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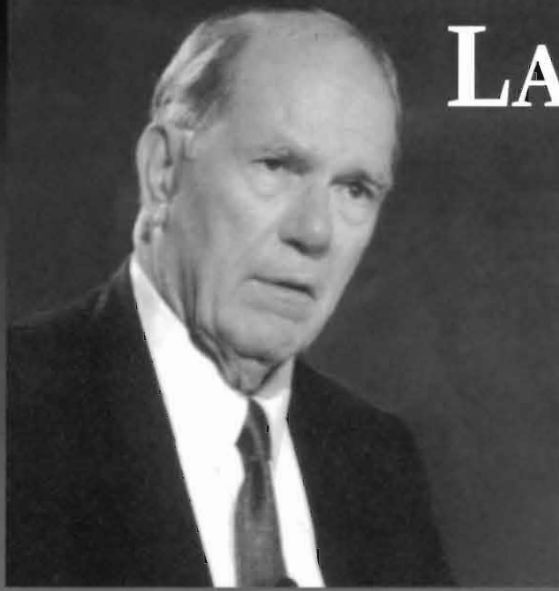
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Congressional Admission: LaRouche Was Right
Deregulation Stalls, And Enron Falls
Brzezinski-ites Fear U.S.-Russia Alliance

**LaRouche: No Economic Recovery
Until The Rules Are Changed**





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—Lyndon H. LaRouche, Jr., Sept. 15, 2001

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From the Associate Editor

Congresswoman Maxine Waters (D-Calif.) had it right, when she publicly apologized to the LaRouche movement, for not acting to prevent the shutdown of Washington's D.C. General Hospital last Spring. "I think that many of us are going to have to refocus," she said. (See *National*.)

In fact, anybody who seriously wants to reverse the deepening global financial, economic, and strategic crisis, is going to have to admit that they were wrong in attacking or ignoring Lyndon LaRouche, and to "refocus" very carefully on what he has to say now.

Read what he told the association of Guatemalan economists on Nov. 13, in our *Feature*. He could just as well have been talking to an audience anywhere in the world (you, for example). He told them that the current system is hopelessly broken; it cannot be fixed. Nations that play by the old "rules of the game" will be destroyed. What we must do, is build a new financial and monetary system, modelled after the Bretton Woods system, but better. We must start that *now*. And we must shift the economy away from obsession with "money," and toward great projects such as the Eurasian Land-Bridge.

In *Economics*, our staff fleshes out this picture with some outstanding reports: the demise of energy deregulation; the crises in Indonesia, Singapore, and Peru; the suicidal U.S. takedown of NASA, the pearl of American technological genius; and, on the positive side, initiatives for infrastructure development in North and South America—full of promise, provided the axioms underlying our economic system are changed.

With respect to the military/strategic situation, it is of utmost importance that LaRouche's analysis of the Sept. 11 attacks is at the center of global deliberations. LaRouche's insistence that Osama bin Laden was *not* the terrorist mastermind, is receiving widespread press coverage in the Arab world, even while the French press is publishing intelligence leaks about a military coup attempt in the United States, in an effort to overturn the global chessboard. Russian President Putin's new approach to the United States displays a mastery of the art of statecraft, in which LaRouche's influence can be clearly seen. And the renewed call of Iranian President Khatami for a "dialogue of cultures," is a welcome counterthrust against the "clash of civilization" ideologues.

Susan Welsh

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27 A Global Partnership For Economic Progress

LaRouche's speech, and a lengthy dialogue with the audience. "My job," he told the economists, "is to encourage you to think independently, about the facts that I'm presenting to you, and the alternatives that I'm discussing. Hoping that you will be able to find your way to advising your governments, and, through private discussions with channels you have, to influence the environment, to create a new set of ideas about how we deal with a new world situation."

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Deregulation Stalls, And Enron Falls

by John Hoefle

Just a couple of years ago, electricity deregulation seemed to many to be an unstoppable force, and Enron Corp. appeared to be on a trajectory that would make it one of the most powerful companies in the world. At the time, Lyndon LaRouche, now a Democratic Presidential pre-candidate for 2004, warned that, contrary to widespread perception, deregulation would be a disaster and that Enron's piracy policies would destroy the energy sector, and itself. For many people who chose to join the cult of the quick buck, LaRouche's warnings seemed out of touch; after all, they believed, the market was proving that deregulation worked, and Enron and its fellow pirates were raking in the money hand over fist.

Today, the picture is significantly different. Enron's drive for world domination has ended in failure, deregulation is in retreat in most U.S. states, and many among the quick-buck cult have been bankrupted. LaRouche and the legislators and policy-makers who had the wisdom and courage to work with him battling deregulation, have been once again proven correct. The fight is far from won—energy is just an aspect of a raging fight for the future of mankind—but the rise and fall of electricity deregulation and its champions is an example of how the economic cannibals can, and must, be defeated.

Each month, the U.S. Department of Energy's Energy Information Administration releases a report on the status of state electric industry restructuring activity, complete with a map and a state-by-state update. In the past, the thematic map showed four categories: "Restructuring Legislation Enacted," "Comprehensive Regulatory Order Issued," "Legislation/Orders Pending," and "Commission or Legislative Investigation Ongoing." In September 1999, for example, there were 21 states in the first category, three in the second, none in the third, and 26 plus the District of Columbia in the fourth.

Figure 1 shows the situation as of November 2001, which

is significantly different, reflecting the widespread distrust of deregulation which swept the states in the wake of the California debacle this past Winter. To begin with, the categories have changed, to: "Restructuring Active," "Restructuring Delayed," "Restructuring Suspended," and "Restructuring Not Active." There are only 16 states, plus the District of Columbia, in the "active" camp, with seven in the "delayed" category, one (California) in the "suspended" category, and 26 in the "not active" group. Active deregulation is now concentrated mainly in the Northeast quadrant of the nation, plus the new model state of Texas, and in Arizona.

Several states which had passed deregulation legislation are not now considered active, having either postponed or shelved the action; those states are Arkansas, California, Montana, Nevada, New Mexico, Oklahoma, and Oregon. Meanwhile, Michigan, New York, and the District of Columbia have moved into the active camp.

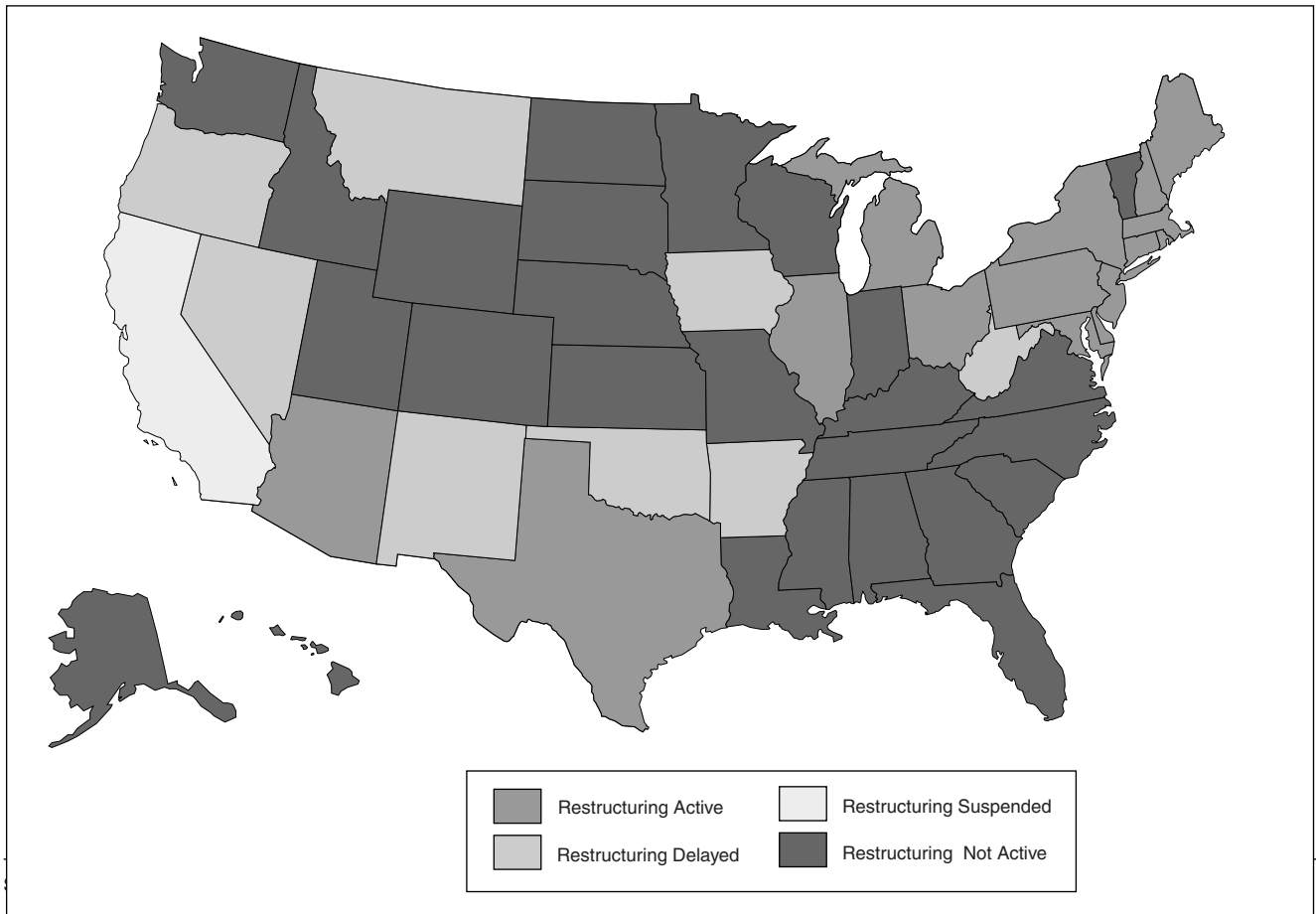
Overall, the process of the adoption of deregulation has stalled, as has the success of deregulation in states which have already enacted such legislation. Despite this demonstrable failure, the financial powers behind deregulation are determined to create the conditions in which deregulation can be made to appear to work, even if only temporarily.

Failed Models

When the failure of deregulation blew up so spectacularly in California, deregulation addicts pointed feverishly to Pennsylvania as the model of how deregulation worked when implemented properly. Then-Pennsylvania Gov. Tom Ridge, now head of U.S. Homeland Security, was trotted out at every opportunity to tout the state's success and portray California as an aberration. Unfortunately for them, reality did not match the spin, and Pennsylvania residents did not embrace the en-

FIGURE 1

Electricity Deregulation Slows To A Halt In The United States



ergy pirates with anywhere near the level of affection displayed by their elected officials. Likewise, the affinity of the Boston Brahmins for deregulation has not been matched by the people of Massachusetts, who have overwhelmingly rejected the overtures of the pirates. Considering that deregulation was sold on the basis of the “public’s right to choose,” the resounding failure of the population to abandon their electric utilities in favor of the energy pirates should be enough to end the policy altogether; at least, it would were the public’s benefit the motive behind the policy.

The determination by Wall Street and the oil cartel to ram deregulation through at all costs can be seen in Pennsylvania, where the state arbitrarily gave 300,000 customers of Philadelphia-area utility PECO Energy to the New Power Company, an affiliate of Enron. Even with that gift, the number of customers of the non-utility electricity marketers in the state is declining, and without the gift the number of customers would be at the lowest level since deregulation began in the state in 1999 (Figure 2). As of Oct. 1, 2001, only

10.7% of all electricity consumers in the state were customers of the non-utility suppliers, and without the New Power transfer, the figure would fall to 6.6%. Many suppliers have stopped doing business in the state, because of the lack of customers.

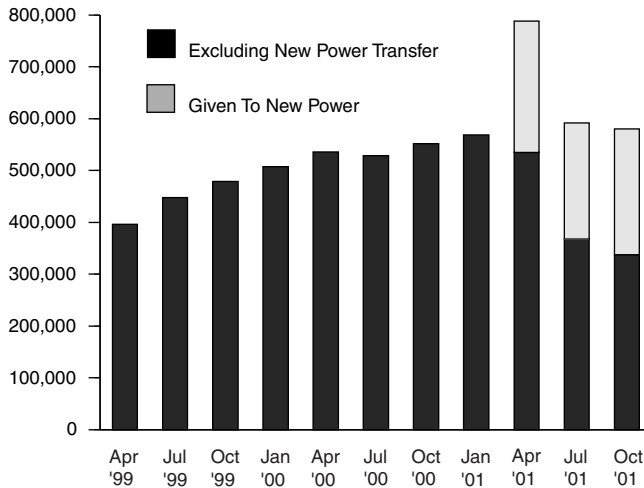
When one looks at the electricity consumed by the customers of the non-utility providers in Pennsylvania, it becomes clear that the non-utility sales of electricity to industrial and commercial customers has declined dramatically over the past six months. From a peak of 3,368 megawatts used on April 1, 2000, commercial usage fell to just 362 MW on Oct. 1, 2000, and industrial usage fell from a peak of 3,968 MW used to 393 MW over the same period, according to the Pennsylvania Office of Consumer Advocate. That’s a roughly 90% drop in both categories, a meltdown of Enronian proportions.

The situation in Massachusetts, where deregulation customers are measured in mere thousands, makes Pennsylvania look good (Figure 3). In a state with some 2.5 million electric-ity customers, the pirates have never even managed to break

FIGURE 2

Electricity 'Choice' Failing In Pennsylvania

(Number Of Customers)



Source: Pennsylvania Office of Consumer Advocate.

the 10,000-customer level, dropping to as low as 2,929 customers in July of this year before a slight rebound to 5,549 in September. While that might appear to be a sharp increase, it only raises the pirates' market penetration to 0.22% of all electricity customers, up from 0.12%, an amount fairly characterized as insignificant and, from the deregulation addict's point of view, downright embarrassing.

Measured in megawatts used, the pirates' position in Massachusetts is noticeably better, at 10% of all electricity consumed, nearly double the amount used two months ago. Presumably this is due to the recent decline in energy prices, which allows the pirates to offer more competitive prices to larger customers.

'Pickett's Charge'

While deregulation is failing in the Northeast, an attempt is being made to open up new flanks in the friendlier territories of Virginia and Texas.

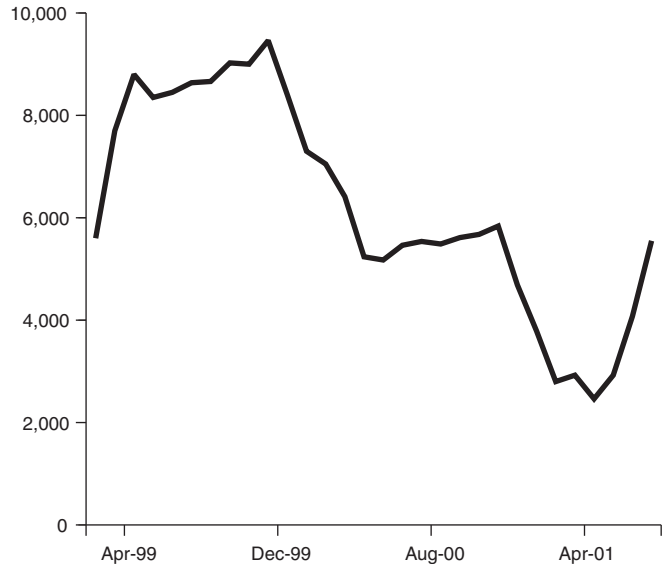
Virginia, amidst a barrage of "We're not California" propaganda, inaugurates its deregulation fiasco on Jan. 1, 2002, when the customers of American Electric Power can choose an alternate supplier; Ohio-based AEP is the dominant utility in Southwest Virginia, and one of the lowest-price electricity generators in the nation. Few observers expect competitors to sell their electricity cheaply enough to take much business from AEP, and many apparently are not even going to try. Customers in Central Virginia, a region served by Dominion Virginia Power, will get their shot at "electricity choice" beginning Sept. 1, 2002.

Some Virginia residents have compared the Old Domin-

FIGURE 3

Deregulation Has Failed In Massachusetts

(Number Of Customers)



Source: Massachusetts Division of Energy Resources.

ion's headlong rush into deregulation to Pickett's Charge, Gen. Robert E. Lee's suicidal charge into Union lines during the Battle of Gettysburg in the Civil War. Pickett's Charge was an unmitigated disaster, a stunning defeat which contributed heavily to the Confederacy's ultimate defeat. Virginians should take heed.

In Texas, a major base of the global oil cartel and a bastion of the Southern Strategy deregulation crowd, deregulation is scheduled to begin in January 2002, but the problems have already begun. A pilot program, begun earlier this year, proved a disaster, with those customers who wanted to switch unable to because of procedural problems, and the Texas Public Utility Commission has already decided to delay the implementation of deregulation in areas of Southeast Texas and the Panhandle, because of a profound lack of customer interest.

However, because Texas has been designated the new model state for deregulation—a place where, at long last, deregulation can hopefully be made to seem to work—more drastic measures are being considered.

One of the major flaws of deregulation is that the non-utility producers cannot generate electricity as cheaply as the utilities and thus cannot compete with them on price, especially in states where the deregulation laws mandate that the utilities provide their customers with a guaranteed discount. The discounts, which were included in the deregulation laws as short-term consumer protections, have proved to be a significant obstacle to the pirates.

That point has not been missed in Texas. With less than two months to go before deregulation begins in his state, Texas Public Utility Commissioner Bret Perlman has proposed that a surcharge be imposed on the electric bills of those customers who elect to stay with their existing utilities! In Pennsylvania, when insufficient numbers of customers chose the way the deregulation addicts wanted them to choose, customers were arbitrarily assigned to New Power, but even that heavy-handed tactic was not enough. Now Texas is proposing to penalize customers who don't switch, in a regulatory version of the proverbial "offer you can't refuse." So much for freedom of choice.

Ongoing Reorganization

The failure of electricity users to sign up with the non-utility pirates does not mean that deregulation is dead, however. While the retail side of deregulation languishes, major shifts are occurring on the generation side, with utilities selling off their generating capacity to non-utilities or to their own unregulated affiliates or unregulated affiliates of other utilities.

The case of Pennsylvania is exemplary.

The state's utilities are increasingly being controlled by out-of-state interests, a process which significantly complicates any potential return to a regulated system. On Nov. 7, Ohio's FirstEnergy completed its takeover of New Jersey-based GPU, a utility holding company which owned two Pennsylvania utilities, Pennsylvania Electric and Metropolitan Edison. FirstEnergy already owned Pennsylvania Power, giving it control of three of the state's major electric utilities. PECO Energy, the big Philadelphia-area utility, merged with Chicago utility Unicom (the parent of Commonwealth Edison) in October 2000, forming the giant Chicago-based Exelon Corp. West Penn Power, another major utility, is owned by Maryland-based Allegheny Energy, while Pike Country Light & Power is owned by New York's Consolidated Edison.

At the same time, some utilities are selling off their generating capacity to others. GPU, for example, sold 25 of its power plants, with a combined 10,736 MW of generating capacity; most of those plants were sold to Sithe Energy of New York, which subsequently sold them to Houston's Reliant Energy.

The situation is similar in Massachusetts, where Britain's National Grid plc owns two of the state's major utilities, Massachusetts Electric and Eastern Edison, neither of which has any generating capacity; National Grid is also buying the New York State utility Niagara Mohawk, another utility which has sold off its generating capacity. Two of the state's other big utilities, Boston Electric and Commonwealth Electric, merged, creating NSTAR, which has also sold its generating capacity. This leaves Massachusetts residents dangerously exposed to price gouging, especially when the state-mandated price controls expire.

At the same time, considerable political muscle is being

brought to bear to expand the national electricity transmission grid, to allow the pirates to be able to ship power wherever it will bring the highest price.

The purpose of the consolidation of existing utilities and the divestiture of generating capacity by regulated utilities to unregulated companies, is designed to rip apart the existing stable and regulated system, making it easier for the financial sharks to grab a chunk of the billions of dollars Americans spend on electricity every year.

The Bigger They Are . . .

Walking the point for the deregulation drive was Enron, a company which seemed to have all the bases covered: It had political pull, thanks to its connections with the two Presidents George Bush and their immediate circles; lots of money to spread around to lobby Federal and state governments; and a dominant role in the market of buying and selling electricity and natural gas. The company was routinely touted in the business press as one of the best-managed companies in the nation, and a gaggle of "wannabes" worked hard to emulate Enron's business model. Enron, by all outward appearances, was on top of the world.

Outward appearances are generally deceiving, and the condition of Enron was no exception. While the full story has yet to emerge, it is clear that a good portion of Enron's success was done with classic "smoke and mirrors" accounting tricks. At the very least, the company significantly overstated its profits, as it admitted on Nov. 8, when the company restated and lowered its reported net income dating back to 1997 by \$586 million, or 20% of its total income during the period.

The next day, Enron announced that it had agreed to be taken over by Dynegy, a Houston-based energy-trading rival, for about \$9 billion in stock and the assumption of \$13 billion in debt; however, that debt figure may be understated, with some analysts speculating that Enron's actual debt, once all its accounting machinations are revealed, could be as high as \$23 billion.

The Dynegy-Enron deal has a decidedly systemic aspect, in that the takeover shows signs of being put together on an emergency basis to prevent Enron's troubles from blowing out the global energy-trading and derivatives market. Enron was the major market-maker for the global energy speculation market, with a dominant presence in the United States and a strong presence in Europe; as such, it was either the buyer or seller in nearly one-quarter of all U.S. electricity and natural gas trades. In such deals, sellers must have strong confidence that the buyer can pay for his purchases, and the nature of Enron's deflationary death spiral called its ability to pay very much into question.

As Enron's troubles deepened, its trading partners (called counterparties in the derivatives racket) began to scale back their business with the company, and seek collateral or other guarantees that they would be paid. Toward the end, according to some reports, Enron began to default on some counter-

party payments, actions guaranteed to throw the global market into crisis.

Dynergy, a major trader in its own right, was counterparty to Enron on an undisclosed but significant number of deals, and many observers regard Dynergy's action as a form of self-bailout, an action to avert the damage that would occur to the company were Enron to collapse. Dynergy is controlled by ChevronTexaco, which owns 27% of the company's stock and holds three spots on its board. As part of the agreement between Dynergy and Enron, ChevronTexaco agreed to pump \$1.5 billion in cash into Enron immediately, even though the merger agreement specifies that either company may cancel the merger under certain circumstances; ChevronTexaco also agreed to invest another \$1 billion in the merged company, should the deal be completed.

Under the terms of the merger agreement, Enron has the right to entertain higher offers, should any be made, though it would have to pay Dynergy a hefty breakup fee in such an event. Dynergy, for its part, has the right to break the deal should Enron's financial condition turn out to be much worse than the company has admitted.

Rescuing The Market As A Whole

Heavy pressure was brought to bear on the major credit-rating companies to prevent them from lowering Enron's credit rating from investment grade to junk-bond levels, since a junk-level rating would trigger default clauses in a wide range on Enron's debt agreements, potentially forcing the company to immediately pay billions of dollars it did not have, to satisfy that debt. Moody's Investors Services, admitting that it had come under significant pressure by influential Wall Street players, finally agreed to cut Enron's rating to the very lowest investment-grade level, thereby allowing the Dynergy deal to go through.

Under such circumstances, ChevronTexaco's immediate \$1.5 billion infusion into Enron would appear to be as much a rescue of the energy derivatives market as a whole, as an investment into Enron. To protect itself in the event that the merger is cancelled, ChevronTexaco/Dynergy has the right to buy Enron's Northern Natural Gas pipeline.

Showing what a small world it is, Dynergy was represented in the deal by the law firms Akin Gump (the firm of "Prince of Thieves" Robert Strauss) and Baker Botts, the latter being the firm of James A. Baker III, Secretary of State in the first Bush Administration and a one-time consultant to Enron. Dynergy was founded by Morgan Stanley and Akin Gump in 1984 as Natural Gas Clearinghouse. In March 1999, Dynergy was controlled by three companies, each of which owned 25% of the company; those owners were Chevron, BG plc (née British Gas), and NOVA Chemicals, a Canadian energy company. In February 2000, in a reorganization coincident with its acquisition of Illinois utility Illinova, BG and NOVA reduced their ownership positions in exchange for cash, leaving Chevron as the dominant owner.

Indonesia Has Paid Its Debts!

by Michael O. Billington

The International Monetary Fund (IMF) and the World Bank have just come to an "agreement" with Indonesia. Together with other creditor nations and financial institutions, they pledged to provide \$3.14 billion in new loans, which is a full one-third less than the previous year. However, of the \$4.8 billion pledged last year, only \$2.6 billion was delivered, due to what were described by the World Bank as "reform and project failures"—meaning that Indonesia did not fully carry through on IMF conditionalities regarding the elimination of subsidies on basic necessities, privatizing state-sector industries, selling off government assets, and other free-trade, globalization shibboleths. In fact, nearly one-half of the new loan is conditional on "significant progress on policy performance," as World Bank Vice President for East Asia and the Pacific Jemmal-ud-din Kassum explained to the press.

The IMF's justification for the imposition of such draconian measures, imposed upon an already-impoverished nation, is the existence of huge foreign debts, public and private, totaling about \$140 billion, which is strangling the Indonesian economy. To get debt relief or new loans, the country must live up to these colonial-style dictates, or be cut off from the "world community" as defined by the IMF.

But the fact is, *Indonesia, over the past three years, has already paid off its entire foreign debt.* As will be demonstrated here, since the 1997 speculative attack on the currencies of Southeast Asia, the combination of the hedge fund speculators and the IMF have carried out a sleight-of-hand which has extracted \$188 billion from the Indonesian economy in debt service, while only crediting them with payment of \$54 billion! The difference between these two figures—over \$134 billion—is (coincidentally) approximately equal to the current outstanding foreign debt held by the Indonesian government and private sector combined.

This trick, which has come to be known across Ibero-America as "bankers' arithmetic," a term coined by *EIR* investigators who uncovered similar shenanigans in that part of the world, is not difficult to expose. The missing ingredient is the *will to say the truth about what is, in fact, going on in plain sight.*

Loss Of Sovereignty

Those who insist that this crime is just "the way things work," are acting on the premise that we must forever accept the loss of sovereignty imposed on the entire world on Aug.



President Megawati Sukarnoputri has issued stark warnings to her nation on the impact of the foreign debt and the global economic crisis.

15, 1971, when America’s “Southern Strategy” President, Richard Nixon, pulled the dollar off of gold, ending the post-World War II Bretton Woods policies, and sending the world financial system into an orgy of speculation. Nations, especially those of the developing sector, were suddenly left with few, if any, means to protect their currencies, or their economies, from the huge capital flows at the disposal of Western banking conglomerates and their political institutions. By 1997, most of the nations of Ibero-America and Asia had been bribed or coerced into opening up their economies to virtually unlimited flows of hot money, created out of the fictitious “New Economy” bubble in London and New York. The bubble burst in July 1997, partially due to the laws of nature, but helped along by George Soros and his fellow speculators, who looted what they could in the chaos of the panic they had instigated.

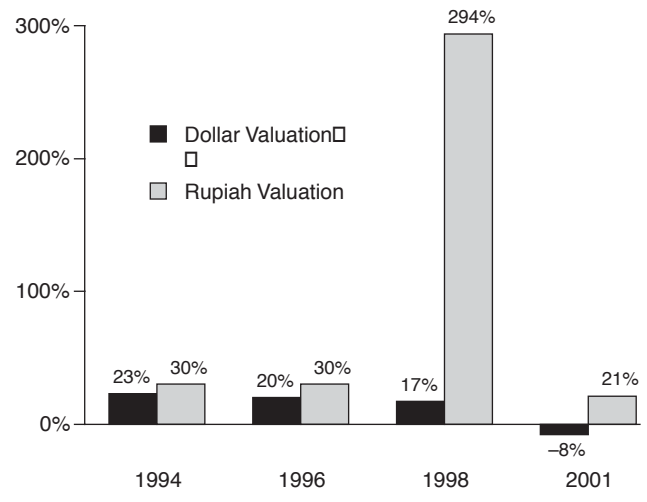
One result of the collapse of the Asian currencies, was that both the governments and the private banks and industries were faced with an overnight increase in their foreign debt by multiples of 200-300%, when measured in terms of their local currencies. In Indonesia, for example, the rupiah, while still representing the same amount of work performed by its citizens, the same amount of agricultural, mining, or industrial output, was suddenly worth only a small fraction of its former value in regard to its purchasing power internationally—including, of course, payments on its foreign debts.

It is often argued that the cause of this dilemma must be found in the corrupt practices of the former regime of President Suharto. It is true that during the heady days of the early 1990s, while the hot money flowed freely into the so-called Asian Tiger economies, nearly every contract in Indonesia was channeled through a member of Suharto’s family or one of his close friends, and were often padded in various ways to their benefit. But it is also true that these sweetheart contracts were equally corrupt on the foreign investor side, and were

FIGURE 1 □

Indonesia, Percent Change In Total Debt □

(Dollar Valuation vs. Rupiah Valuation, Measured Against Previous Two-Year Interval)



designed to place the entire risk upon the Indonesian parties—and usually upon the government itself—in respect to currency fluctuations, as well as other types of risk.

Figure 1 shows how this worked. The change in total debt, as measured in dollars, is compared to the same debt as measured in rupiah, over four periods. In the early 1990s, the rupiah was devaluing at a rate of about 4% per year. This is reflected in the figures for the periods preceeding 1994 and 1996, whereby the increase in the debt in dollar terms is somewhat less than the same debt measured in rupiah. This was a problem, but it was manageable. However, between 1996 and 1998, with the assault on the rupiah, the debt increased by only 17% in dollar terms, but by an astonishing 294% when measured in rupiah. From the Indonesian perspective, their debt had tripled with hardly a penny being borrowed!

Over the next three years, Indonesia continued paying its debts, despite the extreme internal economic and social crisis tearing at the fabric of their society. As a result, despite the much-heralded “bailout” by the IMF and others, the total debt in Indonesia *declined* between 1998 and 2001, from \$151 billion to \$139 billion, a fall of nearly 8%. However, in Indonesian eyes, despite the painful extraction of huge debt payments to bring about this debt reduction, *the resulting debt continued to rise when measured in rupiah*, by 21%. Bankers’ arithmetic.

What Was Actually Paid

Let us now examine how much debt was actually paid over the years since the 1997-98 currency crisis. **Table 1** shows debt service payments for the three years of 1998,

TABLE 1

Indonesia's Debt Service Payments

(Billions)

Year	In Dollars	In Rupiah	Dollar Value Paid If Calculated In 1996 Rupiahs
1998	\$17.5	140,125	\$58.8
1999	\$17.9	126,821	\$53.2
2000	\$18.8	180,482	\$75.7
Total	\$54.2	447,428	\$187.7
Subtract total dollars paid			-\$54.2
Unaccounted debt paid			\$133.5

1999, and 2000, measured first in dollars and then in rupiah. The third column shows the dollar valuation of the rupiah payments for each year, calculated as if the exchange rate had remained at the 1996 level of 2,383 rupiah to the dollar. Over the three years, Indonesia paid a total of \$54.2 billion in debt service, but in terms of the actual cost to the Indonesian economy, as measured in column three, the total payments were the equivalent of \$187.7 billion! Subtracting the two figures gives us \$133.5 billion—the amount of debt service paid by Indonesia for which the “international community” gives absolutely no account. By chance, this \$133.5 billion is approximately equal to the \$140 billion total outstanding debt currently held by Indonesia, public and private.

The process has continued in an even more punishing manner over the current year—in the past three months alone, the currency has been devalued on the “free market” from about 8,500 to the dollar to nearly 11,000, meaning that the total debt has increased by yet another 30%. It can thus be safely assumed that Indonesia has not only paid off its entire debt, but has overpaid by a considerable amount, taking into consideration the exchange rate alone. If other aspects were to be considered, such as the manipulation of the terms of trade, the overpayment would be even more extreme.

The Way Forward

As with the government debt, so also the major corporations of Indonesia have generally been paying huge amounts in debt service, but in highly devalued rupiah, such that only a fraction of their payments are accounted against their outstanding debts. One hears with sickening regularity among IMF and U.S. Treasury circles that this or that Indonesian firm is “unviable,” and must therefore be sold to foreign interests at any price offered. But these are not unviable from a physical production perspective, but only because of the artificial “bankers’ arithmetic” accounting of their debt.

Coordinating Minister for the Economy Dorodjatun Kuntjoro-Jakti, speaking on Nov. 11 to the creditor nations and institutions, known as the Consultative Group on Indonesia (CGI), bluntly explained that the demand for the fire-sale

of two of the “crown jewels” of the Indonesian economy—Bank Central Asia and the cement company Semen Gresik—simply won’t happen this year, primarily because of the extremely depressed market. The minister said: “Looking ahead to 2002, it is obvious that the world recession, which has clearly begun, will depress commodity prices and export volumes into next year and make it difficult to reach our targets.”

Similarly, President Megawati Sukarnoputri has been making stark forecasts of the social and economic consequences of continued economic decay. Speaking on Oct. 30, on a national holiday commemorating the beginning of Indonesia’s nationalist struggle against colonialism in the 1920s, she said: “In all honesty and with a sense of gratefulness, we have to admit that until four years ago, we had reached a standard of living that was far better than when we first obtained independence. It was also far better than our condition today. We achieved that level through struggle and hard work. . . . With deep concern, we have to acknowledge that today we are in a very complex and difficult situation. . . . If this situation continues, and if we don’t put a stop to it, it is almost certain that we as a nation will perish in the not too distant future. We will be fragmented into tiny nations and tiny states, all vulnerable to pressure from outside forces. We will become the Balkans of the Eastern Hemisphere. When this happens, it will not only be us who never enjoys peace, but other countries in the region will also become prone to the danger.”

Speaking to the People’s Consultative Assembly on Nov. 1, she went further: “This crisis is both a part of and a continuation of the monetary, economic, confidence, political, and security crises that have burdened us since 1997. A crisis that we fundamentally failed to address. . . . We have recently become a poor nation with a low per-capita income and with huge unemployment, while the production potentials are now largely dormant. This condition could worsen if food insufficiency increases. . . . International and domestic investments have nearly come to a halt. . . . A large part of the budget has to be set aside to pay the main debts and their interest. We have to go through all these to honor the commitments made by the government when securing loans. . . . Experience has demonstrated that addressing the very issue of privatization has often led to other issues that need to be carefully dealt with first. The privatization policy will, therefore, be conducted cautiously.”

Speaking truthfully is not acceptable in certain centers of world finance, however. Within a week of these statements, Standard & Poor’s lowered Indonesia’s ratings on several debt and credit categories from CCC+ to CCC, claiming that this was based on a statement by Minister Dorodjatun that Indonesia may have to ask for debt forgiveness. In fact, all eyes are on Argentina, which has announced the largest sovereign default in recent history. Will the Anglo-American financial institutions shoot themselves in the foot again in Indonesia?

Will Bush Wreck Manned Space Flight?

by Marsha Freeman

The American manned space program is facing one of its most serious crises of its 40-year history. Over the past six months, it has become clear that the International Space Station (ISS) is significantly over its projected budget—by more than \$4 billion over the next five years. But that is not the crisis.

In response to the cost overrun, the Bush Administration has mandated, and Congress has concurred, that the National Aeronautics and Space Administration will not be given any additional resources to complete the station as it was designed. Instead, it has proposed eliminating the U.S. emergency crew return vehicle and habitation module, which are needed to increase crew size from three, to the full complement of seven. Without the full crew, little science will be done on the station, which is the primary project mission. Without a full crew, it is unlikely that astronauts representing the international partners, particularly Japan and Europe, will ever get to fly. The NASA fiscal year 2002 budget bill, which has passed both Houses, went so far as to *remove* \$75 million in funds from the station account, to “teach NASA a lesson.”

On Nov. 14, three days before NASA Administrator Dan Goldin was scheduled to leave the space agency, the White House announced that Office of Management and Budget Deputy Director Sean O’Keefe would take his place. O’Keefe, who is close to Vice President Dick Cheney, and whose expertise is in “management,” stated on Nov. 7 at a House hearing that OMB will not support increased funding for NASA, and that “technical excellence at any cost is not an acceptable approach.”

