dominated much of the development of the Mediterranean littoral, including its great influence on Egypt, and, the relatively inferior culture which developed in Mesopotamia, through the colonization of southern Mesopotamia by the maritime culture of that Dravidian-speaking set of colonizers, the “black-headed people” who founded Sumer.

As the case of the Egypt of the period of the building of the great pyramids attests, some of these cultures attained a high level of technological achievement, and yet they fell, repeatedly, into what appear to have been cyclical collapses into relative barbarism and collapse of population-levels, even on “dark age” scales.

This pattern is echoed in richer detail of its records in more recent historical periods of ancient and medieval societies. Most relevant is the fact, the net effect of both Latin Rome’s and Byzantium’s culture, was a pattern of catastrophic decline in the level of Mediterranean culture, relative to the higher level of culture represented by Classical Greece and its influence on Hellenistic society prior to the crushing of the Greek states of southern Italy.

The general pattern of decay of Latin Rome and Byzantium alike, was reversed by the coincidence of the Abassid Caliphate in the East and Charlemagne in the West, and by the expression of the Augustinian tradition in the great cathedral-builders associated with Chartres, or the developments under Barbarossa, Frederick II, and Alfonso Sabio; but, the legacy of Rome, Byzantium, and the rising imperial maritime power of Venice, imposed recurring disasters, even dark ages, for the culture of medieval Europe and the adjoining Mediterranean littoral.

Even after the founding of the modern sovereign form of nation-state, during the course of the Fifteenth-Century Renaissance, the contest between, on the one side, the oligarchical model, typified today by the British monarchy and its

influence over Anglo-American power, and, on the opposing side, the tradition of the American Revolution’s model of sovereign nation-state republic, has been the characteristic struggle between the relics of the oligarchical and republican models throughout the recent five centuries.

All of the great tribulations of modern globally extended European civilization, are to be attributed chiefly to the role of the oligarchical model, and the impact of this degeneration within Europe upon other regions of the planet.

Throughout all of the known prehistory and history just referenced above, the crucially determining feature of society’s existence, has been the impact of the persistence of the oligarchical model. By “oligarchical model,” we should understand, an arrangement, under which a relatively small portion of mankind, called an oligarchy or a caste, rules over a majority of mankind which is degraded to the condition of wild and hunted, or herded, bred, and culled, always as virtual human cattle. The ruling oligarchy exerts its power through the instruments of associated armed and other lackeys.

Only playful children would track deer, or herd cattle, out of zeal for enjoying conversation with either. Cattle who are more intelligent, saner than their peers, are said by those holding a shareholder interest in cattle, to be too smart for their own good.

Typical of the point, are those provision of the Roman imperial Code of Diocletian, which is fairly described in modern terms as a malthusian population doctrine. Thus, just as the collapse of Latin Rome was chiefly the fruit of slavery’s effect on the population, and its fertility as a whole, so Byzantium, which had survived for a time because of the superiority of its demographic characteristics and Greek culture, died for the same reasons of self-depopulation built into such customs as the Code of Diocletian.

In both examples, the combination of population policies like those of modern malthusians, and the dumbing down of the majority retained as virtual human cattle, as has been shown by U.S. mass-cultural innovations of the recent thirty-five years, resulted in a lowering of the *potential* demographic and physical economic levels of the population per capita and per square kilometer.

Similarly, it was the anti-nation-state, globalization, and usury policies of the Venetian maritime power and its Norman allies which, over a period from shortly after the Fourth Crusade to a hundred years later, plunged Europe into the great economic, cultural, and demographic decline, culminating in the New Dark Age of the Fourteenth Century.

The significance of the panoramic view I have just described, becomes clearer, when we take into account some of the great known contributions to knowledge and technology supplied from within some of the cultures otherwise self-doomed to collapse. That irony points up the fact, that even a culture which produces greatness from within part of itself, may be also self-doomed, that because of its suppression of the cognitive potentials and sense of political identity of the

mass of its population. Thus, the recent two generations' trends in U.S. policies of public and higher education, typify the contributing causes for both the present global economic collapse in progress and the recently ongoing moral, and intellectual degeneration of the population and its leading political parties and mass media.

The effect of the oligarchical model, in all its manifestations, including the post-World War II "suburbanization" of the U.S. culture, to which I have referred above, is to dehumanize the great majority of the population, actions which suppress the cognitive development of the population at large, and, thus, depress the ability of the economy to continue to meet the requirements of maintaining that culture.

In the typical of past cultures, there is a repression of that cognitive cultural development upon which the maintenance of the potential relative population-density of the culture depends. Thus, even though some parts of the culture's intelligentsia may make fundamental contributions to the perpetuation and improvement of available knowledge, the lack of participation in the acquisition and practice of knowledge by a "zero-growth" form of social culture, brings the continued existence of that culture into conflict with its own self-imposed ecological boundaries.

Thus, to maintain a submissive majority of the population, the cognitive development of that majority must be forcefully suppressed, as the Code of Diocletian specifies relevant measures to this effect, and as feudalism continued that Code's practice in such forms as the systems of serfdom and guilds. It was under such leading policies of Byzantium, Venice, and "globalizing" tendencies within feudalism generally, that the natural impulses toward the emergence of modern nation-states were suppressed, as this is typified by the brutish wars against the Holy Roman Empire's Frederick II and the efforts to eradicate the legacy of Alfonso Sabio in Spain, and the brutish conduct of Richard II, the brutish campaign of the Normans against France's martyred Jeanne d'Arc, and, later, the typically Norman evil of Richard III, in England.

The great net advances in the conditions of life of the human population on this planet, effected within modern European civilization, over the course of the interval circa 1400-1901, have been the result of the impulse supplied by the introduction of the modern sovereign form of nation-state, under France's Louis XI and his follower England's Henry VII. The principled source of this improvement is the introduction of a revolutionary new conception of statecraft, called the principle of the general welfare. Every evil experienced by, or caused by globally extended modern European civilization since, has been caused by the opponents of that constitutional principle.

Notably, the direct forerunners of that great Fifteenth-Century revolution, which is called the Renaissance, were the great educators, such as Abélard of Paris, Dante Alighieri, the Augustinian teaching order, certain Franciscans working to similar effects, the work of Dante's great follower Petrarch,



Jeanne d'Arc walked in the pathway of Christ, losing her life, not through a tragic flaw, but for a sublime higher purpose.

and the exemplary great teaching order known as the Brothers of the Common Life. The characteristic of that great work, as Cardinal Nicholas of Cusa typifies the extension of this into the form of the Fifteenth-Century Renaissance, was the adolescent pupils' reliving the cognitive experience reflected, chiefly, in the great Classical Greek legacy, from which all of the great achievements of European civilization as such have fallen to mankind since. The role of Cusa in founding modern experimental physical science, with his *De Docta Ignorantia*, and the role of his self-designated followers, such as Luca Pacioli, Leonardo da Vinci, England's Gilbert, and Kepler, typifies the historical process.

Admittedly, since that time of the great Fifteenth-Century Renaissance, globally extended modern European civilization, has been a battlefield between those forces of the modern sovereign nation-state, and its general-welfare principle, and the oligarchical model most significantly typified, over these centuries, first, by imperial maritime power of financier-oligarchical Venice, and later the transfer of that role of Venice to the global, financier-oligarchical maritime power of Venice's chosen heirs, successively the oligarchs of Portugal, Spain, the Netherlands, and London.

However, that division within modern European civilization only defines the issue of principle the more clearly. The issue is the conflict between the principle of the sovereign nation-state, the principle of the general welfare, and, its opponent, the infinitely murderous, financier-oligarchical, imperial interest expressed by the Anglo-American financier tyranny of today.

Thus, in the history of the U.S.A., all of the important political struggles, including the internal struggle against the slave-system, have been a reflection of this conflict between

the principle of the sovereign nation-state and the London-centered international financier oligarchy. The central expression of the issue of principle, has been that established by the Fifteenth-Century revolutionary change in political institutions, the establishment of *a sovereign nation-state whose fundamental law is that the moral authority of government is conditional upon its efficient promotion of the general welfare of all of the people and their posterity.*

The issue of Classical education, as education bears upon political and economic practice, is the central expression of the principle of the general welfare. Do we educate our young as cognitive beings, or do we develop them as virtually human cattle? Do we develop, or suppress the development of the cognitive potential within them, which sets human beings apart from lower forms of life?

The perpetual consequence of the kinds of policies of education, culture, and economic practice, of the U.S. during the recent thirty-five years trend, has been to degrade the cultivation and expression of the cognitive potential of our young, to a state corresponding to a self-doomed culture of virtual human cattle. Such has been the cost of the rampant mediocrity expressed in the economic and financial trends leading into the present systemic crisis of the system as a whole.

The pattern of the recent thirty-five years, since approximately the time of Richard Nixon's 1966 launching of his neo-Confederacy "Southern Strategy" campaign for President, has been the systematic destruction of the productive, educational, and infrastructural basis for a healthy society. Not only have the conditions of life of those in the lower eighty percentile of family-income brackets been looted; the means for providing such employment, income, and standards of the general welfare, have been ripped up, by measures typified by the Nixon Administration's 1971-1973 campaign to nullify the Hill-Burton health-care law, and replace it with the predatory HMO policy.

Friedrich von Hayek's followers have thus achieved, in correspondingly great degree, the true, never really secret ambition of that co-founder of the Mont Pelerin Society, the return of globally extended European civilization, from civilization to serfdom. The fact that so many fools exist, in addition to Senator Phil Gramm, who admire Britain's Margaret Thatcher, who have embraced Mont Pelerin's neo-feudalist philosophy, is to be considered as one of the costs of the widespread mediocrity. Only mediocre, or very cruel minds could be taken in by von Hayek's perverse use of the term "freedom."

Thus, the U.S. among other modern nation-states of European civilization, has condemned itself to the same kind of oligarchical cycles which are typified by the rise and inevitable doom of the relatively powerful empires of the past. We are being destroyed, by ourselves, because we have allowed our children to adopt the intention that we be destroyed. That intention, is the cultural world-outlook which has prevailed

in the U.S., increasingly, during the recent thirty-five years. That intention is most clearly expressed by the way in which we educate, entertain, and employ the future and present members of the labor-force and the members of their households.

The Cost of Classical Culture

I have thus indicated the negative features of the process. I conclude this section of the report with a summary of the positive factors to be considered.

Physical economy, as I have addressed that here thus far, is essentially the development of the power of the individual human mind to act in ways which increase mankind's power to exist in the universe. This power is found in the interdependency among chiefly several leading, contributing elements. I list each of those on which attention is concentrated here.

First, there is the quality on which I have already focussed here, the role of the cognitive powers of mind, in generating and communicating validated universal principles as solutions for otherwise insoluble ontological paradoxes of man's relationship to the "physical universe" so-called. So far, in this report, I have emphasized the discovery of those universal physical principles which bear on the per-capita relations of man to the physical universe.

Second, there is the first aspect of the social side of this power of the individual in the universe, the communication of not simply single valid principles, but a manifold of multiply-connected such principles, as Riemann's cited dissertation describes such a manifold: the ability of the individual to impart to and invoke in other persons a specific sense of knowledge of distinct ideas.

Third, there is the class of universal principles which pertains to the processes of cognitive interactions among groups of members of society, and within society generally. In this case, we are studying social processes in the same general way we apply cognitive powers to discovering and conquering the ontological paradoxes encountered in our experience of the universe in which mankind exists. A competent study of economics, as from the standpoint of the science of physical economy, illustrates the existence of the same structure of multiply-connected principles, in the domain of social processes, as in man's conception of non-living and living processes.

Fourthly, there is the role of cognitive forms of motivation, as expressed by the sense of cognitive "fun" to which I have referred earlier. This is a quality of passion, as it spills over from the playfulness of the original discovery in science, a cognitive playfulness which is associated most closely with great works of Classical modes of artistic compositions, as in both plastic and non-plastic art-forms. It is this latter quality of passion which motivates us to dedicate ourselves, sometimes with overriding compulsion, to effects as much as a generation or more in the future. It is, therefore, this aspect of the matter which is of special concern to us in the subsuming



"The issue of Classical education, as education bears upon political and economic practice, is the central expression of the principle of the general welfare." Here: David Heifitz of the Fairfax (Virginia) Symphony Orchestra rehearses with students.

topic, long-range policy-planning, of this present report.

Although this latter quality of motivation is as characteristic of so-called physical scientific discovery as of great experiences in Classical art, it is in the greatest compositions and performances of Classical art that the significance of the passion is most immediately evident to explicitly social qualities of individual experience. The most relevant illustration of this point, is the Classical stage, as typified for our present purposes by the comparison of the great Classical Greek tragedies with the modern cases of Shakespeare and Friedrich Schiller. What is notable on that account, is the fact that the subject of that drama is politics, as situated historically. This latter connection serves us here, to emphasize both the importance of Classical art for fostering a rational basis for shaping the historical world-outlook of the mind of the statesman and citizen. Thus, as Classical tragedy illustrates most plainly, statecraft, and history, are situated under the reign of principles of Classical forms of artistic composition.

In several locations, within the present report as a whole, and in published writings earlier, I have emphasized the importance of the negative side of Classical drama, as typified by tragedy, and the positive complement to tragedy, which Schiller defined as the *sublime*. There is a point to be made on that account, at this immediate juncture.

Classical tragedy performs the indispensable function for society, of confronting society with its own propensity for bringing disaster upon itself. Through the great works of the Classical stage, tragedy shows us how entire cultures, acting under the influence of their leading institutions, such as a leading political figure, bring the entire society to an avoidable ruin, like the avoidable ruin under discussion in this present report. The positive side of tragedy, is that in a great performance of a well-composed work, the audience becomes

aware of the fact that a willful alternative to doom existed in the case presented; the audience senses, thus, that if such a folly were to be encountered in some coming situation, that insight into the alternative to folly would provide society an escape from the type of calamity enacted on stage.

In the sublime alternative to tragedy as such, as in the case of France's Jeanne d'Arc, the cruel fate of the principal figure is not a subject of failure, but a triumph over evil. Without Jeanne's courageous commitment, to the end, France and the modern nation-state would not have come into actual existence, as it did because she had lived and acted as she had done.

This matter of the sublime, is no mere artistic elegance; it is an issue which confronts every sane person. We know that we each were born, and shall die, sooner or later. Thus, it would be a tragedy indeed, if ours were such a society of fools as to think that individual self-interest lies in the kinds of hedonistic considerations listed by Adam Smith, as he argues for this in the passage I cited from his *The Theory of the Moral Sentiments*. Since we know that we all die, our interest in life is what we take out of it: For what should we spend that coin we call individual life, knowing that the meaning of our having existed will be nothing but what our living has given to the future? The rule of the wise person, is: *You have but one mortal life, spend it well; what you purchase will be the meaning of your existence for future mankind, throughout all eternity*. Only a person who lives so, is not intrinsically corrupt.

There lies the sublime, as the case of Jeanne d'Arc illustrates the point, both the Jeanne of history, and the Jeanne d'Arc as Schiller presents her on the stage. That is the passion which motivates all great Classical compositions, such as that of Johann Sebastian Bach and his anti-Romanticist followers,

such as Mozart, Beethoven, Schubert, Mendelssohn, Schumann, and Brahms. It is so, as Brahms sets *I Corinthians* 13 to song. The passion so prompted, is that which Plato, and also the Apostle Paul, define as *agapē*.

This was the subject of an important essay, written by a great Massachusetts figure who was also a mentor of young Benjamin Franklin, Cotton Mather. Mather's injunction of the motive "to do good," expresses that passion which motivates the incorruptible ("inner-directed") part of the scientific discoverer, the great artist, and the great statesman.

Economics as Classical Art

One of the greatest frauds commonly practiced today is *the myth of objectivity*. The myth is, that the hallmark of honesty is disinterest in the issue under consideration, and that lack of passion bespeaks a disinterested assessment of the impassioned issue at hand. "Sorry to kill you, fella'. Nothing personal; just doing my job," might the judge have said, when he condemned an entire section of the population to an increased morbidity rate, purely out of dispassionate regard for "shareholder interest." The only truly disinterested man is the "hanging" judge who, in matters of truth and justice, expresses the quality of disinterest otherwise shown by the female praying mantis, eating the head of the mate who is copulating with her.

It is the unfortunate consequences of an action, including actions of negligence, which deserved the passion which might have averted the calamity. Sometimes, it is indispensable not to avoid naming names; sometimes, on important issues, such as the career of Adolf Hitler, it is urgent to be very, very personal. In some cases, such as the genocide actually being willfully practiced throughout most of Africa, by known Anglo-American interests, such as those associated with London's Lynda Chalker, and formerly condoned by Secretary of State Madeleine Albright, the lack of passion is, in itself, an unspeakable crime.

Enough of tragedy; return to the sublime.

Take as an example, President Franklin Roosevelt's injunction respecting the awfulness of the situation produced by former President Coolidge's creation, the 1929-1933 Great Depression. So, today, it must be said: *We have nothing to fear as much as fear itself*.

The remedies exist, but they each and all depend upon predicating present action on confidence in a longer-term perspective. The use of the power of the sovereign nation-state to create national credit, is the indispensable means for organizing a process of general recovery from a catastrophe such as that of 1929-33, or the worse situation erupting today. This course of action depends upon mobilizing a passion in support of feasible programs which will not be self-sustaining in less than the medium to long term. On the basis of confidence in the prospect that such programs will become self-sustaining in their effects, government issues regulated credit to tide the nation and its people over, during the process of building up to a self-sustaining economic recovery.

The mustering of a combination of public and private credit for such medium- to long-term undertakings, requires the corresponding arousal of a passion for the future in a large part of the population, at least. A people will put up with much for quite some time, if three conditions are met. First, that the relative sacrifice is necessary; second, that the goal is credible; and, third, that we shall manage to get along decently, with gradual but significant improvement, in the meantime. Precisely that is required for the situation confronting the U.S. and its people, among others, today.

The great danger today, comes from the corrosive cultural influence of what is sometimes called "the now generation." This is the silly generation which tolerated the obscene delusion, that universities should not compel students to study the works of "dead white European males." The characteristics of the victims of such a mis-education, are that they are hostile to cognitive activity, and have no passion for the realities of either the past or the future. They are not future-oriented. In that sense and degree, they have no future, and the society which adopts their opinion will have no future, either.

This point is best illustrated by contrasting the quality of passion evoked by the qualified performance of a great tragedy, such as that of Shakespeare or Schiller, and the emotional response of the current rash of entertainments which substitute mere succession of sensual effects for a process of development. Even the pedestrian sorts of popular detective-story fiction from the 1930s through 1950s, contrast sharply with the gore-splattered-against-the-windshield sorts of TV crime-story productions today. To describe a film such as *Gladiator* as having some "redeeming" quality of plot, insults the imagination of anyone operating above the zombie-like level of an Nintendo-game addict.

It is only through those forms of communication which are best typified by Classical artistic composition, and study of statecraft and history in the same mode, that we muster the ability of a population and its leaders to respond with passion to the cause of bringing the future into being.

It is the great projects of nation-building and space exploration, which will motivate today's imperilled populations into reaching to the future as a way of rising from the otherwise insufferable conditions which grip the present.

