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IMF, Utopians Drive Argentina to the Abyss
Sharon May Kill Arafat, To Cling to Power
LaRouche in Media on Eve of May 1 Webcast

Roosevelt's Approach Needed In Argentina, and Worldwide

THEY (WHO) SEEK TO ESTABLISH
SYSTEMS OF GOVERNMENT BASED ON
THE REGIMENTATION OF ALL HUMAN
BEINGS BY A HANDFUL OF INDIVIDUAL
RULERS... CALL THIS A NEW ORDER.
IT IS NOT NEW AND IT IS NOT ORDER



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From the Associate Editor

The situation that each of us faces in the immediate future is encapsulated in this week's report on Argentina, which is disintegrating under the blows of International Monetary Fund policies and the insane utopians running Washington:

"Increasingly violent demonstrations around the country reflected popular outrage, as did an 'every man for himself' mentality, amidst unprecedented levels of poverty, unemployment, hunger, and despair. A bomb was left at a bank in Córdoba, and protesters are arming themselves for upcoming demonstrations at other locations. The chaos and disarray are epitomized in repeated scenes of locksmiths accompanied by police opening up bank doors, or using blowtorches to open bank vaults to allow depositors to reclaim their savings, even though the bank deposit freeze imposed last December is still in effect, and an indefinite bank holiday began on April 22, denying citizens access to wages, savings, and pensions."

Unless the right kind of action is taken soon, the crisis that Argentina is facing, the conditions of life, will be global.

In the 1930s Great Depression, President Franklin Roosevelt, facing similar, imminent chaos, acted quickly to reorganize the U.S. banking system. That and other recovery measures, and their impact on the U.S. economy, are discussed in this week's *Feature*, Part 2 of an article in the LaRouche in 2004 Special Report, *Economics: The End of a Delusion*.

Today, the Rooseveltian approach needed is led by U.S. Presidential pre-candidate Lyndon LaRouche, who has put the solutions to the crisis on the table: the Eurasian Land-Bridge, and a New Bretton Woods financial system. LaRouche is receiving increasing press coverage internationally, in the Russian military press (see *Economics*), in the Arab world, and in the United States (see *National*), leading up to his May 1 webcast.

The alternative to LaRouche's solution is clear—war, and a new dark age. See our coverage of the Middle East, and a chilling report on the curtailment of civil liberties under way in Australia (*International*).



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in Washington, D.C.*



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IMF and Insane U.S. Utopians Drive Argentina into the Abyss

by Cynthia R. Rush

The nation of Argentina, in late April, was disintegrating under the blows of International Monetary Fund (IMF) policies, while international bank losses on Argentina's unpayable debt rose. The government of President Eduardo Duhalde was paralyzed, its survival much in doubt. The Finance Ministry was vacant—Jorge Remes Lenicov was forced to resign on April 23—and it was expected to remain so until at least April 29. Increasingly violent demonstrations around the country reflected popular outrage, as did an “every man for himself” mentality, amidst unprecedented levels of poverty, unemployment, hunger, and despair.

A bomb was left at a bank in Córdoba, and protesters are arming themselves for upcoming demonstrations at other locations. The chaos and disarray are epitomized in repeated scenes of locksmiths accompanied by police opening up bank doors, or using blowtorches to open bank vaults to allow depositors to reclaim their savings, even though the bank deposit freeze imposed last December—former Finance Minister Domingo Cavallo's despised “*corralito*”—is still in effect, and an indefinite bank holiday began on April 22, denying citizens access to wages, savings, and pensions.

U.S. Treasury Secretary Paul O'Neill, Horst Köhler and Anne Krueger at the International Monetary Fund, the *Wall Street Journal*, and any number of other London and Wall Street analysts and “experts,” have endlessly repeated the lie that the Argentines created this crisis themselves—deserving what they got, because they are too corrupt, undisciplined, enamored of “profligate spending,” with delusions of becoming a great nation. Moreover, as Paul O'Neill told the London *Economist* in July 2001, “they like it this way.” Horst Köhler has repeatedly said that Argentina's crisis is “its own fault,” and that it will have to resolve it, through deeper austerity and “fiscal discipline”—what the IMF insanely calls a “sustain-

able economic program.”