There are multiple causes for the cost overruns in the space station program. They were enumerated in a report released on Nov. 2, by the Independent Management and Cost Evaluation Task Force, headed by former NASA and industry executive Thomas Young. But the fundamental cause for today’s overruns, was yesterday’s refusal to fund the station at the level required.

The Task Force reports that when the station was redesigned in 1994, “annual budget caps of \$2.1 billion were levied on the program as a means to control costs.” The result was that “basic program content slipped and the total program cost grew.” At a Nov. 2 briefing at which the Task Force report was released, Young stated, “Caps may make you feel good for a while, but it is the worst way to manage a program.” The assembly sequence was continually stretched out, and

now a decade of deferred costs has come home to roost. Overall, NASA’s spending power is two-thirds what it was a decade ago.

The Young Task Force recommendations are no cure for the disease, but are tailored to reduce costs to try to make up the shortfall. The report complains that NASA has had too much of a focus on safety and engineering, and should be concerned with accurate cost accounting!

In mid-October, NASA presented its preliminary FY 2003 budget, which reflected the priorities of White House budgeteers, for the consideration of NASA’s Advisory Council. Goldin warned that layoffs at NASA field centers were under active consideration, as part of the transfer of national space assets, such as wind tunnels and the Space Shuttle program, to universities and the private sector.

This was immediately attacked by Sen. Bill Nelson (D-Fla.), who compared such a proposal to the Pentagon handing over control of its forces to an outside company to fight a war. Nelson, who flew on the Shuttle in the 1980s, countered that the White House should increase NASA’s budget to cover the costs, and that Congress should approve the increases.

In an interview with *Space News* on Nov. 8, Goldin stated that for the FY 2003 budget, policymakers have three options: “consolidating” some of the agency’s ten field centers (1,000 layoffs have been mooted), eliminating some of NASA’s missions, or increasing the budget.

Other Complaints

During a hearing on the ISS’s status before the House Committee on Science on Nov. 7, letters addressed to the U.S. State Department, from Canada and Europe, were made public. They voiced the international partners’ concern about the Bush Administration’s proposal to downsize the ISS.

The Canadian letter, dated Oct. 31, recommends that a senior-level diplomatic meeting be convened as soon as possible, to deal with the crisis. The Nov. 2 European letter reminded the State Department of U.S. obligations under the international agreements, which, it states, are “unambiguous.” The letter expressed “considerable concern,” because the European science laboratory, and most of its \$4 billion investment, will have no purpose without a seven-man crew.

During the hearing, Rep. Dave Weldon (R-Fla.), whose district includes the Kennedy Space Center, stated that the Bush Administration is “slowly killing space exploration,” and that although it is the “budgeteers” who are responsible, “in the end it will have President Bush’s fingerprints on it.”

Weldon backed the international partners, stating, “For years, we, the United States, lambasted the Russians for their poor level of cooperation. Now we look very hypocritical.” In fact, one year ago, the Republican Speaker’s Advisory Group’s report, “Russia’s Road To Corruption,” attacked the Clinton Administration’s handling of U.S.-Russian space cooperation, citing the “Russian’s government’s failure to meet its commitments.”

'New Economy' Collapse: The Singapore Story

by Martin Chew Wooi Keat

Over the last year, since the “New Economy” bubble entered its final death throes, the economy of the city of Singapore, once held up by the International Monetary Fund (IMF) and other Western institutions as the Asian model for development, and the safest location for foreign investment in all of Asia, has been collapsing, even more rapidly than its already distressed neighbors, and with no end in sight. What happened? The Singapore story addresses the question: What happens to a country, which is *not really* a country, when the global financial bubble disintegrates?

A Bank For Opium, Tin, And Rubber

First, a brief but necessary overview of Singapore’s history.

The island of Singapore was acquired from the Johore Sultanate (today, a state of Malaysia), by British East India Company agent Stamford Raffles in the early 19th Century. The British needed a transshipment point for the Bengal opium that they were foisting on China, and Singapore was ideally located midway between India and China, guarding the southern gate of the strategic Strait of Malacca.

In addition to being a giant opium warehouse, Singapore was also used as a staging area by the British, for their Opium Wars against China. As opium drained the productive sectors of the Chinese economy, Qing China resorted to selling its only remaining productive asset—people—for cheap labor. Southeast Asia (and other parts of the world) saw an influx of laborers from China, for menial jobs, such as land clearing, mining, etc. This mass of migrant laborers added to the lucrative market for British opium, and banks were needed to facilitate the exploitation of the market, as well as to manage the profits. Hence, the origins of Singapore as a banking center. The first bank in Singapore was the Union Bank of Calcutta, set up in 1840, just as Britain’s First Opium War was militarily forcing China to accede to the “free trade” of Indian opium. Eventually, Chinese immigrants ventured into banking as well. The first local Chinese bank in Singapore was the Kwong Yik Bank, founded in 1903.

As the British extended their colonial rule over the Malay Peninsula (Malaya), Kuala Lumpur was eventually chosen as the administrative center. However, Singapore remained as the center for banking.

After India gained its independence in 1947, Malaya, the world’s largest producer of tin and rubber, became even more

valuable to the British. Malaya’s tin and rubber exports to the United States were major sources of dollars, desperately needed by the British during the immediate post-war period. The longer the British Empire could hold on to Malaya’s tin and rubber, the more dollars it could obtain—especially during the Korean War (1950-53), when the price of rubber and tin reached “dizzying heights.”¹ In 1953, a dozen British agency houses (trading companies) controlled 75% of the nearly 2 million acres under plantations (mainly rubber).² Even up to 1968, fully 75% of the investment in the rubber industry, and 60% of tin production, was in the hands of foreign companies.³

The Communist Emergency in Malaya gave the British a justification to prolong their stay in Malaya—to fight the Communists. The Emergency was actually a war, but the term “emergency” was chosen, so that insurance claims could continue to be made on any damaged tin mine or rubber estate.

As a result of the Emergency, Malaya’s independence, instead of coming shortly after World War II, as for India, was delayed until 1957. However, Malaya’s independence came *without* the banking center of Singapore, which the British continued to rule as a colony. The British continued to play an active role in Malaya even after independence, as the Emergency officially continued until 1960. Even after 1960, there were still sporadic Communist insurgent activities.

In 1961, the intent was announced to merge Singapore, together with the British colonies of Northern Borneo (Sabah, Sarawak, and Brunei), with Malaya, to form a single nation to be called Malaysia. Indonesia opposed this move, but agreed to abide by the results of a UN fact-finding mission to Sabah and Sarawak (Brunei opted out of the proposed federation), to ascertain the will of the population regarding the union. However, Indonesia was provoked into launching a low-intensity war (called the “*Konfrontasi*”) against Malaysia, when Malaysia was officially declared into existence, prior to the release of the official findings by the UN fact-finding mission.

With a still smoldering Communist insurgency, and a low-intensity war with Indonesia, the British were able to convince Malaysia that a continuing British military presence was crucial. There were no attempts to nationalize British-owned rubber plantations or tin mines.

A British Administrative Invention

In 1965, Singapore separated from Malaysia over political differences. Singapore had no independent history prior to 1965, but had historically been a part of Malaya. The percep-

1. Ranjit Gill, *The Making of Malaysia Inc.* (Celangor, Malaysia: Pelanduk Publications, 1985).

2. James Puthuchear, *Ownership and Control of the Malayan Economy* (Singapore: Eastern Universities Press, 1960).

3. Gill, op. cit.



Singapore's father-and-son investment team, Senior Minister Lee Kuan Yew (center) and Deputy Prime Minister Lee Hsien Loong (inset), still cannot, at least publicly, come to terms with the fact that the global financial crisis is systemic, not cyclical.

tion that Malaya and Singapore were two separate political entities was a British administrative invention. The British decision to grant independence to Malaya in 1957, without including Singapore, helped reinforce that perception, and this helped to create a fault line along which the later separation would eventually occur.

The Malaysian economy was then still largely in foreign hands. In 1957, the year of independence, more than 50% of identifiable capital stock was owned and controlled by foreigners, mainly British and other Europeans. About 70% of profits earned by registered companies were netted by controlling foreign interests, and mostly repatriated. At the end of 1970, thirteen years after independence, of the 38 commercial banks in Malaysia, 22 were foreign-controlled. This pattern was repeated in the insurance industry. At the end of 1970, of the 89 insurance companies registered, 81 were foreign-owned. Many of these companies were originally in-house divisions of trading companies, or branches of companies originally established in Singapore.⁴

Because of the separation, Malaysia lost the best port in the region, and its financial center. Singapore henceforth became an offshore financial center, a convenient place for capital from surrounding countries to be transferred, free from the controls of Kuala Lumpur, Jakarta, etc. From here, private capital would be able to deal with nations on a “sovereign” basis, with the offshore British-controlled banking center itself declared to be a sovereign state.

4. Gill, *op. cit.*

However, even with the presence of the banks, Singapore—an island 3.5 times the size of Washington, D.C., with no natural resources, which still today must import water from Malaysia to survive—*could not* have continued to exist as a separate political entity without foreign investors.

Singapore's excellent harbor, and its strategic location, lying on the international sea-lanes between the oil-producing countries of the Middle East and the major oil-importing nation of Japan, made it a natural choice for building oil refineries. Singapore's first oil refinery was built by Shell in 1961. However, the oil refinery industry only started to expand very rapidly during the second half of the 1960s—*after* independence—driven by the industrial growth of Japan, as well as the U.S. war in Vietnam. Today, Singapore is the third-largest oil-refining center in the world, after Houston and Rotterdam. In 2000, oil refining made up 12% of Singapore's manufacturing sector.

A Bank For The Post-Industrial Society

However, the bulk of Singapore's manufacturing was to come not from oil refining, but from electronics. The key behind the growth of electronic plants in Singapore, was the concept of the free industrial zone. These zones were set up specifically for foreign investors, with their own set of conducive tax and labor laws, applicable only within those zones.

The main lure was cheap labor, especially cheap *foreign* labor. According to a study by the Singapore Ministry of Trade and Industry (MTI), foreign labor contributed to the bulk of Singapore's Gross Domestic Product (GDP) growth in the 1990s. About 41% of that growth was achieved on the

FIGURE 1



back of the inflow of foreign human resources. The MTI found that the local labor force alone, would not have been able to generate the average quarterly GDP growth of nearly 8%, between the first quarter of 1991 and the fourth quarter of last year. According to the Singapore Population Census of 2000, Singapore's working population stood at 2.09 million last year. Of that total, 612,200 workers, or 29.2%, were non-residents.

Riding on the post-industrial society's addiction to cheap labor and financial speculation, Singapore's citizens emerged, by the year 2000, with a per-capita purchasing price parity GDP of around \$25,000—one of the top ten in the world. Singapore has more than \$100 billion in reserves, and all of it is managed by the Government of Singapore Investment Corp. (GIC).

Singapore's investment-manager-for-life, Senior Minister Lee Kuan Yew, holds the chairmanship of the GIC. His son, Lee Hsien Loong, is the Deputy Prime Minister of Singapore, chairman of the Monetary Authority of Singapore (Singapore's Central Bank), and vice chairman of the GIC. Although the GIC is government owned, it functions like a private investment company. Singapore's opposition leader, J.B. Jeyaretnam, has accused the GIC of a lack of adequate disclosure on how the funds are invested. Lee Kuan Yew dismissed those accusations, saying that the money was in safe hands.

The Bubble Pops

East Asia's feeble recovery from the Asian currency crisis of 1997-98, was based on the "New Economy" financial bubble fuelling demand in the telecommunications and consumer electronics sectors. However, that recovery is now being seen for the hoax it really was.

Eight of the more prominent Singapore Internet CEOs, saw their combined paper wealth soar to as high as \$800 million in 1999, only to plunge by around 80% to \$150 million as of April 2001. The banks resorted to force-selling the (worthless) shares of those CEOs who were unable to meet their margin calls.

Singapore's state pension fund organization, the Central Provident Fund, is losing money. As of June, most of its investments had a full 12 months of negative absolute quarterly returns. For the first quarter of 2001, 85% of the trust funds, and 84% of the insurance-linked plans the Fund had invested in, lost money. Singapore's pensioners are not unique in their predicament. Hong Kong's Mandatory Provident Fund saw returns of *negative* 9.5% for the year to date, as of June 2001.

Manufacturing accounts for only one-quarter of Singapore's economy (services comprise a full 65%). Half of that manufacturing production is in electronics, which accounts for close to 70% of Singapore's exports. In April, electronics output fell 8.5% against the previous year. By June, it was 26%, and in August, 37.5%.

In June 2001, the government-linked Chartered Semiconductor of Singapore, the world's third-largest wafer fabrication company, closed one of its three fabrication plants because new orders had dried up. As recently as the first quarter of 2000, fabrication utilization at this company was at 104%; a year later, it was 61%. Chartered went on to lose \$31 million in the first quarter of 2001, \$107 million in the second, and more than \$120 million in the third.

Singapore's Flextronics, one of the largest electronics contract manufacturers in the world, announced in October that it was laying off 10,000 employees (15% of its total worldwide workforce), due to falling revenue.

Singapore's electronics-addicted GDP contracted by nearly 1% for the second quarter of this year, when compared to the same period last year, and 6% for the third. Overall, the Singapore economy is expected to *contract* by 3% for 2001, compared to a growth of nearly 10% last year. In July, the Singapore dollar hit an 11-year low.

As GDP contracts, so will employment. In the first quarter of 2001, there were 3,230 layoffs, but 23,210 new job openings. In the next quarter, there were 5,631 layoffs, but only 3,289 new job openings. The *Singapore Straits Times* ran a forecast in October that there will soon be 80,000 unemployed in Singapore. This means an unemployment rate of 4.5%, up from 2.8% last year. However, this does not include the 16,000 who have been put on shorter work weeks. There are now only six jobs for every ten job-seekers.

With the need for imported foreign labor becoming less, 1,000 Malaysians have been losing their jobs in Singapore each month, from January to August of this year. This represents 10% of the total of 80,000 Malaysians employed in Singapore. Foreigners without a job are eventually shipped home. When cheap labor is in demand, it is imported, and the



The Port of Singapore, the busiest in the world. Since the “New Economy” bubble entered its final death throes, the economy of the city, once held up by the IMF as the Asian model for development, has been collapsing even more rapidly than its already distressed neighbors.

population grows; when the demand evaporates, the excess is returned.

The systemic nature of the crisis spilled over on to the Singapore stock market. In July, Singapore’s Port of Singapore Authority, operator of the world’s busiest container port, cancelled its plans to sell shares, because, in the words of its chairman, the initial public offering (IPO) market is dead. Government-linked Neptune Orient Lines, the sixth-largest container ship operator in the world, also cancelled its IPO plans.

Even Singapore’s small local steel industry has not been spared. The steel division of government-linked Natsteel runs mini-mills, producing steel for the construction industry. In mid-2001, the weakening local construction industry caused it to axe 125 employees (20% of its steel workforce). In fact, Singapore’s steel company is more electronics than steel. Its NatSteel Electronics subsidiary is one of the top ten contract manufacturers in the world, and its NatSteel Broadway subsidiary is the largest integrated contract manufacturer in southern China.

Recently, in an attempt to keep the economy afloat, free-market champion Singapore launched an \$11.3 billion stimulus package. Part of the package consisted of government shares totalling \$1.5 billion, which were distributed *free of charge* to 2.1 million eligible receivers. Immediately after the handout, 150,000 cashed in the government shares, each getting between \$100 and \$1,000.

The Singapore Problem

However, trying to save a deflating domestic bubble economy is only second to the most pressing problem Singapore is facing. That is, where to park all that “pulp and paper” — all \$100 billion of its reserves — in such a way that it won’t evaporate. As the global financial system unravels, Singa-

pore’s investment managers are frantically trying to preserve the country’s paper values. There is no place within Singapore to park that \$100 billion, due to the simple fact that Singapore is not really a country. Singapore was created by the British, as a floating bank, immune from the governments of Southeast Asia, to siphon and control capital flow, from around Southeast Asia. Therefore, the reserves must go overseas, out of Singapore’s banks, into something tangible.

Agence France Presse reported on May 22, that about one-half of the GIC’s funds have been invested in North America, about one-quarter in Europe, and the balance in Japan and East Asia. Over the past year, there has been a major shift of Singaporean capital into American equities. Singaporean investors became the second-biggest group of Asian traders on American bourses, after the Japanese. Singaporeans became net buyers of American stocks, with purchases exceeding sales by \$11 billion (around one-tenth of the nation’s reserves).

Singapore, Inc.’s three main arms — its telecom company, airline, and banks — have been on an overseas buying spree, *regardless* of market conditions, before it is too late to spend the money. In September, Singapore Telecom (SingTel) spent \$9 billion, nearly one-tenth of the nation’s reserves, to acquire Optus, Australia’s second-largest telecom service provider. This deal is the largest foreign investment ever made by a Singaporean company. The deal was pushed through, even though acquiring Optus would *decrease* SingTels annual earnings by 36%! From March to October, the stock value of Optus fell by 43%, while declining sales led the firm to implement a \$50 million cost reduction plan.

SingTel also made plans to raise \$2 billion in October through bond issues, in order to fund further acquisitions. Weeks later, SingTel spent \$600 million for a 22% stake in Telkomsel of Indonesia. The Telkomsel stake represents the largest-ever Singaporean investment in Indonesia, a country which may be turned into another Argentina by IMF and World Bank looting.

Ansett Airlines of Australia is owned by Air NZ, which is in turn, partly owned by Singapore Airlines. Last year, Air NZ reported a loss of \$250 million. This year, it reported a loss of nearly \$600 million, as Ansett declared bankruptcy. Singapore Airlines, and Singapore-based Brierley Investments, had to pump in more than \$100 million in new equity to help keep Air NZ flying. Singapore Airlines now owns around one-third of the teetering Air NZ.

After Sept. 11, Singapore Airlines’ load factor fell by 19%. It suffered an 88% drop in profits, and is looking to defer delivery of new planes, reduce capacity, and cancel certain routes.

Another example of the desperation of Singapore’s investment managers is the case of the Development Bank of Singapore (DBS), Southeast Asia’s largest lender, which earlier this year paid \$5.5 billion for Dao Heng Bank of Hong Kong, even though Dao Heng was trading at two and one-

half to three times its book value—an implied goodwill of at least \$2.8 billion! DBS then made an unsolicited \$5.2 billion bid for the Overseas Union Bank of Singapore, in order to gobble up the competition. In July, DBS Philippines took control of the number-two bank in the Philippines, Bank of the Philippine Islands. DBS was in talks to buy Taiwan's Far Eastern International Bank, but the deal fell through. There have also been reports of DBS eyeing a stake in Malaysia's second-largest lender, Commerce Asset Holding, and in acquiring 51% of Bank Central Asia (BCA), Indonesia's largest private bank, from the Indonesian Bank Restructuring Agency (IBRA). The stake is estimated to be worth \$900 million. BCA was transferred to the IBRA by the Salim Group when it suffered a liquidity crisis during 1997-98.

However, Dao Heng itself proved more than enough to swallow. In August, Dao Heng's new owner closed 12 of its 71 branches in Hong Kong. Later in October, 10% of Dao Heng's staff was laid off, and one in five branches will be shut down by December. In that same month, DBS market capitalization was half of what it was at the start of the year—a loss of almost \$4.5 billion. Senior executives' pay has been cut by one-fifth.

In November, the contradiction between huge expenditures and collapsing profits caught up with DBS, which surprised investors with a \$1.2 billion new share placement, while posting a 20% fall in nine-month earnings. This new share placement would result in a 12% dilution for existing shareholders. The timing of the share placement—while the IPO market is essentially dead—showed how desperate DBS is for capital. The stock market is in such a dismal state, that even DBS Vickers Securites, the second-largest brokerage in Singapore, had to lay off 250 employees in September.

DBS is not alone when it comes to problems. At around the same time, the United Overseas Bank of Singapore announced that it would cut 2,000 staff, or 15% of its workforce, to reduce costs, despite the plea from Singapore Prime Minister Goh Chok Tong for businesses to cut jobs only as a last resort.

The Singapore government owns 69% of SingTel, 38% of DBS, and a significant piece of Singapore Airlines.

The 'Other Shoe'—Derivatives

Besides share prices, the other shoe waiting to drop is the derivatives crisis. The Singaporean banking system became addicted to derivatives after the Asian financial crisis of 1997-98. DBS Group Holdings' financial derivatives business surged last year, with the underlying principal amounts traded up by more than 11 times over 1999, to more than \$80 billion. To see how fast derivatives have grown in Singapore: Of the DBS derivatives financial instruments held for trading in 2000, the underlying principal foreign exchange derivatives amounted to \$48 billion (against just nearly \$3 billion for 1999), while interest rate derivatives came to \$28 billion (against just nearly \$3.5 billion for 1999). Equity derivatives

totalled nearly \$5 billion (against zero for 1999).

For a glimpse of what is at risk, look at the Singapore-based Asia Pulp and Paper (APP). APP, the world's fourth-largest paper maker based on capacity, lost \$220 million because of derivatives contracts. APP also admitted that the contracts were not reflected in its financial statements. That loss was enough to help push it into bankruptcy, on debts of more than \$13 billion—the largest bankruptcy ever in South-east Asia.

APP used to be owned by the Sinar Mas group of Indonesia, controlled by the Widjaja family. The Widjajas also controlled Bank Internasional Indonesia (BII), now under the receivership of the Indonesia Bank Restructuring Authority. However, Sinar Mas still owes more than \$1 billion to BII. This reflects the Widjajas' use of an Indonesian bank to route capital out of Indonesia, to their Singapore-based private businesses (i.e., APP). It also sheds light, on Singapore's role as a capital market.

Systemic Nature Of The Crisis Denied

Singapore's father-and-son investment team still cannot, at least publicly, come to terms with the fact that the present global financial crisis is systemic, and not cyclic. In May 2001, Singapore's Prime Minister Goh said that the economy was only in a slowdown, not a crisis, that it is a cyclical, not a systemic problem. Just a few weeks earlier, Deputy Prime Minister Lee Hsien Loong had said that slower growth was caused by a cyclical U.S. economic downturn, rather than the spillover of systemic problems. These back-to-back cyclical-not-systemic denials, merely underscore the severity of the problem.

In October, the Singapore Prime Minister finally conceded, "The recession we have, is very, very bleak." Unfortunately, Singapore is not in a recession—bleak or otherwise. Singapore, and the rest of the world, is in the midst of a *systemic economic collapse*.

However, Singapore's leadership is still counting on the "New Economy" to come back from the dead. As the member states of the Association of Southeast Asian Nations (ASEAN) are trying to coordinate a united response to the collapse of the U.S. "importer of last resort," looking to ASEAN financial and infrastructure agreements involving China, Japan, South Korea, and India, Singapore continues to cut "private deals," in the form of Free Trade Agreements, with countries including Australia, New Zealand, the United States, and Japan. Other ASEAN leaders have questioned whether Singapore is creating a "backdoor access" into ASEAN for the developed nations to exploit weaknesses in their economies.

As Singapore's precious reserves continue to evaporate, regardless of where they are parked, it remains to be seen: Will it continue with its doomed role as a British banking outpost for globalization, or take the alternative path, and help build the Eurasian Land-Bridge.

Peru's Toledo: No To Infrastructure Demands

by Luis Vásquez Medina

The first hundred days of President Alejandro Toledo's administration in Peru have come and gone, and already, the entire country is overrun with protests against a government which, far from meeting its many and varied electoral promises, is apparently more interested in continuing to celebrate its electoral victory than to do anything about the crisis facing the nation.

According to pollsters, including those most closely tied to the regime, approval ratings of the Toledo government have fallen nearly 20 percentage points in these 100 days. Indeed, it's quite possible that, given its economic policy—dictated by the International Monetary Fund and international creditor banks—the Toledo government has entered into a process of accelerated decline which could lead to its early replacement.

Despite the fact that Finance Minister Pedro Pablo Kuczynski (known simply as “PPK”) has had to admit that the international financial crisis is of “cosmic proportions,” all decisions that the Toledo government has taken on the economy have nonetheless been based on the wishful illusion that the world economy is doing just fine. Although the recent budget law for 2002 will be wildly off-base in its projections, PPK remains adamant in maintaining an ostrich-like position with respect to the worst world financial crisis of the past five centuries.

Minister Kuczynski's ideological blindness, and his unshakable belief in the “magic of the marketplace,” was demonstrated for all to see at a recent press conference. Asked to comment on President Franklin D. Roosevelt's emergency measures taken during the Great Depression of the 1940s, PPK said that such measures were simply inapplicable in Peru. He argued that Peru's problem is one of economic growth, and not a matter of generating employment. Thus, “we have to make very difficult decisions, since populist and demagogic measures [a reference to FDR's dirigistic approach] will not contribute to economic growth, since they scare off investment, and without investment there is no growth.”

Popular Demonstrations Demand New Roads

With this ingrained hostility to governmental action on the economic front, the Toledo government has rejected demands

from all sides of Peru's political spectrum that the government should build a highway that would complete an inter-oceanic link between Peru and Brazil, by building the final stretch from Acre, Brazil (near its far western border with Peru) to Peru's Pacific coast. In mid-September, southern Peru was shaken by dozens of protest meetings and regional strikes, all demanding that the government build the road to join Iñapari, on the border with Brazil, with Peru's Pacific coast, crossing through the southern provinces of Cuzco, Puno, and Arequipa.

These were the first mass demonstrations Peru has seen in many years, in favor of constructing urgently needed infrastructure.

The government's response could not have been more disheartening, and took the form of a statement from Transportation Minister Luis Chang, that such highways were not the government's priority. He dismissed the idea “that the construction of a highway would bring development to the country.”

Instead, he urged, “we must work very hard to be able to enter into the process of leasing ports” from neighboring countries—i.e., no new infrastructure is to be built. Chang indicated that he intends to dedicate himself primarily to encouraging privatization of existing state assets, instead of building new infrastructure.

Chang added that many loans for highway construction in the country had been approved, but that they were not going to be used, “and so it is preferable to cancel them rather than have to have to pay a commission to have them available. . . . Given the ceiling on macro-economic indebtedness, and the limited availability of required matching funds inside Peru, we believe that, so long as there are no new resources, we will even have to reschedule existing credits to be utilized, not in five years, but in six or seven years.”

Fujimori At Brasilia

The Toledo government's small-minded, pathetic approach to the construction of urgently needed national and regional infrastructure, contrasts sharply with the views expounded by the previous administration of Alberto Fujimori—overthrown in late 2000 by the combined efforts of Wall Street and the U.S. State Department, over precisely this issue.

Speaking on Sept. 1, 2000 at the summit of South American heads of state held in Brasilia, Brazil, Fujimori had stated:

“Seen from a satellite, the South American subcontinent is enormous, more than 20 million square kilometers which contain resources which make us, united, the number-one mining, fishing, oil, and forestry power in the world.” The Peruvian President called for the integration of South America, saying that that summit was “an extraordinary occasion to begin to realistically move toward a development strategy from a shared perspective.”

'Great Projects' Shape New S. American Agenda

by Gretchen Small

A seminar on "Brazil And The Integration Of South America," sponsored by the Brazilian Embassy in Washington, D.C. and held at the Inter-American Development Bank on Oct. 24, revealed that the determination to develop South America as a single economic unity, through the construction of infrastructure projects to crisscross the continent from north to south and east to west, is taking shape as a political force with the potential to change the continent's future.

The South American heads of state, meeting in their first-ever summit in Brasilia, on Aug. 31-Sept. 1, 2000 at the initiative of the government of Brazilian President Fernando Henrique Cardoso, agreed to launch a drive to integrate South America through great regional infrastructure projects, outlined in the Plan of Action issued at the summit's conclusion. The speakers at the Brazilian Embassy's Washington seminar made clear that, unlike many decisions taken at such summits, the infrastructure drive has not been relegated to collecting dust on a forgotten shelf.

An institutional structure has been created to centralize coordination among the governments, named the "Initiative For The Integration Of Regional Infrastructure In South America," known by its Spanish acronym, IIRSA. Several all-South American meetings of the ministers and/or technical staff from the cabinet ministries responsible for the various aspects of infrastructure (energy, telecommunications, transport) have been held since the summit, out of which 12 "integration and development axes," plus six projects to harmonize national policies and regulations in areas such as border crossings and electricity markets, have been identified as the framework for planning.

Technical staff from the IIRSA project have held meetings with national authorities responsible for infrastructure planning in each of 12 governments of South America, to prepare a systematic inventory of each country's needs and expectations, and to identify the bottlenecks which need to be eliminated. In December, a meeting of the IIRSA Executive Steering Committee (formed by ministers) will be held in Buenos Aires, Argentina, to elaborate a full regional strategy, incorporating the national discussions.

These largely administrative steps, however, do not really capture what has come into being in South America. As the afternoon session of the Brazilian Embassy seminar made clear, a determination is emerging to build, to bring about progress, to think big. This break with the pessimism and small-mindedness which has predominated Ibero-American

thinking for the past two, horrid decades of International Monetary Fund (IMF) looting and free-trade rule, was the most exciting feature of the seminar.

This was best conveyed by Antonio Juan Sosa, infrastructure corporate vice president for the Andean Development Corp. (CAF). He began his presentation by saying that he wanted to say something personal. People must understand that "something new" has come into being which did not exist before, and which has new energy and enthusiasm: a network of officials across the region, who share a strategic vision for the development of South America as a whole. Because we are looking at creating regional "development basins," rather than solutions which stop at each of our borders, we are coming up with new ideas, he said.

This strategic vision, various speakers stressed, does not look at infrastructure as the means to connect two remote areas to get exports out, but seeks to build large "basins of development," which can raise the living standards of those who live in the region.

Whether the participants in the IIRSA project know it or not (and there was no reference to it at the seminar), South America's project to finally open up its interior for development, parallels the great "Land-Bridge" projects being undertaken across the Eurasian continent, with which they can find useful opportunities for exchange of ideas and technologies.

Which Future Shall It Be?

In concluding his presentation, Fernando Simas Magãlhaes, Director of Andean Affairs at the Brazilian Foreign Relations Ministry, and responsible for IIRSA at the ministry, said, "We have today a great opportunity and a not smaller duty. South America can leap into the future . . . by developing the most cost-effective systems to support the flow of people, goods, and ideas. . . . Thus, we have upon ourselves the responsibility to help South America fulfill its natural and long-awaited potential." We must look at the region as a single unit: It is a dream perhaps, but a very nice one, he added.

Magãlhaes's "dream" echoes the dream which Peru's then-President Alberto Fujimori expressed so beautifully in his Sept. 1, 2000 speech to the South American summit, when Fujimori said, "I would like to think that this first meeting, convoked by President Cardoso, would become the birth certificate of the United States of South America."

Fujimori's call there for South Americans to adopt "audacious" goals, and ensure their actions be "sufficiently efficient to turn our dreams into reality," is an admonition which those participating in the IIRSA project are going to have to face, if the economic geography of South America is to be reshaped as they wish. While the reality of the global financial disintegration, and the disintegration of the entire political system of globalization with it, hovered over the seminar, no speaker dared to even mention it! Worse, the expectation, at least as publicly expressed, is that all of IIRSA's lovely projects will become reality largely through private foreign investment, as the world economy disintegrates.

Reality must be faced. Within two months of the September 2000 summit, Fujimori was overthrown by a foreign-run operation led by Wall Street's drug-linked Project Democracy and the U.S. State Department. Within four months, Argentina would have defaulted on its foreign debts, but for a \$41.5 billion bailout package from the IMF and others, announced on Dec. 31, 2000. The bailout was but the first of several schemes over the first half of 2001, each of which left the country more indebted and more destroyed than before. By October 2001, Argentina admitted it was defaulting anyway, and the country is disintegrating.

In June, Brazil, whose industrial capabilities are the most advanced which South America has available for any regional infrastructure program, was forced to order national energy consumption cut by 20%—the lawful result of years of its own disinvestment in its national infrastructure—in the vain attempt to service its ever-growing debt pyramid. That pyramid, despite all the government talk of how “different” Brazil is from Argentina, is only “different” from Argentina's by being more than double its size. And it is about to blow.

The refusal at the seminar to even mention publicly the reality of the systemic crisis, reflects the fight raging within Brazil, in particular. The Cardoso government convoked the South American Summit, and has been the primary impetus in keeping the physical integration project going. At the same time, Brazil's domestic and foreign policies, alike, are determined by the government's thus-far unshakable insistence that Brazil will stay the course of globalization, even as it disintegrates.

The seminar itself reflected this dichotomy. It was the second part of a two-part seminar series titled “Brazil: Investment Magnet, Regional Platform.” The first seminar, on Oct. 23, focussed on “Investment Flows To Brazil,” and featured Central Bank chief (and former partner of speculator George Soros) Arminio Fraga as its main speaker. The press release announcing the seminars cited Brazil's Ambassador to Washington, Rubens Barbosa, on how “the back-to-back seminars are complementary: ‘Brazil is consolidating its position as one of the leading foreign investment recipients worldwide—a tendency that should be furthered by the implementation of major infrastructure projects linking South American countries. As Latin America's main economy, Brazil is at the epicenter of this new geo-economic structure.’ ”

For the past few years, Brazil has relied heavily on foreign direct investment to pay its debts. But that foreign investment came in, almost entirely through privatizations, where foreign interests bought up (for cheap) companies which the state had built up and developed, not to build new projects or capacity. All Brazil got out of that strategy was an electricity crisis—and greater foreign indebtedness. The attempt, now, to “sell” Brazil, and South American development, as an opportunity to bring in sufficient foreign investment to allow Brazil to cover its projected \$50-60 billion current account deficit for 2002, is just plain laughable.

Unless Ibero-American leaders face up to the reality that

FIGURE 1
The Orinoco-Amazon-Plata Axis



Depicted on the map are the three great river systems which unify the South American continent. The greater part of this continental riverway is already navigable.

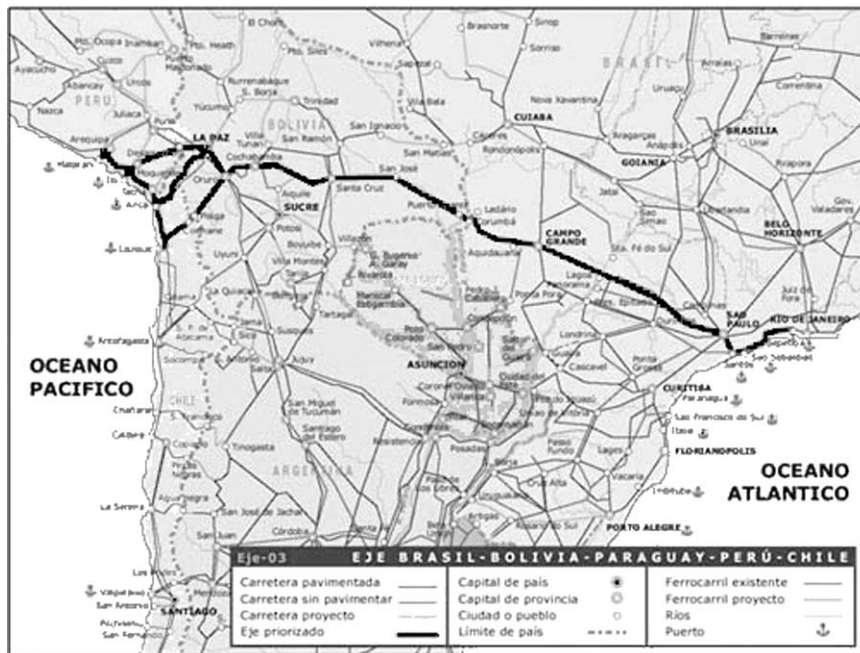
Source: IIRSA.

nothing but destruction can come out of the collapsing globalized system, these development projects will not be built. The decision has to be taken to dump the tenets of globalization and its free trade which have so wrecked the region, and they must return to nation-state economics, with its state-generated credit, state support for domestic private industries, and protectionism, as part of a general bankruptcy reorganization of the world financial system, which lifts the crushing weight of past debts from the living.