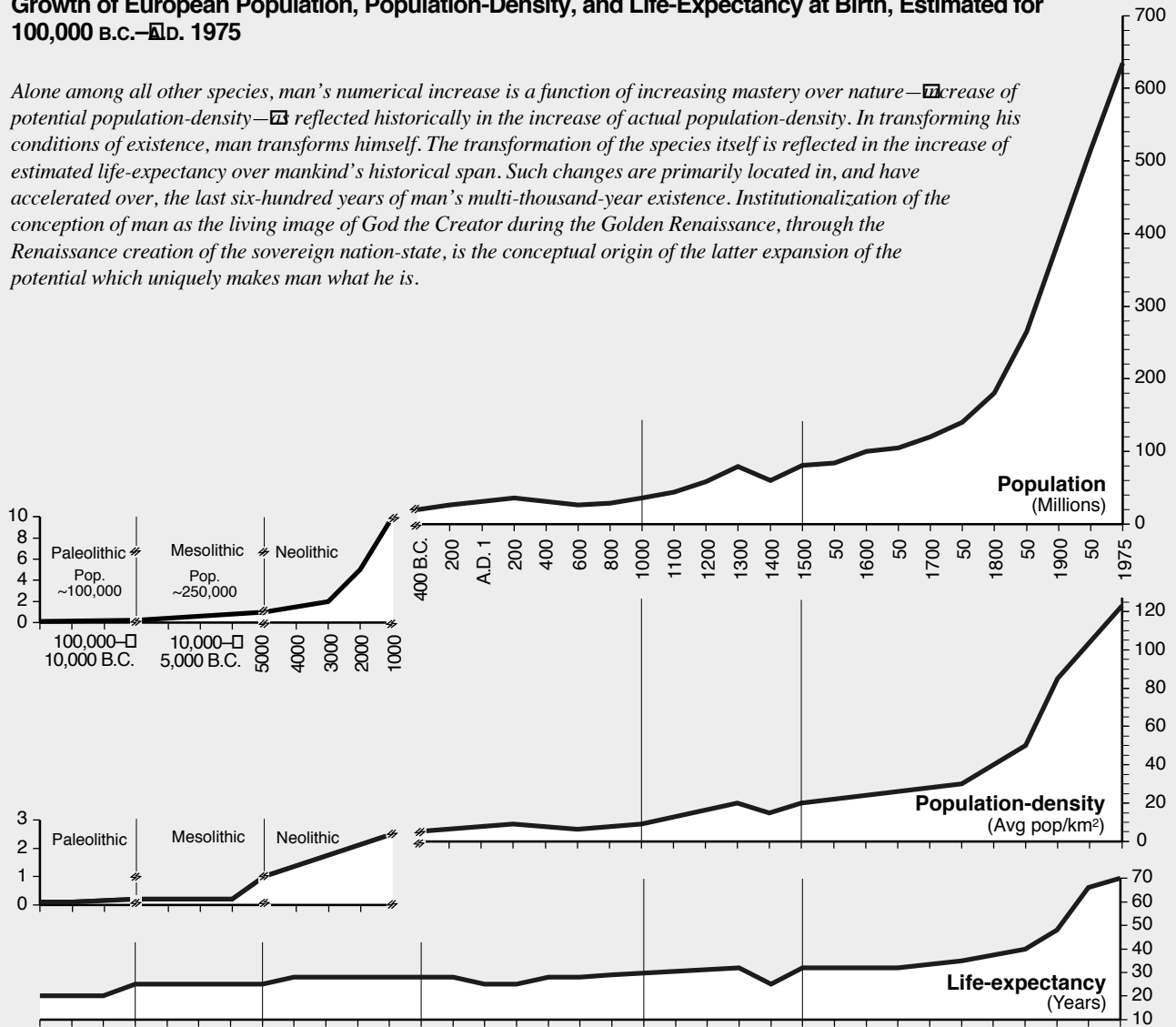
4. The Sovereign Nation-State Economy

For anyone who is not ignorant of that revolutionary improvement in the demographic characteristics of human existence which was brought about through the Fifteenth-Century European creation of the modern nation-state, European civilization over the course of the recent six centuries has brought forth a degree of improvement in the human condition without precedent in all human existence before that time [Figure 9]. The causes for this success are encapsulated in the creation

FIGURE 9

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

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



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

Note breaks and changes in scales.

of a revolutionary form of state, one without actual precedent in any part of all human existence beforehand: the sovereign form of nation-state brought into being in the context defined by the great ecumenical Council of Florence, a Council whose leading organizers included the founder of modern experimental physical science, the later Cardinal, Nicholas of Cusa.⁴⁴

44. For another view of the uniqueness of the Fifteenth-Century founding of the modern sovereign nation-state, see Friedrich-August von der Heydte,

The revolution which produced this new institution, the sovereign nation-state, is the point of origin of all modern economy.

What Cusa proposed in his *Concordantia Catholica*,

Der Moderne Kleinkrieg als wehrpolitisches und militärisches Phänomen, 1972 (also published in English translation under the title *Modern Irregular Warfare in Defense Policy and as a Military Phenomenon* [New York: New Benjamin Franklin House, 1986]). For Cusa on science, the reference is, again, to his *De Docta Ignorantia*.

echoing significantly the *De Monarchia* of Dante Alighieri,⁴⁵ can be fairly summarized by stating, that what he proposed was not a sovereign nation-state as such, but rather a system of sovereign nation-states, a system of the kind referenced later by then-U.S. Secretary of State John Quincy Adams, as a “community of principle.” Cusa’s grasp of the significance of the same notion of *intention* later echoed by his follower, Kepler, is of crucial significance for understanding the practical considerations of principle involved.

From the standpoint of the considerations identified in this report thus far, the notion of promoting the general welfare, subsumes the notions of maintaining and improving an existing level of *anti-entropic potential* for the present and future population as a whole, and also the corresponding development of the basic economic infrastructure of the society. This includes, prominently, the level of education and related development of the young and others in households. This requires the allocation of physical sources and protected conditions of individual and family life, for that population and the area of its habitation and other uses. These responsibilities imply real costs (as distinct from merely nominal, or money costs).

This means, in turn, setting the equivalent of wages and prices, per capita and per square kilometer, for the existence and functions which must be sustained in the interest of the general welfare. In effect, it becomes the responsibility of the government, under the principle of promotion of the general welfare, to foster protectionist regulation of costs and prices, and also to stipulate allocations for basic economic infrastructure, and some other things.

Under such arrangements, what is called the “market” is bounded by the way in which protection affects, chiefly, prices, costs, and certain priorities in allocation for basic economic infrastructure. The institution of these measures of protectionism, motivated by the principle of the general welfare, was the birth of modern economy. The complexities of European economy since that time, can not be understood, without reference to the indicated interdependency between the notions of protectionism and the promotion of the general welfare.

The First Nation-State

Elements of this complexity are to be seen under France’s King Louis XI. The case of Louis XI, as the beneficiary of Jeanne d’Arc, serves us a double purpose here. We cite that case again, now, to make clear both a lesson from the panorama of history, and to make history clearer by means of a corresponding example from Classical artistic composition.

History is not a fiction practiced on the stage of a *tabula rasa*. This rule is clear in the process leading into Louis XI’s coronation, and the circumstances under which he ruled thereafter. The case of Jeanne d’Arc, the intersection of her case

with the reemergence of the Papacy during the decades immediately following her martyrdom, and the convergence of both her role and that of the outcome of the Council of Florence, are key to understanding how Louis XI came to power as he did. The mixed defeats and continued achievements of the circles of Cardinal Nicholas of Cusa, following that Council, were reflected in the increasing difficulties Louis XI and France suffered in the later part of his reign.

The history of Europe from the time of Venice’s Fourth Crusade, near the beginning of the Thirteenth Century, until the accession of England’s Henry VII, was a nightmare, caused chiefly by the alliance of the imperial maritime power of Venice with the Norman interests largely controlling England and France, a legacy which continued to plague Europe into the time of the *Fronde’s* alliance with France’s Louis XIV.

The great New Dark Age which erupted during the middle of the Fourteenth Century, had begun with the wars against the Holy Roman Empire’s Frederick II and his successors, during the middle decades of the Thirteenth Century, a war which had been continued through the so-called “Hundred Years War” and, in England, the “Wars of the Roses.” Meanwhile, the fall of Constantinople had, for that time, ruined the ecumenical agreement reached during the Council of Florence, thus enabling Venice and its allies among the old Norman interests to reassert the authority lost during the earlier parts of the Fifteenth Century, leading thus into Venice’s fomenting and orchestration of those religious wars of the 1511-1648 interval which threatened to eradicate the accomplishments of the Florence Council and Renaissance.

In this context, Jeanne d’Arc played a crucial role, leading toward the liberation of France and the revival of the Catholic Church from the ruinous political strife of the Fourteenth and early Fifteenth Century. For that, her French and English Norman foes, the latter allied with a current anti-Pope, feared and hated her.

Although Friedrich Schiller uses a piece of fiction in dealing, on stage, with the issue used, in history, as a pretext for retrying and burning her, in transposing the events from the vast panorama of France to the pin-hole of the Classical stage, Schiller never deviates from the historical issue posed by the richly documented historical record of her case. On this account, Jeanne not only makes history, but serves as a vehicle for Schiller’s efforts to lift drama from the relatively more primitive art of tragedy, to the higher Classical form of the sublime. As Bach’s *St. John* and *St. Matthew Passions* use the New Testament to present Jesus Christ’s mortal life and actions as the epitome of the sublime, so Jeanne walked in the pathway of Christ, losing her life, not through a tragic flaw, but for a sublime higher purpose, as Plato, earlier, had used the case of Socrates to assert the principle of the sublime, in contrast to the standpoint of the Classical Greek tragedians.

Thus, do real history and Classical artistic composition converge as one. Moreover, it was in the same setting of Jeanne’s combat and martyrdom, that Cusa composed his

45. Nicolaus of Cusa, *The Catholic Concordance*, Paul E. Sigmund, trans. (Cambridge: Cambridge University Press, 1991).

Concordantia Catholica.

The principle of the general welfare, as a principle of natural law, is the specification that no government has the moral authority to rule, except as it promotes efficiently the general welfare of the living and their posterity. The principle is more or less clear, from what we have considered in the preceding pages. However, that leaves a not-unimportant issue unresolved: Who shall decide what promotes the general welfare? How shall that decision be judged? Who shall judge?

The general answer to those questions, is fairly stated as reason. That means reason as defined by cognitive determination of truthfulness, in the Socratic sense of truthfulness, as all matters of universal principle must be defined in no other way. Who shall then judge whether or not, by reason, a government does, or does not meet the Gettysburg standard of government of the people, by the people, and for the people? How shall the people know that they are being governed properly according to that principle?

This points to a twofold issue posed by Dante Alighieri, the issue of Classical art. Since cognition occurs through the ironical use of language, the determination of the suitability of government must be made in terms of the language of the governed; however, that is not possible, if the language itself is not developed to the level of capacity for communication which such cognitive responsibilities imply. What shall then replace Latin as the language of government? Admittedly, within medieval Latin, the influence of Classical Greek had uplifted the use of Latin to a certain degree of literacy and related sophistication; but the problem of the use of language for government persisted. Thus, the pioneering by Dante and Petrarch founded the possibility of establishing the nation-state, as the reading of Dante's *Commedia* in the public places in Florence, showed the pathway to elevating Italian into the condition needed for government according to reason.

Thus, for these and related reasons, it is clear that a nation must not be so small, a virtual micro-state, that it is not capable of a reasonable degree of sovereignty; but, we can not simply lump populations together, without a concurrence in the shared use of a literate form of language, a form of language conditioned to serve as a medium for cognitive communication.

The net result, is a system of nation-states, each immediately, and sovereignly responsible for its own general welfare, but, not indifferent to the general welfare among nations. So, there must be a standard of natural law, by which consenting nations agree to order their mutual relations in ways consistent with the promotion of the general welfare of each and all.

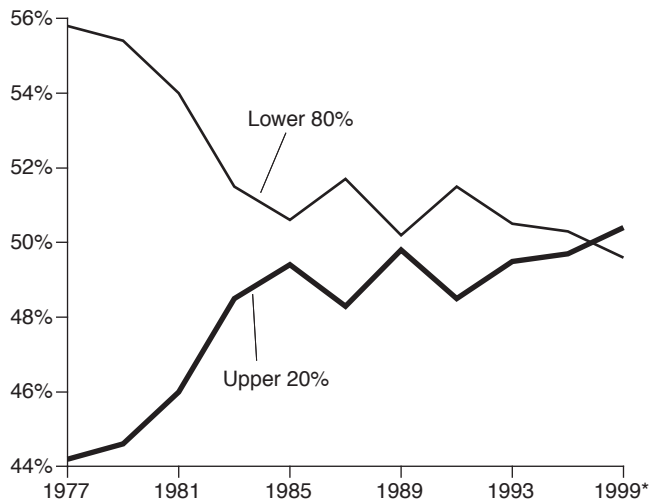
The Quality of the Citizen

The great affliction which threatens the best efforts of any modern statesman, is the persisting tendency of the great majority of the population to accept a self-policed status as a virtual herd of human cattle, rather than true citizens. Thus, in the recent U.S. Presidential election, the majority of those

FIGURE 10 □

America's Richest 20% Now Make More than the Other 80% □

(percent)



*Projected □

Sources: Congressional Budget Office; EIR.

who voted, voted in the fashion of slaves begging for favors at the back-door of the master's mansion. They proposed to support a candidate, not because he was actually worthy of the office, but because they deluded themselves they might glean a favor or two from the one that they might not gain from the other. What was good for the nation, for their posterity, was, generally speaking, not their concern. They were like the slaves who said, "Master! We aren't asking for freedom; all we ask is that you pay us off with a few shekels' worth of reparations." All for one measly, miserable bowl of pottage.

That state of mind of the generality of the U.S. adult population, is in itself a far step down from the temper of the same strata of the population thirty-five years earlier. The curve of the declining share of U.S. national income represented by the lower eighty percentile of the nation's family households [Figure 10], since President Carter's inauguration, shows the way in which the majority of the U.S. population has become accustomed to its economic and political degradation under the trend set by the Nixon "Southern Strategy" campaign of 1966-1968.

This decadence in the generality of the citizenry, is reflected in the moral degeneration of the educational system, in the degraded characteristics of what the population tolerates as popular entertainments.

The citizens of the U.S. have, in fact, the constitutional authority to free themselves from this oppression. They have reached the point they have temporarily lost the desire to do

so. Better to be a fed pig in a pen, even if the butcher is not far off, than a beaten child in the master's house.

The responsibility of leadership, as long as society slides again, and again, into the habits of human cattle-likeness, is to awaken the people to their essential humanity. To arouse from the swinishness of Adam Smith's filthy doctrine, and to adopt a sense of mission which makes their life meaningful in the eyes of the Creator, meaningful in their own eyes.

The only method by which such attempts at leadership have succeeded, in the past 2,500-odd years of European civilization, is the method of Plato, the method which theologians sometimes term "spiritual exercises," as the referenced discoveries of Kepler typify such arousals of that in the individual which is made in the image of the Creator.

It is not with do's and don'ts, that the individual soul is saved. It is with a sense of mission, the mission of being, and acting as a creature made in the image of the Creator. That is the image which the true leader of a people must evoke from within those citizens he seeks to uplift to rediscover their own true nature. That is the image of a true citizen of a true republic, which this republic of ours was founded to become.

5. Quarter-Century Cycles as a Standard of Accounting

As I wrote here of this paradox, in an earlier section of this report, in economics, the future lies in the present, and the success of the present is to be seen only in the mirror of its future. In practice, the future of immediate reference for the present, is a generation ahead, a period of approximately twenty-five years' lapse of time, from today's newborn to the matured young adult of about twenty-five years.

For example, one to two generations, is the lapse of time which, in saner times, used to be required for a medium-income-level family household to acquire the ownership or equivalent of a suitable residence. Important infrastructure represents an investment in the same general magnitude.

Indeed, when we build a home, or equivalent housing, we should design and build it to last without disastrous costs of maintenance, for fifty to a hundred years or more: glorified tar-paper shacks with pasted-on Hollywood exteriors, at \$400,000 and up, are not really the answer to the housing need, especially when a large ration of such speculative, low-grade, cheap-labor-built construction, has been dumped onto a market defined largely by the lately hired "new economy" recruits presently being dumped in droves. As might be recognized already, this aspect of the "Y2K"-keynoted, 1995-2000 "new economy" bubble, has not been particularly kind to the banks which have been involved in conducting credit into these not merely highly speculative, but even dubious markets. The way in which a new household formation brings forth a matured next generation, is thus a fair approximation of the span within which the making of the future must define

the present.

Large-scale infrastructure, such as public utilities, educational institutions, should be designed with adaptation to new developments in mind, but the basic platform on which those new developments will be superimposed, should last for a quarter-century at least, and, with reasonable ratios of maintenance, better fifty to a hundred years.

Thus, for example, the idea of a wage can not be defined competently as the income paid to an individual. We must think in terms of household income, and of the conditions of household life needed to ensure the healthy production of the required quality of the next generation of the labor-force and its associated households. We must therefore think in terms of the conditions of life within the framework of that household, and associated extended families, and of the conditions of the community of which the household is a part. We must think of the organization of the living day in the household, including the hours in commuting daily, and of personal life associated with the household, as this bears upon such prominently included considerations as the rearing, and education of children and adolescents.

We must be alert to those errors in child-rearing and circumstances of childhood and adolescent life today, which tend to produce an impairment of the functional development of the individual who is presumably on the way toward adult maturity.

These and many considerations confronting us when we think approximately a generation ahead, usually involve cost, in some sense of cost to society. These costs must be paid, in one way or another. How shall we be able to pay?

For one thing, we must set certain priorities. Keep the unnecessary overhead down, for example. Generally, after all the relatively obvious measures of economy are taken into account, there remains a substantial deficit in what might be projected as available future income against morally unavoidable future physical costs. We must always think, first of all, in physical terms, rather than financial ones. Whence the additional margin of income?

In general, the answer to the question so posed, is scientific and technological progress. The question becomes: What programs of accelerated investment in scientific and technological progress will foster the rates of increase of the physical productive powers of labor needed to balance the implied budget of the economy overall?

The dull-witted sort of accountant, perhaps a fellow-traveller of Senator Phil Gramm, will answer "slash expenditures; we can not afford more investment in research and development at this time." The problem of the linear mentality, to which I have made frequent reference here already, has thus cropped up once again.

The solution to the problem is human in nature. The human being, if properly educated and inspired, is an ultimately inexhaustible source of creativity, as discovery of valid universal physical principles typifies this creativity. This creativity, so expressed, is characteristically anti-entropic. That is,

FIGURE 11□

Productive Compared to Non-Productive Labor Force, U.S.A.□

Percent of Total Labor Force

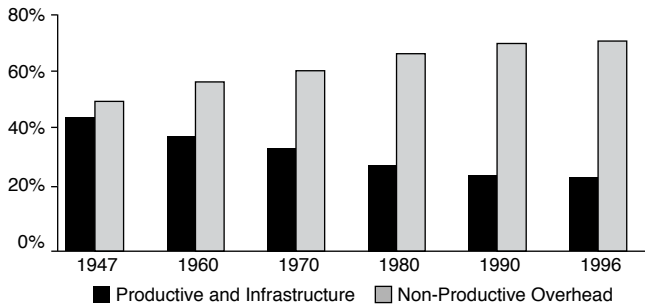
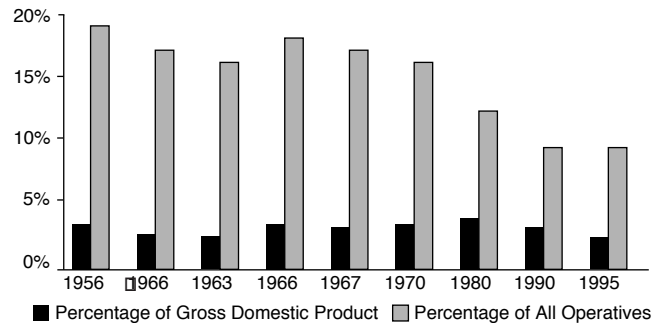


FIGURE 12□

U.S. Manufacturing Investment and Employment□



the more we are able to spend for that anti-entropy, the greater the rate of growth of the real net national income.

The shaft of the spear of anti-entropic progress, is education combined with the fostering of Classical culture. However, to get the shaft through the target efficiently, we must put a sharp point on the spear. The best choice of point is what is called an economically broadly based “crash science-driver program,” as typified by the pre-1966 phase of President Kennedy’s manned Moon landing program.

I explain a few crucial points respecting such a much-needed “crash science-driver program” for the world today.

Reconstruction

Turn your attention to the categories of employment of the U.S. labor-force over the interval 1946-1965, prior to the injection of the pro-malthusian phase-shift of 1966-1967, into the U.S. Federal budget. Trace the decline of those categories of employment which had been associated with technologically-driven increases in development of basic economic infrastructure and physical production of physical goods, prior to 1966. Contrast this with the shift in composition of categories of total employment over the interval 1971-1987, and, again, the shift over the interval 1989-2000. [See **Figures 11 and 12.**]

Now consider reducing the percentiles of employment in services, by category, to the levels of 1946-1965. Then, intend to shift the percentile cut from employment to the effect of restoring the percentiles of composition of employment to levels consistent with 1946-1965 trends in composition of employment of the total labor-force. This means, in effect, the shift of composition of employment of the total labor-force, back to the more productive composition of the earlier, pre-1966 interval.