In reality, Argentina's disintegration is the lawful, predictable result of the utter failure of U.S. policy, dominated by mad utopians whose Clash of Civilizations frenzy is driving the Middle East into genocidal war. The same incompetence produced the recent fiasco in Venezuela (see *EIR*, April 26, 2002) and the economic and political disaster unfolding in Mexico. The Bush Administration is in shambles, for which O'Neill, Krueger, and Federal Reserve Chairman Alan Greenspan share the blame—while Bush himself remains blissfully divorced from reality.

Thanks to these utopian fantasies, the Argentine debacle could be the detonator of a world financial meltdown, especially as it coincides with the deepening Japanese crisis. Central and South America will be obliterated. Given their sizeable losses in Argentina, Spanish banks—Banco Bilbao Vizcaya and Banco Santander Central Hispano—could bring down not only Spain's financial system, but Europe's as well.

Argentina Was Always a Target

These nations have been pushed beyond the point where a solution within the existing system is possible. The IMF knew that Argentina had no ability to fire up to 500,000 state workers, and to further cut provincial budgets in order to qualify for additional funding; in any case, the Fund had no intention of disbursing it. As President Duhalde asked in an op-ed published in the April 22 *Washington Post*, “What economic decisions are politically viable in a country with almost 30% unemployment?”

The IMF and U.S. Treasury policy for Argentina was never intended just to bring it to heel, but rather, to dismantle it as a nation-state, as 2004 Democratic Presidential pre-candidate Lyndon LaRouche has repeatedly warned: Were

U.S., British, and Spanish banks to continue trying to collect Argentina's unpayable foreign debt through further austerity, "Argentina will die, physically die," LaRouche said back on Oct. 22, 2001. And, in a Jan. 24, 2002 webcast in Washington, D.C., he charged that the Anglo-American oligarchy made Argentina a special target for destruction, because "Argentina was, in the last century, at various points, third- and fourth-ranking in the world in standard of living, productivity, and so forth. Despite all the smears, it was a great economy. And, therefore, that is an insult to those in North America, who think that South Americans have to be stupid and incapable."

Michael Matera, an official at the U.S. embassy in Buenos Aires, demonstrated LaRouche's point precisely in private remarks to a meeting of international bankers in Fortaleza, Brazil, on March 14. "The Argentines have an immutable point of view about the strategic, economic importance of their country," he arrogantly said. "They are convinced that the world should come to help them. This is one of the reasons why Argentina never really did its adjustment."

The worst thing the international community could do now, he warned, "would be to give this [Duhalde] government more money, in an extraordinary crisis, with politicians who oscillate between autism and psychotic arrogance—a society which doesn't see the problems, and which blames the IMF and the United States for them; an immature and paranoid community incapable of changing."

'No Banks, No Plan, No Minister'

This banner headline, which appeared on the front page of the April 25 issue of *Buenos Aires Económico*, tells it all. On April 23, Finance Minister Remes Lenicov and his economics team resigned, after Congress refused to debate his scheme to convert frozen bank certificates of deposit into peso- and dollar-denominated government bonds, redeemable in five years in pesos, and in ten years in dollars. The bond plan, dubbed "Bonex II," was a desperate attempt to stem the hemorrhaging of bank deposits, which saw \$111 million per day leave the banking system during the week of April 15-19, even though the deposit freeze was still in effect. Court orders and injunctions against the *corralito* granted to individual citizens, allowed them to withdraw funds in such quantities, that the already precarious banking system would have collapsed, had the outflow continued.

But popular outrage and a divided Congress, ensured that the legislation wouldn't even be discussed. Enraged citizens stood outside the Congress on April 22, screaming "No bonds! No bonds!" and with good reason. The scheme would have converted the \$45 billion which banks owe depositors, into bonds of a government that had already defaulted on its debt. In exchange for having this very significant political and economic liability lifted, the banks would give the government an equivalent amount of worthless government bonds they still hold, from the \$30 billion "mega-swap" of June 2001, and transfer a portion of their loan portfolios (to compa-

nies and individuals), on which chances of repayment are next to nothing.

It would have been a sweet deal for the banks, many of which spent recent years engaging in all manner of illegal capital flight and money laundering, for which some are now being prosecuted, under the very "economic subversion law" that the IMF demands be eliminated. The government would have ended up cleaning up the banks' books with the money of depositors, who would then assume the default risk of the Argentine state.

Duhalde was so desperate, that he tried to blackmail the Congress into passing the Bonex plan early on April 23, threatening that if it weren't approved, he would open the banks and "let God do as He will" with Argentina. Were it not to pass, he added, then the Legislative Assembly should convene and "elect someone else" as President.