Under those circumstances, South America is a continent waiting to be built. Minister Magãlhaes pointed to South America's enormous untapped resources which lie wasted because its infrastructure has not been sufficiently developed. “In the last five decades, South America has invested much less in infrastructure than the rest of the world. This situation became even more serious in the 1980s, when the debt crisis brought cuts in financing of public works and a steady deterioration of physical infrastructure, mainly because of severe fiscal targets negotiated with the IMF,” he stated bluntly. “Meeting the demand for water and sanitation, telecommuni-

FIGURE 2

Projected Brazil-Bolivia-Paraguay-Peru-Chile Axis



The construction of a paved highway running from the Atlantic coast of Brazil to the Pacific coast is just one of seven proposed east-west routes to cross the South American continent.

Source: IIRSA.

cations, power, and transportation facilities, nowadays requires a huge investment, that needs to involve both public and private sectors.”

Roberto Giannetti da Fonseca, head of the Brazilian Chamber of Foreign Trade, reported that only 16% of South America’s trade is with itself, as compared to Europe, where intra-regional trade makes up close to 70% of its trade, and Asia, where 46% of its trade is within the region.

To meet these opportunities, 11 “axes,” or “hubs,” of development for South America have been drawn up by the IIRSA team. (IIRSA functions loosely as a network of government officials and staff from the three regional financial banks—the Inter-American Development Bank, the CAF, and the Financial Fund for the Development of the Río de La Plata Basin). A small IIRSA secretariat has been set up in Buenos Aires to coordinate activities, and to disseminate information, including through their website, with the idea of generating maximum circulation of new ideas as they are developed.)

Beautiful color maps depicting IIRSA’s preliminary proposals for these “development axes” are available on the website: www.iirsa.org. In **Figures 1** and **2**, we reproduce two of these maps, which exemplify the plans to open up the interior of the continent, largely abandoned as national economies concentrated development upon the two coasts, as

they remained trapped in semi-colonial economic status.

Figure 1 shows the Orinoco-Amazon-Plata Axis. This is a centuries-old project to unify the three great river systems which flow through the South American continent: the Orinoco River in the north, which can be readily connected to the extensive Amazon River system, which, in turn, can be linked to the river systems which run into the Río de la Plata basin. Alexander von Humboldt proposed unifying these waterways in 1799, and by 1840, the technical engineering studies for how to accomplish this had been drawn up. The greater part of this continental riverway is already navigable, requiring only the completion of a handful of major construction projects and some more minor improvements (dredging, widening the rivers, etc.) for the entire 10,000 kilometer route to be navigable.

Figure 2 depicts one of IIRSA’s east-west routes, connecting the great industrial cities of Brazil (Rio de Janeiro and São Paulo) on the Atlantic, to five cities on the Pacific Coast of Chile and Peru (Matarani, Ilo, and Tacna in Peru,

and Arica and Iquique in Chile). Named the Brazil-Bolivia-Paraguay-Peru-Chile Axis, this route would open up transportation possibilities to either of the two oceans for landlocked Bolivia, in particular, four of whose cities (Santa Cruz, Cochabamba, Oruro, and La Paz) lie along this route.

This is only one of some seven east-west transportation routes proposed to connect the Atlantic and Pacific coasts of the South American continent, through a combination of roads, railroads, and waterways.

A key component of the IIRSA maps, however, cannot be seen in our black and white reproductions. In the color editions, a swath of bright yellow extends for some 50 miles or so on either side of each of the proposed transportation routes, identified in the key as the projected “area of influence” which will benefit from each transportation corridor. The yellow on the maps brings out a concept stressed by various of the speakers at the Oct. 24 seminar; that, as Juan José Taccone of the Institute for Integration of Latin America and the Caribbean put it, the new strategic vision of South America is not interested solely in the flow of goods along a road, but seeks to bring development to the local communities which are “exposed” to the infrastructure projects, be they transportation, energy, or telecommunications. The concept parallels that of “development corridors” formulated by Lyndon LaRouche as part of his Eurasian Land-Bridge perspective.

Al-Can Rail Corridor: Infrastructure For Development

by Marcia Merry Baker

In Fairbanks, Alaska on Oct. 10-11, an international conference took place in support of construction of an Alaska-Canada railway, through to the U.S. lower 48 states. The Greater Fairbanks Chamber of Commerce and the Fairbanks Industrial Corporation sponsored the event, which was organized by state Rep. Jeannette James (R), Majority Leader of the Alaska House of Representatives. Among the 50 participants were representatives of mining companies, legislators from Alaska and from Canada's Yukon Territory, and rail experts. Larry Bagnell, a Member of the Yukon Parliament, typified the enthusiasm, telling the *Fairbanks News-Miner*, "It's a great long-term project. It'll change the face of the world."

Opinions vary on the most beneficial route southwestward from Alaska. One route often cited is that mapped out in 1942 during World War II by Army engineers, going from Fairbanks down to Prince George in British Columbia. There it could connect with the Canadian lines. Because of the wartime constraints of steel and other inputs, this rail line was never built, although the strategic Al-Can Highway — 1,500 miles of unpaved road — was completed at that time.

Even earlier, there was significant interest in a line to Alaska, with a link-up to Asia, especially after the completion of the Trans-Siberian Railway in 1903. In New Jersey in 1906, the Trans-Alaska-Siberia Railway Company was incorporated.

Figure 1 is from a paper presented to the Fairbanks conference by Seattle-based transportation consultant Dr. Hal B.H. Cooper, Jr., entitled "Project Development Proposal For An Integrated Energy, Water, Transportation, And Communications Corridor Between Alaska, Canada, And The Lower 48 States." Cooper has been in Russia five times, and is an active participant in the dialogue on how to restore and expand the North and South American rail systems. He provided a map of worldwide priority routes for the 1997 *EIR Special Report*, "The Eurasian Land-Bridge: The 'New Silk Road' — Locomotive For Worldwide Economic Development."

The "Inter-American Railroad" system in Figure 1 features a development corridor running north-south through the interior of North America, with the idea of creating the infrastructure base (transportation, power, water, communications) for maximum economic growth — new towns, agriculture and manufacturing concentrations, and so on.

Also shown is the idea under discussion by the Al-Can rail backers, for the North American rail network to proceed westward, via a tunnel under the Bering Strait, to eastern Russia. This would link up North America with the new transport and energy network projects now under construction, or set for initiation, throughout the Russian, Chinese, Korean, and Japanese region.

The Bering Strait link is an engineering challenge, but not a pipedream. The Strait is 60 miles wide, but the experts regard the subsurface soil conditions as more favorable for a tunnel than the English Channel project, now in operation. Figuring in the design are the two Bering Strait islands, Big and Little Diomedes.

The October Fairbanks conference is the latest among several meetings to discuss the various rail proposals. In January of this year, an Alaska-Canada Rail Link Conference took place in Vancouver, British Columbia. On June 13-14, a two-day conference was held in Nome, Alaska, titled the Alaska-Chukotka Summit Conference. (Chukotka is the eastern-most state of Russia.) Of the 200 mostly government attendees, 28 were from Russia. Chukotka Gov. Roman Abramovich actively backs the Bering Strait link and the rail route plans. This Fall, a follow-up meeting of legislators from Alaska and Chukotka took place in Anadyr, Chukotka.

Infrastructure For Recovery

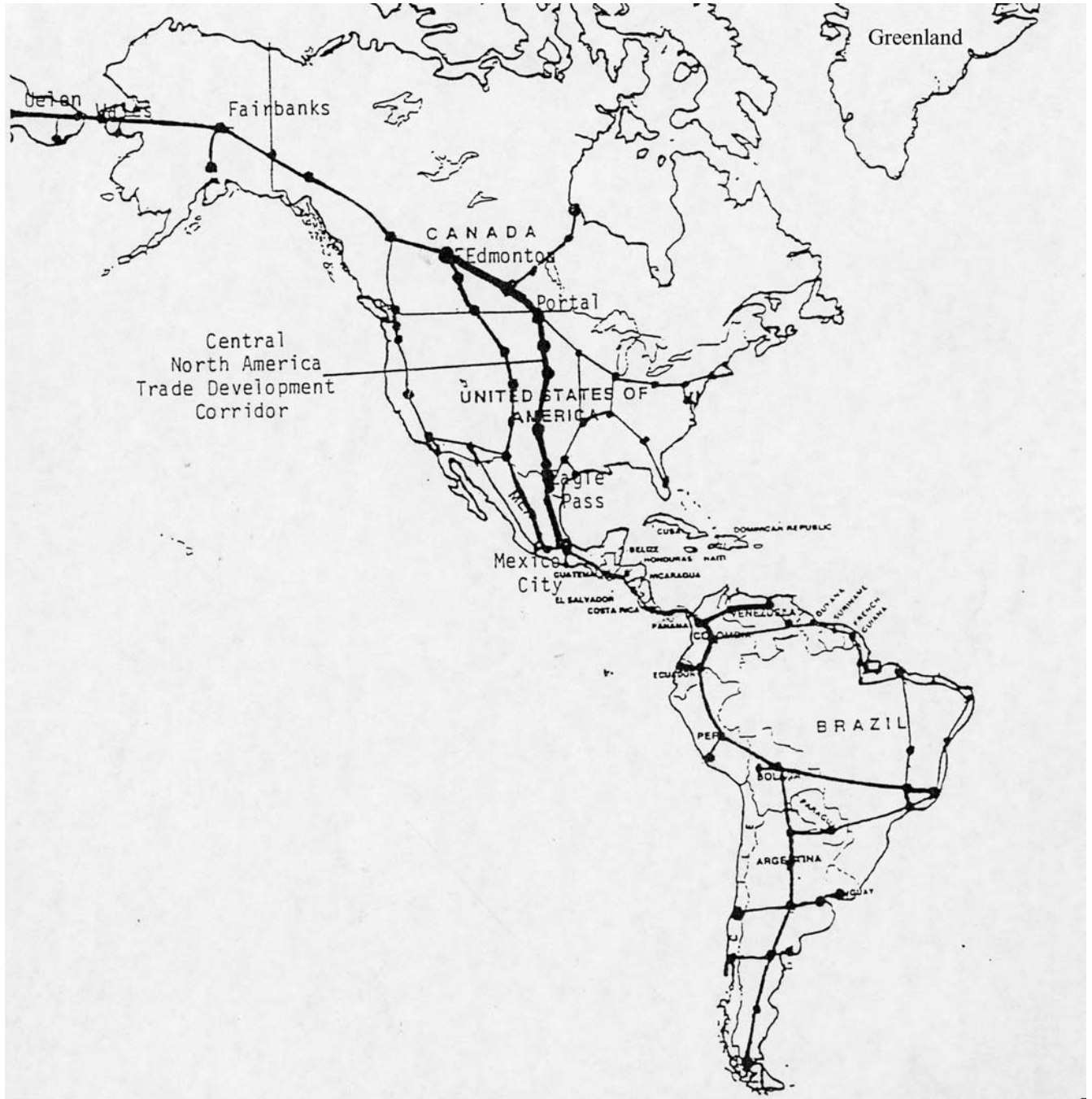
Getting going on the Alaska-Canada-Lower 48 rail project is exactly the kind of infrastructure-spending project that is required for an economic program to revive U.S. economy. The impact includes the direct and indirect creation of thousands of jobs, and the demand for heavy commodity inputs (steel, concrete, machinery, etc.). Equally vital, the project contributes directly to the future economic benefit of all localities and nations involved, by providing the basis not only for modern, inexpensive transportation, but for development corridors for whole new towns, and mineral, industrial, and agricultural concentrations.

The spokesmen in the U.S. Congress for the idea of an infrastructure-led rescue of the economy, are Senate Majority Whip Harry Reid (D-Nev.) and Sen. Robert Byrd (D-W.V.), both associated with the Subcommittee on Public Works. In deference to their colleagues' focus on an economic "stimulus" package based on small-scale spending on anti-terrorism defenses, tax relief, and some unemployment benefits, these Senators have recently spoken out in favor of only limited projects on behalf of "infrastructure security," totalling some \$20 billion for anti-terrorism safety investments of various kinds (rail, air, highways, water systems, etc.). However, the principle stressed by Senator Reid, on Nov. 7 at a joint press conference with U.S. mayors, that "every billion dollars we invest will create 42,000 new jobs," applies equally to the long-overdue long-term "big" projects such as the Alaska-Canada-Lower 48 rail proposal.

On Sept. 25, U.S. Rep. Don Young (R-Ak.) introduced

FIGURE 1

Proposed Inter-American Railroad Line



Source: Hal B.H. Cooper, Jr., Cooper Consulting Co., Kirkland, Washington.

a railroad expansion bill into the House, entitled the Rail Infrastructure Development and Expansion Act (RIDE), which calls for some \$71 billion of various kinds of funding. Last year, Sen. Frank Murkowski (R-Ak.) backed a bill which was enacted, for creating a joint U.S.-Canadian Commission

to do a feasibility study on the Alaska-Canada-Lower 48 rail project.

What will push an infrastructure-building effort to realization in the United States, is the citizens mobilization now being led by Lyndon LaRouche and his LaRouche in 2004

Presidential campaign, for emergency measures for national economies. LaRouche is conferring with national leaders in Eurasia on the Land-Bridge projects, and on transportation corridors of development in South America, Africa, the Middle East, Southeast Asia, and Australia.

Development Corridor Concept

In Figure 1, Cooper proposes an economic development corridor to run along “a 2,700-mile-long railroad/utility/water transport corridor between Fairbanks, Alaska, and Bismarck, North Dakota, with a branch going to Seattle, Washington. The development of this corridor will require the construction of 1,600 miles of new railroad line and the upgrading of 2,400 miles of railroad line. This new Alaska-Canada-Northern Tier railroad and utility corridor will be designed to incorporate railroad and road transportation plus increased air service. The corridor will be able to incorporate crude oil and natural gas pipelines, plus electric transmission lines with new power plants, plus a fiber optic telecommunications network.”

Cooper continues his description: “The Alaska-Canada-Northern Tier corridor will also incorporate the ability to locate a water pipeline to transport fresh water from Alaska and Canada to the east side of the Rocky Mountains along the Great Plains, and the Southwest in the United States mainland. This water conveyance could be the first step toward the recreation of the North America Water and Power Alliance (NAWAPA) originally proposed in the 1960s. The development of the Alaska-Canada-Northern Tier railroad/utility/water transport corridor could become the start of a major program to upgrade and expand the present North American infrastructure for the benefit of the United States, Canada, and Mexico.”

Figure 2 shows the major components of the NAWAPA plan. It is a large-scale geo-engineering project, involving long-distance water channels—canals, augmented river courses. (Cooper’s water pipeline/corridor proposals are for certain locations where frigid average temperatures, or other circumstances warrant.)

The NAWAPA concept was to divert southward some 15% of the flow of the MacKenzie River system—which presently flows to the Arctic—and run the main part of the flow through the 500-mile-long Rocky Mountain Trench in British Columbia. NAWAPA was originally put forward by California-based Parsons Engineering, and reviewed by Congress in the 1960s as a 20-year national interest project. Had NAWAPA been launched in the 1970s, the recurring droughts in the Western basins would now be a thing of the past.

Cooper describes the rail-based development corridor idea this way: “The operating concept for the Alaska-Canada-Northern Tier corridor is to have parallel transportation, utility, and water conveyances on a common right of way. The approach to be taken is to construct the railway line first, and then to utilize its superior economic transport characteristics to bring all of the other media, equipment, and facilities into

line. The development and use of a common right-of-way corridor would make it possible to minimize construction costs, maximize economic throughputs, and minimize land use needs.”

At the Fairbanks conference, Representative James said that the estimates of the cost for rail construction might run in the range of \$1-3 million per track mile, for the 1,200-mile extension of rail between Eielson Air Force Base in Alaska, into Canada’s railroad system. She stressed that the benefits far outweigh the costs, and that the idea of “bundling” other utilities along the rail route, namely, the proposed natural gas pipeline and fiber-optic cable, allows for great economies.

‘Rails To Resources’

Senator Murkowski’s concept of a railway is much more delimited to the idea of hauling out mineral commodities. In fact, his press information packet in 2000, at the time he introduced his bill for a feasibility study, was called, “Rails To Resources.”

Alaska and the Yukon Territory, like Siberia, are treasures of natural resources. After discovery of gold in the 1890s, there were repeated gold rushes. Today, the Fort Knox gold mine east of Fairbanks produces at the rate of 1,000 ounces per day. But the region’s hardrock formations have rich, extensive deposits of silver, copper, lead, zinc, tungsten, and other ores. The coal deposits in Alaska are vast, in the range of 6 trillion tons, according to Murkowski. The timber resources are significant.

Murkowski’s estimate is that “there might be 120 million tons of freight a year from new mines and timber development along the Alaska-Canada rail corridor that would utilize such a new railroad link.”

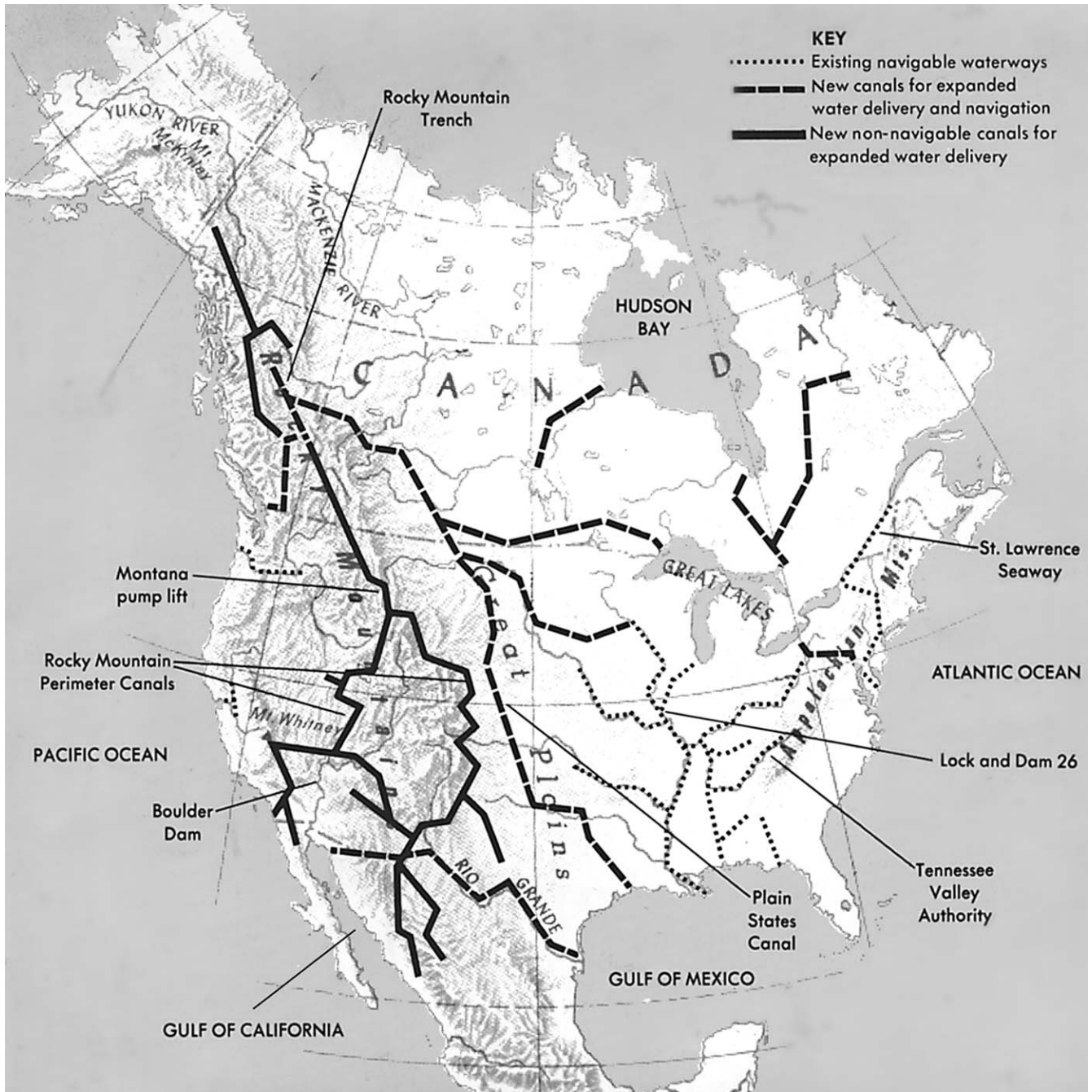
At the October Fairbanks conference, James McLachlan, of the Yukon Legislative Assembly, spoke of estimates on the Canadian side that some 500,000 tons could be shipped out yearly, for 30 years, from the mineral deposits there. He said that this would mean revenue in the range of \$46 billion. Many minerals and fuels companies are backing the Murkowski “Rails To Resources” plan.

In fact, to conceive the benefits of the Alaska-Canada transcontinental rail system in simply these “mine-to-mouth” terms, *misses the boat* in two fundamental respects. First, it ignores the great overall development potential possible from providing integrated infrastructure—of an intercontinental scope. Second, it ignores the reality that, right now, an epic financial and economic breakdown process is under way. So, any vision of extracting and hauling commodities based on some “rails for resources” scheme, such as used in colonial Africa, is doomed along with everything else.

The only approach that will work is that which worked before: the precedent of the Federally backed public works programs, and private contracting of the 1930s under Franklin Delano Roosevelt—the Hoover Dam, the Grand Coulee Dam, the Tennessee Valley Authority, and so on. The same principle applies today.

FIGURE 2

Proposed North American Water And Power Alliance

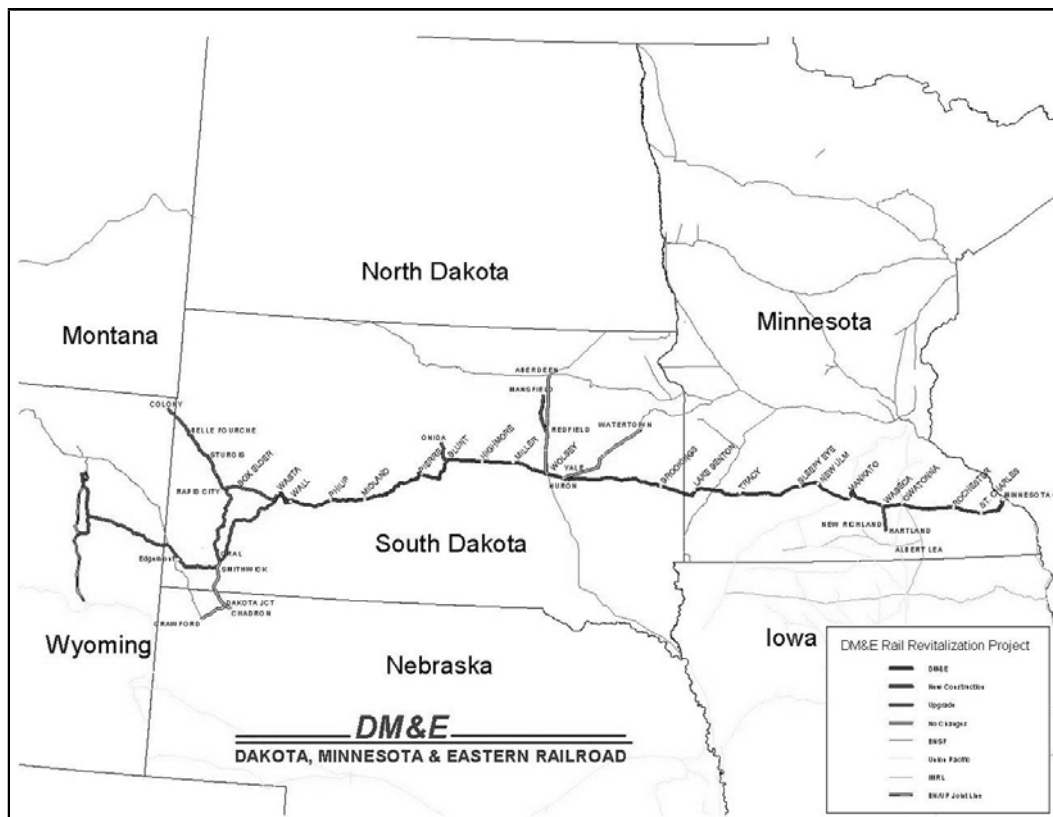


Source: Adapted from NAWAPA, Parsons Engineering, Anaheim, California.

In the conclusion to his paper, Cooper refers to the economy-building effects of rail construction. “The construction of the Alaska-Canada-Northern Tier railroad/utility/water transfer corridor will require considerable new infrastructure. The expected construction of 2,700 miles of new rail corridor from Fairbanks to Bismarck may just be the start of an effort

to build or rebuild as much as 70,000 miles of railroad corridors in the United States and Canada. There will need to be a very large amount of steel in order to perform this reconstruction as well as for other numerous infrastructure projects. In addition, large amounts of aluminum, copper, nickel, and other metals, plus larger amounts of cement and minerals,

FIGURE 3
Proposed 900-Mile 'Coal Train' Route



Source: Dakota, Minnesota & Eastern Railroad Corp., <http://www.dmerail.com/>.

will be required. There will then be a great need to expand American manufacturing within the United States to serve these needs.”

A Non-Development Corridor

One straightforward example of how *not* to plan a rail corridor, is the “coal train” proposal actively before the Federal Surface Transportation Board. This proposes a 900-mile unit-train (cars go point-to-point, with no stops and no decoupling), to run from Wyoming, through South Dakota and Minnesota, to the Mississippi River. **Figure 3** shows the route, owned by the Dakota, Minnesota & Eastern Railroad Corp. (DM&E), which is awaiting the board’s opinion on an environmental impact study on the project.

DM&E, formed in 1986, has been operating remnants of other rail lines, running agricultural, clay, and other commodities on its old track. In its “coal train” proposal, it would extend an additional 250 miles on its western end, to connect into the Wyoming Powder Basin coal deposits; then update the rest of its 600-plus miles of track, to be able to run unit trains of some 120 cars, at up to 45 miles per hour, going eastward without a stop to its eastern terminus at Winona, on the Mississippi River, sending coal to midwest and eastern energy users. Thus, it would be a point-to-point line, not a development corridor.

Opposition comes from the existing monopoly coal hauling rail lines, from so-called environmentalists opposed to

any rail or coal projects, and from the towns the coal trains would bisect as they thunder through. The Mayo Clinic in Rochester, Minnesota, for example, has worked hard to hold up the project for that reason. The coal trains would go within yards of its hospital wards.

What is the alternative? Serve the national interest by mandating more on-site, regional power generation—high-tech coal and nuclear, and water development systems. Foster new, modern industrial, agricultural, and food-processing centers, which would revive whole towns, and lay the basis for new modern cities and rural county growth. Start to phase out the long-haul unit trains, and build modern freight and high-speed and magnetically-levitated passenger lines. In other words, take a *development corridor* approach.

As of the end of October, both the okay by the Surface Transportation Board, and the funding for the DM&E coal train project were up in the air. Cooper commented on Nov. 13, “I think it is important to point out, that that proposal is lacking on-site industrial and power generation—which has made the project hard to finance. They would have made it far easier if they had followed the LaRouche development proposals, than what they have tried to do. They need to have a power plant in Pierre, South Dakota, and they need to have one over near Mitchell, South Dakota. Those are the two places I would think where they need to have them, and then—if Minnesota lets you build one—in the southern part of [that] state.”

LaRouche Addresses Guatemalan Economists On The Global Crisis

Economist and U.S. Presidential pre-candidate Lyndon H. LaRouche, Jr. addressed the Guatemalan Society of Professionals of Economic Sciences on Nov. 13, in a two-hour videoconference which held all 70 persons present rapt with attention. Notables in the audience included people from the Guatemalan government, diplomats from Cuba, Panama, and the Dominican Republic, as well as economic professionals from three universities, other professionals, representatives of Guatemala's Indian community, and members of the Society. LaRouche concentrated on demanding that those present *take*

responsibility for thinking big, and engaging their governments in the kinds of discussions required for establishing a new, just world monetary system, and reorienting the world economy toward physical economic growth, through such projects as the Eurasian Land-Bridge.

Guatemala's economy is in shambles, devastated by the global collapse in the price of coffee exports, and the demise of the United States as "importer of last resort." Half of Guatemala's *maquiladoras*—basically the country's only "industry"—have folded, leaving their employees stranded from one day to the next, and many of the other 50% of these slave-labor camps have put their workforce on furlough, hoping for an "upturn." The audience broke into applause when LaRouche said that the foreign debt of developing sector nations had been paid several times over, and were particularly thoughtful when he emphasized that responsibility for what the future will be, lies in their hands.

The day after the conference, the Society issued a press release, titled "In Videoconference With Guatemalans, LaRouche Says, 'Defend Sovereignty!'" Here is the full text:

"The president of the Society of Professionals of the Economic Sciences, Dr. Francisco Ramírez Alvarado, inaugurated a videoconference yesterday with the U.S. humanist economist Dr. Lyndon LaRouche, which was attended by high-level government representa-



The participants at the podium of the Guatemalan Society of Professionals of Economic Sciences conference on Nov. 13 listen to Lyndon LaRouche.

tives, diplomats, labor leaders, a former national university dean, delegates of various financial institutions, and Indian representatives. The event was held at the Hotel Intercontinental in Guatemala City, under the coordination of journalist Carlos Enrique Wer.

“In open opposition to those currents which have been imposing themselves upon the country, in asserting that sovereignty is already an obsolete value and that ‘limited sovereignty’ is the national contribution to globalization, Dr. LaRouche brilliantly presented the reasons why sovereignty and the sovereign state should prevail, not only as a means of achieving the common good, but as the only possibility for avoiding the expansion of war.

“The sovereign state is solely responsible for the common welfare, security, and the realization of those values which are common to the human race; when one rids oneself of the materialist manifestations which make one an egoistic being, the true nature of one’s potentials in action enables one to visualize the future, not merely as the realization of one’s own objectives, but of the objectives common to mankind as a whole, no matter the color, race, religion, or place of birth.

“Combining humanism with his enormous scientific talent, Dr. LaRouche declared that the collapse of the international financial system is inevitable, that the economies which depend on the United States as ‘the importer of last resort’ will be seriously affected, and that if an agreement among nations on the model of the post-World War II Bretton Woods agreement is not renewed, decline to levels of starvation and destruction will also be inevitable.

“In focussing on the problem of the foreign debt for developing nations, he declared not only the injustice of it, but the obligation to reject imposition of its immoral collection. He said that the debt has already been paid over and over again, and that the speculative way in which it has been managed, has forced countries to pay a debt which, at the same time, has limited the capacity of the states to meet their social and development commitments.

“The charge just made yesterday by the most prestigious French daily *Le Monde*, to the effect that the situation in the United States appears like an ongoing coup d’état against the republican institutions of the country, coincides with the charges made by Dr. LaRouche just a few days after Sept. 11. The invitation to the economists, that it is their professional responsibility to present his scientific recommendations for the reconstruction of the weakened national economy, recommendations which take the republican concept of the common good as their compass, had the effect of reviving those present at the event. The enthusiastic comments at the end of the presentation demonstrated this.

“The experience carried out by the Society of Professionals of the Economic Sciences opens new ground, for the use of modern technology, in presenting colleagues with currents of thought that enrich their knowledge.”

Lyndon H. LaRouche, Jr.

A Global Partnership For Economic Progress

Here is Mr. LaRouche’s videoconferenced speech to the Guatemalan Society of Economic Scientists on Nov. 13, 2001.

It is not unusual that the kind of crisis which we’ve been experiencing worldwide, since the 11th of September of this year, should have occurred at the same time as the greatest financial crisis in more than a century. That is, what is now happening on a world basis, as a financial crisis, is worse, in its implications for Europe and the Americas, than was the Depression of 1929–1933. Therefore, just as the Hitler coup in Germany of 1933, was, in a sense, a lawful expression of the economic-crisis conditions of 1929–33—just as was the attempted assassination on the incoming President of the United States, Franklin Roosevelt—we should recognize that there is a relationship between crises of the type we’re now experiencing, and great financial economic crises. Also, we should recognize that the solutions to economic crises of the type we’re now experiencing, as they affect the Americas, including Central America, will not be solved, except in the context of addressing the strategic crisis, which is going to determine the way that governments and other leading institutions *make policy*.

And I shall look at it from that standpoint. While we’re sitting, waiting, in a sense, for the news from Buenos Aires, of the inevitable bankruptcy of Buenos Aires, which will cause a chain-reaction effect on Brazil; which will cause a chain-reaction effect on Spain and the Spanish banks, which are heavily involved in Chile, Argentina, and Brazil; and which will affect the hemisphere as a whole, including Mexico. So, we have to solve these problems, but we have to solve them in the context in which they are occurring.

If you go back to 1982, at the time of the Malvinas War, we find there’ve been changes in Central and South America, which have been, for the most part, disastrous in their effects on the economy. These have become systemically worse, than they were then. And, we all know the number of nations, which are friends of ours, which have collapsed, since 1982: Not only Argentina, which effectively has collapsed; but also Peru; Ecuador is dollarized; Mexico depends almost entirely upon its exports to the United States, for its margin of survival; Central America is affected so; Colombia is being torn apart by a civil war, a drug war; Venezuela is now on the verge of a new crisis; and so forth and so on.

And, this is typical of the situation in the world at large.

FIGURE 1



Though there are differences in Asia, differences in the Middle East, differences in Europe, the crisis is worldwide, and we're going to require a worldwide solution. And countries, such as those of Central America, are going to rely upon trying to have their voice heard and their interests expressed, in terms of the international negotiations—especially the *informal* ones, as much as the formal ones—which will determine what kind of a financial and monetary system comes out of this crisis—a world system.

A System That Worked

It's obvious, that, from the period from 1945 through 1963 and slightly beyond, the kind of system that was set up, initially by Franklin Roosevelt, in 1944-1945 for the postwar system, was successful. There were important changes which were made immediately by the Truman Administration, removing many of the policies which Franklin Roosevelt had intended. But, nonetheless, despite the inequities, despite the errors and the abuses, the financial system, the international monetary system of 1945-1962, '63, worked. It worked to the extent that for Western Europe, for Japan, for most of the Americas, the conditions of life, relatively speaking, were improved; the productive powers of labor; to some degree, the degree of political freedom, and personal freedom, were improved.

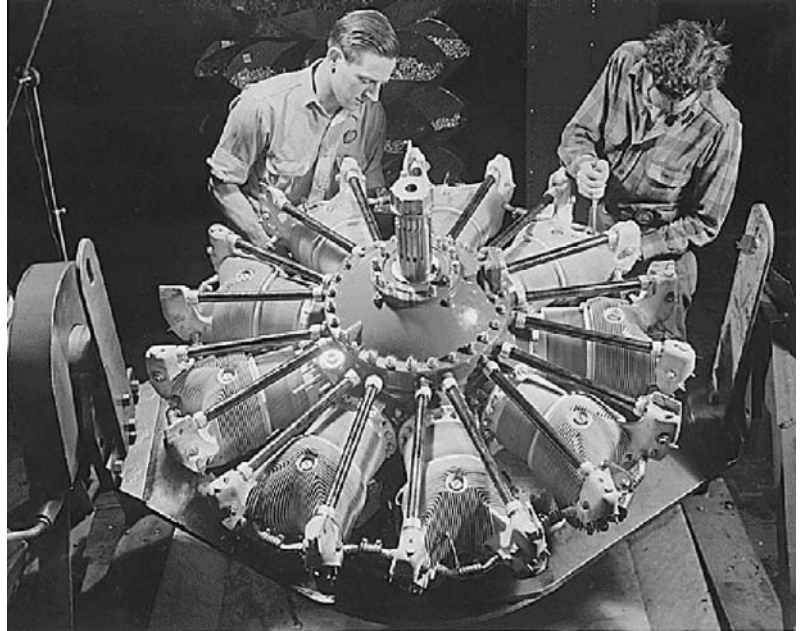
From 1964-1965 on, there was a change. Beginning in 1966, with President Nixon's campaign for the Presidency, '66-'68, there was a major shift in U.S. policy. This shift in U.S. policy followed the fall of the Macmillan government in Britain, which led, a short, few months later, to the Wilson

government in Britain. And the Wilson government in Britain, the first Wilson government, set the world pattern for a systemic *destruction* of the world's physical economy and trading relations. The Nixon campaign indicated similar changes in U.S. policy. Nixon's policy of August 1971 introduced a new monetary system, overturning the old one, a floating-exchange monetary system. And this monetary system, in effect, is now being destroyed, or self-destroyed. The present, international monetary and financial system *will not live out the period immediately ahead*, the weeks ahead. It is now being destroyed.