Since we are presently headed for massive unemployment, the kind of shift of composition of employment indicated will be best accomplished simply by absorbing new

employed into expanded employment in categories corresponding to the more physically productive component of employment. This means, of course, government programs, in the spirit of FDR’s recovery effort, which steer credit into the categories of employment which are more desirable, because of their impact on the desired increase of the physical productivity of the labor-force as a whole.

This means, of course, much higher rates of Federal and other taxation on those relatively upper-bracket personal and business incomes which are not recycled as investments in the physically productive sectors of the economy. This would be aided by reversing Kemp-Roth and related follies, to increase radically the financial capital-gains tax-rate, but with a compensating investment-tax-credit program along lines not dissimilar from President Kennedy’s program.

The idea that increasing the ratio and amount of tax-free financial gains would promote productive investment, was a fairy-tale in the first place. The way to manage the job, is to reward those who employ their gains for the increase of physical productivity of the economy, and tax those relying upon speculative appreciations at the relatively highest rates. We must learn the lesson of thirty-odd years of liberal folly, recognize the mistakes of deregulation and the like, and restore what had worked before the ruinous effects of Nixon’s and Carter’s elections as President.

The leading edge for the initial mass of raw growth such a recovery program will set into motion, will be infrastructure. Here, my outline earlier of the implications of the infrastructural interface between mutual development of noosphere and biosphere, should predominate in policy-shaping. The increase of water throughput, energy throughput, and higher energy-flux densities, per capita and per square kilometer, chiefly through public utilities, will provide the initial leading stimulus for economic recovery in both infrastructure and those entrepreneurial activities affected by expansion of infrastructure.

This emphasis upon infrastructure, should build the plat-



The most crucial thing, is to instill in the population an informed sense of mission for the future. Then, as Franklin Roosevelt said, we shall have nothing so much to fear from this new great world-wide depression, as fear itself. Here: President Roosevelt in 1936, with drought-stricken farmers.

form for a two-fold approach to upgrading the productive powers of labor in the so-called private sector generally. In short, the two approaches are, respectively, bottom-up and top-down. Bottom-up, means the traditional approach of the 1939-1965 interval: upgrading the quality of employment of so-called “blue-collar” and other productive employment, with emphasis upon technology-intensive, capital-intensive modes for bringing this effect about. Top-down, means a “crash science-driver program” approach, in which the mere development of scientific discovery is treated as the highest priority quality of product produced by the economy as a whole.

To situate the top-down aspect of the program, look at the global prospects for a U.S. long-term economic recovery.

U.S.-Eurasia Cooperation: Science as a Product

Among the crucial economic situations in the world at large, is the collapse of the export margins of the German economy, the economy on whose support the entirety of western continental Europe depends for its economic vitality. The natural export market for western continental Europe as a whole, is chiefly Eurasia. The pivot for any such cooperation between western continental Europe and Asia, is Russia. Relations among Russia, China, and India, are the keystone upon which broader cooperation in Asia depends more or less absolutely. It is through western continental European cooperation throughout Eurasia, in cooperation with Russia, that a general and durable economic recovery of Eurasia as a whole becomes feasible. In a rational state of affairs, the

government of the U.S.A. would eagerly cooperate with its partners in western continental Europe in such a Eurasia undertaking.

This is not to deprecate the importance of Africa or of Central and South America, or of Australia and New Zealand either. Rather, unless the Eurasian land-mass pivot is viable, the world lacks the net resources to provide much-needed rescue for Central and South America, or Africa.

There are two economic fulcra in this Eurasia project. One is the underdeveloped landmass of Central and North Asia. The other, is the fact, that without massive infusion of technology into nations such as China and India, beyond the internal resources of those nations themselves, the amount of technology which could be infused into those two most populous nations would not be sufficient to overcome the burden of the deep impoverishment of the less developed portions of the populations and areas of those nations, in particular.

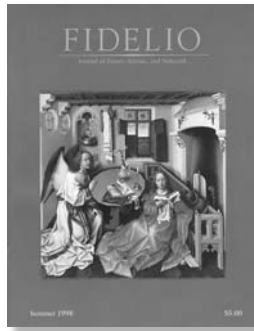
The solution for these and related challenges internal to Eurasia, is a long-term reorientation of the economies of the traditional technology-exporting nations of the world, toward the technology-hungry appetites of East, Southeast, and South Asia. Essentially, this means applying the lessons actually and implicitly learned from the 1946-1965 cooperation between the U.S.A. and western continental Europe, to the expanded horizons of Eurasia as a whole.

It would be a great mistake to imagine that such a program could succeed on the basis of off-the-shelf technologies from present U.S. and European enterprises. The degree of technological leverage represented by such inventories, is not sufficient to accomplish the implied mission in a timely degree.

For further reading

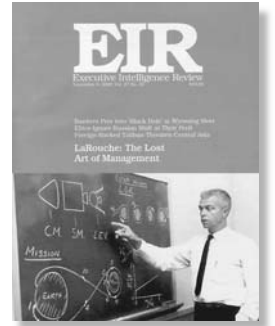
The following bibliography of recent articles provides extensive documentary and analytical material on subjects that are covered in Mr. LaRouche's article. See the end of this box for information on how to order.

Jonathan Tennenbaum and Bruce Director, "How Gauss Determined the Orbit of Ceres," *Fidelio*, Vol. 7, No. 2, Summer 1998. The 1801 determination of the orbit of the asteroid Ceres marked a triumph for the Platonic method in science. \$9



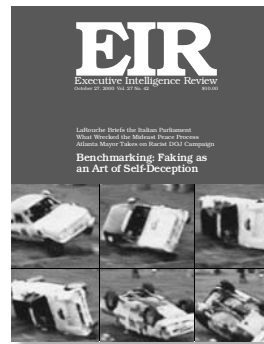
LaRouche, "On a Basket of Hard Commodities: Trade Without Currency," *EIR*, Vol. 27, No. 30, Aug. 4, 2000. "A basket of commodities . . . is to be understood as a shared commitment to do good. The issue of economy is, therefore, not the exact price to be placed on any commodity, but the good will expressed in the way a reasonable estimate of a fair price is adopted. On that basis, a reasonable price for a unit basket of commodities, will be the right price in practice." \$12

LaRouche, "The Lost Art of Management," *EIR*, Vol. 27, No. 35, Sept. 8, 2000. LaRouche clarifies "what today's leaders must come to recognize as the deeper meaning which they ought to attribute to the term 'full set economy.'" \$12



Lyndon, H. LaRouche, Jr., "New Accounting Systems Are Imperative: The Becoming Death of Systems Analysis," *EIR*, Vol. 27, No. 13, March 31, 2000. "Any cost-conscious corporate management so reckless, as to imagine it might be permitted to reduce costs by substituting so-called mathematical modelers, for the type of design-engineering developed for

the tasks of testing new universal physical principles, should be promptly discharged, that out of consideration for urgent issues of managerial incompetence." \$12



LaRouche, "Benchmarking: Faking as an Art of Self-Deception," *EIR*, Vol. 27, No. 42, Oct. 27, 2000. The admission that the U.S. government has been faking its official inflation statistics, plus the surfacing of a letter in which Ford executives described how they covered up a design-failure in the firm's best-selling Sport Utility Vehicle, "tell us much, if not

covered up a design-failure in the firm's best-selling Sport Utility Vehicle, "tell us much, if not

There must be a virtual explosion of scientific progress, and technological progress driven by scientific progress, to the effect of increasing the rate of technological gain greatly beyond that which would be possible with off-the-shelf-plus strategies.

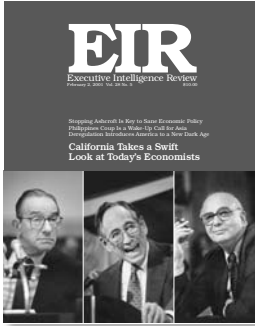
This means, that the potential volcanoes of large-scale technology export, such as the U.S., western Europe, Russia, a resuscitated Korea, and Japan, must cooperate with other nations in creating a virtual new category of employment: "crash science-driver program" employment.

Realistically, such a program must come chiefly from national governments, mobilizing such a new industry on the

basis of lessons from projects such as the Manhattan project and the post-war space programs. This means a heavily overloaded, ostensibly "over-staffed" initiative, not one conducted according to today's accountants' notions of efficiency. This means, heavy engagement of universities, with build-up of their science departments and research projects, with much emphasis on pre-benchmarking notions of engineering design for advanced experimental work.

It means the inclusion of such programs as the Sanger project's scramjet program, for lower-energy-cost access to geostationary Earth-orbit, and every other plausible avenue of task-oriented space-exploration work. It also means, a

quite all, about the administrative reasons for the presently onrushing collapse of the global, Anglo-American-dominated financial system.” **\$12**



LaRouche, “A New Voyage to Laputa: California Takes a Swift Look at Today’s Economists,” **EIR**, Vol. 28, No. 5, Feb. 2, 2001. Why have nearly all among today’s ostensibly leading economists failed so miserably? The defective mentality behind their policy failures, is a pervasive cultural disease. Jonathan Swift’s famous *Gulliver’s Travels* suggests the explanation for the follies of today’s middle-aged economic-policy Laputians. **\$12**

Jonathan Swift’s famous *Gulliver’s Travels* suggests the explanation for the follies of today’s middle-aged economic-policy Laputians. **\$12**

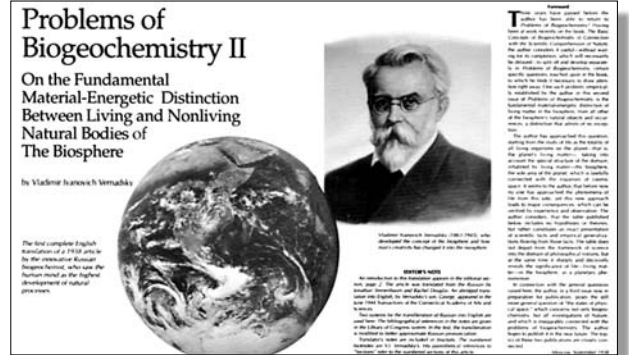
LaRouche, “On the California Energy Crisis: As Seen and Said by the Salton Sea,” **EIR**, Vol. 28, No. 7, Feb. 16, 2001. Unless President George W. Bush abandons his present ways, his policies are now going to lead his administration toward a global crisis “so horrifying, that most of you would not now even try to imagine it. . . . For the sake of all of us, please permit me to lead you, step by step, into discovering for yourselves, what it is that you need to know, if we all are to work our way out of this mess.” **\$12**



Order single copies or subscriptions from your local distributor, or call EIR News Service, Inc. toll-free at **1-888-EIR-3258**. Visa and MasterCard accepted. Prices for single issues are postpaid.



LaRouche, “A Philosophy for Victory: Can We Change the Universe?” **EIR**, Vol. 28, No. 9, March 2, 2001. Classical philosophy, properly defined, is the only branch of science in which possible solutions to the crisis in U.S. decision-making can be rationally discussed. **\$12**



Vladimir Ivanovich Vernadsky, “Problems of Biogeochemistry II: On the Fundamental Material-Energetic Distinction Between Living and Nonliving Natural Bodies of the Biosphere,” Jonathan Tennenbaum and Rachel Douglas, trans., *21st Century Science & Technology*, Vol. 13, No. 4, Winter 2000-2001. The first complete English translation of a 1938 article by the innovative Russian biogeochemist, who saw the human mind as the highest development of natural processes. **\$5**

crash-program approach to the noösphere-biosphere concepts of Vernadsky et al., with much emphasis on the kinds of biophysics implied by that work, as opposed to the dubious claims for molecular biology’s cure for practically anything.

The intended by-products of such a broadly defined “Vernadsky Project,” should include new assistance to crop programs, aimed to secure the world’s food supply, in both quantity and quality. It should include broader-based study of infectious and other diseases, and the possible remedies. It should emphasize helping the biosphere to transform wastelands into viable crop-lands and areas of habitation. It should

include the build-up of useful, managed forests, as part of the build-up of the biosphere. It should foster improved approaches to developing long-term residential areas, public facility areas, and commercial and industrial areas, in ways which a deeper understanding of noösphere and biosphere suggest.

The most crucial thing in all of this, and related work, is to instill in the population an informed sense of mission, looking toward what must become a quarter-century ahead, and still further. Then, as Franklin Roosevelt said, we shall have nothing so much to fear from this new great world-wide depression, as fear itself.

Domingo Cavallo Means Certain Death for Argentina

by Gerardo Terán Canal and Cynthia Rush

Domingo Cavallo, Argentina's Finance Minister from 1991 to 1996, and close associate of global speculator and drug legalizer George Soros, has again taken over the Finance Ministry—and this time, possibly the country as well. On March 20, after 18 days of chaos, which saw the resignation of two finance ministers, José Luis Machinea and Ricardo López Murphy, and the crumbling of the ruling Alianza coalition of President Fernando de la Rúa, Cavallo staged a virtual coup on behalf of the international financial oligarchy, to finish off Argentina as a nation-state once and for all.

As Presidential pre-candidate Lyndon LaRouche told *EIR*'s March 21 seminar in Washington, D.C., putting Cavallo in as finance minister is part of a global plan, “very close to Henry Kissinger and George Bush, Sr.,” in which all the nations of Central and South America “are doomed to disappear from the political map of the world in the early future.” David Rockefeller and Citicorp Vice President William Rhodes immediately flew to Buenos Aires, as soon as Cavallo was named, to offer their full support.

In 1991, after Cavallo imposed his currency-board system, called “convertibility,” which pegged the peso to the dollar in a one-to-one relationship, he was hailed by Wall Street for saving Argentina from hyperinflation and returning it to stability. In reality, he savaged the national economy, laying the basis for the current crisis.

Today, there is no guarantee that he will be able to carry out London and Wall Street's orders, because it means applying the same brutal measures his predecessors tried, and failed, to impose, in a totally volatile social environment. Free marketeer López Murphy only lasted 16 days in office. Popular rage against the government is so enormous, that attempts to ram through greater austerity could unleash unprecedented social upheaval. As soon as he was named to the post, Cavallo demanded “emergency powers”—for *himself*,

not the President—aware that the policies he intends can only be imposed by dictatorial means.

Cavallo claims that his policies are supposed to make Argentina more “competitive,” not by devaluing the overvalued peso, but by “cutting costs” by 20%—that is, further gouging living standards *and wages*. A few years back, he argued that Argentine wages were “too high,” and had to be slashed by 20% to make the country more competitive. Otherwise, he demands the same deep cuts already endorsed by the International Monetary Fund (IMF): broad “reform” of the state, privatization of remaining state-sector companies; ripping up labor laws, and the laws regulating social programs, i.e., public health, social security, medical assistance, etc.; increasing the foreign debt; sabotaging the Common Market of the South (Mercosur), the customs union comprised of Brazil, Argentina, Uruguay, and Paraguay, and led by Brazil.

Most important, he plans to eliminate existing laws affecting economic activity, including those setting taxes and interest rates. Congressional deliberation on policy isn't intended to occur, and, as one Peronist legislator warned, Cavallo will probably try to shut down the Congress altogether.

The Chaos Begins

Along with Turkey, Argentina is one of the weakest links in a world financial system that is disintegrating at breakneck speed. Out of fear that a default on its \$200 billion in foreign debt might have immediate repercussions on neighboring giant Brazil, the IMF led a \$39.7 billion bailout package, or financial “armor,” for Argentina at the end of December, which was supposed to be the basis for an economic recovery. But the reality today is what the daily *Clarín*'s economist Daniel Muchnik told an audience on the March 19 TV program Memoria: “We're in default,” he said, and there is only

enough money to make interest payments until April 15.

Since the end of December, when the bailout was announced, the deepening of the international financial crisis has made it impossible for the De la Rúa government to come close to meeting any of the IMF targets established for the fiscal deficit, or any of the political demands for squeezing the bankrupt provinces, imposing pension and labor reforms, and cutting expenses. By the end of February, it was clear that the deficit for the first quarter would be at least \$500 million, and perhaps more, over the target agreed upon with the IMF. Between early February and mid-March, \$2.5 billion fled the country. So much for the bailout inspiring “investor confidence.”

Throughout February, the crisis worsened. As the Nasdaq and Dow Jones plunged, the Buenos Aires Merval stock index also plummeted, and interest rates shot up to as high as 60% from an average of 10%. Rating agencies such as Moody’s and Standard & Poor’s threatened to downgrade Argentina’s debt, and the country risk rate (the spread between U.S. Treasury notes and Argentine bonds) returned to the 9% it had reached last November, before the bailout. By early March, London and Wall Street made known to De la Rúa that Finance Minister Machinea no longer enjoyed their “confidence,” and that “the markets” would prefer someone else. Machinea resigned on March 2.

Even before Machinea left, the fragile ruling Alianza coalition, made up of the Radical Civic Union (UCR) and the São Paulo Forum’s asset, Frepaso, was crumbling. Reflecting the São Paulo Forum’s bogus “anti-globalization” strategy, Frepaso’s cabinet members and congressmen, led by its president, Carlos “Chacho” Alvarez, who had resigned as Vice President in October of last year over disagreement with government economic policy, became increasingly vocal about the IMF’s austerity demands. Under the guise of opposing neo-liberalism (free trade), Frepaso and affiliated groups are positioning themselves to steer legitimate protest into the Jacobin, anti-industry “Mindless Movement,” which the São Paulo Forum is organizing continentwide.

On March 3, De la Rúa named ultra-monetarist López Murphy, then his defense minister, as finance minister. Even at that point, it was being rumored that Cavallo might also enter the government, possibly as Central Bank president or Chief of Cabinet.

López Murphy’s appointment was greeted with euphoria by Wall Street and the IMF. A longtime leader of the FIEL think-tank, López is a University of Chicago-trained economist who has also worked as an adviser and consultant to the IMF and World Bank. He was expected to take an axe to the federal budget, to the size of the government itself, and especially to funds allocated to the bankrupt provinces. He brought with him to his new post a team of FIEL hatchetmen, prepared to “reform” the state out of existence, threatening as many as 95,000 state-sector jobs.

Anticipating opposition to López’s plans, President De la Rúa announced he would rule by decree, and bypass the

Congress altogether, in order to get the necessary measures through. On March 16, López announced an austerity program of \$2 billion in cuts, \$1 billion of which were to come from provincial budgets.

The country exploded, and the Alianza coalition dissolved, as three cabinet members affiliated with the UCR and four from Frepaso, resigned. The 14 governors of the opposition Peronist party publicly rejected the package. Buenos Aires Gov. Carlos Ruckauf warned De la Rúa that unless the President repudiated the measures within 48 hours, the country would go up in flames. The “rebel” faction of the CGT labor federation and the teachers’ federation, CTERA, announced national strikes, while university students, professors, and unemployed around the country staged mass protests.

Enter Cavallo

Thus the stage was set for Cavallo to appear as a savior. De la Rúa used the pretext of setting up a “national unity government” to bring in Cavallo in an undefined role, calling him back from London where he was attending a meeting of the Trilateral Commission, together with David Rockefeller. When López Murphy resigned on March 19, citing “lack of support” for his program, De la Rúa immediately named Cavallo. The Soros clone’s chief backer was “Chacho” Alvarez’s Frepaso.

Cavallo lost no time in getting down to work. On March 21, he sent a “Competitiveness Law” to Congress demanding broad dictatorial powers over all economic activity, and warned that he would report no more details on what he intends to do, until Congress approved it.

The law argues that Argentines must make even greater sacrifices, to join the “modern,” globalized world. The nation must “respect the rules demanded by modernity” and honor its international “commitments”—i.e., pay its foreign debt—or risk total isolation, it demands.

While offering some tax relief and investment incentives for businesses, and promising to eliminate the 10-15% tariffs on capital goods, Cavallo’s plan is premised on intensified looting of a population which has reached the limits of toleration for such measures. To cut costs by 20%, he proposes that company contributions to worker pension and benefit funds be reduced, and that employment be generated by ramming through the IMF’s “labor flexibility” and pension reform laws, which do away with union benefits and long-term job stability. To date, opposition to these measures has prevented their implementation.

A 0.6% tax on all bank transactions greater than \$1,000 is intended to pull in funds quickly, in the range of \$5 billion, while “reform of the state” will eliminate jobs, and sell off any remaining assets of value, probably to foreign interests. The law states explicitly that greater indebtedness is necessary to comply with commitments “to international banks.”

Cavallo targets Mercosur, whose cohesion Brazil is counting on for negotiations with the United States on the

Free Trade Area of the Americas (FTAA). He threatened that were Brazil to oppose his proposed tariff changes, he would go ahead and implement them anyway, thus violating any notion of regional cooperation on tariffs.

