

# EIR

Executive Intelligence Review

October 18, 2002 Vol. 29 No. 40 www.larouhepub.com \$10.00

Lynne Cheney, Lieberman in New Campus McCarthyism  
Now German Government Must Act on the Economy  
Aggressive 'Pre-Emptive' War Is a Nuremberg Crime

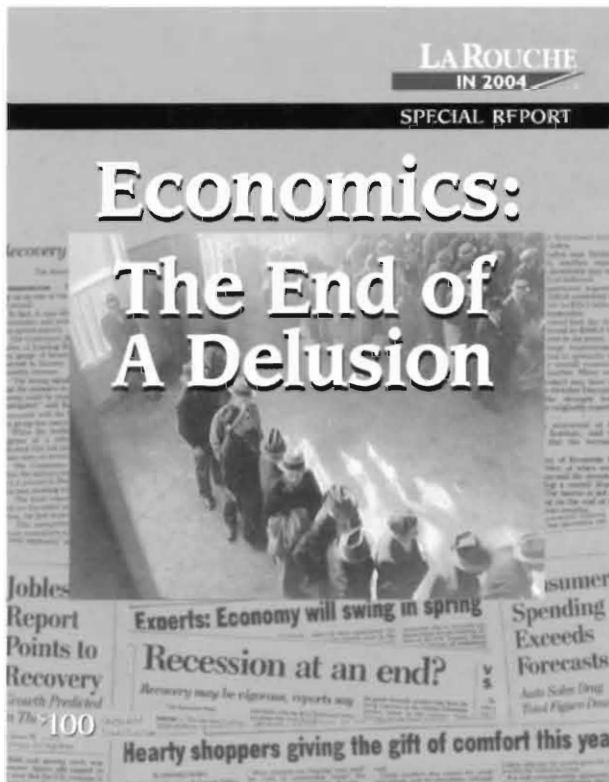
## Record Election Win For LaRouche Friend in Brazil



# Economy in Crisis:

## Are You Ready Yet

## To Listen to Lyndon LaRouche?



"On the time-scale of history, the terminal moment of our nation's recent follies has now arrived. Now, if our nation is to survive, we must acknowledge, that the leading trends in policy-influencing opinion, over the recent thirty-odd years, have been cumulatively disastrous in their net effect."  
—Lyndon H. LaRouche, Jr.

This Special Report features LaRouche's overview of the principles of a "science-driven" economic recovery strategy from the current global depression; the "Triple Curve" collapse function of the U.S. and world economies, and why it is qualitatively worse than that of 1929-33; and what must be learned from President Franklin D. Roosevelt's 1933-45 recovery strategy.

Suggested contribution **\$100**

April 2002 L04SP-2002-2

## LA ROUCHE IN 2004 \*

For more information, call:

Toll-free 1-800-929-7566

Leesburg, VA 703-777-9451

or, toll-free, 1-888-347-3256

Northern Virginia 703-779-2150

Washington, D.C. 202-543-8002

Philadelphia, PA 610-734-7080

Pittsburgh, PA 412-884-3590

Baltimore, MD 410-247-4200

Norfolk, VA 757-587-3885

Houston, TX 713-541-2907

Chicago, IL 312-335-6100

Bloomington, IN 812-857-7056

Flint, MI 810-232-2449

Minneapolis, MN 763-591-9329

Lincoln, NE 402-946-3981

Mt. Vernon, SD 605-996-7022

Phoenix AZ 602-992-3276

Los Angeles, CA 323-259-1860

San Leandro, CA 510-352-3970

Seattle, WA 425-488-1045

Ridgefield Park, NJ 201-641-8858

Boston, MA 781-380-4000

Buffalo, NY 716-873-0651

Montreal, Canada 514-855-1699

CALL TOLL FREE:

1-800-929-7566

ON THE WEB:

[www.larouchein2004.com](http://www.larouchein2004.com)

WRITE:

**LaRouche in 2004**

P.O. Box 730 Leesburg, VA  
20178

Founder and Contributing Editor:

*Lyndon H. LaRouche, Jr.*

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

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

INTELLIGENCE DIRECTORS:

Counterintelligence: *Jeffrey Steinberg, Michele Steinberg*

Economics: *Marcia Merry Baker, Lothar Komp*

History: *Anton Chaitkin*

Ibero-America: *Dennis Small*

Law: *Edward Spannaus*

Russia and Eastern Europe:

*Rachel Douglas*

United States: *Debra Freeman, Suzanne Rose*

INTERNATIONAL BUREAUS:

Bogotá: *Javier Almaro*

Berlin: *Rainer Apel*

Buenos Aires: *Gerardo Terán*

Caracas: *David Ramonet*

Copenhagen: *Poul Rasmussen*

Houston: *Harley Schlanger*

Lima: *Sara Madueño*

Melbourne: *Robert Barwick*

Mexico City: *Marivilia Carrasco, Rubén Cota Meza*

Milan: *Leonardo Servadio*

New Delhi: *Ramtanu Maitra*

Paris: *Christine Biere*

Rio de Janeiro: *Silvia Palacios*

Stockholm: *Michael Ericson*

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

Washington, D.C.: *William Jones*

Wiesbaden: *Göran Haglund*

*EIR* (ISSN 0273-6314) is published weekly (50 issues) except for the second week of July and the last week of December, by EIR News Service Inc., 317 Pennsylvania Ave., S.E., 3rd Floor, Washington, DC 20003. (202) 543-8002. For subscriptions: (703) 777-9451, or toll-free, 888-EIR-3258.

World Wide Web site: <http://www.larouchepub.com>  
e-mail: [eirms@larouchepub.com](mailto:eirms@larouchepub.com)

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

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

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

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

Copyright © 2002 EIR News Service. All rights reserved. Reproduction in whole or in part without permission strictly prohibited. Periodicals postage paid at Washington D.C., and at an additional mailing offices.

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

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

## From the Associate Editor

**T**he U.S. Congress voted to castrate itself, giving an insane President the power to wage war against Iraq, in violation of the constitutional responsibility of the Legislative branch. Meanwhile, Americans who have lost their jobs and are missing their mortgage payments, are being bombarded with low-intensity warfare operations, intended to make them hunker down in fear of sniper attacks at their schools and gas stations.

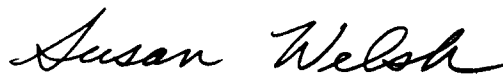
If this situation seems terrifying, step back a minute: Look at the world as if you were a visitor from a distant galaxy. Where is sanity to be found?

Look at what is going on in Brazil, for example (our *Feature*). Pressed with its back to the wall by the International Monetary Fund, facing the prospect of a cataclysmic economic collapse, Brazilians are turning to the policies of Lyndon LaRouche, as shown by the vote of 1.5 million people for LaRouche's friend Dr. Enés Carneiro, in the Congressional elections. This, just two weeks after the Italian Chamber of Deputies voted up a resolution based on LaRouche's call for a New Bretton Woods financial reorganization. You don't see any of this on the nightly television blab shows—but these developments are shaping history.

As a European intelligence source told *EIR* on Oct. 14, it's not only Brazil that is in upheaval: *All* of Ibero-America is in a "revolutionary period. And Washington has its eyes turned elsewhere, away from what is perhaps the most important development now unfolding!"

It's no time to sit back and be a spectator. Irrespective of what the Congress does, the battle for the souls and minds of the American people is being fought out in the streets, on the campuses, in the organizing of the LaRouche movement. See *National* for the latest leaflet issued by LaRouche's Presidential campaign, in which he calls for a November Emergency Program to rebuild the nation's railroads, air transport, schools, and hospitals.

Faced off against LaRouche, is the Washington ×war now× party (see *National*): notably the new McCarthyism of Sen. Joe Lieberman and Lynne Cheney, and the criminal apparatus behind Lieberman's and Sen. John McCain's "Indian tribe" casino gambling swindle.



# EIR Contents

## Cover This Week

*PRONA party  
leaders Dr. Enéas  
Carneiro and Dr.  
Havanir Nimtz  
embrace, while  
Lyndon and Helga  
LaRouche look on.*



### **22 LaRouche Friend Breaks All Records in Brazil Election Win**

The landslide victory of Dr. Enéas Carneiro in his bid for a Congressional seat has the international bankers and their media outlets panicked. Dr. Enés hosted Lyndon LaRouche during the latter's visit to São Paulo in June, and is famous for demanding "rupture" with the bankrupt International Monetary Fund system.

### **24 The IMF Checkmates Itself in Brazil**

### **28 Dr. Enéas Carneiro: A Citizen Who Chooses To Make History**

### **29 Who Is Mr. LaRouche?**

A speech by Dr. Enéas Carneiro, introducing guest LaRouche to the São Paulo City Council chamber audience on June 12, 2002.

**Photo and graphics credits:** Cover, Pages 23, 28, EIRNS/ Steve Meyer. Page 7, Embassy of Japan. Pages 11, 39, 59, EIRNS. Page 15, IMF Photo. Page 17, TIRN.org website. Page 31, EIRNS/Karl-Michael Vitt. Page 33, Bundesbildstelle Bonn. Page 38, EIRNS/Andrew Spannaus. Page 42, EIRNS/Dean Andromidas. Page 43, EIRNS/Chris Lewis. Page 47 (Lieberman), Sen. Rick Santorum's website, (Cheney), White House Photo/David Bohrer, (McCarthy) Library of Congress. Pages 48, 63, 64, EIRNS/Stuart Lewis. Page 49, U.S. Dept. of Health and Human Services. Page 52, EIRNS/Sylvia Spaniolo. Page 55, Sen. Byrd's website. Pages 60, 61, MoheganSun annual report 2001.

## Economics

### **4 Now German Government Must Act on the Economy**

Less than two weeks after the Sept. 22 election which returned Gerhard Schröder to the Chancellor's office, the stock market is crashing, states and municipalities are bankrupt, and many are demanding that the state take leadership to reverse the crisis.

### **6 IMF Demands on Japan Spark 'Asia Crisis II'**

### **8 Trouble Hits Elite Insurance Sector**

### **10 Australia: LaRouche's CEC Launches Drive for National Bank**

### **12 Malaysia's Mahathir: Back to Production, Dump Globalization**

### **14 IMF in Denial of Italy Vote, New Bretton Woods**

### **16 Cracks Show in Housing, Bubble of Last Resort**

### **17 Port Lockout: Straw To Break Economy's Back?**

### **18 Unreality Shrouds Russian-American Energy Meeting**

### **20 Business Briefs**

## International

- 32 Launching Aggressive War Is a Nuremberg Crime**  
The pre-emptive war which President Bush and warhawks in his Cabinet and the civilian leadership of the Pentagon are in the process of launching, violates fundamental principles of international law and treaties to which the United States is a party.
- 34 Is Sharon Preparing a New Hebron Massacre?**
- 36 Quiet Diplomacy on the 'Roof of the World'**
- 38 Italy Pays Tribute to Amelia Boynton Robinson**
- 42 'American Credibility in Africa Is at Stake'**  
An interview with Charles Onana.
- 45 Colombia Surrenders War on Narco-Terror, for IMF Promises**

**Correction:** It was the Italian Chamber of Deputies that passed a resolution on Sept. 25 in support of "a new financial architecture able to support the real economy and to avoid speculative bubbles and financial crashes." Italy's Senate has not yet voted on such a resolution (see *EIR*'s coverage, Oct. 11, p. 14). In our Oct. 4 issue (p. 4), Giovanni Bianchi, who invoked Lyndon LaRouche's name during the parliamentary debate, is a Deputy, not a Senator as we reported, due to an editorial error.

## National

- 46 Lieberman and Cheney March in the Footsteps of Joe McCarthy**  
The American Council of Trustees and Alumni (ACTA), founded by Sen. Joseph Lieberman and Dr. Lynne Cheney, has emerged as a new gestapo, to smear anyone opposed to the war on Iraq and other manifestations of the neo-conservative brand of universal fascism.
- 48 Leading Promoters of the New McCarthyism**
- 50 Dr. Lynne Cheney and the Pollard Gang**
- 51 Ever-More Electable LaRouche Tells You What You Must Do About the Economy—Now!**
- 54 41 Questions to Bush Administration On U.S.-Iraq Relations in the 1980s**
- 57 U.S. Generals' Testimony: 'Nightmare Scenario': Urban Combat in Baghdad**
- 58 Crime in the Senate: McCain, Lieberman, and the Bantustan Casinos**
- 62 LaRouche Helping Defeat Nevada Pot Legalization**
- 63 Dialogue With LaRouche: Drug Legalization: Who Is Fooling Whom?**
- 67 Admiral Blair Rebuffs Neocons' Taiwan Policy**
- 70 Congressional Closeup**

## Interviews

- 42 Charles Onana**  
Investigative journalist Onana, author of *The Secrets of the Rwandan Genocide*, was sued, unsuccessfully, by Rwandan President Paul Kagame.

## Book Reviews

- 40 What Is Rwanda's Kagame Afraid Of?**  
*Les Secret du Génocide Rwandais—Enquête sur les Mystères d'un Président (The Secrets of the Rwandan Genocide—Investigation on the Mysteries of a President)*, by Charles Onana, with Deo Mushayidi.
- 68 A Lying Apology for Video Violence**  
*Killing Monsters: Why Children Need Fantasy, Super Heroes and Make-Believe Violence*, by Gerard Jones.

## Departments

- 72 Editorial**  
Leadership Against War and Depression.

## Now German Government Must Act on the Economy

by Rainer Apel

Not untypically for the German political establishment, the real economic situation was not much at the center of the recent election campaign, and alarming news about the banks and the economy was suppressed. But less than two weeks after the Sept. 22 election which returned Gerhard Schröder to the Chancellor's office, the reality of economic depression is knocking at the Germans' doors, again; it shows an awesome picture that fully corroborates what the LaRouche party, the Civil Rights Movement Solidarity (BüSo), alone among the political parties, told the voters during the campaign. A new meltdown on the German stock market beginning immediately after Election Day, compelled Deutsche Bank's chief economist Norbert Walter to admit on Sept. 30: "This is a crash."

The first, preliminary data on the performance of the German economy and stock market during the third quarter already portray the German stock market index in its worst decline since 1959: -37%. Nine out of the 30 DAX titles were at least cut in half during the third quarter, including such leading names in the world of German banking and insurance as Allianz, HypoVereinsbank, Münchener Rueck, and Commerzbank. Four of the DAX titles (Deutsche Telekom, Infineon, Epcos, MLP) have lost more than 90% of their value since the Spring 2000 peak. On Oct. 7, rumors about grave liquidity problems and derivatives losses at Commerzbank sent its stocks down to the lowest level in a decade. For shareholders, the third quarter of 2002 has been another three months of disasters and losses—200 billion euros (about \$200 billion) have been recorded in losses at the DAX, to date.

On Oct. 8, the Creditreform agency issued its review of the third quarter developments and its regular economic confidence index for the *Mittelstand*, the small and medium-sized

firms which employ 85% of the nation's industrial workforce and form the backbone of the German economy. *Mittelstand* confidence is at an all-time low, with pessimists clearly outnumbering optimists. Only 16.3% of the firms expect to increase their workforce in the near future, whereas a year ago, it was still 22.3%; only 25.8% want to invest, whereas a year ago, it was still 43.2%; and whereas 33.9% of the firms reported still-increasing sales a year ago, only 17.9% do now. Corporate insolvencies are up by 25.2%, as compared to last year—a tendency that increased during the third quarter. Bank loans to the *Mittelstand* firms have come to almost a standstill during recent months—which also reflects the increasing problems that the banks are having. There is, within this system of free-market economy, absolutely no incentive for an economic recovery; the state has to intervene massively, to turn the situation around.

### Bankrupt States, Municipalities

This situation is being addressed quite directly by the German states and municipalities, which have been driven into a state of fiscal emergency. In the first eight months of this year, the 16 states have run up a total deficit of 24 billion euros, while they had projected a deficit of 19.9 billion euros for the *entire* year. At an average of 3 billion euros a month, these deficits will reach 36 billion euros, at least, by year's end—80% higher than projected.

Hardest hit is Germany's capital, Berlin, with a deficit of 4.12 billion euros, followed by North Rhine-Westphalia (2.98 billion euros), Lower Saxony (2.13 billion euros), Baden-Württemberg (2 billion euros), and Rhineland Palatinate (1.66 billion euros). While states' expenses rose by 1.4% compared to last year, their income shrank by 4.3%.

Many big urban centers are under financial supervision already. For example, in North Rhine-Westphalia, 21 out of 23 big cities are permitted to spend money only with approval from the state government. In Hesse, all five big cities are in that same situation. Berlin has debts twice as high as its entire budget—of which no less than 60% is financed by borrowing on the private capital market. Many of the German municipalities now have to borrow to pay their own administrative staff.

In an interview on Oct. 4, Dr. Stephan Articus, general manager of the DST, the national association of municipalities, which includes 5,700 cities with 51 million inhabitants, said: “The cities are not in a phase of conjunctural weakness; they are in the worst financial crisis of the post-war period.” Articus emphasized that a few generous corrections of taxation policy won’t suffice; the new German government will have to secure a sound basis for urban life to take place in Germany. An already-alarming drop of 20% in the trade tax revenues of 30 select big cities in 2001 was followed by a 13.6% drop during the first half-year of 2002 alone. The trade tax, paid by firms that have their headquarters in the jurisdiction of the respective municipality, is the major single source of income for urban centers. The net loss of 5 billion euros of urgently needed tax revenue recorded in 2001, will be surpassed this year, and if this trend is not reversed, the municipalities would run into complete default, Articus and other DST officials warned.

### **Increase the Role of the State**

A chilly wind is blowing in the face of the new German government, and the first steps of reorganization that Chancellor Schröder has made in his Cabinet, indicate a certain awareness that a state of economic emergency has emerged: All essential policymaking with respect to economic and labor market policies will now be bundled into a new super-ministry. It will be given the entire planning department of the Finance Ministry, which is the crucial department in charge of preparing the annual economic report, and organizing the reviews and forecasts of the Federal advisory board. Next to the Chancellor’s office, this new ministry will be the most powerful one in the entire Cabinet, and it will have powers that enable it to act against the deepening depression.

But effective action to deal with the crisis will require Germany, and the rest of Europe, to jettison the European Union’s 1991 Maastricht Treaty, with its free-market ideology and its usurpation of national sovereignty over economic decision-making. Under the Maastricht rules, member-nations are obliged to keep public debt below 60% of GDP, and to strictly limit budget deficits, interest, and inflation rates. The treaty explicitly mandates that the European Central Bank be kept free from any and all political “interference” from elected governments of sovereign nations.

But now, when the very existence of the nation is at stake, voices are being raised to demand a change. *Die Welt* on Oct. 8 compared Germany’s former free-market advocates to “the

atheist, who, recognizing that his end is coming, becomes pious in his last days, and cries for the Holy Ghost.” Due to the daily horrors on the stock market, “even the most notorious free-market proponents are now calling for a state bailout.” For example, Joachim Paech, chief trader at Bank Julius Baer, laments that “the crash already now has historic dimensions, but it is almost completely being ignored by the government.” Merrill Lynch Europe chief strategist Michael Hartnett “implores” the political leadership: “The stock exchange is the heart of the capitalist system. Once the capital no longer reaches the crucial channels of the economic system, the economy will collapse.” The Euro Stability Pact has to be abandoned, agree top economists at Dresdner Kleinwort Wasserstein; the role of the state has to be upgraded in the present situation. Bank Julius Baer demands the issuance of credits directly by governments to the corporate sector in order to prevent mass bankruptcies, because the private banking sector has been devastated by the stock market crash.

The article concludes: “There seems to be a red alert on stock markets. If even the neo-liberal stock traders are calling for the state, they must be very close to the abyss. It’s uncertain, whether the late conversion will rescue the atheist.”

Lyndon LaRouche and the BüSo have stressed that the solution lies, not in state bailouts of the bankrupt banking system, or state enforcement of industrial “down-sizing” and austerity, but rather in a global financial reorganization: a New Bretton Woods. The speculative bubble must be dried up, and credit allocated for priority projects in the physical economy, especially infrastructure development.

A promising first step in the right direction, is that the Chancellor now says he wants to create more funds for promoting the *Mittelstand*, as the main instrument for reducing mass unemployment. This will be done through the Frankfurt-based Kreditanstalt für Wiederaufbau (Reconstruction Finance Agency), a non-profit institution of the public banking sector that can organize low-interest, long-term loans with grace periods, which is usually not possible for the private banking sector to do. On a smaller scale, the Kreditanstalt has done in the past what a true national bank should do for the entire economy, and the creation of such a national bank is still on the political agenda, where the LaRouche movement in Germany placed it during the recent election campaign.

Broadening the role of the Kreditanstalt is a useful move, but there is also a crucial time factor: The new German government will have to act swiftly, if it wants to regain political control over the turbulent economic and financial situation. And the newly elected national parliament should do very soon, what their colleagues in the Italian Parliament did (upon the initiative of the LaRouche movement) during the last week of September: Enter a serious discussion about the creation of a new world financial architecture. The LaRouche call for a New Bretton Woods will be put on the desks of the newly elected members of the German Bundestag, in the coming days.

# IMF Demands on Japan Spark 'Asia Crisis II'

by Kathy Wolfe

*Newsweek*, mouthpiece of Wall Street's Lazard Frères investment bank, renewed demands by the American Enterprise Institute (AEI) and its Wall Street economists last Spring, that Japan implement the same International Monetary Fund (IMF) "shock therapy" imposed on South Korea during 1997-99. *Newsweek Asia's* Oct. 14 cover story, published Oct. 6 on its Internet site, is entitled "Learning From the Student: If Japan Wants To Stave Off a Banking Crisis, It Should Look at the Path Taken by Its Former Pupil, South Korea." That IMF program shut down 20% of Korea's industrial capacity, including 14 of Korea's 30 largest industrial combines, and 30% of the remaining industrial companies and banks were sold off to foreigners on the cheap.

*Newsweek's* essay is accompanied by an interview with Japan's Harvard-educated shock therapy expert, Financial Services Minister Heizo Takenaka, whose responsibilities have been increased in the recent Cabinet shuffle. Takenaka pronounced, "No bank [in Japan] is too big to fail." Takenaka also told Japanese TV on Oct. 5 that major industrial companies must close. "It would be in accordance with the rules of capitalist economics if companies that are not viable collapse," said Takenaka. "Companies will not be allowed to remain in business just because they are big."

These weekend statements, dubbed "Takenaka Shock," hit the Japanese and Korean financial markets while already falling, and sent them into a nosedive on Oct. 7-10 as foreign investors heavily sold both markets short. Tokyo stocks, already down 23% by the end of September from 10,200 in July, fell another 8.5% in the first ten days of October to 8,400. Seoul's KOSPI index, having lost one-third since April, dropped another 9% during the first ten days of October. Ironically, just as the IMF's Korean experiment is held up as the model, Korea itself is collapsing violently in what Morgan Stanley called a "hard landing."

These and similar events show that an "Asia Crisis II" is now under way. A run on Asian assets is being organized, as in 1997, as Anglo-American and global speculators attempt to pull out cash, to try to prop up dying Wall Street markets one last time. It's also an attempted "strategic bombing" action, to try to hit another layer of Japanese and Korean heavy industry, reducing their power to build the New Silk Road across East Asia.

## The Lazard Angle

*EIR* has repeatedly warned of Wall Street's proposal to repeat the IMF's Korean "shock" in Japan. The results were destructive enough upon Korea; do the same in Japan, the world's second-largest economy, destroy Japan's national sovereignty, and Wall Street could knock out the industrial linchpin of the entire Eurasian Land-Bridge. As *EIR* reported, Ambassador Steven Bosworth, U.S. envoy to Seoul during the 1997-99 crisis, first made this demand on Japan in a November 2001 Nikkei interview. *EIR* reported on March 29 that Wall Street economists such as John Makin of the Caxton hedge fund, the American Enterprise Institute, Citibank, and the Bush Administration, have been demanding Japan enact a "Korea program" since January.

In 1975, then-Lazard investment bank Managing Director Felix Rohatyn shut down the economy of New York City, in order to bail out J.P. Morgan, Chase, and Citibank. In 1997, the economy and financial system of South Korea, along with most of Southeast Asia, were gutted—to bail out the bad loans of the major creditors: Morgan, Chase, and Citibank. Today, the same Wall Street houses, more bankrupt than before, seek to "cash out" on an even bigger scale. Net investment and credits by these and other Anglo-American houses are already flowing out of Tokyo and Seoul, at \$20 billion and \$3 billion per quarter, respectively. This flow serves, in effect, to cover losing Wall Street positions.

The Lazard Frères angle explains the otherwise strange fact that a pop magazine, *Newsweek*, has delivered not a news article, but a long, detailed list of policy demands on Japan. The "problem" in Japan and Korea, Lazard says, is the pro-industrial policies of the 19th-Century Meiji Restoration. This, in "Lazard logic," has caused "industrial over-capacity," such that industries cannot pay their loans, leading to exploding non-performing loans at banks. Korea let the IMF shut down a chunk of its industry, but Japan has refused, Lazard concludes, so unless Tokyo adopts this solution, Japan will suffer a major run on all assets.

"An endgame may truly be approaching this time" for Japan's financial systems, and foreigners will stage a run on Japan unless it quickly "fixes its bad banks" as Korea did "after the financial crash of 1997," *Newsweek* stated. Prime Minister Junichiro Koizumi's new economic czar, Takenaka,



“doesn’t hide that fact that he’s a student of Seoul’s banking reforms. When *Newsweek* asked him last year whether Japan might follow Korea’s effort to liquidate debt-burdened industrial corporations, his response was emphatic: ‘We can and we should.’ ”

## No More Meiji?

The “problem,” *Newsweek*/Lazard went on to pronounce, is that both Japan and Korea used a planned industrial policy. “The roots of both banking systems trace back to 19th-Century Japan, when banks rose up at the center of *zaibatsu*, industrial cliques run by wealthy clans with names like Sumitomo and Mitsui. The banks funneled household savings and government loans into sister companies whose exports sucked foreign exchange into the treasury, building a cash hoard that was cultivated as symbolic of national strength. South Korea copied the blueprint for these banking and manufacturing conglomerates with *chaebol* like Hyundai and Samsung that turned the nation into a major global export power after the Korean War.”

This was the ultimate sin against free market fundamentalism. “The logic for both countries was not entirely economic,” *Newsweek* complained; instead, they dared preserve national sovereignty. “Japan’s decision-makers have run their country for well over a century now with three objectives: the independence of the country from foreign domination, their own survival as a ruling elite, and their continued control of key economic and political levers.”

How silly of Japan and Korea, to avoid the fate of China in Britain’s “free trade” Opium Wars. Wall Street’s demands did not allow mention of the fact that Japanese and Korean economists of the Meiji period based their programs on those of Alexander Hamilton, America’s first Treasury Secretary, who fought the American Revolution, too, against British imperial “free trade.”

The *Newsweek* statement called Korea “lucky” to have been “forced to accept a \$58 billion IMF bailout” in 1998. “Out of the humiliation sprang the will to make radical changes. . . . Prompted by the IMF, Korean President Kim Dae-jung quickly moved to break the cozy ties between leading conglomerates and banks. Fourteen of Korea’s 30 largest *chaebol* have been shut, including the third largest, Daewoo. He nationalized all six major banks and closed scores of smaller lenders; he slashed the industry’s workforce by 40% and injected a total of \$130 billion to shore up the balance sheets of those banks that remained.

“The reforms awakened market forces. ‘The biggest single change in the Korean economy has been the end of government control over credit allocation and credit pricing,’ a banker says.”

But, *Newsweek* complained, Japan had \$14 trillion in domestic savings, and so escaped the IMF, “allowing industrial over-capacity [to] continue. . . . But now, Takenaka . . . has declared war on Japan’s major banks. He appointed a task



*Harvard-trained Wall Street favorite Heizo Takenaka is now being referred to as “super-Minister” for Japan’s economy; his shock policy—imitating what Wall Street has done to Korea since 1998—can easily set off a super-crash.*

force stacked with reformers, including Takeshi Kimura of [Wall Street’s] KPMG Consulting, who believes Japan must rapidly shut down its 30 largest debtor companies.” Japan has only a few months to implement IMF shock therapy, or it will be destroyed, this Lazard pronouncement concludes.

## ‘Korean Model’ Topples

Yet just as Wall Street is touting the IMF’s “economic miracle” in Korea, it is falling apart, as has Brazil, Mexico, and every other IMF “success story.” In fact, the IMF’s shock therapy “success” in Korea was based on the inflow of hot foreign money, which nearly tripled the value of the Korean stock market since 1998, to a peak of over 960 on the KOSPI this past April. But now, foreign hot money is leaving as quickly as it came, exposing the miracle as consumer fraud.

The real story of the IMF in Korea is that “we just imported wholesale the U.S. style of banking and capital markets—and now our markets don’t work,” one Korean economist who negotiated with the IMF revealed to *EIR*, back at the height of the bubble. “Imposing a U.S.-style banking system on the Korean industrial economy was like mixing *kimche* and Coca Cola. . . . The IMF insisted on liberalizing our banking markets, our capital markets, our labor markets, every market. So we opened up everything, and put interest rates up over 20% as the IMF demanded—and the only result was that the U.S. banks made a terrific profit, buying companies cheaply, making loans at 20% interest!

“Korean banks and companies just kept losing money. The *chaebol*’s biggest sin, in the eyes of the IMF, was that they were expanding production facilities very fast. Take Hanbo Steel: It got killed for the sin of building too-big a steel production capability. . . . Previously, Korean banks used to help

industries in a cash squeeze. Now the Korean banks refuse to provide any lending to the Korean economy—now they are U.S.-style, lending only for profit, avoiding risk. The Korean government would provide funds to the banks, but the banks would just put the money in government bonds at 20%. That's why we had so many small and medium companies go under, not to mention the giant industries we lost, such as Hanbo Steel, Daewoo, and Hyundai. But this was all very profitable for Western investors," he concluded. "Now, foreign hot money controls about 30% of the Korean stock market—whereas before 1997 it was only about 9%."

Based on the stock bubble, the Korean government and banks issued a large, additional consumer credit bubble. On advice from the IMF, Korean banks and companies began handing out credit cards on almost every corner, even house to house. Since 1997, Korea has gone from a nation with no credit cards, where spending was based almost entirely on saved-up cash, to an average of four cards per capita. Total household debt has been rising at 34% per year, to almost \$400 billion.

But as *EIR*'s source foretold, the IMF's Seoul bubble did not last. This Summer, when Wall Street tanked and Japan's Nikkei index followed, the bottom fell out in Seoul. KOSPI stocks have dropped almost 30% since April, as foreign hot money leaves as quickly as it came. With the stock collapse, the consumer bubble is popping, too. The Bank of Korea (central bank) issued a report on Oct. 8 entitled "Household Debt Feared To Spur Mass Bankruptcies." It concludes: "Households are increasingly exposed to credit risks by taking out more loans from financial institutions, causing worries over a possible massive number of household bankruptcies." One official told the *Korea Times* that "the increase in loans to the retail sector accelerated last month due to a hike in housing mortgage loans caused by real estate price increases"; but he said that these mortgages were taken out to be sold in real estate speculation, he said.

Worse, the ratio of household debt against the GDP reached 70%, which is "fast approaching the U.S. level of 80% of GDP," Bank of Korea warned. "Having a credit expansion when real estate prices are in a bubble, is a dangerous signal for the economy."

"Anxiety Over Hard Landing" was the *Korea Times* Oct. 9 editorial. "Besides Morgan Stanley's warning of a hard landing for Korea's economy, omens of deflation are visible throughout our society, while a series of negative economic factors overseas, like the crashing U.S. stock markets and the persistent risk of a U.S. war against Iraq, are adding to the concern. The nation's household debts are quickly approaching U.S. levels, with the average debt per household expected to reach 30 million won (\$25,000) by the end of this year. This trend, needless to say, is causing worries over a massive number of household bankruptcies."

Korea will be back in the dark days of 1997, and worse, unless Asia dumps the IMF policy for good.

# Trouble Hits Elite Insurance Sector

by John Hoefle

The global economic meltdown, of which the stock market collapse is just the tip of the iceberg, is now visibly hitting the heart of the global financial system, the interlocked network of giant insurance companies, reinsurance companies, investment banks, and commercial banks which dominate the imperial "casino mondiale." The almost daily reports of layoffs at the big banks, and recapitalization attempts by the insurers and reinsurers, reflect the relentless process expressed by Lyndon LaRouche's "Triple Curve" collapse function. The financial system is caught between hyperinflationary increases in money supply and derivatives, and a worsening deflation of financial assets such as stock market values, all on top of a collapsing physical economy.

## Insuring the Collapse

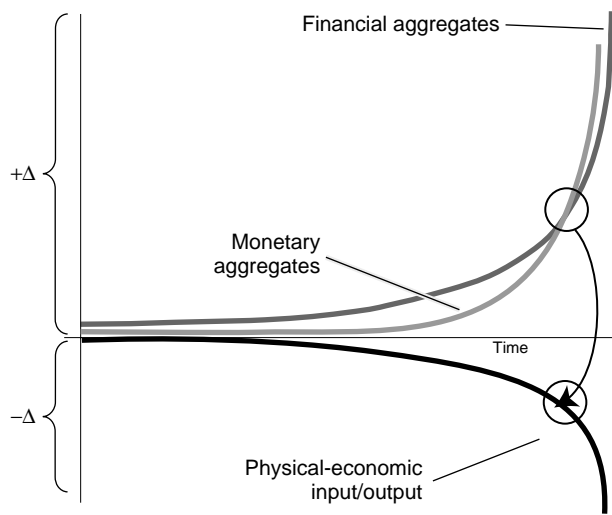
The halving of world stock market valuations since early 2000 has devastated the insurance sector, which invests much of the premiums it collects in stocks, bonds, and related financial assets. As stock markets vaporize, so does the insurers' ability to pay future claims, throwing the entire insurance chain into jeopardy.

Analysts estimate that European insurers alone have lost more than \$98 billion in capital over the past year—half from stock-market drops and half from claims related to the attacks of Sept. 11, 2001; with another few billion in claims from the European floods of August 2002. To try to offset this, according to A.M. Best, the reinsurers have raised some \$30 billion in new capital.

Scor, the big French reinsurer, recently announced plans to raise nearly \$400 million in new capital, a move which would roughly double its capital base, and insurers Aegon NV and Zurich Financial Services have also sought capital increases. Prudential Financial, parent of Prudential Insurance Co. of America, is seeking bids for its property and casualty business, and Standard & Poor's recently downgraded Swiss Re, the world's second-largest insurer, stripping it of its coveted triple-A rating.

Some of these infusions have come from parent companies. For example, Munich Re, the world's largest reinsurer, recently injected \$1.4 billion into its American Re subsidiary, and General Electric has boosted the capital of its Global Insurance Group and its Employers Re subsidiary. Crédit Suisse Group, the giant and very troubled Swiss bank, recently made a second \$1 billion infusion into its Winterthur

## LaRouche Triple Curve: The Critical Point of Instability



insurance unit.

Some insurers seem headed for the bankruptcy courts. In the United Kingdom, Equitable Life is fighting for its own life, in the wake of disclosures that the Crown's Financial Services Authority (FSA) has expressed doubts that the company can "meet the required margin of solvency," as an FSA official stated in correspondence which was subsequently made public. Consecro, the financial conglomerate which is the 26th-largest U.S. insurer, is in negotiation with creditors over its \$6 billion in debt, and some analysts doubt the company will survive.

### The Fondi

The giant insurance and reinsurance companies, together with a small group of merchant, investment, and commercial banks, lie at the very heart of the oligarchic financial system, which is grouped around the *fondi*, or ancient family funds. Assicurazioni Generali of Venice, for example, was identified in *EIR*'s book *Dope, Inc.* as the heir to Venetian fortunes dating back to the time of the crusades. Allianz, of Munich, serves a similar role for German oligarchic families—including those of Wittelsbach and Thurn und Taxis—as does Lloyd's of London for the Brits. These *fondi*, acting through fronts such as the Rothschild and Lazard banks, control the big insurers and many of the much better known, and seemingly more powerful, financial institutions of Wall Street, the City of London, Switzerland, Frankfurt, and Paris. Some of the players have changed since *EIR* first published *Dope, Inc.* in 1978, but the principle remains, and with the sweeping reorganizations and consolidations on Wall Street and in the City, the *fondi* are more in control of the banking system than

ever before.

Exemplary is the role of Lazard's Felix Rohatyn in reorganizing investment banking on Wall Street in the 1970s. Rohatyn, as head of a New York Stock Exchange Crisis Committee, oversaw a series of mergers among bankrupt investment banks, paving the way for the giants which today dominate the Street. One of the major beneficiaries of Rohatyn's efforts was Sandy Weill, who today heads Citigroup, the giant U.S. insurance company, investment bank, and commercial bank conglomerate. Rohatyn and Lazard also played a key role in launching the corporate mergers-and-acquisitions boom which did similar damage to corporate America.

### Bailout?

The oligarchy has never been shy about demanding bailouts from governments and their taxpayers, and there are indications that they are maneuvering to receive preferential treatment for their insurance companies. For the public's own good, of course.

One indication of this is the recent move by the G-7 nations and the Bank for International Settlements/IMF crowd, acting through the Organization for Economic Cooperation and Development (OECD), to increase their oversight of the reinsurance sector.

"There is a conjunction of factors which have weakened the financial situation of the reinsurance companies, and we're putting them under greater scrutiny," said Cecile Vignial, who handles insurance issues for the OECD. "The reinsurers are an essential link in the stability of the financial sector and the collapse of any large reinsurer would have an important knock-on effect. All insurers on both sides of the Atlantic have been profoundly shaken in the past year," Vignial told the *Wall Street Journal* on Oct. 3.