So, in this period, we *have* to consider the establishment of a new financial and monetary system. In my estimate, the order which could be agreed to quickly, is a return to the kind of monetary system we established in 1946 through 1963. That kind of highly protectionist monetary system, based on fixed exchange rates; a large degree of regulation in world trade, of a protectionist nature; the promotion of credit, extended from the United States in particular, to other countries on long-term credit at low prices, for infrastructure projects, for investment, for industrial investment, agricultural improvement: These kinds of policies worked then. They worked very well, despite the inequities in the political features of the system. And they will work again.

Therefore, I think that, today, in trying to reach an early emergency agreement, among governments, to establish a monetary system, to lead the world out of the present economic crisis, that the agreement that would be most readily reached [would be], in terms of using the model of 1945 through 1963, in particular. The policy of the period from the time of Roosevelt to the assassination of President John Kennedy. Those policies would *work*. They wouldn't work perfectly: They're not perfect policies. There are very few perfect systems in the world. But, it's something with which we could live, and could be the basis for a general economic recovery. With other things, as well.

Let me indicate what recovery measures are: First of all, the conditions of life, of the world, today, are far worse than they were over the period 1929-1933. During the period, prior to the end of the First World War, the nations of the Americas and Europe, or parts of them, had engaged, from the middle of the 19th Century—that is, from the time of the Lincoln victory over the Confederacy, you had the spread of the so-called "American System of political economy" as an influence in Mexico, throughout South America. The American System of political economy, of List, Carey, and Hamilton, was very popular. And countries adopted elements of those policies, with success. This was continued in Europe. It continued in Japan. There was, from the period of the middle of the 1860s, through 1932 approximately, a large buildup of the industrial and agricultural capacity of the world. So that, when the Depression hit, 1929-1933, there were tremendous reserves—partly idled—in agriculture, industry, and infrastructure, which could be mobilized to create an economic recovery. That was the basis of Franklin Roosevelt's suc-



When the Depression hit in 1929-1933, the United States had tremendous reserves that could be mobilized to create an economic recovery. That was the basis of President Franklin Roosevelt's successes. Here, workers at an airplane factory in 1942.

cesses, in mobilizing an economic recovery, in the United States, over the period from 1933 into the beginning of the war.

The Crisis Is Worse Than Today

Today, it is now nearly three and a half decades, since the change in policy occurred. Since the Wilson government in Britain, and since the Nixon campaign for the Presidency. Over this period of time, we've undergone a great, so-called Malthusian process, of destruction of agriculture, industry, and technology generally. This has been aggravated by the so-called "outsourcing," the export of employment from the United States and Europe into developing countries. While this has resulted in what many of these countries feel was a benefit, because industries came in and provided some employment, there was a lack of development of infrastructure, a lack of development of the *autonomous basis* in the economies, for a stable economy.

So, therefore, we see now — at the beginning of this year, we saw a collapse of the United States' role as the importer of last resort, for many countries of Asia, South America, and so forth. That is, China must expect, for example, a 50% cut in its exports to the United States — or more. Japan is being crushed by a collapse of the U.S. market. Mexico is being crushed, though the effects are not yet fully felt, by the collapse of the role of the United States, as the importer of last resort. You are being hit in Central America, by a collapse in the role of the United States, as the importer of last resort. South America is affected by this. In the meantime, the infrastructural development, which should have occurred, has been destroyed. The agricultural development has been ad-

versely affected, in general, especially in northern Brazil: Brazil has a crisis, in agriculture. Brazil has a crisis, in terms of power. Brazil is dependent upon water-power, largely, for its electricity, and the international NGO organizations have come in and demanded that Brazil not use and not develop its Amazonian and other water systems. And, Brazil has been denied the right to develop other sources of energy, to meet its needs. And Brazil is the most powerful country in Central and South America, in terms of economy. And, we know what the rest of the country looks like, as well, on this basis.

So, therefore, the problem is, that we have to recognize, the United States is a weak economy. Its infrastructure has been destroyed, over 35 years. Its industry has been destroyed; the productive capabilities of its population have been destroyed. The generations available for employment today, are not as *intelligent* as they were, say, 30 years ago, because of a collapse of the educational system, a collapse in *culture*, in the United States. People do not have the ability to think as clearly, as they did, say, 35 years ago, in the United States. You have similar effects in Western Europe.

So, therefore, we're starting from a *much worse condition*, today, in dealing with a world depression, which is now on-rushing, than we faced in 1932-1933.

The Potential Eurasian Development

But, there's a good side.

On the positive side, although the collapse of the Soviet system — has been a failure, because of the policies in dealing with Eastern Europe and dealing with Russia, that is, economically, it has been a failure. There's been more freedom for people, there's freedom from some of the problems of the

Soviet system, but, otherwise, economically, biologically, culturally, it's been a disaster.

However, since, in the recent period—and I've been involved in some of this—there's been a change. Back in 1988, I gave what is now, perhaps, a rather celebrated television address in Berlin, on Columbus Day, Oct. 12, 1988; in which, as part of my campaign for the U.S. Presidency, which I stated there, in Berlin, that Berlin should be seen as the prospective, early, new capital of a united Germany. The basis on which I said that, was the indications that the Eastern European and Soviet economies were in a process of disintegration. That the collapse of these economies in Eastern Europe—the Comecon—and the Soviet Union, would result in a political change, which should be used as a great opportunity, for change, in the economy. That, the United States and Western Europe should offer, and participate in, large-scale projects of development, in the area of the former Comecon and Soviet system.

We've proceeded with that policy, in what was called the European Productive Triangle, in 1989-1990. We extended that in 1992-1993, to a proposal for a Eurasian Land-Bridge. That is, to use the modern types of transportation-infrastructure networks, from the Atlantic Coast to the Pacific Coast, across Eurasia, to open up Eurasia for a great development, and reaching out to China, India, the other great population centers of East and South Asia, and to use that as a basis for expansion of the world economy. Since that time, especially since 1998, since the Russian GKO crisis of 1998, since that time, there have been major steps along the lines I've proposed, to bring together Russia, China, and India, as partners in bringing together the nations of Asia and Europe. There have been successes in involving Western Europe, *in this partnership*. I have been campaigning to have the United States *included* in this partnership. This can be the great basis for the revival of the human race, of the human economy.

For example: The characteristic of China, Southeast Asia, and India, is that they have the great population concentrations of the world. They have some areas, which are highly developed. China's coast is not poorly developed. India has about 350 million of its population, which lives in urban life, although most of them are extremely poor—perhaps poorer than they were when Rajiv Gandhi was alive, and Mrs. Gandhi, before him. But, nonetheless, they have some quality of technology. Japan, of course, is an economy-driver, a technology-driver for Asia. Korea is potentially a technology-driver for Asia. So, these countries—Western Europe, the United States, and these countries in Asia, like China and so forth—each have the ability to generate the kind of technology, which is needed to lift the poor populations of Central Asia, the poor populations of China, poor populations of India, of Southeast Asia, to begin to lift them out of their misery, and to create the basis for a successful, modern economy. These countries can not possibly meet the needs of their growing populations,

without such technology infusions. The sources of these technologies *must be* countries which have labor forces and skills, and are able to become technology-producers, for the kinds of technologies needed by these countries.

Therefore, we can envisage a global partnership, within countries and among countries, based on the development of infrastructure—large-scale infrastructure developments; based on the development of modern agriculture, in a modern form; based on the development of new kinds of technologies; based on development of new cities, new towns, new centers; based on uplifting the productive powers of labor; based on increasing the amount of education, given in the poorest parts of the world, so that the children of these families can become productive members of society on a modern basis. This partnership requires a 25- to 30-year, long-term set of agreements. It will require the creation of a new monetary system, somewhat like that of the 1945-1963 period: the old Bretton Woods system, in which the prevailing interest rates, on long-term credits—that is, 25-year credits, for example—among nations, would be 1 to 2% simple interest on long-term, with infusion and mixture of many grants, and so forth, for poorer countries and special projects.

On that basis, we could build up, in our countries which have technology potential, build up, again, our industries, to become suppliers, not only for our own countries' needs, but for the countries of Asia, for example. In cooperation with Egypt—and we can have peace in the Middle East. This would mean that all of Africa would be opened up for this kind of improvement. We have, to the south of where you're sitting now, in South America, we have a vast continent, with vast resources, which are largely undeveloped. Very much *underpopulated*, in terms of the potential of the area. One of the richest potential areas of the world. As a part of this kind of project, from Patagonia north, the entirety of South America and Central America can be developed.

For example, concretely: What is now on the table, among other projects—and it's now being negotiated between people in Russia, and the United States and Canada—is the development of a tunnel system and bridge system, linking Siberia to Alaska. The idea is, that you will be able to move through a transportation system, move freight, as well as passengers, from Siberia, through Asia, through Alaska, down through Canada, down through the United States, through Central America, into South America. Then we can integrate, effectively, economically integrate the economies of Asia, and Central and South America, and North America. So, this is one of the great projects, which stand before us.

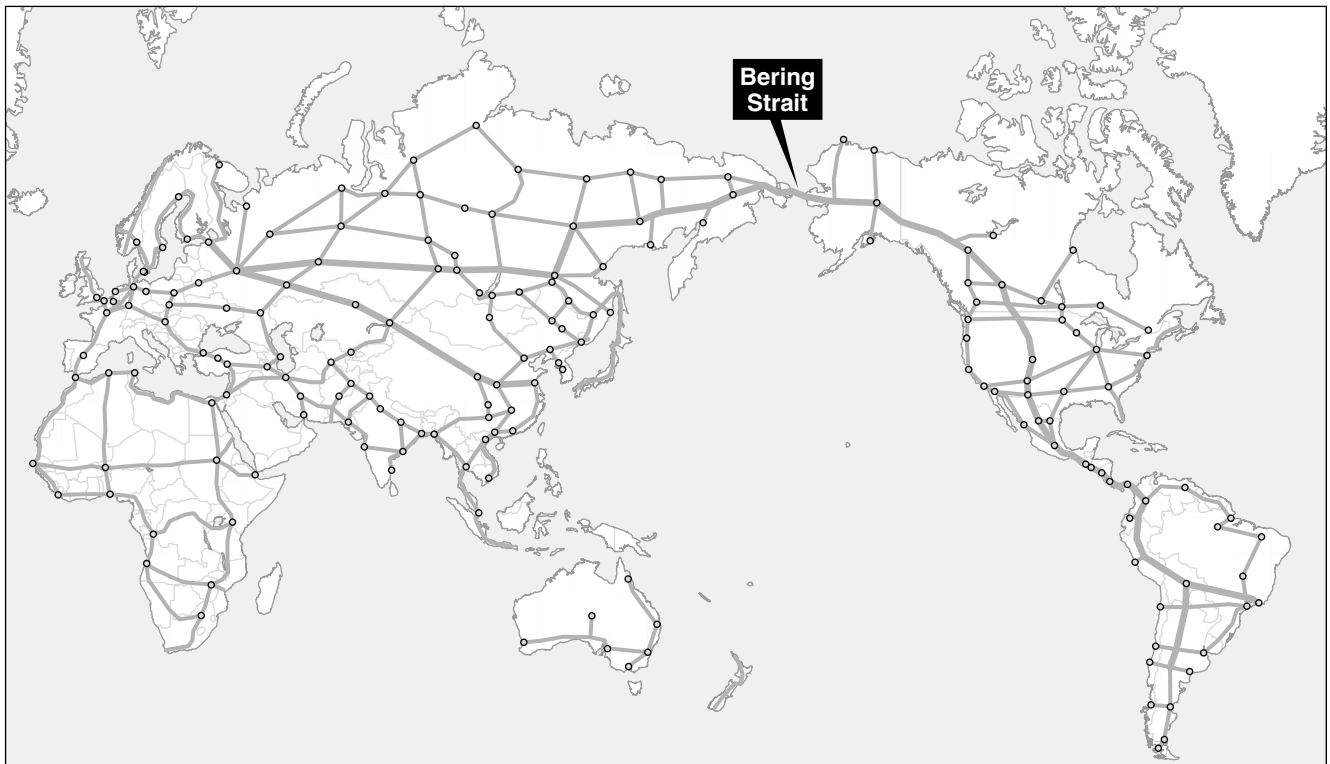
A Political Question

So, we have, on the one hand, great opportunities; on the other hand, great catastrophes, and great problems. I believe that they can all be solved. It requires a political decision.

Now, on political decision: As you look around the world today, as I do, with the exception of this new President

FIGURE 2

Main Lines Of A Worldwide Rail Network, As Sketched By H.A. Cooper



of Russia—Putin—who has shown good imagination and competence, we have very poor governments, generally. Very weak, compared to those we remember, say, from the 1970—or 1960s, or early 1980s. The politicians are, generally, of a much poorer quality. The populations are more poorly educated. Their moral character is weaker. They think less in terms of the long term; they think very much about tomorrow, or the next day, and their immediate opportunities. They don't think about the future. They don't think about one or two generations ahead. So, we have very poor politicians, generally; very poor political parties; very poor political classes.

But, nonetheless, we have a desperate situation: And when we think about the 2 million or more years, the human race has lived on this planet, and when you consider all the foolish things that human beings have done to themselves and others, over known history and before, the remarkable thing to us, is the goodness of mankind, such that, from all of these *disasters*, which mankind has brought upon itself, something has often come forth to create the equivalent of a renaissance in culture. And, sometimes, by the very nature of man, what causes the greatest advances in culture, the greatest improvements in the human condition, are the worst crises. A crisis so bad, that they say to mankind: "You have been behaving,

Mankind, as a collection of fools. Therefore, you must do something to stop being foolish." And sometimes that confrontation with folly, prompts and encourages people to find in themselves the capacity of *reason*, of *goodness*, to stand up and do something good, to move the world in a better direction.

That's essentially what happened with Roosevelt, in the United States, in 1932-1933. We had a desperate situation. A desperate *moral* situation; you should know the *morality*, as some of you, perhaps, do, who are my age. The immorality of the United States, in the 1920s. It was disgusting! Then came the Depression: And all the illusions and disgusting things that people were doing, suddenly were thrown into crisis. And, Roosevelt came along, in 1932, and gave a speech in West Virginia, when he was running for President. (Franklin Roosevelt, that is. Not Teddy!) And, he said, we must consider the forgotten man. The forgotten man, was the typical American, who was suffering, as a result of the conditions of the 1920s, as continued under the Depression. Roosevelt's address, and his campaign, captured the imagination of the American people. His initial efforts as President, beginning March 1933, *inspired the nation* more and more, to undertake great works, on which this civilization has depended, to a large degree, ever since.

And, you see the same thing in postwar Germany, immediately. Germany, which had come out from under the Hitler dictatorship, during the early period, under Adenauer, rebuilt the nation with a great moral effort. With a good educational system, which was subsequently destroyed. You saw things like that in de Gaulle of France. You saw things like that in De Gasperi in Italy. You saw similar kinds of things in the Americas, at various points—in Brazil and elsewhere.

So that, sometimes, great catastrophes bring forth leaders, who find a response in the population. And, I think we're in such a time, now. We have to look at things that way. We can not sit back, like a man in a foxhole, hoping to avoid battle, and waiting for a hand-grenade to be dropped on him. We must think like leaders. We must *hope*, that we can reach the people, and find ways to reach them. We must *inspire* them, and inspire them by the very fact that they have no *choice* in life, except to take a new course of action. And, perhaps, when people see that they *need* to take a new course of action—now, as in previous times of renaissance—we can have a great renaissance.

I think our job, now, is to think clearly; accept the fact that the crazy monetary system, which has ruled us over the past 35 years, especially since 1971, *was a disaster*. We have to abandon the *change in values*, which occurred 35 to 30 years ago. We have to go back to the basic values, of *physical economy*, saying that, money is important, but only as a medium of accomplishing something. The objective of economy, is to increase the productive powers of labor; to improve the conditions of life; to create a future for a larger population; to realize the potential for this planet, for its development, under the human genius. Go back to that kind of thinking.

And, I think some of you, know what I mean.

Thank you.

Dialogue With LaRouche

Because of technical difficulties, we do not have translations of audience questions to LaRouche. What appear here are brief paraphrases.

Q: I have some doubts about the need for having a fixed monetary agreement like that of Bretton Woods, because we would fall into the trap that we did in the '70s, when we came under domination by the United States. Second, when you have fixed exchange rates, you limit yourself, in terms of investments into production, into the types of productive projects that you need to carry forward. Perhaps it would be better *not* to have fixed exchange rates, and what we really need is technological transfer.

LaRouche: The first thing to concentrate on, in this thing, is that, over 50% of an investment in any effective economy, is in basic economic infrastructure, which is by the state. Without that economic infrastructure, technology

transfer is a farce, because it has no net benefit for the national economy and the people as a whole. Or their productivity as a whole.

So, therefore, what you need, essentially, is, you need 25-year agreements. For example: When you talk about technology, don't think in terms of what these idiots—forgive me for using the term “idiots,” but it's obvious. The whole idea of a New Economy, of a so-called “information-based economy,” is a piece of insanity which has almost destroyed us! It was a farce! It was a bubble. Most of the innovations which have been taken in the recent period, the recent 25-30 years, in terms of economy, have been a farce! They have destroyed us. When you look at the industries, which have been destroyed by these changes in policy, you'd say, “Wouldn't we like to have those industries back”!

Now, when you're looking at Central and South America, you're looking at an irony. The irony is, the irony of “outsourcing.” What happened in the course of change, particularly the past 20 years, is increasing reliance on exporting jobs from the United States, to countries which had poorer labor, which would work cheaper. And, where infrastructure costs were not a part of the *burden* of cost of production. What has happened recently, is, now, that that market has collapsed—as it was going to collapse. And, therefore, the idea that you can get technology transferred from the United States or Europe, to countries of Central and South America, or Africa, or Asia, is now a dead idea. It was always wrong, in the long term. But that's what often fools us. We get so attracted to short-term, apparent remedies, to “feel-better” remedies, that we fail to see the price that we pay for those so-called remedies, 10-20 years later. And that's what often happens to us.

A Question Of Statecraft

Re-phrase your problem: When talking to people there, you are involved in statecraft. You may be an economist, but you think about the *state*, largely. You may think about industries, but you're thinking about the nation. How do you think about a nation? Well, you have to think about a nation of what? A generation. How long is a generation? In Europe or the United States, it's 25 years. From the birth of a child, until the mature development of a future professional, who's educated as a professional. Twenty-five years! So, you have to think 25 years ahead. How long is the investment, say, in a power plant? If you're building a power plant, how many years' investment is that? If you're talking about building highway systems; power-generation systems, or networks. So forth. How many years is that? You're talking about building an educational system for a population, to develop a population: How many years is that?

We're talking about generations. And, therefore, economics, and our thinking about economics, should be in terms of *one or two generations, at a minimum*. We can not be people, as economists, who think only of our immediate geographic environment. Who think only of next year, or the next two to

five years, the short term. We must think in the long term; and we must think, more or less, in terms of the nation as a whole. We must think of regions. For example: In Central America, we must think of a region. Because the idea of national development has some meaning, but also, regional development's crucial. And, regional development means the relations with Mexico. It means the relations with South America, as well as the United States. As well as with the Caribbean. As well as trans-Atlantic and trans-Pacific trade.

So, *we*, as economists, must think in bigger, longer-term terms, than most people have been educated to, by the modern entertainment media, in terms of short-term, very narrow, pleasure-seeking terms.

We have to think, also, in a way that some of the great Christians thought: We think not in terms of just our lives. We think of the meaning of our lives, as located in what we have obtained, as ideas, as a heritage of ideas and other things, from people before us. And we think of our lives as something which is going to *contribute* something to the future. So, we have to think in those terms.

So, thus, in this connection, the Bretton Woods system was intended to think in long terms; was thinking in a 25-year cycle, essentially.

Europe was destroyed, by a war and by a depression—the combined effects. The United States was coming *out* of a depression and a war. We had a large war industry. Our question was, how could we convert our war industry into an instrument for helping to build up our own economy, and that of Western Europe and other countries. So, therefore, we had to take a 25-year view. For a 25-year view, if you want to have a 25-year credit, at 1 to 2%, you can not have a floating exchange rate. You must have a fixed exchange rate: Otherwise, you can not maintain a 1 to 2% simple interest rate. If you can not maintain a 1 to 2% simple interest rate, you can't have long-term investment! Not in basic industry: The rate of *profitability* of agriculture, of basic industry, does not allow you to have interest rates in excess of 3 to 4%; does not allow you to have basic state-to-state long-term loans, in excess of 1 to 2% simple interest. Otherwise, it's theft. It's robbery. It's looting.

And, that's the problem. So, we do that.

Now, the question here is, in the question of how we make technology transfer equitable: This is precisely what we must agree upon in a new monetary system. We must understand that there are certain things, which must be done as technology, which are the *right of every population on this planet*. And, the delivery of those kinds of technologies, to every nation, at prices that those nations can afford, should be the essential basis of our international monetary system.

Yes, we need a monetary system, which has a structure. Which has to be a fixed economic structure, a fixed exchange-rate structure. But, monetary and finance [policies] are *not* economics! They are finance and monetary policies. We must make monetary policies and financial policies, the *slaves* of

economic policy. And economic policy has to do with *physical reality*: the physical reality of productivity; the physical reality of life-expectancy; the physical reality of the health of the population; the physical reality of the future of children; the physical equity of a nation's being able to stand up, as a nation, with a sense of equality among nations.

These are the concerns of economics. And, we must build into any agreement, on monetary and financial conditions, *precisely* the things you're concerned about. We must build these economic conditionalities and purposes in, to say, "This monetary and financial system will work to the following purposes. The rules and interpretation of the rules of this system, will be governed by the following economic considerations of justice."

And, I think we should have learned that from the *painful* experience, and other experience, that we've had since the American Revolution. We had, in the United States, free trade; we had floating exchange rates—always disastrous! Lincoln saved us from the Confederacy. And the American success was then imitated in Europe and Japan, in the late 19th Century. This was largely destroyed by the First World War; it was destroyed by the 1920s' *lunacy*, under Wilson, and Coolidge, and so forth. We went back to sanity, under Roosevelt. When Truman became President, we started going back to *insanity*! And, it got worse all the way through.

By this time, we nations—not only those *in* the United States, but those outside—should have learned some lessons, about what is a good system, and what are the experiments which we wish had never been made!

NAFTA And The Immigration Issue

Q: There is talk about extending NAFTA throughout all of Latin America: What are the implications of this? And what about the so-called Panama Plan, which is the plan proposed to stop immigration, before it reaches Mexico, by developing *maquilas*, outside of the south of Mexico.

LaRouche: Well, obviously, the question of immigration: This is a tragedy. Because, one part of the immigration policy, is what it does to families and communities. When you uproot people, and you dump them in an area, as just labor, being dumped on the labor market—we had a lot of experience with that in the United States, with immigrants, you produce very bad effects.

As much as possible—don't ban immigration; don't ban migration. But keep it rational. The basic thing is, the integrity of the sense of family, of the sense of identity, of the individual's importance. The sense of the identity of the country, the dignity of the country, the continuity of the country, is extremely important. And, that must be built up, and protected. Now, this means, obviously, measures to encourage investment in job creation and economic improvements, which will stop the immigration, by making the conditions of life better in the countries from which people tend to emigrate. Why do people emigrate? They emigrate because they're hungry; or

they're desperate; or they're frightened! Or they have illusions about what it's going to be like in a country: They get there, they find themselves victimized. People go into the United States, and they find themselves victimized. Sometimes, they succeed and survive, under these conditions. But often, the typical person, coming from Central America, Mexico, into the United States, is often victimized! And, it's horrible! And has horrible effects.

So, this, obviously, must be resisted, in the sense of *promoting* the stability of communities, and nations, as such.

Under NAFTA, and under the present rules of the euro, it is impossible, illegal, to attempt to organize an economic recovery from a depression. And you don't want it, at this time.

And, we don't want the kind of migration, which is destructive of the culture, the identity of the nation.

And, it's no good for the world economy, in any case.

Now, on NAFTA: We have two problems, right now, which are extremely dangerous, for the Americas, and for Europe. One is, as of Jan. 1 of next year, the currencies of Western Europe will disappear, into what's called the "euro." Now, the worst part of the euro is not the fact of having a European currency. If you're going to have a European currency, I would say, make it gold-reserve based, like the dollar was gold-reserve based up till 1971. But: The worst problem is the Maastricht agreement, under which you have an enforcement agency, over the European currencies, which does not allow the generation of public credit for expansion of the economy. It does not allow *any* of these kinds of methods. NAFTA has the same implications for the Americas. Therefore, under NAFTA, and under the present rules of the euro, it is *impossible, illegal*, to attempt to organize an economic recovery from a depression. *And you don't want it, at this time.*

Whatever the effects on Guatemala, and so forth, the effects on all the countries of the region, are of a certain nature, and therefore, that will affect Guatemala accordingly. *You don't want it.* It's a menace. It was something invented by the British monarchy; introduced through Canada; promoted by various people; and rammed through in the United States, by the faction of the Democratic Party associated with Al Gore—who is not exactly a man I would recommend to you.

But, the idea of extending NAFTA, to include the entire hemisphere, and to include the British monarchy—remember, the British monarchy is Australia, New Zealand, Canada, and so forth; it's essentially to go back to a colonial, imperial

world, like the Roman Empire. We don't want it. The authority of a nation, as a sovereign nation-state, to resist, and to make its own law regulating its internal affairs and its internal economic affairs, is one of the most precious gifts of modern civilization. As a matter of fact, it's what modern civilization is based on, since the 15th-Century Renaissance. Since the initiation of the new form of modern nation-state by France under Louis XI, and by Henry VII in England; and the attempt to do so, by Isabella in Spain, despite her successors. And, this nation-state, the sovereignty of the nation-state, is essential, not only to protect the individual, but to protect the right of the individual nation to develop its own economy.

NAFTA has the *purpose* of destroying that right. *There are no good sides to NAFTA.* I'm opposed to it; have been opposed to it. Let's hope this thing goes away.

The Sovereign Nation-State

Q: You seem to be proposing the extension of capitalism.

LaRouche: [Let's not use that term] . . . it means different things in the mouths of different people. In one case, it means shareholder value; it means the current policy of the fascist majority of the U.S. Supreme Court, headed by Scalia, who is a despicable character. Shareholder value. And we see what that has done to the United States and its people.

No, "capitalism" is a bad term. Let's not talk about "capitalism"; I think we should abandon the term "capitalism," and say, nobody should ever bring it up again. Because it is a term which means different things to different people. So don't use a word, which you know is going to be misunderstood from the beginning, and try to reach agreement on a term that *has* no consistent meaning.

Why don't we talk about the *sovereign nation-state*; the economy of the sovereign nation-state, as *distinct* from the previous forms of the economy, which were based either on the *Roman Empire*, Romantic policy—like the proposal for NAFTA is a replication of the ideas of economy from the *pagan Roman Empire*. We don't need that. It's a replication of Byzantium. We don't need that. It's a replication of feudalism, as typified by Venice. We don't need that—when Venice was the ruling maritime imperial power of the Mediterranean. We don't need that. We need the modern, sovereign nation-state.

Now, the sovereign nation-state has a specific kind of economy. The economy is exactly what is laid down, in a sense, by Pope John Paul II, in recent addresses on the subject of Sir Thomas More, for example, and other questions. The modern nation-state was based on a rejection of Roman law, and of feudalism. It said that no longer can government be recognized as having the authority to treat some of the people of the world as human cattle; either as wild cattle, or as *tamed herds* of subject cattle. That the government has no legitimate authority to rule, except as it is an efficient promoter of the general welfare of *all* of the population, and *all* of the posterity of that population, over the entire area.

The first government, formed on that basis of that new law, was that of Louis XI's France, the successor, in a sense, of the accomplishments of Jeanne d'Arc.

The second government, founded upon that principle of law, was the reform of England, with the overthrow of Richard III under Henry VII, as the policies of Henry VII were made famous in the English language by Sir Thomas More, and his efforts, and also made famous, in a sense, by the writings of Shakespeare, who actually was a direct *follower*, intellectually, of Sir Thomas More.

The modern nation-state means, essentially, that you have a division of labor, between, on the one side, the government, which has the responsibility for *all* of the people, and *all* of the area. That is, the government must protect and maintain the entire *area* of the nation, and must protect and promote the welfare of all the *people* of the nation. At the same time, government must *encourage*, as was the characteristic of Louis XI's government, and was the characteristic of England under the influence of the reforms of Henry VII, government must *promote* private ingenuity in useful inventions in agriculture and trade, which are *beneficial* to the general welfare, to the common good.

Now, that is the kind of government which was adopted as the Constitution of the United States. That is the kind of government which is expressed by the first three paragraphs of the U.S. Declaration of Independence, and by the Preamble of the Constitution. The government is responsible for *all* of the area, and *all* of the people. Government is also responsible, to *promote* those private initiatives which are beneficial to the nation as a whole, and its future.

These were the policies which were laid down on the question of national credit, on national banking, and on manufactures, by the first Treasury Secretary of the United States — one of the co-authors of the Constitution — Alexander Hamilton. These were the American System; this was the policy of John Quincy Adams; this was the policy of Abraham Lincoln; this was the policy of Franklin Roosevelt, at least, the policy that informed him. This was the policy which Kennedy had intended to introduce again, as a Roosevelt revival, had he not been assassinated. So, that's what we mean: the *sovereign nation-state*.

Now, take Russia today. Russia, in the past century, went through a number of evolutions. It went through *Tsarism*, which had some good features, and bad features. *Tsarism* was destroyed by its involvement in a war. You got *communism*, as a system. *Communism* was a success, relative to the worst features of the *Tsarist* collapse, but was a failure in other respects, especially in the private sector, or what should have been the private sector. Then the Russians had a dose of *liberalism*, which they have discovered was far worse than *communism*, at least as far as economics concerned with the future of the nation. So Russia has now just *abandoned*, or is in the process of abandoning, *liberalism*. So, it's had the experience of all these diseases, one after the other.

Now, the question is, what kind of economy should Russia have? I'm in many discussions with leading Russian circles on just that question: What is the economy of Russia? My answer is, *the sovereign nation-state*; what we intended to build in the United States. The *nation* is responsible for the protection and promotion of the entire area and all of the people. The nation is also responsible to *foster* education, and to *foster* the opportunities for useful innovations by citizens who can make a contribution with useful innovations, and to protect and encourage those efforts. That's all.

The government is responsible for all of the area, and all of the people. Government is also responsible, to promote those private initiatives which are beneficial to the nation as a whole, and its future.

So, therefore, the result is, in economy, a healthy economy, is *dominated* by the state, by the nation-state. The nation-state provides regulation, regulation *intended to promote the general interest*; nothing else, for *all* the population, and *all* of the people. This will take 50% of the total, physical activity of government of any healthy nation — healthy economy — will be investment and maintenance of basic economic infrastructure. Which is either the public sector directly, through government operations, or through *highly regulated* utilities which are chartered by governments, such as large public utilities in electricity, water, transportation, and so forth. That the rest of the economy is divided among the *private* activities which government should *encourage*; discouraging bad things, and encouraging good things.

So, you don't *need* a theory of capitalism. What you need to recognize, is not capitalism; you need to recognize that the basic unit of investment, in any economy considered as a whole, is one to two generations of the population. You invest in the present, to create the future. That's the difference between the *trader*, the gypsy, who is going from place to place, selling tin goods, and so forth, and the economic producer.

Look, take any case of a good entrepreneur. What's a good entrepreneur? A private entrepreneur? They start out simply. Often, the best case is someone with a scientific, or agricultural, or other skill. They take the risk of an idea. Of developing a unit of production as an idea. They may run it entirely themselves, as a private venture; a personal venture; as a consultant, or some other professional; as a physician, for example. Or, they may employ a number of people. This thing may grow, through the success of the idea on which it's based, and the success of the quality of direction which it

enjoys. That's to be encouraged. That also takes time.

For example, the immediate life-expectancy of any new enterprise is within five years. The first five years of a new enterprise are life-or-death for that enterprise: Will it succeed, or will it continue to exist? We want people to have the opportunity to do that, *but*, we know that the future of the economy depends upon the ability of those who survive the first five years—treacherous years—of establishing a new business, a new enterprise. So, we encourage that.

So therefore, we think of the economy, not in terms of

What can you do with a country like Argentina? First of all, you start with a principle, that you can not destroy a nation. . . . Therefore, the present debts of Argentina—the financial debts—could never be paid, and therefore, they shall never be paid. Why? You have to choose between human life, and shareholder value.

instant results; we have to think of economy in terms of one to two generations of basic economic infrastructure; long-term investment. We have to also think in terms of not less than five years to ten years, in sustaining the conditions under which businesses can start, and enter the phase in which they may become successful and durable. So, that's what we have to think about in terms of economy.

And I say, therefore, if we have these ideas clearly in our head, we don't *need* a term like *capitalism*. We simply have to say, we defend the kind of economy which is *best* for the modern conception of the sovereign nation-state, committed to the general welfare, or what is otherwise called the common good.

The Argentina Crisis

Q: What are the repercussions of the Argentina crisis?

LaRouche: First of all, what is happening now in Buenos Aires is, in a sense, a farce; that the fate of the present bankruptcy of Argentina, of the Domingo Cavallo arrangements, the policies of the present government—these policies are *doomed*; there is nothing in the world that could save this present situation.

Now, what is the result? The first result is on *Brazil*. Argentina is the key market for Brazil. If Argentina goes down, the chain-reaction effects on Brazil are tremendous. Now, also, this is linked, because of the Spanish banks, such as the

Bank of Bilbao's involvement in the electricity and other investments, through the control of electricity distribution throughout much of the southern part of the hemisphere. So, the *chain reaction* is immediate.

Now, if you look at the economy of Peru; the vulnerability of the economy of Chile; the situation in Uruguay; the situation is Paraguay; the continuing situation in Ecuador; the situation in Venezuela, which is in a real crisis mode, political crisis, right now; the crisis situation in Colombia; what is the effect of a chain-reaction collapse of Argentina? It's enormous. If *the system* goes; this carries out the whole system. There's no way you can stop it.

Now, what's involved? The repercussions of this immediately hit Europe, because the Spanish banks are the ones that are first hit. Spain is a very vulnerable economy. It's not worth much. It's about to collapse. The Spanish economy's collapse will set forth a chain reaction inside Europe.

The Strategic Context

What you have to do, to get the full appreciation of this, is look at an article which appeared in this morning's edition—I think it's this morning's edition—of the leading French newspaper, *Le Monde*. It's a two-page article, which identifies the recent crisis in the United States, of Sept. 11, and continuing, as the product of a military-style coup attempt inside the United States, against the present government of George Bush. Now, there are many features of that article, and that report, which are prepared by a section of French Intelligence, of which I'm critical; they may be exaggerated, mistaken, or falsified. But, nonetheless, the *overall* impression is correct; it is an opinion which is shared by leading circles, military and others, in many parts of the world. You can not understand what's going on in the minds of people in many parts of the world, at high levels, unless you understand the general, widespread agreement behind the scenes, of what is published in this morning's edition of *Le Monde*, on this subject of the crisis in the United States. I can tell you the crisis is now much more intense than it was on Sept. 11. This is very complicated.

So, what you are looking at in Argentina, is not an Argentina crisis. You are looking at Argentina as like a *fuse* on a very large bomb, which is ready to explode. You will hit all of South America, all of the Americas, including Mexico—and you know what that means—you will hit Europe, through Spain, and other implications. It will force the world to the table, with the question of, what are we going to do about this? Are we going to continue the present, *bankrupt* monetary and financial system, or are we going to cancel it *now*, and take immediate steps to set up a new financial, monetary system?

Because, look, for example: What do you do with Argentina? What *can* you do with a country like Argentina? First of all, you start with a *principle*, that you can not destroy a nation. You just can not do that; whatever you do, you can not destroy a nation. Rule number one. Therefore, the present debts of Argentina—the financial debts—could never be paid, and

therefore, they *shall never be paid*. Why? You have to choose between human life, and shareholder value.

Now, you and I should know, you as economists, that — you go back to 1971, and you look at the total debt of the nations of Central and South America; that is, the so-called sovereign debt, and related foreign debt, at that time, and you take the debt, as it existed in August 1971, and you trace the history of the debt in an accounting way. For every dollar, or equivalent, that was invested to cause the indebtedness of these countries, how much has been paid? How much of the debt service has been paid? Well, it's been *more* than paid! Therefore, by a just accounting standard — the historical accounting standard — virtually none of the countries of Central and South America, *owe any debt* to anyone. They've more than paid the debt. They should *get some of their money back*. They paid too much! They now have a bigger debt than ever before. Why?