But the Argentine people aren't buying Cavallo's wares. On March 21, the dissident CGT paralyzed much of the country in a general strike, and brought 50,000 people to the Plaza de Mayo in Buenos Aires to demonstrate against the IMF and

Cavallo. The head of the official CGT, Rodolfo Daer, warned that Cavallo's "reform of the state" is an assault on pensions and social security, and will result in mass layoffs. Hugo Moyano, head of the "rebel" wing of the CGT, said that Cavallo is so insistent on being granted extraordinary powers, that "it would appear he wants to take us back to 1976," the year in which the military staged a coup against then-President Isabel Perón.

Who's Bringing on the Crash of 2001? Japan Criticizes IMF in Washington

by Kathy Wolfe

Following Japanese Finance Minister Kiichi Miyazawa's March 8 warning against a financial "collapse," the March 17-20 U.S. tour of Prime Minister Yoshiro Mori and his entourage brought further insights into the growing anger in Tokyo. After reporters at one March 17 Washington event insisted, in questions to a Japanese official, that Japan is to blame for today's global financial crisis, *EIR* pointed out that when the crisis hit in 1997, Japan, Malaysia, and others proposed to create an Asian Monetary Fund (AMF) to protect and develop the region. Instead, the opposite policy of the International Monetary Fund (IMF) was enforced, so doesn't the IMF bear some responsibility? *EIR* asked.

One Japanese official said, that of course the IMF is to blame! It is well known that the IMF policies are to blame for the current downturn. He pointed out that the way the IMF imposed its program in Indonesia in 1997, was a disaster. It was too categorical, neglecting all the background and history of Indonesia and the other countries, as well as being too hasty. Every country has its own history and culture, and so the solution for each country should be different, but the IMF always imposes the same prescription, he said.

Also, the United States crushed the AMF idea, he said. Everyone also knows that the main cause of the crisis was the hedge funds—which were coming from the United States. This was the main reason Malaysian Prime Minister Dr. Mahathir bin Mohamad wanted to protect the region from the predatory practices of the hedge funds.

"You can't quote any Japanese on this," one source said later on, "but the [U.S.] Treasury and State Department were quite unhappy with what was said." "However," the source also pointed out, what the official said "was not retracted."

Not a single article on the incident appeared, other than in *EIR*, despite the presence of reporters who publish frequently on Japanese financial affairs in the *New York Times*,

Washington Post, and so on. The sequence gives the lie to media reports that all was sugar and cream between Premier Mori and President George W. Bush at their March 19 meeting. As statements by Minister Miyazawa and Bank of Japan circles also imply, Tokyo is not happy with the role it has played, and the Japanese are aware of their potential financial power in today's crisis situation.

'Imposed by the United States'

The policies of the United States, at root, and not policies originating in Japan, have caused today's global crisis, *EIR* Editor Lyndon H. LaRouche told a Washington webcast seminar on March 21, noting that one must go back to the 1970s and '80s to understand reality. Japan had sought to industrially develop least-developed countries (LDCs) such as Iran and Mexico as markets in the 1970s, he said, but Henry Kissinger and Zbigniew Brzezinski said, "No." (Brzezinski, famously, said that the United States did not want more new Japans springing up around the world.) "The United States," LaRouche said, "through the 1980s, said to Japan, 'Don't export to Third World countries. We are against that. You will now concentrate on markets in Europe and, especially, the United States.' So, Japan concentrated on the consumer and related markets in the United States."

More recently, especially since Washington forced the yen's upvaluation in the 1985 Plaza Accords, Japan has been loaning yen at zero interest rates to "speculators" under pressure from Washington, LaRouche said. "They borrow the yen; they turn around and use the yen to buy European currencies and dollars, especially. So, therefore, what's happened, is that Japan has been driving itself into bankruptcy, with a financial policy *imposed by the United States*, but imposed so that Japan would *subsidize* the United States" and pay for the U.S. current account deficit.

The U.S. foreign deficit occurs as a result of U.S. globalization policies, he said, “under which we no longer produce our own products. . . . We destroy our own industries . . . to bring in goods, from cheap-labor and other foreign markets . . . on credit . . . in order to subsidize a U.S. economy, which can no longer maintain its own standard of living on its own earned income. . . .”

“Japan is being destroyed. And in effect, the United States government is saying to countries in Asia: ‘If you don’t do as we tell you, if you buck the IMF, we’ll kill you.’ That’s the way it’s run—by muscle. Japan is told, ‘You have a security problem. You do as we tell you. . . .’”

The true national interest of Japan, LaRouche concluded, is to return to a mission to industrialize the world, to supply “the technology which is immediately required” in Asia, Europe, Africa, and worldwide. Japan should “reorganize its financial affairs,” he said, with “a sort of Chapter 11 bankruptcy reorganization . . . and go back to the business that its national interest dictates. And that is, to find agreements, largely in Eurasia, the biggest market of all,” and supply high-technology goods that will develop that market.

Reversing the Flow

Now, the flow of funds has reversed, and every Japanese financial institution is pulling in dollars and yen cash from around the world to shore up the troubled Japanese banks. The most important lesson to be learned from the March events is, that reversing this flow had become Japan’s policy before the Mori trip, and has remained policy, during, and afterwards. Nothing which happened during the trip changed that policy, much to the enormous distress of Washington officials.

Indeed, Japan has major need of this cash. At the March 17 Washington event, reporters and Japanese spokesmen alike bandied about numbers for non-performing loans (NPLs) on the books of Japanese banks, which are far beyond those being publicly acknowledged. In response to questions as to whether the actual size of the bad loans may be “Y70 trillion or Y120 or Y130 trillion or more”—i.e., as much as \$1.1 trillion, more than quadruple the size of the previous official figure of Y32 trillion (\$266 billion)—one Japanese official said that range of estimates “may not be wrong.” “At any rate,” he nodded, “they are very large.”

The Bank of Japan (BOJ) March 19 emergency announcement that it will provide Tokyo banks with “ample liquidity” is as much an immediate response to the Tokyo banking crash as it is to Washington’s loud calls for cash for Wall Street. The BOJ statement admits the failure of a decade’s crisis management in striking terms: “During the past decade in Japan . . . whereas fiscal policy has repeatedly implemented expansionary measures, the Bank of Japan has maintained interest rates at unprecedentedly low levels. Notwithstanding, Japan’s economy has failed to return to a sustainable growth path, and is now faced again with a threat of deterioration . . . economic conditions warrant monetary easing as drastic as is unlikely to be taken under ordinary circumstances.”

Tokyo, furthermore, is not about to do as Korea has done, and implement Washington’s demands that the banks, and their industrial borrowers whose loans have gone sour, be summarily shut down.

An emergency economic committee set up by Japan’s three ruling parties to handle the NPL, stock market, and other financial crises, is now debating the extent of a “direct large-scale NPL write-off,” a Japanese official explained. “But if we were to be very stringent now and just write them all off, this would cause enormous economic hardship, bring widespread unemployment, and lower the living standards of the population. We do have to take strong measures, but not to that extent.”

Japan also has some hefty financial ammunition in its arsenal. “We also do have significant assets,” one official noted, “including Y1,400 trillion (\$11.6 trillion) in private sector savings outside the stock market, and some \$1 trillion in net dollar external assets.” Insiders believe the Japanese may be quietly selling some of these dollar assets for yen to shore up the banks, and are doing so slowly under cover of the yen’s current weakness, so as not to cause a whip-saw crash in the dollar itself.

Regional Strategy

“Globalization has brought worldwide standards, mostly American standards,” a Tokyo official summed it up to *EIR*. “But, on the other hand, Asia as a region also has its own requirements, which have to be met to take care of our population. Americans have NAFTA; the Europeans have their Union, and Asia is a region with a lot of potential, so we are of the view that Asia should play a very important role in the world recovery.

“To do that,” he said, “cooperation between China, Korea, and Japan, and the ASEAN 10 [Association of Southeast Asian Nations] are of primary importance,” as *EIR* has reported. Japan intends to promote political development of relations among the 13 Asian nations to make broader markets possible. “The Chiang Mai Initiative swap arrangements is one of the solutions we have reached,” he said, speaking of the currency-support arrangements now being finalized. “These should be in line, in general with IMF policies,” he said, so as to not occasion IMF attacks, “but still, they must primarily be set up so as to be beneficial to Asia. . . .”

“This will now involve China, and that is very important,” he noted. “Not only Southeast Asia, but China as a market is very promising, and we must help China to smoothly develop their internal market and develop as an industrial economy. If we do this, it will be a great stabilizing factor for the region and the world. Japan-China confidence-building is very key, both for our two countries, and for the Asian region as a whole. So this is our vision: that Japan should contribute to the prosperity which is necessary to the Asian region, and there is no doubt whatsoever about that. Whoever is the Prime Minister of Japan during this period, will have this vision,” he said.

Bush Team Favors Narco-Peace in Colombia

by Valerie Rush

On March 8, representatives of 25 countries, the United Nations, the European Union, and the Vatican, travelled to the Revolutionary Armed Forces of Colombia (FARC)-dominated “demilitarized zone” in southern Colombia, where they held 12 hours of talks with the Colombian government and the narco-terrorist FARC. Supposedly intended to further peace negotiations in the war-ravaged country, the delegation in fact gave the drug-running cartel precisely the official recognition it needs to complete its drive for power. Out of the meeting came plans for the creation of an eight-country “facilitating commission” to keep the “peace talks”—i.e., power-sharing negotiations—moving forward.

While the Bush Administration did not send a delegate to the international FARC-fest—supposedly because these narco-terrorists butchered a number of American citizens a few years back, and have failed to show adequate repentance since—it moved a step closer to doing so for the next such gathering, while continuing to give 1,000% backing to Colombian President Andrés Pastrana’s appeasement policy toward the murderous narco-terrorists.

For example, urged by Secretary of State Colin Powell to “clarify” reports that the United States was boycotting the March 8 “peace dialogue” in Colombia, Acting Assistant Secretary of State for Western Hemisphere Affairs Peter Romero assured the media: “We do not discard the possibility of some participation in the peace process inside Colombia in the future.” It’s just that “we didn’t think it appropriate for the United States to attend this particular meeting.”

At the March 9 U.S. State Department briefing, spokesman Richard Boucher “clarified” that “accountability and good-faith efforts” on the part of the FARC “are both issues that we want to see addressed before we would start talking to the FARC ourselves.” This, despite the fact that the FARC is documented to be the world’s leading cocaine (and increasingly heroin) cartel, and that it appears on the State Department’s list of international terrorists, and the United States is therefore officially prohibited from negotiating with it.

Numerous Colombian press commentators have noted that the Bush government appears to be shifting the emphasis of the \$1.3 billion aid package to Colombia, inherited from the Clinton Administration, away from a supposedly “hard-line” military targeting of drugs, and toward a softer “socio-economic” approach to the crisis in Colombia, and the broader

Andean region. This coheres with the FARC’s repeated demands that the United States abandon its “failed” war on drugs and embrace drug legalization.

Push for Drug Legalization

A reversal of U.S. support for ongoing widespread drug eradication efforts in Colombia also seems to be in the offing. Immediately after a final statement by the 28 foreign representatives in Colombia was issued, giving support to FARC demands for manual, as opposed to herbicidal, eradication of illegal coca and poppy crops, the State Department’s Bill Brownfield told the press on March 12 that the United States is prepared to support a suspension of fumigation efforts if Colombia’s “irregular groups” were to commit to eradication by other means. The FARC’s pledges to oversee manual eradication of drug crops in territory under its control, are ludicrous, in light of the millions in drug-trafficking revenues that go toward its bulging war chest.

Washington’s sudden “softness” toward the FARC is, in fact, not sudden at all, but a reflection of the State Department’s continued domination by Wall Street’s Project Democracy apparatus, first put in place by George Bush senior during the Iran-Contra days. That apparatus has long promoted a takedown of the Ibero-American military, as the precondition for eliminating national sovereignty and imposing economic looting policies designed to shore up the bankrupt world financial system. Power-sharing with narco-terrorists such as the FARC, drug legalization, and supranational oversight are all part of the Project Democracy gameplan.

At the March 8 international confab, the FARC issued an explicit call for “legalization of consumption of psychotropics worldwide.” The FARC also called for a five-year debt moratorium on servicing Colombia’s foreign debt, to free up the one-third of the national budget which now goes to pay that debt. The FARC’s caveat? Because of “the very high degree of corruption of the so-called Colombian political class,” control over the budget funds thus saved should be delivered to the FARC-government “Dialogue Committee”—that is, to the FARC itself.

In the aftermath of the gathering, FARC leader Manuel “Sureshot” Marulanda arrogantly demanded that the country’s Presidential pre-candidates travel to “the FARC zone,” to submit their campaign platforms for his approval. Indeed, the media are already predicting that it will be “Sureshot” who determines President Pastrana’s successor.

Marulanda is also moving quickly to win the release from Colombian prisons of scores of terrorists. While this is couched as a “humanitarian exchange,” under which the FARC would release some of the many sick and wounded soldier and police hostages they are holding, the fact is that many of the terrorists the FARC wants released are its mid-level commanders, who are urgently needed back in the terrorist ranks, to accomplish the goal of doubling the FARC’s irregular army, currently estimated at 20,000.

Looting Indonesia: The Energy Brokers' 'Warm-Up' for California

by Michael Billington

It is now widely acknowledged among sane individuals, that the ongoing looting of California (and other states) by a handful of energy brokers, under the cover of "deregulation," is having the effect, as if by design, of collapsing an economy which was already weakened by the bursting of the financial bubble. It is instructive to those who may doubt that such corporate geniuses would consciously destroy an economy, for nothing more than an apparent short-term gain, to examine the process of looting which has taken place against Indonesia since the mid-1990s, by many of the same entities now "doing" California. Although the specific mechanism used was different, the species characteristic of the looting process was precisely the same.

After the near-breakdown of the world financial system in 1987 and 1989, a hyperinflationary process was unleashed out of New York and London, based on the creation of a huge derivatives-based financial bubble, in order to preserve the power of the (actually bankrupt) global financial institutions. One aspect of this bubble was the "globalization" process, generating hot money flows into developing nations, financing *maquiladora*-style cheap-labor export industries, and creating local bubbles in the real estate and equity markets in much of the Third World, and in Asia in particular. Energy generation, like most infrastructure in the Third World, was woefully inadequate in Asia, so the energy companies jumped in to meet the need — an admirable task, under normal circumstances, but conditions were hardly normal. Although the following profile of the Indonesia situation was repeated throughout the region, the Indonesian case is exemplary.

Sweetheart Deals with Suharto

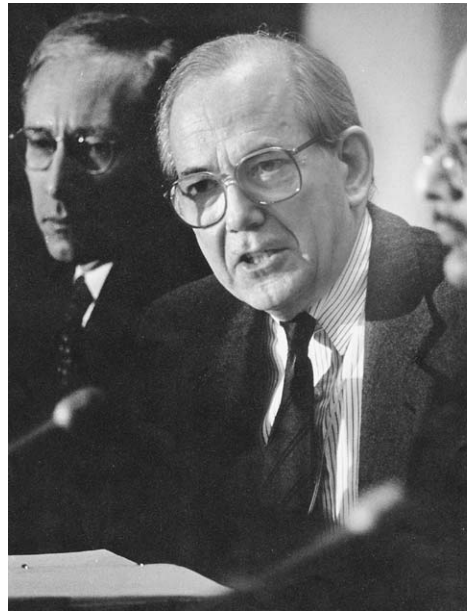
Altogether, 27 joint-venture energy contracts were set up in the early to mid-1990s in Indonesia. Each one included a foreign power producer — we'll examine below projects with MidAmerican, Edison Mission, and Florida Power and Light — in partnership with the Indonesian state electricity company, Perusahaan Listrik Negara (PLN), and an Indonesian private firm, inevitably run by one of President Suharto's children. All had the same general character: A power plant would be built on the condition that PLN (i.e., the government) would be bound to purchase a fixed amount of electricity each year, *regardless of whether the electricity was needed at the time*, and that the cost of the electricity would be deter-

mined in *dollars*, not in the Indonesian currency, the rupiah. These lucrative deals were set up through personal connections between the energy producers (and their international banks) and the Suharto family and friends, the same circle which was later denounced as "corrupt" by the so-called "international community."

While the fantasy persisted that the financial bubble would expand forever (a fantasy that persisted within the United States up until the past year), the Indonesian energy deals proved to be a bonanza for everyone involved. However, when the bubble burst in 1997-98, brought on by the speculative attack on the Asian currencies by the hedge funds, and the conditionalities imposed by the International Monetary Fund (IMF), the energy deals were exposed for what they were: a scam which left the government helpless before the combined power of the multinational corporations, international banks, the IMF, the United Nations, and the U.S. State Department, all of which demanded that the corrupt contracts be honored in full, or Indonesia would be subjected to credit termination, economic sanctions, seizure of assets, and political destabilization by non-governmental organizations (NGOs) and other "private" operations controlled by the Wall Street and London power elite.

With the sudden collapse of the economy, and the subsequent rapid decline in energy needs, many of the newly built power plants were no longer needed. The risk, however, had been entirely transferred to the Indonesian government, through the corrupt conditions written into the contracts. Indonesia was required to pay for electricity for which it had no use. And, because the electricity was priced in dollars, when the speculative raid drove the value of the Indonesian rupiah to about one-fourth its former value, the government-owned PLN was forced to pay four times the actual value (in Indonesian terms) for the electricity it didn't need.

The currency eventually settled at about one-third its former value. PLN raised the price substantially on the electricity it sold to Indonesian consumers, but it could not even begin to charge a price to cover what it was forced to pay the foreign producers. In fact, when President Suharto allowed an increase in the costs of certain fuels, it precipitated riots which ultimately brought down his government, and similar instability would have been certain in the case of any further drastic rate increases.



General Suharto (left) in 1998. After Suharto's downfall, the IMF, under Managing Director Michel Camdessus (right), and the UN demanded an end to "corruption, collusion, and cronyism," and that the new government honor the corrupt contracts worked out through collusion between the foreign energy cartels and Suharto's cronies.

The result, then, was that PLN was faced with purchasing huge quantities of energy at prices in the range of 5-8¢ per kilowatt-hour (kwh), while reselling only a fraction of that amount, and at only about 2-3¢ per kwh. This ridiculous, untenable situation could only be truly appreciated by a California governor!

Who Is Corrupt?

The Indonesian government approached the 27 different foreign producers with a request that the contracts be renegotiated to account for the drastically changed circumstances. In some of the cases, where plants were not yet completed or not yet begun, the contracts were cancelled, with requests for reasonable breach of contract settlements. The response was a barrage of hypocritical demands that the sanctity of contracts must be upheld. The extent to which thug tactics were used is demonstrated in the case studies below. Several leaders in the new Indonesian government pointed out the obvious inconsistency: Why is it that the IMF and other foreign interests insist that the "cronyism and corruption" of the Suharto era must be ended, by imposing "transparency," and by bringing those guilty of corruption to trial, but that the foreign partners who participated in the corruption (or, more likely, *instigated* it) are not only let off the hook of criminal responsibility, but also their corrupt contracts must be respected to the letter?

In August 1999, then-PLN president Adhi Satriya said he would ask the courts to "annul contracts secured by the Independent Power Brokers through corrupt practices, and to punish all those involved." He accused former PLN directors of signing contracts with "marked-up prices," even before the devaluations. One former PLN chief, Djiteng Marsudi, said that he had been "forced" to sign such contracts under political pressure.

In fact, as shown below, failure by the Indonesian govern-

ment to meet the terms of these corrupt contracts led to legal proceedings in international courts which simply disregarded the question of the general welfare of the Indonesian people, and ignored rulings by Indonesian courts, while U.S. Ambassador Robert Gelbard and the IMF issued explicit threats of sanctions if the pound of flesh were not delivered.

As a result, the government is now losing billions of dollars every year to the power brokers, while the country descends further into poverty, social divisiveness, and rising levels of violence. Is that California's future under the current deregulation "free-market" policy?

Case Study #1: MidAmerican Energy Holdings

MidAmerican Energy Holdings Company (formerly CalEnergy), owned by Warren Buffett, is both a leading international energy producer and a major player in the deregulated energy markets in the United States and the United Kingdom.