There are some valid concerns about the trouble hitting the insurance companies. Reinsurers play a special role in the insurance world, as the companies which insurer the insurers. When an insurance company writes a policy for a client, it turns to a reinsurance company to share the risk. When the insurers and reinsurers run low on capital, that can limit the amount of insurance they can write. As the insurers continue to erode, this will become a more significant problem, raising insurance costs and making insurance harder to obtain.

However, the insurance problem cannot be treated as separate from the global financial disintegration, and there is no way to save the insurance system without LaRouche's New Bretton Woods reorganization plan, which would involve writing off many of the assets the insurers hold most dear. The turmoil hitting the insurance sector is an indication of the systemic nature of the collapse, in which tens of trillions of dollars of financial assets have simply vaporized. It is the system itself which is breaking apart, and the only insurance policy which can save it is the one offered by Lyndon LaRouche.

# LaRouche's CEC Launches Drive for National Bank

by Allen Douglas

“An Urgent Call for a New National Bank” was the title of a full-page advertisement placed by Lyndon LaRouche's associates in The Citizens Electoral Council (CEC) in Australia's major national daily newspaper, *The Australian*, on Sept. 26. The ad's prominent appearance and the impressive array of 582 elected officials and institutional leaders who signed it, vaulted LaRouche's name into media headlines throughout Australia.

This reflects a lawful process: All over the world, from the Italian Parliament to Ibero-America, and now in a core country of the British Commonwealth, leading figures who want a pathway for their nations out of the current global, systemic crisis, are finding leadership and competent policies from LaRouche.

Now that a strong move for nationalist banking—the “American System” of political economy—is being made in Australia, the uproar has been amplified by the existence of an intense slander and harassment campaign of a decade's duration, conducted by the Rupert Murdoch-dominated news media and the rabidly Jabotinskyite Anti-Defamation Commission of B'nai B'rith, against LaRouche's associates in the CEC. With LaRouche already a red-hot issue in Australian politics, the “national bank” ad escalated the fight to save the nation with LaRouche's ideas.

## To Revive the ‘Commonwealth Bank’

The “Urgent Call” excoriated the policies of globalization introduced into Australia beginning in 1983, with the Australian Labor Party governments of Prime Ministers Bob Hawke and Paul Keating, and continued by the Liberal-National Party coalition of Prime Minister John Howard. These policies “have also produced an international economic crisis, with potential dire consequences for Australia,” it warned.

“Therefore, we urgently *demand* that the Parliament begin immediate moves toward the near-term establishment of a new national bank, with the kind of broad-ranging powers necessary to bring our callous private banks into line, and to initiate a recovery of our industries, our agriculture, our environment, and of our social and physical infrastructure, in order to provide the chance for a happy, optimistic future for all Australians, of whatever creed, colour, or country of origin. Such was the dream of the courageous founder of

our original Commonwealth Bank, King O'Malley; it is now urgent that we make that dream a reality.”

This Commonwealth Bank was Australia's first national bank, the fight to establish and defend which, defined most of the major political battles in the country during the 20th Century. It was founded in 1911 by Member of Parliament King O'Malley, an immigrant from the United States, who proclaimed himself “the Alexander Hamilton of Australia.” The Commonwealth National Bank, as it was known, officially lasted until it was privatized in 1995. Thus the fight over national banking is by no means foreign to Australia, nor even a matter of the distant past.

The ad concluded, “The Citizens Electoral Council hereby initiates an urgent call for one million Australians from all walks of life and all parties, to sign and circulate the above petition for a national bank, to thus constitute a mighty political force, in the face of deepening national and world political and economic crises.”

## A National Campaign

The CEC began this campaign in the early Summer, and expanded it through the circulation of one-half million leaflets, and through telephoning thousands of parliamentarians, local government officials, and prominent Australians from all walks of life. Some 1,500 of these agreed to distribute the leaflet, which spread the campaign through institutional layers all over the country.

The leaflet located the fight for a national bank in the global strategic picture, featuring LaRouche's role: “The world is now hurtling toward the worst financial crash in history, as long forecast by physical economist and U.S. 2004 Presidential candidate Lyndon H. LaRouche, Jr. This crash, LaRouche and his associates at *Executive Intelligence Review* magazine have documented, has been brought on by globalisation, beginning with the elimination of the old, fixed-exchange-rate international monetary system by U.S. President Richard Nixon in 1971. LaRouche has proposed to replace the current, bankrupt international monetary system with a ‘New Bretton Woods’—a return to the successful fixed-exchange and national-protectionist features of the old Bretton Woods system.

“LaRouche described the connection between national banks and national prosperity as follows: ‘The essential difference between a sovereign nation-state and a financier-rentier-dominated form of feudal, or pro-feudalist—e.g., financier-oligarchical—society, is expressed, typically, as the difference between national banking and central banking. It is precisely the intentional and vicious elimination of such protectionist measures, peculiar to the modern nation-state institution, which has brought the world as a whole to the now-catastrophic, rapidly worsening, global financial and physical-economic state of affairs today. The placing of the world under the control of private banking interests, would quickly doom civilization for perhaps decades to come.’”

CEC National Secretary Craig Isherwood told *EIR* shortly after the publication of the ad, “The campaign for a national bank followed soon after the circulation of the Feb. 2002 of our newspaper, the *New Citizen* in 50,000 copies, with the groundbreaking 32-page feature, ‘The Infrastructure Road to Recovery—Let’s Build Our Way Out of the Depression.’ This featured a series of long-overdue major projects, particularly in railroads and water.

“Since then,” Isherwood said, “Australia has plunged into one of the worst droughts since the European settlement beginning 1788. In discussions with many engineers, local and state officials, and infrastructure specialists of all sorts regarding these projects, we repeatedly got the question, ‘Tremendous, but how are you going to finance it?’ This led to the campaign for a national bank, for which we already had drafted legislation after consultations with Mr. LaRouche in the early 1990s. We have 20,000 signatures so far, with clear indications of the pressure that this is starting to put on Parliament. We have also gotten the first of what we intend to be at least several hundred signatures for the new call for a New Bretton Woods.” He referenced the Italian Parliament’s Sept. 25 breakthrough vote for a new international monetary system, and Helga Zepp-LaRouche’s issuance of an international New Bretton Woods resolution.

“That’s the only context in which a national bank can work,” Isherwood said, “and we intend to force that issue into the center of Australian politics.”

### Signers Surprise Australia

Signers of the ad included:

- Members of Parliament—national Senator Len Harris and three state MPs; 12 former national MPs, including former Deputy Prime Minister, The Hon. Jim Cairns, and former Minister for Labour, The Hon. Clyde Cameron.
- Local government mayors and councillors—the entire country was represented, including New South Wales (85 signers from 55 councils); South Australia (11 signers from 11 councils); Victoria (27 signers from 18 councils); Western Australia (65 signers from 34 councils); Queensland (72 signers from 41 councils) Northern Territory (3 signers from 2 councils), and Tasmania (38 signers from 20 councils).
- Fifty-one labor signers represented most major unions; 22 were state or national secretaries or presidents.



*Activists for Australia’s Citizens Electoral Councils organizing in late September for revival of the Commonwealth National Bank of King O’Malley (above), the “Alexander Hamilton of Australia.” CEC’s drive has surprised Australia with its extent of support; it’s linked to LaRouche’s New Bretton Woods monetary system concept.*



- There was prominent representation from the business, media, military, academic, and cultural professions, from religious and ethnic leaders, and from political party officials.

The CEC held Sept. 26 press conferences in most major cities around the country, garnering extensive regional press coverage, straight coverage on the Australian Broadcasting Corporation (ABC) News Website, and a ten-minute interview on the country’s major radio station, ABC Radio National. The ABC announcer interviewed national bank opponent John Sutton, Assistant National Secretary of the Construction, Forestry, Energy and Mining Union (CFMEU), the country’s most powerful. Sutton mustered weak slanders about the CEC being a “right-wing conspiratorial mob” associated with Lyndon LaRouche. He was repeatedly asked what his objection to Lyndon LaRouche was, but made no coherent reply.

Melbourne’s major paper, *The Age*, also attempted a slander under the title, “Name Behind Bank Petition Has Signatories Running for Cover.” Despite the misleading title, and the reporter’s obvious efforts to intimidate people into withdrawing their support, he managed to extract only a couple of equivocal statements from among all those he called. Former Deputy Prime Minister Jim Cairns, a past supporter of the New Bretton Woods idea, stoutly defended his participation even to provocative and hostile reporters, as did other officials interviewed by media.

Additionally, in their numerous radio shows, CEC spokesmen broke the news about the dramatic developments in Italy just hours before, where the Italian Parliament had called for a “new financial architecture” inspired by LaRouche’s New Bretton Woods.

# Back to Production, Dump Globalization

by Gail G. Billington

Malaysia's feisty Prime Minister, Dato Seri Dr. Mahathir bin Mohamad, challenged 800 distinguished guests, speakers, and captains of industry, attending the East Asia Economic Summit 2002, Oct. 6-8, in Malaysia's new capital city Putrajaya, to abandon the "ideology" of globalization and return to physical economics—the economics, he said, of "producing things." Representatives of 33 nations came together at the three-day conference, sponsored by the same World Economic Forum which hosts the elite annual Davos conference. Dr. Mahathir's speech, excerpts of which are printed below, took up the foremost issues confronting nations of the world today: the preparations for war, led by the utopians in President George W. Bush's Administration; the ill-defined threat of global terrorism; and the impact of both in feeding the threatened blowout of the world economy.

In launching such a "produce, stop financial speculation" polemic, Dr. Mahathir echoed the resolution passed by the Italian Parliament for a "new global financial architecture," which *EIR* founding editor Lyndon LaRouche initiated in direct discussions with those legislators. On the final day of the Putrajaya conference, Oct. 8, the Italian initiative was featured in Malaysia's "newspaper of record," the *New Straits Times*, as the lead letter to the editor by scientist Mohd Peter Davis, who highlighted LaRouche's initiating role in the fight for a New Bretton Woods conference.

Three weeks earlier, in his keynote address at the Asian Global Leadership Forum in Pangkor Laut, Malaysia, Mahathir had called for a renewed global commitment to economic infrastructure development as key to peace, because it has multiplier effects which generate expanded and more productive economic activities. He specifically proposed that 1% of multinational corporations' tax liabilities be given to a world infrastructure development fund.

### Educating President Bush

Dr. Mahathir, Deputy Prime Minister Abdullah Ahmad Badawi, and Foreign Minister Syed Hamid Albar have gone to great lengths to improve Malaysia's ties to the United States, which had gradually recovered from then-Vice President Al Gore's grotesque attack on Malaysia's leader during the 1998 meeting of the Asia Pacific Economic Cooperation Forum in Kuala Lumpur. In May 2002, Dr. Mahathir visited

Washington on his third state visit, followed in September by Badawi, who has been designated as Mahathir's successor when the long-serving Prime Minister retires in the Fall of 2003. Albar accompanied both leaders.

The Bush Administration's war on terrorism has created difficulties for Malaysia, in particular, as for all Muslim nations and populations, in what is seen as a targetting of a faith embraced by one out of five people on Earth. Malaysia's unquestionable political and economic success, in a multicultural nation of Muslims, Chinese, and Hindus, should suggest that its leaders have useful insights to share. And, by general consent, bilateral relations improved as a result of these state visits.

Nevertheless, the reported tough discussions between Badawi and Vice President Richard Cheney and National Security Adviser Condoleezza Rice, ran up against the irrationality of the Bush Administration's anti-terrorism campaign, exemplified in the rude and intrusive searches of the three Malaysian senior officials at U.S. airports. Also, recent changes in U.S. and Canadian immigration laws have caused disruption, if not outright suspension or cancellation of education for hundreds of Malaysian students, and cast the sinister implication that Malaysia tolerates, or is complicit, in harboring terrorists.

Mahathir told 40 journalists attending the East Asia Economic Summit, that removing Iraq's President Saddam Hussein from power and bringing democracy to Iraq would not solve problems affecting that country, nor tackle international terrorism effectively. He said President Bush was taking the wrong approach in fighting terrorism because Americans were angered by the Sept. 11 attacks, and angry people usually do not think rationally. Fighting terrorism requires rooting out its causes, he said, and in Malaysia's historical experience of combatting terrorist insurgency, citizens who feel they have a stake in the country, eventually abandon their fight.

## 'Renewing Asia's Foundations of Growth'

*The following are excerpts from Prime Minister Dr. Mahathir bin Mohamad's speech to the East Asia Economic Summit in Putrajaya, Malaysia, Oct. 6. A subhead has been added.*

World War II and the Pacific War were, economically speaking, disastrous for everyone. At the end, both the victors and vanquished were devastated and impoverished. . . .

Mindful of the negative results of punishing the defeated by forcing them to pay reparations, the victorious U.S. and its allies set out to resuscitate the world's economy including those of their late enemies.

While those who were allied to the victors were positively

helped through the Marshall Plan, the principal enemies were indirectly helped to recover and to rebuild. Japan in particular gained tremendously from the lessons they got from the former American enemies. . . . The fact is that the victors allowed and even helped the defeated enemies to recover. . . .

Trade needed a proper International Financial System. At Bretton Woods, the international community decided on pegging currencies to gold so as to ensure the values of currencies are properly backed.

It was a caring world anxious to rebuild a new world from the ashes of war. Colonies were freed one by one and allowed to rule themselves any way they like. It was in this atmosphere that the countries of the world recovered, became prosperous mainly through the production of goods and services and commodities traded across the world and within each country. . . . The old manufacturing giants regained strength and grew, while new giants appeared on the scene, notably in Germany and Japan. . . .

By the 1960s, the whole world seemed set to prosper. The outlook seemed even better when the Communist system collapsed and the Cold War ended. Now everyone could focus on economic growth without being bothered by ideologies and blocs. But unfortunately, it seems that some among the victorious capitalists saw little need to curb their avarice anymore. . . . There was no more "other side." The winning side was free to exploit the world without restraint. . . .

And so in the 1970s, pressure was applied on countries to go off the Gold Standard and the fixed exchange rate. Henceforth the market, i.e., the currency traders, would determine the rate of exchange of currencies. . . . A new business developed to help business deal with the uncertainties of the exchange rate. For a fee, the businesses could hedge. . . . Meanwhile the production of goods and services continued. Some failed, and along came the early saviors of failed businesses. They simply bought the businesses, stripped them of their assets and left the minority shareholders gasping. . . .

Then came the junk bond peddlers. . . . Some great names appeared on the scene, dealing in junk bonds and ripping off huge profits. Again the authorities stepped in and some notable traders ended in the chill.

But the itch to make quick profits gave birth to new ideas. Short-selling shares was one of them. It was speculation at first, but when it became manipulation, some countries disallowed short selling. . . . By then the interest had moved almost completely away from the performance of business, i.e., the profits, the assets, and the potentials. The only thing that mattered was share appreciation or capital gains. . . .

Then someone thought of the idea of cornering the currency market. It was costly, but hedge funds had made arrangements to have huge sums at their disposal and even more that they could leverage from the friendly banks. And so began the rampage of the currency traders. Any country was fair game, but most of all the newly emerging economies, rich enough to be fleeced, but not powerful enough to fight

back. . . . Perfectly good countries with enormous resources can be truly and really bankrupted.

All the while these countries were condemned for their incompetence, their corruption, their cronyism, etc. The currency traders who sold down the currencies of these countries were never blamed. Indeed they became great philanthropists. . . .

Look at the world today. It is not the prosperous, growing world of the post-war years, especially of the sixties to the eighties. It is a world of economic malaise. Even before Sept. 11, the downturn was already evident. The dot.com companies precipitated this. . . . The fact is that we are not doing business anymore, real business that is. We are not producing goods and providing services. . . . What the world is interested in today is quick money, money that comes from speculation and manipulation; overnight money. The greedy have taken over the economy of the world. . . .

### **National Governments No Anachronism**

If the Asian economy is to be revived, Asians must look beyond their continent. They must help bring about a return to sanity. They must do so by ganging up against the greedy who are already shaping the world's economy and finance through the World Trade Organization.

We need to relook very closely at the interpretation of globalization. . . . We should resuscitate real business, the business of producing things, of providing service. Money should be invested in this and not in buying and selling shares alone or in speculation and manipulation of currencies. . . .

Even in the handling of modern terrorism, we are not doing well. Today, a year after Sept. 11, 2001, the situation is really worse than immediately after. . . .

We don't seem to be doing the right things. If I may say so, the world has lost its way. The Malays . . . have a saying, "When you lose your way, go back to where you started." We need to go back to the status quo ante, to the good years of the world's growth, to the '60s, '70s and '80s. We must not be afraid to admit that we have gone wrong, and go back to doing real business. Stop the quick profits of asset-stripping, of short selling, of speculation and manipulation of currencies, of monopolizing world business, of the efficacy of size. If we cannot stop them completely, regulate them.

Governments have not become anachronistic. . . . They have a good incentive to do the right thing by everyone, including the very poor, simply because, democratic or authoritarian, they know they will be thrown out if they don't care for the people's welfare. . . .

Do business, real business. Stop the gambling on the share market and the currency market. Use the stock exchange as a place for raising capital, not making quick profits. Stop preaching to others. Stop examining the shoes of hundreds of millions for the hundred or so terrorists, but look instead for the causes which move normal family people, to blast themselves to smithereens, and eliminate the causes.

# IMF in Denial of Italy Vote, New Bretton Woods

by Michael Billington

International Monetary Fund First Deputy Managing Director Anne Krueger is the author of a plan which claims to deal, through IMF-controlled “national bankruptcy” proceedings, with the growing number of nations with unpayable debt burdens. Speaking in Washington on Oct. 7, Krueger exposed the IMF’s rage against the only real solution to that global problem—the rapidly expanding international movement in support of the New Bretton Woods proposal of U.S. Presidential pre-candidate Lyndon LaRouche. At the free-trade fundamentalist American Enterprise Institute (AEI) forum on Krueger’s plan—known as the Sovereign Debt Restructuring Mechanism (SDRM)—she blew up at mention of the Italian Parliament’s vote on Sept. 25 to support LaRouche’s idea.

Dr. Krueger was asked from the floor by *EIR*: “The Italian Parliament on Sept. 25 passed without opposition, a resolution inspired by Lyndon LaRouche’s proposal [Krueger grimaced at the name] for a New Bretton Woods. The resolution recognizes that steps must be taken in regard to individual nations in debt trouble, including especially Argentina, but locates the crisis within the crash of the global, U.S. dollar-based system. . . . The Italian resolution calls for a new, global financial system with fixed exchange rates, bankruptcy proceedings for the banking system itself, and long-term low-interest credits for large infrastructure development as the basis for the new financial system. How do you respond?”

“Been there, done that,” was the IMF official’s hostile comeback. Krueger said that economists have different views on this problem, but claimed they all agree that you cannot have both fixed exchange rates, and sustained lending for development. The Asia crisis, after all, she insisted, was the result of the Asians’ fixed exchange rates. The lesson of the post-war era is that “no one is willing to subordinate their economies to a global fixed-exchange regime *in which we retain capital mobility*.”

Of course, LaRouche’s New Bretton Woods proposal most emphatically does away with Dr. Krueger’s unfettered “capital mobility,” a bankers’ term for the unregulated flow of hot money in the speculative jungle which now dominates the falling world markets. In fact, the only reason that fixed exchange rates caused a problem in the Asian economies

was the lack of controls over capital flows—as proven by the acknowledged success of Malaysia’s defense against the speculators and the IMF; its government imposed both a fixed exchange rate, and partial capital controls.

But Krueger went further, revealing her, and the IMF’s, state of denial in regard to the now self-evident and accelerating crash of the global financial system—particularly, an almost hysterical denial of the collapse hitting the world’s hyper-debtor. “But I also object to the idea that there is a global financial crisis,” she said. “Certainly in the United States, there is no debt problem. The economy is large enough to sustain its current debt levels without difficulty. The premises of your question are of dubious value, but, in any case, the solution you propose is a medicine worse than the disease.” Whether she intended the irony or not, this was precisely the phrase used throughout the world in regard to the IMF’s own policies, after the 1997-98 breakdown in Asia!

After the meeting, Krueger was handed the Oct. 4, 2002 *EIR*, containing the Italian Parliament resolution, and told that the entire Italian Chamber of Deputies had backed it. She responded—truthfully, it appears: “They [Italy] are living in a world I don’t know.”

## It’s the IMF That Is Bankrupt

The SDRM is the current name for the bankruptcy plan first put forward by Krueger on Nov. 26, 2001, in the midst of the collapse of the Argentine economy, when it became apparent that the continued bailout of insolvent nations, one-by-one, would bankrupt the IMF-based system itself. Krueger’s plan called for the IMF, essentially, to take over the economy of the bankrupt nation, imposing bone-crushing austerity, the forced sell-off of state sector corporations, and an open door to foreign takeover of banks and industries—i.e., typical IMF conditionalities—all in exchange for a stretching out of foreign debt obligations. Some reduction in the total debt would be considered—equally shared by the creditors—with assurances that so-called “rogue lenders” would be prevented from going to court to demand full and immediate payment ahead of the others.

In an attempt to cover up the blatant colonial nature of this plan, Krueger subsequently made modifications to allow for the appointment of a “Dispute Resolution Forum,” separate from the IMF Executive Board, to run the bankruptcy process. She admitted, however, that the Forum “would have no authority to challenge decisions by the Executive Board of the Fund; for example, regarding the adequacy of the member [nation]’s policies or the sustainability of the member’s debt.”

This plan, posed as a helping hand to the poor nations of the world, not only ignores the biggest bankruptcy on Earth, centered upon the American banking system and the insolvency of the U.S. government itself, but offers absolutely nothing to deal with the collapsing economies of the



developing sector nations. As is now clear in the case of Brazil (see *Feature*, this issue), whether the IMF does or does not bail out the debt, the IMF itself is bankrupt.

The Krueger plan did not appear out of nowhere, but was prepared over a number of years by the leading Anglo-American banking circles, to counter LaRouche's February 1996 call for an international conference of sovereign nations to create a New Bretton Woods monetary system. Former Federal Reserve chief Paul Volcker and Institute for International Economics founder C. Fred Bergsten, formed an "Emerging Markets Eminent Persons Group" (EMEPG) in November 2000, to find some means of preventing the global financial crisis from leading nations to support LaRouche's proposal for a new system altogether. Most worrisome to these spokesmen for the banking oligarchy was the response in Asia to the 1997-98 "Asian crisis," when the nations of East and Southeast Asia took measures to unite behind a new Asian monetary system, providing the potential to break out from under the control of the bankrupt IMF structure.

On Nov. 5, 2001, just weeks before Krueger announced her own bankruptcy plan, the EMEPG released a study called "Rebuilding the International Financial Architecture"; it called for stabilizing exchange rates, regulation of hot money and hedge funds, capital controls—but only if allowed and run, case by case, by the IMF. It advocated "the establishment of an international legal mechanism for restructuring sovereign debt contracts, similar to the Chapter XI proceedings under the U.S. bankruptcy law." This was the essence of what then became the Krueger plan.

The purpose of these proposals was not to rebuild the underlying productive structure of these nations (as America's Chapter XI statutes intend), but to assure the continued capacity of the creditor nations and creditor banks to collect their debts from destitute and collapsing economies—if with a moderate "haircut"—while preventing any cooperation between the subject nations towards creating a new monetary system.

This had been clear since the failure of the effort to create a "new world financial architecture" in the wake of the "Asian crisis." President Clinton and his Treasury Secretary Robert Rubin created a "Group of 22," comprising both advanced and developing sector nations, which met at the Willard Hotel in Washington in April 1998, with the explicit intent of revamping the world financial system along the lines of Franklin Roosevelt's original Bretton Woods concept. The hopes born of that initiative were buried in the witch-hunt impeachment of President Clinton, and the IMF "medicine" that brought ruin to nations across the globe.

### **Alternative to Colonialism or Chaos**

The current "debate" among the stable of professional economists concerning the debt crisis is a disgraceful case of rearranging the deck chairs on the *Titanic*. The "alterna-



*"Been there, done that. It won't work," was IMF Deputy Director Anne Krueger's heated denial of the Italian Parliament's proposal for a new monetary system along Lyndon LaRouche's lines. Krueger was in heated denial at an Oct. 7 Washington forum.*

tive" to Dr. Krueger's Sovereign Debt Restructuring Mechanism, vigorously defended by its proponents, is Collective Action Clauses (CACs) between sovereign debtors and their creditors—basically letting the debtors and creditors fight it out on their own. This brilliant scheme is aimed at discouraging countries from "overborrowing," and creditors from "overlending." The fact that the majority of developing sector debt comes not from borrowing, but from the speculative devaluation of their currencies, deterioration of terms of trade, and related policies totally outside of their control, is not a subject of these debates. Nor is the fact that the debt can not and will not be paid, even if the populations of each nation were entirely deprived of the means of existence—as is now being implemented in the once rapidly developing nation of Argentina.

Others, such as several of the fundamentalists at AEI, simply call for cutting off the insolvent nations from all international credit, letting "the magic of the marketplace" kill off the less fit.

There is no longer any alternative to the creation of a new world monetary system, and the Italian Parliament has demonstrated that even a G-7 nation is capable of acting on that fact. If the IMF's Krueger still doesn't know the world in which that resolution was adopted, then perhaps the record-setting electoral victory of LaRouche's allies in the recent Brazilian elections will enlighten her.

**To reach us on the Web:  
[www.larouchepub.com](http://www.larouchepub.com)**

# Cracks Show in Housing, Bubble of Last Resort

by Richard Freeman

Reports appearing in the Oct. 3 *Wall Street Journal* from economic analysts began to confirm *EIR*'s much-denied warning of four months ago ("U.S. Real Estate Bubble Nears Its End," June 21), that the U.S. housing boom is a bubble which is popping. *EIR* had pointed, in particular, to the creation of a vulnerable mortgage-debt bubble by the two large national mortgage corporations—known by their nicknames Fannie Mae and Freddie Mac—as the trigger which could cause an explosion of unpayable mortgage debt to hit the economy as a whole.

In a page-one story, the *Wall Street Journal* worried that "cracks are spreading in the foundation of the U.S. housing boom, as evidence that the long run-up in housing prices can't be sustained." The *Journal* pointed to continuing job losses as undermining real estate markets. In a break from what has been consistent propaganda in the U.S. economic press about the enduring values of home-ownership at any price, it called the real estate market "speculative."

And the *Journal* reported a new study by *economy.com*, which determined (see **Table 1**), for 100 of America's large cities, (a) the percentage increase since 1998 of the median household income in that city; (b) the percentage increase of the median home price in the same period; and, thus, the percentage by which the increase in the median price required to buy a home, surpassed the increase in the median household income. In the case of San Diego, to take one example, the *median price* of a home has jumped to \$362,000, out of the reach of the income of two-thirds of all American households.

The paper documented past examples of sudden fall of overinflated home prices: In Los Angeles, after home prices rose during the 1980s, they fell by 24% over a five-year period in the 1990s. But, after convincingly showing that there is insufficient real income behind the sky-high prices of homes in America, and the mortgages attached to them, the *Journal* then attempted to reassure its readers, that everything will turn out okay. Its primary argument was the fairy tale that unlike the "high-tech" stock market, the real estate market won't collapse "quickly" and cannot go through a depression, "because real estate is such a local phenomenon"; in other words, a collapse in some cities and local areas will be borne along by continued rise in housing valuations elsewhere. The argument ignores the housing bubble's predominant engine: the actions of the Fannie Mae and Freddie Mac national mortgage companies, which have created that bubble which is now ready to blow. As one financial newsletter put it in late

TABLE 1

## How Far the Median Home Price Increase Outstripped Household Income Increase Since 1998

Boston, Mass.	66.1%	Washington, D.C.	29.7%
Portland, Me.	61.3	Minneapolis, Minn.	28.3
San Diego, Calif.	59.8	Santa Fe, N.M.	21.1
Fort Myers, Fla.	59.4	Houston, Tex.	20.8
New York, N.Y.	51.3	Tucson, Ariz.	20.7
San Francisco, Calif.	39.8	Chicago, Ill.	20.1
Denver, Colo.	33.9		

Source: *Economy.com* for *Wall Street Journal*.

September, "Fannie Mae is just a huge hedge fund, and its overextended."

### Fannie Mae's 'Duration Gap'

A Sept. 30 report by Fannie Mae—the Federal National Mortgage Corporation—showed that trillions of dollars of mortgage obligations are now at risk. The huge mortgage firm reported that its "duration gap" stood at negative ten months as of the end September; this is outside its "acceptable range." The duration gap is the difference between the average future maturity of all of an institution's assets, and the average maturity of its liabilities. This has major implications in the world of low interest rates that Federal Reserve Chairman Sir Alan Greenspan has created in an attempt to prop up the bankrupt financial system.

Fannie Mae's assets now come due ten months before its liabilities. Assume for a moment, that Fannie Mae issued its own bonds, at a 7% interest rate, in order to raise cash to buy home mortgages in the secondary housing market, which mortgages themselves bore an 8% interest rate. Assume also that the maturity of the bonds that Fannie Mae issued, and that of the home mortgages it bought, were the same. Fannie Mae then earned a net 1% spread.

But with Greenspan's Fed policy and the constant lowering of long-term as well as short-term interest rates, assume now that homeowner refinancing reduces the interest rate on those mortgages Fannie Mae is buying, from 8% to 6%. Since Fannie Mae still has its own bonds outstanding at 7%, now it is earning a *negative* 1% spread. If this is widespread enough, it will incur large, damaging losses. And the negative duration gap means that Fannie Mae must wait, on average, ten months, after its income-bearing mortgage paper is retired, before it can refinance them at a presumably lower interest rate.

In the \$10.7 trillion U.S. housing market, Fannie Mae alone has over \$2 trillion in highly risky obligations, including its own bonds and its responsibility for mortgage-backed securities (MBS). Add today's historically high mortgage default rates, due to job losses, and this huge "hedge fund's" blowout could remove the last prop from the financial system.

# Port Lockout: Straw To Break Economy's Back?

by Patricia Salisbury.

Could the management-ordered shutdown of 29 West Coast ports have been the last straw for the U.S. and world economy? President Bush, or some advisers, thought so; as the shutdown entered its second week, the administration sought and got a Federal injunction under the 1947 Taft-Hartley Act, ordering the ports reopened until Oct. 16. On that date, the administration will be back in court to seek a declaration of the official 80-day “cooling off” period with ports open under court order.

Bush's move is the first use of the Taft-Hartley provisions in a quarter-century. It came despite reports that a number of his advisers had cautioned against using it, given the likelihood of antagonizing labor leaders particularly among the so-called “he-man unions” such as the International Brotherhood of Teamsters (IBT), which Bush is known to be courting for the November elections. Indeed, IBT President Jimmy Hoffa, Jr. had stated that the use of Taft-Hartley would be considered an open attack on the entire labor movement. As the administration moved into court, Rick Bank, director of the AFL-CIO's center for collective bargaining, termed the administration “incredibly anti-union,” and said the AFL-CIO labor federation would make members aware “that their rights and protections are in jeopardy.”

Additionally, a number of labor historians pointed out Taft-Hartley's poor track record on solving disputes; in many instances, strikes or lockouts resumed following the “cooling off” period. A spokesman from the International Longshore and Warehouse Union (ILWU) seized on this point, saying the use of Taft-Hartley would delay a settlement for the 80 days it is in effect, since the key issue between the union and the Pacific Maritime Association (PMA)—unionization of jobs created by introducing modest new technologies—won't likely be resolved unless leverage is brought to bear against the PMA.

## Economy, War Forced Bush's Hand

But with the economy toppling and the Iraq war de facto under way, what choice did Bush have within his current deranged assumptions? Ten days of port shutdown had already begun to send possibly fatal tremors through what was left of the physical economy, and was also limiting the inflow of cheaply made consumer products from Asia, counted on by desperate retailers to support one more round of Christmas binge-buying on credit cards.

Events of those ten days brought home the fragility of



*West Coast port lockout quickly drove big cracks in a failing economy. ILWU unionists, here fighting the World Trade Organization back in 1999, now have to realize that “fair trade”—or continued, expanded trade in any form—depends on LaRouche's recovery measures.*

the current, depleted U.S. manufacturing base, and its total dependence on looting Asian nations for cheaply produced critical parts and equipment—or alternatively, for products which the U.S. economy can no longer produce to market standards. Government figures filed in the court case said a prolonged lockout would reduce employment by 140,000 during the last quarter of 2002. Manufacturing shutdowns were already well under way in the first week of the lockout.

Ironically, the first major casualty reported was New United Motor Manufacturing, hailed by JD Powers Consulting as the most efficient auto manufacturer in America. New United, a joint venture of General Motors and Toyota which imports key components, including transmissions, from Japan, has taken the now-dominant practice of “just-in-time” inventories to new lengths, having a normal inventory of six hours' worth. So the entire 5,500-person workforce was idled, and United desperately airshipped parts at 30 times the usual cost, trying to restart one-third of their production capability.

Boeing, the nation's only remaining civilian aircraft manufacturer, has already targetted 30,000 jobs for elimination and announced a non-lockout-related decision to vacate 1.2 million square feet and seven buildings in its Everett, Washington facility. Boeing was projecting major production slowdowns if the lockout continued through a second week, and was trying unsuccessfully to bring shipments in through the ILWU-organized port of Vancouver, British Columbia.

Pacific Northwest wheat growers and California cotton and rice producers, along with growers of grapes, apples, and almonds, were faced with stacks of agricultural products with no way to move or preserve them. Agricultural imports were likewise rotting in ships moored outside the shut ports. Asian news media were headlining a disaster in the making for the economies of Asian nations. As for U.S. retailers, those that had not already successfully stockpiled had only one perspec-

tive: Get the ports open through the Christmas season and stave off bankruptcy a few weeks or months longer.

### **Answer Is LaRouche Recovery Measures**

Contrary to magical views of the economy, a court order will not put things right overnight. Various experts, the PMA, and the union all estimate that it will take six to eight weeks to reduce the backlog of freight, so continuing effects on the economic collapse can be expected. The Union Pacific and Burlington Northern Santa Fe Railroads have already announced plans to limit the number of containers entering railyards, to prevent overcrowding as ports open.

Then, there is the unresolved hostility between the shippers and the historically militant ILWU, which has declared the issue of continued unionization “do or die.” This hostility rose to new levels in the final hours before Taft-Hartley was invoked: The union agreed to a Department of Labor proposal to reopen the ports for 30 days, only to learn that management had turned the offer down. Spokesmen for the PMA questioned whether the union would continue to engage in a de facto slowdown, even as it issued orders to reopen the ports.

The union says the extra volume of freight will create safety problems, and that its members will not be forced into a speed-up to deal with the lockout-created backlog, even if threatened with court sanctions. Richard Mead, president of ILWU Local 10, said, “If safety is against the law, I will go jail.” Mead ridiculed Bush as “the new walking boss on the waterfront.”

But militant trade union declarations will not solve the current crisis, either. For the union, the shippers, and above all, the Bush Administration, the only solution lies in a larger issue: acknowledging the leadership of Democratic Party Presidential pre-candidate Lyndon LaRouche. LaRouche campaign supporters have been delivering exactly this message to ILWU members at rallies, picket lines, supermarkets, and post offices in major cities up and down the West Coast.

One three-person LaRouche campaign team made a big impact at a Southern California ILWU hall where 1,500 workers were arriving for an emergency meeting. Improvising a rally with a makeshift megaphone, a LaRouche representative told the workers, in both English and Spanish, “LaRouche is right, the financial system is finished, your pension is gone, and soon your hospital, car, house, will be gone, and Bush wants to start a war! If you want to survive, join LaRouche. He warned you about globalization, deregulation, and the Clash of Civilizations crowd, but you went with Gore, even though we told you a vote for Gore was a vote for Bush.”

This message stunned some workers into silence; several could be overheard murmuring, “She’s right.” The more thoughtful stopped to hear about the passage by the Italian Parliament of a resolution based on LaRouche’s New Bretton Woods proposal; the growing support for LaRouche in Ibero-America; and to read his campaign’s pamphlet, “LaRouche’s ‘November Program’ to Rebuild the Economy.”

## **Unreality Shrouds Russian-American Energy Meeting**

by Brian Lantz and Rachel Douglas

An air of unreality hung over the first-ever “U.S.-Russia Commercial Energy Summit,” held Oct. 1-2 in Houston, Texas, because it grappled with neither the impending global show-down prompted by a U.S. war policy, nor the world economic crisis. A great deal of agitation about Russia’s potential to replace the Middle East as chief crude oil supplier for the United States preceded and surrounded the event, most of it issuing from the same circles that promote war on Iraq. The actual proceedings fell short of that build-up. The chaos that would be unleashed by a U.S. adventure in Iraq, was not even a topic of open discussion.

Planned last May at the St. Petersburg meeting of Presidents Vladimir Putin and George W. Bush, the “commercial summit” was heavily attended by government officials. U.S. Secretary of Commerce Donald Evans and Secretary of Energy Spencer Abraham played host to the nearly 300 attendees at the two-day conference, which was held at Warwick Hotel and the James A. Baker III Institute (Rice University). Russian Minister of Economic Development and Trade German Gref and Minister of Energy Igor Yusufov led a delegation of executives from every major Russian oil company and some other sectors.

### **Pipeline Dreams**

The desire on the part of leading Western financial interests to direct investment in post-Soviet Russia into the oil and raw materials-extraction sectors, is nothing new. But this year it has become a campaign with new geopolitical overtones, under the banner of “diversification” of U.S. fuel sources away from Middle East. Such “ill-conceived plans . . . to attempt to by-pass present world strategic dependency on Middle East oil,” Lyndon LaRouche warned in May, “could only bring an added factor of chaos to an already explosive world monetary-financial and economic situation,” and should be abandoned, as being “recklessly incompetent economic and geopolitical impulses.”