Because under the floating exchange-rate system, the international authorities would come in through the London market, make a speculative *run* against the currency of a country, run the currency down, under the new system — the floating exchange-rate system — *then* in would come *the IMF*, or the World Bank, and other institutions, including Washington, the U.S. government. And they would sit down with the government, and say: “*You’ve got to come to terms with the IMF. You’ve got to talk to the IMF, and come to terms with the IMF.*” So, the IMF, which is, of course, *not biased*, would then write down the value of the currency of the country which had lost the value of its currency through an *attack by speculators* — by financial speculators, centered in London. Then the IMF would come in and say, “*You’ve got to devalue your currency.*” “*Fine. Okay, we’ll devalue our currency. We’ll continue to pay our debt in our currency.*” “*Oh, no; no. You don’t pay your debt in your currency; you pay your debt in your pre-discounted currency.*” So, what they did, is they put an *additional debt on the books*, for which no money was paid to the debtor, and proceeded to collect *interest* on a debt that was never incurred, but which was simply *arbitrarily imposed* as a fiction, by action of the International Monetary Fund, working in *collusion* with financial speculators on the London market.

So, obviously, when someone comes up and says, “*Argentina has a big debt to the IMF and foreign countries,*” you say, “*So what? How did it incur that debt?*” Most of the debts that were incurred by the countries of Central and South America, were incurred by *orders from abroad*. They were not *sovereign decisions* made by a sovereign nation, to incur debt. It's just like war reparations imposed on Germany at Versailles. These were not debts that were incurred; they were *imposed debts; arbitrarily imposed debts*.

Now, you get to Argentina. What do we have to do? Well, the debt was created not by Argentina; there have been some bad governments in Argentina, but all governments — we have bad governments in the United States. Lots of them. The

Bush government was terrible. The Carter government was worse. The Nixon government was terrible. So we have terrible governments, too. We had *terrible candidates* in the last election, the last Presidential election; *awful candidates*. Couldn't find a decent candidate running. So don't blame *the people* — victimize them because they had bad governments. Cavallo was not put in Argentina by Argentinians; Cavallo was *imposed upon Argentina* by the North Americans; by the United States. So, let *him* pay the debt. Leave Argentina alone.

The issue is, *we must save Argentina*. We must save Brazil. We must protect Peru. We must restore these nations to *functioning health*. That is the law of the general welfare. *If we don't*; if we don't, what happens to the world? *We all go to Hell*.

So, therefore, we've come to a revolutionary time, in which probably the best authority to adjudicate all these questions, is the Pope. I would do the job myself, but I think the Pope is a much more recognized authority at this thing, at this time [laughs]. But's that's how we'd do it. The point is, *the general welfare principle*. What we did at the end of World War II; we had bankrupt economies; disrupted economies, from depression and war. And what did Roosevelt do? Roosevelt and others moved for a system where the United States would create a system under which we would rebuild a war-torn, depression-ridden Europe, and other parts of the world. We did it, not on the basis of what the past debts were — though some of that was considered. We did it, because it was necessary to *save these countries as functioning nations*, and we would hope that they would do the same thing for us, if the time came. Maybe the time has come [laughs].

This Is No Cyclical Crisis

Q: What are the characteristics of the new international financial system, regarding the type of speculation and the application of the principles of bankruptcy? What about the Basel agreements?

LaRouche: The point is, most of the existing policies simply have to be wiped from the books. That's the key here.

When you have a system that doesn't work — . Look, this crisis is not a cyclical crisis. We were accustomed to talking about “cyclical crises.” We say that systems, through their certain characteristic features, go into periods of growth, and depression. Cycles. And therefore, if a depression occurs, we say, “*It's going to bounce back*. Or it can be *caused* to bounce back, without *changing* the basic rules of the system.” You make some intervention; some adjustment; some stimulus, to bring the system back.

We are *not* in that kind of situation. We're in a situation where you have to say, “*All of the changes in rules*, which have been established since the middle of the 1960s, *must now be cancelled*, because *the system* that we developed, by the changes of the rules, begun by the influence of the first Wilson government of the United Kingdom, and by the influence of those who supported the Nixon candidacy in 1966-



Argentine Economics and Finance Minister Domingo Cavallo (left). “Cavallo was not put in Argentina by Argentinians; Cavallo was imposed upon Argentina by the North Americans; by the United States.”

1968; these *changes in rules* by the Swiss banks, and by Swiss agreements, and other agreements; the Basel agreements, *these things were a mistake*. We have 35 years of a *catastrophe* to show that all these changes were a mistake; *we should have never made those changes*.

Now, we are acting as *governments*. We are *sovereign*. We, as sovereign governments, run our affairs, and, collectively, *run the world*. We are *the lawmakers*. We are the final judges of what rules are struck down, and what rules are maintained. So, what we do, is, we say, “We accept our responsibility, as governments, for the mistakes that we, as governments, allowed to be made. The fact that a previous government made this decision, has *no bearing* on the situation. If that government was mistaken, we are responsible to *change* that decision, not to enforce it.” So there are no *enforceable conditions* in a time of crisis, except those which a *higher moral law* — the law of the sovereign nation-state — obliges governments, either individually, or in groups of nations, to take.

That is, for example, the groups of nations of Central America, have a certain *implicit authority as sovereign states*, if they can reach an agreement on a regional problem, to be the *authority* that decides how that regional problem will be solved, regionally. The governments of Ibero-America, from the U.S. border down to the end of Patagonia, have also an inherent right as a group of governments — we’ll call them the Ibero-nation governments — to make certain rules; to set up certain institutions, as a group of sovereign governments, governing their affairs. *Europe* has a right to make certain

decisions of that type. We have a group of nations in Asia; we have the so-called “Ten-Plus-Three” group, which includes China, Japan, and Korea. This group of nations is *moving*, toward a regional agreement among governments on credit and trade. They, as governments, have the *moral authority* to do that, as it affects their internal affairs among themselves.

So, in this case, we have, *as governments*, the moral responsibility to act *as governments*, to *overrule* any previous agreement by a previous government or governments, which has been proven to have been *wrong*. Look, we *overthrew* the Roman Empire. We *overthrew* the Byzantine Empire. We overthrew the imperial power of Venice. We overthrew the Habsburg Empires. We’ve overthrown more empires and governments in known history, than we can count. Why can’t we do it again? The *moral responsibility* of government continues; the *moral principle* continues. And, therefore, we act according to the moral principle, to *cancel* all outstanding agreements which are contrary to the general welfare of a *nation*, or *group of nations*.

And we have to understand that. This is a *systemic* crisis; we must make *systemic* decisions. We must reach *systemic* agreements.

The War In Afghanistan

Q: What is your view of the war in Afghanistan?

LaRouche: What happened, is this. I’ve said this before, so it’s not a big surprise; what I said on Sept. 11. I was doing an interview with a radio station in Utah, at 9 o’clock in the morning, on that day, and by the time we began to talk, on the

interview, we'd had the first attack by a plane on the first of the two towers, in Manhattan, and I made a characterization of this, in that period—on the three attacks: the two in New York, and the one against the Pentagon.

Now, what I said *then*, I could stand by *today*, and if you read what I wrote then—what I said *then*, which was later published [*EIR*, Sept. 21]—and compare that with what has been said in the pages of *Le Monde*, speaking for a section of French intelligence today, you would understand exactly what I was saying. I understand this sort of thing; some of you probably do—I mean, in Guatemala, for example, you lived through some of the operations that were run as a by-product of what was called the Cold War period, where irregular warfare operations were being run in Central America. They were being run by irregular armies; irregularly funded armies; privately funded armies. So, what has happened, is that this kind of operation, privately funded, largely by drug funding, or other kinds of irregular funding—weapons-trafficking funding—has become the major instrument of ongoing warfare throughout the world. Armies which are run as *mercenary* armies, such as you see in the FARC in Colombia—a drug-funded operation, are major sources of warfare.

Now, the problem has been, that in the United States government itself, in the military, since the days of Allen Dulles, the United States has maintained what is called a *special warfare capability* under the Defense Department. Often, this thing is called “CIA.” It is *not* CIA; the CIA is attached to the State Department. It is actually a part of the *Defense Department*; it's a part of the military. So, you have the British, the Israeli, and the U.S. special warfare capabilities, funded largely through private funding: drug funding, weapons-trafficking funding, as was done in the famous case of Iran-Contra, have been running private wars, and are still running them. One of the private wars, which was started by Zbigniew Brzezinski, was the war in *Afghanistan*, which began in the 1970s. So, what has happened, is that you have, internationally, a major warfare capability, *funded* by private organizations, or through private funds, by the Israelis; by the British, or a section of the British; and by the United States government.

What happened on Sept. 11, as the French have indicated in their own way, in *Le Monde*—and you can compare what I've published, and what *Le Monde* has published; there are differences; there are also some similarities, which are important; and, other governments have said similar things—is that a section inside the United States government, of people who agree with the ideas of Zbigniew Brzezinski, on starting a *general religious war* throughout much of Eurasia; *these people*, which include Israeli factions, and their supporters in the United States; which include some people in Britain, not others; and some people in the United States, *organized* what amounts to a coup d'état *against the Bush government*. Not by the Bush government, but *against* it.

The Bush government responded to this threat by saying, “We are going to hit somebody. We are going to give the



Zbigniew Brzezinski, formerly Jimmy Carter's National Security Adviser, started the private war in Afghanistan, in the 1970s. Special warfare capabilities, funded in part by private sources and supported by sections of the Israeli, British, and U.S. governments, are running amok today.

American people *revenge* for what people in New York and Washington suffered, as a result of these attacks. So, we're going to pick on a target that nobody cares about.” The target anyone can hate, is Osama bin Laden, who is a creation of the Anglo-American-Israeli interests, who created him as a part of *running*—not only running—the Afghanistan war of the 1970s and 1980s, but *also was used* for running secret operations against *Russia*, such as Chechnya, and other secret operations against Russia, today. So, everybody *hates* the Taliban; everybody *hates* Osama bin Laden, and he's certainly a hateable, despicable character. The Taliban are generally despicable characters; you don't want them in your living room, or even in your cellar. So, *bomb them*.

Now, this is wrong. But it's understandable, if you understand the defects of the present U.S. administration and government, and the problems.

The world is concerned that this thing—what the Bush Administration has *opposed*, which Brzezinski has demanded, which Kissinger has demanded, which the Zionist Lobby in the United States has demanded, is that the United States attack Iraq, Syria, Sudan, and so forth, and start a *general religious war*, between 1 billion people of Islam, among them, and by them, against civilization, thereby to destroy civilization in Eurasia. And, the United States government so

far, the Bush Administration, has resisted that, and has told Sharon to stop it—stop his killing, his butchering, of these Palestinians; stop this war. The Bush government has not taken *effective* action to bring that about, because it's got a lot of pressure on it; so, therefore, it cuts a balancing act.

But, now the point has come, that you can't play this game forever. The financial system is coming down, which is one of the conditions under which this occurred. Now, the question of Afghanistan. Somebody thinks they've got a deal in Afghanistan, it may end—well, I don't think so. That thing is

We overthrew the Roman Empire. We overthrew the Byzantine Empire. We overthrew the imperial power of Venice. We overthrew the Habsburg Empires. We've overthrown more empires and governments in known history, than we can count. Why can't we do it again? The moral responsibility of government continues; the moral principle continues.

not solved. The Soviet Union, which had a much bigger, and more effective force, than we ever put in that country, couldn't do a thing with Afghanistan in ten years. And what we've done in Afghanistan as a military operation, won't succeed either. So, it's a *foolish* operation. But, that doesn't mean, that that's the issue. That means that is an issue, which has been created by this idea of, "You can't take on the enemy, so therefore, kill somebody else who's hateable, as a matter of seeking revenge," which is a lousy policy, and the French have now blown up against it.

The thing is out of control. *We are now in a very deadly situation*, which—Afghanistan, yes, it's a horror-show. Look, there's a recent statement, which involves the statement of an exposition of the position of John Paul II—with whom I agree, on these issues and related issues—that John Paul II has, in his own way, as I have done in other ways, warned against this process. We are now in a terrible crisis of all civilization. The Afghanistan situation is *not* something in itself; it is something to be seen as both a *symptom* and an *aggravation* of the problem which we must face and solve.

Q: Is the war in Afghanistan worth anything in terms of economic recovery?

LaRouche: No! The war as such was no good for economic recovery.

Look. What Bush has done is understandable, if you un-

derstand Bush and his government. What Bush did, what is significant as a result of Sept. 11, but not Sept. 11—Sept. 10, because Sept. 10 was the date upon which the severity of the world systemic financial crisis became evident, in the United States. And, if you look at the figures, as of the beginning of September, *before Sept. 11*, you see what the financial crisis is.

Up to that time, the Bush Administration, under the influence of Treasury Secretary O'Neill, who I think is an *idiot*, actually, as an economist—under his influence, he said, "Nothing needs to be changed. Nothing needs to be changed. Everything is fine! Don't change anything! We stick with our free-trade policies, our crazy policies." But, then, after Sept. 11, other people, including the President, began to talk a different line. They began to talk about pouring tens of billions, and hundreds of billions of dollars into various kinds of recovery-stimulus projects. At first, these were to give money to arms dealers, who were in trouble. Or to bail out, maybe, one or two airlines for a couple of weeks. But these were not serious proposals, that are going to work to cause an economic recovery.

How do you cause an economic recovery? You *increase employment among the unemployed*. Number one. Organize large-scale infrastructure projects, as Roosevelt did. Because, as you know, all governments have infrastructure projects which are of urgent importance; which you can invest in, without any danger of making a mistake; and that you can hire people and put people to work, in jobs, which these projects require. You thereby stimulate not only incomes among people who are unemployed, the families of those people, but you also create an enlarged market, for both private contractors and others, who benefit by the fact that these projects are going forward. You'd benefit communities. For example: We used to do this in the United States all the time. We'd have big projects, like the highway projects. And, we, as the Federal government, or state governments, would move projects ahead, in certain areas, in order to stabilize those sectors, which were going through a slight economic retreat.

So, this was not done. What an economic recovery program would mean: Do what I've said. Put the thing through bankruptcy reorganization—a Roosevelt-style recovery. What they've done so far means, that the President of the United States and his government, are beginning to think *in terms of* the essential role of the nation-state in organizing a recovery. What they've proposed so far, *will not cause* a recovery. It's the wrong selection of policies. But, maybe it creates the platform, on which we can discuss actual recovery policies. But these are not going to do any good.

This is not a "bounce-back" depression. This is a *systemic collapse* of the entire system, and you have to make systemic changes.

Look To Global Partnerships

Q: The United States, because of its tremendous power, has established the rules of the game. What then is the role of

a small country, in defining this new financial system?

LaRouche: The United States does not have that kind of power any more. The United States is now dependent upon its partnerships for doing anything. The number-one partner with the United States, right now, is Russia. And, you have, right today, in Crawford, Texas, which is the tin-covered shack that the President calls home, you have the President of Russia meeting with the President of the United States, with a lot of officials, U.S. and Russian officials, there. This discussion between Russia and the United States, is the key determinant. What comes out of that, and similar discussions, is going to be the key determinant to what happens on a world scale.

Russia represents—not only Russia—but Russia represents, at this point, its partnership with the nations of the so-called “Ten-Plus-Three” group: Japan, Korea, China, South-east Asia, and India, and other countries, including Iran. Russia also has understandings and economic ties with Germany, and with Italy, for example; and France, also. Remember, for example, Germany’s yearly net export growth is coming from Russia and China. In all other areas, Germany is losing exports, similarly. So, therefore, you have a partnership, in fact, of various degrees, with Russia, and various nations in Eurasia, which includes the unification of Korea; the proposal for a railroad from Siberia through the Bering Strait, into the Americas; cooperation with China on the first magnetic-levitation rail systems, public rail systems, in the world, are going into China, with German investments; similar operations in India.

So, the cooperation among nations in Eurasia and their dependency upon Western Europe for that—for example: You have Northern Italy. You have five states in Northern Italy, which are the big producers in Northern Italy. I’ve been visiting in a few of them recently. These states have mostly entrepreneurial companies—that is, privately owned companies, not large corporations—which have a high-technology capability. The heads of these companies are scientists, or scientists and technologists—engineers, and so forth—and their technology is being exported to many parts of the world. So, you have a natural tendency of the type I described: People in Western Europe, who have high-technology capabilities, to seek cooperation with Russia, *in delivering high technology to needed markets* in China, in India, Iran, and so forth.

This is what Putin represents, in terms of this process. The United States is sitting there, with the world disintegrating around it, internally and externally. If the United States is going to survive, it’s going to survive, not on the basis of a projection of power; it’s going to survive on the basis of a projection of partnership. And, this partnership, *with* Russia and the United States, and so forth, *if it comes off*, if it is not disrupted, this partnership will mean an opportunity—if we exploit that opportunity—an opportunity for nations to *come together*, either as groups, or regional groups of nations, or others, to *begin to change the conditions of life*, under which they operate.

And, that’s where we really have to use our imagination. We’ve got to get out of small-mindedness, and begin to *think big*. Nations, heretofore, have been dominated by a few powers: Russia, the United States, and the British monarchy, have been the powers that have run the world through most of the postwar system. Up until a recent time, it was the United States and the United Kingdom that were running the world. Now that time has come to an end. If you’re going to run the world, you’re going to have to do it with a system of partnerships. And, therefore, nations around the world, should give up the habit, of thinking as dependencies, begging at the back door of the White House, or something else, and begin to think in terms of forming partnership alliances, for negotiation of *their role*, in the new world we have to create.

The Moral Responsibility of Economists

Q: Under what rules will the Eurasian Land-Bridge be developed, so that the small nations will have a say?

LaRouche: I think we have to make those rules. As I’m speaking now, I’m hoping in this address here, as I do elsewhere, in other locations, to provoke and inspire people to realize that they have to think of themselves as being more important in these matters than they had thought of previously. You have to *think* in these terms. You have to, in publications and discussions, you have to start discussing in these terms. You have to define the relationship of your nation and region of the world, in what you think is your potential role in respect to these kinds of developments. You have to understand what these developments are. You have to envisage—particularly as economists—you have to envisage!

People in your country, and your region, are going to say: “What are we going to do about this?” It’s *your* responsibility to begin to define the *ideas*, which must be discussed, to form the new policies, which affect the situation. Your people have to decide! On what your relationship is, to Mexico, for example, under these conditions. Not only to the government of Mexico, but to circles of people you know in Mexico. In South America. You have to have these discussions, in order to formulate the ideas, so that, as you come to the table, or negotiation; or your governments come to the table, you can advise them of what the *implications* are, of this change in the world.

And, your position as professionals, is especially important in this respect. Most people don’t think in economic terms. You *know* that! You know it very well! You deal with governments: You despair sometimes: They think in accounting terms, financial terms, this year’s budget, this balance! They don’t *think* in terms of 10, 15, 20, 30 years, or regional things! *You’re* supposed to think in those terms. And, *you* have to advise governments, of what those terms mean, under these new kinds of conditions. So, it’s up to you! As I say to other countries, it’s up to them. When I say to friends in Brazil, or we talk to people in Peru—the same thing. My job is to encourage *you* to think *independently*, about the facts that I’m presenting to you, and the alternatives that I’m discussing.

Hoping that *you* will be able to find *your* way to advising *your* governments, and, through private discussions with channels you have, to influence the environment, to create a new set of ideas about *how we deal with a new world situation*.

Q: Agriculture and the environment are related; if one is destroyed, so is the other. How do we get these things reactivated, when people, who live in the rural areas, want to move to the city and become consumers, rather than producers?

My job is to encourage you to think independently, about the facts that I'm presenting to you, and the alternatives that I'm discussing. Hoping that you will be able to find your way to advising your governments, and, through private discussions with channels you have, to influence the environment, to create a new set of ideas about how we deal with a new world situation.

LaRouche: Well, this is a political problem. It's a political organizing problem. It's a problem, not of polemics, it's a problem of ideas. I find that the ability of even so-called "simple people" to understand some things is much underestimated. Let me just give an example, which I give on a number of occasions: The problem of most people in society today, is that they're very small-minded. They think about events within a very small geographic area. They think of a few years, at most; usually think in terms of pleasure, or in terms of money. Pleasure. Little things. They don't think in terms that any economist should think in. We, who are economists, are supposed to think in at least 25- to 50-year terms. And, in studying history, we're supposed to think in terms of thousands of years, to get some understanding of how humanity functions; how the human race is able to feed itself, grow, improve.

We have all these *little* people, who are miseducated, who are saturated with the crazy entertainment produced in the United States. I mean: real, sordid stuff! *Terrible* things pass as entertainment! The identity of people is cultured, by this terrible entertainment and similar kinds of things; and drugs, and whatnot.

So, the problem is, that you come along, and you say: "Well, what if a war breaks out?" I suppose some of you have

been soldiers, right? You know what it means, to think in terms of war. Guatemala has faced the possibilities of various kinds of wars in the recent period: guerrilla wars, other kinds of wars. People have been killed. What is a soldier supposed to think? A soldier does not intend to die! But, a soldier knows that the nature of the profession involves an element of risk. You may be killed! You may be killed, because you're a soldier. Now, what do you do? Run away? "I don't want to be killed"? Who's going to defend the nation?

Then you're forced to think about your life. You're forced to think about your life, in the way that everybody should think about their life. You say: "What does it mean, if I die? What does my life mean? It means what I make possible after I have lived." Now, you take the same attitude, not as a soldier who's going to die, or might die; but think of it as an ordinary citizen: We're all going to die! Aren't we? We're born, and we're going to die! So, what does life *mean*? What is important? Since we're all going to die?

What was important, for example, to Jeanne d'Arc? Jeanne d'Arc was a simple peasant girl, from an area of France, who had a stupid King, who was not really a King. And, she got herself dressed up in armor, and she went on a horse, and she went to this stupid King, and said: "Stupid King, you're a horrible King! But God sent me to tell you, you have orders to become a real King!" Now, as a result of this performance, and the courage and her execution of it, she died a horrible death, by the British-controlled Inquisition. *But*, she made possible the existence of modern France. She played a key role, in her fight, in making possible the existence of the modern nation-state, and contributing significantly to the influences on the Vatican which resulted in the 15th-Century Renaissance, which was the great revolution in modern culture.

So, therefore, she died early, and died a very painful, horrible death. But her life was not a waste. She was not a tragedy. She did not make a mistake, in dying. She did not make a mistake in choosing the course of action which led to her death! As many opportunists would say. *She made history. She made possible, the good things that came after her.* And, therefore, where other people, who made compromises, die in obscurity—justified obscurity, because *their lives meant nothing* to humanity—her life will always mean something to humanity as a whole.

Now, take a little child, coming up. In the good days, when children were better educated, the typical visitor coming to visit a family of friends, would say to the child, "What do you expect to be when you grow up?" And, the child would often smile brightly and give you an exposition on what their future career was, as an adult, what they intended to accomplish: It might be, "I'm going to be a mother and have so many children, and we're going to do this." But she had a clear conception, that her life *meant* something, in terms of the larger scheme of things. Our problem today, is not simply an intellectual problem, in the sense of, lack of knowledge. It's a *moral* intellectual problem. We have ceased to impart, to



A Mayan family in Guatemala. Even the poorest, most illiterate of citizens can be inspired to understand that their lives can be meaningful, if their leaders take the approach of statecraft, in the interest of the common good of the entire nation.

young people and to others, a sense of the meaning of life; of a life, which is a mortal life, which has a beginning and end; and you say, “What are you going to do with this life you have, *while you still have it, which makes your having lived, something of which to be proud?*” And, if you approach the people of today, and can deliver that message to them, there are very few people so decadent, they can not be inspired to recognize that image, as the essential moral image, which should motivate them *even as the poorest, most illiterate of citizens.*

And, that’s what we lack. *We don’t motivate them that way.* We motivate them by bribes: “We’ll give you a candy bar. We’ll give you this. We’ll give you that.” *We don’t motivate them,* in the sense that we’re trying to help them find the meaning of their *humanity*, of their existence. That’s our mistake.

There Is No Recovery!

Q: Why do you say that the financial system is coming to an end, when the crises in Asia and in Latin America have almost been overcome?

LaRouche: They have not been. The Asia crisis has not been, in any case, overcome. You have to look at two things: You look at the financial figures, which are largely a result of hyperinflation. Japan is about to disintegrate! Japan has a debt beyond belief! Look, take the rate of interest being charged by lending of money, in Japan and in New York. The rate of inflation in the United States is estimated at 2.5%—that’s official, not real. Real is much higher. The lending rate is 2%, the borrowing rate is 1.5%. What that means, is that the United

States is in a *hyperinflationary growth* on the financial side, but in a *hyperdeflationary collapse* on the economic side. Look at the number of firms: Xerox went under; many other firms; airlines are going under; many other firms are going under! The same thing is true in Asia. The only thing that’s defending Asia, is the agreement with China *and* Russia, and Japan, and others, to create an *Asian monetary bloc, outside the present system*, which gives them some capability with the tremendous reserves of China, for example, which gives them some ability to *resist* a collapse.

But, physically, the collapse is ongoing, around the world, *and* in China. China is reacting to this, as Jiang Zemin has said, by reacting with large-scale infrastructure development projects, internal—that is, China has abandoned the expectation of a large foreign market; has expected a collapse by as much as 50% or more, of what had been the foreign goods market—and is going to an internal market, generated by large-scale infrastructure developments, in the interior and the northwest frontier. This is typical of the entire region.

So, there is no recovery in the United States. There is no recovery in Asia, at this time. There’s an *illusion* of a financial expansion. But the financial expansion is of the type that occurred in Germany in 1923, which ended up with a blowout of the Weimar reichsmark. That’s not expansion: That’s an explosion.

[The Society thanks LaRouche and hopes to have him speak to them again soon, perhaps in person.]

LaRouche: Thank you. It’s good to be with you. Our best wishes to all.

Brzezinski-ites Fear Prospect Of Actual U.S.-Russia Alliance

by William Jones

President Putin arrived in the United States on Nov. 12 for talks with U.S. President George Bush with a broad-ranging perspective of U.S.-Russian-European collaboration, which could fundamentally transform the entire fabric of U.S.-Russian relations. While no one expected any particular strategic agreement to come out of the three-day visit because of the very significant differences over the issue of the ABM Treaty and U.S.-planned missile defenses, Putin has indicated that he hopes that the discussions will be the beginning of an entirely new U.S.-Russian relationship, and that he intends to utilize the warm relations that he has established with the U.S. President to bring that about.

Before an audience of American businessmen and journalists at the Russian Embassy on Nov. 13, Putin invoked the historical friendly relations between the United States and Russia which extend all the way back to the American Revolution. "At dramatic turning points of history, in the moments of truth, when the very existence of our nations were at stake, Russia and the United States have always stood together," Putin said. "They were together at the dawn of the American independence. Let's remember when the Russian Empress Catherine II politely, but resolutely, denied the request of King George III to send Russian soldiers to participate in the suppression of the insurgents in the American colonies.

"Our nations were together during the time of liberation reforms in Russia . . . where in the mid-19th Century it coincided with the Civil War in the United States," Putin said. "It is symbolic that the two great statesmen, Emperor Alexander II and President Abraham Lincoln, abolished slavery in their countries at approximately the same time. And both fell victims at the hands of terrorists."

It was of crucial significance that President Bush again emphasized, at their Crawford press conference, the great importance of his telephone consultation with President Putin

in the crucial hours of Sept. 11, defusing a threatened spiral of nuclear-alert reactions. And Putin's reference to "moments of truth" was not merely a historical remark. Lyndon LaRouche stated it thus in a recent interview: "Someone, at high levels, within the U.S. command structure, unleashed an attempted coup d'état against the Bush Administration on Sept. 11. Had that crisis led to a nuclear-alert escalation between the U.S.A. and Russia, the coup plotters would have succeeded, almost without doubt. President Putin's Sept. 11 telephone conversations with President Bush, changed that situation in a radical, beneficial way."

The military actions launched in the "war on terrorism" might unleash exactly the Brzezinskian "clash of civilizations" the plotters intended in the first place. As LaRouche concluded, "The coup attempt has been defeated, at least temporarily, but the nightmare rolls on." Nevertheless, the importance of the developing U.S.-Russia Presidential relationship, is underlined by the hostility of Brzezinsky himself to the summit. In a Nov. 13 *Washington Post* op-ed entitled "A New Age of Solidarity? Don't Count On It," Brzezinski denigrated Russian cooperation, calling instead on continued "American preponderance." This fits the neo-Conservative call for a "new imperialist" strategy for the United States as the "only remaining superpower."

A New 'Atlantic Alliance'

One of the key issues underlined by the Russian President was his country's intent to become an integral part of Europe. A major obstacle to such integration has been the continued existence of NATO, properly a defensive alliance against the former Soviet Union. Russia's new relationship with Europe, and hopefully, with the United States, makes NATO in its present form obsolete, Putin argues. This was also recognized by many political leaders in the early 1990s when the Berlin



Going into his meetings with Bush, Putin has made clear the Cold War is ended—emphasizing that that includes the long-standing American and Soviet practices of using terrorist formations as irregular-warfare troops against one another.

Wall came down; but instead of abolishing NATO as the Warsaw Pact was abolished, they set up instead a Joint Permanent Council between NATO and Russia as a temporary mechanism for consultation.

Putin insists that such an interim mechanism is now woefully insufficient. Speaking to a group of American journalists in Moscow on Nov. 12 prior to his departure for the United States, Putin said, “I think that the body which was established—the Permanent Council, the so-called SPS—has on the whole been useful at a certain stage. Today this body is totally insufficient to change the quality of relations between Russia and NATO. . . . I think that all understand the thesis according to which we will act effectively, vigorously, and persistently to attain the objectives and to accomplish the tasks which will be drafted with our participation. And if we do not participate in the drafting of these tasks, then, correspondingly, one may expect a certain kind of behavior of the Russian Federation.”

Speaking at the Russian Embassy on Nov. 13, Putin reiterated his position, “We intend to move toward the development of equal partnership with [NATO], to go as far—and I would like to stress this—as far as the Atlantic Alliance itself is ready to go, and to the extent that it is capable to take into account the legitimate interests of Russia.” At their joint press conference earlier in the day, it appeared that Putin had gotten some support from President Bush on that issue. “Russia should be a part of this Europe,” Bush told reporters. “We will work together with NATO and NATO members to build new avenues of cooperation and consultation between Russia and NATO. NATO members and Russia are increasingly allied against terrorism, regional instability, and other threats of our age, and NATO must reflect this alliance.”

In his Russian Embassy speech, Putin underlined cooper-

ation in the area of fundamental science. Reflecting many of the points that have been stressed by Lyndon LaRouche in his discussions with Russian scientific organizations, especially his emphasis on the significance of the fundamental work of Russian scientist Vladimir Vernadsky, Putin said, “Particularly great here, are the capabilities and potentialities of the scientific communities. After all, there are only two countries in the world that, from the very outset, chose to develop science across the board in all its spheres, and those countries are the United States and Russia.

“Ambition to produce knowledge, including fundamental knowledge, is an inherent feature of both the American and Russian cultures,” Putin said. “But the Russian fount of fundamental and technological knowledge has not yet been realized in full. Therefore, joint Russian-American R&D, we think, has great prospects, all the more so, since we already have an example of such a successful cooperation, and the example is NASA activities.”

Originally, Putin had intended to visit NASA but, for political or other reasons, that itinerary was changed. Putin came back many times to the important U.S.-Russian space cooperation. In his comments at Rice University, he noted that “Russian has been heard spoken for a long time now on the premises of the Johnson Space Center, and we even have a common holiday—that is, the 12th of April, the day when our Russian compatriot Yuri Gagarin made history to become the first man to travel in space. . . . We know that the legislative assembly of Texas declared that day to be a holiday. For us, it is a special symbol, and let me assure you that to us, this is something that makes us view Texas in a special way.”

It was an irony of administration economic policies that precisely as Putin spoke, a new NASA Administrator, Sean O’Keefe, was appointed to replace Administrator Dan



Putin spoke to American businessmen at the Russian Embassy on Nov. 13, telling them that cooperative U.S.-Russian relations go back to American independence.

Goldin, who had overseen all the U.S.-Russian cooperation during the post-Cold War period. The International Space Station, now the center of U.S.-Russian space cooperation, has suffered from numerous cost overruns, and it is feared that the new director, with his background in “business management” rather than in space science, will mandate even more cuts in the NASA budget which would threaten that very cooperation that Putin was referring to (see article in *Economics*).

ABM Or NMD?

On one of the more controversial issues, the two Presidents are still worlds apart: the issue of the ABM Treaty and the U.S. commitment to build a missile defense system. Administration officials downplayed any expectations of reaching an agreement now. In his interview with American journalists in Moscow, President Putin indicated that the United States had not provided Russia with any clear indication of how exactly they intend to proceed with their missile defense program, making it extremely difficult for the Russians to respond. “What do they specifically propose to change [in the ABM treaty]?” Putin asked. “What specifically hinders the implementation of the program which was conceived by the U.S. administration?”

Perhaps in an effort to move the Russian side a bit on that issue, President Bush agreed to unilaterally reduce U.S. nuclear warheads to a level of between somewhat 1,700 and 2,200 over the period of the next ten years, somewhat lower than the level the U.S. side had previously indicated it was willing to go. President Putin has agreed to come back soon with a Russian reduction level, after the experts have had a chance to study the Bush cuts, and it is felt that an agreement on reductions is only a matter of time. Nevertheless, many of President Putin’s military advisers are hesitant to agree to anything without some regime of verifiability as to the levels. “Trust, but verify,” was also President Reagan’s watchword

on the negotiations with Soviet President Gorbachov.

On the missile-defense issue, President Putin still intends to adhere to the ABM Treaty. According to the treaty, the U.S. could unilaterally withdraw with six months notice, notice which they have not yet given. It is generally believed that, barring any changes in the Russian position on the treaty itself, Russia may allow the U.S. broader parameters for missile-defense testing, than those allowed by a strict adherence to the treaty, giving more time to discussions regarding the ultimate fate of the treaty.

Uppermost in their discussions was the urgency of finding a political solution to the situation in Afghanistan. President Putin, who has direct contact with leaders of the Northern Alliance, has called for a multi-ethnic solution to the crisis.

More important, the issue of going after the “real flanks” against terrorism, which Lyndon LaRouche has continually stressed, has become an important focus of the Bush-Putin discussions. First, the two sides agreed to cooperate to bring Israel and the Palestinians to the negotiating table. In a joint statement, the two Presidents said that they were “stepping up their efforts aimed at facilitating an early resolution of the crisis in the region and resuming negotiations on all tracks—Palestinian, Syrian, and Lebanese.” This action was reflected in a unanimous UN Security Council demand on Nov. 11, that Israel immediately pull out of the Palestinian Authority’s Area A.

Drug trafficking is a second critical flank. Speaking to high-school students in Crawford, Bush said, about U.S.-Russian cooperation over a post-Taliban government in Afghanistan: “I think—and it started yesterday in my house in Crawford, where the President and I had a very long discussion about how to make sure that the post-Taliban Afghanistan accomplished some—certain objectives: one, that it be a peaceful neighbor to everybody in the region; secondly, that it never harbor and train—serve as a training ground for terrorism again; and third, that it be a country that doesn’t export drugs.” “I don’t know if you know this or not,” Bush continued, “but the Taliban government and al-Qaeda, the evil ones, used heroin trafficking in order to fund their murder. And one of our objectives is to make sure that Afghanistan is never used for that purpose again.”

Here again, during the Soviet war in Afghanistan, low-intensity operations by the CIA also involved using drugs to demoralize Soviet troops. Much of the drug problem in Russia today stems from their own “Afghan debacle.”

The United States has also committed to supporting the Caspian Pipeline Consortium—effectively scrapping the Brzezinski geopolitical gimmick of a Baku-Ceyhan pipeline going through Turkey—and to help develop new oil and gas resources in the Far Eastern Sakhalin area.