MidAmerican contracted to build two geothermal power plants in Java. One plant was completed, and one was under construction at the time of the 1997-98 collapse in Southeast Asia. When Indonesia put a hold on the incomplete plant, and could not meet the contracted purchases on the other, MidAmerican refused to renegotiate, but took the matter to the United Nations Commission on International Trade Law (Uncitral). This international body ruled in favor of MidAmerican, ordering that Indonesia immediately pay \$572 million to MidAmerican for breach of contract.

PLN responded in May 1999, by filing suit in a Jakarta District Court to annul the Uncitral ruling as having "gravely prejudiced PLN's legal rights by ignoring or misinterpreting the Indonesian laws," according to PLN president Adhi. The contracts, he said, were "clearly specified to be subject to the sovereign laws of Indonesia."

MidAmerican returned to the Uncitral, which simply as-

served its jurisdiction over the dispute, “notwithstanding Indonesian court orders purporting to enjoin the arbitration . . . in violation of generally recognized principles of international law.”

Since Indonesia had no means of paying the extortionists, MidAmerican turned to its insurers, which included the U.S. government’s insurance operation, the Overseas Private Investment Corp. (OPIC), which paid the American firm for its loss in the collapsed Indonesian market. Rather than leaving it at that, the U.S. State Department, behind the thuggish U.S. Ambassador to Indonesia, Gelbard, went to work to collect the blood money.

In July 2000, Gelbard announced that he was “running out of patience” with Indonesia’s tardy repayment to OPIC of the \$290 million it had paid to MidAmerican. “There is always the possibility of declaring expropriation” of Indonesian assets, snarled the diplomat. “If we were to do this, it would result in a dramatic deterioration of the rupiah and would hurt Indonesia very much.”

Case Study #2: Edison Mission Energy

Edison Mission Energy (EME), the international arm of the same holding company, Edison International, which owns Southern California Edison, launched a \$2.5 billion project in Indonesia in February 1994, called Paiton Energy, in partnership with General Electric, Mitsui, and a local firm run by an associate of General Suharto. The total energy production was contracted to PLN, with all costs indexed to the Indonesian rupiah/U.S. dollar exchange rate established at the time the agreement was executed. The 30-year agreement called for PLN to pay 8.4¢ per kwh for six years, declining slightly after that. As with MidAmerican, the entire risk was transferred to the Indonesian government.

After the collapse in 1998, PLN president Adhi called on Paiton to lower its prices, calling the original price a “world-class mark-up.” Adhi pointed out that the “take-or-pay” clause, which held PLN to pay \$995 million per year for “fixed costs,” was enough to develop a new power plant of 600 megawatts each year. After a year of fruitless discussions, PLN went into court in Jakarta to nullify the contract as “unlawful, unfair, and not transparent,” and called on the court to declare the contract “void and not enforceable.”

Paiton then followed the path of MidAmerican’s successful use of “extraterritoriality,” going outside the Indonesian court system, to international arbitration, “to preserve the sanctity of its power-purchase agreement and to protect the interest of its shareholders, lenders, and other credit support providers”—let the welfare of the Indonesian people be damned.

The Central Jakarta District Court appeared to be moving toward a favorable ruling for PLN, when the new government of President Abdurrahman Wahid, under intense pressure from the “international community,” decided to drop the suit, agreeing to an out-of-court settlement. PLN president Adhi and a top assistant resigned.

Case Study #3: Florida Power and Light

In 1994, Florida Power and Light (FPL), in partnership with Caithness Energy (which has recently attached a lien on Southern California Edison for unpaid bills from the debt-ridden utility), contracted with PLN and Indonesia’s state oil firm, Pertamina, to build a 400 MW geothermal plant in West Java. As in all the sweetheart deals with the Suharto regime, all risk was shifted to the government, including a clause which specified that Indonesia would bear the entire burden if the government took any action detrimental to the project. Between 1994 and 1998, FPL and its other foreign partners spent \$93 million for onsite search, testing, and other preparatory measures, but had not begun construction when the crisis hit, causing the government to cancel the project, in January 1998.

FPL took the case to the UN arbitration board, which not only awarded FPL its entire invested capital (since, of course, these “free trade” deals bore zero risk), but awarded them an additional penalty of \$150 million, for “lost profits”—i.e., profits they could have extracted had the project gone through.

In February of this year, FPL took the case to the U.S. District Court in the Southern District of Texas, with a petition to confirm the award and enforce payment. Why Texas? Because Pertamina has property and assets in Texas—the same assets Ambassador Gelbard had threatened to seize for MidAmerican—which FPL plans to grab for itself if the Indonesians refuse to wring the unearned profits out of the bare sustenance of the population.

Other Cases: Enron

There are other cases. Enron, the power broker now at the center of the energy looting process in the United States, signed an agreement in 1996 to build a power plant in East Java, which was to begin construction in late 1997. When the contract was cancelled after the crisis, Enron walked away with \$15 million. And there are more. Indonesia, with half its population suddenly thrust into poverty, with ethnic and regional conflicts tearing at the very structure of the republic, has been forced to bear the entire burden of the foreign “shareholders’ value.”

For the year 2000, PLN posted losses of \$2.2 billion, adding drastically to the nation’s overall, intolerable debt burden—and there is no indication that the looting process will end in the foreseeable future. Wherever the sovereign regulation of utilities are manipulated, eliminated, or ignored, the power brokers have been proven to follow the lure of fast money, rather than the long-term need for the development of a nation’s infrastructure. That this process destroys the future market for such power industries themselves, seems to be of no concern.

America has watched passively as its friends and neighbors have been financially and economically raped, often in its name. Will we remain passive, now that the rapists have turned their sights on California?

Is Bush Sudan Policy Becoming A Colonial Grab for Oil?

by Muriel Mirak-Weissbach

There were many political figures throughout the Arab world, who nurtured the illusion, that a George W. Bush Presidency, might bring friendlier relations with Washington. Bush's prompt bombing of targets around Baghdad, followed by his warm welcome afforded to Israeli Prime Minister Ariel Sharon in Washington, have punctured holes in such illusions.

In Sudan, as well, some indulged in wishful thinking, that the "compassionate conservative" might be kinder to Africa. Indeed, the new administration has put on a smile. It has intimated, through one of its diplomats who visits Khartoum on a rotating basis from Nairobi, that Washington might be ready to engage in a reconciliation effort with Sudan (which is still on the State Department's list of states supporting terrorism, still officially categorized as a "rogue state"). The diplomat delivered the message to Khartoum, that Washington was ready to talk, after which Foreign Minister Dr. Mustafa Osman Ismail announced, that Sudan would reopen its embassy in Washington.

But such diplomatic niceties, though certainly preferable to an outrightly hostile relationship, do not tell the whole story. The question is not, whether the Bush Administration will talk to Khartoum; the question is, what policy (if any) does it have for Sudan, Africa's largest country, and strategically, one of the most important?

Up to the present, Washington's policy has been that of Britain's notorious Baroness Caroline Cox, a Deputy Speaker of the House of Lords, and leader of an intelligence front group, "Christian Solidarity International" (since split into factions). She has led the drive to impose sanctions on Sudan, on charges it supports terrorism, discriminates against Christians, and engages in slavery. From the 1993 listing of Sudan on the State Department's terrorist list, to the 1996 imposition of UN Security Council sanctions, to U.S. trade sanctions, including freezing assets, in 1997, it was Washington following London's lead. And, it was on the basis of intelligence provided by the British, and Israeli, services, that the Clinton Administration was organized to bomb a pharmaceutical factory in Khartoum on Aug. 20, 1998, on charges it was producing chemical weapons.

Now, there is a new script being offered Washington, again through the courtesies of long-term, well-known British agents. And the script is literally a copy of the old British imperial policy, when Sudan was a colonial possession.

Enter CSIS

On Feb. 26, the Washington-based Center for Strategic and International Studies (CSIS) issued a study entitled "U.S. Policy to End Sudan's War." The task force which drew up the report was "funded through a grant from the U.S. Institute of Peace," and launched in July 2000. The USIP has held seminars on Sudan over the past years in Washington, inviting exclusively leading figures of the southern insurgency at war against the government of Sudan, to discuss "peace." When the Sudanese ambassador to the United States attempted to speak at one such seminar, he was refused access to the plenary session, and was given 20 minutes to address some attendees, during the lunch break. When *EIR* repeatedly intervened to demand that the USIP, if it were interested in "peace," follow the format of Palestinian-Israeli talks, and at least invite government representatives to such fora, this was systematically denied.

This background is important to note, to understand what the CSIS-USIP initiative is. The report starts with the statement, that now is an "opportune and appropriate moment" for the United States to move to end the Sudanese war. The strategy proposed, is "based on diplomacy, heightened engagement with all parties, enhanced inducements and punitive measures, and concerted multilateral initiatives." The executive summary continues, to note that Sudan's oil production has enhanced its military advantage. It then states, that "it has become clear that competing regional peace initiatives hold no promise," an outright lie.

Then, the report proceeds to list steps the United States should take to split the country: work with the U.K., Norway and Sudan's neighbors, to establish a forum for peace; "Seek first to reach agreement on the creation of an interim arrangement—a 'One Sudan, Two Systems' formula—that preserves a single Sudan with two viable, self-governing democratic regions, north and south." Then: "catalyze the launch of a

high-level international plan for a viable self-governing south, including commitments of substantial bilateral and multilateral resources toward its eventual realization.” Finally, the report recommends the U.S. reestablish diplomatic relations, restaff the embassy in Khartoum, and nominate a high-level special envoy.

The gist of the report is evident even in the summary: sabotage ongoing peace efforts (which are anything but empty), hijack the process, and impose a modern version of the British colonial policy, of dividing the north from the south, into two distinct entities. A flow of international funds into the south, would establish political control over this region. The “leverage” which the United States is supposed to exert, is its ability to maintain punitive measures against Sudan, and exert pressure on its international partners in the oil sector.

The Urgency of Oil

Oil, in fact, is a primary factor in the CSIS considerations. In the body of the text, it reads: “Oil is fundamentally changing Sudan’s war. It is shifting the balance of military power in favor of Khartoum. It has prompted Khartoum to focus its military efforts, including forced mass displacements of civilians, on oil fields and the pipeline. Oil has become an integral element of Khartoum’s external partnerships with states and corporations. . . .” It details this picture, with facts and figures on Sudan’s oil reserves, saying, “Proven reserves, widely thought to exceed 1 billion barrels, could double or triple in the period of the Bush Administration. Under this scenario, Sudan will emerge as a new medium-scale oil exporter.”

This is, indeed, the point. As the *Washington Post* editorialized March 16, “The reason for the urgency is oil, which has been discovered in large quantities in the south of the country.” It continues: “The northern government has cut deals with Western and Asian firms to extract the oil. . . .” The partners involved in the “first round of oil development,” are Talisman Energy of Canada, Petronas of Malaysia and China National Petroleum. This cooperation has led to the construction of a pipeline to Port Sudan, and the recent Chinese construction of a huge oil refinery in Khartoum. Now, the *Post* continued, new, big finds have been announced. This refers to Lundin Oil of Sweden’s announcement March 5, of a “significant oil discovery on Block 5A, onshore Sudan.”

As the same *Washington Post* editorial demanded, “The first priority of the Bush Administration should be to slow or halt this oil development,” by pressuring the international partners, thus gaining “leverage” over the Sudanese government, to force it to accept the new blueprint for “peace.” In the CSIS report, it is simply stated, “Early consultations should take place with states whose oil corporations are engaged in Sudan,” without any reference to content.

As noted above, most of the oil finds in Sudan are in *the*

south. Thus, the insistence in the CSIS report, on establishing colonial control over that part of the “One Sudan, Two Systems” project. Specifically, the report identifies the type and dimensions of funds to be funnelled into the south. “At the outset of negotiations, the international coalition (to be set up by the U.S. and its selected partners) should initiate intensive international planning on the critical requirements for a self-governing south that explicitly identifies future sources of external support.” These include the World Bank, UN Development Program, European Union, and U.S. Agency for International Development (USAID), whose funds should go into infrastructure building in the south. (The report even goes so far as to suggest that international conferences be convened “that draw on the Bosnia, Kosovo and West Bank/Gaza experiences”!)

Not surprisingly, on March 14, Sudan’s President Gen. Omar al-Bashir rejected the report, telling reporters after a meeting of the ruling National Congress, “We categorically refuse both content and implications of the paper.” He added only that “Sudan does not consider the paper an official U.S. policy statement because it has not yet been adopted by the American Administration.”

Powell’s New Policy

President Bashir did not have to wait very long. In fact, just days prior to his rejection of the report, Secretary of State Colin Powell was holding a “brainstorming session” at the State Department with “experts” on how to end Sudan’s war. As Powell told a Congressional panel, he had apparently suddenly discovered, “There is perhaps no greater tragedy on the face of the Earth today than the tragedy that is unfolding in the Sudan.” He pledged that ending the war “will be a priority.” At the same time, Rep. Tom Tancredo (R-Colo.) had introduced legislation “that would condemn Sudan for abuses, authorize U.S. resources to pursue peace, and require President Bush to report on oil revenues that finance the war,” according to an Associated Press release.

Powell’s statements were hailed in the press as heralding a new chapter in U.S.-Sudanese relations, a major policy shift, and so forth. In reality, what Powell was signalling, was that the CSIS approach was indeed becoming government policy.

Then, on March 21, in the name of the National Democratic Alliance (NDA), the erstwhile grouping of opposition parties, a statement was issued, to “urge the international community, especially Western countries, to forbid their firms from contributing to Sudan’s destruction through their investment in oil.”

The same day, the U.S. Commission on International Religious Freedom, which was set up by Congress and runs on government funds, issued a series of recommendations, taken from the CSIS script: the government should appoint a prominent special envoy, and deliver food aid, bypassing the government of Sudan. The commission also recommended that

oil companies working in Sudan be banned from raising funds on U.S. capital markets.

What Happened To Peace?

The new American policy for Sudan, as signalled by the CSIS study, Powell, and the Commission, is clearly aimed at sabotaging Sudan's growing oil industry, blackmailing its international partners, and moving in to shore up the insurgent Sudanese People's Liberation Army (SPLA) forces with massive financial support. Its "peace" effort involves creating an "international nucleus" to mediate negotiations. This is explicitly aimed at replacing two regional mechanisms, involved in seeking peace. One is the Inter-Government Agency on Development (IGAD), made up of Sudan's immediate neighbors, and the other is the 1999 initiative, launched by Egypt and Libya, to mediate reconciliation between the government and the northern opposition parties.

The CSIS report states: "Regional initiatives hold little promise for ending Sudan's war. Although the IGAD peace initiative has had certain achievements on which any future initiatives should build, IGAD cannot be relied on to persuade Sudan's warring principals to enter into serious negotiations. . . . A new, robust extra-regional mediation agency is required if a credible peace process is to begin in Sudan."

Clear enough. What the report neglects to mention, is that at each and every IGAD-sponsored negotiating session, the U.S., in its quality as a member of the IGAD Partners Forum (IPF), has intervened to "advise" the SPLA representatives present, or, to dissuade SPLA leader John Garang from attending any such session. The United States has also consistently thwarted the Egypt-Libya initiative, precisely because it has been making steady progress.

In point of fact, over the past year, also due to internal political changes inside Sudan, the government has come closer to making political agreements with the opposition. The Umma Party, led by Sadiq al Mahdi, and once the leading organization in the NDA, split from that alliance, and entered talks with the Khartoum government. Sadiq al Mahdi himself returned to the country, after years of self-imposed exile. Mohammed Osman al-Mirghani, leader of the Democratic Unionist Party (DUP), the other remaining political group of the NDA, has also come to terms with the Bashir government, and on March 1 signed a memo with the Umma Party, overcoming their differences. Their eight-point "Sudan Appeal" was welcomed by President Bashir. Sudanese Foreign Minister Dr. Mustafa Osman Ismail met, on Feb. 28, with his Egyptian counterpart, Amr Moussa, to discuss plans for a national reconciliation conference to be held in Cairo, between the government and opposition. Moussa met as well with both Sadiq al Mahdi and al-Mirghani.

The question, then, is: Why is the United States not throwing its weight behind this initiative, championed by a country, Egypt, which is supposed to be a key ally in the Arab world?

Macedonia Faces The 'Taliban of Europe'

by Umberto Pascali

On the night of March 21, the war of aggression waged against Macedonia reached the capital, Skopje. Two policemen were shot, one fatally, in the part of the city inhabited mostly by Macedonian Albanians. One policeman died immediately, the second was taken to the hospital in critical condition. The attempt took place at the end of a day of cease-fire declared by the government in the military confrontation between the Macedonian army and formations of well-armed and trained terrorists around the city of Tetovo in the northwest.

The government had issued a demand that the Kosovo Liberation Army (KLA) gangs abandon their weapons and go back to Kosovo, or face attack by government forces. The KLA did not abandon their weapons or their positions, but simply communicated to press agencies that they are ready for a permanent cease-fire and to "negotiate." In other words, they want to obtain a status of "co-belligerent" that they expect to be recognized by the international community.

The small country of Macedonia, with its very limited military capabilities and small army and police, has been left by the "international community" to fight alone against an enemy that is armed with the most modern weapons including, according to reports, mortars and even tanks. Macedonia is under an escalating foreign military aggression that has as its base of operations, the province of Kosovo, controlled and governed by more than 40,000 military and non-military personnel under NATO and UN administration.

How Could NATO Not Know?

Still, the UN Security Council was not even able to recognize openly that the attack was coming from Kosovo, while many European and NATO governments are issuing contradictory or confused statements.

Macedonia Prime Minister Ljubco Georgievski used very explicit language in an address to the nation on March 18. "I will now reveal a secret saying that Macedonia has been subjected to an aggression for more than one month. The aggression has been carried out in two sections, one very strong in the area from Tanusevci to the junction of Kosovo, Serbia, and Macedonia, and the second one, with similar intensity, over the mountain of Sara and directly on the city of Tetovo." Georgievski was describing the KLA strategy that had started with the armed takeover of the village of Tanusevci at the borders with Kosovo, northeast of Skopje, when NATO demanded that Macedonia not use force, but "political means"—and the following KLA penetrations into the north-

west part of the country around the mostly ethnic Albanian city of Tetovo, where fighting has been going on for one week.

The Prime Minister denounced as false, both the pretense that NATO (naming in particular the national contingents, German and U.S., stationed at the borders) did not know what was going on, and that it could not stop it. His second concern is the growing media campaign of reports that the assault is not staged from Kosovo, but is a Macedonian domestic problem caused solely by the unfair treatment of the Albanian minority.

“It is not a secret for us that this aggression has been prepared, organized, and conducted by logistics support of parties and structures from . . . Kosovo,” he said. “We cannot agree with some assessments, that developments in Macedonia are not a result of a spillover of the Kosovo crisis, an aggression from Kosovo against Macedonia. I could call every international diplomat and media and present them with hundreds of evidences. They may also ask NATO-KFOR soldiers deployed at our northern border.

“If the international community admits that there is an aggression from Kosovo, then its Kosovo policy for the last two years has been wrong. I may only say that no one in Macedonia can be convinced, that the U.S. and German governments do not know who are the bosses of the gangs that are entering Macedonia today, and that if they apply stronger political measures against those bosses, the gangs will not stop the aggression.”

Heroin, Prostitution, and Blackmail

In the middle of his address, Prime Minister Georgievski included this shocking characterization: “It is obvious that the international community cannot run away from the fact that this time we are dealing with the creation of new Taliban by the Western democracies within Europe.”

The readers of *EIR* are familiar with the background of the KLA: from the ideological pre-history linking it to the dictatorial cult of Albanian “Duce” Enver Hoxha; to the “understanding” the KLA received from Sen. Jesse Helms, then-Secretary of State Madeleine Albright, British Foreign Secretary Robin Cook; to the total support, training, and protection it was accorded by NATO; to the KLA symbiosis with organized crime, drug trafficking, prostitution rackets, blackmail, and illegal smuggling. When Georgievski compared the KLA to the Taliban fundamentalist cult that took over Afghanistan in the mid-1990s, he was talking about a very precise fact and a very demonstrable link. Kosovo has become the Colombia of Europe, and the KLA is a byproduct of the so-called Kosovo or Albanian Mafia.