To no avail: Congress recessed, and after Remes resigned, Duhalde held marathon sessions with provincial governors, legislators, labor leaders, and others in the evening and early morning hours of April 23-24, and then most of the day April 24, to designate a new Finance Minister and formulate a plan of government. But at the end of these meetings, the only thing Duhalde was able to announce concretely, was a 14-point agreement with provincial governors, to adhere to a "fiscal responsibility" regime and "honor agreements with multilateral lenders"—i.e., to keep working with the IMF. Pathetically, Duhalde said Argentina was "in great difficulty," but "we have no alternative plan—only a plan with problems." A Finance Minister will reportedly be named on April 29.

Lyndon LaRouche has commented that the big problem in the Argentine crisis, is that no leader, except for former President Adolfo Rodríguez Saá—who declared a debt moratorium and proposed an inconvertible currency during his week-long Presidency at the end of December—has had the guts to say publicly that Argentina must break with the IMF, and create both a national banking system and a sovereign, inconvertible currency. The behavior of Peronist governors is pathetic: They are jockeying for power, and playing stupid games, arguing that Argentina shouldn't break with the IMF, but warning at the same time that they won't impose IMF austerity in their provinces.

The only name that stands out as an exception to this suicidal behavior, LaRouche said, is that of Mohamed Alí Seineldín, the Malvinas War hero and political prisoner whom Duhalde has refused to release from prison, so as not to annoy his Anglo-American tormentors. In August 2001, LaRouche proposed that Seineldín be named Argentina's debt negotiator, because his understanding of the global nature of the financial crisis, and his endorsement of LaRouche's New Bretton Woods system, uniquely qualifies him to represent Argentina's sovereign interests before the international financial community. The only difference between that proposal and today, LaRouche now adds, is that Seineldín is an excellent candidate to be named Finance Minister as well.

Putin Wants 'Arc of Stability,' Not Crisis

by Rachel Douglas

As opposed to an "arc of instability" in Eurasia, Russian President Vladimir Putin told the visiting President of Iceland on April 19, "We could create an *arc of stability* in the world, including many countries, and in the framework of such joint action, we could proceed to a very promising organization of international security as a whole." Russia is prepared to act in this direction, he said, in light of the good relations it cultivates in Asia, "simply due to our geographical location and the expanse of our territory." He cited the development of Russia's relations with China, "in the framework of the Shanghai Cooperation Organization," which includes several Central Asian nations, but he also proposed to look at the pending creation of a Russia-NATO Council in this context. That new arrangement is supposed to be finalized at a meeting in Rome on May 28.

An "arc of stability" challenges the "arc of instability," which gained notoriety as the subject of geopolitical speculation by Carter National Security Adviser Zbigniew Brzezinski, Harvard Prof. Samuel Huntington, Princeton Prof. Bernard Lewis, and others, the intellectual and, often, on-the-ground authors of scenarios for a "Clash of Civilizations." Moreover, Russian diplomacy on behalf of Eurasian stability features recently intensified cooperation with one of Eurasia's great powers, Iran, which otherwise figures as a component of the "axis of evil," proclaimed by George W. Bush under the influence of the geopolitical doctrine, nicknamed "arc of instability" or "Clash of Civilizations."

Putin met with Iranian President Seyyed Mohammad Khatami on April 23, for bilateral talks during a five-way summit of the Caspian Sea littoral countries, held in Ashgabat, Turkmenistan. Their meeting was preceded by renewed Russian and Iranian diplomacy, connected with the project for a North-South Eurasian transport corridor. Russia, Iran, and India have negotiated on development of the North-South Corridor over the past two years, and their trilateral agreement will go into effect juridically on May 16. A meeting of transportation ministers from the three countries is set for May 21 in St. Petersburg. Other countries are invited to join, starting with Kazakstan.

Transport Diplomacy

Sergei Frank, the Russian Minister of Transportation, was in Iran in mid-April for the latest round of talks on the North-



Putin's call for great infrastructure projects could not be achieved by the methods of the team of financiers recently reinstalled at the Russian Central Bank.

South Corridor. The route runs by sea from the Indian port of Mumbai (Bombay) to Bandar-Abbas in Iran, then overland by rail to the Caspian Sea. Containers are to be shipped between Iranian ports on the Caspian, and Russia's Olya cargo terminal near Astrakhan, and onward by river (the Volga) and rail to Moscow and northern Europe.