Sen. Conrad Burns (R-Mont.), a member of the Senate Energy and Commerce Committees, had presented his impulses in lurid colors in a Sept. 12 speech at the National Press Club in Washington, which he titled “Post-9/11 American Energy Security: New Market Psychology in the Age of Ter-

rorist Oil.” Brandishing his new vocabulary—“We must turn-off the spigot of terrorist oil”—Burns demanded that “America must begin weaning itself off of rogue oil from Iraq and Saudi Arabia and bring Russian oil onto the world market.” An enthusiastic participant in the Houston meeting, Burns introduced a Senate resolution on Oct. 1, calling for increased U.S.-Russian cooperation on “energy development”—meaning Russian oil for the United States.

Secretary Abraham announced on the eve of the Houston conference that the U.S. strategic oil reserve will soon take delivery of 280,000 barrels of Russian crude. He took Minister Yusufov on an unprecedented tour of the Bryand Mound strategic reserve site.

At the same time, the U.S. officials came on strong with demands for Russia to “press forward with banking and financial reforms,” as Secretary of State Colin Powell put it to the U.S.-Russia Business Council meeting, held Oct. 3 in Washington on the heels of the Houston event. Evans, Senator Burns, and others emphasized the need to pass legislation on Production-Sharing Agreements (PSA), which guarantee foreign investors’ repatriation of profits, and other privileges, and which have been the subject of intense opposition in the Russian State Duma (lower house of Parliament) on national security and patriotic grounds. Gref, a free-trade advocate, promised the Houston summit “a maximum withdrawal of the state from regulation,” although this Autumn’s political agenda in Moscow includes intense debates precisely on the question of the ownership and control of natural resources.

Even if such principled political fights were to evaporate, the levels of investment required to contemplate Russia’s becoming a major oil supplier for the United States are enormous. The first-ever Russian oil deliveries to the United States took place this year, their total of 18.4 million barrels representing less than two days’ U.S. oil imports. (Saudi Arabia and Iraq, combined, supply approximately 25% of these imports.) Russian oil production, which plunged by half in the turmoil of the early 1990s, is only now reapproaching its 1989 level. This has been accomplished largely by restarting idled capacities from the Soviet period, and bringing online some new technologies for the exploitation of mature wells. In May 2002, the Russian Ministry of Natural Resources warned that at an output rate of 400 million tons per year (8 million bpd)—and Russia is producing at not far below that rate now—currently prospected oil reserves would be exhausted by the year 2040. Yusufov said that the Russian oil industry needs “\$1 billion per year, or \$50 billion by 2010” (sic) in order to go forward. The enthusiasm of Secretary Evans for such investments was so great, that the Moscow business daily *Kommersant* reported he had talked in terms of \$18 billion per year.

And then there is the question of infrastructure. A Russian output level of 9 million bpd, as projected by the Russian company Lukoil for 2010, would exceed the carrying capacity of Russia’s oil pipeline network.

## Notes of Caution

Corporate participants from both countries were markedly more circumspect than the ideology-driven government officials. No one among the energy company representatives who spoke at the conference was seriously talking about Russia replacing the Middle East as an oil supplier any time soon. Lukoil presented its projections of Russian output increasing to 9 million bpd by the year 2010, a 30% jump, as compensation for the decline of Gulf of Mexico and North Sea production. Otherwise, both sides were looking down the road, talking in terms of prospects over the next decade or two. Senior U.S. energy executives, in discussions, were dismissive of the geopolitical idea of an energy “quick fix” from Russia, adding that their companies could not make plans in Russia based on the immediate fallout of a potential Iraq war, but had to look ahead a decade or more.

Exxon-Mobil and other giants think they can offer the capital, and aid in gaining access to the capital, required to develop Russian reserves and transport systems. They said that doing so will depend on Russia making its opportunities competitive. Although the major projects on- and offshore from Sakhalin Island are going ahead with U.S. participation, and there are other agreements, caution was the watchword.

Mikhail Khodorkovsky, president and CEO of Yukos and a big promoter of Russia as a world energy power, stated bluntly that if U.S. financial markets were only going to offer high-priced capital, “Who needs it?” Said Khodorkovsky, “Let us meet again in a year and then see what has been done.” One participant observed that the “not in any rush” posture was unanimous in the American and Russian delegations, as if well-rehearsed. There were, of course, plenty of discussions held behind closed doors.

When *EIR* asked one of the very few “strategic” questions during this summit, there was nervous silence. This occurred at a panel composed of Russian-based oil company executives and the U.S. and Russian ambassadors, not one of whom wanted to risk answering the question, namely how they thought a 25-40% devaluation of the dollar would affect their business deals.

The officially cautious tone of the meeting was reflected in the Oct. 3 *Wall Street Journal* article about it, headlined “U.S. Companies Are Wary of Russia As Oil Alternative.” Back in Moscow, the coverage in *Kommersant* focussed on a conference event not attended by *EIR*’s correspondent: the rodeo-theme “cultural program,” organized by Secretary of Commerce Evans. *Kommersant* reported that Economics Minister Gref, oil magnate Khodorkovsky, and others took part in what was described as a Texan folk game, comprising a competition in throwing pieces of bovine dung the greatest possible distance. According to *Kommersant*, the worst result in this breathtaking contest was demonstrated by Khodorkovsky, known in New York, London, and Moscow for his lackey-like behavior toward higher-ranking oligarchs.

# Business Briefs

## Finance

### Will Greenspan End Up in the Tower?

On Sept. 26, Federal Reserve Chairman Alan Greenspan received the great honor of being turned into a “Knight Commander of the Order of the British Empire” (KBE) due to his “outstanding contribution to global economic stability.” Before the ceremony at the Queen’s Balmoral Castle, Greenspan showed up at various events in the City of London.

A Londoner who met Greenspan at one of these occasions, reported that the Fed chairman actually seemed to be “oblivious and living in his own bubble.” He pointedly asked Greenspan about the corporate scandals that had rocked the U.S. financial system and Greenspan responded by saying: “Oh yes, yes, even some of my best friends were involved.” Greenspan added that he had asked his friends “how they could do that,” and they told him, “they just didn’t know what they were promising, but they will never do it again.”

Greenspan also gave a speech in London on Sept. 27, at the dedication of Britain’s new Treasury building. Somehow, he felt the need to talk about the fate of former financial authorities who failed to prevent speculative bubbles from emerging. After the “South Sea bubble” burst in 1720, Greenspan noted, the British Chancellor of the Exchequer ended up in the Tower of London. *CBS MarketWatch* commented, that if markets would continue to go down for a few more weeks, “the Tower may be the only place he’ll be safe from angry investors.” London’s *Financial Times* proposed that Greenspan’s honor should be labelled the “Order of the Bubble.”

## Banking

### Morgan Stock Cracks, Lays Off 4,000 More

Some are now calling it “J.P. Meltdown Chase” bank. The stock of J.P. Morgan Chase fell to \$16.54 a share on Oct. 4, well below the supposedly critical level of \$20, as the bank continued its death spiral. The

bank’s market capitalization has fallen from a peak of \$106.5 billion in early 2001, to just \$33 billion, a decline of 69%.

With its huge portfolio of derivatives contracts since the merger of Morgan and Chase, this is a casino, not a bank. As of the second quarter, Morgan Chase had \$26 trillion in total derivatives, including \$278 billion in credit derivatives—compared to \$207 billion in loans; its credit derivatives exposure alone is greater than its loan exposure. The bank, which has not reported its third-quarter results, has said that it will write off \$1.4 billion in loans for the quarter, and said overall trading revenue in July and August was just \$100 million, compared with \$1.1 billion in the second quarter.

To help cut expenses, Morgan Chase will fire about 4,000 of its 20,000 investment bankers, Bloomberg reported Oct. 4. With these cuts, the bank will have cut 14,000 people since the merger.

Morgan is not alone in the meltdown sweepstakes among the banks. Charles Schwab is down 82% from peak; Morgan Stanley is down 72%; Merrill Lynch is down 60%; Goldman Sachs, 54%; Citigroup, 50%; Lehman Brothers, 48%; and Bear Stearns, 45%. Merrill Lynch, which has already cut 15,000 jobs, is preparing further cuts, according to Bloomberg.

## United States

### Distressed and Defaulted Debt Grows

Financial press reports on Oct. 4 showed that the total of U.S. corporate debt which is classified either as being in default or “in distress,” has risen nearly \$200 billion during this year, to a total of \$879 billion. This amount is greater than the Gross Domestic Product of all but eight nations in the world.

All of this debt is now classified as in junk bond status, though the bonded debt of some companies did not start out that way, but, as in the cases of WorldCom or Adelphia, was only downgraded to junk bond level shortly before, or at the point that these companies filed for bankruptcy. Debt is considered to be in default when the issuing company stops making interest payments on the debt.

Of the \$879 billion debt figure, \$389 billion represents defaulted debt, and the rest, debt that is “distressed.”

In dollar volume, the 12-month default rate in the U.S. economy—that is, the percent of all U.S. corporate bonded debt that is in default—is 15%. This is the highest rate since the statistics for such debt defaults have been kept. Further, the defaulted bonds are trading at 18¢ on the dollar, which is far less than the historical average of defaulted debt of 42¢ on the dollar.

## Mexico

### Central Bank Sees Global Market Problems

Reality seems to have struck some at the Banco de México, as seen in the “Monetary Policy Report” it produced on the functioning of the economy for the first half of 2002. The report, apparently presented to the recent International Monetary Fund/World Bank annual meeting in Washington, noted that “the risks to which the basic economy is subject for the remainder of 2002 and in 2003, are substantially greater than those envisioned for other quarters . . . primarily due to the great uncertainty which currently exists with regard to the evolution of *the world economy* and the volatility of the financial markets.” Moreover, “the U.S. economy hasn’t recovered in the second half of the year, [contrary] to what was anticipated.”

Banco de México warned of a possible change in the dollar exchange rate with regard to the euro, as well as an “additional contraction of capital flows to emerging markets.”

The Bank’s governor, Guillermo Ortiz, told London’s *Financial Times* on Oct. 1, that “the current situation in international financial markets is particularly dangerous because important pieces of the old [financial] architecture have been weakened, and the new elements are barely in the design phase.” Ortiz, who appeared quite worried, called for increasing IMF resources, “and the quantity that can be loaned to any country, proportional to its size.” He argued that the IMF should also make a larger initial disbursement of funds to a country in crisis than it does now.

Also worried is the Private Sector Eco-

conomic Studies Center, which warned on Oct. 1 of the "semi-stagnation" of Mexico's economy, noting that exports dropped by 7.7% in May and June, while industrial production dropped 1.7% for the same period.

## U.S. Finance

### Wall Street Braces For Big Job Cuts

The sustained bear market means that Wall Street is now facing "the deepest job cuts yet," wrote the *Wall Street Journal* on Oct. 8. Since the end of 2000 the nation's securities firms have laid off 32,287 employees, or 8.8% of their workforce. But that's peanuts compared to what is in the offing, according to the *Journal's* report. The magnitude of cuts coming down the pike were telegraphed by Credit Suisse First Boston's Oct. 7 announcement of 1,700 layoffs, and J.P. Morgan Chase's news that it will make 4,000 job cuts, or 20% of its investment-banking department workforce.

Wall Street executives hoped "to hold on" to employees, "betting that the bear market would lift." But now, after mergers-advisory work is down 43% to \$351 billion, from \$616 billion in 2001, global underwriting volume fell 12.6% to \$774 billion in the third quarter over last year's third quarter, and only seven public offerings were made in the third quarter just concluded—"the fewest since 1980"—the executives are "waving the white flag—and handing out the pink slips."

## Derivatives

### Rumors of Big Losses at Commerzbank

The London *Financial Times* and *Guardian* Oct. 7 reported rumors—based on an e-mail sent out by Merrill Lynch investment bank—of large derivatives losses at Commerzbank. "Again, the market is flooded with rumors that Commerzbank, among all its other problems, has sustained large trading losses in credit derivatives. . . . Apparently, a number of banks have begun to shut

down credit lines," Merrill Lynch Europe's Maria Anastase said in an e-mail to Standard and Poors, which was printed by the Oct. 4 *Financial Times*.

That same week, Merrill issued a research note comparing the weakness of the German banking sector with that of Japan. The note, entitled "Turning Japanese," stated: "In particular, the rapidly eroding unrealized gains on the bank's equity holdings, coupled with higher refinancing costs, raise serious questionmarks about the bank's ability to withstand a protracted difficult economic environment."

Commerzbank denied it was in trouble and hinted it might sue, while Merrill Lynch said the flap was overblown, part of "the nervous frame of mind of the market at the moment."

## Europe

### Central Bank Says No Rate Cut

The president of the European Central Bank, Wim Duisenberg, on Oct. 8 said there will be "no rate cut" and demanded stricter adherence to structural reforms, drawing opposition especially from France. A head-on collision between reality and Maastricht treaty budget parameters is under way.

Duisenberg rejected some countries' demand for an interest rate cut, saying, "The risks to price stability over the medium term are at present balanced. We thus consider the current level of ECB interest rates to be appropriate." Austrian Chancellor Wolfgang Schüssel was not pleased: "It would help to think of possible alternatives . . . to stabilize the European economic situation." But Duisenberg retorted that member countries had failed to implement reforms and curb unemployment. "You could find an answer if governments finally embarked on ambitious structural reform programs all across the euro area."

Meanwhile, French Finance Minister Francis Mer refused to promise that France would reduce its deficit by 0.5% in 2003, remarking that France's ability to pare down its gap depends on how fast the economy grows. "What do you want to have—growth, or to reduce the deficit?" SAID Mer.

**LOAN LOSSES** written off by the major investment banks in Europe and North America will total more than \$130 billion this year, according to the *Financial Times* on Oct. 6. This is the highest level ever recorded, and the magnitude of the losses will trigger another wave of job cuts across the banking sector, said the *Times*, citing research by Oliver, Wyman.

**MERRILL LYNCH**, in another sign of the doom of the "new economy," announced on Oct. 7 that it will stop trading 75% of the NASDAQ stocks it handles. More than one-third of NASDAQ stocks are now below \$5 per share, and volumes fell by 35% in the first half of 2002. The huge brokerage is closing its separate New Jersey office for NASDAQ operations.

**DEUTSCHE TELEKOM** on Oct. 8 announced a worst-case scenario, in which it will lay off 55,000 employees between 2002 and 2005. This is 22% of Europe's biggest phone company's workforce. These layoffs include the 30,000 terminations announced earlier this year. The cost-cutting measure is supposed to save Deutsche Telekom \$978 million annually.

**ISRAELI** Finance Minister Silvan Shalom told the daily *Ha'aretz* on Sept. 27 that an Iraq war could seriously hurt Israel's credit rating, which has already been hit by the downgrading of two of its largest banks by Standard and Poor's. Shalom said that the banks' downgrading "doesn't mean that the credit companies will also lower Israel's sovereign rating. . . . But if there is a catastrophic crisis such as a war with Iraq, then Israel's rating will be in danger."

**U.S. UTILITY** company shares plunged on Oct. 8, after Allegheny Electric defaulted on credit agreements and TXU Corp. said a credit downgrade of one of its European units may trigger an early bond repayment. Standard & Poor's Electric Utilities Index fell to its lowest level in eight years, reflecting the collapse of the energy bubble.

## LaRouche Friend Breaks All Records in Brazil Election Win

by Silvia Palacios and Lorenzo Carrasco

The Brazil elections held Oct. 6 have proven to be the greatest repudiation anywhere of the insanity of globalization. Out of a possible 115 million voters, 95 million Brazilian citizens went to the polls, and only 20 million voted for the government-backed candidacy of Jose Serra. The vote, in fact, represented an explicit rejection of the past eight years of policies under successive Fernando Henrique Cardoso governments. Although none of the Presidential contenders won enough votes to avoid a second electoral round, the future of Brazil as a nation will clearly be determined by the government which succeeds in turning this sentiment of generalized revolt into action.

The voters' favorite for President was Luis Inácio "Lula" da Silva, of the Workers Party (PT), drawing 47% of the total valid votes cast. He was followed by Jose Serra, with 23% of the vote, and then by the two other opposition candidates, former Rio de Janeiro state governor Antony Garotinho with 16%, and former Ceara state governor Ciro Gomes with 12%.

There were other clear indications of the total lack of credibility of the government's globalist policy. For example, of the 12 states which chose new governors in the first electoral round, seven are opposition figures (two from the PT and five from other parties).

### Biggest Victories for PRONA

More revealing still was the landslide victory of Dr. Enéas Carneiro of the national Party for Rebuilding of National Order (PRONA)—prominent cardiologist, mathematician, former Presidential candidate, and a good friend of U.S. Presidential pre-candidate Lyndon LaRouche—as Federal Deputy from São Paulo, the nation's largest electoral district with 25 million voters, and where half the GNP is produced. Enéas was elected by more than 1.5 million votes, the highest vote

garnered by a Congressman in the electoral history of the country. Given Brazil's system of proportional vote allocation, his election enabled five more PRONA congressmen to be elected as well, thereby turning Enéas' election into a Congressional bloc, conferring important prerogatives within the Congress.

Dr. Enéas' nearly 1.6 million votes was an all-time record both in absolute numbers and in vote percentage (about 8% statewide in São Paulo). It was a bigger vote than the next four biggest Congressional vote-getters, combined! The same wave of nationwide protest swept Dr. Havanir Nimtz, an important ally of Dr. Enéas and now city councilwoman from São Paulo, into the state legislature, again with the highest vote ever won by a candidate for State Deputy.

The Brazil election victory by a strong nationalist intellectual leader who is a friend and ally of LaRouche, coming only two weeks after the Sept. 25 vote by Italy's Chamber of Deputies in support of LaRouche's proposal to establish a New Bretton Woods reform of the international monetary system, marks a giant step forward for the U.S. Presidential candidate's global recovery strategy.

Without large financial resources at his disposal, Dr. Enéas campaigned around clear and tough arguments for reorganizing the international financial system, along the lines proposed by Lyndon LaRouche. The affinity between Enéas Carneiro and LaRouche was made explicit during the American statesman's visit to Brazil this past June. The occasion was the granting of a title of honorary citizenship to LaRouche by the São Paulo Municipal Council, on the initiative of Dr. Havanir.

### 'Return to Era of Vargas' and FDR

The global financial ramifications of a possible Brazil break with International Monetary Fund policies, have Wall





*With the largest Congressional vote total in history, leading Brazilian intellectual Dr. Enéas Carneiro (left)—shown introducing Lyndon LaRouche (right) to the São Paulo City Council in June—has single-handedly improved prospects for a new monetary system and economic recovery.*

Street and London terrified. Top financiers are proposing the IMF pump more than \$60 billion into Brazil next year, so they can keep paying on their \$500 billion or so of foreign obligations.

The repudiation of globalism was massively expressed at the polls, not only by the poorest layers of the population, but also by the elites most representative of national power. Thus, what emerged was a widespread rejection of that destruction of national dignity perpetrated since the 1990 election of the disgraced Fernando Collor de Mello, and continued by the two successive mandates of Fernando Henrique Cardoso. What Brazil's elites see is that it has lost all its impetus toward greatness as an agricultural and industrial power, and is now at the mercy of the tyrannical free market under globalization. As the popular saying goes, "de Fernando en Fernando, el pais se fue fregando" ("from Fernando to Fernando, the country got more and more messed up").

Indicative were the comments of Congressman Delfim Netto on Oct. 1, to the newspaper *Monitor Mercantil*, regarding the imminent electoral victory of "Lula." The former finance minister stated that "there is no reason to fear the consequences of a new policy that has growth and employment as its priority, instead of servitude to what is imagined to be the wishes of market agents. The new government will have little liberty, but it will be enough to generate more development and less 'marketeering.'"

Clearer still were the comments of ambassador Rubens Ricupero, secretary general of the UN Conference on Trade and Development (UNCTAD), in a Sept. 29 syndicated col-

umn in *Folha de São Paulo*, in which he stated that the country needed to return to the "Vargas Era." Nationalist President Getulio Vargas launched Brazil's industrialization process in the late 1930s and '40s, while operating as a crucial wartime ally and friend of American President Franklin Delano Roosevelt. Wrote Ricupero, "Outside adversity is not always invincible. One example was the so-called Vargas era, begun (and in part motivated by) the crisis of 1929 and the Great Depression."

Cardoso explicitly repudiated Vargas' achievements, which Ricupero outlined in his statements to *Folha*. In the late 1930s, he said, "the country had to suspend debt payment and saw its options narrowed, caught between Stalinism and Fascism. Nonetheless, [Vargas] very quickly brought [Brazil] out of recession, promoted industrialization and built the Volta Redonda [steel complex]. There were admirable achievements: BNDES (the National Economic and Social Development Bank), Petrobras [the national oil company], the National Steel Company which today, sadly, we let pass into foreign hands. Of the legacy of the Vargas era, perhaps the most important [aspect] is the example of some Brazilians [who were] able to act, and conquer an inhospitable foreign climate."

### **From Word to Deed**

Whether or not Luis Inácio Lula da Silva can bring this sentiment to reality remains to be seen. While he managed to turn these national concerns into votes for himself, Lula is a very amorphous personality who tends to accommodate to

pressures, which has allowed him to head a party which is a mosaic of different factions, all within the left wing. At the same time that he was a founder in 1990 of the São Paulo Forum, together with the Cuban Communist Party, he also agreed in 1993 to become a member of the Inter-American Dialogue, founded as a branch of the Trilateral Commission for the Western Hemisphere, on the personal invitation of President Fernando Henrique Cardoso. More recently, the PT—in alliance with the French Socialist Party and the networks of the Anglo-French Goldsmith family—was a founder of the World Social Forum in Pôrto Alegre, supposedly the world opposition to globalism.

On the other hand, it is also true that the PT shelters genuinely nationalist sectors, whose strength was reinforced at the end of the campaign, by the support of important industrial and political sectors. Lula's victory in the second electoral round, as is likely, will unleash an intense and immediate internal shockwave within the structure of the PT and its allies.

The international financial oligarchy would like to polarize the situation as rapidly as possible. Sociologist Helio Jaguaribe hinted at this, in an Oct. 1 interview with the Argentine daily *Clarín*, noting that Lula's victory has "as its sole precedent in Latin America, that of the Chilean Salvador Allende," who was victimized by the most radical leftist factions formally allied to him. Today, groups of the international oligarchy are moving feverishly, as was demonstrated by Constantine Menges of the "utopian" group in power in Washington, who wants to turn a Lula victory into the pretext for including South America in the "axis of evil," and turning it into a target of the lunatic Bush government's "anti-terrorist" agenda.

Undoubtedly, the results of the Brazilian elections will forge a new geometry that will have major repercussions on the international financial system, and on the policy of the Bush Administration toward the hemisphere. Thus, the *Washington Post* of Oct. 7 commented fearfully that "an anti-globalization backlash is sweeping Brazil." Whoever is the winner will face an explosive international situation, with a systemic crisis of the financial system, and the efforts of the Bush government to erect a new imperial rule.

It is obvious that the economic collapse has nothing to do with the electoral process, as some would have it. The crisis will worsen between now and the end of the year, and the Cardoso government will require radical measures to stem the capital flight. If the floating exchange rate is maintained, the financial hemorrhaging will continue, and the country will be like Argentina before the year is out. As Ambassador Ricupero commented in an Oct. 9 note in *Gazeta Mercantil*, "The current government must assume responsibility for the situation, which is the result of the policies it followed, with bets which proved wrong. The current government should take preventive measures against turbulences that could continue to affect the Brazilian economy even after the election of a new President in the second round."

## IMF Check-Mates Itself in Brazil

by Dennis Small

You have to admit, there is more than a touch of irony in the situation surrounding Brazil's elections. In the weeks leading up to the vote, the international financiers holding Brazil's foreign debt—all \$500 billion of it—extracted promises from every leading Presidential candidate, pro-government and opposition alike, that should they win the elections, they would maintain Brazil's current agreements with the International Monetary Fund (IMF). Backroom deals were cut, threats were delivered, and when the election rolled around, you could almost hear Wall Street breath a collective sigh of relief: "We're okay, boys. They've all agreed—including Lula—that they'll savage their economy before suspending debt payments. Thank goodness reason prevailed."

But reality has asserted itself and threw a couple of hitches into the Wall Street scenario. First, Dr. Enéas Carneiro kicked over the chessboard. In his congressional race, Dr. Enéas, the Brazilian politician most closely associated with Lyndon LaRouche's call for breaking with the entire IMF system—Dr. Enéas calls it *ruptura*—won more votes than any congressional candidate in the entire history of Brazil. Now all political bets in Brazil are off.

Secondly, the IMF has managed to place *itself* in checkmate in Brazil. It has engineered a debt bubble of such dimensions and characteristics there, that the IMF is about to destroy itself by successfully imposing its own policies. LaRouche recently explained the matter: "Any conditions that Brazil would capitulate to from the IMF, would, in effect, destroy Brazil; but that would also destroy the IMF itself. Whereas any action on the Brazil case which would be acceptable to the future of Brazil, which would actually enable Brazil to deal with its problem, would effectively bankrupt the whole IMF system. This is reality: If Brazil concedes, Brazil collapses and that causes a chain-reaction collapse of the IMF system. If the IMF concedes to Brazil, to reasonable conditions, the IMF collapses immediately—which is probably the best solution."

Consider the following evidence of LaRouche's case.

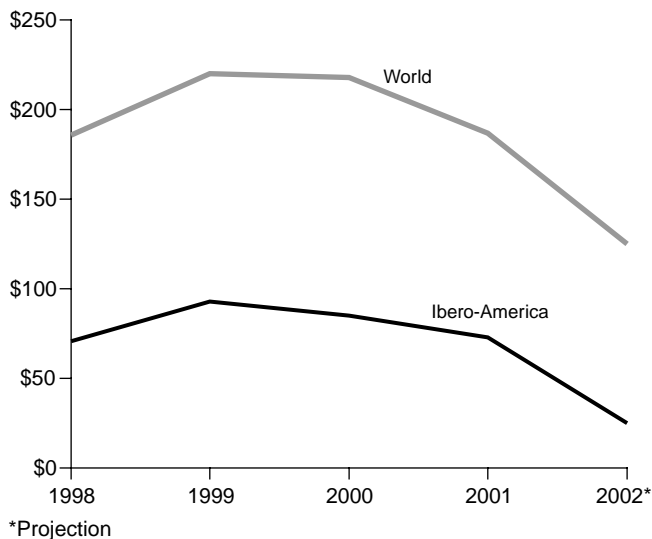
### 'The End of an Asset Class'

In 2002, there has been a dramatic contraction of foreign financial flows into the entire so-called "emerging market," but especially into Ibero-America. At the Oct. 1 Latin America Investor Summit, a meeting held in Washington, of company executives, bankers, investors and government

FIGURE 1

**Foreign Private Capital Flows**

(Billions of \$)



\*Projection

Source: World Bank, EIRNS.

officials, high-level World Bank officials revealed that private financial flows to emerging markets will total only \$125 billion in 2002—as compared to \$187 billion in 2001. This is a 33% decline, as compared to more moderate ups and downs over the previous four years (see **Figure 1**). These flows include both Foreign Direct Investment (FDI), as well as portfolio investment (purchases of bonds and stocks).

The regional picture for Ibero-America is even more dramatic. “Financial flows have really dried up in the region,” Guillermo Perry, the World Bank’s chief Latin American economist, told the gathering. As **Figure 1** shows, foreign private capital flows into Ibero-America are expected to drop to a mere \$25 billion this year, a shocking 64% decline from 2001’s level of \$70 billion.

These numbers are a reflection of this year’s Argentine and Brazilian debt crises, in particular. Foreign banks and other creditors have simply red-lined the entire continent: they are refusing to lend new money; refusing to roll over or refinance existing loans; and mercilessly insisting that countries pay off their usurious debts on schedule, regardless of how many times that debt has already been repaid, and regardless of the social and economic consequences.

Even as they are pulling their own capital *out* of Ibero-America, these private speculators are demanding the IMF and the G-7 governments put public moneys *in*—provide massive bailout packages in the tens of billions of dollars. That way, they scheme, countries like Brazil will be able to pay back their private creditors, *before* they are driven to default.

Thus, the IMF approved a \$30 billion bailout package

for Brazil last August, which was the largest IMF loan ever granted to any country. But as LaRouche warned at the time, even that amount was grossly inadequate to cover Brazil’s out-of-control debt bubble. An Oct. 2 wire from Bloomberg news service quoted Roger Scher, the top Latin American analyst at Fitch, Inc., the British credit rating agency, commenting: “If Brazil can’t return to the market soon, then the IMF money is not enough,” adding laconically, that Brazil will need \$63 billion from the IMF in 2003. Inter-American Dialogue president Peter Hakim agreed: “Brazil is one of those countries that could knock everyone’s cart off balance. The IMF can’t just sit back and say, ‘We’ve done the best we can do.’” And mega-speculator George Soros howled that more IMF and G-7 money had to be thrown at Brazil *now*, to stop default.

At the Latin America Investor Summit, top management from Merrill Lynch, Wall Street’s premier brokerage, presented their conclusion. Investors are “getting into a bunker. . . and staying there,” said Jacob Frenkel, chairman of Merrill’s international unit. If Brazil defaults, or there is other severe market instability in that largest of Third World debtors, this will “devastate confidence” in the sovereign (government) debt of the entire emerging market. Tulio Vera, a top Merrill Lynch researcher, added: “If we see a negative development in Brazil, that will call into question the viability of the asset class.”

Just to be clear: the “asset class” being referred to so cavalierly, is the *entire debt structure* of the Third World and former East Bloc countries. It is these nations—and their populations—which Wall Street is now preparing to write off.

Some might ask: But is Brazil really going to default on its \$500 billion in real foreign debt, or on its \$335 billion in public debt (foreign and domestic)? Yes; default is no longer avoidable, regardless of who wins the Presidential run-off elections, and of what policies he announces. The IMF has made sure of that.

The problem can be summarized in a word: *dollarization*.

**Dollarize, Devalue, Default . . . and Die**

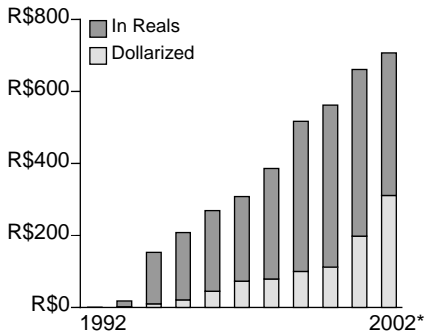
Consider the actual structure of Brazil’s debt bubble. For the moment, focus on the public domestic debt—the bonds that the Fernando Henrique Cardoso government has issued over the eight years it has been in office (**Figure 2**). That debt rose from some 150 billion reals in 1994, to over 700 billion reals in 2002, an almost five-fold increase.

That is only the beginning of the problem. Brazil, under pressure from the IMF and “the markets,” began to issue domestic bonds denominated in *dollars*, not reals. This foolishness really took off over the last two years, in order to “attract” foreign investors who were worried that a devaluation would catch them holding real-denominated bonds. So the proportion of Brazil’s bonds that are dollarized has grown to over 45% today. That means that every time the real is devalued vis-à-vis the dollar, the government debt *automatically rises*—without borrowing a single additional penny.

FIGURE 2

**Brazil: Dollarization of the Public Domestic Debt**

(Billions of Reals)



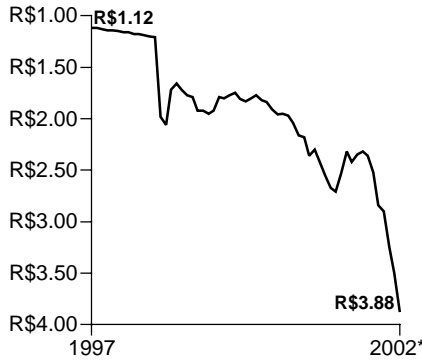
\*October

Source: EIRNS.

FIGURE 3

**Brazil: Devaluation of the Real**

(Reals/Dollar)



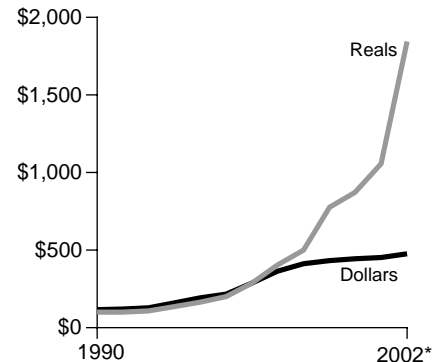
\*October

Source: EIRNS.

FIGURE 4

**Brazil: Foreign Debt**

(Billions)



\*October

Source: EIRNS.

Not surprisingly, the Brazilian currency has come under speculative assault by its own creditors, and has plummeted from 1.12 reals to the dollar back in early 1998, to about 3.88 to the dollar, as of this writing (Figure 3). That is a 71% devaluation.

That devaluation has driven up Brazil's total government obligations, as measured in reals; i.e., in terms of what must be extracted from the country's real economy to keep the bubble afloat (Figure 4). Today, that amount stands at a staggering 1.8 trillion reals.

Now add one final consideration. Speculators have also driven up the interest rate they are demanding the Brazilian government pay on its new bonds, pronouncing that Brazil's "country risk" rating—the premium they must pay above U.S. Treasury bills—is now at over 2,100 points. That means that Brazil must now pay 25% interest rates, or higher, on any new bonds they issue. But about 40% of its old bonds are also linked to market interest rates, which means that they too rise along with the "country risk" and other usurious charlatany.

In sum, 45% of Brazil's 700 billion real government debt is dollarized. Another 40% is interest-linked. Every 1-centavo decline in the currency boosts the debt by 3.5 billion reals; and every percentage-point rise in interest rates increases it by 4.2 billion reals. Meanwhile, the IMF and the speculators go merrily about simultaneously driving the real exchange rate down, and interest rates up. Result: *Brazil's debt is arithmetically unpayable*. Brazil stands at the edge of default—like it or not. The prestigious *Financial Times* of London recently explained to its often obtuse readers that, if the bailout packages of Brazil prove insufficient, "this will not only destroy the fragile economy of Brazil, but also the very *raison d'être* of the IMF."

Brazil reached this pass by following IMF orders to the letter: it *dollarized*; it *devalued*; it is about to *default*; and, if it stays on this policy trajectory, it will soon *die*, as neighboring Argentina is now dying.

LaRouche has emphasized the insanity of the dollarization of the debt: "On the Southern Cone debt situation, with this dollarization of the Brazil debt: the first demand has to be that the IMF agrees to cancel the dollarization, the increments of the debt based on dollarization. Reverse the dollarization as a great error, which creates an impossible situation, which threatens the continued existence of the IMF itself."

Brazil is not alone, as can be readily seen in the corresponding graphs for Argentina and Mexico (see Figures 5-10). The percentage of dollarization varies among the three cases, as do the time frame of the devaluations and the amounts by which the public debt has soared (as measured in local currency). But the pattern and the causality is identical: they each bear the unmistakable finger-prints of IMF policy lunacy.

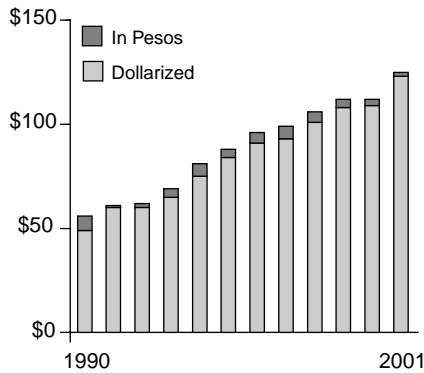
Argentina is the most advanced of the three cases. After defaulting on about \$140 billion in foreign debt in late 2001, Argentina has spent the 10 months since then cringing and crawling before the IMF and international financial community, while savaging its economy, hoping to get some sort of bailout package. As of October 2002, what Argentina has to show for its subservience is: 25% national unemployment; poverty gripping about 54% of the population; a collapse of imports by nearly 75%; advanced social dissolution—and not a penny in new money.

One of the bitter ironies of this situation is that, even if the IMF and Wall Street do, at some point, agree to restructure Argentina's defaulted debt, it will also now be necessary to "restructure the restructuring." In other words—an Oct. 1

FIGURE 5

**Argentina: Dollarization of the Public Debt**

(Billions of Pesos)

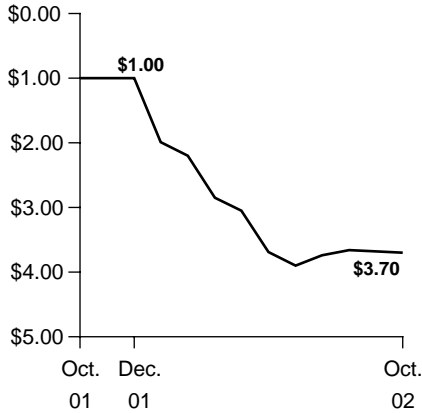


Source: EIRNS.

FIGURE 6

**Argentina: Devaluation of the Peso**

(Pesos/Dollar)

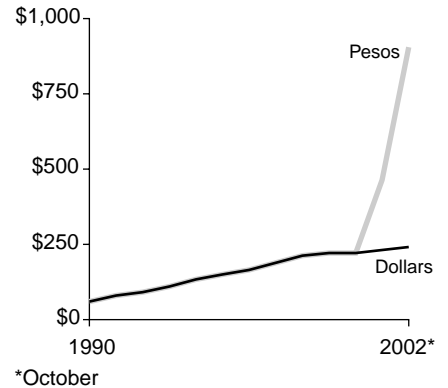


Source: EIRNS.