When Albright and the Brzezinski gang “adopted” publicly the KLA, in opposition to the much more broadly supported moderate Albanian movement of Ibrahim Rugova in Kosovo, it was supposed to be used as a weapon against Serbia. But with this impetus, the “Kosovo Mafia” substantially took over the Western European traffic in heroin. The huge profits were used to buy weapons, to recruit, to open



The creation and arming of the Albanian aggression against the government of Macedonia—a UN member-nation—was accomplished under the aegis of these NATO troops occupying neighboring Kosovo, under a UN mandate.

political doors, to buy influence and exercise corruption. Given that organized crime is not a democratic enterprise, it is clear that the KLA and its mother organization was given “the heroin distribution franchise” as payment for its services.

The *modus operandi* is very similar to that of the Taliban in 1989. The Taliban (the word, *Talib*, means religious student in Arabic) were recruited among young boys and children concentrated in refugee camps in Pakistan at the border of Afghanistan during the war, and run by British and U.S. intelligence entities against the Soviets. They were mercilessly “indoctrinated” under the protection of the British- and U.S.-supported “freedom fighters.” In fact, the leader of the “freedom fighters” was Osama bin Laden, presently the most wanted terrorist in the world. Soon the Taliban developed into one of the most fanatic political cults in recent history, comparable to that of Albanian “Communist” leader Enver Hoxha, who dominated Albania from the end of World War II until the early 1980s.

As is known, the Taliban took over Afghanistan and are holding it until now, overseeing an extensive cultivation and sale of opium, at least tolerated by international law enforcement institutions. And where does the Taliban’s opium road go? Curiously enough, to Kosovo.

It was only after June 1999, when NATO took over Kosovo, that the province became a safe haven for the drug mafia. In less than one year, under a NATO protectorate, Kosovo has become the supplier of 80% of the heroin consumed in Western Europe with routes now reaching into North America.

A decorated retired veteran of the U.S. Drug Enforcement Administration, Michael Levine, stated in May 1999: “Ten years ago we were arming and equipping the worst element of the mujahideen in Afghanistan. Now we are doing the same thing with the KLA. These guys have a network that is active on the streets of this country [Germany]. It is a scary operation.”

International Intelligence

Barnard: Diana's Life Could Have Been Saved

Princess Diana could have survived the Aug. 31, 1997 crash in Paris, which took the lives of her lover Dodi Fayed and driver Henri Paul, according to heart transplant pioneer Dr. Christian Barnard. Writing in the March 11 London *Sunday Telegraph*, the famous South African heart surgeon asserted that Princess Diana would have likely survived the crash—which is now widely believed to have been a vehicular homicide—had she received proper emergency medical attention. Echoing what *EIR* has been writing since the beginning of investigations into the crash, Dr. Barnard wrote, “My opinion is that [emergency medical teams] made a mistake in not rushing her to the hospital quicker because her bleeding could only be stopped by surgery. . . . I think she could have been saved.”

The *Telegraph* noted that Dr. Barnard's comments also support statements by Dr. Frédéric Maillez, the first medical professional to arrive at the scene of the crash, who described her as “in the best shape” of any of the crash victims, including bodyguard Trevor Rees-Jones, who survived.

The publication of Dr. Barnard's column in the *Sunday Telegraph* is ironic: The *Telegraph* led the smear campaign against Lyndon LaRouche and Dodi Fayed's father, Mohamed Al Fayed, to help cover up the evidence of foul play by the British royal family, and especially Prince Philip, in the deaths.

Project Democracy Makes Peru 'Live Laboratory'

The Organization of American States (OAS) special envoy (i.e., pro-consul) for Peru, Eduardo Stein, told a Lima press conference on March 2, that many are watching the Peruvian election process, because it is a “living laboratory of what the political future of the region could” be. Stein was referring to the elections being called after the “democracy” mafia overthrew President Alberto Fujimori, who was overwhelmingly elected

to a third term, and whom they therefore declared a dictator. “What can be done in the rest of the continent, depends on the success of the peaceful democratic transition in Peru. Whether or not the democratic system works for our societies, is being put to the test here,” he said.

One day earlier, the Project Democracy puppet government of Prime Minister Javier Pérez de Cuéllar and President Valentin Paniagua unveiled their “Inter-American Democratic Charter” to enforce democracy on the continent. Pérez de Cuéllar emphasized that the charter must provide for “coercive” action against any violating country. He suggested that a break in relations be required with any country where anti-democratic actions have been taken.

Argentine Foreign Minister Adalberto Rodríguez Giavarini, on an official visit to Peru at the end of February, announced that his country backs the Peruvian proposal, calling it an “inspiration” for what could be done to make the April Summit of the Americas in Quebec City politically significant.

Greenies Target Russian Atomic Energy Minister

The rabid environmentalist gang Greenpeace set its sights on Russian Atomic Energy Minister Yevgeny Adamov, making fraudulent claims of his corruption in their Russian website in early March. Greenpeace, a hit-squad which has received financing from Prince Philip's World Wide Fund for Nature, posted a 20-page document on www.greenpeace.ru, purporting to expose his alleged illegal business dealings.

“Adamov must be sacked immediately, and all the commercial activities of the Ministry of Atomic Energy must be investigated before it is too late,” Greenpeace demanded, charging that Adamov, an active promoter of nuclear energy, plans to turn Russia into a nuclear waste dump.

The Ministry of Atomic Energy was not intimidated. Spokesman Yuri Bepalko flatly denied any wrongdoing by Adamov, and called the reports part of an international conspiracy to discredit the Russian government, saying, “Everybody knows where

Greenpeace gets its money from, and how that money allows them to spread lies about the Atomic Energy Ministry,” he said.

Africa May Soon Be Extinct From AIDS

Botswana President Festus Mogae issued a chilling warning on March 14, that his country faces extinction if it fails to slow the spread of AIDS within the next five years. The virus already affects more than a third of the adults. “We are determined we shall overcome this scourge in the next five years,” Mogae said, adding Botswana would secure vital anti-retroviral and other medicines this year. The crisis has already cut life expectancy by 25 years to 44 years, while a recent study by the U.S. Census Bureau projected that it could fall to as low as 29 years.

Mogae has previously accused the U.S. government of making “sympathetic noises” but doing little, and has also chided the West for failing to do more to address the double scourge of AIDS and crippling debt.

In Dar Es Salaam, Tanzania, blood tests of teenagers aged 15-19, both in and out of secondary schools, showed 60% of them were HIV positive. Dr. Rosemary Mwakitwange, releasing the figures on March 13, pointed out that youths in this age bracket comprise “about 50% of all infected population in our continent.”

On March 12, Harvard AIDS expert Dr. Seyou Ayehunie pointed out that 90% of AIDS vaccine designs are based on types that are endemic to the West, whereas only 5% of vaccine trials focus on type C, which accounts of 90% of infections in Africa, and 75% worldwide. He noted that subtype C in Africa is the “most fierce by far” and now accounts for more infections than all others combined.

Russia To Continue Animal Vaccinations

In a statement in Moscow, on March 11, Valery Zakharov, Deputy Director of the Animal Protection Institute, said that the

INDIAN Defense Minister George Fernandes resigned on March 14, as did the head of the ruling Bharatiya Janata Party (BJP), after videotapes were aired of the two allegedly taking bribes. Prime Minister Atal Behari Vajpayee has said there is “something fishy” about the tapes. Fernandes was replaced on March 19 by Foreign Minister Jaswant Singh, who will also retain his present portfolio.

SUDANESE President Omar Hassan al-Bashir relayed a message to U.S. President George Bush that his country is willing to cooperate with the United States and is open to discuss religious tolerance. The message was relayed to Secretary of State Colin Powell by Indonesian Foreign Minister Alwi Shihab, who in Washington on March 12.

BRITAIN'S Home Office issued a ban against 21 terrorist groups, after years of complaints from a dozen countries that Britain was a terrorist safe-haven. Banned were several Islamic, Sikh, Tamil, Kurdish, and Basque groups—but not, for instance, the deadly Liberation Tigers of Tamil Eelam. Sukhvinder Singh of the Sikh Youth Federation wanted to know: “Until last year, Prime Minister Tony Blair was sending us messages of goodwill for our annual conference. How come suddenly we’ve become terrorists?”

VIDEO footage of British Muslims fighting alongside Chechen separatists was provided to the London *Observer* by Russian Presidential spokesman Sergei Yastrzhembsky, the *Observer* reported on March 18. Yastrzhembsky also called on Britain to shut down the recruiting organization run by Sheikh Omar Bakri Mohammed in London.

A TEHRAN-DAMASCUS express passenger train left Tehran for Syria on March 10, its first run. The rail line is part of the regional network being reactivated. Another 500 kilometers of new track is being laid to complete the connections between the two countries.

hoof-and-mouth disease (HMD) disaster in Britain was predictable: In his doctoral dissertation presented in 1999, Zakharov had pinpointed 89 of the (now more than 200) localities that are affected in the United Kingdom, as susceptible for an outbreak of the disease.

Unlike Britain and other Western countries, which stopped large-scale preventive vaccinations in 1992, Russia has continued vaccinating its cattle along the entire border with China and Mongolia, and has provided the Mongolian authorities with 1 million doses of HMD vaccine this year.

There have been four outbreaks of HMD in Russia in recent years, and each of them was suppressed by the veterinary authorities, Zakharov reported. In the West, vaccinations were replaced by ad hoc measures, including the destruction of infected animals. “Our system is 108 times more economical than the system in England,” he said. “For comparison, due to the hoof-and-mouth disease in 1998, Taiwan was compelled to slaughter 5 million hogs, with losses amounting to approximately \$10 billion. According to official data, the losses incurred in Great Britain now, are approaching the \$4 billion mark.”

Zakharov’s institute also works for the other former Soviet republics, and has stored 100,000 doses of Russian vaccine for Ukraine.

Israel Lays Siege To Ramallah in West Bank

Israel’s siege against the West Bank city of Ramallah, cutting off its 50,000 Palestinian inhabitants, is part of a new policy of the Israeli Defense Forces. According to the March 12 issue of the major daily *Ha’aretz*, the plan is code-named “Bronze,” and involves carving up the West Bank into 64 separate areas, any of which could at any time be cut off from the rest of the West Bank, as is being done to Ramallah. Nonetheless, there are fears among the Israeli military that such a policy could create an “humanitarian disaster” and a “propaganda catastrophe.”

Their fears are borne out: The siege has sparked mass demonstrations, including two

marches, one from Ramallah itself and the other from neighboring Bir Zeit University, which aimed at converging on a roadblock. During the protests one Palestinian was shot and killed by an Israeli soldier.

On March 13, *Ha’aretz* quoted René Kosirnik, head of the International Red Cross in Israel and the Palestinian Territories, charging that the siege threatens the “most destitute families” with starvation. He also said that the closure violates the Geneva Convention, because the Israeli military actions constitute “restrictive, physical . . . steps, and collective punishment which severely violates international humanitarian law, which requires that the occupying power ensure that the occupied population continues to live, as far as possible, in a normal manner, as during peace time.”

Ministers of the 22 Arab League members issued a statement from their meeting in Cairo on March 12, asking the UN Security Council to urgently convene and discuss how to provide international protection to Palestinians in the West Bank and Gaza Strip, following Israel’s “barbaric” move to seal off access to Ramallah.

India, Pakistan May Resume Kashmir Talks

Indian Prime Minister Atal Behari Vajpayee announced the early resumption of talks with Pakistan on the status of Kashmir, in a March 12 statement to the Lok Sabha, the lower house of Parliament. Vajpayee also welcomed a statement by UN Secretary General Kofi Annan, issued during his visit to Islamabad, Pakistan on March 11, in which Annan said the issue should be resolved through bilateral means, rather than the imposition of UN resolutions.

Pakistan’s Chief Executive Gen. Pervez Musharraf issued a similar statement on March 13. Speaking in Lahore to the Council of Pakistan Newspaper Editors, one day after his hour-long meeting with Annan, Musharraf affirmed that India and Pakistan are nearing a “solution to the Kashmir dispute, and that India would come to the negotiating table very soon,” according to a report from Islamabad in *The Hindu*.

D.C. Hospital Mobilization Wins Congressional Briefing

by Paul Gallagher

A unique Congressional briefing on the principle of the General Welfare of the nation, was the latest fruit of the battle to save D.C. General Hospital in the nation's capital. The briefing in the Rayburn House Office Building March 22 was convened by Rep. John Conyers (D-Mich.), and moderated by Dr. Abdul Alim Muhammad, a leader of the "Save D.C. General" forces. It was highlighted by passionate addresses from leaders of the mobilization to an overflow crowd of 300, and was marked by Conyers's repeated statements that the problem of collapsing public health standards could only be tackled "on a national level."

The words echoed Lyndon LaRouche's identification of the planned D.C. General Hospital shutdown as "an issue of national and international significance," when, in early January, LaRouche's movement threw itself into the fight against the closing. Since then, the mobilization has undone "a done deal" to privatize and close the capital's only public hospital; and it has gotten some of the forces behind the shutdown to retreat, and start sniping at the others.

"The spirit is quite different here tonight," Dr. Muhammad told a mass meeting the night before the briefing. LaRouche leader Lynne Speed noted one major sign of the change the mobilization has wrought: a March 17 *Washington Post* six-point editorial criticizing the hospital shutdown plan—a plan in which *Post* owner Katharine Graham's powerful family interests had been involved from the beginning! (See *EIR*, March 23, 2001.) "This is our doing," said Mrs. Speed.

Constitutional Principle

What has been occurring over the Winter months, is a growing political mass strike over the Washington hospital, spreading out through the LaRouche movement's work to include state and local elected officials and activists from

all over the eastern United States. Representative Conyers welcomed the phenomenon, in thanking state Representatives Erik Fleming of Mississippi and Harold James of Pennsylvania for "taking a national perspective," acting to stop public health collapse in their own states by highlighting a fight to save an excellent public hospital in the nation's capital. The briefing was told that 1,500 hospitals have closed in the United States since 1990. The state of public health in most nations, globally, has been worsening far more quickly. The U.S. Constitution's Preamble identifies "to promote the General Welfare," as the crucial principle for both the Federal government's powers of economic regulation, to reverse such a collapse, and for the individual citizen's responsibilities to the nation and the world.

"The hearts of individuals vibrate not merely for themselves, their families, and their friends, but for posterity, *for a people*, until their country becomes the world"—thus the great poet Percy Shelley characterized such a revolutionary moment. "We have mobilized and educated the population," Dr. Muhammad said during Lyndon LaRouche's webcast, the day before the Congressional briefing. "And we've seen a sea-change in the population of the District of Columbia. The issue of D.C. General has become a topic of conversation at the dinner table, and ordinary people are becoming conversant in the issues."

The lineup of speakers at the March 22 briefing, "National Public Health in Crisis: D.C. General Hospital in Focus," shows the breadth of radiation of this fight already. They ranged from state legislators across the nation, to District of Columbia nurses; from President Clinton's former Special Health Counselor, Dr. Henry Foster, to a leader of the American Federation of State, County and Municipal Employees union from New York State; from Congressional aides, to representatives of the American Public Health Association.



Citizens and employees hold a demonstration to save D.C. General Hospital, on March 22 outside the office of Washington Mayor Anthony Williams.

The large briefing room was full to overflowing, and chairs were set up in the hallways around it.

‘Crisis Worse Than FDR Faced’

LaRouche’s spokeswoman, Dr. Debra Freeman, cited LaRouche’s statement in his webcast the previous day, that the first 60 days of the Bush Administration had pushed the world into a crisis worse than that faced by FDR; that the closing of such essential facilities as D.C. General comes in the midst of industrial collapse, the worldwide spread of new diseases, and increases in the ranks of poor people without decent medical care. LaRouche had called the D.C. General issue “an international battle to save the principle of the general welfare in health care, for all nations of the world.”

Pennsylvania legislator Harold James, whose own district has lost 3,000 hospital beds, detailed the critical situation in Philadelphia and in Washington. “Mr. Chairman,” said James, “I believe that the collapse of public health care has proceeded so far in this nation, including in my region of Pennsylvania, that a victory in the battle to save D.C. General is necessary as a national victory, to turn around that national collapse before more lives are lost.” State Representative Fleming cited the recent shutdowns of three charity hospitals in Jackson, Mississippi alone, to urge the same idea.

Lynne Fagnani, of the National Association of Public Hospitals, said that a closing of D.C. General, the highest-rated hospital in Washington, would have a shock-effect on all the hospitals in the region, and this was echoed by leaders of doctors, nurses, medical technicians, and administrators from the Washington area. In fact, the grudging but growing

media coverage of this mobilization, throughout the Washington area, has exposed the fact that the trauma unit of another major hospital, Washington Hospital Center, might be overwhelmed and close down, in just the beginning of a “domino effect” from a D.C. General shutdown.

Dr. Michal Young, of D.C. General’s Medical-Dental staff, who has become a popular spokesman for the embattled staff in recent months, accused the D.C. Financial Control Board (set up by Congressional Republicans in 1995 to run the city’s finances) of deliberately dismantling public health. The mandate of the hospitals and their managers, Dr. Young said, is the general welfare, to provide care for all. In fact, the corrupt motives of the new contract, by which D.C. General is to be privatized and then largely closed, has become a hot issue which is now burning the fingers of the Control Board, Mayor

Anthony Williams, and D.C. Congresswoman Eleanor Holmes Norton (none of whom was willing to appear at the briefing). Representative Conyers’s aide Edith Rassa testified that the Arizona-based takeover company was actually to be paid twice as much in the next year to close the hospital down, as the Control Board was willing to give the hospital to operate. Budget savings are not the issue, she said, but privatization, putting profit over public service.

Not Won Yet

Immediately following the breakthrough of the March 22 briefing, leaders of the mobilization planned to escalate both their outreach and their distribution of broadsheets which feature LaRouche’s forecast of the current economic crash. Candlelight vigils have begun at churches, not only in Washington, but in Virginia and Maryland suburbs; on March 24, a large vigil was planned to start outside D.C. General Hospital itself. As of March 23, the Financial Control Board had been compelled to announce a significant delay in signing the “termination contract” which has been hanging over the hospital since January. The financial dealings of the takeover company (see *EIR*, March 23, 2001) are now being probed. LaRouche, in discussion with Dr. Muhammad at the webcast, had characterized the battle: “When you attack [*Post* owner] Katharine Graham, you’re not doing an injustice, because she is responsible, in a key way, for the power structure which is running this. . . . She is also the leading figure of an army. Now, you don’t eliminate an army by attacking its general; you have to defeat the army. . . . You have to destroy its cohesion.” The mobilization to “Save D.C. General” is embarked on the next steps to do just that.

Developers, Government Planners Eyeing Land Around D.C. General

by Edward Spannaus

The official planning agency for the Federal government has adopted long-term plans for the area around D.C. General Hospital — over the vehement objections of the community — which envision getting rid of the hospital and other existing facilities, and which would force the removal of existing low-income housing in the adjacent neighborhoods.

This is typical of the manner in which such “urban renewal” and “redevelopment” programs have worked since the 1950s and ’60s in cities across the United States, and it is why such programs became known as “Negro Removal.” They are a prime example of the exultation of “shareholder values” over the principle of the General Welfare.

In the District of Columbia, as was documented in the March 23 *EIR*, the most powerful force behind such programs as “Negro Removal” and the shutdown of D.C. General — the only public hospital in the city, which serves a predominantly African-American constituency — is the secretive Federal City Council, an organization of leading banking, real estate, and business interests in the city, founded and largely run by the *Washington Post*.

The ‘Legacy’ Plan

The master plan developed by the National Capital Planning Commission (NCPC), entitled “Extending the Legacy,” focusses on the axes of the city radiating out from the U.S. Capitol, particularly North Capitol Street, South Capitol Street, and East Capitol Street, the area in which D.C. General Hospital and other facilities are now located. (The Mall, running westward from the Capitol to the Lincoln Memorial, is the equivalent of “West Capitol.”)

The East Capitol component of the plan calls for a new park on the west bank of the Anacostia River, which “would replace RFK Stadium and adjacent institutional buildings with gardens, fountains, and waterfalls connected to playing fields, marinas, and a riverside nature preserve.” It adds: “New housing and commercial development would complete the redevelopment of the area.”

A scale-model of the plan on display at the NCPC headquarters, depicts a complete transformation of the East Capitol-Anacostia Waterfront Park area, which now includes RFK Stadium and large parking lots, the D.C. Armory, D.C. General Hospital, and the D.C. Jail. In the model — and in the written descriptions — all those structures have disappeared,

and they are replaced by an environmental park and recreational area, which is bordered by high-rise private development. High-rises are shown both in the area which is presently Federal land, and also on the block-wide strip which abuts the Federal land, between 18th and 19th Streets, from C Street N.E., to D Street S.E., which is presently a mostly black area of older private houses and some subsidized housing.