Kazakstan could soon join the North-South project, according to an April 19 article in GazetaSNG, an Internet news service reporting on the Commonwealth of Independent States. GazetaSNG writer Aleksandr Orlov noted that Frank went from his talks in Tehran, directly to Kazakstan, where he met with Minister of Transportation Karim Masimov. They discussed the inclusion of Kazakstan's Caspian ports in the North-South Corridor, increasing the possibilities for shipping exports from the Ural and Siberian regions, out through Iran to the Persian Gulf (as opposed to only through the Black Sea and the Bosphorus, (as Russian ships have been experiencing difficulties with Turkish authorities, who control the straits). Frank invited a delegation from Kazakstan to attend the St. Petersburg talks and expressed hope that Kazakstan will formally join the North-South Corridor agreement.

Also, on April 17, Kazakstan Foreign Minister Qasymzhomart Toqayev received Iranian Deputy Minister for Roads and Transport Masih Momeni, for talks about potential cooperation in finance, industry, trade, and transport. Momeni was in Kazakstan in advance of a state visit by President Khatami at the end of April. A rail route from Tehran to Almaty, Kazakstan's major city, has been opened, making it possible to increase bilateral trade. The Kazak-Iranian inter-governmental commission also took up Kazakstan's participation in the North-South Corridor, as an important agenda item for the state visit.

This bilateral and multilateral diplomacy, focussed on tasks of infrastructure development, was all the more important in view of stumbling blocks in the path of broader regional cooperation. Thus, the long-awaited Caspian summit ended on April 24 without even a joint declaration, as the Presidents

could not reach agreement on the legal status of the Caspian Sea and its floor. The full story of the stalemate has not emerged as of this writing, but long-standing disagreements between Iran and Azerbaijan were involved. Iran, historically, has advocated treating the Caspian as a lake under international law—to be equally shared among the littoral states. Azerbaijan stands for carving up the sea, as well as the sea floor and raw materials deposits. Russia's formula of "divide the bottom, share the surface" was not accepted. Matters are complicated by the extent to which Azerbaijani President Heidar Aliyev, the veteran ex-Soviet intelligence officer, carries favor with Western oil interests and their associated geopolitics. These frictions grew more acute after Bush proclaimed Iran to be part of an "axis of evil."

Such dividing lines are not written in stone. Even as the Caspian talks stalled out, Putin signalled that Russia will push ahead for its own oil companies, starting with LukOIL, to get in on the Baku-Ceyhan oil pipeline—long pushed by Aliyev and his Anglo-American partners as an alternative to using Russian pipeline routes for shipping oil out from the Caspian and from Kazakstan.

Great Projects

The prospective development of joint infrastructure projects with Commonwealth of Independent States (CIS) members was the brightest note in the economic policy sections of President Putin's State of the Federation report, delivered to the Federal Assembly on April 17. The way the Russian

President cast his appeal to achieve higher growth rates and integrate Russia into the currently existing global economic system was open to varied interpretation. Liberal economist Yevgeni Yasin called the speech "a carte blanche for reform," but the improvements Putin demanded in standards of living and industrial performance are incompatible with the monetarist snake-oil and looting that went under the label of "reform" during the 1990s. Putin's call for great infrastructure projects could not be achieved by the methods of the team of financiers (Sergei Ignatyev, Oleg Vyugin, and Andrei Kozlov) recently reinstalled at the Russian Central Bank.

The President said, "The CIS countries have many opportunities to carry out large-scale, joint infrastructure, transport, and energy projects. I am sure that their implementation will increase the solidity of our integration, and will provide new opportunities for the Russian economy, and for others besides."

On the April 12 edition of a new weekly ORT TV program on science and technology, Russian journalist Vitali Tretyakov gave an idea of how such projects are being discussed in leading Russian circles. Tretyakov, the former editor of *Nezavisimaya Gazeta* and now head of an Internet report on energy, said that Russia needs great infrastructure programs as an engine for the revival of national industry and science.

"Especially after the Mir space station was closed," said Tretyakov, "Russians feel humiliated. . . . People long for the times when we had space science, and when we had an ideology. This ideology could be successfully replaced by a

LaRouche in Russian Military Paper

Krasnaya Zvezda (*Red Star*), the official daily of the Russian Defense Ministry, featured an interview with Lyndon LaRouche in its April 20 issue. Headlined "The Crash of Immoral Economics," it was an abridgement of economist Andrei Kobayakov's interview with LaRouche, from last October's inaugural issue of the journal *Russky Predprinimatel* (*Russian Entrepreneur*).