That this cooperation become a genuine “partnership,” requires President Bush taking up the cudgels against the “clash of civilizations” crew, both within and outside of his administration.

Coalition Survives To Fall Another Day

by Uwe Friesecke

By raw political blackmail, German Chancellor Gerhard Schröder succeeded, at the last minute, in securing a majority of three voices in the Nov. 16 Parliament vote on the deployment of German Bundeswehr troops to Afghanistan, by coupling this vote with a vote of confidence on his government. Thus, he forced back together the Social Democratic-Green party (“Red-Green”) government—but that does not guarantee this coalition will last until the next Federal elections due in September 2002. Rather, the continuation and probable widening of the war in Asia, the Middle East, or Africa, will wear down the coalition, and force early elections.

But, the war developments are not the only source of crisis, and further crises within the government camp are pre-programmed; it is because of the shocks coming from the economy, which are already visible. The rise in unemployment to more than 4 million before year’s end, and the multi-billion-deutschemark deficit in the Federal budget, caused by the erosion of the tax base, are harbingers of what is to come. Chancellor Schröder, his Parliamentary Whip, and his party’s general secretary, will not be able to impose party discipline by threatening to call a vote of confidence, a second time.

The joy of the Red-Green deputies over their success in the Bundestag’s vote will be short-lived. For, in reality, the events of early November demonstrate how great the opposition in their own ranks has grown against the political tack Schröder and his Foreign Minister Oskar Fischer have taken. In a free vote, up to 30 Social Democratic and Green deputies would have voted against giving a far-reaching authority to the German government, to deploy the Bundeswehr to Afghanistan. They would have demonstrated the uneasiness among their party bases and among the population in general, over the government’s policies. But, it is exactly this opposition, which the Chancellor and his Foreign Minister do not tolerate, ever since they coined their regrettable line about “unconditional solidarity” with America. In this respect, the Chancellor has remained true to himself, and ironically, the true heir of his predecessor, Christian Democrat Helmut Kohl.

From the beginning, critical questions, on how to judge the events of Sept. 11, and about the U.S. government’s reaction, have been suppressed by all means. According to Bundestag deputies, there has never been an open debate about this—not even behind closed doors. This method of govern-

ing will prove fatal for Chancellor Schröder and his government. It may help keep power in the Berlin intrigues for a short time, but, in the long run, no policy for the good of Germany can be carried on, with the level of denial of reality exhibited by the Chancellor.

Trapped In Their Own Chaos

But early November demonstrated, that the situation within the opposition Christian Democratic Union and Free Democratic Party is not much better, vis-à-vis how the German government should have reacted to the terror attacks. Trapped in the chaos they created themselves, the CDU leadership can be happy that they didn’t have enough votes to topple the Chancellor. Now, they can at least put their hope in the factor of time, which is working against the Red-Green government, which the opposition can not challenge either politically or in terms of leadership.

In the Bundestag debate, immediately before the confidence vote, the opportunity was squandered to put before the German public, what the government knows about the background to Sept. 11, and what the German and the American governments really intend to do in deploying the Bundeswehr. Berlin would only repeat, like a prayer wheel, that Germany must contribute to the war on terrorism.

The possibility, that the true authors of the terror attacks must be sought among American extremists—as has been widely discussed in France—and that the events of Sept. 11 have been part of an attempted coup against the U.S. government itself, has been declared taboo by Berlin, given its demand for “unconditional solidarity” in the U.S. fight against international terrorism. Furthermore, during the debate, some claimed that the war was nearly over, and the Bundeswehr was only needed for humanitarian missions.

Reality is different. Chancellor Schröder has now been given the authority he requested from the Bundestag, to keep his promise of “unconditional solidarity.” The war in Afghanistan is not over by far, but will now enter the much more dangerous phase of a ground war. It is also clear, that the military actions may be widened to engulf the Middle East and the Horn of Africa. The comments during the Bundestag debate by post-Communist Gregor Gisy, that Germany’s Fuchs tanks (which are for use in nuclear-, biological-, or chemically contaminated areas) would not be deployed to Afghanistan, but more likely to Iraq, is very much justified.

After the lamentable failure to face reality by both government parties, and also the Bundestag opposition in Berlin, who will guarantee that the Bundeswehr, and Germany’s politicians, will not be drawn into a “Clash of Civilizations,” which the German government professes to be avoiding? All this is evidence, that Schröder’s success in the Nov. 16 vote was not only the beginning of the end of his coalition, but also marks the point, where the German political class, and German soldiers with it, step into the quicksands of a geopolitical adventure, casting all warnings aside.

French Circles Confirm Thesis: Coup Attempt Unfolding In U.S.

by Helga Zepp-LaRouche

This statement was issued by Zepp-LaRouche, Chairman of the Civil Rights Movement Solidarity in Germany, from Mainz, on Nov. 15. Its full title was "French Intelligence Circles Confirm Thesis Of An Attempted Military Coup In The U.S.A.: Challenge To The Legitimacy Of Use Of Article 5 Of NATO Treaty.

In a series of exposés (see appended extracts), the leading French daily newspapers *Le Monde* and *Le Figaro* have re-

futed the officially adopted theory that Osama bin Laden was the sole instigator of the Sept. 11 attacks. The French newsletter *Réseau Voltaire*, tied to intelligence circles, even went so far, in its Sept. 27 issue, as to explicitly confirm Lyndon LaRouche's thesis that the Sept. 11 attacks on Washington and New York were part of an attempted coup d'état, being run by extremist military circles within the United States.

On Sept. 11, during a live radio interview, which happened to be on the air as the attacks on the World Trade

A French Warning

Political intelligence circles in France have launched a campaign in the major press, to discredit the official "bin Laden" explanation, "bin Laden did it." Their aim, both evident and confirmed by well-placed journalists, is to destabilize the ongoing attempted "strategic coup" in the United States, and to expose as fraudulent the basis for NATO's first-ever invocation of its Article 5.

Whether or not the articles appearing in France, contain the truth, the whole truth, or even some of the truth, is not the immediate point. What certain intelligence-connected networks are doing—through *Le Monde*, *Le Figaro*, the newsletter *Réseau Voltaire*—is to throw a monkey wrench into the intensifying war and strategic threat.

Since Sept. 27, *Réseau Voltaire* has published special dossiers on the Sept. 11 events, hypothesizing them as part of a coup d'état attempt: "On Sept. 11, 2001, George W. Bush hesitated all day long to interpret the events either as an attempted military coup d'état or an attack by foreign terrorists. It seems horrendous that the President of the United States could have envisaged that American military could have organized such murderous attacks. Yet, in 1962, President John F. Kennedy had had to face up to a major plot by the chairman of the Joints Chiefs of Staff, aimed at justifying an invasion of Cuba. Gen. Lyman L. Lemnitzer had planned a wave of murderous bombings against the American population. He was stopped by the



President. Shortly afterwards, Lemnitzer and other extreme right-wing officers organized the murder of Kennedy."

On Nov. 12, France's leading daily, *Le Monde*, picked up on the story, running a prominent, lengthy review of a book called *The Forbidden Truth*, by two authors familiar with intelligence and government circles. The review, by Sylvain Cypel, entitled "When Washington Negotiated With The Taliban," began with the assertion that "prior to Sept. 11, the Bush Administration had reined in the FBI's anti-terrorism activity, because it was in intense negotiations with the Taliban, undertaking to support them if they turned over Osama bin Laden. That is the thesis of *Forbidden Truth*. . . . [The authors], on this point, provide the 'scoop' testimony of John O'Neill, number two in the FBI, who came knocking at their door in July 2001, precisely because he said he had been reined in in his work."

—Muriel Mirak-Weissbach

Center and the Pentagon were unfolding, Lyndon LaRouche presented the thesis that an operation on this scale, and with this degree of precision, could only have been coordinated by criminal elements within and around the military and security apparatus of the United States itself.

The fact that sources in French intelligence have now not only adopted this thesis, but have begun to elaborate it with a plethora of questions concerning the many features of the Sept. 11 events that simply do not add up, has the greatest possible bearing on the current debate on whether Bundeswehr [German army] troops should participate in military action in Afghanistan. For, if the primary movers behind the attacks are *not* bin Laden and Islamic terrorist circles, but rather are circles in the U.S.A. itself, then, obviously, the entire rationale for invoking Article 5 of the NATO treaty, would crumble to nothing.

More important still: If, as *Reseau Voltaire's* Sept. 27 issue put it ("Informational Note 235-236"), it were to turn out that this attempted military coup was "carried out by American extremists who were capable of provoking a nuclear war," then, obviously, this would need to be thoroughly investigated, and would require a major debate on security policy. An extremely important question in this connection, would be to determine precisely what motivated Russian President Putin, immediately following the attacks, to telephone President Bush to inform him that Russian nuclear forces had *not* been put into a heightened state of alert.

At a time such as today, when it is a question not merely of the vote on whether to deploy the Bundeswehr, and not merely of the future of the Red-Green [Social Democratic Party-Green party] coalition government in Berlin, but rather, of Germany's most vital security interests, it is these matters which must be placed at the center of all discussion. What we urgently require, is a sober analysis of the entire situation, drawing upon the knowledge of experienced forces in our military and security sectors.

Appendix:

Sept. 27, 2001: The monthly French newsletter *Reseau Voltaire* writes on its website (www.reseauvoltaire.com) that "extremist American circles attempted on Sept. 11 to carry out a military coup against the U.S. government." In its full printed text, *Reseau Voltaire's* Sept. 27, 2001 issue goes so far as to state that:

"From 10:00 a.m. to approximately 8:00 p.m. [on Sept. 11], U.S. government officials were not thinking that this was the work of Arab terrorists, but rather that it was an expression of a military coup being carried out by U.S.-based extremists who were capable of provoking a nuclear war."

Oct. 16: *Reseau Voltaire* publishes information on secret financial connections between American circles and bin Laden. Among these are mentioned the infamous Bank of Credit and Commerce International (BCCI), which had already been deeply involved in the Iran-Contra affair.

Oct. 31: The French newspaper *Le Figaro* reports on its front page, that official U.S. circles had ongoing relations with

Osama bin Laden up through July 2001. This information is confirmed the following day by the French government-controlled station Radio France International.

Nov. 12: France's leading daily *Le Monde* takes up the threads of the same story, by prominently running an extensive review of the book *La Verité interdite (The Forbidden Truth)*, whose two authors are well-connected to French intelligence and government circles. The review, titled "When Washington Negotiated With The Taliban," reports on how, prior to Sept. 11, the Bush Administration was engaged in intensive negotiations with the Taliban.

What is crucial about these media reports, is not whether they match the truth on every single point; what is crucial, is their intention to halt the process of a surreptitious coup in the United States that began with the Sept. 11 events. There are many political circles—not only in France, but also in other European countries, and in Russia—who know that the attacks on New York and Washington were not a "terrorist attack," but rather a political operation of truly staggering strategic dimensions.

LaRouche Featured In The Arab World

by Muriel Mirak-Weissbach

The views of Lyndon H. LaRouche, Jr., regarding the significance of the Sept. 11 events, as well as broader strategic and economic perspectives, are receiving coverage in leading media in the Arab world. On Nov. 4, the Egyptian national TV Channel 2 and the international Egyptian Satellite Channel, both state-owned, broadcast an interview with LaRouche, hosted by Sanaa Mansour, a "grand dame" of Egyptian journalism.

LaRouche was presented as "the American politician who foresaw the terror attacks in the U.S.," and a Democratic Presidential candidate in the 2004 elections. He was asked about his forecasts of the terrorist attacks, and his explanation of them. He said, "What I expected was some outbreak of major terrorism in the United States, focussed on Washington, D.C.," based on "our knowledge of the preparations, by an international terrorist organization, of the kind of attack on Washington which exceeded what had happened in Genoa, Italy, at the summit there, previously. . . . So that showed us that there was a high-level commitment to produce a terrorist-type disruption of the U.S. government, by late September. That was then called off after the attacks of Sept. 11, but I would say there has to be, ultimately—there is a relationship between the two."

Regarding the perspectives for the anti-terrorist coalition to win in Afghanistan, and to capture Osama bin Laden,

LaRouche said: "It couldn't occur. This thing was a piece of folly from the beginning. It was actually a response, by the U.S. government, to a provocation from inside the United States, by people, obviously, who intended that the United States should join with Israel, in launching war against Israel's Arab neighbors. And by those who, like Zbigniew Brzezinski, are committed to what is called a 'Clash of Civilizations,' as a geopolitical operation in Asia.

"One has to remember, to understand this, that the attacks in the late 1970s against Afghanistan were taken at the admitted instigation of Zbigniew Brzezinski, who called it the Arc of Crisis, which is one of his earlier versions of the clash of civilizations. That was the geopolitical operation then, and is the geopolitical operation now. So what's happened is, you have the bombing of Afghanistan under the pretense of chasing Osama bin Laden, who could not have done what was done—he could not be not responsible for it, incapable—as a way of trying to compromise, so as not to bomb Lebanon, not to bomb Syria, Iraq, and so on, which is what the faction behind this kind of thing, wants.

"They want the Israelis, backed by the United States, as in the Desert Storm war of 1990-91, under the pressure from Israel, to start a clash of civilizations war. And that is what the issue is here.

"If you want to shut down al-Qaeda, you have to shut down the British, American, and Israeli backing of what was called the Iran-Contra operation. They control it. As long as you have people in Britain, in the United States, and in Israel who continue to play with this kind of organization in Africa, in the Middle East, and elsewhere, it is going to continue to exist. Whether Osama bin Laden lives or dies is irrelevant. This thing was created by the Anglo-American interests, with Israeli collaboration, and as long as it continues in operation, it will continue. Chasing one man is not going to eliminate it."

LaRouche concluded, describing the world economic recovery program, which is the centerpiece of his U.S. election campaign, and the role of Egypt in Eurasian development.

On Nov. 7, a well-known Egyptian historian, Dr. Abduladhim Ramadan, echoed LaRouche's views in an article published in *Al Gumhuriya*. The greatest tragedy for the American administration today, he wrote, "is that nobody in the world believes its allegations that bin Laden is the culprit behind the Sept. 11 attacks, for the simple reason that the crime, from the standpoint of planning and preparation, was of a level which is beyond the capabilities of a terrorist like bin Laden." He continued: "The crime, as it was conducted, looks more like a well-prepared war plan, planned by military professionals with a high degree knowledge, competence, and experience." He stressed that "by pointing to bin Laden from the onset, the U.S. administration has covered up the real perpetrators of the crime forever. Even if the current investigations declare bin Laden as not guilty, the administration would not admit that, because its military preparations have gone too far already."

Qatar, Kuwait

On Nov. 8, the Qatari-based Al-Jazeera satellite channel website, which claims 41 million visits per day, ran a review of LaRouche's ideas, as reported in a Kuwaiti publication, *Al-Mujtamaa*. The magazine focussed on LaRouche's assertion "that the perpetrators of these incidents are internal American forces." The article cited "major American politician Lyndon LaRouche, the Democratic Party candidate for the next elections in the U.S.," who said at the end of July, that due to the worldwide economic crisis, "there are forces inside the U.S. and Britain (including Brzezinski) who want to trigger a world war to prevent the new, current shifts in Asia." To stop this war, which would be a "war between Islam and the West," LaRouche was cited saying, "We have to stop such a war before it breaks out. Therefore, we have to stop Sharon in Israel first. And we have to secure peace in the Middle East."

The magazine continued with LaRouche's post-Sept. 11 comments, saying that the attacks had been "set up, created in a period of overwhelming financial and monetary crisis in many countries. This operation was not conducted by any force from outside the U.S. . . . It is possible that individuals from other countries were used in this. But those who conducted this operation are forces from inside the U.S. Their aim is to create a coup in the administration, and to drive the U.S. into war. These forces are prepared to run new operations to reach their objectives. They will provoke the population into pushing the administration to war. We have to stop that."

The paper concluded with a warning: "All that one fears is that this political personality could be targeted for assassination, because he possesses such a level of daring which, without any doubt, is annoying many forces in the United States of America."

Palestinians' Shaath Makes Plea For Peace

by Carl Osgood

The world has changed considerably in the past 14 months, and even more so since the Sept. 11 attacks on the United States. One thing that hasn't changed is the desire of the Palestinians to realize their national aspirations, and that was on display in Washington, D.C. on Nov. 9. That day, Nabil Shaath, Minister for Planning and International Cooperation in the Palestinian Authority, delivered an address, at the Brookings Institution, which was an eloquent plea for peace. He called for effective participation by the United States in finding that peace, and for Israel to give up the violent, oppressive means it has used against the Palestinians since the Second Intifada began in September 2000.

‘Security As Between Two Partners’

Shaath began his remarks by demonstrating that the goals of the Palestinians have not changed, despite the violence that has engulfed the region. What the Palestinians want is a fully sovereign state on the territories occupied by Israel in the 1967 war, that is, the West Bank and Gaza. That sovereignty must include full control over borders, air space, resources, and adjacent waters. The Palestinians want their capital in East Jerusalem, with the Israeli capital in West Jerusalem, and want Jerusalem to be one city, with free movement between East and West and possibly joint municipal administration. Shaath said that what the Palestinians would like to see is a secure border for safety and security, but open for free movement of goods and services and for joint economic projects. Shaath said, “We would like to see security as between two partners, between two independent states, and within a Middle Eastern context that is free and secure and living in harmony.”

Instead, what the Palestinians were offered at Camp David last year, was a “state without borders and without control of the skies and without control of the underground water and without control of our territorial waters, and a state with a semi-capital that you need a GPS system to walk through to know which part of it” is Palestine and which part of it is Israel. This is what the Palestinians were offered as a final solution, and that didn’t, of course, address the issue of refugees. The refugee issue, Shaath said, must also be solved by an agreement “that’s negotiated, and that is fair and that can be applied and that will end in real peace between the two parties.”

Shaath emphasized that the Palestinians are still committed to a negotiated peace, even despite the terrible toll and suffering of the past year of confrontation. “The role of the United States is absolutely vital,” he said. “It’s absolutely necessary because the United States will do something that’s good for the two parties,” and by ending the cycle of violence, the United States “will be saving the Israelis as well as Palestinians, Middle Easterners, Arabs, in fact, contributing to peace and security for the rest of the world, because the United States is the only one capable of doing it in peace.”

Shaath concluded his remarks by putting the Middle East situation in the context of Sept. 11. First, he condemned those in Israel who think the world “has changed in ways they can exploit, to simply dub us as terroristic, so that we can be lumped with the bin Ladens of the day. . . . This, I think, is the worst and most horrible, malicious opportunism and exploitation of the agonies of the American people.” Second, he described how the Palestinians took the decision to stand with the United States against the perpetrators of the Sept. 11 attacks.

An Appropriate Response To Sept. 11

Finally, Shaath answered the real forces behind the attacks. “I don’t think there is any better response than for

the United States not only to urge the parties to work to produce an Israeli-Palestinian peace, because what is better than a peace between Christian and Muslim Palestinians and Jewish Israelis now as a response to bin Ladenism, as a response to all those who want to see a clash of civilizations?” He concluded: “What better response than to make peace that works, with the help of the United States? And how negative is the alternative of the United States seeming, looking like it is not using that opportunity to produce more justice.”

Shaath did not flinch in the face of questions from the news media and pro-Israeli organs such as the *Jerusalem Post* and American-Israeli Public Affairs Committee. First, Shaath demolished the myth that Osama bin Laden has anything to do with the Palestinian struggle. “We’re not going to accept to become a pretext for anybody for other causes, not that Osama bin Laden has ever expressed any support for our cause before,” he said.

Second, Shaath took on the issue of the use of violence. He made a distinction between those who resist the occupation and the methods they use. Anybody who resists the occupation of the Palestinian territories by the Israeli Army must be supported, he said. On the other hand, “The Palestinian Authority had always been very clear in condemnation of any of these tactics leading to the killing of civilians on both sides.”

Palestinian Police Are Hamstrung

As for the oft-repeated criticism that Palestinian Authority President Yasser Arafat is not doing enough to apprehend terrorists wanted by the Israelis, Shaath made a number of points. First, he said, the Palestinian police force has been devastated by the Israeli attacks. Police stations and jails have been destroyed, and the police have little, if any, freedom of movement to even pursue Palestinians who have violated Palestinian Authority law. The irony is that the Israelis are demanding cooperation from a government “when the Israeli government is targetting that government and its very security forces.” He also noted that the same charges are never made against the Israeli authorities when violence is committed by the terrorist groups made up of Israeli settlers or by members of the Israeli Army. Shaath said, “There’s always a political rationalization for why the Israeli government cannot do something, because it finds it very difficult to do it, because it will lose support if it does it.”

The Palestinians, Shaath said, are not seen in this light at all. The only political support that the Palestinians are asking for, he said, “is for Israel to start doing its own things that will reduce the onus of the siege and the burdens of the closure and the humiliation of the people, and to start to end a little bit the suffocation of our economy, so that our people can really be empowered by their government to go after those who disobey the rules of the government on engagement with Israeli occupation.”

Seton Hall Conference: Dialogue Of Civilizations Comes To America

by Muriel Mirak-Weissbach

On the sidelines of the UN General Assembly, which commemorated 2001 as the Year of the Dialogue Among Civilizations, a very important form of dialogue unfolded at Seton Hall University, in South Orange, New Jersey. This university's School of Diplomacy and International Relations had been chosen as the coordinating secretariat of the dialogue. The symposium featured Iranian President Seyyed Mohammad Khatami, who originally proposed, in 1998, that the UN dedicate the year 2001 to the dialogue; and His Eminence Cardinal Theodore McCarrick, Archbishop of Washington, D.C. Rabbi Arthur Schneier, founder of the Appeal of Conscience Foundation, was unable to attend personally, but sent a written message.

In opening the symposium, held on Nov. 9, University President Msgr. Robert Sheeran took pains to emphasize the historic character of the meeting. Addressing the students present, he stressed, that "if 'today' belongs to the distinguished leaders gathered on the stage, then 'tomorrow' belongs to you. The future is *yours*. . . . Indeed you *are* the future." He appealed to the students to seize the unique opportunity made to them: "*Remember* what you see here this afternoon and remember what you hear. *Learn* from it. Because the way forward . . . the way toward a 'tomorrow' of justice and peace . . . a 'tomorrow' that is yours to build . . . is being modelled for you—here and now."

Dialogue Of The Pope With Islam

The students were not to be disappointed. What unfolded was a warm exchange between President Khatami and Cardinal McCarrick, which reflected the deepening dialogue between Pope John Paul II and Islam. Khatami stated that today's world, with its "diverse plurality, on the one hand," and "unprecedented inter-relatedness, on the other, has the potential to lead into interminable war and devastation," or, it could be a "harbinger of an era of peace for humanity"—if dialogue succeeds. Khatami stressed the power of love, and the centrality of religion in such a dialogue:

"Love and compassion are divine gifts to the human soul, which provides the very keystone of relationships between human beings with God, among human beings themselves, and between humans and the universe. Humanity today, more than ever, needs to appreciate this fundamental tenet of religiosity and spirituality. Believers in all religions share in this

crucial understanding even though in human history, we can regrettably see that unjustifiable human error has often turned religion into an instrument aimed at justifying inhuman behavior and restricting the scope of human interaction. But this contradicts the purpose of God and divine messengers.

"Our call to Dialogue among Civilizations is an invitation to replace the discourse of violence and hostility with a discourse of mutual understanding and reason. Any dialogue among civilizations and cultures, is incumbent upon taking into consideration the most fundamental cultural and civilizational element, that is, religion, beyond historical prejudice and fanaticism.

Khatami underscored the need to seek out points of common understanding, and consider points of difference, as secondary: "In such a dialogue we should emphasize bright points of essential concordance and leave aside divisive issues, which derive not from the essence of religions but only from historical factional conditions, and only when fanaticism prevails over fairness."

The Iranian President distinguished sharply between this message in true religion, and its distortion:

"One cannot but wonder in bewilderment at the insurmountable gap between Jesus Christ, who was all for love, beauty, freedom, and compassion, on the one hand, and the appalling character of a cardinal who sides with Satan and whom Dostoyevsky mockingly calls 'the Grand Inquisitor' in his *Brothers Karamazov*.

"The gap is also insurmountable between the teachings of Moses, who strove not only to set the Israelites free from the injustice of the Pharaoh, but indeed aimed to free humanity from slavery and to establish justice, on the one hand, and the violent racist misinterpretation that has driven a nation out of its homeland, and subjects them to perpetual suppression and massacre in their own land.

"Islam too calls 'in the Name of God the Compassionate, the Merciful' in the Holy Koran as well as in all Islamic ritual, and stresses God's compassion and mercy as prevailing over His other attributes. But unfortunately we see how an obscurantist misrepresentation of Islam terrorizes the world and whoever does not share in its fanatical illusions, subjecting innocent women, men, and children to blind wrath misnamed a Holy War or Jihad."

Referring to the Sept. 11 events, but without mentioning the "anti-terrorist coalition" currently waging war in Afghanistan, Khatami called for a "coalition aimed at establishing peace, a peace based upon justice." "The most crucial point would be for us to emphasize our many commonalities, the most significant of which is the belief in one God Who is wise, just, compassionate, and merciful," and to "recognize the intimate connection between the human spirit and the spirit of the universe that is eternal and everlasting." In the Koran and the Bible, both the Old and New Testament, Khatami said, "the human individual is stressed," and "religions teach us that the central prominence of human beings in the universe . . . stems from our being addressed by the Divine

. . . which elevates the human spirit and thereby makes possible the establishment of justice in the world.”

Love For The Whole Human Family

Cardinal McCarrick, one of three American clerics to visit China in 1998, was elevated to the College of Cardinals by Pope John Paul II on Feb. 21, 2001. Cardinal McCarrick was outspoken in his recognition of Khatami’s stature, and the significance of his dialogue proposal, saying to the Iranian leader, “President Khatami, you have already earned a privileged place in the history of your country and the world.” The Cardinal said he was “delighted and somewhat awed to be sharing this podium with you.”

In his presentation of the dialogue, Cardinal McCarrick reached back nearly 40 years, to the time when Pope Paul VI “noted that the key to true dialogue is ‘consideration and esteem for others, and understanding and kindness.’ ” Then he recalled Khatami’s 1998 proposal for the UN, and its acceptance, for 2001 (see *EIR*, Sept. 22, 2000). Following that, “This year, Pope John Paul II, in his World Day of Peace message on Jan. 1, 2001, invited ‘believers in Christ, together with all men and women of good will, to reflect on the theme of dialogue between cultures and traditions.’ ” He went on to quote the Pontiff’s statement, that he was pleased with the UN’s decision. “In this he made common cause with President Khatami for such a dialogue which might lead to reconciliation, harmony, and cooperation among different cultures and religious traditions.”

The Cardinal also emphasized the power of love. Addressing the impact of the events of Sept. 11, he said that they had “deepened the love my fellow Americans have for their nation.” But, he warned, “we must remind ourselves that we must couple this love of country with love for the whole human family,” and not fall into the “temptations” of “nationalism and xenophobia.” Furthermore, he said, “we must recognize that our culture, like every culture, necessarily has its limitations. To realize this, we must all seek a deeper and unprejudiced knowledge of other cultures,” and recognize, as the church does in its 2000 years of history, “that ‘beneath all that changes, there is much that is unchanging.’ This continuity is based upon the essential and universal character of God’s plan for humanity.”

Cardinal McCarrick chose to conclude his remarks, recalling the meeting between Khatami and the Pope. “Let me conclude with a beautiful story. It is the story of the historic meeting of President Khatami and the Holy Father. As these two extraordinary world leaders parted, the frail Shepherd of the Universal Church thanked the President for what the Pope called ‘an important and promising day,’ to which President Khatami replied that ‘following this meeting with you, I return to my country full of hope for the future.’ ”

Seton Hall University President Monsignor Sheeran had not exaggerated, in characterizing the event as historic. It was, indeed, a worthy continuation of the dialogue between Islam and Christianity.

Macedonia Connects U.S. Ambassador To KLA Terrorists

by Umberto Pascali, from Skopje

Widespread exposés in European and Russian press in recent weeks have echoed what this magazine documented in its May 4 issue: that the ethnic Albanian Kosovo Liberation Army (KLA) is directly linked to the Afghan Taliban and al-Qaeda in drug trafficking, weapons trafficking, and terrorist training. Despite this, a new bloody KLA escalation has again hit the north of neighboring Macedonia, without response from the West; and worse, perhaps with the encouragement of U.S. Ambassador James Pardew. On Nov. 12, a terrorist gang ambushed, with a precision suggesting sophisticated advance intelligence, a Macedonian police armored vehicle, killing three and seriously injuring three more.

This time, however, Macedonia reacted, directing the spotlight at some of the “puppetmasters.” On Nov. 14, the main Macedonian daily, *Dnevnik*, accused the U.S. “facilitator,” Ambassador Pardew. The truth-telling strategy recommended to Macedonia by Lyndon LaRouche, in a statement on Sept. 3 in Reston, Virginia, and on Oct. 5, in interviews on Macedonian national television, seems to have been carefully considered. The irregular warfare waged by the KLA is one element of a broader psychological war aimed at breaking Macedonia’s moral ability to resist.

Any time the Macedonians have rejected, even partially, an order coming from NATO, particularly its Anglo-American component, the KLA has been deployed with such deadly precision, that observers on the scene believe the terrorists are accessing sophisticated intelligence, allegedly received through satellite communications controlled by certain NATO components.

This time *Dnevnik* spelled out the modus operandi. “The special American envoy, James Pardew, without any mandate, undermined the plan of the Interior Ministry to secure the site . . . of one of the mass graves containing the bodies of Macedonian civilians kidnapped and massacred a few months ago [by the KLA].

“Having unsuccessfully tried to block this plan during talks with the leaders of the country, Pardew decided to deny any logistical support [by NATO] for this action.” Then the newspaper delivered its punch: “Pardew also alerted the [KLA] ‘bosses’ of this area to organize an adequate welcome for the police, *Dnevnik* has been told by high-level government sources.”

On the basis of these sources, the newspaper tracks down,



NATO Secretary General Lord George Robertson (left) visited Macedonia Nov. 7 for one of NATO's "negotiating sessions"; our correspondent Umberto Pascali confronted Robertson in the Parliament building in Skopje, asking him if he didn't think it was time to stop interfering in the internal affairs of Macedonia.

step by step, what took place around the Nov. 12 ambush-massacre, and the role played by Ambassador Pardew. From this reconstruction of the event, and from many sources in Macedonia, two things emerge: the outspoken courage of Interior Minister Ljube Boskovski, who has become the *bête noire* of the Anglo-American media, starting with the British Broadcasting Corp.; and the potential of a differentiation between Ambassador Pardew and the other "international facilitator," European Union (EU) representative Alain Leroy, of France.

Crashing A Meeting

The drama unfolded on Nov. 10, when an important meeting took place concerning the identified mass graves of the KLA's civilian victims. That same day, Macedonia police had stopped a car circling near the site. The occupants were armed, and turned out to be KLA terrorists, among them a "Commander Solana," who were arrested. The idea that a terrorist boss would chose as his *nom de guerre* the name of former NATO Secretary General Javier Solana, presently a top EU official, provoked some sarcasm among Macedonians. A few hours later, KLA terrorists—who supposedly had been disarmed by NATO's Operation Essential Harvest—carried out the deadly ambush near the village of Trebos, five kilometers east of Tetovo.

The victims were part of a deployment decided on two days earlier by Macedonian authorities, to secure the site of a mass grave, one of three identified as containing the remains of Macedonian civilians kidnapped by the KLA. That decision was taken against the wishes and directives of international representatives, including Pardew. The KLA's murders

of the policemen were followed by kidnappings, including the editor of the most prominent television station in besieged Tetovo, KISS-TV. The station had just interviewed the leaders of a visiting American-Macedonian delegation—Prof. Nestor Oginar and Dr. Stojadin Naumovski, who both come from Tetovo—as well as this author.

The Nov. 10 meeting concerning the mass grave included President Boris Trajkovski, the Interior Minister, representatives of NATO, OSCE, EU, the War Crimes Tribunal in The Hague, the Macedonian State Prosecutor, and other government officials. This meeting was publicized later in an "open letter to President Trajkovski," written by Interior Minister Boskovski.

Uninvited, Pardew "crashed" the meeting in the Presidential office, and stated that the plan to secure the site could not be accepted. He demanded instead the creation

of a "commission of experts" to "analyze" the problem of the kidnap victims. In particular, Pardew criticized Minister Boskovi and refused to shake hands with him.

However, reportedly, the Macedonian government officials resisted the pressure, with Boskovski insisting on Macedonia's sovereignty, and he exhaustively informed the many representatives of the "international community," that Macedonia had the right and duty to secure the grave site, in the presence of international observers.

In the "open letter," Boskovski directly criticized Macedonia's President, for the "ambiguous and untrue statements made by the Presidential office." He reminded Trajkovski: "On that Saturday [Nov. 10] you, Mr. President, gave precise orders to police forces to begin the operation of securing the site. You also stated that you are the President of this country and as such you bear the responsibility to *tell the truth*."

"You reminded the representatives of the international community that they are in a country in which government institutions still function and nobody can interfere with those institutions based on the law. You reminded them that they will one day leave, and that you are the one who will remain with the people and *with the truth*. . . . On the basis of all these considerations, you stated clearly to the representatives of the international community that your last order is that the police be deployed, and that you were not going to accept any [contrary] suggestion. . . . You gave a very wise answer to European Union Ambassador Norberg, that you rejected the creation of any commission on the kidnapped civilians, because in your experience, such commissions are formed when someone wants to make sure no results are achieved."



The regions of northern Macedonia around Tetovo and Kumanovo are effectively pulled from the country by Albanian KLA armed forces from Kosovo, with NATO protection. Macedonian media accuse U.S. Ambassador James Perdue (inset) of complicity with bin Laden-connected terrorists.

'They Will Learn The Lesson'

Macedonians living in the areas of Tetovo and Kumanovo, are fighting fear and intimidation to stay in areas that the "international community" has decided should be cut out of the jurisdiction of the elected institution, of the country. Many of their irreplaceable ancient works of art, especially religious buildings, have been defaced or totally destroyed, sometimes with sophisticated demolition methods. The international interference in support of the KLA reaches its extreme in the report of *Dnevnik*.

The newspaper said that the order given originally by President Trajkovski, to deploy to the site of the mass grave, was complemented by a plan elaborated by the Interior Ministry. In another meeting, on Nov. 11, "Trajkovski suggested that the police start to immediately secure the site. The Interior Ministry presented a plan to the international representatives. The plan was translated into English, including all necessary information—the number of policemen, the number and type of vehicles, and the precise location where the police were to be deployed. [The French facilitator] Leroy said that he respected President's opinion. . . . Leroy said that the police will have a very precise mission and will refrain from entering villages. The representative of the European Union suggested that the police be accompanied by the monitors of the EU, OSCE, and by the soldiers of the [German-led NATO] Red Fox Mission."

All of these suggestions were reportedly accepted by the government officials. "But," the *Dnevnik* account continued, "immediately after the Nov. 11 meeting with Trajkovski, Pardew organized his own meeting with Leroy and his assistants, in which [Pardew's] latest decision was presented with these words: 'There will be no logistical assistance [for

the Macedonians]. We shall leave them alone to learn a lesson.' Pardew's assistants were immediately given orders to alert the 'crisis area' with the suggestion that they prepare the 'welcome' [for the Macedonian police]." The "crisis area" is a reference to the KLA forces controlling the Tetovo area.

Ambassador Pardew has left Macedonia since the murders of the policemen. An investigation into his behavior clearly is called for, in both Macedonia and the United States. Such breathtaking reports of collusion between high-level American officials and terrorists are reaching the public, at a time when the United States and Britain are at war in Afghanistan with the stated aim to "get the terrorist Osama bin Laden"; yet the brother of bin Laden's right-hand man reportedly trains the KLA terrorists, at locations within the American zone of NATO responsibility in Kosovo (see *EIR*, Nov. 9, 2001). Furthermore, the KLA in Macedonia is officially supposed to have been disarmed by the NATO Operation Essential Harvest.