FIGURE 7

**Argentina: Foreign Debt**

(Billions)

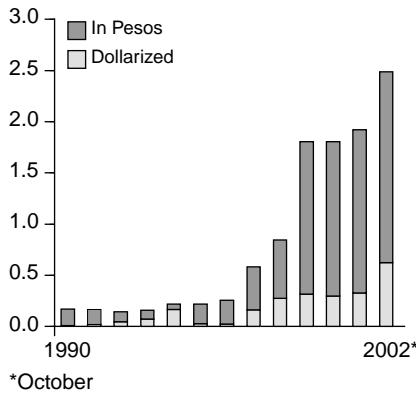


Source: EIRNS.

FIGURE 8

**Mexico: Dollarization of the Public Domestic Debt**

(Billions of Pesos)

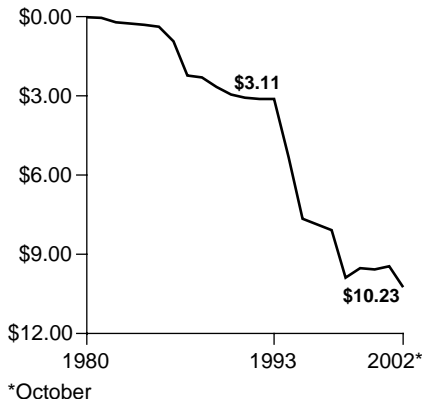


Source: EIRNS.

FIGURE 9

**Mexico: Devaluation of the Peso**

(Pesos/Dollar)

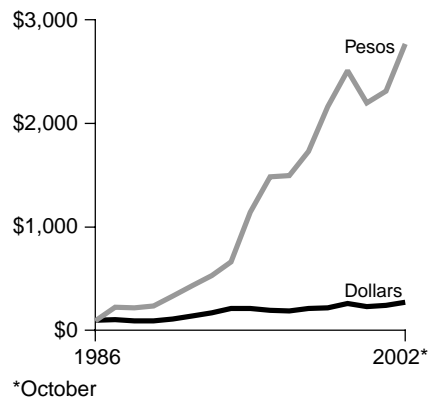


Source: EIRNS.

FIGURE 10

**Mexico: Foreign Debt**

(Billions)



Source: EIRNS.

article in Argentina's leading daily, *Clarín*, explained—the compensatory bonds, penalties, and capitalization of unpaid interest has been growing so rapidly over the last 10 months, that “even with a 70% write-off of the foreign component of the still not negotiated debt, the burden is unsustainable”—Argentina is simply unable to pay.

*Clarín* elaborated: “What kind of write-off is being discussed? The biggest one ever seen on the foreign markets. . . . In Russia and Ecuador, the reduction was only about 40%. . . . Barclays Capital is carrying out exercises that assume a write-off of 90% of the bonded debt, and even that way, clo-

sure would require a primary budget surplus on the order of 3% of annual GNP.”

Argentina has even been driven to consider something never done before: the write-down of up to 30% of the debt it owes to *multilateral agencies*—the IMF, World Bank, and Inter-American Development Bank (IDB). The problem here is typified by the fact that the IDB has about 20% of its own loan portfolio in Argentina. Could it survive such a write-off? And what happens when Brazil, Mexico, and a dozen other countries join Argentina in writing down their debts to the IMF et al.? Who will survive, then?

## A Citizen Who Chooses To Make History

by Gretchen Small

Who is this man who won the largest number of votes of any Congressional candidate in Brazil's history, in a campaign on which he spent, at most, \$22,000?

Dr. Enéas Ferreira Carneiro, known simply as "Enéas" throughout Brazil, is one of those rare individuals who step forward to shape history when their country needs them. Born on Nov. 5, 1938, Dr. Enéas is a mathematician, a physicist, and one of Brazil's most pre-eminent cardiologists, who has taught thousands of doctors. His textbook on the electrocardiogram has been published in various editions, in Brazil and abroad.

In 1989, he founded the Party for Rebuilding of National Order (PRONA), recruiting to its ranks many of the physicians whom he had inspired with his love of science—and of Brazil. The founding manifesto declared PRONA open to Brazilians from all races, creeds, and classes who wish to stop the looming dissolution of the nation due to pressure from its international creditors, and the state of near anarchy created by the government's failure to exercise authority.

Under PRONA's banner, Enéas ran for the Presidency three times, campaigning against the International Monetary Fund's looting of Brazil—all the while maintaining his medical career. In a March 1999 speech to a packed *EIR* seminar in Buenos Aires, Argentina, he explained, "Being a professor of medicine and, until the age of 50, never having participated in any political process, at a certain moment in my life, in 1989, did I suddenly, precipitously, without any prior preparation, without any link to the establishment, suddenly decide to enter politics?" He spoke of hospitals filled with malnourished and neglected children, of corruption which siphons off funds from the health budget, and the lines of poor people who can get no medical attention. "I was outraged," he said. The educational system was no better.

Without any links to any existing structure, "I gathered former colleagues of mine, former companions, former students, of whom I have had more than 30,000, and I created a political structure, a party, and I launched my candidacy for the Presidency of the Republic, saying these things, telling the truth," he explained.

From his first election bid in 1989, his trademark became "My name is Enéas," the concluding words of the 17 seconds in free national television time allotted him as a minor Presi-



*Dr. Enéas Carneiro, three times Presidential candidate in the past, has stunned IMF backers with his overwhelming Congressional victory, which elicited from AP the hilarious headline, "Fringe Candidate Sweeps Election."*

dential candidate.

He earned the attention of the international oligarchy as a potentially serious threat in the 1994 elections, when he came in third, winning nearly 5 million votes, for 7.4% of the total. In that election, he had the right to "a whole minute on television—an eternity," which he used to call on the state to adopt the dirigist credit policies of the United States' first Treasury Secretary, Alexander Hamilton.

It was after that ad, that Dr. Enéas came in direct contact with Lyndon LaRouche's associates in Brazil. Soon, he was instructing PRONA members to read *EIR*, "the only magazine in the world which still defends the existence of the sovereign nation-state."

In January 1998, on the eve of his third run for the Presidency, Dr. Enéas discussed, in an interview on national television, the analyses of the "brilliant economist" LaRouche, who had forecast the crisis, and called for a New Bretton Woods. In March 1998, in a prime-time TV interview, he went after globalization, as typified by mega-speculator George Soros' buying up Brazil's state companies. Holding up the issue of *EIR* famous for its cover featuring Soros surrounded by marijuana leaves, Dr. Enéas charged that Soros' money is drug money.

His war-cry in the campaign was that Brazil must "break with the international financial system," and stop paying a debt which was, even then, unpayable. He told the Brazilian daily *Tribuna da Imprensa* that one of the biggest problems in the country, was that the citizens had been brainwashed to believe the state is useless and should be weakened. The citizens fail to understand that the state is the only institution strong enough to defend the common man, he argued.

As the Presidential campaign went into high gear, he invited LaRouche's wife, Helga Zepp-LaRouche, to address a São Paulo City Council ceremony in August 1998.

It was in that election that the media adopted the policy

being employed today: to smear Dr. Enéas as a right-wing fanatic, a proponent of “nationalist extremism” like France’s Jean-Marie Le Pen, and not to report anything except that he purportedly wants Brazil to build an atomic bomb. In September 1998, Germany’s *Der Spiegel* called him “the uncontested star of the election campaign. . . . He wants to build atomic weapons, triple the manpower of the armed forces, and liberate Brazil from the claws of the international mafia of speculators”—the latter the only hint provided of Enéas’s actual campaign.

Despite the massive slanders, Enéas won over a million votes in that election, coming in fourth with 2.3% of the vote.

## Victory in 2002

The media are lying in the wake of his stunning 2002 Congressional victory that, as Associated Press claimed, Dr. Enéas is a “fringe candidate” for whom citizens voted without knowing what they voted for. This is ludicrous. Even before the hot phase of the 2002 Presidential campaign, without his being a candidate, pollsters were reporting in May that he was receiving 3-5% of voter preference nationwide. *Folha de São Paulo*, one of the papers most insistent today that no voter supports his “nationalist ideas,” had itself reported on May 2, that the audience present for a May 1 TV interview gave Dr. Enéas an ovation, when he told the reporters that he, as President, would not keep on Central Bank President Arminio Fraga and other members of the Cardoso economic team, because they are “enemies of the Fatherland.”

On June 19, Enéas announced that for the first time, he would not run for President, but rather for Congress, as the most effective way to shape national policy, given the tight controls on the Presidential elections.

Brazilian leaders treat citizens “as if we were retarded imbeciles,” Dr. Enéas had told his Buenos Aires audience in March 1999. Yet, the history of the world is full of examples that “no empire lasts forever. . . . If we understand history, we know that things are absolutely unpredictable. I studied mathematics, the exact sciences, and I know that this process isn’t linear. . . . The historic process tells us that we are heading toward an encounter with the unforeseeable, toward change.”

Those sticking with globalization “are involved in a process that carries within it the worm of their own destruction. There is no way for the financial bubble to maintain itself, because it lives parasitically off the organism that it inhabits. And so, my message at any point in the process has been, that we have to have hope. We have to be ready at all times. We have to be prepared. We have to be aware that our fight is between the light and the shadows, between life and death. It is a fight between good and evil, between Christian truth and Satanic lies. And it is with this thought, that I say to you that we must stand firm, with the certainty that truth will triumph.”

# Dr. Enéas Answers: Who Is Mr. LaRouche?

*This is the presentation of Lyndon LaRouche to the São Paulo City Council chamber audience by Dr. Enéas Carneiro on June 12, 2002.*

Until 1994, I knew of him only as a great political leader. I could also see the convergence of our thinking, but I had no idea at all of his immense and extraordinary culture in almost every field of human knowledge.

During one of my appearances on a TV talk show, on the occasion of my second run for the Presidency of Brazil [in 1998—ed.], I referred to the national credit policy implemented in the United States by Alexander Hamilton—which prompted a comment in the newspaper of the Ibero-American Solidarity Movement.

Mr. Lorenzo Carrasco sought me out, and I became a subscriber to *Executive Intelligence Review*. It is impossible to resist Mr. Carrasco’s appeals, when he decides to sell you a subscription to the magazine. Reading Mr. LaRouche’s articles in *EIR* and, later on, in *Fidelio* and *21st Century* magazines, I became increasingly astonished and deeply curious to know more and more about that man.

Who, really, is he?

Recently, reading an article appearing in the May 10, 2002 issue of *EIR*, I was struck by Mr. LaRouche’s deep philosophical and technical analysis of the catenary, and I recalled my classes as a university physics student, 40 years ago, with my dear friend Dr. Osorio—who is here today—when we were being introduced to transcendental trigonometric functions, analytic geometry, and hyperbolic functions.

*The catenary* is the curve describing the form taken by a uniform chain when it is suspended from its endpoints. Any freely hanging cable or rope assumes this shape. The catenary represents the constant search of nature for a state of order, with a minimum expenditure of energy. That is a universal principle, which, like many others, Mr. LaRouche explains magnificently in his writings.

But, let’s stop for a moment and think: What Presidential candidate in Brazil, or in the United States, for that matter, has ever heard of a catenary?

Imagine someone showing Mr. Bush in the United States, or Mr. Lula [Luiz Inácio da Silva] or Mr. [Antonio] Garotinho in Brazil, an hyperbolic function or an integral. Any one of them, at the sight of an integral, would immediately think of a rattlesnake ready to bite him. None of them, in their absolute ignorance of the scientific principles governing nature, has the slightest idea of the importance of scientific knowledge to

the statesman who would lead a nation.

Besides being a mathematical philosopher, Mr. LaRouche has a keen intelligence and exceptional fluency in matters of the physical world, speaking with intimacy and profundity about the ideas of Gauss, Ampère, Ørsted, and Kepler, and many other mainstays of physics.

Regarding philosophy as such, Mr. LaRouche is really a scholar. From Plato to Leibniz, from St. Augustine to St. Thomas Aquinas, or Descartes, Spinoza, and many others, the depth of his reasoning and wise analysis is, for me, breathtaking.

He speaks about ancient history as if he were there, at the same table, on the same sofa, at Plato's *Symposium*, the "Banquet of Love." He who reads Mr. LaRouche's articles receives a refreshing shower of science, fine arts, and philosophy.

### **The Fight for the General Welfare**

But, beyond such incontestable knowledge, what most impresses me about Mr. LaRouche is his concern for social questions, poverty, and the destiny of humanity.

Mr. LaRouche defends, in the United States and the world, the same ideas which we, of PRONA, defend here in Brazil.

He fights for the existence and presence of the sovereign nation-state. In one of his speeches, he said: "We want no empire. We want no hegemony. We want the general welfare. We want to protect and to promote national sovereignty. That is the cornerstone."

He condemns economic globalization, so dear to the rotten press, the corrupted media which do not allow ordinary people to know what is the reality hidden behind those sweet words, such as "privatization," "the minimal state," "economic globalization," and so forth and so on. In reality, all of this is a lie; what exists, in fact, is neo-colonialism.

I became aware in 1989—but Mr. LaRouche had seen it much earlier than I—that a diabolical plan of destruction was under way, and accelerating with incredible velocity, to destroy our moral values—all that was handed down to us by our forefathers, and which makes us a sovereign nation.

With the establishment of the free-market empire, with the neo-liberal wind blowing in almost every quarter of the planet, it followed naturally that our country would also be engulfed by this wave of destruction.

The floodgates of our economy were intentionally opened. Our nation was flooded with junk and trash from around the world. The barriers against imports of all industrial products were taken down, in such a disastrous manner that our national industry was almost destroyed.

But, the whole process did not stop there. With no subsidies, with almost no lending by the Banco do Brasil to small and medium-sized farmers, bankruptcy also struck the countryside. Thus, they destroyed agriculture, too.

Millions of unemployed were thrown onto the streets.

Today, a shocking 20% of the economically active population is unemployed. They wander hopelessly, hungry, desperate, joining those already in the informal economy, selling imported products at traffic stops on the streets, doing anything to survive; and a considerable number of those unfortunate people finally end up in criminal marginality.

Criminality, in turn, is reaching terrifying levels, reaching as high as one murder every hour in the Rio-São Paulo region, as stated quite correctly by Dr. Havanir, president of PRONA in São Paulo.

They destroyed the fundamentals of Classical education. They destroyed respect for the nation, for religion, for the family, as well as respect for life. And, with that, death became just a banality. They transformed human beings into machines.

### **The Empire of Money**

With complete freedom for speculation, with capital flowing from one point of the planet to another, without any restrictions, it was natural that the big monied interests wished to increase—doubling, tripling, quadrupling their fortunes—simply by speculation in the financial market. The world economy became a no-man's-land, with no relationship between real wealth and the amount of money in circulation. Money is no longer a symbol of wealth. It has become wealth itself. I say that, because there is no correspondence between the money that circulates and the real wealth of nations, as Mr. LaRouche has so brilliantly proven in his analyses, repeatedly presented in the four corners of the planet.

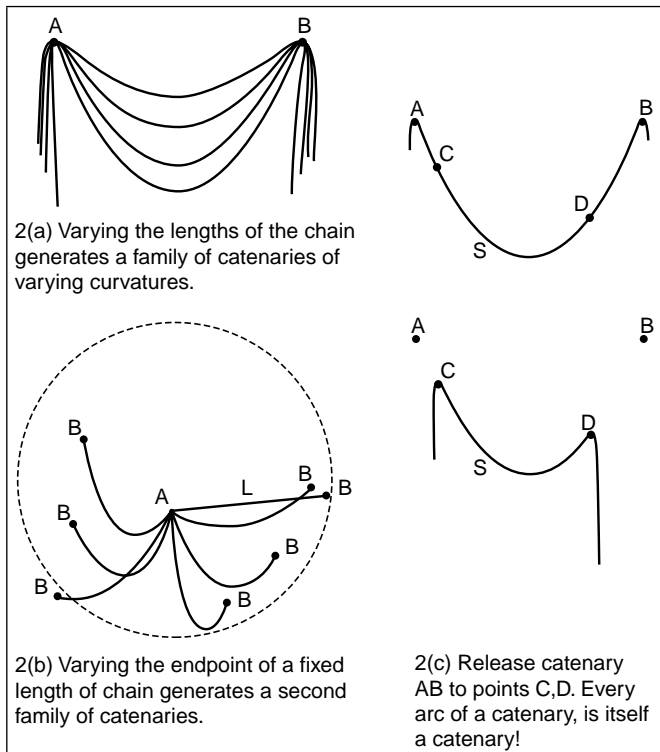
We have come to live under the Empire of Money, the Empire of Fake Money, the Empire of Painted Paper.

Brazil, in 2001, paid the fabulous amount of some \$60 billion in service on the public debt alone, including the interest on domestic and foreign public debts. And the domestic debt jumped from \$50 billion in 1994 (at a dollar-to-real ratio of 1:1), to about \$240 billion, the equivalent of a stunning 600 billion reals at today's exchange rate. We should remember that this enormous debt rose *after* the big Brazilian state companies were handed over, such as the National Steel Company (CSN), Usiminas, and Vale do Rio Doce—the biggest mining company in the world, control over which was sold for the ridiculous sum of \$3.338 billion, which is less than what is paid, in one month, in interest on the public debt. That is, close to 10 billion reals, or almost \$4 billion, are paid per month in interest alone.

Fortunately, this model is exhausting itself, because it is self-destructive. It carries within itself, the germ of its own destruction.

Look back to the Russia crisis: The world press, the servant of world power, said this was a local problem. There was an Asian crisis, and they repeated: This is a regional problem. Now, it is the Argentina crisis, and they keep saying: It is their crisis; it's an Argentina problem that won't affect us. Brazil is different. But the reality is, that there is no difference. As





*Lyndon LaRouche speaking to Russian Academy of Sciences in June 2001; a demonstration of catenary curves in LaRouche's newspaper, New Federalist. Dr. Enéas asks, "What Presidential candidate in Brazil, or in the United States, for that matter, has ever heard of a catenary? . . . None of them . . . has the slightest idea of the importance of scientific knowledge to the statesman who would lead a nation."*

Mr. LaRouche has been insisting for decades, and I have been repeating here in Brazil since 1989, the crisis is systemic.

There is no saving this model, unless there is a joint statement, issued by the governments of the major countries of the world, that the current international financial system is insolvent; and calling for the establishment of a new accord between nations, with the creation of a New Bretton Woods agreement.

### The Way Out for Brazil: 'Rupture, Now!'

But, unfortunately, here in Brazil, Mr. LaRouche, we don't have the power to impose such an agreement upon the world. Therefore, there is only one way out for us, and that is a rupture, a formal and final rupture with the international financial system.

We are one of the biggest countries in the world, with about 8.4 million square kilometers of land area, 21% of the world's freshwater supply, and the biggest rain forest in the world. One sunny day over Brazil's territory is equivalent to the energy produced during 24 hours of operation by 120,000 hydroelectric plants of the size of Itaipu Dam, presently the world biggest hydroelectric complex. Thanks to this fantastic solar energy, which is only possible in the tropics, the Brazilian continent has unequalled wealth of vegetation, with vegetable oils, cellulose, sugar, starch, etc., capable of generating forms of energy which can advantageously replace all petroleum products. In this way, we would be able to provide practically all of the world's re-

quirements for solid, liquid, and gaseous fuels, for an unlimited time to come.

This means the use of a clean, renewable energy source, the energy accumulated in the molecules of the carbon hydrates, which exist in amounts many times larger than the energy obtained through fossil fuels, which are running out on this planet. We are the richest country in the world, but we find more than half of our people condemned to live in poverty and misery.

*Rupture, now!*

Stop importing everything while exporting raw materials. Nowadays, even potato chips are imported, as if the glorious people of Brazil were not capable of doing anything, not even manufacturing potato chips.

Let us sit at the negotiating table and say: *That is enough!* Pay us a fair price, or not one milligram will be taken from this land—no iron, no aluminum, no titanium, no quartz, no niobium, etc.

They need us much more than we need them.

But, in order to achieve that, we will need in the government, at all levels, honest men; wise, diligent patriots; and not that weak, fallacious, deceptive, inept, and mad mob that is leading our country into the abyss of chaos, and our people into slavery. In other words, as Mr. LaRouche says, into a New Dark Age. Only in this way will we be able to proclaim the economic independence of Brazil.

Thank you very much, Mr. LaRouche, for your presence here in Brazil, and for all that you represent for all mankind.

## Launching Aggressive War Is Nuremberg Crime

by Edward Spannaus

The pre-emptive (some would say, preventive) war, which President Bush and warhawks in his Cabinet and the civilian leadership of the Pentagon are in the process of launching, violates fundamental principles of international law and treaties to which the United States is a party.

After World War II, the Allied powers, led by the United States, prosecuted leaders of the Axis powers for initiating aggressive war without provocation. Both the German and Japanese leaders justified their launching of aggressive war on the grounds that the countries attacked posed a threat to them. As some have pointed out, by the standards of the “Bush Doctrine,” Japan would have been justified in launching its pre-emptive strike against Pearl Harbor in 1941. The United States certainly posed a threat to Japan, was quite hostile to it, and indeed, was developing weapons of mass destruction which it later used against Japanese civilians—unnecessarily, and after Japan was already effectively defeated. (The United States is the only country to have ever used the only real weapon of mass destruction—a nuclear bomb.)

### The ‘Nuremberg Principles’

Planning and initiating aggressive war is a “Nuremberg Crime,” as defined by the four-power agreement creating the International Military Tribunal, signed on Aug. 8, 1945 in London, and sometimes called the “London Charter.” Following are the major stages in the evolution of what are today called the “Nuremberg Principles.”

**I. Moscow Declaration:** A declaration, by Roosevelt, Stalin, and Churchill, “speaking in the interest of the thirty-two United Nations,” and released on Nov. 1, 1943, called for trials of: 1) German officers and men, and members of the Nazi party, involved in war atrocities, who should be tried in the countries where the atrocities occurred; and 2) major war

criminals, who would be punished by the joint decision of the Allied governments. The Moscow Declaration was affirmed at Yalta in February 1945, and at the Berlin Conference of Aug. 2, 1945.

**II. London Agreement, and Charter of the International Military Tribunal:** The four-power agreement creating the International Military Tribunal was signed on Aug. 8, 1945 in London. Attached to the Agreement was the “Charter of the International Military Tribunal,” sometimes called the “London Charter.”

In the Charter’s statement of General Principles, three categories of offenses were defined for which there is individual responsibility: “a) *Crimes against peace*—namely, planning, preparation, initiation or waging of a war of aggression, or a war in violation of international treaties, agreements or assurances, or participation in a common plan or conspiracy for the accomplishment of any of the foregoing;” b) *War crimes*—violations of the laws or customs of war, including murder, ill-treatment, or deportation for slave labor of civilian populations, murder or ill-treatment of prisoners-of-war, and plunder, wanton destruction, or devastation not justified by military necessity; and c) *Crimes against humanity*—murder, extermination, deportation, and other inhumane acts committed against civilian populations, and persecutions on political, religious, or racial grounds.

The Charter also held that persons participating in the formulation or execution of a common plan or conspiracy to commit the above crimes, were responsible for all acts committed in the execution of such plans.

**III. Indictment:** The indictment in the trial of the major war criminals at Nuremberg was lodged on Oct. 18, 1945, and contained four counts: 1) Conspiracy; 2) Crimes against peace; 3) War crimes; and 4) Crimes against humanity.

Count Two of the Indictment stated: “All the defendants, with divers other persons, during a period of years preceding 8 May 1945 participated in planning, preparation, initiation, and waging wars of aggression which were also wars in violation of international treaties, agreements and assurances.” Twelve defendants were convicted on Count Two, in combination with other counts, and were sentenced on Sept. 30, 1946. Seven were sentenced to death by hanging (Goering, von Ribbentrop, Keitel, Rosenberg, Frick, Jodl, and Seyss-Inquart), and the others to terms of imprisonment ranging from ten years to life.

## Principles of International Law

Almost identical language was used in the **Charter of the International Military Tribunal for the Far East** (Tokyo), in 1946. Counts of that indictment included: 1) As “leaders, organisers, instigators, or accomplices in the formulation or execution of a common plan or conspiracy to wage wars of aggression, and war or wars in violation of international law”; 27) Waging unprovoked war against China; 29) Waging aggressive war against the United States; 31) Waging aggressive war against the British Commonwealth; 32) Waging aggressive war against the Netherlands; 33) Waging aggressive war against France (Indochina); and 35) and 36) Waging aggressive war against the Soviet Union.

On Count 1 (conspiracy to wage aggressive war), 23 of the 25 defendants were found guilty, with six sentenced to death and hung, and the others sentenced to life or a lesser term of imprisonment.

### IV. Principles of International Law Recognized in the Charter of the Nuremberg Tribunal and Judgment of the Tribunal, (as adopted by the UN General Assembly, 1950):

- “*Principle I*: Any person who commits an act which constitutes a crime under international law is responsible therefor and liable to punishment.”
- “*Principle VI*: The crimes hereinafter set out are punishable as crimes under international law: a) Crimes against peace: (i) Planning, preparation, initiation or waging of a war of aggression or a war in violation of international treaties, agreements or assurances; [and] (ii) Participation in a common plan or conspiracy for the accomplishment of any of the acts mentioned under (i).”
- “*Principle VII*: Complicity in the commission of a crime against peace, a war crime, or a crime against humanity as set forth in Principle VI is a crime under international law.”

## What Is Aggressive War?

### V. Definition of Aggression (adopted by UN General Assembly, Dec. 4, 1974):

“*Article 1*: Aggression is the use of armed force by a State against the sovereignty, territorial integrity or political independence of another State, or in any other manner inconsistent with the Charter of the United Nation, as set out in this Definition.



*Planning and launching aggressive (now “pre-emptive” or “preventive”) war, was a crime which helped sentence seven of these 1945 Nuremberg Tribunal defendants to death by hanging.*

“*Article 2*: The first use of armed force by a State in contravention of the Charter shall constitute *prima facie* evidence of an act of aggression, although the Security Council may, in conformity with the Charter, conclude that a determination that an act of aggression has been committed would not be justified in light of other relevant circumstances. . . .

“*Article 3*: Any of the following acts, regardless of a declaration of war, shall, subject to and in accordance with the provision of Article 2, qualify as an act of aggression: a) The invasion or attack by the armed forces of a State of the territory of another state, or any military occupation; . . . b) Bombardment by the armed forces of a State against the territory of another State; . . . c) The blockade of the ports of the coasts of a State by the armed forces of another State; . . . g) The sending by or on behalf of a State of armed bands, groups, irregulars or mercenaries, which carry out acts of armed force against another State of such gravity as to amount to the acts listed above, or its substantial involvement therein.”

## U.S. Declares Principles Binding

The principles of law declared in the Nuremberg Charter are binding on the United States, not only as a matter of natural law, but as a matter of positive law expressed by treaty and agreement between sovereign nations. This was expressed by the Chief Delegate of the United States, Warren R. Austin, in his opening address to the General Assembly of the United Nations on Oct. 30, 1946: “Besides being bound by the law of the United Nations Charter, twenty-three nations, members of this Assembly, including the United States, Soviet Russia, the United Kingdom and France, are also bound by the law of the Charter of the Nuremberg Tribunal. That makes planning or waging a war of aggression a crime against humanity for which individuals as well as nations can be brought before the bar of international justice, tried, and punished.”

# Is Sharon Preparing A New Hebron Massacre?

by Dean Andromidas

Israeli security sources fear Israeli extremists are preparing a massacre of Palestinian worshippers at the mosque housing the “Tomb of the Patriarchs” in the West Bank city of Hebron—a repeat of the Feb. 25, 1994 killing of some 30 Palestinian worshippers by a fanatical settler, Dr. Baruch Goldstein. If it occurs now, with the Bush Administration mobilizing for war against Iraq, it could be the “hand grenade” igniting—not the surgical “regime change” envisioned by the Bush Administration—a new “Thirty Years War” conflagration throughout the Mideast.

Senior intelligence sources warn of conflicting, as well as converging interests between Sharon and the Bush Administration in an Iraq war. Some in Washington want to control the entire region for imperial interests, but Sharon needs a war to facilitate the expulsion of the Palestinians from the West Bank and the Gaza Strip, into Jordan. His aims would collapse the Hashemite Kingdom of Jordan and pose a direct threat to Syria and Egypt. He is not interested in Arab “coalitions” or Arab endorsements for “regime change” in Baghdad.

A bloody provocation in Hebron (the burial site of Abraham), or at Jerusalem’s al-Haram al-Sharif/Temple Mount over the next weeks, would be a repeat of Israel’s actions during the build-up to the 1991 Gulf War. On Oct. 8, 1990, two months after Iraq’s invasion of Kuwait, major riots were provoked on the al-Haram al-Sharif, when Israeli extremists of the Temple Mount Faithful attempted to place a cornerstone for the new “Temple of Solomon” on the grounds of al-Aqsa Mosque. In a brutal reaction to the ensuing, predictable counter-demonstrations, Israeli police used automatic assault rifles to kill 19 Palestinians. The move was widely seen as a pretext to hurry the attack on Iraq.

## No Blue Skies Over Hebron

Veteran Israeli commentator Amir Oren reported that sources within the military-security establishment have warned of the danger that a Baruch Goldstein-type attack in Hebron could be expected during the month of Ramadan in November. Writing in *Ha’aretz* Oct. 7, Oren reported that a meeting of the relevant security chiefs will be held within a week to deliberate on such a possibility. “The circumstances, are potential revenge acts by settlers for murderous attacks by Palestinians. The venue, again, is the Tomb of the Patriarchs; the time, at high risk, is next month, during the Muslim holy month of Ramadan. The Shin Bet [domestic intelligence] is already aware of the threat, while sources in the Shai [po-

lice] district said this week that [regional police] Commander [Eli] Zamir and the commander of the IDF’s [Israeli Defense Forces] Hebron Brigade Col. Dror Weinberg, are scheduled to meet to consider the concern about a possible new Goldstein. Something of that concern has already been made known to Weinberg, and perhaps also to his superiors in the IDF.”

Indicating that his sources doubt that Israel’s highest security authorities are prepared to act on these warnings, Oren wrote, “Awareness of a potential attack being plotted by Israelis is not a guarantee that it can be successfully thwarted.” He revealed that the potential terrorist “squad is thought to use a vehicle, possibly a commercial vehicle, with Israeli license plates (which may be switched back for withdrawal), which easily gets through IDF checkpoints on the way back into Israel. For some reason, no one has bothered to order the soldiers at the checkpoints to take down license numbers of all the vehicles leaving the territories in the predawn hours when the traffic is very light.” Oren pointed out that no one in the relevant security position during Goldstein’s 1994 attack was disciplined or held responsible for negligence, because then-IDF Chief of Staff and later Prime Minister Ehud Barak officially declared the attack “a ‘bolt out of the blue’ that was so unexpected that no one should be held responsible for the consequences.”

But today, there are no blue skies over Hebron. Two years of bloody Palestinian-Israeli conflict have brought the city once more under complete Israeli occupation. A repeat massacre could only happen with the direct complicity of the Israeli military; its high command is completely controlled by the most extremist military elements, beginning with IDF Chief of Staff Moshe Ya’alon, who enjoys good relations with the extremist settlers. The current head of Central Command, with overall responsibility for the West Bank, including Hebron, is Maj. Gen. Moshe Kaplinski, who, only a few weeks ago, was Sharon’s personal military adviser. Intelligence sources say Sharon’s generals are more extreme than he, and that the military is in fact calling the shots.

Oren left his readers with a rather enigmatic anecdote: While the sons of Palestinians assassinated by Israeli security forces are never allowed into Israel proper, for fear they might take revenge, this does not hold for Israeli terrorists like Goldstein. Goldstein’s son has just been enrolled in the Israeli Air Force pilot training school, where the government will invest \$2.5 million to train him. Oren concludes that “in another three and a half or four years, if he excels, he will be able to fly an F-15-I, known as ‘Bolt’ in the Air Force, and head into the clear blue sky on a bombing mission.”

Most Israelis know that in the 1980s, an active duty fighter pilot was arrested for plotting to crash a small airplane, loaded with explosives, in a suicide attack on the al-Aqsa Mosque.

## Invasion of Gaza ‘A Matter of Time’

Even if a Hebron attack is not carried out, the brutal military assaults on densely populated Palestinian communities

in the Gaza Strip over the past four weeks may very soon lead to the major explosion Sharon's generals need to carry out the expulsion of the Palestinians. On Oct. 7, the IDF killed 14 Palestinians in Khan Younis in the Gaza Strip. After the death toll was known, a Bush National Security Council spokesman said, "Israel has the right to defend itself."

This was not an isolated attack. In 30 days since Sept. 5, the IDF has launched no fewer than 16 battalion-level military assaults involving tanks, helicopter gunships, and F-16 bombers. Conducted under the pretext of "neutralizing the terrorist nests," these bloody attacks have left dozens killed and hundreds wounded.

The Khan Younis assault was only typical of all the others. In the first stage of the operation, just after midnight on Oct. 7, with no precipitating incident, tanks entered the Amal neighborhood and began firing artillery shells at residences. Later that day, Israeli troops fired machine guns into Nasser Hospital, just as hundreds of people were gathering to find out the fate of their relatives who had been shot during the fight. Then as the tanks withdrew, an Apache helicopter fired missiles into a marketplace. Among those killed were a 50-year-old Palestinian woman and four boys aged 17 and younger.

Sharon declared the operation "vital to prevent terrorist attacks launched from this area." Other officials called it "obligatory" and "very important."

Ignoring the Bush Administration complaint that it was "deeply troubled," Israeli reportedly told the United States that an Israeli invasion of Gaza "is a matter of statistics and time," because as attacks on settlements occur, "Israel will be forced to act."

Predictably, a Hamas spokesman declared that it "promises to respond to the massacre," and called on "all the Palestinian factions to unite in armed resistance to kill all the Zionists who came from America or Russia and are not innocent." The Palestinian Authority issued a statement that "Ariel Sharon is exploiting the American attack on Iraq to conduct vengeance campaigns against Palestinians," and called for international forces to be deployed in the territories.

The September siege and near destruction of Palestinian Authority President Yasser Arafat's West Bank headquarters in Ramallah was only the most dramatic of the brutal operations carried out on the West Bank over the past weeks, despite lack of Palestinian suicide bombings in that period. Over 100 Palestinians have been killed in the last two months, while hundreds are being arrested each week. International human rights groups report that at least 10,000 Palestinians, most arrested in August and September, remain in Israeli prison camps under conditions that violate the Geneva Conventions. Over 30 houses of the families of those accused of terrorism have been demolished in the last month alone.

Red Cross International Committee President Jacob Keltenberg met with Sharon, Foreign Minister Shimon Peres, and Defense Minister Benjamin Ben-Eliezer on Oct. 6, to tell them point-blank that they are violating the Geneva Conven-

tions and international law.

The brutality "paid off" for the IDF on Oct. 10, when a Palestinian suicide bomber killed one Israeli and injured 16 others at a bus stop near Tel Aviv.

## Sharon to Meet Bush

An Israeli veteran of the peace camp commented that Sharon knows Israel will never crush the will of the Palestinians by military means; but, Sharon benefits from the extremism and despair created within the Israeli population. While the extremists will support the expulsion of the Palestinians, those in despair will do nothing to stop it.

On Oct. 16, Sharon will meet President Bush in Washington for the seventh time as Prime Minister, more than any other head of state or government. According to Israeli press reports, he will discuss various scenarios—mainly, a possibility that Iraq will send chemical or biological weapons against Israel. *Ha'aretz's* Aluf Benn wrote on Oct. 7, "A senior diplomatic source estimated that the U.S. will propose an 'umbrella' and announce it will regard a non-conventional attack on Israel as an attack on itself, and respond accordingly. Sharon will have no choice but to agree to leave Iraq to the Americans. But this problem is more complicated. What if the Palestinians, or the Hezbollah, take advantage of the situation to launch a provocation? What if the horror-scenario of the mega-attack is realized? The administration is demanding that Israel prevent escalation with the Palestinians and on the northern border."

Benn wrote that the principal purpose of the meeting is to negotiate "how much freedom of action Sharon has regarding the Palestinians while the Americans prepare for war—and during it."

The Bush Administration will no doubt give Sharon most of the leeway he wants. Benn wrote, "The Bush Administration does not want to deal with the Palestinian-Israeli conflict. . . . The administration demands that Israel take 'humanitarian steps,' like transferring money to the Palestinians, but doesn't demand withdrawal from the Palestinian cities. . . . In the White House they're waiting for Saddam to disappear, and then they'll rearrange the Middle East. And to the end of days, the Israelis and Palestinians will fight, and Sharon will ask Bush for the freedom to smash the final remnants of the Oslo Accords."

WEEKLY INTERNET  
AUDIO TALK SHOW

## The LaRouche Show

EVERY SATURDAY

3:00-4:00 p.m. Eastern Time

<http://www.larouchepub.com/radio>

# Quiet Diplomacy on The ‘Roof of the World’

by Mary Burdman

Amidst many dramatic international developments, a quiet, but notable, process is going on “at the roof of the world”—Tibet. For three weeks, during Sept. 9-24, a delegation of high-level representatives of the Dalai Lama, the exiled former religious and temporal leader of Tibet, visited China and the Tibetan Autonomous Region, the first such visit since 1985.

On his return, Special Envoy Lodi Gyari, head of the delegation, announced that the purpose of the visit was to “re-establish direct contact with the leadership in Beijing and to create a conducive atmosphere enabling direct face-to-face meetings on a regular basis in future.” The delegates strove to build “confidence by dispelling distrust and misconception.” Most notable, is that Lodi Gyari emphasized the impact of the economic progress in the region, and the development projects being undertaken in the Tibetan areas. “We have been impressed by the dedication and competency displayed by many of the Tibetan officials,” he wrote.