Moreover, the model shows a marina on the Anacostia River at the foot of Massachusetts Avenue, S.E., which has high-rise buildings surrounding it. In the model, other high-rise apartment buildings and a baseball diamond are shown behind the high-rises, in the location of the present hospital complex.

The introduction to the NCPC’s “Extending the Legacy” plan, denies that this is a “comprehensive master plan,” but terms it a “framework,” and “a basic guide for long-term growth” over the next 50 to 100 years.

And, in light of the current controversy around the proposed shutdown of D.C. General, NCPC spokesmen have denied that their schema calls for getting rid of the hospital. Nevertheless, it is indisputable that their plans depict a complete transformation of the area — with *no* hospital.

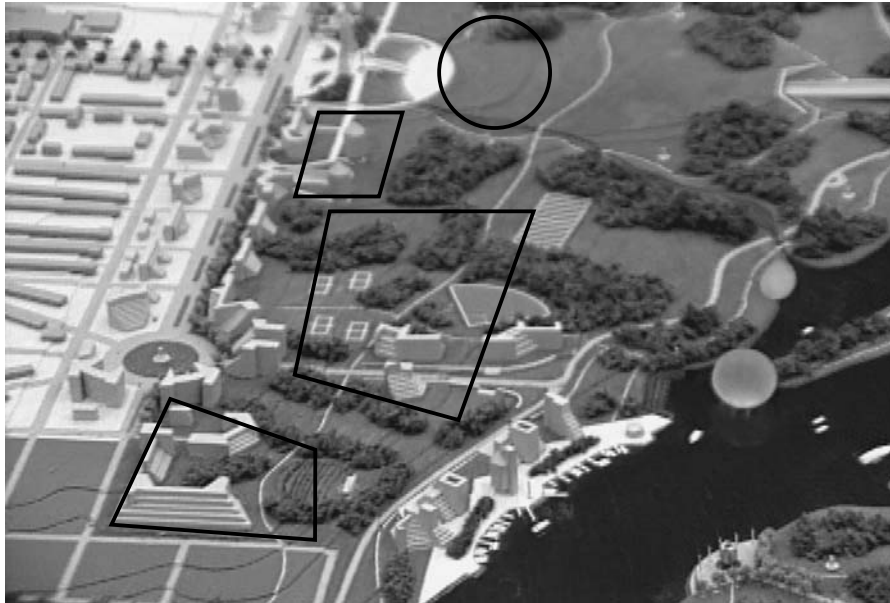
The Federal City Council Role

During the development of the “Legacy” plan (or “concept,” as the NCPC calls it), the Federal City Council (FCC), the Greater Washington Board of Trade, and other groups were “at the table,” according to knowledgeable sources. The FCC seems to have gotten particularly favorable treatment as the plan was developed, according to NCPC records examined by *EIR*. It was allowed to participate in one of the earliest briefings (a “focus group”) for D.C. government agency and department heads on March 3, 1993; the FCC was the *only* private group invited to this government event.

Then, in September 1993, the FCC participated in another special briefing conducted with about a half-dozen civic organizations. And (as did some other organizations), it received a special briefing to its Executive Board on Feb. 27, 1996.

‘Screwing the Neighborhoods’

In the September 1993 group briefing, representatives of the preservationist-oriented “Committee of 100 for the Fed-



The photograph shows the National Capital Planning Commission's scale model of planned "redevelopment" of the area surrounding the present location of D.C. General Hospital. The large "redeveloped area" shown in the center, is where that hospital now stands. The locations of other structures evidently slated for removal, are: the D.C. Jail (lower left), the D.C. Armory (square in upper left), and RFK Stadium (circle at upper right). In the Commission's model, the row of high-rise buildings, and other new buildings on the west (left) side of the park-like area, would displace present residential housing, and would wall off the neighborhood from the waterfront.

eral City" were extremely critical of the NCPC concept, suggesting that the NCPC was just paying "lip service" to the idea of residential neighborhoods, and asking what had happened to the residential areas in the South Capitol part of the plan.

They also objected to what they called the NCPC's "pre-occupation" with the East Capitol area, saying that the NCPC had a stronger case for its proposals for North and South Capitol Streets, but that East Capitol was different, because it is not a main artery, and that it doesn't bifurcate the neighborhood. "If on paper you say, well, this area needs to be strengthened, what you're doing is screwing the neighborhoods," one of the Committee of 100 representatives said.

While all this was going on, the Executive Director of the FCC was sitting in imperial silence, not saying a word, according to the NCPC transcript of the meeting.

The intense controversy generated by the "Legacy" scheme for the East Capitol area, has also been described to *EIR* by both community activists and professionals who were involved. According to one activist, the first draft of the plan called for wiping out one whole neighborhood, and for a new sports complex replacing RFK Stadium; those features were changed, but the fundamental parameters of the plan remained the same.

Notes taken by an NCPC staffer at a May 27, 1997 public meeting for the East Capitol community, reflect heated criticisms of the Legacy plan. The notes indicate that community

members said that the plan calls for too much development, and that the plan "appears to demolish existing residential neighborhoods and displace people." One participant's comments are reported as follows: "The plan calls for a 'Hadrian's Wall' of buildings separating the East Capitol Street residential area from the park and waterfront. The high-rises will isolate residents from the river. The entire development should be on a much more human scale to match existing neighborhoods. . . . Get rid of the big buildings."

While some modifications were made, the wall of high-rise buildings remains in the plan, and many of those high-rise buildings would require the demolition of existing housing in the mostly black area.

The 2012 Olympics

A more immediate scheme for the area, being pushed by the same interests that make up the Federal City Council, is to develop the riverfront area as one of the venues for the 2012 Olympics. "The Washington/Baltimore Regional 2012 Coalition," which is drawing up Washington's bid for that year's Olympic games, includes the Federal Communications Commission, the D.C. Chamber of Commerce, and representatives of major banks (such as Bank of America), corporations (such as Mobil), and some of the most powerful Washington law firms.

Their plan involves a renovation and expansion of RFK Stadium, which would host track and field events for the Olympics. Boxing would be held at the Armory, and archery events along the waterfront. Sources in the community and D.C. politics believe that much more development is planned to go with the renovation of the stadium, including expansion both to the north, and to the south—where D.C. General is now located. It is certain that commercial development would also occur adjacent to the expanded stadium, which would displace existing low-income housing.

All of this is only the tip of the iceberg on major "redevelopment" plans under way in the Anacostia region to the east and south of this area. Sizable projects are planned, or under way, in the South Capitol area and around the old Navy Yard, which will also have the effect of driving the poorer, mostly black residents of these areas farther out in the city, or outside of the District altogether into neighboring Prince George's County, Maryland—that is, if they haven't been killed already by the lack of adequate hospital and health care services in the area.

Bush Repays Campaign Debt to Rainwater

by Jeffrey Steinberg

In December 2000, the for-profit hospital giant Columbia/HCA (now HCA-The Healthcare Co.) reached a settlement with the U.S. Department of Justice (DOJ) in the biggest medical fraud case in history. The \$840 million deal, which included criminal pleadings by several Columbia/HCA subsidiaries, was thought, by some, to signal an end to the company's troubles with the law. But, on March 15, the Justice Department filed civil papers in Washington, D.C., joining eight whistleblower suits against HCA, and charging another far-reaching pattern of Medicare fraud, as well as kickbacks to doctors who steer their patients to HCA-owned hospitals.

Despite the new Justice Department filing, the *Wall Street Journal* noted on March 19, that help is on the way for HCA and the entire for-profit hospital "industry," and, while the *Journal* failed to mention it, one key to the changed climate in Washington is "FOD" ("Friend of Dubya") Richard Rainwater.

Chertoff Promoted

Rainwater, the Dallas-based billionaire and financial angel to President George W. Bush, was the co-founder of Columbia/HCA, along with Rick Scott. When Columbia/HCA's run-in with the law first surfaced publicly, back in 1997, Rainwater and his wife, Darla Moore (a former Chemical Bank executive), orchestrated the ouster of Scott as company director. The firm hired former U.S. Attorney Michael Chertoff to lead a negotiating team to make their troubles with the government go away. Nearly five years and \$200 million in legal fees later, the Rainwater gang believes that they are seeing the light at the end of the tunnel.

On March 13—two days before the Justice Department jumped back into the HCA litigation—President Bush announced the appointment of Michael Chertoff to head the Criminal Division of the Justice Department. Just before becoming Rainwater and HCA's "white knight," Chertoff had served as the chief Republican Counsel to the Senate White-water Committee, reporting to then-New York Sen. Al D'Amato (R), who chaired the Clinton-bashing panel.

The *Wall Street Journal*, even while reporting on the March 15 DOJ filing against HCA, could not avoid gloating over the Chertoff appointment. "The papers, filed late Thursday night in U.S. District Court in Washington, D.C., come even as the regulatory atmosphere for HCA and the hospital

industry could be changing. One development, among others, is the nomination of a man with close ties to HCA to a top Justice Department job. Attorney Michael Chertoff, HCA's lead outside counsel, who spearheaded the company's defense in the face of the largest Medicare fraud investigation ever launched, has been nominated by the Bush Administration as head of the Justice Department's Criminal Division."

The *Journal* also reported that "Thomas Scully, who runs the Federation of American Hospitals, the trade group of for-profit hospitals of which HCA is an important member, has been mentioned as a leading candidate to run the Health Care Financing Administration. The influential agency oversees Medicare and Medicaid."

The Chertoff appointment and the anticipated appointment of Scully, were immediately noted by Wall Street, of course. Within hours of the Chertoff announcement, Merrill Lynch issued an analysis to clients, which stated, in part, "Washington appears to be moving in a more favorable direction for health-care providers," in which "the tone of the discussion and the general approach to resolving disputes is likely to improve." The author of the Merrill Lynch analysis, A.J. Rice, told the *Wall Street Journal*, "We're not going to see the confrontational approach of a few years ago."

Indeed. Last May, when the Justice Department's billion-dollar settlement deal with Columbia/HCA was announced, Chertoff had told the *Journal*, "This is not an admission of wrongdoing. It is an acknowledgment that there is money that was paid that ought to be returned." He neglected to mention that the settlement was contingent on the resolution of a number of ongoing criminal probes into the company in Florida, Texas, and several other states.

Bush Helps Out

In an earlier sign that Richard Rainwater's business interests will be given special consideration in Washington, President Bush had personally intervened to drastically water down the Patients' Bill of Rights, by arm-twisting Republican lawmakers into placing a cap on the amount of money that health maintenance organizations (HMOs) could be forced to pay, in patient lawsuits.

On March 22, the *Washington Post* reported that President Bush had rejected both of the Patients' Bill of Rights versions kicking around in the Congress, and had solicited Sen. Bill Frist (R-Tenn.) to shepherd the White House plan through the Senate. Frist's brother is a top executive of HCA! According to the *Post*, the White House/Frist "bill of rights" will place limits on patients' ability to sue HMOs and also set a cap on the amount of money victims can collect from the mis-named health-care providers.

Richard Rainwater and Darla Moore were smiling all the way to the bank after that act of Presidential kindness, which was worth far more than a weekend sleep-over in the Lincoln Bedroom.

Bush Gave Sharon Green Light for War

by Michele Steinberg

Following his first official visit to Washington, D.C., Israeli Prime Minister Ariel Sharon, with backing from President George W. Bush, lit the fuse for a new Middle East war. On March 19, the night before his two-hour meeting with Bush, Sharon delivered a bloodcurdling speech to the American-Israeli Public Affairs Committee (AIPAC), in which he declared that Jerusalem and the holy site of the Temple Mount (known in Islam as the Al Haram Al Sharif), are the property of the Jewish people “forever.” Using propaganda methods befitting a Hitler, Sharon denigrated Iran, Iraq, Syria, and Lebanon as terrorist states, describing Lebanon as “one of the main centers of international terrorism that will undermine the stability of the entire Middle East.”

Sharon directed special venom at Palestinian Authority President Yasser Arafat, charging that Arafat “and the Palestinian Authority are returning to the belief that they can defeat Israel by means of armed struggle.” “Arafat,” he said, “is willing to destabilize the entire Middle East, including moderate Arab regimes, in order to achieve his goal.” Sharon accused Arafat’s personal security group, “Force 17,” of being behind planned car bombings in Jerusalem. By March 22, the day after Sharon returned to Israel, a 20-year-old officer in Arafat’s Presidential security detail had been killed by tank-fire from the Israeli Defense Forces (IDF) in the Gaza occupied zone.

Sharon’s Nuremberg rally-type address to AIPAC, got high-visibility support from the U.S. government. AIPAC reports that more than 100 U.S. Congressmen attended the event, which was opened by Secretary of State Colin Powell, who threatened Iraq, Iran, and Russia over their developing “weapons of mass destruction.” Powell was introduced to a standing ovation as the Secretary of State who will make good on the Bush campaign promise to move the American Embassy to Jerusalem. Such a move would most likely trigger regionwide war, unleashing opposition in the streets against moderate Arab and Islamic leaders, and especially threatening nations that have maintained a close relationship to Washington.

Cut Through the Propaganda

Amidst this atmosphere of war hysteria, on March 21, Lyndon LaRouche, Democratic Party Presidential pre-candidate for 2004, cut through the propaganda. Speaking to an

EIR seminar in Washington, D.C. on March 21 (see our report on p. 4), LaRouche clarified that the *only* reason that a Middle East war is breaking out, is because of the joint campaign by Bush and Sharon. LaRouche, in reply to a senior Russian strategic analyst, said:

“Now, let me be very candid on this one. If there is a war in the Middle East now, it will not be because some *factors* in the Middle East have control over whether or not there will be a war; there will be a new war in the Middle East only if Sharon and George W. Bush’s Presidency want it. Otherwise, it will not occur. There are no factors—Palestinian violence, this/that issue is not the question. It will occur only as an act of will. Now, we had this kind of thing with Hitler, in the famous story about the Nuremberg rally—‘the Triumph of the Will.’ What you are dealing with, is really a government which is not very intelligent. There are some intelligent people in it, but the organism of the government is not intelligent. It’s a very bad government. It operates on the basis of ‘The Triumph of the Will.’ ”

LaRouche ripped through the fraud that is currently being promoted by Bush circles about Middle East terrorism: “All this talk about ‘rogue states,’ and so forth, is bunk! It’s not true. The biggest rogue state I know about, is Sharon’s Israel, that’s the one you’ve got to worry about. They’re the ones that threaten to set off a whole world war, in the Middle East, right now.”

Peace Negotiations Buried

The Bush government, while continuing its double-talk about being hopeful for peace, has cut off the peace negotiations. Following the meeting with Sharon, Bush said that he fully supports the position that there will be no resumption of talks until Arafat “stops the violence.” And on March 22, Bush “pulled the plug on the CIA’s high-profile role” in cooperating with the Palestinian Authority’s police and security services. Ever since the CIA security liaison was established by President Bill Clinton, Sharon and right-wing Likud party forces have been demanding that the CIA be recalled from the Palestinian Authority, so that there would be *no* official observers in the area to point a finger of blame in the direction of the Israelis.

Bush made this move as the situation in Israel rapidly deteriorates. To put it bluntly: Sharon’s government is in the process of assassinating key leaders of the Palestinian Authority and the Palestine Liberation Organization, in the name of fighting terrorism; and, it is attempting to take back land given to the Palestinian Authority, in the name of creating a security zone. Sharon, who has been accused of war crimes, wants no outside witnesses to this process.

The war hysteria was the only theme of the AIPAC meeting. Immediately after Powell’s speech, a live video interactive link with several military commanders from the Israeli “front lines” was beamed into the meeting. The military briefings were interspersed with fundraising appeals. The

three military commanders were Brigadier General Shihrur, stationed on the border with Lebanon in the Golan Heights; Col. Gal Hirsch from the Israeli settlement of Gilo outside of Jerusalem, in the West Bank; and Lt. Col. Chaim Moriah, who was filmed at the command center of the Arrow Project, a U.S.-Israeli anti-ballistic-missile project that Sharon wants to strengthen with an enhanced radar, in order to become the point of the U.S. ABM program in the Mediterranean. (The Clinton Administration refused to sell such a system to Israel, as long as a peace agreement was in limbo.)

Colonel Hirsch claimed that Israel is already in “a low-intensity war” like the struggle in the 1940s before Israeli statehood. “I do not have any faith about living in the near future in a peaceful way,” he told the crowd of nearly 3,000 lobbyists. He announced that yet another killing of an Israeli settler had occurred that very morning, which he blamed on the Palestinian Authority.

By the end of the week, Hirsch’s statements were reverberating throughout the major Israeli press. On March 22, after the funeral of the slain settler, Baruch Cohen, a leading Israeli daily newspaper ran a commentary by columnist Israel Harel, saying that peace was a bad dream which is now over. “The whole nation is the army . . . the country is the front,” wrote Harel. “After years of brainwashing that led to worshipping the false god of peace, there is now a strong movement in favor of repenting, coming back down to Earth and sobering up.”

At the same time, at a hearing in the Israeli Knesset (parliament), IDF Chief of Staff Shaul Mofaz said that 40% of the Israeli fatalities (including car bombings and other suicide missions) since February have been directed by “Force 17,” the elite Palestinian security force set up years ago by Arafat.

One of the most gruesome reminders that the Bush Administration was in fact approving an Israeli government that is lawlessly *assassinating* targets—playing judge, jury, and executioner—came at the AIPAC meeting from Transportation Minister Ephraim Sneh, a General in the IDF Reserve, who was on stage at the event. Asked about the criticisms that have appeared over Israel’s “alleged” use of hit-teams against Palestinians, Sneh said that while opponents of Israel “call these assassinations . . . we call them ‘preventative actions.’ . . . While this has no standing with the world population . . . it is the only moral way” to stop terrorism. Sneh, a Labor Party member of the “Unity” government, boasted that he had invented the euphemism “preventative action.”

Sharon’s war dance was heartily endorsed by leading figures in the U.S. Congress, as well as by Bush. After Sneh’s performance, Reps. Henry Hyde (R-Ill.), chairman of the House International Relations Committee, and Tom Lantos (D-Calif.), a George Soros asset, announced that they will introduce punitive legislation targetting the Palestinian Authority and all the Arab states on Sharon’s hit-list.

Lantos, the ranking Democrat on the committee, was

more rabid than the Bush representatives in his backing for Sharon. He pronounced that the Oslo Peace Accords had been killed by Arafat when he rejected the Camp David “dream deal” offered by then-Prime Minister Ehud Barak in July 2000. Lantos accused Arafat and the Palestinians of embracing terrorism instead of peace, and said that the United States and Israel will respond accordingly. He also announced his plan for punitive legislation against every neighbor of Israel:

For Egypt, which he denounced for recalling its Ambassador to Israel (after the IDF killed Palestinian children), Lantos has a bill that would cut off *all military assistance* from the United States. He claimed that Egypt is under no military threat, so the aid is unnecessary.

For Lebanon and Syria, Lantos has tougher U.S. sanctions under the State Department’s list of terrorist “states of concern,” because they are allowing Hezbollah terrorists to threaten Israel.

For Iran and Iraq, Lantos directed his threats against Russia, saying that if President Vladimir Putin wants to be an arms supplier of weapons of mass destruction to Iran and Iraq, he will introduce legislation to ban Russia from the Group of Eight.

Sharon’s War Crimes

While the Sharon-Bush alliance is insane, it is not omnipotent, especially if the opposition coalesces around LaRouche’s leadership. On March 26, the heads of state of Arab nations will convene in Jordan to discuss the status of Palestine and other pressing issues. Already, a memorandum in Arabic on the global financial and economic reorganization known as the “New Bretton Woods” as proposed by LaRouche, has been circulated to key leaders. The combination of the New Bretton Woods and the Oasis Plan for water development proposed by LaRouche, could be the basis for peace forces to come together and transcend the months of bloodshed.

There is also international backlash against the brutal Israeli attacks on the Palestinian population. Israeli leaders have blown the whistle in the press on the barbaric policy known as “Code-Name Bronze,” a medieval-type siege of Ramallah, a city of 50,000 and the economic center of the West Bank. “Bronze” involves cutting up the West Bank into no less than 64 separate areas which could be cut off and isolated at any time.