Adding to the suspicion, U.S. Deputy Assistant Secretary of State for European Affairs Janet Bogue arrived in Skopje, as Pardew left, for meetings with the Macedonian President and the Prime Minister. The capital's main news station, MKTV, reported on Nov. 13 that "Janet Bogue stressed that 'they' [the State Department apparently] are aware that some Albanian groups are spreading a strong propaganda line, aimed at showing that they enjoy the support of the United States. This is not true." Bogue's apparent message was that any reported links between Anglo-American entities and the KLA are "KLA propaganda." The "Tell the Truth" strategy spreading in Macedonian nationalist circles is showing its power.

Congresswoman Waters Sends Public Apology To LaRouche

by Dennis Speed

On Nov. 14, at a Congressional briefing on “Public Hospitals In Crisis: Is The Social Safety Net Unraveling?” chaired by Reps. John Conyers and Dennis Kucinich, California Congresswoman Maxine Waters stated, “Let me just say this. And I am not [a person] without controversy. We’ve had a group of people coming to this Congress, trying to focus us on what was happening with D.C. General Hospital. And, we, basically, told them, ‘It’s not our district. It’s not a national issue.’ And a lot of people shied away from that because the LaRouche organization was at the forefront, of trying to help us understand what was going on. We should all apologize. And I do now. I apologize because, you’re right. It *is* a national issue. *And we could have understood this.* And second, I think we have to say to our colleagues in the District: ‘We want to help you. Because to help you, we help ourselves with this issue.’ And having said that, I think that many of us are going to have to refocus.”

Waters’ remarks were met by applause from Congress-

sional aides and staffers. A bit later, Waters referenced “Sept. 11” as a watershed, after which the fact that “LaRouche was right” was unquestionable.

After Sept. 11, the “D.C. General issue” ceased to exist. The lack of emergency preparedness of American cities, including the nation’s capital, to respond to biological or chemical disasters, whether perpetrated by terrorists, or accidents, as well as the incapacity to treat mass outbreaks of disease, such as a Spanish Flu epidemic, was underscored with a vengeance, as anthrax killed small numbers, and threatened many more—including members of Congress. Washington’s self-imposed unpreparedness took the lives of postal workers, and tragically “proved” what LaRouche had warned of earlier.

The District’s Congresswoman, Eleanor Holmes Norton, had deliberately road-blocked every attempt by her colleagues to respond to the nation’s painfully self-evident public health crisis, terrorizing them that they would be branded as “collaborators of Lyndon LaRouche.” That, combined with the withdrawal of support for D.C. General Hospital by Senate Majority Leader Tom Daschle (S.D.), Sen. Tim Johnson (S.D.), and other prominent Democrats who did not want to alienate Al “Born To Lose” Gore, had succeeded in closing the facility in July. Scores of D.C. residents died directly as a result of this action, imposed as “fiscal prudence” against the unanimous voice of the City Council, by the now-defunct Financial Control Board, and with the assistance of the now-deceased Katharine Meyer Graham and her anti-LaRouche *Washington Post*.

In July, the D.C. news-weekly *The Hill* reported: “Norton’s public position is ‘My hands are tied.’ . . . A recent Norton official statement said: ‘D.C. General is a local issue to be resolved in the District and not by any member of the Congress.’” But that was always only a cover story. On March 22, Norton stated, “There has to be a plan. The Control



U.S. Rep. Maxine Waters (D-Calif.).

Board has deferred to the Mayor and the Council and they have to come up with a plan on how they are going to close this damn place down.”

On May 9, Norton’s office sent a memo, marked “confidential,” to her Congressional colleagues “Re: D.C. General Hospital is a D.C. Issue and is Not Before the Congress. . . . Tomorrow, May 10, a mass march and lobby day have been scheduled. There may be more such activity in the weeks ahead. . . . [In] many of the groups who have come to Congresswoman Norton’s office, the majority of the participants have been followers of Lyndon LaRouche, and the publicity and events are being coordinated by LaRouche and the Schiller Institute, a LaRouche front. . . .”

In August, Sen. Mary Landrieu (D-La.), who had earlier insisted that she would act on D.C. General only after consultation with Norton, moved to insert a paragraph into the 2001 Supplemental Appropriations bill: “This section ratifies and approves, and gives the full force of federal law to the action of the District of Columbia Financial Responsibility and Management Authority on April 30, 2001 [to shutdown D.C. General].” The cat was out of the bag. Norton had lied, and blindsided her colleagues.

The significance of Waters’ apology should be seen in light of the above; but also, in the context of the changed post-Sept. 11 environment, and LaRouche’s role in exposing the coup-in-progress against the Bush Administration as of that date. Senator Daschle must now, for the General Welfare of the people of the United States, reverse himself. He should act, perhaps against the wishes of Senate Minority Leader Trent Lott (R-Miss.) et al., to defend the health of U.S. citizens, starting with restoring and expanding D.C. General’s public health functions.

Why Postal Workers Died: No Public Health Defense

by Lynne Speed and Edward Spannaus

The chronology of events leading up to the deaths of two Washington, D.C. postal workers from pulmonary anthrax on Oct. 21-22, stands as a stinging indictment of the bureaucratic, axiomatically-flawed apparatus which continues to leave the nation unprepared even after the events of Sept. 11 and the subsequent anthrax attacks.

Especially dramatic is the transcript of the 911 phone call made by postal worker Thomas L. Morris, Jr., early in the morning of Oct. 21. In that call, Morris said he suspected that he had been exposed to anthrax a week earlier, on Oct. 13, when an envelope with powder in it was found at the Brentwood processing center; but that postal officials had never let him know if it was anthrax or not. Morris saw his own doctor at his local Kaiser-Permanente HMO center in suburban Prince

Georges County on Oct. 18, but the doctor only prescribed Tylenol. After his 911 call, Morris was taken to Greater Southeast Community Hospital, where he died later that day.

The unnecessary deaths of these workers, both misdiagnosed by private, for-profit health-care providers, in the absence of a competent public-health system, underscores the urgency of citizens acting on 2004 Presidential precandidate Lyndon LaRouche’s Oct. 28 call to “Build a National Defense Against Germ Warfare” (*EIR*, Nov. 9).

Morris and his co-worker John Curseen became, tragically, like so many others, victims of the mass murder policy known as “shareholder values,” which in the last quarter-century has overridden the Constitutional principle of the “general welfare” and “common good.” The destructive doctrine of “saving money,” rather than “saving lives,” has now placed in jeopardy the lives of every American.

In this context, LaRouche has stated that restoring D.C. General Hospital in the nation’s capital is indispensable and obvious, but it is not sufficient. What is required is an immediate full war-time mobilization to restore the national defense protection provided by public and related measures of sanitation. This means rebuilding our nation’s infrastructure, including safe water, plentiful and affordable supplies of energy, improved public transportation, and public health institutions, which all have been dismantled, step by step, over the past three recent decades, under the destructive dogmas of “privatization,” “deregulation,” and “free trade.”

Chronology

Saturday, Oct. 13: Thomas L. Morris, Jr. and a few other postal workers at the Brentwood Post Office notice, and bring to the attention of supervisors, a suspicious letter, leaking white powder, which they fear might contain anthrax. This is two days before the anthrax letter is received in the office of Sen. Tom Daschle! The suspicious letter is set aside and sent to the FBI for testing (it was later reported to test negative, but the results were never provided to the postal workers, nor was a further investigation conducted).

Monday, Oct. 15: Immediately after the Daschle letter is discovered, testing and treatment begins at Congress for 4,000 Congressional staffers and others who work in the buildings. But for the next five days, there is *no testing or treatment* of the postal workers at the Brentwood facility, through which the Daschle letter was processed. There are, however, a series of press conferences, which include top Federal and, later, District of Columbia officials. *Not one* of them proposes the type of emergency measures which would have been required to protect the lives of the postal workers.

Tuesday-Wednesday, Oct. 16-17: On Tuesday, Brentwood postal workers Morris and Curseen begin feeling sick; the next day, postal worker Leroy Richmond is ill.

Thursday, Oct. 18: At a press conference at the Brentwood facility, postal workers are told that there is no need for them to be tested. The Centers for Disease Control (CDC) also says that no environmental testing at Brentwood is needed.

Curseen and Morris begin to exhibit worsening symptoms. Morris goes to his HMO, and complains of trouble breathing, muscle pain, headaches, and tightness in the chest. Even though health officials have been warning for weeks that anthrax symptoms are initially similar to those of the flu, the doctor gives him Tylenol, not the powerful antibiotic Cipro.

Friday, Oct. 19: Federal officials state at a Capitol news conference that the only areas of potential exposure to anthrax are the fifth and sixth floors of the Hart Senate Office Building, southeast quadrant. All individuals that have been in that area are given a 60-day course of Cipro. CDC recommends no further testing. D.C. Deputy Health Director Larry Siegel states that there is no need for mass testing beyond the zone in the Hart Building, adding, "This mass need for testing that is being requested in D.C. hospitals and clinics and doctors' offices in the area . . . is not necessary." Meanwhile, postal worker Richmond is admitted to Inova Fairfax Hospital, with flu-like symptoms, and doctors begin aggressively treating him with antibiotics Cipro and Clindmycin.

Saturday, Oct. 20: Postal worker Curseen faints in church; but because postal workers were told they were safe, he thinks it is nothing serious, and insists on going to work that evening.

Sunday, Oct. 21: At approximately 2:00 a.m., Curseen goes to the emergency room at Southern Maryland Hospital Center (a private, for-profit hospital), where doctors diagnose him with stomach flu and send him home. Then, at 4:39 a.m., Morris calls 911, saying that he believes he may have been exposed to anthrax. Morris is admitted to Greater Southeast Community Hospital (the private facility that took over D.C. General Hospital), at 5:55 a.m., and he dies that evening at about 9:00 p.m.

A second Brentwood postal worker is admitted to Inova Fairfax Hospital; and the first one, Leroy Richmond, is diagnosed with pulmonary anthrax. At that point, CDC and D.C. and Maryland health officials finally decide that workers from Brentwood and BWI postal facilities should be tested and given prophylactic treatment. Hundreds of postal workers flock to the D.C. Health Department for testing; they are furious that they were not tested earlier, when all the Capitol Hill staffers were tested.

Mayor Anthony Williams and D.C. Health Director Ivan Walks hold a press conference on Sunday afternoon, asking all postal workers to report to D.C. General on Monday for testing and treatment. The tragic irony of this scene is lost on few people familiar with the treacherous role of Williams and Walks—and that of Delegate Eleanor Holmes Norton—in privatizing and dismantling D.C. General, just a few months ago. The hospital was effectively closed on July 14, and 1,800 dedicated staff were laid off, the Level One Trauma Center was terminated, and its state-of-the-art microbiology lab and bio-chemical decontamination unit were shut down. One of the top bio-terrorist response centers in the country was deliberately destroyed.

Monday, Oct. 22: Curseen collapses at home, is taken by ambulance back to Southern Maryland Hospital Center, and dies six hours later. Williams and Walks hold a 1:00 p.m. press conference, in front of the shell of D.C. General, to announce that two postal workers are confirmed to have pulmonary anthrax, and that two others have died. D.C. officials announce later they will begin giving antibiotics to all postal workers in neighborhood post offices, as well as those at Brentwood. Meanwhile, chaos reigns inside the no longer functional D.C. General, where there is virtually no staff or equipment. Testing is being done by CDC personnel. School nurses are called in to swab noses and dispense antibiotics. Later that day, as a result of the confusion and lack of personnel, all testing of postal workers is halted and antibiotics are simply dispensed. Upset postal workers storm the D.C. General Emergency Room, demanding testing, impossible due to lack of staff and equipment.

Over the next several days as many as 10,000 postal workers and others visit the defunct D.C. General to receive antibiotics. The two Brentwood postal workers who were admitted to Inova Fairfax Hospital and aggressively treated with antibiotics, slowly recover, and are eventually discharged.

A 'Model' Disaster

In the few weeks following these events, Mayor Williams, Ivan Walks, CDC and other Federal officials have hailed these developments as a "model" for local and Federal cooperation in a crisis. But this "model" is clearly a disaster, precisely as described by LaRouche in his Oct. 28 statement: "Homeland defense has been launched with the usual snafu. It came to the surface as a suddenly improvised new agency, without adequate measures to integrate the effort with the work of other, pre-existing agencies operating in the same general area of responsibility. So far, even in dealing with the anthrax problems in the Washington, D.C. area, citizens are literally being killed by 'red tape.'" It's time to join LaRouche in demanding: "Gentlemen: get your act together quickly. Bring the snafu quickly to an end."

Gloria DeFreece, president of the Retirees Division of the National Capital and Southern Maryland Local of the Postal Workers Union, told a Nov. 7 meeting of the Coalition To Restore D.C. General Hospital: "If you take a letter, and it goes to the Capitol, and you find out it's got anthrax on it, where does the letter come from? It came from the post office. If any of you have ever worked in a post office during a Christmas time, any other time, well—I'll show you something. You have a ledge, along here could be a ledge. And the mail is in a big tub. You take the mail out, you squeeze it together like this. What's going to happen to the mail when you put it here? It goes together. The air flow goes out. That's how the anthrax got all over the building. Anybody with common sense would tell you, if you find anthrax in this building down here, and it came from that building down there, go down there too!"

Temple Mount Fanatics Plot ‘Clash Of Civilizations’

by Scott Thompson

On Nov. 7, a group of self-described “Zionist Christians” and right-wing Zionists, under the banner of the National Unity Coalition for Israel (NUCI), called for a “Clash of Civilizations” crusade against Islam, in a press conference in Washington. This was the first major NUCI Washington event since its July 30 meeting with President George W. Bush, in which NUCI representatives sought to blackmail the President. At that meeting, they threatened to withhold the Christian Evangelical vote, unless the President left Israeli Prime Minister Ariel Sharon “unfettered” to initiate a religious war in the Middle East (see *EIR*, Aug. 24, 2001). The NUCI claims to be 200 organizations, representing 40 million Americans.

The event was also the first by NUCI in the capital since the Sept. 11 onset of an irregular warfare coup d’état in the United States, and since the start of the Afghanistan war. It took place in the context of a raging debate within the Bush Administration, in which a neo-conservative faction has pushed a crusade against Islam, targeting not just Afghanistan, but also Iraq, Syria, Sudan, and most emphatically, leaders of the Palestinian Authority, including Yasser Arafat.

It was clear that NUCI was intending to mobilize the “Christian Right” to tip the balance in the Bush Administration. In particular, Secretary of State Colin Powell, a staunch advocate of building an international coalition against terrorism, was savaged by many of the NUCI speakers, who accuse the Administration of threatening the Israel’s security by reining in the Sharon government.

Before the press conference, *EIR* interviewed Rev. Elwood McQuaid, who is the head of the NUCI-affiliated “Friends of Israel” and who broadcasts on 300 Christian radio stations, as well as on the Hollinger International-owned *Jerusalem Post* Internet radio, a mouthpiece for Sharon’s war aims. McQuaid stated that President Bush had made “a great mistake, in my judgment,” advocating that, once the Mitchell Commission’s proposed cease-fire takes effect, there would be an independent Palestinian state with a divided Jerusalem as the capital of both Israel and Palestine. McQuaid stressed, “This is a fight to the finish. It is a ‘Clash of Civilizations,’ and what the United States does not understand is that the Palestinian issue is an integral part of Islamic resolve to dominate this world, and do away with the civilization of the Western world.”

McQuaid referred to the *Clash of Civilizations*, the 1996 book by Harvard Prof. Samuel Huntington, which claims that the West’s new “enemy image” ought to be Islam and China. Huntington is a protégé of President Jimmy Carter’s National Security Adviser Zbigniew Brzezinski, and wrote the “The Crisis of Democracy,” for a 1975 Trilateral Commission meeting. That report called for “fascism with a human face.” McQuaid said Huntington “is a genius. What he says is exactly true.”

Asked whether he supports Jewish zealots’ destroying al-Aqsa Mosque and the Dome of the Rock on al-Haram al-Sharif (a.k.a. the Temple Mount)—an attack on Islam’s third most holy site, which would ignite the Mideast—in order to rebuild the Third Temple of Solomon, Reverend McQuaid said, “Sure I do. I think they have a right to do it. . . . I think . . . trying to extinguish a Jewish presence on the Temple Mount is equivalent to the revisionist . . . Holocaust idea—that it discredits Judaism. It discredits Christianity, because if there was no Temple, Judaism is disqualified. Christianity is disqualified.”

McQuaid admitted he is in close contact with U.S. casino and bingo-gambling multimillionaire Irving Moskowitz, who is funding this Third Temple project, and with Gershon Solomon, who, as head of the “Land of Israel and Temple Mount Faithful,” is the project’s co-sponsor, with additional funding coming from “Zionist Christians” throughout America.

Similarly, at the NUCI press conference, Dr. Labib Mikhail urged, “There would be no Israel without Jerusalem and no Jerusalem without Israel. The Third Temple should be built.”

Sen. Sam Brownback (R-Kan.) dropped by to put in his two cents: “We are doing everything we can to strike back [after Sept. 11]. And Israel has been hit for a number of years, and just recently, in a similar situation, lost a tourism minister. And what did we tell Israel? ‘Hold back.’ ‘Show restraint.’ It was difficult for [U.S. Secretary of State] Colin Powell at a recent hearing to respond to that question of a double standard.”

Revival Of The ‘Bernard Lewis Plan’

Brownback urged everyone to read articles by British intelligence agent, Princeton University’s Dr. Bernard Lewis, to understand what must happen in the Middle East. As *EIR* has reported, the “Bernard Lewis Plan” for carving up the nation-states of the Middle East into manageable religious and ethnic entities, was a major part of Brzezinski’s “Arc of Crisis” policy for perpetual conflict there. In his most recent book, *The Grand Chessboard: American Primacy And Its Geopolitical Imperatives*, Brzezinski has broadened the “Arc of Crisis” into a “Eurasian-Balkans zone of instability,” to revive the “Great Game” of the Anglo-American-Israeli establishment, pitting Transcaucasian and Central Asian Muslim states against Russia in an effort to grab oil and other resources. Brownback said proudly that he had just hosted a

dinner honoring Dr. Bernard Lewis.

NUCI went out of its way to declare Islam a religion of violence, by presenting an Egyptian author, Dr. Labib Mikhail, a Christian cleric who had left Egypt to pursue a career denouncing Islam. This speaker said that there ought to be crusade against Islam, particularly the Palestinians—whom he claimed were pre-ordained as terrorists—rather than a “Dialogue of Civilizations.” Mikhail started by stating that the Koran contains 114 Chapters, which his paraphrase mischaracterized as saying that all Muslims are enemies of Christians and Jews—the Infidel—whom Muslims must “torture,” “terrorize,” and “kill.” He said that anyone “martyred in the cause of fighting the Infidel is promised 72 white and wide-eyed virgins in Paradise.” Mikhail also sought to discredit the Koranic story that, one night, the Prophet Mohammed journeyed to al-Haram al-Sharif, where he ascended to Heaven and met with Jesus. Mikhail cited other material, which supposedly shows that Mohammed was with his wife that night. His aim was to undermine the Islamic significance of al-Haram al-Sharif, hence making it all right to destroy the Al Aqsa Mosque, and to rebuild the Third Temple of Solomon on that site.

Muslims wish to conquer the world and destroy all other cultures, Mikhail railed, adding. “America is the only superpower. If the Muslims destroy America, then Islam will become a global power in its place.”

Mikhail had run a church in Egypt, and now has a congregation in the Washington suburb of Fairfax, Virginia. The author of 60 books in both English and Arabic along these lines, he stated that should he return to Cairo, he feared he “would be executed as happened with Afghansi leader Abdul Haq.”

A taste from among the other “fruits and nuts” gathered for the NUCI press conference includes:

Frank Gaffney: The main thrust of Gaffney’s speech was his claim that the Palestinians, under President Arafat, remain committed to the destruction of the Israeli state, to supplant both it and the Occupied Territories with Palestine. This is ironic, because Prime Minister Sharon has, in the past, advocated “Jordan is Palestine,” which today is a theme for many fanatics within the Israeli Defense Forces, who chafe at Sharon for failing to let them unleash Israel’s nuclear might against Syria, Iraq, Iran, and possibly even Egypt and Jordan.

As does Sharon, Gaffney compared the Bush Administration’s anti-terrorist coalition-building, which views Israel, at best, as an “inconvenient ally,” to the “appeasement” of British Prime Minister Neville Chamberlain at Munich. However, Gaffney said that a better analogy would be how Chamberlain, throughout the 1930s, pursued a policy of “lessening the readiness of France to counter what was to come with Hitler.” He noted that in one of Winston Churchill’s “great speeches” in 1934, he had said, “This is about the most dangerous policy one could imagine.”

Gaffney, a “wannabe” Bush Administration member, is

head of the Center for Security Policy. He had been Deputy Assistant Secretary of Defense (1983-87), under Richard Perle, the current head of the Defense Policy Board. Both Perle and Gaffney have been primary suspects for membership in the “Mr. X Committee,” which steered the anti-U.S. espionage of Jonathan Pollard on behalf of Israel. Also, Gaffney and Perle have, in their op-eds, made chilling calls for a Desert Storm-like war to topple Iraqi President Saddam Hussein, bespeaking their membership in the “Wolfowitz cabal” of Deputy Defense Secretary Paul Wolfowitz, which has been in a vicious fight against Colin Powell.

Itamar Marcus: In his speech on “The Influence Of The Official Palestinian Authority Media,” he said that the level of violence in Palestinian media had begun to increase two weeks before Sharon’s Sept. 28, 2000 visit, with thousands of armed guards, to the Temple Mount; this was Marcus’ alleged proof that the Palestinian Authority had merely used Sharon’s visit as an excuse to launch the pre-planned “Al-Aqsa Intifada.” NUCI president and press conference moderator Esther Levens later attacked the Clinton Administration, in an anecdote about his Secretary of State, Madeleine Albright. She had allegedly censored a presentation by Marcus in the U.S. Congress, by threatening to tell Israel that his appearance would demonstrate that Prime Minister Ehud Barak had dropped the Oslo Accords and the peace negotiations.

Marcus is the director of Palestinian Media Watch.

Rev. Elwood McQuaid: His topic was “The Persecution Of Christians And Destruction Of The Holy Sites Under Islam.” He said: “‘Zionist Christians’ believe that God gave the Land of Israel to the Jewish people in perpetuity,” and, “We must stand unequivocally with Israel.” He continued: “Thank God for unity. I have been associated with the leadership of Israel since 1970, who understood that Christian Evangelicals were crucial to bring Jews and Christians together.”

After citing the *Clash of Civilizations*, McQuaid asked rhetorically, if the problem is the U.S. alliance with Israel, then why are Muslims persecuting Christians and burning their churches in Indonesia, Sudan, the Philippines, and so forth? “The problem is that Bush, [British Prime Minister Tony] Blair, and even Sharon accept a Palestinian state,” McQuaid said. “And what about Christian churches? They are asleep. They thought that there was normality and peace, democracy, and freedom. But, Christians are being killed around the world.”

Although few press representatives were in attendance, the NUCI had “Zionist Christian” and right-wing Zionists marching and lobbying throughout the day in Washington. The most heavily represented right-wing Zionist organizations were the warhawks of the Zionist Organization of America. However, there was at least one leader of the Jewish Institute for National Security Affairs, which includes among its leaders another suspected member of the “Mr. X Committee.”

Senate Begins Debate On Economic Stimulus Bill

On Nov. 13, the Senate began debate on the Democratic version of an economic stimulus bill. The bill had been reported out of the Finance Committee on Nov. 8, in a markup that was laced with sharply partisan rhetoric. On the tax side, the bill provides rebate checks to low-income workers who didn't get rebates in the first round of tax cuts earlier this year. It gives \$22 billion in business tax relief, including an employer wage credit of up to \$4,800 for employers in lower Manhattan. On the non-tax side, the bill provides an extra 13 weeks of unemployment insurance, subsidies for extended health insurance coverage for unemployed workers, and increased Federal assistance for Medicaid and agriculture assistance programs.

Committee Republicans were so incensed at the procedure adopted by the Democrats that they didn't even bother to introduce amendments in committee. Ranking committee member Charles Grassley (R-Iowa) complained that "the fix is in," and that the GOP will, instead, challenge the bill on the Senate floor. On the other hand, Democrats complained that the GOP alternative bill is just a collection of tax breaks for the wealthiest individuals and corporations.

The acrimonious debate came one day after the U.S. Conference of Mayors endorsed the Democratic plan. The leadership of the conference held a meeting with Senate Democrats to discuss the needs of the cities in the aftermath of the Sept. 11 attacks. Specifically, the mayors endorsed a plan proposed by Senators Harry Reid (D-Nev.) and Robert Byrd (D-W.V.) to spend up to \$20 billion for security enhancements and job creation. That plan was not part of the bill marked up by the Finance Committee, but Majority Leader Tom Daschle (D-S.D.) indicated that he would bring the

Byrd/Reid plan to the floor as an amendment.

Appropriators, White House In Standoff Over Spending

President George Bush's veto threat, issued on Nov. 6 against any spending bills that include money above the \$40 billion in emergency spending voted up after the Sept. 11 attacks, has not cowed members of the Appropriations Committee in either House. In fact, members of the two committees from both parties were rather insulted when Office of Management and Budget Director Mitch Daniels labelled them "big spenders."

While the House GOP leadership is backing Bush, rank-and-file Republicans are moving ahead with their proposals. James Walsh (R-N.Y.), a member of the Appropriations Committee, is leading an effort, supported by Democrats, to gain another \$11 billion for New York, New Jersey, Virginia, and Pennsylvania, for reconstruction and to help workers who lost their jobs as a result of the Sept. 11 attacks. Walsh is trying to use the Defense appropriations bill as a vehicle for an amendment he is sponsoring. Democrats are also seeking spending increases of about \$7 billion in areas such as bioterrorism, anti-proliferation, and domestic security programs, and another \$6.5 billion for defense. Their proposals are crafted such that the President doesn't have to spend the money, if he decides he doesn't need to.

David Obey (D-Wisc.) told reporters on Nov. 8, that two weeks ago, the White House seemed quite open minded about needs that many in the GOP had said must be addressed. Since then, however, "something has happened in the White House." Appearing at the press conference with Obey, Robert Menendez (D-N.J.) said, "The time to protect the nation

and to act is now." He added, "The security of this country cannot be driven simply by an artificial imposition of a bottom line."

Vice President Dick Cheney has been deployed to try to bring Walsh into line. The White House, seeking to avoid a confrontation, is promising to spend the money later, if Walsh withdraws his amendment in the Appropriations Committee.

Conferees Meet On Aviation Security Bill

Members of a conference committee working on a compromise on an aviation security bill held their first meeting on Nov. 13. While there are several differences between the House and Senate versions, the Federalization of passenger screening remains the most serious sticking point. Sen. Kay Bailey Hutchison (R-Tex.) offered a compromise whereby passenger screening would be Federalized only at the nation's 31 largest airports. House Transportation Committee Chairman Don Young (R-Ak.) said that Hutchison's proposal was a step forward, but House Democrats were less enthusiastic. Jim Oberstar (D-Minn.), the ranking member on the Transportation Committee, said he thought such a two-tier system might not be workable.

Proponents of full Federalization cite continuing security breaches, including a chef taking two meat cleavers onto a plane at Miami International Airport on Nov. 13, to show why the current system doesn't work. On Nov. 14, House Minority Leader Richard Gephardt (D-Mo.) said, "People's confidence in the air travel system is at a low point, and that is compounded by the inaction of Congress." Democrats are saying that what the House GOP is pushing for, is essentially a continuation of the current system.

Kepler's 'Optics': Passion For Scientific Discovery

by Susan Welsh

Optics: Paralipomena to Witelo & Optical Part of Astronomy

by Johannes Kepler

Translated by William H. Donahue

Santa Fe, New Mexico: Green Lion Press, 2000
459 pages, hardbound, \$55

Reading this book is like looking at one of those beautiful Hubble Telescope photos of a star being born, in a far-distant nebula, a couple of million light-years ago. This long-awaited first English translation of Kepler's *Optics* allows the English-speaking reader to peer four centuries into the past, at the very birth of modern science.

The *Optics* was published in 1604, while Kepler was still in the throes of what he called his "war on Mars," which would result in the publication of his revolutionary *New Astronomy* five years later, and eventually lead to the crowning work of his life, *The Harmony of the World*, in 1619. The *Optics* appeared in the same year as Shakespeare's *Othello*, and three years before the founding of the Jamestown colony in America.

Before Kepler, European science was, for the most part, still sunk in medieval scholasticism and Aristotelianism. The breakthroughs of Cardinal Nicolaus of Cusa (1401-64), whom Kepler (a Protestant) described as "the divine Cusa," had opened the door for a scientific revolution. But with Venice's defeat of the League of Cambrai in 1511, Venice and the Aristotelians had come to dominate the political-strategic and scientific landscape. The stunning scientific achievements of Leonardo da Vinci (1452-1519), recorded in his notebooks, remained unpublished. His enormous legacy—

including extensive work in optics and astronomy—was scattered to the four winds after his death, and as much as three-quarters of it was destroyed. While Leonardo's scientific work was not unknown in the Europe of the 16th Century, the extent of its influence is still a matter of heated debate. Kepler's *Optics* is thoroughly "Leonardian" in method, and sometimes even in the detail of the discoveries reported (see box), yet Kepler never mentions his great forerunner. In view of Kepler's scrupulous intellectual honesty,¹ we can only conclude from this that he did not know Leonardo's work—at least not directly. As for Copernicus (1473-1543), his argument for a heliocentric system set the stage for Kepler, but did not, itself, escape the straitjacket of Aristotelianism. It did not explore—did not even consider—the question of the *physical causality* by which his system might actually function. That was the revolution in science that required a universal genius: Johannes Kepler.

With William Donahue's translation of the *Optics*, nearly all of Kepler's most important works are now available in English (though most are now out of print!). I only hope that Donahue, who also translated the *New Astronomy*, will move on to translate Kepler's second important treatise on optics, the *Dioptrice* (1611). Without this, it is impossible to get a full conception of Kepler's matured work in this domain, so vital for physics and astronomy. The second priority translation project on my list would be his 1615 *Nova Stereometria*

1. By contrast with Kepler's contemporary Galileo, and with Isaac Newton a century later, both of whom were promiscuous plagiarizers. For a discussion of Galileo, the tool of Venetian intelligence operative Paolo Sarpi, see Susan Welsh, "Leonardo's 'Leaps': Metaphor And The Process Of Creative Discovery," *EIR*, Nov. 29, 1996. Newton's plagiarism was so thorough, that he apparently convinced even himself, that he was the author of Kepler's so-called Three Laws—not to mention Leibniz's calculus.

Doliorum Vinaiorum (*New Solid Geometry of Wine Barrels*), an important work with respect to the development of the calculus a century later.

In the *Optics*, discoveries fairly leap from nearly every page:

- Kepler’s work on optical theory—his investigation of reflection and refraction—created the foundation for what we know today as the science of optics. This includes his first explanation of how the eye perceives images in a mirror (the object is in front of the mirror, yet the observer perceives it as behind); his distinction between optical “images” and “pictures”—what we would call today “virtual” and “real” images; his conception of the “distance-measuring triangle,” by means of which the eye and brain gauge the location of objects in space; and his work on the structure of the eye, with the discovery that the visual picture appears, inverted, on the retina (rather than right-side-up on the cornea, as had hitherto been believed). Kepler made this last discovery based on mainly geometrical calculations; it was later validated by his collaborator Christoph Scheiner, who devised a means of viewing the actual image on the retina of a cadaver. (Scheiner also built the telescope that Kepler designed, which we call today the “Keplerian.”)

- Kepler makes several original contributions to the geometrical theory of conic sections, including the first use of the term “focus”; the conclusion that the parabola has one focus at infinity; and the idea that the conic sections form a continuum generated by a moving focus (**Figure 1**). These discoveries were not only important for Kepler’s ongoing astronomical researches (including the discovery of the planets’ elliptical orbits), but also for the development of the calculus.

- But these are all preliminaries. The core of the book is

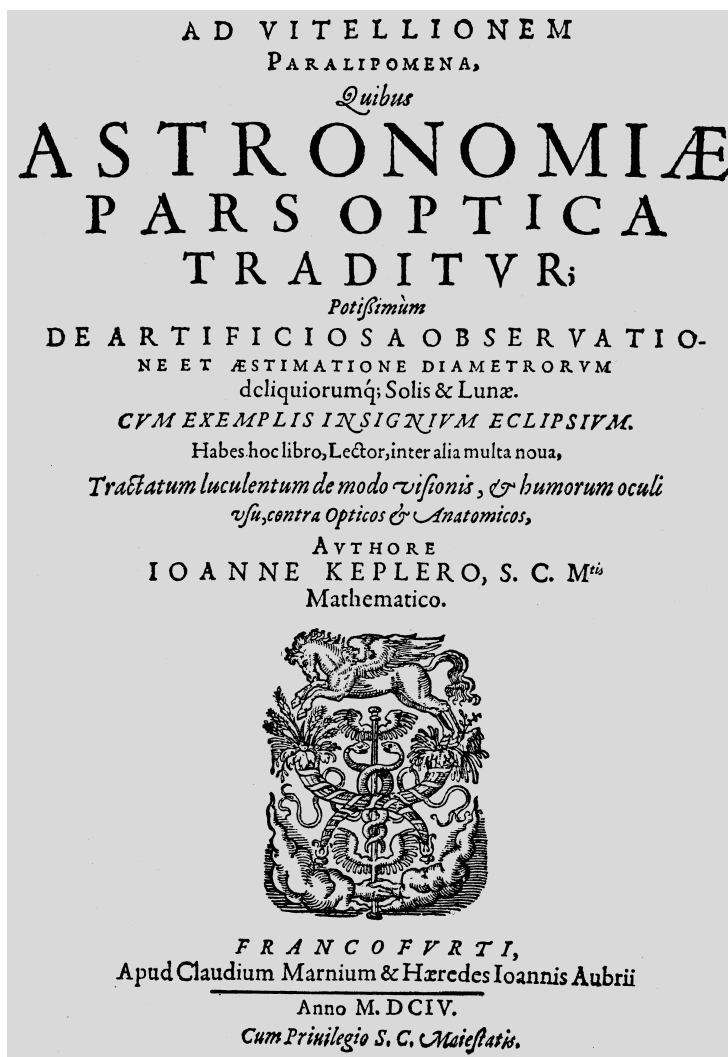
what Kepler calls “the optical part of astronomy.” The *Optics* is the cornerstone upon which Kepler erected the entire edifice of his astronomical work. He describes it this way, in his preface to the *Dioptrice*: “I . . . was able to attack some optical theorems, which in themselves may appear rather insignificant, but which nevertheless contain in themselves the germ

of the highest things and whose taking care of and more refined analysis thus appeared to me necessary. It is unjust, I believe, to judge the optical science as inferior in comparison with astronomy; it is the latter which depends on the senses and instruments, while optics as such does not lack any geometrical certitude.”²

In the *Optics*, he examines the optical characteristics of eclipses; the refraction of the Sun’s rays before they reach the eye of the astronomer, and how this distorts the observation; the phenomenon of parallax, as the key to unlocking the mystery of the distances of the celestial bodies from one another; and the physical characteristics of the Sun, Moon, and comets. He even puts forward a startling proof that Euclid was a “Copernican”—i.e., that he believed in a heliocentric system, in opposition to the later hoaxster Ptolemy (see box).

All of this is presented so as to be accessible, at least to a certain extent, to

the layman willing to apply himself diligently to the task of understanding it.³ For example, Kepler presents the clearest



The title page of Kepler’s *Optics*. “Today,” he writes, “there is more danger from the abundance of bad books than there was once from the scarcity of good ones.”

2. Quoted in Paul Görlich, “Kepler’s Optical Achievements,” *Kepler: Four Hundred Years, Vistas in Astronomy*, Vol. 18 (Oxford, U.K.: Pergamon Press, 1975).