While “encouraging and admiring their efforts to develop Tibet economically, we drew their attention to the importance of paying equal attention to preserving Tibet’s distinct cultural, religious, and linguistic heritage,” the envoy added. The two sides also discussed the importance of protecting the “delicate” natural balance in Tibet—an important issue, considering that Tibet is the source of five of the greatest rivers in Asia.

This visit, downplayed while it was going on as a “private” affair—although at the invitation of Beijing—must be seen in the context of improving relations between China and India, Asia’s two giants.

The status of Tibet and the role of the Dalai Lama—supported by U.S. intelligence—were a key factor in setting off the nasty, but short, 1962 border conflict between China and India. Border questions remain still to be solved.

However, totally new elements could rapidly transform the situation. China is now building the first-ever railroad into Tibet. This incredible project has great potential for India as well. Before the 1950s, most trade routes to Tibet went through India, because access geographically—extremely challenging everywhere—was relatively easier from the Indian side. When the railroad reaches the Tibetan capital Lhasa in 2007, a great opportunity will exist for India to directly join the “Eurasian Land-Bridge”; at first, by road, eventually, by rail. There are still *no* rail connections between India and the rest of Eurasia.

## ‘Frank Exchanges’ in Beijing

The importance for the region’s stability is also great. Well into the 20th Century, Tibet was a key “geopolitical” factor, frequently played by, first, the British Empire, and then the United States, as a bone of contention between China, India, and even Russia, which also has a Buddhist population.

Until recently, Hollywood tried to exploit its crass “vision” of Tibet—until this came to grief over the problem of its similarity with the Nazi Party “vision” of Tibet some decades earlier. There have also been revelations about the nasty CIA-run “insurgency” operation in Tibet well into the 1960s—which led only to the many Tibetan deaths.

The Dalai Lama, who, Gyardi wrote, “welcomed the positive gesture of the leadership in Beijing . . . and was very pleased that a renewed contact had been established,” has lived in Dharamsala, India, and maintained his “government in exile” there for 40 years. A resolution of this situation would improve relations overall.

The Dalai Lama sent a four-person delegation led by Lodi Gyari, his “envoy” to the United States, and Kelsang Gyaltzen, his envoy to Europe. Other diplomacy has been going on, including the “unofficial” visit to China in July of Gyalo Thondup, the Dalai Lama’s elder brother. The delegation visited the cities of Beijing, Chengdu, Shanghai, and Lhasa, as well as the regions of Nyingtri and Shigatse in Tibet. There, Lodi Gyari and Kelsang Gyaltzen met officials of the Chinese People’s Political Consultative Conference (CPPCC); the Tibet Autonomous Region government; and regional Communist Party leaders. They visited Buddhist shrines in Lhasa, Shanghai, and other Chinese cities.

In Beijing, the delegates had “frank” exchanges “in a cordial atmosphere” with high-level CPPCC and government officials, and reported “keen interest” on the Chinese side. Lodi Gyari, who had been in Beijing in the early 1980s, was impressed by the “much greater flexibility” from Beijing at this time.

Some moves from the Dalai Lama’s side may have contributed to these openings. In a commemorative message on the first anniversary of Sept. 11, 2001, the Dalai Lama emphasized the “great importance” of responding “to an act of violence by employing the principles of *non-violence*. . . . The attacks on the United States were shocking, but retaliation that involves the use of further violence may not be the best solution in the long run.” “These issues,” he emphasized, “concern the whole of humanity, not just one country.” This is not a message to go down well with the George W. Bush Administration right now.

Then, on Sept. 30, Prof. Samdhong Rinpoche, “prime minister” of the Tibetan government-in-exile, issued a circular to all Tibetans abroad, noting the recent “positive development in our effort to re-establish contact with the Chinese leadership.” He requested that during the October visit of Chinese President Jiang Zemin to the United States and Mexico, Tibetans “refrain from public actions like rallies and demonstrations” against the Chinese President.

FIGURE 1

**China and the Province of Tibet**



**Involvement of India**

Problems remain great, and will take a long time to resolve. China is emphatic on three preconditions for a dialogue with the Dalai Lama—ending his activities to split China; recognizing Tibet and Taiwan as part of China; and accepting the present government in Beijing as the sole representative of all of China.

The Dalai Lama, in turn, calls for what he terms “genuine autonomy” for Tibet, and its “demilitarization”—as opposed to either direct rule from Beijing, or independence. Such autonomy would leave military and foreign affairs in Beijing’s hands. The Chinese side has frequently questioned the sincerity of this demand; now, it will be put to the test.

For example, as recently as Sept. 18, Gyaria Dolma, vice-chair of the “Tibetan Parliament,” called on New Delhi to actively support the Dalai Lama’s policies. She played up the allegation that China had deployed missiles in Tibet, with a range of 4,800-12,800 kilometers, and that these are a “matter of grave concern” for India, which lies within a 2,000 km range of Tibet.

The past 40 years have well established—as all reasonable forces in New Delhi know—that China has no national interest whatever in targetting India. The only threat India could pose to China were if India became too entangled in

approaches to the current U.S. “new Roman Empire”—something which reasonable forces in India would also oppose.

Something to watch is the upcoming visit of Indian Prime Minister Atal Behari Vajpayee to China, which could occur as early as this year. There have been some high-level military exchanges between the two sides, and there is potential for more. As the *Times of India* noted on Oct. 4, there are “growing expectations” in Beijing, that Vajpayee’s visit will lead to creation of a “comprehensive partnership of cooperation” between the two Asian giants.

Chinese Foreign Affairs Vice Minister Wang Yi told the *Times of India* that China wants to “establish mutually beneficial and reciprocal economic relations” and to “create a stable and harmonious regional security environment.” This would enable India and China to address the “serious imbalance of powers in the world,” by which “issues of war and peace would be decided by one or two nations and not by a majority of them.”

As C. Raja Mohan wrote in the Indian newspaper *The Hindu* on Sept. 20, “What would be most important, would be a final settlement, the return of the Dalai Lama and the large community of exiles based in India, and the transformation of Tibet from a political barrier in bilateral relations into a land bridge with China.”

# Italy Pays Tribute To Amelia Boynton Robinson

by Liliana Gorini and Paolo Raimondi

In Milan and Rome, she was received as a head of state—in Milan by the President of the Lombardy region, and in Rome by the Human Rights Committee of the Italian Senate. It's what she really deserves: Amelia Boynton Robinson, 91 years old and a 60-year heroine of the civil rights movement and close collaborator of Dr. Martin Luther King, is now vice chairwoman of the Schiller Institute. She came to Italy with an urgent mission to help stop an Iraq war; but also to tell the story of her life's fight against discrimination and for the right to vote of black people. It led in 1965 to the historic "Bloody Sunday" march from Selma, Alabama to the state capital, Montgomery; there she was beaten and left for dead because she led the march at the Edmund Pettus Bridge, when the mounted police of Gov. George Wallace attacked the demonstrators. The Voting Rights Act was the result of that fight, which she had led in Alabama with her husband Samuel W. Boynton, for 35 years before Martin Luther King came to Alabama.

As she told official meetings, public conferences, and press and TV interviews, today she continues this fight with Lyndon LaRouche, whose movement inherited Martin Luther's King dream "encompassing, this time, peace and development for the whole world." This means stopping not only

the war on Iraq, but also the other wars being planned by "those financial interests which are behind Bush" as she said, since "today it is Iraq, then it will be Iran, North Korea, but tomorrow it could be your country." She called on all European countries, starting with Italy, to prevent this war by sending a clear message to Washington: We will not support the war, we will not offer our bases, or our financial support, because this war "is in the hands of the whole world."

## Honored by Lombardy Region

Mrs. Robinson's Italian tour, organized by the Italian Solidarity Movement, started on Sept. 24 in Milan, where she was officially received by the President of the Lombardy region, Roberto Formigoni. He awarded her a medal in memory of her fight for civil rights and in memory of Martin Luther King, "who is to this day a strong reference point for each one of us." The presentation ceremony was covered the next day with an official picture, by the Italian dailies *Corriere della Sera* and *Libero*. The official press release of the meeting, picked up by the papers and by the Italian news agency ANSA, also emphasized the agreement between Formigoni and Amelia Robinson on the urgent need to stop the Iraq war, "which would have disastrous consequences for the whole world."

In the evening she met students of various Milan universities, a group of young people from Bologna, Catholic priests, nuns, and some journalists at a meeting organized by the university group of the Solidarity Movement in Santa Maria Liberatrice parish, during which she was also interviewed by the main Catholic magazine, *Famiglia Cristiana*.

Sept. 26 saw the first of three public meetings in Rome, at the Sala delle Letterature, organized by the City of Rome, and announced that morning by many Rome dailies with Mrs. Robinson's picture. She was introduced by the director of the center, Maria Ida Gaeta, who brought the greetings of Rome Mayor Walter Veltroni and of the City Commissioner for Cultural Policy. The meeting was attended by journalists of various dailies and magazines, and by Hon. Tullio Grimaldi, who had been in the United States in 1995 as member of the Judiciary Committee of the Italian Parliament, to lobby for LaRouche's exoneration.

In answer to Grimaldi's opening question on the war in Iraq, Mrs. Robinson said, "I am against that war, and have called on all governments and parliaments, including yours, to stop it by all means. President Bush thinks that by killing Saddam Hussein he will prevent terrorism, but does this not remind you of somebody? Already in Afghanistan, we killed children, women, old people, in order to find one man. This reminds



*Amelia Boynton Robinson speaks to a meeting of 1,000 in Rome, one of many meetings and press interviews in late September, in which she urged Italy to help stop an Iraq war. Mrs. Robinson was honored by the Lombardy region, and led a discussion of the war policy in the Senate Committee on Human Rights.*





*While Mrs. Robinson was in Italy, Lyndon LaRouche's leading associate in France, Jacques Cheminade, led rallies against the war in Paris; the sign warns President Bush to recognize that attacking Iraq will not save the banks in the current economic collapse.*

me of Herod, who killed all newborn babies under two years of age to find one child." To a second question, she answered, "We do not know yet who really did Sept. 11. We should look first of all inside the United States. I am against terrorism, because I know terrorism very well, I experienced it on my own skin: the terrorism of the Ku Klux Klan, the terrorism of discrimination and hate. I am an American, and I love my country, and was horrified by Sept. 11 as everybody else. But . . . you do not undo a wrongdoing with another one, and vengeance is only God's."

### **Italian Senate Committee 'Meets History'**

In the afternoon, Mrs. Robinson was received by the Human Rights Committee at the Italian Senate. The President of the committee, Sen. Enrico Pianetta, and the vice chairwoman, Sen. Patrizia Toia, who had met Amelia Robinson as Minister of Relations with the Parliament in the previous Italian government, thanked her for the "honor" she was giving to the Italian Senate by addressing their committee. Senator Pianetta also welcomed Paolo Raimondi and Liliana Gorini, president and vice president of the Italian Solidarity Movement, referring to a short memorandum distributed to the whole committee which explained Mrs. Robinson's collaboration with LaRouche and his movement in Italy.

After she had spoken on her lifelong fight for human and civil rights, some women Senators expressed their appreciation that Mrs. Robinson is a very good example for women in politics, who fight for human rights but "under totally different conditions, since you risked your life in your time," as Sen. Patrizia Toia said. Another Senator interjected: "When I go home today, I will tell my 19-year-old daughter that I met history this afternoon, and that young people should do the same."

An opposition Senator picked up Mrs. Robinson's call to

stop the Iraq war, saying that just the day before, Prime Minister Silvio Berlusconi had addressed the Parliament, with an unclear position on what Italy will do, and that they would make sure the position becomes a clear "no," as Mrs. Robinson demanded. Finally, a proposal was made that the Human Rights Committee issue a press release on that meeting, so that all members of Senate could be briefed on her proposal to send an Italian delegation to President Bush demanding he put a stop to the war.

### **Public Meetings**

A public meeting was held at the Libreria Paesi Nuovi, in front of the Italian Parliament, where Nino Galloni, economist and director of the Labor Ministry; Marguerite Lottin, a journalist and politician from Cameroon; Lucio d'Ubaldo, editor-in-chief of the magazine *Nuova Fase*; and Paolo Raimondi spoke along with Mrs. Robinson. Galloni and D'Ubaldo commented that Mrs. Robinson has a long way to reach to today's politicians, who instead of having a great project, a "dream," and then overcoming problems which arise in its realization, tend to see only the problems, and give up the project before they start fighting for it. She had likened Martin Luther King's "dream" to a "volcano" which erupted 35 years after she and her husband Mr. Boynton had started their fight for the right to vote, preparing for that volcano. Lottin, as an African in Rome taking care of immigrants, said Mrs. Robinson's attitude is also needed today, in fighting against racism and discrimination against immigrants, as expressed by the recent legislation to stop immigration into Italy.

In the audience of 80 people, there were a number of important politicians, including Hon. Giovanni Galloni, former minister during the 1970s Christian Democratic governments, and Tommaso Fulfaro, leader of the Association for the Left. Father Ulisse Frascali, founder and director of the Nuovo Villaggio del Fanciullo in Rimini, was the first to intervene from the audience on his personal experience working with and for marginalized youth. At the end of the conference, Mrs. Robinson and her associates were invited for dinner to a famous ancient restaurant near the Parliament.

On Sept. 28, Mrs. Robinson embodied the dialogue of cultures at a mass meeting of 1,000 at the Soka Gokkai Buddhist Cultural Center near Rome, which had just inaugurated an exhibition on "Three Men of Peace: Mahatma Gandhi, Martin Luther King, and Daisaku Ikeda"—the last being the leader of the Buddhist Center. Before the meeting, the civil rights heroine received a number of publications of the Center, including a picture of the meeting between Daisaku Ikeda and Rosa Parks in Japan. All 1,000 people gave her a ovation as she walked to the podium. She was introduced by Donatella Pavone, president of the Cultural Center, who summarized the principles of the Center, including the fight for peace and non-violence. After a brief introduction from Marguerite Lottin and Paolo Raimondi, Mrs. Robinson read the speech which she had prepared, adding a final emphasis on the danger

of war and the urgent need to act against it; it was received by another standing ovation.

She concluded with a story: A man had a bird in his hands, and two boys came up and asked him, "Is the bird dead or alive?" The man answered, "What do you think?" He had decided that if they told him it was dead, he would crush it, but if they told him it was alive, he would let it fly to its nest. "It's as you wish," he told the boys. One answered, "It is alive," and the man let the bird fly high into the sky. "It's the same with the war on Iraq: You can either watch and see, or decide to mobilize to stop this war, call on your representatives, on your elected officials, to send a delegation to Washington and stop this war. It's as you wish." Mrs. Robinson was given an ancient print of a monument in Rome, the Titus Arch (a victory arch), and also offered a special Japanese dance with drums. Dozens of people lined up to get an autograph from Mrs. Robinson before she could move on to an exhibition and a reception.

In the course of her five days in Italy, Mrs. Robinson was interviewed by many daily newspapers, magazines, and radio and television. On Sept. 25, *Corriere della Sera* and *Liberio*, publishing the picture of her meeting with President Formigoni of Lombardy, noted that he "shared her total opposition to the Iraq war," and reported the substance of the Catholic parish meeting in Milan as well. A full-page interview was published on Sept. 27 by the Italian daily *Il Manifesto*, under the headline "But America Is Not Bush," accompanied by many pictures of her and of Bloody Sunday in Selma.

"Her biography encompasses a century of American history," *Il Manifesto* wrote. "Amelia Boynton Robinson, an energetic 91-year-old lady who, with her mother first and Martin Luther King later, fought for black rights. Today, for the rights of Latinos, Chicanos, and white people who expose the responsibility of U.S. banks in recycling dirty money and drug money. Among the white people she supports, there is Lyndon LaRouche. And of President Bush she says 'in Afghanistan he acted like Herod.'" "

The same day she was interviewed live by Radio 24, a national station, in its evening transmission "Helzapoppin," hosted by Giancarlo Saltamassi. There, she had the opportunity to answer questions coming from listeners all over Italy, and to sing "We Shall Overcome," moving her host to tears. Saltamassi had asked her to sing, despite the fact that the tear gas used against her on Bloody Sunday damaged her vocal chords, changing her from the lyric soprano she was when she sang in her church choir, to an all the more moving, dark voice. Her singing was so beautiful that Saltamassi recorded it in order to play it every time a civil rights issue comes up on that radio program. Besides Mrs. Robinson's voice, listeners had the opportunity to listen also to important quotes from Dr. King's speech "I Have a Dream."

Mrs. Robinson had a one-hour interview on Sept. 26 with a Rome TV station, Tele Ambiente, which had interviewed Lyndon LaRouche after one of his recent Rome conferences.

---

## Book Review

---

# What Is Rwanda's Kagame Afraid Of?

by Christine Bierre

---

### **Les Secrets du Génocide Rwandais— Enquête sur les Mystères d'un Président (The Secrets of the Rwandan Genocide— Investigation on the Mysteries of a President)**

by Charles Onana, with Deo Mushayidi  
Paris: Duboiris, 2001  
187 pages, 19 euros

---

The Paris 17th Court, on July 3, rejected a lawsuit filed for defamation by Rwandan President Paul Kagame against Charles Onana, an investigative journalist and author of *The Secrets of the Rwandan Genocide*.

Let us first review the basic facts concerning that genocide. On April 6, 1994, the airplane transporting Presidents Juvenal Habyarimana of Rwanda and Cyprien Ntaryamira of Burundi, returning from a regional heads of state summit in Tanzania, was shot down, killing the two Presidents and the soldiers accompanying them. This attack sparked the explosion that led to the deaths of hundreds of thousands of Rwanda's moderate Hutus and Tutsis, through genocide unleashed by the Hutu extremists.

The truth about these crimes has been covered up, including by the UN's International Criminal Tribunal on Rwanda, which is being held in Arusha, Tanzania (see *EIR*, July 26, 2002). As *EIR* has uniquely documented for the past eight years, the events in Rwanda cannot be understood as merely an "ethnic conflict." It is the international character of the conflict in Africa's Great Lakes Region that defines crucial, notably Anglo-American support for Kagame, and for Uganda's Yoweri Museveni, as part of a strategy for control of the region's rich raw materials resources; population reduction; and political control, including preventing the rise of independent nationalist forces committed to the economic development of Africa.

### **Downing of the Plane**

At the time of the deaths of Habyarimana and Ntaryamira, three hypotheses dominated the debate over who had plotted the downing of the plane: 1) for the winners—Kagame and

his friends in the Tutsi camp—it was the Hutu extremists who had murdered the Rwandan President, accused of having made too many concessions to the Tutsis under pressure from the international community; 2) others saw the attack as directed at the Burundian President, and planned by his opponents in that country; 3) a third group denounced Kagame, then leading the Rwandan Patriotic Army, for having planned the attack with the help of a foreign government.

It is this last thesis that Charles Onana defends ruthlessly in his book.

Before the book was published, the existence of a confidential report by the UN in 2000, going in the same direction, was revealed by the Canadian newspaper *National Post*. In that document one can read: “Today, our investigations have three sources within the present Tutsi regime who declare having been members of a secret elite group called Network which, assisted by a foreign government, shot down the Presidential plane. They affirm that General Paul Kagame was responsible for the operation, and have described precisely how it was carried out.” That report is still under lock and key, in the custody of UN officials who refused to give it to French police investigators who tried to obtain it.

Onana assembles many other troubling facts: He shows the rivalries which opposed Belgians and Americans on the one side, both supporting Kagame’s Patriotic Rwandan Front (PFR), to the French, who were supporting Habyarimana; he denounces the so-called “reasons of state” which account for the fact that the three powers involved in this affair—and the UN whose troops were deployed in Rwanda in the context of the Minuar peace keeping deployments—have done everything to stop the truth from coming out; he describes finally, convincingly, the brutal plan Kagame elaborated while in Ugandan exile, to take power by force of arms in Rwanda, hesitating neither to put into peril the lives of hundreds of thousands of Rwandan Tutsis, nor to eliminate all those who dared to oppose his designs.

Onana examines closely the events surrounding the downing of the plane. He wonders about the real purpose of the summit in Dar es Salaam prior to the attack on the plane: a strange summit, with no agenda, convoked barely eight days before. Suspecting something, another invited guest, President Mobutu Sese Seko of Zaire, had refused to take part for security reasons, and had advised Habyarimana not to go. Worried, Habyarimana had gone to meet Mobutu in Zaire before travelling to the summit. Honore N’gbanda, a former adviser to Mobutu, participated in this meeting, and speaks about Habyarimana’s apprehensions about his own security: “I receive threats from the Americans and the Belgians all the time,” he is quoted. “They demand each day more concessions, while they demand absolutely nothing from my political adversaries.”

The author presents the facts which condemn Kagame. Three months before the events, one of the two landing strips in Kigali, the capital of Rwanda, had been closed, following strong pressure from Kagame’s Rwandan Patriotic Front

(RPF) on the UN mission. To get the landing strip closed, Kagame’s armed forces, installed just outside Kigali, didn’t hesitate to take potshots at incoming planes. The attack on Habyarimana’s plane was committed when it was attempting to land on the other landing strip. Yet, as proven fully by a message sent by the Frenchman piloting Habyarimana’s plane the night of the attack, the airplanes landing on that strip were not secure: “With the RPF at the CND; i.e., one kilometer away from the tower; and with the well-known bias of the UN—alias Minuar—operation, we are almost certain that there are SAM-7 missiles and other types of similar weapons which represent a threat to us. What can we do to avoid getting caught?”

Many documents attest to the fact that for the French present in Rwanda at that time, the Belgian Minuar troops were part of the American deployment in favor of Kagame.

Indeed, the attitude of those close to Habyarimana in the hours that followed the attack, showed that the Belgians had played a part. The airstrip was part of the zone they were in charge of surveilling, and Belgian teams were seen lurking around the airport before and after the attack, attempting to get close to the remnants of the airplane. A few hours later, all the Belgians belonging to the Minuar, from Lieutenant Lotin’s unit, were brutally murdered, while the nationals of Ghana who were part of that same unit were spared.

Beyond that, the author reports that Kagame’s troops were perfectly trained to carry out this attack. Since 1992, the RPF forces had been trained in the use of ground-to-air missiles by the Ugandan Army, accustomed to the Soviet-made SAM-7s. Three elite shooters were part of the unit of Lt. James Kabarebe, operating in the vicinity of the airport. Two Hutu colonels who had joined forces with the RPF, among which Lizinde Theoneste, who was murdered in Nairobi in 1996 by Kagame’s men, are said to have delivered precise information concerning the movement of airplanes on take-off and landing. The rest was nothing but child’s play.

## Many Questions Remain

Finally, from the strange attitude of the big powers involved, Onana concludes that they have all something to hide. Why did France accept, without a cry of protest, that the three members of the crew of Habyarimana’s Falcon 50, as well as two adjutant-chiefs of the Gendarmerie—specialists in transmissions and communications who, according to Rwandan sources, worked for the French foreign intelligence services (DGSE)—were killed by elements of the RPF after the plane crash? What about the Belgian authorities, who have done everything to cover up the investigation concerning the killing of their own UN troops? What about Kagame, who becomes hysterical when his close collaborators demand an investigation into the attack which provoked the death of hundreds of thousands of his own Tutsi ethnic group, and who is eliminating physically, little by little, all the important witnesses from that time? These are some of the key questions posed by this investigation.

## 'American Credibility In Africa Is at Stake'

*Investigative journalist Charles Onana, author of The Secrets of the Rwandan Genocide (see review, above), was interviewed by Christine Bierre and Esther Abin in Paris on Sept. 19. The discussion has been translated from the French.*

**EIR:** Mr. Onana, your book provoked Paul Kagame, the President of Rwanda, to file suit in a Parisian court against you, for defamation. But his legal action was rejected by the court. What happened?

**Onana:** Kagame filed suit in March 2002, but the book had been published in November 2001. Under French law, an individual who deems himself defamed has three months, following the publication of the book, to file a complaint. Kagame's suit was not valid in the French juridical framework, and was thus rejected.

**EIR:** It is the content of your book, however, which has infuriated Kagame, because you accuse him of having plotted the attack against the airplane in which Rwandan President Habyarimana and Burundian President Ntaryamira were travelling, which triggered the Rwandan genocide of April 6, 1994.

**Onana:** Kagame was surprised to see that it was a journalist from black Africa who carried out an investigation which the Western press, the United Nations, and the International Criminal Tribunal at Arusha [in Tanzania] had decided to cover up. I want to first underline that I am neither a Hutu nor a Tutsi; I have friends in both camps and I have no personal interest in this affair. I am simply a professional who wanted to understand a tragedy which turned the world upside down. I wanted to find out why this dossier had been covered up and I soon realized that Kagame had many things to hide. I spent a whole night with one of his intelligence agents, who was with him at Mulindi—the evening of the attack against the plane—and who reported to me in detail everything that happened, and the attitude of Kagame that evening. Kagame knows well that I have spoken to his closest former collaborators and ministers, and that everything I have said concerning this attack comes from first-hand sources.

Blowing the lid off this dossier could be extremely important today, because it could lead to a re-evaluation of the official thesis on the genocide. Why? The thesis of Mr. Kagame's RPF [Rwandan Patriotic Front], considered today as the "official" thesis, claims that the Hutus prepared acts of



*Rwandan strongman and President Paul Kagame (center) has long escaped serious investigation for the events that triggered the Rwandan genocide against Tutsis and moderate Hutus in 1994. A new book in French has helped to change that situation.*

genocide against the Tutsis. That genocide would have been impossible, however, without the attack against the airplane. The key question is, therefore, who shot down the airplane? Who had an interest in committing that crime in order to provoke genocide? The information I have shows that Mr. Kagame, with a group of Tutsis that surrounded him, was the organizer of this attack. They are the ones who profitted from that crime, and it is for this reason that the Rwandan President has done all he could to cover up the subject during the last eight years.

**EIR:** Will you be using the occasion of the upcoming trial to bring out the explosive content of the case?

**Onana:** Of course, we will do everything to ensure that the truth of this dossier comes out in broad daylight. The witnesses who agreed to testify in our court case, and the elements of proof that we have assembled, are damning for Mr. Kagame, and will enable the public to understand exactly what happened. I really don't understand myself why he never carried out an investigation into this affair, in spite of the fact that international law demands that he do so, and that he claims to be innocent.

**EIR:** Your book is not the only thing that worries Kagame at present. There is also the International Criminal Tribunal at Arusha, and the investigation being carried out by the French judge, Bruguière. Would you say that Kagame is in a defen-

sive posture at this point?

**Onana:** Kagame fears the truth. Indeed, the International Criminal Tribunal must judge of crimes committed by the Tutsis as well as the Hutus. Until now, it has judged only the crimes of genocide committed by the Hutus, but has not yet taken up the war crimes committed by the RPF. Yet, from July to December 1994, the RPF committed hideous war crimes against its own citizens, Tutsi and Hutu alike. Today, it will appear that those who had proclaimed themselves the victims of a tragedy were in fact also the hangmen. Mr. Kagame is indeed in a very delicate position, because he will have to hand over to the Tribunal certain criminals within the Rwandan Patriotic Army. Yet how can he do that without also accusing himself, its chief?

**EIR:** But Kagame is trying to buy time; he forbids the Rwandan witnesses to go to the Tribunal—

**Onana:** Indeed, he has destroyed evidence; has incarcerated the President of the Republic [of Rwanda], Pasteur Bizimungu; he threatens [war crimes prosecutor] Carla del Ponte. In short, he exerts pressure and blackmail on everybody to stop the truth from coming to the fore, but this is a perilous exercise at this point, seeing that Kagame does not have much time.

**EIR:** What are you expecting of Judge Brugière's investigation?

**Onana:** All the defenders of human rights are expecting that this investigation will reveal who are the presumed authors of the April 6 [1994] attack. This investigation could be revolutionary from the political and juridical standpoint. Political, because paradoxically, the Tutsis were massacred during the genocide, [but] took power by force of arms, by the same occasion. The "logic" behind this situation will have to be clarified.

From the legal standpoint, the presumed authors of the attack [on the plane] will have to say what they knew about the planning of genocide against the Tutsis, and why they did nothing to stop it. At the close of 1993, Kagame's Rwandan Patriotic Army had close to 4,000 men infiltrated in the city of Kigali, under the nose of the United Nations. It is thus inconceivable that these men didn't fight to stop the tragedy against the Tutsis. Why was there no international warning against the fact that the regular Rwandan Armed Forces (under Hutu control) were planning genocide against the Tutsis and the Hutu moderates? At that point, Rwanda had a multi-party political system, with Hutus and Tutsis being part of the same government, and a similar situation in the opposition. How is it possible that nobody said anything?

**EIR:** In your book you describe very well the contribution of the Anglo-Americans to the acts committed by the RPF. You say that in the beginning of the 1990s, the Rwandan Patriotic Army had been practically defeated by the Rwandan



*Kagame (center) during a 1997 visit to Germany which was widely protested by LaRouche associates and Rwandan groups in that country. In 1994, Kagame led a military force poised to invade Rwanda with Ugandan, British, and American backing. His armed forces have, since then, repeatedly invaded the Democratic Republic of Congo, contributing to genocidal war-fighting there.*

Armed Forces. But, thanks to a well-financed and well-implemented offensive, in 1994 Kagame deployed as many as 4,000 men at the door of Kigali. You mention as well the training programs pursued by Kagame at the prestigious military school at Fort Leavenworth (Kansas), where George W. Bush himself was trained, and where training was given to RPF cadre, in the context of IMET (International Military Education and Training) and JCET (Joint Combined Exchange Training) of the American armed forces. Can you tell us more about this?

**Onana:** I don't know in detail the extent of support given by the Anglo-Americans to the RPF war effort. What is sure, however, is that they have the habit of supporting countries formerly colonized by the Anglo-Saxons. In 1990, France supported the Habyarimana regime in Rwanda, while the Americans and Great Britain decided to reinforce the good relations they already had with Uganda. At that time, Paul Kagame was Under-Director of the Ugandan secret services. Certain members of the Ugandan government had a double status: They were "Rwandan refugees" in Uganda, but at the same they held high-level positions in the Ugandan state administration. They used the Ugandan state to benefit from American military aid.

On the eve of the war launched by the RPF against the government of Habyarimana, in 1990, Paul Kagame was be-

ing trained in the United States. The RPF suffered heavy military losses at that time, because Uganda did not want to give full support to the Rwandan offensive. The Ugandan state did contribute part of the logistics for the effort. In 1994, Ugandan military aid was clearly more important, since the RPF would not have been able to have such sophisticated weapons without the aid of foreign countries.

One of my American colleagues who has worked a lot on this affair, [retired naval officer] Wayne Madsen, confirmed to me the logistical aid given by the United States to the RPF. And so did Cynthia McKinney, an Afro-American Congresswoman who investigated the concrete aid given to the RPF under the Clinton Administration. Those elements should allow the U.S. Congress to open up an investigation. The honor of the Americans and their credibility in Africa are at stake in this matter.

**EIR:** In your book, you underline the extent to which France, the United States, and Belgium have tried to cover up the role they played in the events leading to that genocide, going as far as to refuse the opening of investigations into the assassinations carried out against their own citizens in the period immediately following the April 6 attack. Among the Frenchmen murdered, was the whole crew of Habyarimana's plane, as well as two presumed DGSE [foreign intelligence] agents working in communications, and their wives. What does France have to hide?

**Onana:** Your question is interesting. Remember, that the fact that several Frenchmen were taken hostages in Jolo had been the number-one item in all the international press for at least ten days. It is curious that while five Frenchmen, at least, were brutally murdered in Rwanda at that time, there has been no outcry about this. It is strange!

Each of the powers involved had an interest in hushing up everything that it had done, in order to secure a strong ally in Rwanda, in the context of the power struggles over Zaire, in the period that preceded the Rwandan drama. It was a Pandora's box that nobody had an interest in opening.

What is more important in the case of France, is the existence of lobbies which did everything to make public opinion feel guilty, and to paralyze any attempt at an investigation. Once the media had hammered massively that the French had committed genocide in Rwanda with the aid of the Hutus, it became practically impossible for any courageous French citizen to intervene in favor of his fellow citizens. To this day, in the ranks of the French military, many are furious at the lack of courage of political figures who didn't support them. If the wife of the French pilot flying the plane had not filed a suit in a court of justice, everybody would have acted as if nothing had happened.

But all those networks financed by the RPF will be progressively unmasked and dismantled. France has the right to know by whom its citizens were murdered, and for what aim. This is a public health measure indispensable to France.

**EIR:** Can you name some of those networks?

**Onana:** Some are known, such as the association called "Survive," which I found against me in my court case and which claims to be a human rights association in Africa. There are many other such associations in France which should be investigated and dismantled.

**EIR:** Concerning Belgium, you talk about Maj. Bernard Ntuyahaga, a witness to the murders of the 11 Belgian UN soldiers in the hours that followed the genocide.

**Onana:** Belgium has accused this man of being responsible for the murders, because it is he who drove the bus that transported those Blue Helmets to Kigali on April 7th. This man, of whom I met the family and published one of his letters, wants to testify in front of a Belgian court. As strange as this might appear, he has been in jail in Tanzania for five years, even though that country has nothing to do with the genocide. The International Criminal Tribunal has no charges against him. Why is Belgium refusing to hear this man's testimony, in spite of the fact that there is a dossier on him at the Brussels Court of Appeals, instructed by Judge Van de Mech? On the other hand, Rwanda wants to examine this man, who has been proclaimed innocent by the tribunal. . . . It's a technique to provoke confusion in everybody.

**EIR:** You are optimistic, however; you seem to think that we are on the verge of a breakthrough. Your book is a bookstore success.

**Onana:** It's the unexpected work of a journalist, the fact that an investigation managed to provoke a shock wave. When I wrote this book, I didn't imagine that one day the International Criminal Tribunal would decide to judge the members of the RPF as well; or that Kagame would be forced to announce, during a closed session of the UN Security Council, the unconditional retreat of his troops in the Republic of Congo. I think one cannot hide the truth eternally.

**EIR:** Does your book circulate in Rwanda?

**Onana:** It does, hidden under coats, and in photocopies. There has been a lot of press coverage and it became the object of a real national debate.

**EIR:** Is there the risk of a new genocide in the Great Lakes Region, as a result of a possible "flight forward" by Mr. Kagame?

**Onana:** I have warned the Congolese and the Rwandans about this, in relation to the policies of terror carried out by the [Rwanda-run] Patriotic Armed Forces in the Democratic Republic of Congo (D.R.C.). We can definitely fear that the violence exerted by the soldiers of the Rwandan Patriotic Army, who are deployed in the D.R.C., Rwanda, and Burundi, may turn against the Tutsi majority, which has nothing to do with Mr. Kagame. It is therefore urgent that the international community wake up to this danger.

# Colombia Surrenders War on Narco-Terror, For IMF Promises

by Valerie Rush

Newly inaugurated Colombian President Alvaro Uribe Vélez came up to Washington, D.C. on Sept. 24, looking for political and financial support for his war against narco-terrorism. He returned home three days later, with promises of *future* loans from the International Monetary Fund, World Bank, and others; but in exchange for those promises, he embraced the very IMF austerity prescriptions that have driven the nation into the arms of the drug trade and narco-terrorism.

In a high-profile address to a combined audience of establishment think-tanks—including the Council on Foreign Relations, the Inter-American Dialogue, the Heritage Foundation, the Wilson Institute, the Center for Strategic and International Studies, and others—Uribe appealed for help in the war against narco-terrorism, but then justified that appeal by pitifully insisting that his country's "greatest asset" was that it had never defaulted on its debt, domestic or foreign. "Make no mistake that we will remain current in all financial obligations," he said.

While Uribe thus pledged his nation's fast-dwindling resources to keeping the bankers happy, Colombians at home despair as they watch their economy get whittled away by Uribe's budget-slashing, more and higher taxes, and his proposed new pension and labor legislation—all guaranteed to drive still more citizens below the poverty line. Major protest strikes have been one of the results.

Despite the fact that Uribe was elected in May with an overwhelming popular mandate, his administration was just 40 days old when more than 700,000 state and government workers, backed by thousands of farmers, struck on Sept. 16 for 12 hours, in Bogotá and 31 provincial capitals, to protest Uribe's economic policies.

The protests targeted Uribe's so-called labor and pension "reforms," which are intended to wipe out overtime pay, reduce bonus pay, facilitate hiring and firing of workers, raise the retirement age, eliminate many traditional pension benefits, and more. Farmers were demanding an end to the mass import of foods which they already grow, and to protest government support for the Bush Administration's Free Trade Area of the Americas (FTAA), which they rightly fear will destroy any remnants of agricultural and industrial production. The labor federation leaders who organized the strike advertised that their action was to protest "the neo-liberal

offensive of the government imposed by the International Monetary Fund, the rise in unemployment, and the violence that is affecting the entire population." The government's own figures were cited, which indicate that unemployment is an estimated 20%, and underemployment another 35%, of the labor force.

According to Labor Minister Juan Luis Londoño, studies have shown that there are 700 new suicides every time the unemployment rate grows by a percentage point. "We've found that people can't last through prolonged unemployment," Londoño is quoted saying. And yet, the government is planning to cut tens of thousands of workers from the government payroll, when the depressed Colombian economy is incapable of absorbing them into new productive jobs in the private sector.

During his visit to Washington, President Uribe declared that money will be allocated to the creation of 400,000 new jobs over the next four years. But the only plan for "creating" jobs that he proposed was to further reduce wages, while offering government bonuses to employers for every new worker they can be convinced to hire. No plans to build the energy, transportation, and communication infrastructure the country so sorely needs.