Red Star's selections highlighted a question on what must be done "to avoid a general catastrophe," to which LaRouche replied: "The only solution is to put the entire international financial and monetary system into bankruptcy-reorganization: to simply eradicate most of the mass of accumulated financial debt of the world, and resume building the real economy under a new system with many of the leading features of the 1945-1963, gold-reserve-based international monetary and financial system.

If that reform is not made, then a planetary new dark age is inevitable for the medium-term ahead." (The original interview appeared in *EIR* of Nov. 9, 2001.)

Excerpting from Kobayakov's introductory article, *Red Star* added a new lead: "Clinton, the Bush family, Gore, Kissinger, Brzezinski, Albright—these members of the American political elite are well known. At the same time, several gifted figures in the U.S. Establishment, who have dared to swim against the current, remain in the shadows. One of them is Lyndon LaRouche." The paper added that LaRouche had run for U.S. President several times, stressing that this requires substantial popular support.

Other questions and answers, used in *Red Star*, were on the true nature of liberal economics; the conflict between Russia's Christian heritage, and liberalism; the causes of the financial crisis; what has happened to America's role as a superpower; and, what is the special role of Russia today. Thus, readers of the Russian military daily heard LaRouche discuss the history of the Venetian oligarchical model in which "liberalism" is rooted, and the worldwide cultural collapse since the death of Franklin Delano Roosevelt.—*Jonathan Tennenbaum and Rachel Douglas*

number of comprehensive development programs, especially space programs, as well as great transportation projects. This is what the state leadership should concentrate upon.”

ORT host Mikhail Leontyev suggested that the project—dropped during Mikhail Gorbachov’s *perestroika*—of using water from Siberian rivers to irrigate deserts in Central Asia, could be revived and become the basis for Russia’s productive cooperation with the republics of Central Asia. He quoted leading officials from Uzbekistan, who have proposed to revive the project. Leontyev denounced the claim that such an intervention into nature would cause the Siberian rivers to silt up, when actually only 6% of the water flow would be diverted. Russia would benefit from flood control, avoiding catastrophes like the terrible floods that recently destroyed two towns on the Lena and Yenisey Rivers.

Leontyev recalled that the “river-turning” project was originally proposed not by politicians, but by Russian scientist Yuri Demchenko in 1896. The project was approved in 1902 by the Russian Academy of Sciences, but was not implemented, because of World War I and the later collapse of the

economy in the Russian Civil War (1918-1921).

The RosBalt news service reported on March 21 that Russian Deputy Minister of Natural Resources Valeri Roshchupkin has also spoken out about a possible revival of the Siberian water scheme. Roshchupkin referred to the interest expressed by officials from several drought-stricken Central Asian countries, in resurrecting the scheme to route water from the Ob and Irtysh Rivers southward into Central Asia. Roshchupkin also pointed to the potential benefits for flood control, while noting that the project would require thorough environmental impact studies and huge investment.

Addressing last December’s International Symposium dedicated to the memory of Pobisk Kuznetsov, Lyndon LaRouche discussed the development of Central and North Asia as “the greatest transformation of the biosphere, in the history of humanity.” That speech, which was published in *EIR* of Dec. 28, 2001, is now on the Internet in Russian, at www.larouchepub.com/russian/lar/index.html. LaRouche gives the prescription to defeat the mental disease of geopolitics, whose agents would plunge Eurasia into war.

‘Recovery’ Looks Like Crash to Airlines, Too

by Anita Gallagher

Can the U.S. economy be recovering, when seven of the eight major U.S. airlines, as well as the leading aircraft maker Boeing Co., posted large losses in the first quarter, when their “recovery” was supposed to take hold? Despite large government military aircraft orders, civilian aircraft leases, and bailouts, this industry has joined the ranks of the telecom and “New Economy” financial collapse.

The airline industry’s message about the overall economy is as plain as a contrail, especially when one considers that the airlines received \$5 billion in Federal grants, and \$15 billion in loan guarantees after Sept. 11, to stay alive. What’s more, the airlines have been so strapped for cash that all of their “Plan B” strategies to develop businesses other than flying public commercial jets, have had to be scrapped. Meanwhile, the estimated cost of the new security systems Congress has mandated be installed by the end of 2002 has already tripled, to \$6 billion.