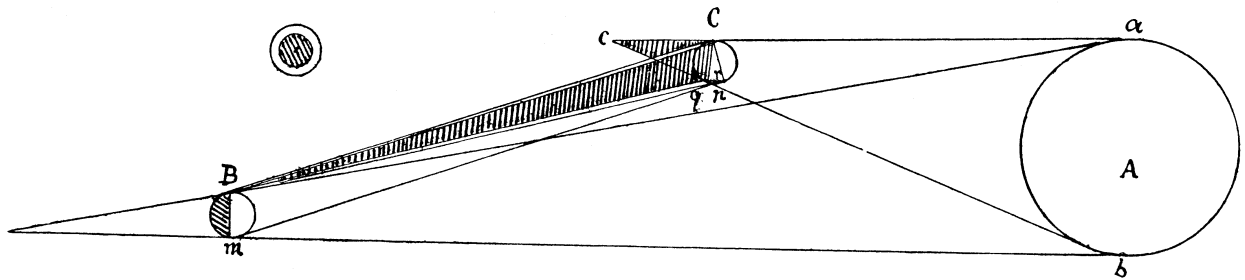
3. This is not meant to imply that what Kepler writes is simple. In his *New Astronomy*, he addresses the difficulty faced by the creative genius who is writing for an audience ill-equipped intellectually to understand him; a genius who, by the very nature of his work, is overturning the closely held axiomatic beliefs of that audience: “If anyone thinks that the obscurity of this presenta-

Kepler And Leonardo

Did Leonardo da Vinci's extensive unpublished research on optics and astronomy influence Kepler's *Optics*, directly or indirectly? There are many areas in which Leonardo's work certainly presaged that of Kepler.

Kepler's book, for example, contains extensive discussion of the *camera obscura*, as a model for considering what occurs in the eye. He writes that "this art was, as far as I know, first presented by J. Baptista Porta" (1589). Yet, Leonardo nearly a century earlier devoted over 230 drawings to the problem of the *camera obscura*!¹

Then there is the matter of "Earthshine." Why is it, that



Leonardo da Vinci's discovery of "Earthshine" predated Kepler's published account: The Earth, Leonardo wrote in his notebook, "receives the solar rays and reflects them on the lower waters of the Moon, and indeed affords the part of the Moon that is in shadow as much radiance as the Moon gives the Earth at midnight. Therefore it is not totally dark, and hence some have believed that the Moon must in parts have a light of its own besides that which is given it by the Sun. . . ." In Leonardo's drawing, A is the Sun, B the Earth, and C the Moon. Source: Codex Leicester.

when only a crescent of the Moon is brightly lit, you can still detect the rest of the Moon, dimly lit? Leonardo was the first to come up with the correct explanation: The light is provided by the reflection of the Sun's rays off the Earth's surface (see drawing). But Kepler's *Optics* is the first *published* location of the correct explanation. He attributes the discovery ("to my knowledge") to his teacher, Michael Mästlin, of the University of Tübingen, 12 years before. Did Mästlin discover it anew, or was there some yet-unknown means whereby Leonardo's influence made its way to Germany?

1. Kim H. Veltman, *Studies on Leonardo da Vinci II: Continuity and Discovery in Optics and Astronomy*, in consultation with Kenneth D. Keele. This is apparently an unfinished manuscript (www.mmi.uni-maas.nl/people/Veltman/books/contin/title.html).

explanation of "parallax" that I have ever found. (This is the paradox, famous in the history of astronomy, about which James Joyce wrote in his novel *Ulysses* the epigram: "Parallax. I never exactly understood.") In Chapter 9, "On Paral-

tion arises from the perplexity of my mind, I shall myself only thus far acknowledge to him my guilt, that I was unwilling to leave anything untested, no matter how utterly obscure, and no matter how irrelevant to the practice of astrology, which many deem the sole end of this celestial philosophy. But as for the subject matter, I urge any such person to read the *Conics* of Apollonius. He will see that there are some matters which no mind, however gifted, can present in such a way as to be understood in a cursory reading. There is need of meditation, and a close thinking through of what is said."

And elsewhere in the same work, discussing his laborious calculations to determine the true orbit of Mars, he asks for the reader's patience and perseverance: "If this wearisome method has filled you with loathing, it should more properly fill you with compassion for me, as I have gone through it at least seventy times at the expense of a great deal of time, and you will cease to wonder that the fifth year has now gone by since I took up Mars, although the year 1603 was nearly all taken up by optical investigations."

Those readers of *EIR* who complain that LaRouche's writings are "too difficult," should bear in mind Kepler's admonition.

laxes," Kepler notes several times that he is spelling out certain things "for the sake of the more inexperienced."

So, while this book may not become a best-seller, I do expect that everybody who loves Kepler and who treasures scientific truthfulness, will rush right out and get a copy.

'Sweating And Panting'

Kepler's optical discoveries provide a rich field for analysis by researchers better qualified than myself. In this review, I shall stick to drawing out some crucial methodological points which resonate most closely with recent writings of *EIR* Founding Editor Lyndon H. LaRouche, Jr., using mostly Kepler's own words to do so.

Regular readers of *EIR* will have noticed that LaRouche mentions Kepler in practically everything he writes. The reason is that Kepler is, for LaRouche, the "textbook case" of the true creative thinker. The reader of the *Optics*—as of any of Kepler's writings—will immediately get an inkling of why this is so.

Take the following quotation from LaRouche's recent "A

[C]ontrary to the famous argument of the morally deranged Immanuel Kant, there is a specific quality of human passion, without which the work of discovering and transmitting knowledge of universal physical principles could not occur. This specific quality of passion is not only essential for scientific discovery. As Kepler introduced the notion of the *intentions* of the Solar System, for defining the principle of universal gravitation, passion, in the sense of *intention*, must be included by the mind as an integral part of the image of the physical universe outside our sense-perceptions as such. *This passion is not only characteristic of the act of discovery; it is also the essential internal quality, of intention, of that which is discovered.* The same quality of passion is intrinsic to Classical well-tempered counterpoint.

What an idea! For Kepler, as for LaRouche, it signifies the coherence of the *cognitive, biotic, and abiotic* domains. It means that God created the universe in such a way that man, made in His image, would be able to make truthful discoveries of universal principle about it; and further, that to do this, requires a certain quality of (non-Romantic) *passion* which absolutely distinguishes man from the beasts.

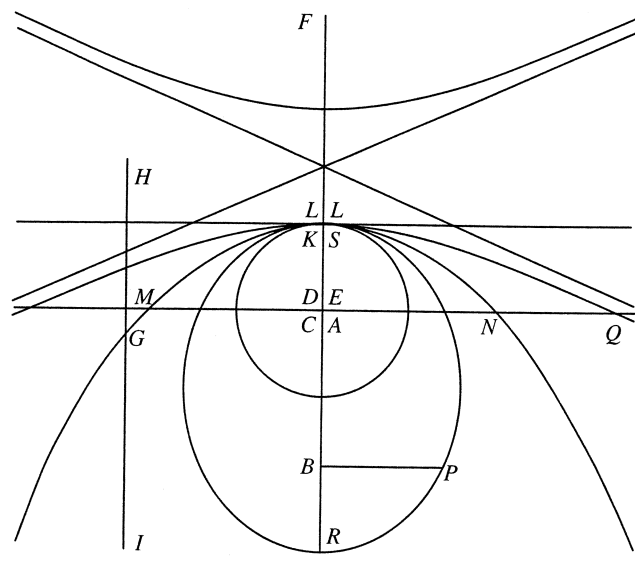
In the *Optics*, we see this quality of passion right from the beginning, with the author's dedication of the work to his patron, Emperor Rudolf II: "I have tracked geometry through the cosmic bodies portrayed through her, following the Creator's imprints with sweat and panting." (Can you imagine Kant or Newton writing about "sweat and panting"?)

It is with such characteristic passion that Kepler sets about fearlessly to assail the seemingly impregnable fortress of Aristotelianism—a mortally dangerous enterprise in his day and age. In his Appendix to Chapter 1, he boldly writes:

The foolish studies of humans have come to such a pitch of vanity that no one's work becomes famous unless he either builds up or burns down the temple of Diana—unless, I say, he either fortifies himself with the authority of Aristotle, or takes a stand in battle against him, seeking to show off. This is indeed why the most true axioms of the optical theorists (amplified upon in this chapter) have hitherto been held in neglect, and, through this paucity of opticians, have undeservedly been regarded as inferior to the Aristotelian darkness, since Aristotle reigns everywhere, while the optical writers turn a blind eye and privately remain content with their liberty.

After dissecting Aristotle's opinions on optics, point by

FIGURE 1
The Conic Sections



In Kepler's illustration (redrawn for this modern edition), the circle has only one focus at A, at the center. The ellipse has two foci, at B and C. In the parabola, one focus is at D, and the other on the axis, at infinity. The hyperbola has its foci at F and E. In this book, Kepler uses for the first time the term "focus" in this way. He was also the first to realize that the parabola has a focus at infinity.

point, Kepler concludes:

I expect that the Academics are going to bring up something against this, and are going to focus on how to place the honor of their master (who himself never sought it) before the truth. For the rest, whoever you are, whom it pleases to contend with me, let it be known that you are going to be held unworthy in this ring unless you enter into my chamber [*camera*—a pun referring to Kepler's theory of the *camera obscura*, or pinhole camera] described in Chapter 2 following, which was the only thing Aristotle lacked. If you ignore this after being warned, the same excuse that saved Aristotle [i.e., ignorance] will not save you.

LaRouche frequently stresses the importance of a *playful* state of mind, as a prerequisite to creative discovery—in Friedrich Schiller's sense of the *Spieltrieb*, or "play drive." In Kepler, this is delightfully apparent. A translator's note quotes him from a 1610 work in the German language: "Now, as God the Creator has played [*gespielt*], He has also taught nature, His image, to play; and the game is just the same as the one He had played [*vorgespielt*] for her."

And in Kepler's concluding chapter, a densely argued

Was Euclid A Euclidean?

Historians of science generally maintain that an Earth-centered cosmology dominated scientific thought before Copernicus — although Aristarchus of Samos, a Greek astronomer of the Third Century B.C., is recognized to have had a heliocentric conception. Aristarchus' work is lost, and only a scant reference to it by Archimedes has survived. Academic historians basically assign it the status of “an opinion,” and leave it at that. Lyndon LaRouche, however, has long maintained that the heliocentric cosmology was in fact more widely accepted among Greek scientists, until Ptolemy subverted it, in the Second Century A.D.

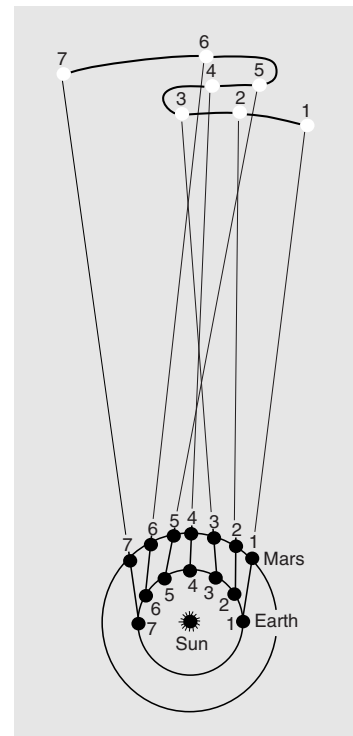
Kepler provides stunning confirmation of this, in his proof that Euclid (ca. 300 B.C.) was “a Copernican”!

Kepler makes the argument, not directly, but by showing *how Euclid's mind worked*.

The issue is the so-called retrograde motion of the planets (see illustration): From our vantage-point here on Earth, the planets appear to move along steadily in an easterly direction, from one night to the next, as compared to the constellations behind them. But every so often, a planet appears to stand still, then reverse its steps for a time, and then resume its easterly journey, making a “loop.” This phenomenon has amazed star-gazers for as long as human beings have turned their eyes to the heavens. Ptolemy attempted to account for it by a bizarre interlocking of “epicycles.” Only when the Sun is placed at the center of the system, can the imaginary epicycles be eliminated.

With this in mind, Kepler cites Euclid's *Optics*, to show that “Euclid propounded pure, unadulterated Copernican astronomy.” Here is Kepler:

“If,” [Euclid] says, “some things be carried with unequal speed, and the eye also be among them, those which are carried with the same speed as the eye will be thought to stand still; those which are carried more slowly than the eye, to be carried in the opposite direction; those which are carried more swiftly, to go ahead.” I shall change nothing but the words. If the planets and the earth, the lookout post of our vision, . . . are carried forward, and it should happen that the earth and a planet are moved forward equally (with respect to some identical straight line), the planet will seem to stand still; but if the planet be slower, it will seem to be carried backwards; and if it be faster, it will seem to be carried forwards. If there be anyone so nitpicking, so particular, as not



The apparent path of Mars (retrograde motion), as seen from the Earth, against the background of what the ancients called the “fixed stars.”

to be able to hear this, let him substitute the moon in place of the earth, and locate upon it some viewer of celestial objects, then the same things would follow in the moon: this earth of ours, even if it really be at rest, will appear to move, but the moon will appear to be at rest, although it moves, and those things will not be able to be overturned by any solution.

Kepler further emphasizes that Euclid uses an *astronomical* term to describe the perceived motion, making it obvious that he had astronomical matters in mind (as opposed to more mundane observations on how a fence looks when you ride past it in a cart, for example).

Euclid has gotten a “bad press” in *EIR* lately, as LaRouche emphasizes the importance of experimentally verifiable *anti-Euclidean* geometries, citing the breakthrough of Bernhard Riemann, who “expelled from science all unproven kinds of so-called ‘self-evident’ definitions, axioms, and postulates, including those of the Euclidean and non-Euclidean geometries” (LaRouche, “A New Guide For The Perplexed: How The Clone Prince Went Mad!” *EIR*, Oct. 12, 2001).

In view of Kepler's discovery, I leave it to the reader to ponder whether Euclid, the man, was actually a “Euclidean,” in the sense of being a doctrinaire adherent to the 2,300-year-old system that bears his name.

series of mathematical/astronomical problems regarding eclipses, we finally arrive at Problem 27, defined as follows:

At a given elevation of the pole, the beginning and end, or moments, being visible, and the sun's place known, with hourly motion and diameters of the luminaries also chosen, and the qualitative motion of latitude (taken roughly), and finally the distances of the luminaries from the center of the earth, to investigate the instant of true conjunction and the true latitude; and from it the difference of meridians as well [Kepler's emphasis].

Got that? The author continues:

Let's play. For there is no reward for this work more certain than this pleasure. And if it is allowed, we make it our practice even to work with song. I want to know the instant at which the true conjunction [of Sun and Moon] occurred in Denmark, so that a more reliable difference of meridians may be had. At the same time, I also desire to know whether an observer hindered by deceptions of vision will note the beginning earlier, the end later. . . .

The Coherence Of God's Created Universe

As previously noted, Kepler emphasizes that God created a universe coherent with the mind of the man observing it. How wonderful that is! Otherwise, the lonely man, set adrift on a planet spinning through space, would have no means of understanding the universe in which he lives. The modern existentialist!

Thus, Kepler emphasizes the usefulness to astronomy, of the very fact that eclipses of the Sun and Moon occur:

For the most noble and ancient part of astronomy is the eclipse of the sun and the moon, a subject that, as Pliny says, is in the entire study of nature the most wondrous, and most like a portent. Anyone who ponders this carefully will find (if he will refuse to have recourse to faith in holy scripture) both that there is a God, founder of all nature, and that in the very mechanics of it He had care for the humans that were to come. For this theater of the world is so ordered that there exist in it suitable signs by which human minds, likenesses of God, are not only invited to study the divine works, from which they may evaluate the Founder's goodness, but also are assisted in inquiring more deeply. . . .

Furthermore, the extent to which humans are assisted by eclipses of the luminaries in all of astronomy, all the books of the astronomers teach. For, as regards the motions of the sun and moon, and the lengths of

years and months, this entire theory first arose solely from the observation of eclipses, nor could it be constructed otherwise. Moreover, it cannot be smoothed and polished further except by considering eclipses of the luminaries more accurately and finely, which is the aim of this book.

Kepler also points to the usefulness of the fact that in human beings, the eyes are placed "more to the sides and downwards, following the nose," by comparison with animals. This, because the human bodies "themselves invite them to association"—i.e., social intercourse; this "you may take to apply beautifully to one person opposite another." Another cause of the placement of the eyes, he continues, "is derived from human dignity." Unlike grazing animals, whose eyes are directed downward to root around in the earth, "the human being, master of creatures, has his face so directed that he should be invited continually to contemplate how far flung are the limits of his possession: they are the heaven itself, contiguous to the mountains, as it appears."

In the *Optics*, as in other locations, Kepler makes an argument for the heliocentric system, as being uniquely suitable for God's purpose, uniquely coherent with the existence of man—unlike the Ptolemaic, Earth-centered cosmology:

Kepler's Revolutionary Discoveries

The most crippling error in mathematics, economics, and physical science today, is the hysterical refusal to acknowledge the work of Johannes Kepler, Pierre Fermat, and Gottfried Leibniz—not Newton!—in developing the calculus. This video, accessible to the layman, uses animated graphics to teach Kepler's principles of planetary motion, without resorting to mathematical formalism.

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And so it was evidently not fitting that the human being, destined to be the inhabitant and watchman of this world, should reside in its middle, as if in a closed cubicle, under which circumstance he would never have made his way through to the contemplation of heavenly bodies that are so remote, but rather, by the annual translatory motion of the earth, his domicile, *he circumambulates and strolls around in this most ample building, so as to be able more rightly to perceive and measure the individual members of the house. The geometrical art imitates something similar in measuring inaccessible spaces. For unless the measurer passes from one station to another, and turns his eyes sideways at each, he is unable to arrive at the measure sought* [emphasis added].

Parallax: ‘Of Godlike Use’

A final example of Kepler’s “God-centered” methodological approach, is in his discussion of parallax, which Kepler says is “of godlike use in astronomy.”

Close one eye, and raise your arm so as to look across your thumb to an object across the room; then, leaving your thumb where it is, open the closed eye, and close the other one. You will see that what appears to lie behind your thumb

appears to shift. This leap is called “parallax,” and it enables us to calculate the distances of objects from the eye—using the distance between the two eyes as the base of an isosceles triangle, and measuring the angles at that base. But, Kepler explains, for calculation of the distance of the celestial bodies, the distance of the eyes from each other is too small to be of help. Indeed, our vision may be completely in error in judging the positions of the planets.

But, he goes on:

This defect in the sense of vision Nature removes through a wonderful device. For it was by all means the will of God the Creator that the human being, His image, should lift up his eye from these earthly things to those heavenly ones, and should contemplate such great monuments of His wisdom. Hence, the entire arrangement of the fabric of the world tends to bear witness to us of this will of the Creator, as if by a voice sent forth. For that reason, the ratio of the earth’s globe to the orb of the moon has been made perceptible, so that what has deserted the eyes of individual humans, the attentiveness of all of them living on the whole surface of the earth, assisted by its magnitude, might supplement, and might in this way teach the position of the planets

Kepler In English

The following works by Kepler are available in English translation (in chronological order).

**Mysterium Cosmographicum. The Secret of the Universe* (1596, 1621), trans. by A.M. Duncan (New York: Abaris Books, Inc., 1981).

**Concerning the More Certain Fundamentals of Astronomy* (1602) (Edmonds, Wash.: Sure Fire Press, 1988).

**Optics: Paralipomena to Witelo & Optical Part of Astronomy* (1604), trans. by W.H. Donahue (Santa Fe, N.M.: Green Lion Press, 2000).

**Johannes Kepler. New Astronomy* (1609), trans. by W.H. Donahue (Cambridge, U.K.: Cambridge University Press, 1992).

*Edward Rosen, *Kepler’s Conversation with Galileo’s Sidereal Messenger* (1610) (New York and London: Johnson Reprint Corporation, The Sources of Science, No. 5, 1965).

**The Six-Cornered Snowflake* (1611), trans. by Colin Hardie (Oxford, U.K.: Oxford University Press, 1966).

Epitome of Copernican Astronomy and Harmonies of the World (1618-21), excerpts, trans. by Charles Glenn Wallis (New York: Prometheus Books, 1995).

**The Harmony of the World* (1619), trans. by E.J. Aiton, A.M. Duncan, J.V. Field (Philadelphia: American Philosophical Society, 1997).

*John Lear, *Kepler’s Dream* (1634—posthumous), trans. by Patricia Frueh Kirkwood (Berkeley and Los Angeles: University of California Press, 1965). Another translation of the same work: *Somnium*, trans. by Edward Rosen (Madison, Wisc. and London: University of Wisconsin Press, 1967).

*Carola Baumgardt, *Johannes Kepler: Life and Letters* (New York: Philosophical Library, 1951). With an introduction by Albert Einstein.

*N. Jardine, *The Birth of History and Philosophy of Science. Kepler’s “A Defence of Tycho against Ursus” with Essays on Its Provenance and Significance* (Cambridge, U.K.: Cambridge University Press, 1984). An unpublished manuscript by Kepler.

*Out of print.

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on the diameter of the world by those prior positions with respect to the surface: i.e., the distances of the angles.

In other words, by observing a celestial body from two distant places on the Earth's surface, or from two different points in the Earth's annual orbit around the Sun, we can increase the baseline of our measuring triangle, to the point that astronomical calculations can be made.⁴

The astronomical sections of the *Optics* are mainly devoted to working through calculations of parallax, using data from solar or lunar eclipses. This work, in turn, would feed into Kepler's still-ongoing effort to calculate the orbit of Mars. He intended to write another work, his *Hipparchus*, which would work out the distances of various celestial bodies; while this plan was never carried out, some of the information he intended for it appeared in other locations.

If all this discussion of God's intention in creating the universe in such a way that man might explore it, strikes you as somehow "quaint" or "old-fashioned," perhaps "mystical," maybe there is a reason why Kepler was a creative genius, and you are not. You have been brainwashed by four centuries of anti-Keplerian propaganda (Galilean, Newtonian), whose primary purpose was to *remove* the cognitive being, the scientist, from the world which he is observing. (That's being "objective," we are taught in school.) It is no accident that it has taken four centuries for a few of Kepler's major works to become available in English translation (he wrote 80 books, and many shorter works). In a Newtonian world, Kepler is routinely denounced as a mystic, and his actual work suppressed.⁵

Think it through again. As LaRouche teaches, Kepler's extraordinary intellectual potency can reawaken the mind of the reader, bringing to life what occurred in the mind of that great discoverer, long ago.

4. This method is not new to Kepler, but dates to antiquity. It allowed quite accurate calculations of the distance between the Moon and the Earth to be made by Hipparchus, for example, in the Second Century B.C. Calculation of the much greater distance of the Sun or the stars from the Earth proved far more difficult, since the parallax is harder to detect, and Kepler's own calculations of the Sun's distance were too small by nearly an order of magnitude. It was only with the development of high-powered telescopes, that a more accurate measurement could be made. See Albert van Helden, *Measuring the Universe: Cosmic Dimensions From Aristarchus To Halley* (Chicago: University of Chicago Press, 1985). My point in quoting Kepler here, is to emphasize his methodology: the coherence among the cognitive, biotic, and abiotic domains.

5. A typical example is from Anton Pannekoek's *A History of Astronomy* (New York: Dover Publications, Inc., reprint of 1961 edition), concerning Kepler's *The Harmony of the World*: "But among all these fantastic relations [the harmonies] we find one precious discovery, afterwards always cited as *Kepler's third law*. . . . Later science has accepted from the entire work on 'The Harmony' only that one page containing the third law."

'Nathan The Wise': Timely Attack On The 'Clash Of Civilizations'

by Anita Gallagher

Gotthold Ephraim Lessing's 1779 play, *Nathan the Wise*, is, if anything, a more powerful attack today on the "clash of civilizations" pathway into which the different religions could be manipulated, than at the time it was written. Likewise, the alternative it clearly poses — that Christian, Jew, and Muslim should deal with each other by *competing to do good* and to improve the world — emerges even more starkly against the war which now threatens the world should it fail.

In a stroke of good fortune, the play was recently staged outside Washington, D.C., at George Mason University in Virginia. University playwright and professor Paul D'Andrea presented a two-hour play, adapted from Lessing's five-act drama, under the same title. *Nathan the Wise* is the centerpiece of The Jerusalem Project, an effort to promote understanding among diverse groups at GMU, its theater, the Jewish Community Center of Northern Virginia, various high school classes studying the play, and others. With the near-collapse of Mideast peace efforts, and the attempts to trap the United States into a war against Muslim nations, the performance could not be more timely, or more vital for allowing the audience the opportunity to re-create the solution today, by observing the characters on the stage.

The History Behind The Play

Lessing set the play in 1192, in the Third Crusade, after the Muslim warrior Prince Saladin retook Jerusalem from the Christians. Saladin then established the Peace of Ramla, which lasted until his death in 1195. During those three years, Jews, Christians, and Muslims lived in peace in Jerusalem, which Saladin believed possible because all three religions believed in the same God and revered the Hebrew Old Testament.

Lessing, the son of a minister, wrote the play as an intervention into his own times. It was a continuation by another means — irony — of his philosophical war against the theologians who believed in salvation through revealed religion alone. Lessing based his Jewish character "Nathan" on Moses Mendelssohn, Lessing's close personal friend and collaborator in uplifting the culture of the German nation. Mendelssohn, in turn, had studied the works of the great Jewish-Arabic writer and philosopher Moses Maimonides, who was the his-



The Ring Parable: During the climactic religious trial which concludes Paul D'Andrea's adaptation, Nathan (Mitchell Hébert) receives from Sittah the prized opal ring which has passed down in the family of the Sultan.

torical Saladin's physician at court. Mendelssohn credited this play with having a part in Joseph II's magnanimous gesture in giving the Jews of the Austrian Empire rights, through the Edict of Toleration in January 1782. Lessing and Mendelssohn collaborated to defend the great thinker G.W. Leibniz, and made possible the German Classic period of Friedrich Schiller and the von Humboldt brothers. (See, David Shavin, "Philosophical Vignettes from the Political Life of Moses Mendelssohn," *Fidelio*, Summer 1999.)

The Parable Of The Rings

We see the noble character of Saladin's soul early in the play, when he spares the life of his enemy, the Knight Templar. The young knight is shocked, and expects to remain a prisoner in one way or another. Saladin, who adopts as his title "Improver of the World" in D'Andrea's adaptation, explains that he has recognized the image of his deceased brother, Assad, in the Frankish knight, and therefore is moved to show goodness; i.e., he recognizes the brotherhood of man (close to literal truth in this case). Inviting the knight to abide in his household, Saladin says, "As Musselman, as Christian . . . all one to me. . . . I have never desired that one bark grow on all trees of the wood."

In Nathan, we encounter a Schilleresque sublime soul. We hear that Nathan refuses to lend money to anyone in need—because if he lent it, he would not be able to *give* as much to them (perhaps this inspired Schiller on the character of the Good Samaritan). Nathan has taken in a Christian infant to raise, three days after Christians murdered his wife and seven

sons; after wrestling with his despair, he gives up hatred and thanks God, saying, "Oh God, for seven already one Thou givest!" He would be pleased to give his beloved adopted daughter Recha in marriage to the Knight Templar if it were possible, all demonstrating that to practice one's religion is to do good, not to believe a dogma. This is the application by Lessing of the "Peace of Westphalia" principle which ended the Thirty Years War (1618-48): The only way to end a religious war is to walk away from it, forget all injuries, and work for the benefit of the former enemy.

In D'Andrea's adaptation, the conniving of doctrinal zealots produces a trial of Nathan. These are either professional theologians like the Patriarch, or the shallow Daya, the Christian companion whom Nathan has hired to care for his daughter, and who still believes that Recha belongs with her own blood—Christians—in their own soil—Europe. In this trial at the conclusion of the play, where Nathan is defending his life in answering the no-win question—"Which is the true religion?"—Nathan delivers Lessing's parable of the three rings:

A man was given a ring, which made its bearer beloved by all men. The gift was to be passed down to the son the father loved the best. So it was, until one father had three sons he loved equally. When he was alone with each, he imagined he loved that son the best, and promised each the ring. When he was in old age, he could not bear to disappoint two, and determined to have two exact copies made, so each son would think he had inherited the ring.

After the father died, each son believed he had inherited

the true ring as promised to him, and that his brothers were lying. They went to a judge, who said that none of them seemed worthy of love at that moment; perhaps after a thousand years, the true ring might be recognized, when its bearer would be loved for the good he had done.

Thus, whichever brother does the most good, will be recognized as holding the “true” ring. So let it be with religions, Nathan says. Thus, Lessing’s Nathan forces the audience to discover, through mentally re-enacting Lessing’s parable, that the truth of the ring cannot be known by the ring’s appearance to the senses, but rather, by the goodness it inspires, as demonstrated in the real world.

Ecumenism means neither doctrinal compromises resulting in a mush, nor a collection of religions with equal rights in a pantheon, but rather, acting on those religious truths which can be known and demonstrated by reason, such as that all men are made in the image of God in their capacity to make creative discoveries.

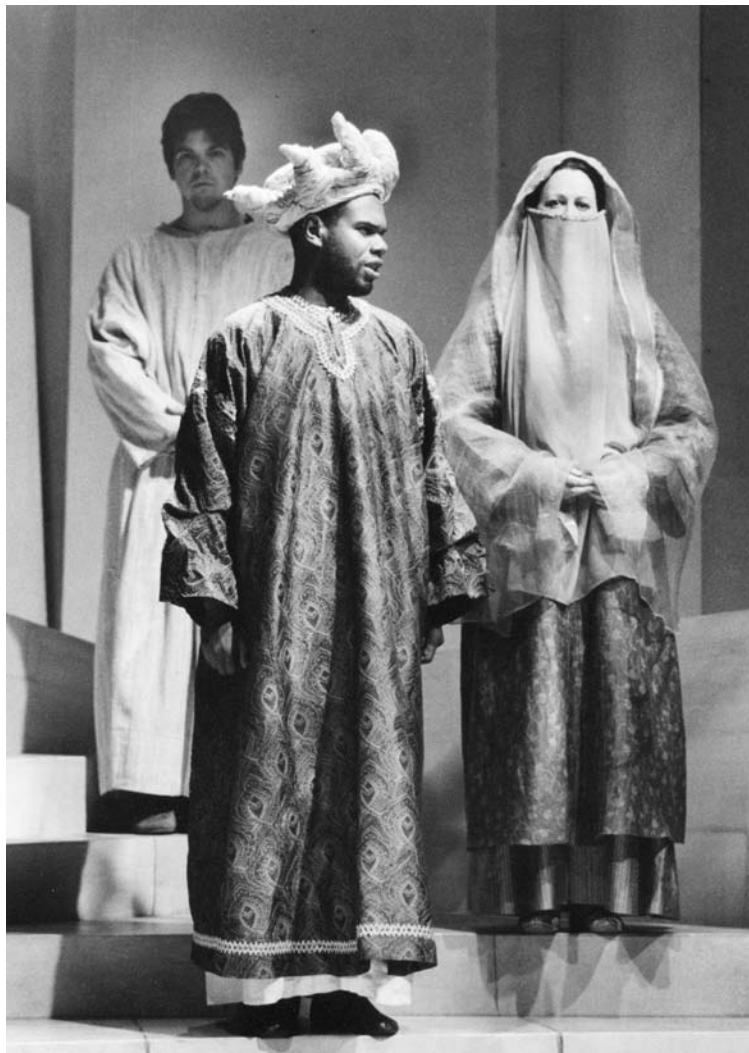
Moses Mendelssohn, the model for Nathan, in his *Jerusalem, or On Religious Power and Judaism*, written in 1782-83, cited the great Old Testament teacher Hillel the Elder, who, when pressed to deliver the entire Law in brief, said, “Love thy neighbor as thyself. This is the text of the Law; all the rest is commentary. Now go and study!”

Today, as U.S. Democratic Presidential pre-candidate Lyndon LaRouche has pointed out, “The world’s leading voice against a degeneration of religion into a new pantheon, is Pope John Paul II. In everything I have observed him to say and do on this account, I have found nothing which is not fully consistent with my own ecumenical outlook as expressed over more than a quarter-century to date.” Iranian President Seyyed Mohammad Khatami’s call for a “Dialogue of Civilizations” on this basis, has been adopted as the theme of the current UN General Assembly.

Lessing further insists that miracles are performed by human beings, not by Heaven: The design of creation allows the scope for potent human action, which the credulous call miraculous.

Dramatic Changes In New Production

D’Andrea’s production is an adaptation, with substantial divergences from the original. This works best in the stretto created with the parable of the rings being dramatized at the conclusion, rather than simply recited in the middle. There is the typical problem of too much playing for laughs by the characters. Worse, Nathan himself is not consistently played as the sublime character which Lessing intended him to be.



Sultan Saladin (Craig Wallace) orders a truce between Christians and Muslims in Jerusalem after taking the city in 1198; behind him is his sister and confidant, Sittah (Kimberley Schraf), in the adaptation of Lessing’s Nathan The Wise at George Mason University in Virginia.

In fact, it is exactly the lack of education in the quality of the Sublime which has made so few people ready to act outside popular opinion, to avert tragedy. LaRouche has described the Sublime as the quality such that “in the bowels of horror, people come forth as individuals, who are able to grasp the situation, intervene into the situation, and, by the method described by Plato [posing a paradox], to transform themselves, and thus gain from that, the ability to rise above the situation, to save a people that is not worth saving, but to lead them to safety.” (The reader may reflect, whether that does not describe LaRouche himself, in his efforts to save mankind.)

Nathan and Saladin demonstrate the Sublime, and this company has largely succeeded in bringing out the fundamental intention of Lessing in this play, which is all too rarely performed.

Mankind Survives, By The Sublime

Asked what to do about the economic crash, following his presentation to a Nov. 5 Berlin seminar, EIR Founding Editor Lyndon LaRouche replied by reference to a Classical tragedy on the stage—of history.

Then, how does man survive, if most institutions, and most populations, stink? are morally depraved? How is man able to survive over 2 million years, to survive all man's successive follies? What is there about man, that—despite these follies, which inhere in all cultures to date—man survives, and even prospers? How? Why? It's because of the Sublime.

The Sublime is first brought into Classical culture, explicitly in a sense by Solon, in his famous poem, warning the Athenians of how they had drifted toward peril in their moral degenerations as he founded the reform of Athens. The question is next raised in the most important way by Plato in the dialogues, where Plato attacks the Classical tragedians, as moral failures. Why did they fail? Because they omitted the Sublime.

Now, look at Plato's dialogues as the Sublime. Each dialogue is a case of the Sublime. All the dialogues taken together are the Sublime; why? Because there is an error, a popular error, which is shared by all of the people in the play, but then in the course of the drama, the question of the error is posed. A paradox is understood. A debate of the paradox occurs, and in this, as in the case of the *Meno* dialogue, for example, where the so-called slave-boy makes a scientific discovery, or re-enacts one, the result is the Sublime: that the goodness of the human being contains this quality of insight, which is what we associate with great scientific discoveries of principle. Every person is born with this capability, and in most of us, it's destroyed. It's often destroyed by a zeal to get an education, where you learn so much, you never stop to know anything. But in the case of the scientific discovery, as in the *Meno*, the consideration of a paradox says, "Stop. Stop repeating what you learned. You don't know what you're talking about. What is

the problem? Think about the problem. Think about a solution."

Now, what happens is, in the case of great tragedy, particularly in the case of Jeanne d'Arc, as Schiller portrays the actually historic Jeanne d'Arc, with one dramatic change, but the essential story is the same. All great tragedy portrays this, implicitly or explicitly. That's why it's great Classical tragedy. It shows that a society which is not morally fit to survive, may survive. In tragedy, it's implicit to the audience watching the drama, that it is the people on stage who have destroyed themselves, and their own society. But the people in the audience are now led to see *how* the society destroyed itself. We say, now they are enriched and strengthened, because they recognize how the society destroyed itself; therefore they can see the error, and this knowledge of the error, can protect them in future. Therefore, as Schiller said, the purpose of the Classical drama, is to cause the audience to leave the theater, better people than they entered it, for this reason.

Jeanne d'Arc as a historic figure, has the same character that Schiller attributes to her as Johanna. And that is, in a moment in the 15th Century, she, a peasant girl, went to a king and said, "You stink, but God told me to tell you to become a real king, because France needs to be a nation." This was what happened. And it worked. She, in the process, was killed by the Inquisition. . . .

So that in the bowels of horror, people come forth, as individuals, who are able to grasp the situation, intervene in the situation, and, by the method described by Plato, to transform themselves, and thus, gain from that, the ability to rise above the situation, to save a people that is not worth saving, but to lead them to safety.

That's the essence of politics. That's the essence of true politics. Don't say, we depend upon the consent of the average. The fools of this society are those who say, "You can't change popular opinion." You can, if you use the right method, the method of the Sublime.

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