According to Colombia's labor federations, a new nationwide strike will be called on Oct. 30, to protest Uribe's refusal to abandon IMF austerity policies.

## More Anti-Terrorist Aid

As for Uribe's war with the narco-terrorist guerrilla groups FARC, ELN and AUC, he pushed all the Bush Administration's anti-drug/anti-terrorism buttons during his visit to Washington, and came away with a handful of useful concessions. The Administration is pledging to come up with another \$450 million in aid from Congress, most of which would be earmarked for security. U.S.-Colombian intelligence sharing, which had been absurdly restricted to counternarcotics (and not "counterterrorism") under the Clinton Administration, will now be freed up to give Colombians a better weapon in their battle with the narco-terrorists. U.S. special forces will be providing specialized counterinsurgency training to several of Colombia's Army brigades, and aerial drug interdiction based on U.S. intelligence is expected to resume shortly.

However, as the LaRouche-allied Ibero-American Solidarity Movement (MSIA) in Colombia has repeatedly insisted, defeating narco-terrorism requires, above all, abandoning the economic model which puts creditors' interests above those of the general welfare. Wrote MSIA President Maximiliano Londoño in a recent statement, "The reality is that if the IMF's austerity programs are not abandoned, the FARC and its Wall Street/City of London patrons will soon be able to force President Uribe to surrender to negotiations with the FARC, under conditions which will make [former President Andrés] Pastrana's 'peace process' look like a cakewalk."

## Lieberman and Cheney March In the Footsteps of Joe McCarthy

by Jeffrey Steinberg

In Nazi Germany, one of the most feared institutions was the Gestapo, with its vast network of millions of informants, penetrated into every community, every workplace, every church and university. Under the control of Herman Goering, and ultimately, SS chief Heinrich Himmler, the Gestapo is the absolute epitome of evil, which sent millions to their death or enslavement.

In the United States, during the 1950s, the image of the Roy Cohn-steered drunken Sen. Joseph McCarthy, railing, on the floor of the U.S. Senate, about “lists” of hundreds of Communists, infiltrated into the State Department and other agencies of government, was the moral equivalent of Himmler and Goering’s Gestapo. McCarthyism’s body count may have been vastly smaller than that of the Nazi SS and Gestapo, but the catalogue of ruined and scarred lives spans several generations. McCarthyism is the ultimate proof that “it can happen here”—and it did.

### The New McCarthyism

When President Bush nominated John Ashcroft as Attorney General in January 2001, Lyndon LaRouche warned that Ashcroft would seek the first opportunity to stage a “Reichstag fire” incident, to impose police-state measures on all Americans, in a replay of Hitler’s Spring 1933 seizure of dictatorial power in Germany. Despite sufficient votes to block his confirmation, the U.S. Senate confirmed Ashcroft, when Sen. Tom Daschle (D-S.D.) blocked a filibuster. Earlier this year, Attorney General Ashcroft proved LaRouche 100% right, when he attempted to establish a nationwide gestapo informant network, under the direct control of the Justice Department and the FBI, as part of the misnamed “Patriots Act,” passed in haste by the U.S. Congress following 9/11. When the plans were made public, the outcry was so great

that the program was scrapped.

But now, under private auspices, in the wake of Sept. 11, 2001, and in furtherance of the Bernard Lewis and Samuel Huntington declaration of civilizational war against the entire Islamic and Confucian culture of over 2 billion citizens of this planet, a new McCarthyism is running amok inside the United States.

Its leading proponents, as in the McCarthyism of the 1950s, are prominent figures in the political world. One is a serving U.S. Senator and recent Vice Presidential candidate—Joseph Lieberman (D-Conn.). The other is the wife of the Vice President of the United States and a former head of the National Endowment for the Humanities, Dr. Lynne Cheney. Together, they founded an overtly McCarthyite agency, the American Council of Trustees and Alumni (ACTA), which, post-9/11, has launched a vicious campaign of slander and financial warfare against any academics who dare to challenge the “official” version of the attacks in New York and Washington. Like their inspiration, Joe McCarthy, they, too, have compiled a phony list of academics, charged with failing to toe the lying official line that Osama bin Laden was the author of the 9/11 attacks.

If you dare to oppose the Cheney-Lieberman war on Iraq and other manifestations of the neo-conservative brand of universal fascism, then you may soon find yourself in the cross-hairs of this gang of wanna-be Himmlers and Goerings. If you are an Arab-American student or professor, or a Middle East scholar, on the campus of an American university, invaded by this Gestapo, you may find yourself the victim of hooligan attacks by vigilante squadristi, or the target of a campaign to have your tenure revoked.

In one recent instance, Prof. Sami Al-Arian, of the University of Southern Florida in Tampa, was stripped of his tenured





*Joseph Lieberman and Lynne Cheney are leading a witch-hunt against Arab and Muslim intellectuals—or against anybody who defies the official line on 9/11—in the evil tradition of Sen. Joe McCarthy and Nazi SS Chief Heinrich Himmler.*

post and fired from the engineering faculty—after local prosecutors were visited by officials of the Israeli government, who presented a dossier, purporting that Dr. Al-Arian was a top Palestinian terrorist. He was charged, in the bogus dossier, of leading terrorist cells in Egypt—at a time when he was obtaining his post-graduate degree in Michigan—many thousands of miles away from Cairo, Alexandria, or Luxor.

ACTA has now spawned a veritable alphabet soup of allied agencies, targeting elected officials, academics, and university students with the same gestapo venom.

Among the agencies engaged in this coordinated witch-hunt are: Americans for Victory Over Terrorism (AVOT), which was launched, post-9/11, by ACTA founder William Bennett, along with James Woolsey, Frank Gaffney, William Barr, and money-bags Lawrence Kadish; Campus Watch, a project of the Middle East Forum, led by Daniel Pipes, which has created an Internet website, which is recruiting an army of campus-based informants, charged with ratting out fellow students and teachers who dare to challenge the “morality” of Israeli Prime Minister Ariel Sharon’s “ethnic cleansing” campaign against the Palestinians; Committee for Accurate Middle East Reporting in America (CAMERA), a spawn of the right-wing Likudnik spy agency, Jewish Institute for National Security Affairs (JINSA), which targets any U.S. media outlet that dares speak the truth about the events in the Middle East; honestreporting.com, a parallel organization to CAMERA, which is run directly from Israel by right-wing circles; and Middle East Media Research Institute (MEMRI), headed by former Israeli military intelligence Col. Yigal Carmon and, until recently, by Meyrav Wurmser, which spits out selective inflammatory articles from the Arabic press, and circulates them to policymakers and media, to further the “Clash of Civilizations” attack on Islam.

### **LaRouche Warns**

Lyndon LaRouche, Democratic Party Presidential pre-candidate for the 2004 elections, has issued a warning about the Cheney-Lieberman gestapo. Some, he noted, will object to drawing a parallel to Hitler, Himmler, Goering, and McCarthy. However, the truth must be told, or else we will wake up in America one day, stripped of all our liberties. This kind of witch-hunt, LaRouche warned, is the first step toward tyranny. In the early 1930s, the Germans capitulated to the first steps, and look what they got. Now, people like Joe Lieberman, Lynne Cheney and William Bennett, are lending their names to the same effort. They are doing it again, LaRouche warned, but they do not yet have the power to make it stick. Now is the time to stop the witch-hunt—before it is too late!

### **‘Not Patriotism, But Fascism’**

Indeed, LaRouche has provided, once again, the dramatic statement of the truth. But he is, fortunately, not alone.

- On Dec. 20, 2001, the *Hartford Advocate* published a scathing editorial, headlined “Joe McCarthy Lieberman?” which read, in part: “When Republican Sen. Joseph McCarthy stood in front of Congress, Feb. 20, 1950, and for six hours rifled through old State Department dossiers claiming he had proof that 81 State Department employees were Communists, it guaranteed for all time that he would be remembered as an enemy of the time-honored American tradition of free speech and free association. Similarly Lieberman, who sits on the advisory board of the American Council of Trustees and Alumni, which released a report that criticizes universities for evidence of anti-Americanism during the current war in Afghanistan, may be enhancing his chances of being remembered by posterity as the Censorship King.”

- A week earlier, responding to the same “list” of aca-



A press conference by the Committee on American Islamic Relations (CAIR), in March 2002, protested the Justice Department raids on homes and businesses of Arab-Americans, including the International Institute of Islamic Thought in Herndon, Virginia. Those raids were just the beginning of what Lieberman, Cheney, et al. have in mind to further the Clash of Civilizations.

demics practicing “anti-Americanism,” the *San Jose Mercury News* published an op-ed by Prof. Roberto J. Gonzalez of San Jose State University, headlined “Lynne Cheney-Joe Lieberman Group Puts Out a Blacklist.” The professor charged that “an aggressive attack on freedom has been launched upon America’s college campuses. Its perpetrators seek the elimination of ideas and activities that place Sept. 11 in historical context, or critique the so-called war on terrorism.” Citing the ACTA report, “Defending Civilization: How Our Universities Are Failing America,” Professor Gonzalez wrote: “Although the council’s stated objectives include the protection of academic freedom, the report resembles a blacklist. In a chilling use of doublespeak, it affirms the right of professors to speak out, yet condemns those who have attempted to give context to Sept. 11, encourage critical thinking, or share knowledge about other cultures. Faculty are accused of being ‘short on patriotism’ for attempting to give students the analytical tools they need to become informed citizens.”

Indeed, the ACTA report named 40 prominent academics and cited 117 purported “incidents” of “anti-Americanism. In one instance, ACTA attacked the president of Wesleyan University in Middletown, Connecticut, for having circulated an open letter warning that “disparities and injustices” in American society can spawn hatred and violence.

Gonzalez concluded that “the report represents a kind of academic terrorism designed to strike fear into the other academics by making examples of respected professors. . . . This is not patriotism, but fascism. . . . The targeting of scholars who participate in civic debates might signal the emer-

gence of a new McCarthyism directed at the academy. Before it escalates into a full-blown witch-hunt in the name of ‘defending civilization,’ faculty, students, and citizens should speak out against these acts of academic terrorism.”

- On Dec. 14, 2001, the *National Catholic Reporter* editorialized against “A ‘Defense’ That Civilization Can Do Without.” “It is difficult,” the editorial began, “to tell exactly what Lynne V. Cheney, Sen. Joseph Lieberman, and others who constitute the American Council of Trustees and Alumni are trying to accomplish with their project. . . . The title is as overblown as the sentiment that drives the effort: No one should ask questions of the American war effort.” The editorial concluded with a stern warning: “It would be absurd, indeed, if this ‘report’ were not indicative of a dangerous fervor stalking the country, a fervor intolerant of questions and dependent on ignorance

of recent history.”

- On March 15, 2002, Jim Lobe warned, in the online publication *Foreign Policy in Focus*, that “The War on Dissent Widens.” Lobe, who has written a series of well-researched exposés of the Paul Wolfowitz-Lewis Libby-Richard Perle neo-conservative cabal inside the Bush Administration, targeted the ACTA spawn, Americans for Victory Over Terrorism, which had published a full-page *New York Times* advertisement on March 10, attacking “radical Islam” and an amorphous “enemy within” which “promulgates their agenda of ‘blame America first.’” AVOT extended their blacklist beyond academe, naming a number of leading elected officials and prominent editorialists as enemies within. Among the targets: Rep. Maxine Waters (D-Calif.), who dared to criticize President Bush for “going crazy” with the authority to go after terrorists; former President Jimmy Carter, who attacked G.W.’s “axis of evil” formula as “overly simplistic and counter-productive”; Rep. Dennis Kucinich (D-Ohio), who accused the President of “cancelling, in effect, the First, Fourth, Fifth, Sixth, and Eighth Amendments”; *American Prospect* editor Robert Kuttner, for criticizing “Bush’s dismal domestic policies” and his “dubious notion of permanent war”; and Lewis Lapham, the respected editor of *Harper’s* magazine, who reminded his readers that, during the 1990s, the United States had engaged in terror tactics in the Balkans and in Iraq.

At the Washington, D.C. press conference launching AVOT, Frank Gaffney, who was investigated in the 1980s as a suspected co-conspirator of Jonathan Jay Pollard, the

American convicted of espionage for Israel, mustered up his best Joe McCarthy imitation, ranting to the small audience that any criticism of the Bush Administration's conduct of the war could be "interpreted in such a way as to hurt national resolve . . . [and] embolden the enemy." He urged, "We must pay special attention to friends like Saudi Arabia and Egypt whose ongoing use of media are creating problems for our allies"—an obvious reference to Israel. In the crazed world of ACTA and AVOT, a criticism of Sharon's Nazi actions is tantamount to treason against America.

## Leading Promoters of The New McCarthyism

### American Council of Trustees and Alumni (ACTA)

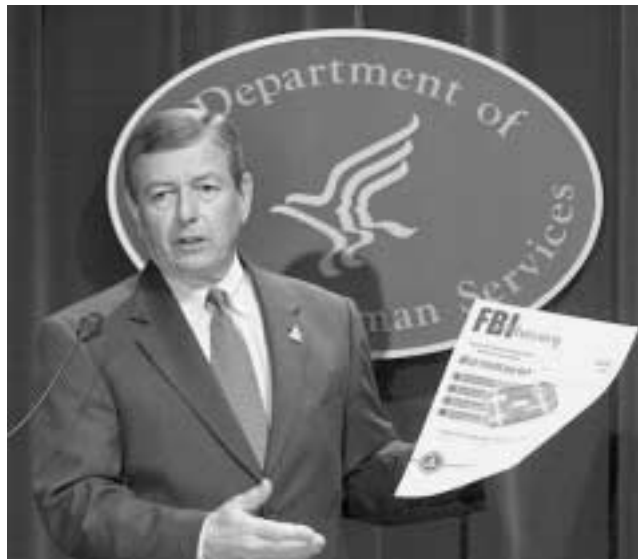
1726 M Street, NW  
Suite 800 Washington, D.C. 20036 (202) 467-6787  
888-ALUMNI-8, <http://www.goacta.org>

Founded in 1995 by Lynne Cheney and Sen. Joe Lieberman, who was described as "one of the most active members" of its advisory board by the *New York Times* of Aug. 24, 2000. Released *Defending Civilization: How Our Universities are Failing America and What Can Be Done About It*, on Nov. 11, 2001, with funding from the Randolph Foundation, the William and Karen Tell Foundation, and Jane H. Fraser. ACTA said it would send its blacklist to 3,000 trustees at colleges and universities across the nation.

ACTA contributed \$3.4 billion to colleges and universities in 2000—the largest private source of support for higher education. It has created a network of agents through its Advisory Committees—Trustees' Council, Presidents' Council, Alumni Leadership Council, Scholars Council (including Irving Kristol's wife, Gertrude Himmelfarb), and Donors Working Group. Funding: From 1995 through 2000, ACTA received \$1.3 million from the Olin Foundation, Bradley Foundation, Sarah Scaife Foundation, Earhart Foundation, and Castle Rock Foundation.

The Olin, Bradley, and Sarah Scaife Foundations fund the nexus of neo-conservative think-tanks such as Daniel Pipes' Middle East Forum (see Campus Watch, below), and Samuel Huntington's Olin Institute for Strategic Studies at Harvard. They promote: war on Iraq as the trigger for Huntington's Clash of Civilizations war with Islam; Sharon's genocide against the Palestinians; and attacks on American Muslims culminating in U.S. Attorney General Ashcroft's assault on Constitutional rights.

National Council members (board of directors): **David**



*Attorney General John Ashcroft's attempt to set up a nationwide gestapo informant network was scrapped under public protest, so now an assortment of private agencies and foundations are trying to accomplish the same thing.*

**Riesman** (honorary chairman, 1996-2002)—Henry Ford II Professor of Social Sciences, Emeritus, Harvard University; **Lynne Cheney** (chairman emeritus and co-founder)—senior fellow, American Enterprise Institute; **Richard Lamm** (vice chairman and co-founder)—Director, Center for Public Policy and Contemporary Issues, University of Denver; **William Bennett**—see below; **Irving Kristol**—Zionist father of neo-conservative movement, senior fellow, American Enterprise Institute (AEI), publisher, *The National Interest*, co-editor, *The Public Interest*, father of **William Kristol**—editor of the *Weekly Standard* and chairman of the imperial Project for the New American Century (PNAC) created in 1997; **Martin Peretz**—editor-in-chief and chairman, *The New Republic*, advocate of war against Iraq, and specialist on fascist Vladimir Jabotinsky; **Laurence Silberman**—U.S. Circuit Judge, U.S. Court of Appeals for the D.C. Circuit; member of U.S. Solicitor-General Ted Olson's "salon" for the impeachment of former President Clinton.

### Americans for Victory Over Terrorism

AVOT is an arm of Empower America  
1701 Pennsylvania Avenue NW, Suite 900  
Washington, D.C. 20006  
(202) 452-6216, <http://www.avot.org>

Launched on March 12, 2002 by PNAC members William Bennett and Frank Gaffney, and James Woolsey. (All three signed an April 3, 2002 PNAC letter to President Bush to "stand with Israel" and overthrow Saddam Hussein.) In a full-page ad in the *New York Times* on March 10, 2002, AVOT called radical Islam "an enemy no less dangerous and no less

determined than the twin menaces of fascism and communism we faced in the 20th Century,” and denigrated those who “are attempting to use this opportunity to promulgate their agenda of ‘blame America first.’ ”

It recommends as sources on the Mideast, the Middle East Media Research Institute (MEMRI), Bernard Lewis, and Samuel Huntington. In September 2002, AVOT began a series of campus teach-ins and lectures.

Senior Advisers: **William Bennett**—co-director, Empower America, ACTA National Council, former chairman, National Endowment for Humanities; **William Barr**—former U.S. Attorney General; **L. Paul Bremer**—chairman and CEO of Crisis Consulting Practice of Marsh, Inc., former managing director at Kissinger Associates, former U.S. Ambassador, member of the International Institute of Strategic Studies; **Frank Gaffney**—founder and president of the Center for Security Policy, suspected “X Committee” member, former Assistant Secretary of Defense; **Lawrence Kadish**—real estate investor, founding chairman of the Committee for Security and Peace in the Middle East; **Walid Phares**—associate professor of political science and comparative politics, Florida Atlantic University; **Ruth Wisse**—professor of comparative literature, Harvard University; **R. James Woolsey**—CIA Director 1993-95, current member of the Defense Policy Board and leading agitator for war against Iraq; trustee of the Center for Strategic and International Studies.

## Campus Watch

<http://www.campus-watch.org>

Created and sponsored by Philadelphia-based Middle East Forum (MEF), Campus Watch was launched on Sept. 18, 2001, listing “dossiers” on 8 professors and 14 universities, now expanded to 21 universities. Encourages students and faculty members to provide names of Middle Eastern studies professors who criticize Israel. MEF spun off from the Foreign Policy Research Institute (FPRI), which houses some of the leading right-wing Zionist networks in the U.S. foreign policy apparatus. MEF publishes *Middle East Quarterly*, promoting Islam as an enemy image and embracing Huntington’s policy.

**Daniel Pipes**—director of FPRI (1986-93); director of MEF; columnist for *Jerusalem Post* and *New York Post*; member, AEI’s New Atlantic Initiative; author of a book on conspiracies that slanders Lyndon LaRouche. **Khalid Duran**—MEF editorial board member who worked with Steven Emerson to produce “Jihad in America,” for the Public Broadcasting System, promoting the idea of Islam as the enemy. **Martin Kramer**—*Middle East Quarterly* editor, Tel Aviv University. **Patrick Clawson**—director of research of the pro-Likud Washington Institute for Near East Policy.

## Dr. Lynne Cheney and The Pollard Gang

Vice Presidential wife Lynne Cheney is a hard-core neo-conservative, closely linked to the Israeli agents at the American Enterprise Institute, including AEI’s “universal fascist,” Michael Ledeen, and Richard Perle, the Iraq war’s chief chicken-hawk running the Defense Policy Board. Both came under scrutiny during the 1980s investigation of Israeli spy, U.S. citizen Jonathan Jay Pollard.

The “Cheney family circle” includes Michael Ledeen and his wife Barbara; the “granddaddies” of neo-conservatism; Irving Kristol and his wife Gertrude Himmelfarb; and also their son, William Kristol. Dick Cheney’s contribution to this neo-conservative coven is his chief of staff, Lewis “Scooter” Libby, a protégé of Deputy Defense Secretary Paul Wolfowitz. Libby was the attorney for Wall Street fraudster Marc Rich, who arranged his Presidential pardon after massive payoffs to the right-wing Israeli lobby in 2000.

Lynne Cheney has a gaggle of close female associates who stand out as Washington’s leading McCarthyites. She

Cheney has long-admired Himmelfarb—also known as “Himmler-farb” for her neo-con thought-policing—and Cheney brought her in as a top adviser when Cheney was chairman of the National Endowment for the Humanities (1986-93). The female bonding is one of the tracks through which Himmler-farb’s son William Kristol’s study on American Empire, for the Project on the New American Century (PNAC), became the September 2002 White House National Security Strategy document.

In 1992, Barbara Ledeen recruited Cheney to the Independent Women’s Forum (IWF). Ledeen has been associated since the early 1980s, with the terrorist plot against Jerusalem’s Temple Mount by right-wing Israelis and Christian Zionists associated with the U.S. neo-conservatives. Commentators say IWF “is neither independent nor a forum.” It is an appendage of the network of foundations (see Profile) that finance the right-wing Christian Zionist/Jabotinskyite organizations. IWF has received more than \$2 million from the Bradley/Olin/Scaife and Smith Richardson nexus, and includes Wendy Gramm, wife of Sen. Phil Gramm, who brought us the notorious Enron deregulation swindle; and Labor Secretary Elaine Chao, wife of Sen. Mitch McConnell, another Iraq war fanatic.

—Michele Steinberg

# The Ever-More Electable LaRouche Tells You What You Must Do About the Economy—Now!

by Lyndon H. LaRouche, Jr.

*The following was issued by Lyndon LaRouche's Presidential campaign committee, LaRouche in 2004.*

Oct. 10, 2002

The big news from Brazil should remind you, that now is the time for you to act, to put the brakes on the onrushing new world depression. The first step you must take, is to force the Federal government to take immediate action to stop the ongoing collapse of the railway and air-travel systems. The second step you must take, is to help me push through a stubborn Washington, D.C., a broad set of job-creating measures in rebuilding much-needed basic economic infrastructure. The third and last, but not least thing you must do, is to back my campaign for an overdue, immediate general reform of the presently collapsing world monetary-financial system.

The big news from Brazil's elections, is that, on Oct. 6, in the biggest single election-vote victory in the history of the nation of Brazil, my friend, the highly distinguished Dr. Enéas Carneiro, has received an historically unprecedented, earthquake-making 1.5 million or more votes cast for his election to the Federal Congress from São Paulo. This came on top of a recent vote of Italy's Chamber of Deputies in support of my proposal for immediate steps to establish a New Bretton Woods reform of the world's present international monetary system.

The signs are, that our time—yours and mine—has come.

What has shocked Dr. Carneiro's opponents and my own, in both the stunned Brazil mass media, and in official Washington, is that "Dr. Enéas," as he is known famously in Brazil, had recently hosted my June 12, 2002 nomination and inauguration as an honorary citizen of the City of São Paulo. During my visit there, I delivered three major public addresses on Brazil's situation in a currently onrushing, already extremely critical world strategic situation. I took the occasion of my inauguration as an honorary citizen of São Paulo, to deliver an address on U.S. relations with Brazil under my proposed U.S. foreign policy doctrine.

## **Time To Face Tough Facts!**

The first fact sane citizens will face, is that, contrary to current White House flim-flam, both the United States and the *whole* world monetary-financial system are hopelessly bankrupt, with banks, industries, and jobs in a spiral with

no visible bottom. This is not just nations such as Brazil, Argentina, and Turkey. The combined world indebtedness total of some \$400 trillions (loans, futures, mortgages, etc.), is unpayable.

Whole categories of financial assets and obligations are becoming worthless. So even though the U.S. Gross National Product is posted at \$10 trillions, the total U.S. debt now stands at \$32 trillions (government, corporate, and household combined), and annual debt service on that, requires in the range of \$7 trillions—or over 70% of yearly U.S. GNP! Any sane accountant would look at these numbers and shriek, "Bankrupt!"

We—you and I—must either force through an available workable alternative to the present, collapsing system, as President Franklin Roosevelt did in his time, or plunge into chaos and war. I am now leading a worldwide drive for bankruptcy reorganization as the only existing real solution for this global catastrophe.

I need your active support. Around the world, my opponents, including those inside the International Monetary Fund offices, are shivering up and down their backside, in fear of the spreading influence of my work. The Brazilian Oct. 6 vote for Dr. Enéas sent the "Washington Consensus" of the International Monetary Fund, the World Bank, and Wall Street apparatus, into visible political convulsions. Those financial officials and their political flunkies think of the present financial system, as the hen said about the crocodile's egg she found in her nest, "It's ugly, but it seems to be mine."

That is key for understanding the importance of the Sept. 25 decision by the Parliament of Italy, the fifth largest economy in the world, which passed a resolution for a "new financial architecture." In effect, this vote ratified the proposal of LaRouche, for international collaboration to establish a "New Bretton Woods" set of arrangements for stable currencies, investments, etc.

In the United States, the financial and economic collapse has reached the point of pending shutdown of the rail and air systems, among many other crises. I have circulated massively a "November Emergency Program" for infrastructure-building and financial emergency measures, to force the issue right now in Washington, on what must be done.

## **Stop the Economic 'Horror Show'**

A fellow was once asked, "Why did you elect to go to

Joe's Restaurant?"

The fellow shrugged, and then replied: "It was the only one in town, and I was pretty hungry."

That is probably the chief reason sane citizens will tend to elect me as the next President of the U.S.A. To judge others by their past performance on economic-policy questions, I am, so far, the only electable source of actually available solutions in town. My enemies wish to be rid of me, but they have so far failed to offer our sane citizens any plausible alternatives.

That, short and sweet, is the simplest way to explain my soaring degree of *electability*. Check the merchandise before buying. Look at what I had forewarned would happen during the present period. Speaking on an Aug. 24 webcast, I said, "The Plunge Protection Committee, and similar kinds of people, are beyond the point that they can continue to control the appearance of the market, the financial markets. The market is disintegrating. This has been going on at an accelerating rate over the past two months.

"September is going to be a horror show, on the international financial markets. It's going to be a horror show for bankruptcies throughout the United States. We're looking at mass lay-offs, with no return from them in sight, no recovery in sight. And therefore, that's the big pressure [for war on Iraq now]."

Pure and simple has it. I was dead right on all points. The *collapse of the system* is hitting all sectors and all nations, no matter what wild-eyed lies are stuffed into White House pronouncements and mass-media headlines. Some say that jailing a few "bad apples" will make the economy recover! If the truth were told, the prisons have not been built large enough to hold all of those bad apples from inside or outside of the Congress and Executive itself. Enron was not downed by corruption, it was corruption in and of itself, and, in large part, the Congress, led by Sen. Phil Gramm, voted that corruption into existence.

Consider some facts worth remembering.

- The U.S. third quarter, which ended Sept. 30, was the worst stock-market catastrophe since the Crash of 1987, with worse to come. The Nasdaq index has lost 78% of its market value since its peak in 2000.

- The same situation prevails abroad. In Japan, stocks sank to a 19-year low in September, and now constitute a crisis for bank holdings. In Germany, the Nemax-50 index of German "New Economy" corporations has gone so low that it will be shut down by year-end. The German DAX index has lost 70% of its value since March 2000.

- U.S. Federal, state, and local government budgets are now headed for blowout. Combined state government deficits hit \$38 billions over just the 12 months ending June 30, 2002, as combined state revenues plunged 8%. The Federal budget went from contrived surplus status, into approaching a \$315 billion deficit as of the Sept. 30 year end.

- Internationally, the various categories of national debt



*Members of Lyndon LaRouche's political movement organizing in Chicago. It's time that you joined LaRouche's fight to end this economic depression.*

loads (Brazil, Argentina, Turkey, and others) totalling some \$4 trillions, are unpayable, period.

- The last of the U.S. big bubbles—home mortgages and refinancing, is about to burst. U.S. homeowners' mortgages total \$5.757 trillions; on top of that are \$5 trillions more in risky obligations issued mainly by Fannie Mae and Freddie Mac, the giant secondary housing-market agencies.

- U.S. financial houses are in meltdown. The market capitalization of J.P. Morgan Chase, the second-biggest U.S. bank, has fallen 71% since early 2001, from a peak of \$106.5 billion to just \$31 billion. Morgan is not alone. Charles Schwab, Morgan Stanley, Merrill Lynch, Goldman Sachs, Citigroup, and Lehman Brothers are all down over 50%.

- Foreign money is fleeing U.S. stocks. In the first half of 2002, foreign investors purchased just \$58 billion of U.S. stocks, a 50% decline from the \$116 billion they purchased during the first half of 2001.

- The rate of U.S. layoffs and corporate bankruptcies is now at the stage of shutdown of the economy. Since August of 2000, 1.9 million manufacturing-sector jobs have been lost, including *1.5 million production jobs*.

## Who Said What, and When?

"This is a crash," was the Oct. 1 statement of the Chief Economist of Deutsche Bank, Norbert Walter. Then, during the ensuing week, leading German bank stocks plunged by double-digit percentages.

Other international spokesmen are equally outspoken in

the face of the crash. But in the United States, the lunacy that “the fundamentals are sound,” expressed on Aug. 13 by President Bush, at the Waco, Texas Economic Summit, still prevails as the “official” insanity of the land. One example of what this means in practice: The White House wants to underfund Amtrak, the U.S. passenger rail service, by less than half of what it needs to operate in 2003, meaning the shutdown of six major inter-city routes (Florida to California; Chicago to New York and Texas, etc.)

Hence, the urgency. As I said in an Aug. 24 webcast, “It should be clear by election time, for these state, Senate, and so forth elections, that anyone who is not pushing for infrastructure, is not working in the national interest. Therefore, we have to have a weeding-out of those members of Congress, who, among their other faults, are not pushing for immediate restoration of rail service, and defense of air traffic. Now, that’s only the beginning, but those are two areas, integrated areas, on which the President must act immediately, now!”

I call for the convening of a New Bretton Woods conference—to deal with the trillions of dollars of unpayable financial claims of all kinds (debts, derivatives, collapse of inflated assets, etc.) and to set up a new world financial system of stable currencies, capital investment, mutual-interest trade, not free (rigged) trade, etc.; and secondly, for a full-scale infrastructure-building drive of the world “Land-Bridge” system, centered on the Eurasian Land-Bridge, as the economic and science driver for the 21st-Century recovery.

For the United States, I have spelled out what this means for the “North American Land-Bridge” programs and infrastructure-expansion, involving the creation of millions of new jobs, in my “November Emergency Program,” released Sept. 30 for mass distribution. My Aug. 23, 40-page “Special Report—Science and Infrastructure,” is circulating in capital cities from Moscow to Manila. These policy concepts are now part of an urgent debate and deliberation in many parts of the world.

I have already pointed to the debate which took place on Sept. 24 and 25 in the Italian Parliament. During that debate, Deputy Giovanni Bianchi told his colleagues just before the final vote, “Not by chance, one speaks of a New Bretton Woods. I believe that we are in such evident disorder, that the need and demand for some order is necessary. Let us not let a figure like Lyndon LaRouche—who forecast the destiny of the bubble—stand alone as the only one to carry on this issue.”

## November Emergency Program

On Sept. 30, the LaRouche in 2004 campaign released its first press run of the new 24-page “Emergency Intervention: Candidate LaRouche’s ‘November Program’ To Rebuild the Economy.” Its major focus is on rail and air transportation, and also covers all other hard and “soft” infrastructure, from ports and waterways, to water supply, land management, and power systems to hospitals, public health, and Classical education.

**Rail:** For passenger service, Amtrak is now “one wreck from shutdown.” The workforce, repair shops, rolling stock, and maintenance have been cut to below minimum. *A re-regulated, high-speed, inter-city, continental system must be built, bringing magnetically levitated (maglev) trains on line.*

**Air:** Commercial aviation is in meltdown. Over 200,000 airline and aerospace jobs have been cut from June 2001 to July 2002. *The Federal government must defend the route structure and the workforce; the system must be expanded in a fully integrated way with advanced rail, ending “short-hop” flights and hub congestion.* Part of the aerospace workforce can produce maglevs—“flying trains.”

**Waterways:** The 12,000-mile U.S. inland waterway system has 240 commercially active lock chambers, of which 113, or 47% of the total, are 50 years old or older, way past their life expectancy. *The U.S. Army Corps of Engineers must be mandated to upgrade all waterways, and ports—seaboard and inland, integrated with rail and air—to handle vast new freight flows expected from an economic boom in the Americas and worldwide.*

**Electricity:** For the past 25 years, the power system has been subverted by financial disinvestment, and then by deregulation-profiteering, to the point where generation capacity margins are below reliability requirements, transmission is decrepit, etc. *Re-regulate power; renew nuclear-power programs, including “assembly line” output of modular, high-temperature gas-cooled reactors.*

**Water Supply:** Lack of building new water sources, not Mother Nature’s droughts, is what lies behind our water shortages. *Build the North American Water and Power Alliance project; and coastal nuclear-powered desalination facilities.*

**Public Health and Hospitals:** The West Nile virus epidemic reflects the takedown of public-health functions (pest control, disease surveillance, etc.). The 1946 “Hill-Burton” Hospital Survey and Construction Act was passed to raise ratios of beds/thousand to 4.5 (urban) to 5.5 (rural). *Launch a new “Hill-Burton” hospital boom; repeal all HMO laws. Build up public health. Restore DDT and science.*

My “November Program to Rebuild the Economy”—in the style of Franklin Delano Roosevelt—gives sector-by-sector summaries of the crisis, the technologies and policies required to solve them, and how to pay for it all. Though we stand on the edge of historic catastrophe, we can force a new policy turn toward true national security and hope.

★ LAROUCHE IN 2004 ★  
[www.larouchein2004.com](http://www.larouchein2004.com)

Paid for by LaRouche in 2004.

# 41 Questions to Bush Administration On U.S.-Iraq Relations in the 1980s

by Edward Spannaus

In the light of repeated statements by President Bush and Administration officials that Saddam Hussein has twice attacked Iraq's neighbors, and that he developed and used weapons of mass destruction against his own citizens and Iranian troops in the 1980s; and in light of the fact that these allegations are cited as justification for launching a pre-emptive, aggressive war against Iraq; EIR *suggests that Administration officials should answer the following questions. EIR stipulates that it has a documented, good-faith basis for each and every question.*

Was it U.S. policy, as early as 1981-82, to provide military intelligence, and arms and other military equipment, to both Iran and Iraq, while those two countries were engaged in a war against each other, a war in which one million were killed?

Did the United States agree with the policy statement of former British Trade Minister Alan Clark, to wit: "The interests of the West are well-served by Iran and Iraq fighting each other—the longer the better."

Was it the policy of the United States, or of specific U.S. government agencies, to aid Iraq so that it would not be defeated by Iran, and also to aid Iran so that it would not be defeated by Iraq?

Did Secretary of State Alexander Haig work out an agreement with Israeli Prime Minister Menachem Begin in 1981, under which the United States would review and approve Iranian requests to Israel, for American-made spare parts and other equipment?

Beginning in the Spring of 1982, did the United States provide to Saddam Hussein detailed battlefield intelligence on the position and strength of Iranian troop deployment, intelligence which was obtained by AWACs surveillance planes provided to Saudi Arabia in 1980?

## **Rumsfeld as Envoy to Iraq**

Did President Reagan issuing a secret National Security Decision Directive in June 1982, which directed United States government agencies to do whatever was necessary and legal, to prevent Iraq from being defeated in its war with Iran?

Was Donald Rumsfeld designated by President Reagan

as a special envoy, and did Rumsfeld travel to Baghdad on December 19-20, 1983, and meet with Foreign Minister Tariq Aziz? Did Rumsfeld tell Aziz that "we see a number of areas of common interest," and express a desire for better relations between the United States and Iraq?

Was Rumsfeld asked to tell Aziz that the United States "would regard any major reversal of Iraq's fortunes as a strategic defeat for the West," and that he would discuss with Aziz the possibility that "the United States could lift restrictions on some military items Iraq wishes to purchase from third parties."

Did Rumsfeld meet with Saddam Hussein on Dec. 20, 1983, and deliver a personal letter to Saddam from President Reagan; and is it true that Saddam "showed obvious pleasure with the President's letter and Rumsfeld's visit and remarks," as then-National Security Council staff official Howard Teicher has reported?

Did Rumsfeld return to Iraq and meet again with Tariq Aziz on March 24, 1984, to prepare the groundwork for normalization of relations; and were full diplomatic relations between the United States and Iraq restored in 1984?

Before returning to Baghdad, did Donald Rumsfeld and Howard Teicher meet with Israeli Prime Minister Yitzhak Shamir to discuss the Iraq situation? Did Shamir ask Rumsfeld to deliver a secret offer of assistance from Israel to Iraq? Did Rumsfeld in fact deliver the Israeli offer of assistance to Iraqi Foreign Minister Tariq Aziz?

In exchange for U.S. assistance, did Saddam Hussein cooperate with the United States on terrorism matters, including by providing the United States with information on Middle East terrorists, and by expelling Abu Nidal from Iraq?

Did the United States establish a direct, secure electronic communications link between Washington and Baghdad in August 1986? Was this link used to provide real-time battlefield intelligence to Saddam Hussein?

Did President Reagan send a secret message to Saddam Hussein in 1986 telling him that Iraq should step up its air war and bombing of Iran? Was this message delivered by Vice President George Bush to Egyptian President Hosni Mubarak, who then passed it along to Saddam Hussein?