At the same time that the “Bronze” plan was being exposed, a fact-finding mission from the United Nations Human Rights Commission in Geneva was filing a report that the IDF is “overreacting” and using deadly force against civilians. Also, the international commission headed by former U.S. Sen. George Mitchell, who was Clinton’s envoy for the Irish peace negotiations, is in Israel. On March 22, commission members visited the hospitals where five Palestinian boys under the age of ten are recovering from attacks by Israeli soldiers.

'Neo-Cons' Demanding A New Korean Conflict

by William Jones

On March 13, the “neo-conservative” American Enterprise Institute (AEI) hosted a conference on “Korea Policy: New Challenges for the New Administration” in Washington. A gaggle of “non-proliferation experts,” led by conservative arms control guru Henry Sokolski, put forth the argument that the Agreed Framework of 1994, between the United States and North Korea, should be unilaterally reopened, renegotiated, and amended.

The achievement of this hard-won agreement, the first of its kind with North Korea, had been a diplomatic breakthrough by former President Clinton, at a point in time when the United States was beefing up its military strength in South Korea, in order to deal with a threat of North Korea building a nuclear weapons facility. An imminent conflict over this issue was happily thwarted by a diplomatic initiative led by former Defense Secretary William Perry, which led to North Korea establishing relations of civility with its closest neighbors and with the United States.

South Korea then took this new opening into its own hands beginning in 1999, when South Korean President Kim Dae-jung began his “Sunshine Policy” of rapprochement between the Koreas, giving the world, for the first time, hope that this last area over which Cold War powers are pitted against each other, might soon be relegated to the dustbin of history.

President Bush’s expressed “concern,” given out to the press after his March 7 meeting with the South Korean President, regarding problems of “verification” of the agreements with North Korea, seriously undercut the South Korean leader’s Sunshine Policy. However, Bush did not directly call into question the 1994 nuclear agreement, the only agreement the United States presently has with North Korea. But, this is precisely what the “neo-con” ideologues are demanding he do.

Negotiations Already On Hold

Bush officials have already indicated that they will conduct a thorough review of the situation before proceeding further with any negotiations with the North regarding missile proliferation, thus losing valuable time in what may be a very limited window of opportunity. They have also said they will conduct a review of the Perry initiative itself. Congressional Republicans are demanding a tougher line towards North Korea.

“The Agreed Framework got us past the crisis,” House International Relations Committee Chairman Henry Hyde

(R-III.), the luncheon speaker for the AEI conference, admitted. He quickly added that it should now be scrapped: “It did so not by resolving the dispute between North Korea and the IAEA [International Atomic Energy Agency], but rather by postponing resolution of the dispute to a point well into the future. Against this background—essentially one of alleged violations of international agreements in the pursuit of weapons of mass destruction—many of us in Congress became increasingly concerned after 1994 about the unseemly enthusiasm in certain quarters to construct nuclear reactors in North Korea.”

But the 1994 framework agreement specified precisely that: scrapping the plutonium-rich graphite-cooled reactors then being constructed by the North Koreans for energy production, in return for construction of two light-water nuclear reactors, which would produce considerably less plutonium and would be under international supervision. Now, after seven years in which the United States has made no move to provide the nuclear plants it had agreed upon, AEI demands “substituting” an offer to construct conventional power plants for North Korean use.

Even Fred Iklé, a Cold War stalwart who touts himself as being one of the authors of the collapse of the Soviet Union, was trotted out from retirement for the occasion. “Why do we want to keep the North Korean dictatorship alive?” Iklé asked. “If we could bring down the mighty Soviet Union, why not also North Korea?”

Some 47 million South Koreans may have something to say about that, since it is they, not Iklé, who would be in the line of fire, if there were again war on the Korean Peninsula. “To assure success with North Korea,” Iklé ranted, “we don’t need agreements, but political change in North Korea. Only this would cement an agreement.” While the Perry report had emphasized the need to deal with the North Koreans as they are, Iklé urges that we deal only with a “democratic” North Korea.

Already the rumblings of this new provocation are affecting the peninsula. A statement issued by the North Korean Central News Agency on March 17 said, “By dragging out the Light Water Reactor project, [the U.S.] aims to bar the D.P.R.K.’s [North Korea’s] independent nuclear power industry from developing, and weaken its economic and military potentials. In other words, it is designed to impose unilateral sacrifices and losses upon it. It also seeks to scrap the Agreed Framework and stifle the D.P.R.K. by force of arms when an opportunity presents itself.” The North Koreans warn that if there is interminable delay in realizing the agreement, they themselves may abrogate it.

The ideologues in Washington are playing a very risky game. If North Korea does abrogate the agreement, all bets are off with regard to a peaceful development on the Korean Peninsula. In addition, this brazen “neo-con” policy could place in jeopardy the viability of U.S. cooperation with Japan and South Korea, as they become convinced that they face reckless and suicidal Washington policies.

Daschle Jumps On Tax-Cut Bandwagon

On March 18, Senate Minority Leader Tom Daschle (D-S.D.) told NBC News' "Meet the Press" host Tim Russert, that Democrats would be "willing to meet the [Bush] Administration halfway" on cutting taxes. That is, Daschle said, Democrats would support lowering the 15% tax bracket to 10%, and doing it to take effect immediately, rather than down the road, as in the Bush plan. This comes less than two weeks after President Bush appeared in South Dakota, with Daschle at his side, to campaign for his much larger tax-cut package.

Daschle also criticized the Bush Administration for "talking down" the economy. In November, he said that Republicans "were using this whole recession talk, all of this negative rhetoric to make their case for a tax cut that really didn't fit the circumstances." He added, "Now it does." Daschle said, "We don't deny that we've got less of an economic opportunity than we had a year ago." Hence, his desire to cut taxes even faster than the GOP wants to. Sen. Joseph Lieberman (D-Conn.), appearing the same day on ABC News' "This Week," didn't endorse Daschle's plan, but did say that it would be an "improvement" over Bush's plan.

On the House side, where part of Bush's plan has already been passed, Ways and Means Committee Chairman Bill Thomas (R-Calif.) told reporters on March 15, that two of the next three components of the Bush plan could be passed in the House before the Easter recess. These would be either the repeal of the estate tax, reduction of the marriage penalty, or expansion of the child credit. "I believe it's possible to have a comprehensive hearing, have at least two markups, and move two packages to

the floor comfortably" before the next recess, he said. "I don't think three fit in."

Thomas, in response to Democratic criticisms that the GOP is moving to cut taxes without even having a budget, also said he anticipates that a budget resolution will be dealt with before additional parts of the tax package are taken up.

Airline Competition Debated by Senate Panel

On March 13, the Senate Commerce Committee, chaired by John McCain (R-Ariz.), held a hearing on a bill McCain is sponsoring, entitled the "Airline Competition Restoration Act." McCain said that the bill would give the Department of Transportation review authority over airline mergers, and "would ensure that underutilized gate slots and facilities are available for competitive purposes, and ensure that the capacity of the existing system is fully utilized."

McCain warned that the current proposed mergers "would give several airlines increased market share and substantial ability to wipe out competition." He made note of how difficult it is for small airlines to operate in a hub dominated by one of the major carriers. "I am sure the airlines will complain about this bill as Federal intervention or meddling in their industry," but "they seem to be welcoming Federal intervention on the labor front," a reference to President Bush's recent ordering of a 60-day cooling-off period against Northwest Airlines' unions, which are threatening a strike against that carrier.

Kay Bailey Hutchison (R-Tex.), also a member of the committee, is sponsoring rival legislation which is aimed at forcing airlines to improve

customer service. She said that McCain's bill "takes the wrong approach," and instead advocated the buildup of new airport and airway infrastructure. "Creating new barriers to mergers and acquisitions in the aviation industry is like closing the barn door after the horse has escaped," she said. She characterized giving the Department of Transportation power to review gate utilization at large airports as "state-sponsored redistribution of assets" that "amounts to re-regulation."

Campaign Finance Reform Debate Begins in Senate

On March 19, the Senate began debate on the campaign finance reform bill sponsored by John McCain (R-Ariz.) and Russell Feingold (D-Wisc.). The bill prohibits soft-money contributions to political parties, expands disclosure requirements, and restricts corporate and union expenditures for so-called issue advertising within 60 days of a Federal election.

Supporters of the bill argue that the uncontrolled flow of soft money into party coffers threatens democracy. Chris Dodd (D-Conn.) calls it "money that threatens to drown out the voice of the average voter of average means; money that creates the appearance that a wealthy few have a disproportionate say over public policy."

Opponents of the bill are being helped by several Democrats who are worried that a soft-money ban will put Democrats at a severe disadvantage. So far, John Breaux (La.) is the only Democrat who has publicly broken with his party over the issue (in the past, Democrats unanimously supported the McCain-Feingold bill), but recent news reports have cast doubt as to how much support there is in the

Democratic caucus for the bill.

Another indication of the problems the bill faces, besides the formidable opposition of Mitch McConnell (R-Ky.), is the alternative sponsored by Chuck Hagel (R-Neb.). His bill, co-sponsored by Mary Landrieu (D-La.), would limit soft-money contributions to parties to \$60,000 a year, but would increase the current \$1,000 limit on individual contributions to \$3,000. Hagel warned that the McCain-Feingold bill would not stop soft-money expenditures, but rather, would push such spending outside of reportable channels. "The more money that is pushed outside of the reportable system of candidates and political parties, the less control candidates will have over their own campaigns," he said. He added that his bill is more likely to pass constitutional review than is the McCain-Feingold bill.

Supporters also fear that the bill may be amended with a "poison pill," most likely to come in the form of so-called "paycheck protection," that is, the prohibition of the use of union dues for political spending without permission of union members. Democrats staunchly oppose such a provision, and would abandon the bill if it were amended in this manner.

Senate Passes Bankers' Bankruptcy 'Reform'

On March 15, the Senate voted 83-15 to pass the bankruptcy reform bill. The vote culminated two weeks of debate in which every attempt to soften the bill's provisions was turned back by the Senate. The Senate ignored reports, presented by Paul Wellstone (D-Minn.), that about 50% of all personal bankruptcies result from unpayable medical bills, while a substantial por-

tion of the remainder result from divorces or job losses.

Among the defeated amendments was one by Wellstone to amend the means test in the bill, which averages out the last six months of a debtor's income to determine whether that debtor is eligible for a Chapter 7 filing, or should be forced into Chapter 13 and a debt repayment plan. Wellstone said that six months "may be a very poor snapshot of a debtor's circumstances, especially if the debtor's income has gone down substantially before the filing due to a job loss or disability." He warned that this could "have the effect of inappropriately forcing some debtors into Chapter 13 repayment plans that they'll never be able to complete." The amendment was defeated by a vote of 77-22.

There were also several amendments dealing with issuing credit cards to individuals under the age of 21 and protecting retirement savings from creditors. In the first category were amendments by Dianne Feinstein (D-Calif.) and Chris Dodd (D-Conn.) that would have put a \$2,500 cap on any credit card issued to a minor, and would have required a parent's co-signature for an application for a minor. In the second category, was an amendment by Edward Kennedy (D-Mass.) that would have protected retirement plans, such as a 401(k) or an IRA, from creditors. All three amendments were tabled, Feinstein's by a vote of 55-42; Dodd's, 58-41; and Kennedy's, 61-37.

House Panel Discusses Medicare Reform

On March 14, Health and Human Services Secretary Tommy Thompson made his first appearance before the House Ways and Means Committee,

to discuss the Bush Administration's proposed budget for his department. The Administration's proposal for the reform of the Medicare program took up most of the discussion, however.

Thompson was short on details as to what "modernization" of Medicare means, with the exception of a prescription drug benefit. He told the committee that President Bush wants to devote \$153 billion to prescription drugs over the next ten years. Otherwise, he said that the Administration will "protect" Medicare, and that the "improvements and modernizations will strengthen Medicare." A somewhat dubious Charles Rangel (D-N.Y.) kept questioning Thompson on the projected surplus in the Medicare program and its relationship to President Bush's proposed \$842 billion contingency fund.

Thompson insisted that the law requires that the money that goes into the Medicare trust fund "is a credit to the trust fund plus interest, and it's going to be used for Medicare." Democrats remained unconvinced, however, as shown in a press conference later that afternoon by Senate Minority Leader Tom Daschle (D-S.D.) and House Minority Leader Richard Gephardt (D-Mo.). Daschle said that President Bush's budget plan uses the Social Security and Medicare surpluses to pay for the \$2 trillion tax cut, and that the proposed contingency fund is fiction. "There is no extra pot of money in the President's budget," he said. "Sixty-two percent of the President's contingency fund is the Medicare trust fund." He said that a new Families U.S.A. study shows that Bush's tax plan will force Medicare into deficit by 2010, instead of the current projected 2025. He added that Bush's plan will also make it impossible to find \$153 billion for prescription drugs.

Editorial

Bush: Worse Collapse, Worse Provocations

The Bush Administration's announcement of mass FBI expulsion of Russian diplomats from the United States—because of the FBI's own fundamental intelligence failures highlighted by the Hanssen case—is another, powerful sign of a White House unhinged by the worsening economic crisis.

The Bush team's "Southern Strategy" political axioms make them incapable of solving, or even comprehending, the global economic collapse which is now, finally, coming home to hit the United States with full force. To distract attention from the economy's worsening plunge, and to appear to be wielding political power, "Dubya" and his managers and backers are lashing out with worse and worse provocations, domestically and internationally.

Lyndon LaRouche warned of "insanity in high places," in his webcast of March 21 on "The First 60 Days" of Bush. LaRouche has warned since November that the *direction* of this economic crisis-driven insanity, in such a "Southern Strategy" Presidency as that of Bush, would be toward a police state, and rapidly; he tagged Dubya with the name "Busholini." That direction is becoming more and more manifest.

The installation of religious fundamentalist, extremist John Ashcroft, as U.S. Attorney General, was the first clear sign of that police-state potential; *EIR* warned, during the mobilization to stop Ashcroft's nomination, that "emergency police powers" could be invoked against California, to prevent re-regulation, the only possible solution to the national energy crisis. Now, in March 20 hearings in the House of Representatives, following administration officials' fierce defense of the energy cartels' price-gouging, Bush backer John Barton (R-Tex.) called for Ashcroft's Justice Department to carry out police enforcement of lower energy consumption against consumers and businesses in California and other states.

This call came on top of a series of provocative anti-labor moves by Bush and the Congressional Republican leadership, including invocation of "emergency pow-

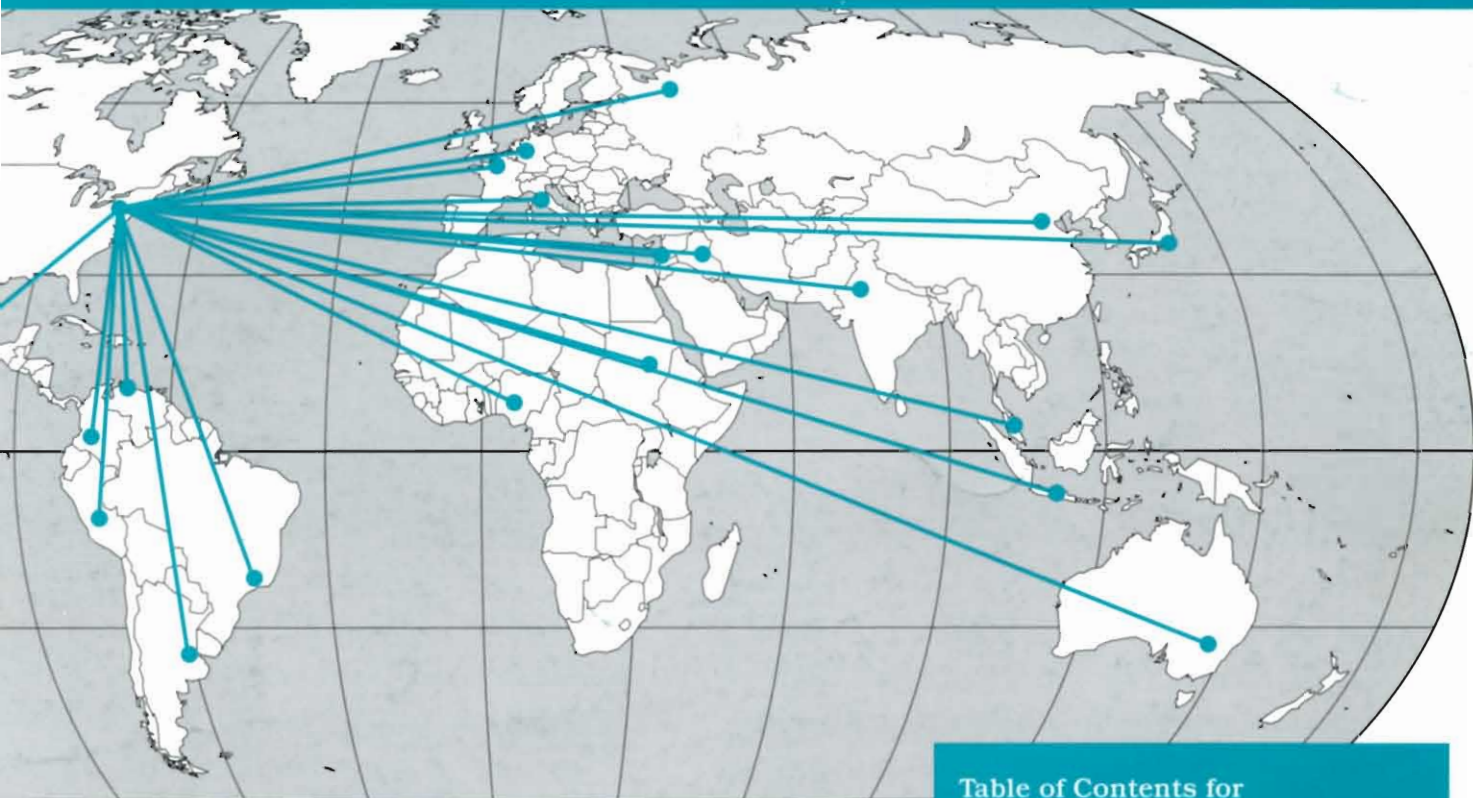
ers" to prevent strikes; and the aggressive attempt to rapidly force through Congressional approval of the nominations of 50 new Federal judges selected on clear, right-wing ideological grounds.

The so-called "Hanssen" expulsion of Russian diplomats is part of the Bush Administration's clear predilection for rapid multiple confrontations with Russia, China, Iran, and Iraq; it is looking for ways to flex the crumbling might of the United States against "adversaries," and it is itching for war in the Middle East. The "Hanssen" expulsions also express the domestic police-state impulse: They share only a pretense with the Hanssen case itself—of which, still, very little of any truth has been revealed—but are a powerful signal of increased powers and "open season" for FBI Director Louis Freeh and his agency.

What is needed to stop this, is demonstrated in the steadily escalating battle over the closing of Washington's D.C. General Hospital—a rapidly growing movement of Americans following the policy-guidance of Lyndon LaRouche, and fighting for the principle of the General Welfare. In this fight, and in the national battles for energy re-regulation which LaRouche first demanded, Democratic leaders are beginning to take LaRouche's direction, and citizen-activists are learning to take responsibility for their government, themselves. As one of the leaders of the "Save D.C. General" mobilization expressed it during LaRouche's webcast, public health policy in the city—in other words, what the U.S. Constitution refers to as the General Welfare—"has become the subject of dinner-table conversation" among the city's residents. Only Democratic Party leadership nationally can knock Bush off the police-state rails by organizing *this movement*, on LaRouche's lines. As for the leaders of nations such as Russia, essential allies in this crisis, yet under direct attack by the panicked Bush team, their diplomatic protests will not avail. They, too, have to back LaRouche in his "New Bretton Woods" initiative, if the U.S. crash is not to take all down to ruin.

**Exclusive, up-to-the-minute stories
from our correspondents around the world**

EIR CONFIDENTIAL ALERT



EIR Alert

brings you concise news and background items on crucial economic and strategic developments, twice a week, by first-class mail, or by fax or by Internet e-mail.

Annual subscription (United States) \$3,500

Make checks payable to:

EIR News Service

P.O. Box 17390 Washington, D.C. 20041-0390

Table of Contents for The Issue of March 20, 2001

Energy Alert

Systemic crisis creates panic

Russians comment on U.S. crisis

U.S. leaving Europeans in Balkan
quagmire?

Concern on Bush's new appointments

Expanded mobilization on D.C. General