## Development of Chemical Weapons

Did the CIA assist in the sale of non-U.S. origin military weapons, ammunition, and vehicles, to Iraq?

Did the United States, through the CIA, approve and assist Carlos Cardoen in the manufacture and sale of cluster bombs and other munitions to Iraq, for use against Iranian troops?

Did Iraq begin using chemical weapons in 1982-83 against Iranian troops, as the U.S. Defense Intelligence Agency reportedly has stated?

Is it not true, as Fleet Marine Force Reference Public (FMFRP) 3-203 states, that Iraq developed their chemical weapons proficiency gradually during the war with Iran, and that Iraq was motivated to do so by Iranian “human wave” infantry attacks?

Is it not true, as FMFRP 3-203 states, that Iraq used chemical weapons to good effect as part of an integrated set of battlefield tactics, and not as a weapon of mass destruction?

Did U.S. officials state that there was incontrovertible evidence in March 1984, that Iraq had used nerve gas against Iranian troops?

Did the U.S. provide tactical intelligence to Iraq beginning in 1984 that enabled Iraq to “calibrate” its mustard gas attacks on Iranian troops?

Did the U.S. Department of Commerce issue licenses for over 70 shipments of biological and chemical agents between 1985 and 1989, including anthrax, botulinum, West Nile Fever virus, gas gangrene? Is it true that these shipments continued during 1989, the first year of the first Bush Administration?

Did Iraq have a highly developed public-health program in those years, in which such materials could have legitimately been used?

Is it also likely, as many experts have stated, that some of these materials were used in Iraq’s development of chemical and biological weapons?

## Support to Iraq and Iran

Did Vice-President George Bush personally ask the chairman of the U.S. Export-Import Bank to provide hun-

The Dean of the Congress —  
The West Virginian of the 20th Century

### U.S. Senator Robert C. Byrd

Questions about appropriations bills?  
Visit the Senate Appropriations Committee site

latest news updates...

Special Features...

- U.S. Provided Iraq with Bio-weapon Building Blocks
- Questions Before War
- Contacting Senator Byrd

United Nations' inspectors in 1991 and 1992 found evidence of Iraqi chemical and biological weapons. In this photo, UN inspectors view Iraqi warheads found to contain mustard gas. Senator Byrd has highlighted documents showing that the U.S. has provided Iraq with the building blocks for its biological weapons program.

*Some of the most important questions about past U.S.-Iraq relations and the development and use of chemical weapons, were raised by Sen. Robert Byrd of West Virginia in Senate debate, and on his website. But many more questions can and should be asked the administration.*

dreds of millions of dollars of loan guarantees in February 1987?

Did Vice-President Bush meet with the Iraqi Ambassador to the United Nations, Nizar Hamdoun, in March of 1987, to tell him that licenses permitting Iraq to buy sensitive American technology had just been approved?

Was the provision of military intelligence to Iraq part of an effort which was, as a Reagan Administration official once described it, “a cynical attempt to engineer a stalemate” in the Iran-Iraq war? Or, was the Reagan-Bush Administration committed, as others have said, to ensuring an outright Iraqi victory over Iran?

Was former NSC staff official Howard Teicher correct, when he said that what he called the “intelligence dump” given to Iraq, was provided “so that Iraq could win”?

Was the so-called “Iran initiative” developed in the National Security Council staff around 1985, by such officials as Howard Teicher, Michael Ledeen, and Robert McFarlane—under which arms were provided to Iran—an attempt to counterbalance the aforesaid U.S. assistance to Iraq, as some have stated?

Did Israeli officials such as David Kimche, the Director-General of the Israeli Foreign Minister, approach U.S. officials in 1985 to urge that the United States provide covert military support to Iran?

Did the United States have information that, at the end of the Iraq-Iran War in 1988, Israel was so alarmed by Iraq's emergence as the most heavily-armed state in the Middle East, that Israel was considering carrying out a surprise attack on Iraqi missile sites?

Is it not true that there is no actual evidence that it was Iraq that used blood gases against Kurds at Halabjah in 1988?

Did the U.S. State Department and Secretary of State George Shultz make an abrupt shift in September 1988, when he suddenly began charging that Iraq had used lethal gas against Kurds?

### Before Desert Storm

After George Bush became President in 1989, did his administration pressure the Ex-Im Bank to provide additional loan guarantees for Iraq?

In 1989, did the Department of Defense and the Department of Energy invite three Iraqi scientists to attend a U.S.-government-sponsored conference on nuclear weapons detonation, held in Portland, Oregon?

In March 1989, did CIA Director William Webster testify before Congress that Iraq was the largest chemical weapons producer in the world?

In October 1990, did President George Bush sign National Security Decision Directive No. 26, mandating still closer U.S. ties with Iraq?

Did the U.S. Ambassador to Iraq personally tell Saddam Hussein, on July 25, 1990, that "We have no opinion on the Arab-Arab conflicts, such as your border agreement with Kuwait," indicating that this was not a matter of concern to the United States?

Did Assistant Secretary of State John Kelly tell Congress on July 31, 1990: "We have no defense treaty relationships with any of the [Gulf] countries. We have historically avoided taking a position on border disputes. . . ."

On Sept. 11, 1990, did Iraqi Foreign Minister Tariq Aziz charge that "Israel wants to attack Iraqi industrial and scientific sites to maintain the balance of power, which has changed."

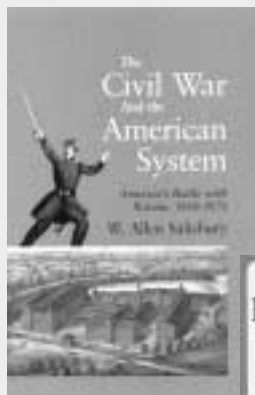
Does UNSC Resolution 687, which the Administration frequently cites as requiring Iraq to destroy all weapons of mass destruction, in fact call for "establishing in the Middle East a zone free from weapons of mass destruction"? Does this not also require the destruction of Israel's nuclear weapons?

# KNOW YOUR HISTORY!

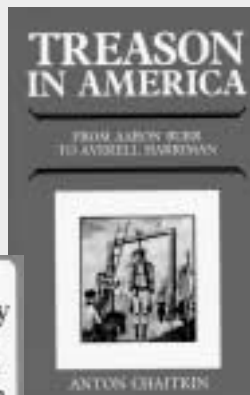
## *America's Battle with Britain Continues Today*

**The Civil War and the American System: America's Battle with Britain, 1860-1876**

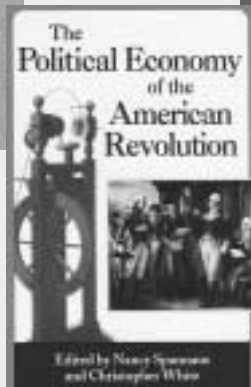
ed. by  
W. Allen Salisbury  
\$15.00



ORDER TODAY!



**Treason in America, From Aaron Burr to Averell Harriman**  
Anton Chaitkin  
\$20.00



**The Political Economy of the American Revolution**

Nancy Spannaus and Christopher White, eds.  
\$15.00

**Ben Franklin Booksellers**  
P.O. Box 1707 Leesburg VA 20177  
**Order toll free:** 1-800-453-4108  
Fax: (703) 777-8287

Shipping and handling: \$4.00 for first book, \$.50 each additional book.

# 'Nightmare Scenario': Urban Combat in Baghdad

by Carl Osgood

Saddam Hussein's threat to bring any war with the U.S. into the streets of Baghdad has competent U.S. military officers asking, "Are we prepared for urban combat?" The urban environment is one of the most difficult for military operations, and Baghdad, in particular, is a large, sprawling city of some 4.5 million people. Baghdad is also the political and economic center of the Ba'athist regime and, therefore, the objective of "regime change" would, almost certainly, require U.S. forces to enter the city and attempt to take control of it by force.

The risks inherent in such an operation were highlighted by Gen. Joseph Hoar (ret.), a former Commander-in-Chief of the U.S. Central Command, during testimony before the Senate Armed Services Committee on Sept. 23. Hoar, along with former Chairman of the Joint Chiefs of Staff Gen. John Shalikashvili, former NATO Commander Gen. Wesley Clark, and former Air Force Vice Chief of Staff Gen. Thomas McInerney, were summoned to give their expert opinions.

During his opening statement, Hoar told the committee, "There are people in this city that believe that the military campaign against Iraq will not be difficult, especially because of the enormous advances in technology and the willingness of some groups in Iraq to revolt once the campaign has begun." Instead, he said, there is a "nightmare scenario" that needs to be planned for: That is, "that six Iraqi Republican Guard divisions, reinforced with several thousand anti-aircraft artillery pieces, defends the city of Baghdad. The result would be high casualties on both sides, as well as in the civilian community. U.S. forces would certainly prevail, but at what cost, as the rest of the world watches while we bomb and have artillery rounds exploded in densely populated Iraqi neighborhoods."

Questioned by Sen. Edward M. Kennedy (D-Mass.), both Shalikashvili and Hoar amplified. "If it gets to urban warfare," Shalikashvili said, "it could get very messy, the collateral damage could be very great, and our own casualties could increase significantly." Hoar was much more stark: "We have to be prepared to fight block by block. In urban warfare, you could run through battalions a day at a time, one battalion, that are just combat ineffective because of casualties." Furthermore, the much-vaunted American advantages in command and control, technology, and mobility, "all of those things are in part given up and you are working with corporals

and sergeants and young men fighting street to street. It looks like the last 15 minutes of 'Saving Private Ryan.' "

Echoing General Hoar was his successor at CENTCOM, Gen. Anthony Zinni—like Hoar, a retired Marine. In remarks to a conference of the Middle East Institute on Oct. 10, Zinni emphasized the unpredictable nature of war, and advised that should war come, it needs to be finished quickly. "If this war drags on," he warned, "it's going to become messy. The opportunity for more bad things to happen inside the country where the combat is taking place, and outside, in many different areas in relationships in politics, street reaction, could disrupt any good that could come of it." He further warned that the enemy will have it in his interest to drag it out and make it as messy as possible, and that means trying to drag U.S. forces into fighting for Baghdad block by block. "Civilian casualties, collateral damage, destruction of the infrastructure, the images that could be created regardless of who causes this, will not sit well in the region, and will cause problems in the long run and add to the difficulties in the aftermath," he said.

### Most Complex Terrain

These warnings are a reflection of the fact that the urban terrain is just about the most complex imaginable for military operations. Avenues of approach for attacking forces are limited, fields of fire and observation are restricted by structures, and heavy weapons, such as tanks and artillery, may not be as useful. Command and control of infantry is hindered, when they enter buildings to clear them of defending forces. Ammunition and other supplies are consumed at much higher rates. Indiscriminate artillery barrages and air bombardment can turn large areas into rubble, restricting the movements of the attacking force and giving more cover to the defender. A well-prepared defender, even when vastly outnumbered, can use the urban environment to significantly slow down the offensive. Even if the attacker wins the military engagement, he can lose the war because of the political effect on the region as a whole, as both generals warned.

The U.S. Army's field manual on urban combat also reflects past lessons: "The historical data suggest that it is extremely difficult for modern forces to leverage their technological advantages against a determined adversary in an urban environment." Furthermore, "the city environment, with its high density and multistory buildings, tends to negate the technological advantages, for example, close air support, mobility, communications enjoyed by modern military forces."

No one knows for sure, what will happen if the United States launches full-scale war in Iraq, but it could become far more difficult than the utopians in and around the Bush Administration are predicting. As General Zinni said at the Middle East Institute conference, "In war, 'shit happens,' and it happens often, and you can't predict it." Urban combat can result in outcomes very different from the rosy scenarios of the utopians.

# McCain, Lieberman, and The Bantustan Casinos

by Anton Chaitkin and Scott Thompson

A criminal apparatus reaching from Russia to Israel to Africa, to Miami and New York, has turned Sen. Joe Lieberman's Connecticut into a world capital of gambling casinos. Today's billionaire mobsters Marc Rich, Solomon Kerzner, Michael Steinhardt, and their partners, are the same Meyer Lansky and Lucky Luciano circle which put Senators Lieberman and John McCain (R-Ariz.) into power in Washington. They have returned the favor and taken new payoffs, clearing the way for opening the world's two largest gambling casinos, less than ten miles from each other on either side of the Thames River in Connecticut.

In other reports, *EIR* has documented how a succession of gangsters—including Lansky's gambling managers and mega-swindler Charles Keating—created McCain's career; how thugs of the Lansky mob's Cuban regime paid to elect Lieberman; and how Michael Steinhardt, the Lansky money launderer and son of a Lansky partner in Cuban casinos, has shaped Lieberman's life since his election (see *EIR Special Report* on McCain and Lieberman, Aug. 16, 2002). This is the same political and covert-operations apparatus sponsoring the fascists of Ariel Sharon's Likud party-led regime in Israel, for which Senators Lieberman and McCain are the two most dangerous representatives in American politics.

### Scam of 'New' Indian Tribes

These international gambling and organized crime interests have created the two Connecticut casinos, Foxwoods and Mohegan Sun, as a scam using a pathetic "Indian tribe" pretext. Foxwoods opened in 1992 under the nominal ownership of the Mashantucket Pequot Indians—funded by overseas Chinese casino billionaire Lim Goh Tong of Malaysia. John McCain led the way for launching the monster Connecticut casinos, by gaining Federal recognition for a new version of an extinct Pequot tribe, and by sponsoring legislation to legalize Indian casinos throughout America.

The Mohegan Sun casino, created in 1996, is an extension of Sol Kerzner's casino monopoly in apartheid-era South Africa. Kerzner's bantustans, enclaves for desperately poor quasi-slave black Africans, were used as centers for traffickers and wealthy whoring whites. Kerzner's lawyers, anthropologists, and lobbyists obtained Federal recognition for the "Mohegans" in Connecticut, and Kerzner then built the casino

and netted vast sums. Joe Lieberman was Connecticut's Attorney General when the Pequots were recognized, and was a U.S. Senator when Foxwoods was built, over local protests. Dupliciously claiming to oppose gambling, he refused all pleas for help in blocking the onslaught, and betrayed those he pledged to defend.

The scale of loot is unprecedented. Mohegan Sun's annual gross revenues, by September 2001, were reported at \$857 million, compared to all 12 Atlantic City casinos' gross revenues of only \$288 million combined, as of January 1997. The Pequots' Foxwoods casino, acknowledged to be the world's largest, will not reveal its gross revenues, but the 20% of its revenue from slot machines alone—their fee to Connecticut for a license to operate these "one-armed bandits"—amounts to \$200 million.

Both McCain and Lieberman have grandstanded against Indian gambling, while the casinos have quietly financed their political campaigns.

### McCain Boasts on the Bus

Federal recognition of the rebirth of the long-extinct Mashantucket Pequot was initially blocked by skeptical government officials. But in 1983, recognition went through. That was the year John McCain entered Congress. He had just married the heiress to the Hensley beer distributorship created by Kemper Marley, known as the Arizona manager of the illegal wire service for Al Capone's and Meyer Lansky's patrons gambling on horse races at a distance. McCain became an instant multi-millionaire. And Phoenix-based Charles Keating, the infamous bank fraudster who induced thousands to gamble on worthless bonds, simultaneously adopted McCain as his new Congressman (and later, a "Keating Five" Senator).

What did freshman House member McCain, elected in Arizona with Hensley/Marley and Keating money, have to do with the Indians in Lieberman's Connecticut?

McCain was in New Hampshire, seeking the 2000 Republican Presidential nomination, when he told reporters on a campaign bus of his role in the Pequot affair 17 years earlier. He said that upon entering the House of Representatives, he had immediately joined the Indian Affairs subcommittee, and went to work on the Pequots. *Boston Globe* correspondent Curtis Wilkie reported on Jan. 28, 2000, "McCain said he looked into the case and discovered 'the Republicans had been the ones blocking it.' He determined that the Indians' plea was legitimate and won recognition. 'Know which tribe?' McCain asked, then answered his own question. 'The Pequot, now the proud owners of the largest casino in the world.'"

Perhaps unknown to the reporters on the bus, McCain's 2000 Presidential campaign received 35 individual donations totaling \$15,750 from "Mashantucket Pequot" members or casino officials. (Pequots made only 139 donations overall in the 1999-2000 election cycle, for all Federal election races.)



*Within a 150-mile radius of the world's two largest casinos—Foxwoods and the Mohegan Sun, only ten miles apart off route I-95 in Joe Lieberman's Connecticut—21.8 million people live. Tens of thousands hit these new casinos every day with bumper-to-bumper traffic. But both also recruit international "high rollers," especially from Asia, giving them special incentives to come.*

One of these donations—ironically channeled through McCain's "Straight Talk America" PAC—was \$500 from rising Foxwoods casino boss Kenneth Reels. Twenty-four of these McCain contributions were registered on a single day, June 30, 1999, according to the Federal Election Commission (FEC). McCain's Republican rival George W. Bush got no Mashantucket Pequot contributions, and Democrat Al Gore got only one, for \$200.

McCain deserved such recognition as the "Godfather" of Indian casinos. Gangster money had promoted him from the House to the Senate in 1987. In 1988, he wrote and was the prime Republican sponsor for the Indian Gaming Regulator Act. Tribes—and their gambling industry backers—got the right to open casinos whose finances would be secret, acting under the cloak of the "national sovereignty" of each tribal entity.

New Mexico attorney Alexis Johnson, an experienced investigator of the tribal cover for casinos, has explained that as the law has been redefined to create "jurisdictional confusion, you get 'the guys' surfacing." As Jeffrey Robinson added in his 2000 book, *The Merger: The Conglomeration of International Organized Crime*: "These are not poor Indians running casinos across the country, these are mobbed-up Indi-

ans. . . . You can't run a casino without all kinds of ancillary businesses . . . people who understand how to run the floor, how to find employees that are discreet, how to get the employees that have been buffed up and run past a couple of other regulatory bodies, . . . how to get the comped guys here and there, who can go to whose network and launder the money, who can take the skim to Las Vegas or the Bahamas or the Caymans."

Indeed, the bandits have made off with the proceeds. Only a tiny fraction of bought-off Native Americans have received an income boost from the proliferation of casinos. Unemployment and misery are the rule, with no development of America's vast agro-industrial-mineral potential for the benefit of the tribes.

Senator McCain has since starred on the Senate Indian Affairs Committee; he was Committee Chairman in 1995-97.

McCain has constantly trumpeted his "personal" anti-gambling morality, while acting as lead agent for the gangsters. When organizing the passage of his 1988 Indian Gaming Regulatory Act, McCain told the Senate: "I oppose, personally, gambling in my state. I oppose gambling on Indian reservations, but when Indian communities are faced with only one option for economic development, and that is to set up gambling on their reservations, then I cannot disapprove" (*Boston Globe*, Dec. 10, 2000). McCain warns of gambling corruption, which must refer to himself above all. He stuck a loophole clause into this year's celebrated McCain-Feingold campaign finance bill, which will exempt Indian tribes from the general prohibition against donating to an unlimited number of Federal candidates!

### **Making Connecticut Safe for the New Mob**

Joe Lieberman was first elected to the Senate in 1988, with money and backing from Cuban exile Jorge Mas Canosa, Miami boss of the old Meyer Lansky-led casino crowd from pre-Castro Cuba. Senator Lieberman immediately joined the new Democratic Leadership Council (DLC), a Wall Street pressure group founded by billionaire hedge-fund operator Michael Steinhardt. Steinhardt's fortune came from laundering the Lansky mob's cash pouring in through Steinhardt's father, who had been Lansky's "fence" and Havana casino partner. Michael Steinhardt, in turn, made Lieberman the longest-serving chairman of the DLC, from 1993-2001.

The casinos have brought Connecticut a decade of bitterness. A senior officer of the Connecticut State Police Bureau of Criminal Investigations told *EIR* that Ledyard—home of Foxwoods—and nearby North Stonington have suffered a massive increase in drug-trafficking, prostitution, and other crimes. Some of the drug-trafficking cases have been made against employees of the Pequots' casino, and their clientele, and an investigation is under way to determine whether the Mashantucket Pequot "owners" of the Foxwoods casino were involved.

Joe Lieberman went shopping for re-election cash as this



*One-armed bandits by the hundreds line up in front of the garish center of the world's second-largest casino, the Mohegan Sun in Uncasville, Connecticut, set up with the support of "conscience of the Senate" Joe Lieberman. Lieberman's and the world's largest casino, Foxwoods, is just across the Thames River at North Stonington, Conn.*

hell was unleashed in his state. FEC records show that during the 1994 campaign cycle, Lieberman received:

- two donations totalling \$1,500 from G. Michael Brown, chief executive of the Pequots' Foxwoods Casino;
- \$250 from lobbyist Charles J. Duffy, chief Pequot negotiator who arranged the deal whereby revenues from Foxwoods (and later Mohegan Sun) slot machines began financing the depression-wrecked Connecticut state budget;
- \$250 from attorney Jackson T. King, who had represented the townspeople opposing the casino, misled and sold them out, and become the Pequots' chief counsel;
- \$500 from Katharine R. Boyce, the Pequots' Washington lobbyist (with Patton Boggs law firm) working with the Senator's and gangsters' friends within the Federal bureaucracy.
- Bigshot casino operator Donald Trump made a \$1,000 personal contribution to Lieberman's campaign two months later.

During that same 1994 election cycle, while publicly proclaiming the immorality of gambling, "conscience of the Senate" Joe Lieberman held a major fundraiser at the Las Vegas Sands casino.

The contributions to Lieberman from G. Michael "Micky" Brown open a special can of worms. It was "Micky" Brown who introduced the corrupt Malaysian billionaire, Lim Goh Tong, to the Mashantucket Pequots. Before representing Lim's expanding resort and casino operations, Brown had

earlier served at the bequest of then-New Jersey Gov. Brendan Byrne as head of the New Jersey Gaming Commission, to put a figleaf on Atlantic City casino operations at a time when the Federal Bureau of Investigation was running the unconstitutional Abscam witch-hunt to blackmail Congress and local politicians. Before that, "Micky" Brown had been a prosecutor, who cleared out the "Mustachioed Petes" in New Jersey, so that people like the mobbed-up billionaire Donald Trump could build his Taj Mahal in Atlantic City.

At the time that Brown was in charge of the Gaming Commission, Sol Kerzner bought Merv Griffin's Resorts Hotel Casino in Atlantic City. When the president and CEO of the huge Foxwoods Casino resigned, Brown took over that post, even though it took him four years to gain the requisite Class II casino gaming license. (It is suggestive, as reported in the April 18, 1997 issue of the *Hartford Courant*, that international gangster Sol Kerzner got his license only after Christo Nel, the Attorney General of South Africa's Transkei region, had withdrawn charges of a \$600,000 Kerzner bribe in 1986 to Chief George Matanzima, the Prime Minister of the Transkei bantustan,

where Kerzner had been expanding his Sun International operations.)

According to the June 27, 1997 issue of the *Hartford Courant*, "Micky" Brown was fired from his position as president and CEO of Foxwoods, where he maintained the link for expansion capital from Lim, because of a "conflict of interest." The *Courant* reported that Brown had bought shares of IWERKS, knowing that it would be awarded a large construction contract by Foxwoods casino. Today, among other projects, "Micky" is setting up at least one of six "Indian" gaming facilities (the Seneca Indians' casino in Niagara Falls) authorized recently by the New York State Legislature in upstate New York and the Catskills. And, a spokesman for Foxwoods casino said that the Pequots are still paying off Lim Goh Tong.

### **Lieberman's 'They Have a Dream'**

Fast forward to June 2000, five months after Presidential candidate/Sen. John McCain's boast of his importance to the Connecticut casino scene. Joe Lieberman was running again for the Senate. Connecticut local officials, despondent over tax-revenue loss, crime, and chaos from the casinos, wanted to believe Lieberman's anti-gambling rhetoric. Local leaders met in Lieberman's Washington office on June 28, 2000, seeking his help against the continued expansion of the Pequot mega-casino.

According to Jeff Benedict's book, *Without Reservation*,



The "Tribal Council Management Board" of the Mohegan tribe which appears to have been created to site the casino.

one town official suggested that the Mashantucket Pequots were not really an Indian tribe at all. He was told that McCain and other leaders of the Indian casino cause would not appreciate that point. But the local leaders were advised to continue fighting in the courts against casino expansion. Lieberman soothed them, "If you fail at the appellate court, I think it would be an appropriate time to have Congress address this issue." He concluded the meeting by assuring them: "I understand your concerns and understand we haven't given you answers to the questions you've been raising. But we will."

Six weeks later they got their answer. Al Gore chose Lieberman as his Vice Presidential running mate. Lieberman told the Native American Caucus at the Democratic National Convention in Los Angeles, "talk about dreams coming true. These two tribes [Pequots and Mohegans] have made those dreams real, not only for themselves but for an extraordinary number of people." Lieberman got his picture taken at the podium embracing Pequot boss Kenneth Reels. Then the Pequots treated the Connecticut Congressional delegation to a fancy reception at a French restaurant in Los Angeles. The Connecticut town leaders read the next day's press stories of Lieberman's perfidy.

### **Bantustans for America**

As a guest speaker at a conference on casino development at Foxwoods in November 2001, Senator Lieberman was asked by a *Boston Globe* reporter whether he would act to correct the billion-dollar ripoff of the Mohegan Indians by the Kerzner casino empire. Lieberman evaded the question, and he and his aides persisted in stifling the issue and protecting Kerzner—who is a significant player in the underworld sponsoring Joe's career.

Solomon "Sol" Kerzner had a monopoly of the gambling casinos in South Africa until the racial apartheid system fell.

Gambling was allowed only on the bantustans, enclaves which the police state declared "autonomous" but which had no rights except criminal lifestyles. Kerzner's operation controlled the Bophuthatswana enclave and made it available for global smuggling and intrigue. The casinos there were set amidst ghastly poverty, disease, and death, with white South Africans coming to revel in dope and prostitution. Kerzner's Sun City casino complex featured "a 6,000-seat indoor superbowl, a 46-acre man-made lake for watersports . . . and a themed resort [with a] man-made jungle in which over 1 million trees were transplanted."

Kerzner was the uncrowned king; his was the main legal business of Bophuthatswana. His business partner, gun-running mobster Shabtai Kalmanowitch, was Bophuthatswana's "Ambassador to Israel," until Israel arrested Kalmanowitch as a Soviet spy, overlooking Kalmanowitch's ties with the Zionist Mafia. One source told *EIR* that Kerzner also had ties to the KGB-controlled, East German secret police (Stasi), which had established a nest at Kerzner's Sun City International in the bantustan of Bophuthatswana. Kerzner himself was then known to have travelled frequently within the former Soviet bloc.

A New York commodities trader, Rabbi Ronald Greenwald, was the ambassador to the United States for Kerzner's enslaved bantustan, and had brought Kalmanowitch into the picture there. Greenwald was a major intermediary between the Israeli and Soviet bloc secret services, involved in spy swaps and movements of fugitives. Greenwald sponsored the career of Russian mobster Evsei Agron, a murdering crime boss in Brooklyn.

This entire cast of Kerzner's supporting criminal characters were financial partners of Marc Rich, the billionaire fugitive wanted by American authorities for tax fraud and trading with the enemy. Rich, Kalmanowitch and Greenwald represented Israel's Mossad intelligence and covert operations service, and the fascist Likud apparatus of Ariel Sharon. For many years following Marc Rich's 1983 Federal indictment, Rich's investments in New York were handled by gangster speculator Michael Steinhardt. At first, the Kerzner/Rich operative Rabbi Greenwald tried unsuccessfully to get the prosecuting U.S. Attorney to back off the Rich case. Finally, Steinhardt, after turning over the Democratic Leadership Council to his protégé Lieberman, began a global campaign to get Rich off. Steinhardt coordinated with Mossad officer Avner Azulay, head of the Rich Foundation in Israel; they brought in top Israeli politicians, and convinced President Bill Clinton to pardon gangster Rich in the last hours of

Clinton's Presidency.

Rabbi Irving "Yitz" Greenberg, who is the rabbi to both Joe Lieberman and Michael Steinhardt, wrote a letter urging Clinton to pardon Rich on the letterhead of the U.S. Holocaust Commission, whose board includes Lieberman's wife Haddasah Freilich Lieberman. Rabbi Greenberg was subsequently fired from the Commission that he had chaired, for this reason.

This is the same Mossad/Likud swamp that Lieberman and McCain have both been wading in, as they help drag America toward a suicidal war with Iraq.

### Shall We Have Bantustans?

The fall of apartheid ended Kerzner's reign in Bophuthatswana. Foxwoods thrived, and Kerzner jumped into Lieberman's Connecticut. Kerzner and his cousin Len Wolman set up Trading Cove Associates, which spent millions to gain U.S. recognition of the Mohegans, so as to open a new casino. Since he, in effect, created the tribe, an agreement gave Kerzner's crew a "buyout" of \$1 billion, despite the fact that Kerzner had not completed a feature of his contract with the Mohegans to complete a \$400 million hotel. It was this "buyout" that led to investigations by the U.S. Interior Department's Inspector General, as the sums being siphoned off to Kerzner exceeded the 30% of net profit permitted by the 1998 Indian Gaming Act.

So far there have been no indictments. The Inspector General did rule, in Spring 2002, that the process of the recognition of the two Connecticut tribes—including that of the Mashantucket Pequots ushered in, in part, by Sen. John McCain—was "highly unusual."

The staff of the National Indian Gaming Commission initially balked at the Mohegan deal, but were overruled by Commission chairman Harold Monteau, who was on the take from the Indian gaming trade association. Monteau prohibited any background check on Kerzner. And Lieberman protected Kerzner even after the *Boston Globe* exposed the residuals to be paid to Kerzner for years after he was to sell out, and the hundreds of millions in other extra payments he was to get from the tribe.

Today, Kerzner ("the King of Kitsch") has done a \$1.1 billion refurbishment of the original Resorts International on Paradise Island (formerly Hogg Island) in the Bahamas, which has been renamed Atlantis Casino. It is complete with a submarine and a Mayan Temple. Resorts had been built with input from the Meyer Lansky Crime Syndicate and the local Mafia known as the Bay Street Boys.

The economic catastrophe now unfolding thus presents to the people of North America, especially the poorest, such as the Indians and Mexicans, the question: Shall you be enslaved to gangsters, as was once done to the South Africans? Rejecting this fate must begin with the political overthrow of John McCain and Joe Lieberman, and everything they stand for.

## LaRouche Helping Defeat Nevada Pot Legalization

by Mark Sonnenblick

A Nevada ballot initiative heavily financed by "Dope, Inc." as a pioneer move to legalize marijuana nationwide, was initially thought a cinch to pass this Nov. 5. But three weeks from Election Day, Nevada political insiders and pollsters have told *EIR*, there's no way it's going to pass. A major cause of the reversal in voter opinion was an intervention by Lyndon LaRouche's Presidential campaign against the referendum. In a Sept. 8 release, LaRouche charged that the people of Nevada had been snookered by "mega-speculator George Soros" and the dope legalization lobby which he has funded, nationally and internationally. LaRouche went through the details of an *EIR* investigation (see *EIR*, Sept. 20), showing how Soros profits from destroying national currencies and then uses the money to promote drugs.

"Preliminary investigations by associates of LaRouche have confirmed that the Nevada referendum is being run by a Washington, D.C.-based group, the Marijuana Policy Project (MPP), which receives direct funding from Soros, through the Drug Policy Foundation, which has received more than \$15 million from Soros in recent years," the release said. "Soros has poured at least \$25 million into various dope legalization schemes over the past five years, and has vowed to substantially increase his bankrolling of the dope lobby efforts."

Billy Rogers, whose salary continues to be paid by the MPP, was sent to Las Vegas from Texas to run a deceptively named-front group, "Nevadans for Responsible Law Enforcement." A tight wall of silence about the actual content of so-called "Question 9" was maintained during May and June, while 110,000 signatures were collected to put it on the ballot. "Nevadans were told that they were signing a petition just to legalize medical marijuana," said one resident. The MPP paid \$1-2 for each signature, at a cost of \$375,000. Though IRS 990 Federal tax forms show it, the MPP will not talk about Soros' funding.

The Nov. 5 referendum authorizes anyone over the age of 21 to buy up to three ounces of marijuana from dealers, licensed and taxed by the state at the same rates as tobacco products. The state would also regulate pot cultivation and would guarantee "the distribution of marijuana at low cost" to medical patients; the latter could place the state in the dope business—a precedent that Soros and the dope lobby would like to set.

Once the referendum gained ballot status, media reports pegged it a sure winner. An MPP spokesman rejoiced that



“this is the first [drug legalization] initiative with a serious chance of passing, that would transform how states deal with marijuana.” *Las Vegas CityLife*, a weekly pro-pot magazine, puffed: “And it would set a nice precedent; if this ballot initiative passes muster, Nevada would become the first state to effectively give the finger to the Feds in terms of marijuana laws.” A legal supply to a large flow of visitors, especially to the casinos, would make Federal anti-pot laws almost unenforceable.

### ‘Clear and Present Danger’

Nevada LaRouche activists circulated his campaign statement and the *EIR* articles to all state press and throughout the Democratic Party; and to meetings held by the referendum’s beleaguered and—until then—ineffectual opponents. The big break came when State Sen. Joe Neal (D-North Las Vegas), the outspoken political leader who overwhelmingly won the Democratic gubernatorial nomination in a primary last month, seized upon *EIR*’s exposé of Soros and transformed the debate into one between LaRouche and the drug and money-laundering cartel, which had mobilized its many assets in the state.

With this impetus, other anti-legalization forces also made effective use of *EIR*’s Soros material. On Oct. 4, after hearing Neal and Gary Booker—the prosecutor assigned to represent law enforcement’s views—indict Soros and the drug cartel for imposing their sordid interests on Nevada, the State Board of Health voted unanimously to mobilize voters against the referendum. It warned that passage would cause “a clear and present danger” to the health and safety of Nevadans.

That triggered hysterical responses from the pot lobby, with MPP’s front group issuing releases full of hoary slanders of LaRouche. The state’s dominant daily, the pro-legalization 151,000-circulation *Las Vegas Review-Journal*, ran story after story on the battle between LaRouche’s and Soros’ forces. Thus, LaRouche and his policies have been made a central issue Nevada’s election. Those responsible for the attacks on LaRouche thought that they could cause referendum opponents to back off; but Senator Neal is holding firm, repeating to all who ask that the charges by *EIR* and LaRouche are credible.

If legalization is defeated, every politically aware Nevadan will see a victory for LaRouche and his political method. The latest Mason Dixon poll taken for the *Review-Journal* shows citizens 55-40% against. This has sent Billy Rogers into orbit with a bizarre Oct. 8 release, “Question 9 Opponents Quote Man Who Called Bush ‘Insane’; Booker, Neal Cite LaRouche as Source of ‘Campaign of Lies.’ ” Parts of *EIR*’s reply were reported in the *Review-Journal* on Oct. 9.

“In his wild and incoherent rant,” the reply said, “the Texas ‘ex-’pothead Billy Rogers is exhibiting the kind of aberrant mental behavior that one expects from a habituated marijuana user—and, which sensible public health and law



*Senior Nevada State Senator Joe Neal’s Democratic campaign for Governor has, successfully, fought the drug legalization referendum on the state’s ballot, as Neal successfully fought electricity deregulation in 2001.*

enforcement officials seek to protect our citizens against. As for his comments about Mr. LaRouche, many of them are rewarmed slanders whose ultimate source is pothead Chip Berlet. Berlet’s most infamous article on Mr. LaRouche was entitled, ‘They Want to Take Your Drugs Away!’ and was published in the dope lobby’s *High Times* magazine.

“Looking past his venom against Mr. LaRouche, pothead Rogers offers no evidence to contradict the basic fact that his efforts and the referendum itself are a ‘put-up job’ by the Dope Lobby itself, part of operations funded by the mega-speculator and dope promoter, George Soros. . . . It is documented by IRS 990 forms that this MPP [which pays Rogers’ salary] is funded by the Soros-funded Drug Policy Foundation.”

Rogers has continued to rant, but political observers in the state have noted that he is also exhibiting the hysteria of a man facing defeat, despite all the money poured into the efforts by his dope lobby sponsors.

★ LAROUCHE IN 2004 ★  
[www.larouchein2004.com](http://www.larouchein2004.com)

Paid for by LaRouche in 2004.

## Drug Legalization: Who Is Fooling Whom?

*Following Presidential pre-candidate Lyndon LaRouche's Sept. 11, 2002 campaign webcast (published in EIR, Sept. 20), many listeners sent in e-mail questions and comments. The transcript of this interchange on the policy of drug legalization, was supplied by [www.larouchein2004.com](http://www.larouchein2004.com).*

Dear Mr. LaRouche:

Yesterday I watched and listened with great interest to your 3 hr. 24 mins. Sept. 11, 2002 address.

It was extremely encouraging to hear somebody speaking out against the blind acceptance of official "truth."

Your analysis of the roots behind the present conquest and destruction of the Middle East was particularly enlightening.

I wish you success in your candidacy, and more urgently, success in influencing the current administration to desist from further conquest.

Now, being such an open-minded person as you are, I ask you to consider a different viewpoint on the "War on Drugs." I am in agreement with your published articles about the potential dangers to health posed by the abuse of narcotics. However, I ask you to consider the much greater dangers posed by the lunatic "War on Drugs," along with the possible "real" motivations behind such a "War."

I call to your attention, firstly, the suppression of cannabis and hemp, historically used for the efficient manufacture of a wide range of textiles, and offering medicinal (especially analgesic) properties which are bordering on the miraculous. Even if one is opposed to the recreational use of cannabis (which I am not), one should "follow the money" when questioning the motives behind the suppression and demonization of the substance, tetrahydrocannabinol (thc). Who gains from the criminalization of a natural wonder-drug? Answer: the colossal pharmaceutical industry, with its huge lobbying investments. This is a completely ruthless industry, hell-bent on increasing profits at the expense of public health. As President, I urge you to adopt a "public policy" approach to this industry, giving incentives to develop otherwise "loss-making" therapies such as a cure for AIDS (which would currently be disastrous for pharmaceutical companies selling horrific chronic symptomatic therapies). If cannabis were freely available, the pharmaceutical industry would lose billions of dollars, especially in the analgesic sector, and patients would suffer far less. If you cannot take all this in with one swallow, then please at least consider the absurdity of depriving canna-



*Lyndon LaRouche's exchange with a questioner on the Internet, over legalization of marijuana: the real issue is the higher level of organized crime represented by mega-speculator George Soros (above), and the anti-human philosophy of H.G. Wells and Bertrand Russell whose spread is funded by operatives like Soros.*

bis (and its obvious and proven pain-control properties) to terminally ill patients who are in agony. Thank you.

Next, I ask you to consider the relative "merits" of alcohol (currently legal except in Islamic republics), and cannabis (currently criminalized everywhere except in a handful of tiny countries). Alcohol is a much more dangerous substance in terms of its toxicity, dehydrative effects, liver-damaging effects, consciousness-altering effects—including the huge danger of driving under its influence, and its propensity to cause addiction. Yet, alcohol is legal. The U.S.A. tried to ban alcohol in the 1920s with utterly disastrous consequences. Fact is, the market will provide anything, even if it is illegal. But by making something illegal, all you accomplish is to hand that market over to the exclusive control of criminals. So in the 1920s, organized crime flourished under this bonanza handed to them by Prohibition.

Why is cannabis perceived as "leading to harder drugs"? As a free thinker, Mr. LaRouche, you should be able to work that one out. *Because the people selling cannabis are criminals, with an incentive to lead their customers to more addictive and expensive drugs.*

Finally, I ask you to consider the current "War on Drugs" in the context of 1920s Prohibition against alcohol. What is really going on today?

1. The market for cannabis, cocaine, heroin, and other drugs is totally unregulated and exclusively in the hands of

ruthless criminals.

2. The quality of product delivered to the population is thereby also totally unregulated.

3. The CIA is coordinating this trade, and Latin America is being bombed to hell as a deception to cover this up.

4. The CIA launders drug money and uses the proceeds to fund Special Access Projects (“kill power” as you rightly call it).

5. The U.S.A. has just installed a puppet government in Afghanistan, which has resumed the largest opium production in the world.

Anyone who thinks the “War on Drugs” is a benevolent attempt to “save our children,” has been successfully brainwashed by the Vulcans to whom you so eloquently refer. Are you willing to consider that maybe you, too, have been brainwashed on this issue?

Drug abuse is bad. Drug use is a private matter. Giving drugs to children is criminal. Using drugs as an adult is a personal choice. Making drugs illegal is a totally counterproductive process, handing the market over to criminals, and *not* curtailing drug use. Please, Mr. LaRouche, I ask you to open your mind on this issue, as you have so nobly done in respect of other difficult issues. Thank you.

---

## LaRouche Replies

---

On the portion of your message pertaining to the subjects of use of and control of traffic in cannabis: I, first, state a summary of aspects of the matter which you had not taken into account. After that, I reply to your questions *seriatim*.

In general: The post-1930 promotion and use of cannabis and ergotamine/LSD, was launched from London by the self-described “utopian” circles of followers of the 19th-Century Thomas Huxley—associated with H.G. Wells, Bertrand Russell, Satan-cultist Aleister Crowley, and a younger generation including Aldous and Julian Huxley, and George Orwell. The practice of mass-indoctrination in use of cannabis, and synthetic ergotamine LSD, was launched, with a leading role by the British psychological warfare organization known as the London Tavistock Clinic and associated circles. The popularization of cannabinol, LSD, and other strongly psychotropic drugs, including the highly destructive use of Ritalin among primary and secondary students, are intended to replicate the fictional role of “soma” depicted in Aldous Huxley’s cult-novel, *Brave New World*.

The U.S.A. and Canadian use of these practices was pioneered in Los Angeles, Hollywood, and left-wing circles, and in Canada locations, during the 1930s and 1940s-1950s, through circles associated with Aldous Huxley and with the London Tavistock Clinic and Tavistock Institute. During the post-war decades, this work was promoted through the Department of Defense’s Special Warfare division, including projects such as “Delta Force.” The post-war “Beatniks,” and

the orchestrated cult of Elvis Presley, are typical of the pilot-projects used to prepare the way for the “rock-drug-sex youth-counterculture” launched, like a rocket, with the appearance of the “Beatles” on the Ed Sullivan Show.

These, including the “Unification of the Sciences” project which Bertrand Russell launched at the University of Pennsylvania, in 1938, were some of the stepping-stones to a sweeping mass-change in U.S. culture, from a productive society, to an increasingly decadent, “post-industrial,” consumers’ society over the interval which coincided with the U.S. War in Indo-China, 1964-1972.

Look back to the cultural paradigm of U.S. social and intellectual life over the course of the successive intervals, 1933-1945 and 1945-1964, and compare the standards of culture during those earlier periods, with the successive phases of transformation in popular habits and outlooks during the 1964-2002 interval. Compare this with the collapse of the U.S. economy’s ability to produce for its own needs, here at home, over, especially, the 1972-2002 interval leading into the presently roaring outburst of a pent-up world economic, as well as monetary-financial depression. Today’s induced trend, ever deeper into a utopian cultural paradigm, has been, economically, one of the greatest abominations in modern history. Judge the cannabis sub-culture by that yardstick, and the truth of the matter begins to be clear.

Finally, before coming to your series of questions, consider the following. An even relatively mild form of marijuana, produces a significant change in mental state after one or two inhalings of the smoke. Any user could note that, especially at first encounter. These effects impair certain aspects of the cognitive and related mental powers of the user significantly, for the moment, until those effects wear off. Taking into account that all of the claims for benefits of such habits are either greatly exaggerated in today’s realities, or scientifically false, why should anyone wish the stuff, unless they wished to “enjoy” the specific, damaging psychotropic effects? The fact is, that apart from the effects of habituation as such, no one would wish to smoke the stuff, unless it were precisely those “escapist” psychotropic effects which were desired. Admittedly, similar psychotropic effects are produced by habitually prolonged participation in currently faddish, “dionysiac” dance-crazes; but that comparison, the fact that quietly smoking a “joint” is less offensive to the neighborhood, is a rather poor excuse for preferring marijuana “joints.”

### Who Are the Criminals?

**Question 1:** The market for cannabis, cocaine, heroin, and other drugs is totally unregulated and exclusively in the hands of ruthless criminals.

**Reply:** The latter generalization is largely true, on the condition that you intended to include as “ruthless criminals” such folk as George Soros and the head of the New York Stock Exchange [Richard Grasso]. However, these criminals do maintain a brutally tight control of the market.

**Question 2:** The quality of product delivered to the population is thereby also totally unregulated.

**Reply:** Your heart is in the right place, but your sweeping generalization would open you up to the drug-traffickers' rebuttal, that you are misstating the facts. In the case of the 1980s crack-cocaine epidemic, the Contra operation dumped that ugly stuff into a market specially created for that purpose. There is also a large "quality" market maintained for "regular customers," especially regular users of marijuana among the well-to-do. Thus, in the trafficking, we have a case in which all things are true, because nothing is consistently true by the generality of the trafficking itself; all contrary generalizations, are often wrong when stated as generalizations. What is true about the market as a whole, is that in a "post-industrial," "consumer" society, the product is not the purpose of the trafficker, only the revenue is. In that sense, you are partly right, but too simplistic.

**Question 3:** The CIA is coordinating this trade, and Latin America is being bombed to hell as a deception to cover this up.

**Reply:** Not true. For one thing, massive intervention by agencies of the U.S. government protects major sources and routes, sometimes in favor of George Soros and his friends. Those in the U.S. State Department, as, for example, under Secretary Madeleine Albright, backed George Soros and institutions such as the Inter-American Dialogue in overthrowing governments which threatened to interfere with the flow of cocaine and other drug-revenues into such hands as those of the head of the New York Stock Exchange. The Peru government of President Fujimori was overthrown, under Albright, as a favor to drug-traffic promoter George Soros. A similar action, in aid of the coke traffickers, was just recently conducted in Bolivia.

**Question 4:** The CIA launders drug money and uses the proceeds to fund Special Access Projects ("kill power" as you rightly call it).

**Reply:** Your reference to the "CIA" errs in being simplistic. Take the California "crack cocaine" case, in which cocaine donated by a Colombia drug cartel to the Bush-Ollie North Contra operation, was conducted, by a special warfare project, in the form of "crack," into "ghetto communities." The operation was not run by the "CIA" as such; it was run by that utopian gang which Eisenhower described as a "military-industrial complex," the same crowd behind "Cheney's Chicken hawks" today.

**Question 5:** The U.S.A. has just installed a puppet government in Afghanistan, which has resumed the largest opium production in the world.

**Reply:** Precisely. The previous such puppet-government, installed by the succession of National Security Advisor Zbigniew Brzezinski, Vice-President George Bush, et al., was of

the same nature. Without the proceeds of the massive narcotics production in Afghanistan, the relevant strategic military operations of 1977-1981 National Security Advisor Brzezinski, and the relevant Iran-Contra operations could not have been funded as they were. Also, the New York financial market depends significantly on proceeds of Colombia and other illegal narcotics trafficking. The U.S. government thus promotes the international drug-traffic, in various aspects, and in various ways, on the one hand, while maintaining a relatively token anti-drug operation, which is never permitted to become "too successful."

## The 'War on Drugs;

**You Wrote:** Anyone who thinks the "War on Drugs" is a benevolent attempt to "save our children" has been successfully brainwashed by the Vulcans to whom you so eloquently refer. Are you willing to consider that maybe you, too, have been brainwashed on this issue?

**Reply:** Mistake! The War on Drugs was a response to a terrible drug problem, which was a threat to the U.S. population, and that of Peru, Colombia, and Bolivia as well. However, my enemies within the National Security Council, and elsewhere, and a corrupt element in the Justice Department, ruined the program, intentionally. In effect, by the second half of 1980s, these elements in our own government, and accomplices in our own financial community and foreign governments, had turned the program into a farce. (Often, to my knowledge, the small fry received huge sentences, while the bigger fish were often let off, or were given informant status in the witness protection, or similar programs. The DOJ, for example, was keeping a scalp-hunters' score in which the number of years served and money alleged by those convicted, rated the prosecutors and enforcement agencies.)

Have I been brainwashed, on this? Not a chance! I know all the (actual) principal frauds in the game, including the practices of the courts and law enforcement. On some of these, you are right; but, as the saying goes, you, apparently, do not yet know the half of it. It would take days to inform you of what your account misses. My associates and I have published much on this over the past quarter-century. It could be fairly said, that we "wrote the book"<sup>1</sup> about all leading aspects of the war on drugs, and how that drug-trafficking came into being since the British East India Company organized the U.S. side of the trafficking in opium, back during the 1790s, and since the circles of Wells and Russell introduced the U.S.A. youth-drug-culture's mass phase, from England, as part of the post-President Kennedy cultural-paradigm-shift, approximately 1964.

Thank you for asking. Best wishes,  
—Lyndon

---

1. *Dope, Inc.: The Book That Drove Kissinger Crazy* (Washington, D.C.: Executive Intelligence Review, 1992).

# Admiral Blair Rebuffs Neocons' Taiwan Policy

by William Jones

Admiral Dennis Blair, the former commander of the U.S. Pacific Command, said on Sept. 25 that the United States must make it clear to Taiwan that, if it were to declare independence—thus provoking a confrontation with China, which considers Taiwan an integral part of its homeland—the United States would not come to Taiwan's aid. Blair spoke at a forum sponsored by the Johns Hopkins University School of Advanced International Studies in Washington.

The neoconservative faction of Deputy Secretary of Defense Paul Wolfowitz and Defense Policy Board Chairman Richard Perle, including their supporters at the American Enterprise Institute (AEI), is outspoken in support for a shift in U.S. policy to the benefit of Taiwan independence. Blair was asked whether his statement meant that he were not in favor of the U.S. policy of "ambiguity" with regard to Taiwan. He replied, "I am in favor of political ambiguity, but not military ambiguity."

"Strategic ambiguity" is the somewhat Byzantine formula characterizing the U.S. relationship to Taiwan. While the United States, in its traditional "one-China" policy, recognizes only mainland China as the representative of all China, the old pro-Kuomintang "China lobby," strengthened by "free-market" neoconservatives, succeeded in keeping intact—in the enabling legislation that established diplomatic relations between the People's Republic of China and the United States in 1979—a clause which said that "any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes," would be considered "a threat to the peace and security of the Western Pacific and of grave concern to the United States." The Enabling Act was provocatively retitled the Taiwan Relations Act, and passed with a sizable enough majority to make it veto-proof.

With the inroads made by the neoconservatives during the last ten years, further legislation has been introduced that would commit the United States even more strongly to Taiwan, although many of these efforts failed of passage. In addition, many neoconservative think-tanks have encouraged political forces on Taiwan to push for independence. Taiwan President Chen Shui-bian has provoked an outcry more than once from Beijing authorities through his calls for independence. President Chen's wife, Chen Wu Sue-jan, when visiting the AEI at the end of September, said that she was looking forward to the day when Taiwan would again "join the community of nations."

## Usefulness of Military Ties

Admiral Blair, the former Pacific commander, was also anxious that Washington re-establish full military-to-military relations with China. While the neoconservatives have been feeding their mouthpiece, *Washington Times* scribbler Bill Gertz, with horror stories about Chinese espionage, Blair contends that the United States has such a strict system of classification, that there would be little opportunity for visiting Chinese military officers to learn anything of strategic importance. On the other hand, what they do learn by visiting U.S. military bases and talking with their American counterparts helps to eliminate "ambiguity" in their understanding of the United States and its people.

The United States, he said, could learn a lot from these visits, in what he dubbed "Ask-Int." Simply asking people about what they do and what they think, can tell more about a nation and its people than all your signals intelligence and imaging devices would ever reveal, Blair said. He also noted that it was of the utmost importance to have some knowledge of military counterparts on the other side. During the most recent crisis with China, after a U.S. Navy EP3 reconnaissance plane had to perform an emergency landing subsequent to a mid-air collision with a Chinese fighter, the knowledge attained during the previous period of military-to-military exchanges allowed the Pacific Command to know exactly whom they had to contact on the Chinese side, in order to come to a resolution of the crisis. This prevented further confusion that might have resulted in even more serious consequences for the U.S.-Chinese relationship. "We knew who the people were on the Chinese side," Blair said. "And the Chinese knew who was who on the U.S. side."

Blair recommended conducting joint exercises between the two militaries, in such operations as the two might well be called upon to do together in the future: anti-drug operations, search and rescue missions, anti-piracy operations, and peace-keeping. "These would allow us to develop habits of cooperation," Blair said.

When asked by *EIR* where he thought China would be in the next 10 to 20 years, Blair said he didn't really know. While the "Get China" neocons have been crowing about how China will develop into an expansionist power, Blair pointed to the realities of their policy: "They have solved their border problems with their neighbors, they are not deploying in other parts of the world. They are cooperating in the multilateral fora. Our strategy should be to encourage China to be a responsible power in the world, and to be prepared to act, if it is not."

Areas of cooperation are many; most importantly, in North Korea. "This is a country whose population hasn't grown a bit in ten years. That tells you something of the dire state of affairs there," Blair said. He expressed great interest in the joining of the rail lines between North and South Korea. "In areas like this," he told his audience, "China should be encouraged to do more."

---

## Book Review

---

# A Lying Apology For Video Violence

by Don Phau

---

### **Killing Monsters, Why Children Need Fantasy, Super Heroes and Make-Believe Violence**

by Gerard Jones

New York: Basic Books, 2002

272 pages, paperbound, \$15

---

Presidential pre-candidate Lyndon H. LaRouche, Jr. wrote in a Sept. 24 article, that “the greatest single internal danger to our republic today, is the habits which have been built into our popular culture and economic thinking under the recent three-and-a-half decades shift.” He also wrote, “A population addicted to the quasi-psychotic pseudo-science of video-games, were better suited to the role of the Roman-imperial-style cannon-fodder of global perpetual warfare.”

*Killing Monsters* was written to provide such “pseudo-science.” One of its Satanic purposes is to convince a parent why a five- or six-year-old should be turned into “cannon-fodder.” The author spews forth one lie after another, yet the book has won “popular acclaim” and has been released in paperback. The *Library Journal* wrote that author Gerard Jones “thoughtfully explores the positive developmental aspects of fantasy, and called the book “highly recommended.” Praise also came from media department heads at the Massachusetts Institute of Technology and Columbia University, as well as a senior vice president of ABC-TV.

As for Jones’ own credentials: He wrote comic books and Hollywood screenplays, with credits including Batman, Spiderman, and Pokémon. The latter violent cartoon series, he writes, is just “a story of growing up.”

The book’s liner notes first caught my eye. For example: “After years of research with psychologists, educators, parents, and children, Jones argues that young people love fantasy violence not because the media indoctrinates them, but because it gives them coping skills they desperately need.” But what are these “coping skills”? The answer follows: “Instead of banning head-bonking TV shows and gory games like ‘Doom,’ we should harness the tremendous power of fantasy to help our kids better navigate the world around them.”

The author cites a stable of “psychologists” and “educators” to back up his lies. For example, the book’s Foreword is written by Lynn Ponton, MD, author and psychiatrist who writes of a therapy session in which one of her patients—a boy named Jonathan—loved playing video games. She tells how he “blew up buildings, fired up blazes, and crashed airplanes. . . . Killing games gave Jonathan control over events where he and others felt none and, perhaps even more important, they gave him control over his own feelings. With these games Jonathan no longer felt helpless. He was not scared of others or his own feelings.”

With such a beginning, it didn’t surprise me that three-quarters of the way through the book, author Jones launches an attack on Lt. Col. Dave Grossman (ret). Grossman is the author of *On Killing: The Psychological Costs of Learning To Kill in War and Society* and *Stop Teaching Our Kids To Kill*. He, and the LaRouche movement, have led an international campaign to expose the “entertainment” industry’s systematic teaching of young children, through violent movies and video games, how to kill.<sup>1</sup> Jones’ book is Hollywood’s answer to the LaRouches and Grossman. The “answer” turns the truth upside-down.

Jones harks back to his college psychology courses where he, like most Baby-Boomers, was indoctrinated in the school of Sigmund Freud. Citing Freud and Bruno Bettelheim, Jones writes how suppression of sexual desires leads to mental problems. He then promotes “sexual liberation,” writing that “the best solution now began to suggest, more compellingly, that sexual repression was the problem and that open acceptance of sexuality was a more effective way to deal with it.”

Taking off from Freud, Jones proposes that instead of suppressing media violence, it should be encouraged. He tells the story of a woman named Mary, who became mentally disturbed after her father died when she was 15 years old. She tells how she fell in with a group of kids, writing that “nearly all of them had suffered some kind of trauma or mistreatment that the music or movies or underground comics spoke to. Because of that we were able to develop a real empathy for each others’ pain and anger. . . . I cannot say strongly enough how important violent entertainment was to making me who I am.” Today Mary is working for one of the foundations of George Soros, the multi-billionaire whose hedge funds and foundations are overseeing the genocide of millions of people in poor countries around the world. Mary’s work is “researching the criminal justice system, studying the uses of higher education in prison, helping convicts reconnect to society.”

---

1. See review of Grossman’s *Stop Teaching Our Kids to Kill: A Call To Action Against TV, Movie and Video Game Violence*, in *EIR*, March 10, 2000; “Media Violence: Giving Children ‘the Skill and the Will To Kill,’” interview with Grossman, *EIR*, March 17, 2000; Helga Zepp-LaRouche, “The Mark of the Beast: America’s Children Are in Mortal Danger,” *EIR*, March 17, 2000; Zepp-LaRouche, “After Erfurt: We Need To Ban Violent Videos Worldwide,” *EIR*, May 17, 2002; “Violent Video Games Reward Children for Killing People,” interview with Grossman conducted by Zepp-LaRouche, *EIR*, May 24, 2002.

In the second half of the book, for those readers who last that long, Jones reveals his own sick mind, writing that “video games are threatening to adults who have seen images of them, but never tried to play them. When I first saw the games, I saw animated people being blown away by the dozen. But in just a few minutes of play, I saw that the whole point of the game is suspense: ‘I’ was in constant danger and had to battle through overwhelming odds to survive. *The experience of shooting an opponent is one of relief, not cruelty.* One teenager put it simply: ‘The purpose of the blood is just so you can see if you’ve hit your target. You need to be able to tell that to play the game’ ” (emphasis added).

Precisely what Jones calls “relief” is the self-brainwashing effect of violent media and video games. He felt “relief” once he became desensitized to violence: a state of mind that, if reached by an unstable adolescent, could lead to mass murders such as those at schools in Littleton, Colorado and Paducah, Kentucky a few years ago.

Lyndon and Helga LaRouche, and Grossman, have documented the effect that such desensitization has on youth. Grossman, who has trained U.S. Army Rangers, did an in-depth study on how the student killers at Littleton were trained to coldly shoot their fellow students and teachers, through addictive playing of such video games as “Doom,” a game which had been adopted by the U.S. Marines for rifle training.

In an interview published in *EIR* on May 24, 2002, Gross-

man noted that back in 1972, the U.S. Surgeon General “made a definitive statement about violent visual imagery, all by itself, just watching a violent movie, being able to enable violence.” Then in July 2000, the first definitive statement was issued about violent video games, as the result of a bipartisan, bicameral Congressional conference, attended by the American Medical Association, the American Psychiatric Association, the American Academy of Pediatrics, and the American Academy of Child and Adolescent Psychiatry. Said Grossman, “Their specific statement was: Because of their interactive nature, the violent video games are demonstrated to be particularly dangerous; because of their interactive nature.”

Ignoring Grossman’s extensive documentation, Jones simply lies: “After a decade of these games being played by millions of kids, Grossman and other critics have provided no evidence of the effects they have predicted.” Jones then trots out one of his academic prostitutes, forensic psychologist Helen Smith, who says: “There’s no connection between video gaming and violence in the profiles of the kids I see. In fact, the lower-income kids who make up the majority of violent kids usually don’t have any interest in games.”

After 17 students and teachers were shot to death at a high school in Erfurt, Germany on April 26, 2002, by a former student who was addicted to violent video games, Helga Zepp-LaRouche called for a UN protocol for a worldwide ban on such games.

## Video-Game Violence Turns Children Into Killers

A 14-year-old boy who had never shot a gun before, shot eight classmates with eight bullets. Police were stunned. How could he do it?

The boy was *trained*, by his addiction to video-game violence. From “Pokémon” to “Doom,” America’s children are being turned into monsters, who kill “for the fun of it.”

Schiller Institute founder Helga Zepp-LaRouche, in this 1 hour and 40 minute video, **The Mark of the Beast**, exposes the evil which is hitting everybody’s hometown—and to which most parents remain oblivious. She traces the decline of American culture since World War II, and links the insane strategic and economic policies of the financier oligarchy and its war-planners, to the mass brainwashing of youth by video and TV violence.

**Speech to Schiller Institute conference, Feb. 20, 2000.**

EIRVI-2000-2 \$50 postpaid

**EIR News Service**

P.O. Box 17390 Washington, D.C. 20041-0390

To order, call **1-888-EIR-3258** (toll-free) We accept Visa and MasterCard



## Byrd Threatens Filibuster Of Iraq War Resolution

The two leaders of the Senate, Majority Leader Tom Daschle (D-S.D.) and Minority Leader Trent Lott (R-Miss.), emerged from meetings of their respective caucuses on Oct. 8, expressing optimism about the prospects for passage of the resolution granting President George Bush authority to use force against Iraq. Daschle announced that he would be filing a cloture motion later that day, that would set up three cloture votes, which are required by arcane features of the Senate rules, on Oct. 10, "in an effort to bring debate to a close" by Oct. 11. Moments earlier, Lott had said, "I think the situation looks very positive on the Iraq resolution," in large part because of six Democrats who signed on as co-sponsors of the resolution.

However, there is a potential monkey wrench in the process, in the person of Sen. Robert Byrd (D-W.V.), as Sen. Joe Lieberman (D-Conn.), one of the Democrats backing the war resolution, admitted to reporters. During the Democratic caucus meeting, Byrd threatened to filibuster the resolution, which, Lieberman said, "does have an effect." Lieberman reported that during the meeting, Byrd "spoke about why he thought our resolution was, to put it mildly, not a good idea." It is unclear whether Byrd has the votes to maintain a filibuster, but his action can delay the final vote by as much as a week, at least.

On the House side, a filibuster is not available. Debate in the House, which began on Oct. 8, was preceded by an announcement by Majority Leader Dick Armey (R-Tex.) that he would support the resolution. This is a turn around from skepticism he had expressed earlier in the year about President Bush's drive for war. "For the U.S. to act first," he said, "the threat must be clear and present. It is." He

claimed that he had come around to this conclusion after a "careful, exhaustive review of the facts."

## Byrd Invokes Constitution Against Bush's War Drive

Eighty-four-year-old Sen. Robert Byrd's (D-W.V.) oratorical skills were on display on Oct. 4, when debate began in earnest in the Senate on the resolution to give President George Bush authority to use military force against Iraq. Both in debate with John Warner (R-Va.), one of the resolution's sponsors, and Joe Lieberman (D-Conn.), and later in a colloquy with Edward Kennedy (D-Mass.), Byrd left little doubt as to the Constitutional issues involved. In the process, he slammed House Minority Leader Richard Gephardt (D-Mo.), without naming him, for joining with the White House in a deal on the House Resolution.

The focus of Byrd's *tour de force* was on the dangers of putting the war-making powers, delegated to Congress by the Constitution, into the hands of one man. He quoted James Madison on that point, saying, "The trust and temptation are too great for any one man." He added that the debate is not really about Iraq, but rather on "this new Bush doctrine of pre-emptive strikes. There is nothing in this Constitution about pre-emptive strikes. Yet . . . we are about to vote to put the imprimatur of the Congress on that doctrine."

Byrd developed his point using the language of the resolution itself, which grants the President authority "to use all means that he determines to be appropriate in order to enforce the United Nations Security Council Resolutions, . . . defend the national security of the United States against the threat posed by Iraq, and restore international peace and security in the re-

gion." Byrd said, "What a broad grant of naked power. To whom? One person, the President of the United States. This Constitution itself refutes it, refutes this resolution right on its face."

Byrd called it "another Gulf of Tonkin Resolution," and expressed his regret for having voted for the original 1964 Gulf of Tonkin Resolution, which led to the decade-long U.S. war in Vietnam.

Warner answered ineffectively. In response to Byrd's demand to know "what is new" with respect to Iraq, Warner admitted that, in fact, the Bush Administration has presented very little that is new. "I am urging the administration," he said, "to try and share more information with the Congress."

## Democrats Make Offer on Terrorism Insurance Bill

On Oct. 3, Sens. Chris Dodd (D-Conn.) and Charles Schumer (D-N.Y.) offered a proposal to break the stalemate on the terrorism insurance bill. The bill, which has been in conference for four months, has been hung up over the issue of punitive damages in liability cases involving terrorist attacks. The House version of the bill, passed last November, places limits on liability and prohibits punitive damages, whereas the Senate bill contains no such limitations. Democrats have since accused Republicans of trying to use the bill as a vehicle for tort reform.

The Dodd-Schumer proposal would substitute the House provision for one included in last year's education bill. The offer, Dodd said, "includes the consolidation of cases, moving into Federal court, no punitive damages on the Federal government, no punitive damages on insurers, and only punitive damages potentially on the bad actors." Schumer likened the



impasse over the bill to that on the bankruptcy reform bill, which was blocked in the House by a handful of anti-abortion Republicans who objected to a provision addressing the debts of abortion protestors. "Leadership," said Schumer, "means telling the few who are extreme and say they won't let anything happen unless total tort reform is in the bill, telling them, 'Hey, this is too important for that.' "

Dodd and Schumer unveiled their proposal only hours after President George Bush called on the conferees to find agreement on the bill. Republicans have argued that some \$15 billion in construction projects are on hold for lack of insurance, affecting 300,000 jobs. "The fact that there is no terrorism insurance," Bush said, "is affecting commerce and job creation." Republicans have expressed skepticism toward the Dodd-Schumer offer, but have not yet rejected it outright.

## Still No End in Sight For Budget Process

On Oct. 3, the House took up another continuing resolution to fund the government for another week, until Oct. 11. As had happened a week earlier, the debate featured acrimony and finger-pointing by both sides as to who is responsible for the impasse. Republicans continued to blame the Senate. Ernest Istook (R-Okla.) told the House that despite the legal requirement for them to do so, the Senate still has not passed a budget. "No wonder we have gridlock and deadlock," he said. David Obey (D-Wisc.), the ranking member on the Appropriations Committee, responded by telling the House, "Nothing whatsoever is preventing this House from taking up those [appropriations] bills and sending them to the other body, except the internal war which is going on in the majority party

caucus." This, he said, has created a situation in which Appropriations Committee Chairman Bill Young (R-Fla.) cannot bring the remaining eight bills to the floor.

Democrats failed, by a vote of 206 to 198, to amend the rule for debate so that they could bring up the Labor, Health and Human Services, and Education Departments appropriation bill, and an extension of unemployment benefits. Martin Frost (D-Tex.) told the House that if his amendment were approved, "perhaps we can start taking care of the business we were sent here to do."

A resolution to the budget impasse is still nowhere in sight. Some Democrats are expecting a lame-duck session after the November mid-term election, whereas Republicans prefer the process were put off until January, or even February 2003. Obey warned that in either case, attempts to resolve the impasse are unlikely to be successful. "When we come back after the election," he said, "we will have a huge Iraq war supplemental facing us, we will have the need to pass next year's appropriations bills, and we will never get to these unless we do our work, now."

## Kennedy Rejects Call for Imperialism

On Oct. 7, during debate on the Iraq war resolution, Sen. Edward M. Kennedy (D-Mass.) took on—as Sen. Robert Byrd (D-W.Va.) had a few days earlier—the real issue behind the drive for war against Iraq, the new National Security Strategy released on Sept. 20. Kennedy noted that the Bush Administration uses the words "pre-emptive" and "preventive" in describing its war policy; but that, in international relations, these words have fun-

damentally different meanings. While "pre-emptive" action can sometimes mean reaction to an imminent attack, and can be defended under international law, "preventive" military action refers to strikes that target a country before it has developed a capability that could someday be threatening." This kind of action, Kennedy said, has always been condemned throughout recent history, yet has cropped up in U.S. policy debate more than once since the end of World War II.

After giving a brief history of the debate about preventive war in the United States, Kennedy said, "Many of the arguments heard today about Iraq were made then about the Chinese Communist government: that its leadership was irrational and that it was therefore undeterrable." He noted that while the Bush Administration says the United States must take pre-emptive action against Iraq, "what the Administration is really calling for is preventive war, which flies in the face of international rules of acceptable behavior. . . . Disregarding norms of international behavior, the Bush strategy asserts that the United States should be exempt from the rules we expect other nations to obey. Earlier generations of Americans rejected preventive war on the grounds of both morality and practicality, and our generation must do so as well."

Kennedy concluded: "It is impossible to justify any such double standard under international law. Might does not make right. America cannot write its own rules for the modern world. To attempt to do so would be unilateralism run amok. The administration's doctrine is a call for 21st-Century American imperialism that no other nation can or should accept. It is the antithesis of all that America has worked so hard to achieve in international relations since the end of World War II."

# Leadership Against War and Depression

The U.S. Congress has given President George W. Bush—whom it should have declared insane for demanding aggressive war in violation of the Constitution and all international treaties—the *carte blanche* for war, amid an economic depression. British and American forces have already taken actions intended to make the war inevitable. Large-scale deployments and maneuvers of U.S. and British troops throughout the Persian Gulf area have already triggered the war in the air—and in Kuwait! The first casualties were two U.S. Marines—one killed, another wounded—in a firefight with two Kuwaitis who attacked the Marines' maneuver on Oct. 8, in what is supposed to be the only firm anti-Iraq ally in the region.

Sen. Robert Byrd (D-W.V.) did his best to halt Senate passage of the measure, which he correctly identified as against the Constitutional injunction that Congress, not the President, must declare war. Senator Byrd has also been at pains to point out that the very people who are insisting that there's an immediate threat of biological and chemical weapons being used by Iraq, are the same officials who gave Saddam Hussein these weapons back in the early 1980s! While Senator Byrd may not have been successful in stopping the passage of the war resolution, the debate was intensified by his outspokenness, and by the recent CIA report whose conclusions were revealed by the *Washington Post* on Oct. 7—that Saddam Hussein is unlikely to use "weapons of mass destruction" *unless he believes a U.S. attack is imminent*.

While many polls continue to contrive—by the questions asked—majority support for the war, one poll, by ABC News, asked a different question and reported that 70% of those polled want the President to think less about war and take more action to reverse the U.S. economic collapse. Both journalists and members of Congress keep reporting that their readers' and constituents' mail runs overwhelmingly against an Iraq war. Firsthand reports from Capitol Hill underscore the fact that many more Congressmen oppose the war plan, than would vote against the President's insistence on the right to take military action. They refused to act in

response to the flood of public sentiment against the war which is reported to be hitting their offices.

When the widely read "BankIndex.com" website posted candidate Lyndon LaRouche's statement, "The United Nations Should Declare President George W. Bush Insane," they reported their "Internet server nearly broke down" with the flood of e-mails, largely in support of LaRouche's idea—an indication of the deep opposition to war in a population which wants *economic* action.

The constituency base of the Democratic Party is angry at the capitulation of the party's leadership. They are not stupid, and recognize that with a few exceptions, there's no real leadership function at the top of the Democratic Party. This is true not only on the question of the war; it was true two years ago when that leadership could have stopped John Ashcroft's nomination as Attorney General, and did not; above all, it is true on the economic depression which, globally, is the worst in living memory.

Lyndon LaRouche and his movement started the fight to stop this "perpetual war" faction, as he started the fight to stop Ashcroft in December 2000, to defeat Enron in January 2001, and to stop the shutdown of public health care in the nation's capital, D.C. General Hospital. The Democratic Party leadership gave up all those fights, when they reached the point they could be won. LaRouche did his job; they did not. They're not capable of leadership. LaRouche is.

Any leadership—and this goes for every active citizen as well—which does not have the economic situation in focus, can't stop the war, or be able to handle the situation when a war does start. The economic collapse is the real national security threat; recovery measures, put up by Presidential candidate LaRouche, are the only real actions to take for "those who care about the national security of the United States."

A combination of national and international forces can still stop this war, which has already started. Americans have to realize, as some other nations' leaderships and people have begun to, that only LaRouche provides the leadership to do it.



# FIDELIO

Journal of Poetry, Science, and Statecraft

*Publisher of LaRouche's major theoretical writings*

Winter/Spring 2002

## *How 'Democracy' Became Diseased*

Lyndon H. LaRouche, Jr.

The fight for freedom is essentially a fight within the individual. It is a fight to uplift him, or her, from the habit of thinking like an "underling." If you give them freedom for a moment or two, but do not remove the habit of being an "underling" from them, they will shuck off newly gained freedom, as it were this January's torn Christmas wrappings.

## *How the 'Lost Corpse' Subverts the American Intellectual Tradition*

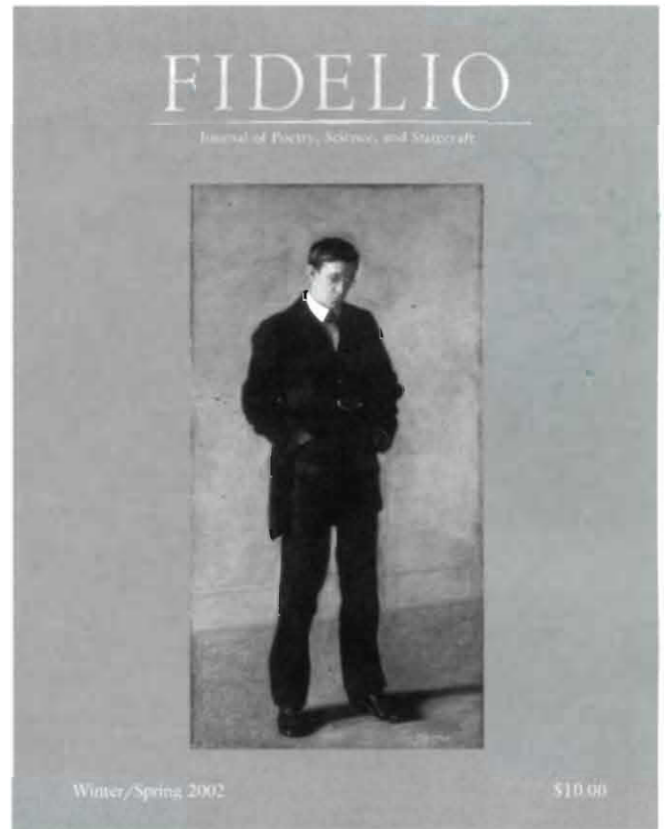
Stanley Ezrol

## *William Shakespeare and Thomas More: The Conscience of Kings*

Paul Gallagher

## *Henry VII and the Creation of Shakespeare's England*

Robert Trout



Sign me up for **FIDELIO** \$20 for 4 issues

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

TEL (day) \_\_\_\_\_ (eve) \_\_\_\_\_

Make checks or money orders payable to:

**Schiller Institute, Inc.**

Dept. E P.O. Box 20244 Washington, D.C. 20041-0244

[www.schillerinstitute.org](http://www.schillerinstitute.org)