The top eight U.S. airlines lost \$2.4 billion in the first quarter, 2002 (the “recovery delusion” quarter), increasing the collapse-pace of 2001’s record \$9 billion loss. Even Southwest Airlines, the seventh-largest, was down 82% from a year ago to a mere \$21 million profit, on an 11.9% drop in revenue from the first quarter of 2001:

Rank	Airline	Q1 2002 Loss (\$ millions)	Revenue Drop From Q1 2001 (percent)
1	AMR (American and TWA)	\$575	13%
2	UAL (United)	510	26%
3	Delta	397	19%
4	Northwest	171	16.5%
5	Continental	166	18.8%
6	U.S. Airways Group	269	23.7%
8	America West	348	21.6%
—	Boeing Co.	1,200	

As early as June 2001—well before Sept. 11—six of the eight major U.S. carriers were losing money, and industry analysts were predicting a large number of bankruptcy filings. After Sept. 11, most of the airlines cut their flights and workforce by an average of 20%. This has had no effect on the rate at which the industry continues to sink financially.

On Sept. 17, U.S. statesman and Democratic Presidential pre-candidate Lyndon LaRouche said: “An emergency financial reorganization of the national airline industry must occur, preferably in parallel with kindred emergency measures by other nations. This means that we must forget the Wall Street financial capital-gains market, and concentrate on long-term flexible budgeting of Federal and other credit-resources to keep the industry functioning physically. . . .”

This was not done, with the result that the airlines are now seeking an industry-wide precedent for union “givebacks” in the prolonged contract negotiations of industry-leading United Airlines. Negotiations April 25 went down to the wire between United and its 30,000 Ramp and Stores, Public Contact, Food Services, and Security Officers represented by the

International Association of Machinists (IAM). United concluded an agreement with its mechanics in February, after a near-strike. But, that agreement calls for mechanics to vote on “givebacks” that United has said it will demand from all its unions now that the Ramp workers have settled. “United appears headed straight into a brick wall right now,” an industry analyst told deal.com’s Lou Whiteman on April 9. “I think the whole industry is waiting to see what becomes of them before the others decide how to move forward.”

On March 22, United’s cash crunch forced it to shut its Avolar fractional-ownership “bizjet” subsidiary. Expansion of this service for pre-paid, pre-screened business travellers, with lower-paid pilots, had been United’s hoped-for rescue from the ocean of red ink drowning the airline. But it lacked the cash even to pursue this “recovery” fantasy. Other airlines have also had to axe their “Plan B’s.”

On April 22, shares of major airlines fell by up to 15%. The reason: a desperation move by the biggest carriers, to raise most fares by \$20, had fallen apart. America West (which had avoided bankruptcy by tapping the Federal government’s post-Sept. 11 loan guarantees) had just cut business fares in March; other carriers retaliated by slashing fares out of America West’s hub, Phoenix; so all had to rescind the \$20-per-trip increase. This was the third failure of a small price increase to take hold during April. Northwest Airlines torpedoed American Airlines’ move to raise leisure fares by \$20 per round-trip ticket by refusing to match the increase, and all carriers but Delta rolled back the increase on April 21. And Northwest also thwarted Continental Airlines’ similar attempt to increase fares.

The ‘Tri-Loser-All’ World

The sinking of the insane “recovery” claims of Fed Chairman Alan “Greenspin” and Treasury Secretary Paul O’Neill, caused sharp and open fighting at the April Trilateral Commission, World Bank, and International Monetary Fund meetings. The United States and Europe traded insults with Japan, which all agree continues to collapse. But the delusional “recovery” in America and Europe has been nothing but a steady march of huge corporate bankruptcies, defaults, and losses, accompanied by increasing unemployment.

- Vast media/cable-television losses are reported. AOL-Time Warner’s mind-boggling \$54 billion first-quarter loss leads the pack. But Germany’s Kirchmedia bankruptcy and that of Britain’s NTL Group set national records for size of corporate defaults, and are being followed by Britain’s Telewest Communications, Netherlands-based United Pan-European Communications, and others.

- The biggest mobile-phone makers, Nokia and Ericsson, registered major first-quarter losses and announced layoffs, in Ericsson’s case reaching 17,000 workers.

- Telecom sector disasters show absolutely no let-up. WorldCom, one of the biggest telecom companies; Lucent Technologies; Nortel; and many others are candidates for bankruptcy. Williams Communication went bankrupt with

\$5.9 billion in debt; Japan’s Nippon Telephone and Telegraph announced 17,000 layoffs.

- U.S. automakers continue to carry out, in stages, the tens of thousands of layoffs announced last Winter; meanwhile their first-quarter sales fell from the year before, and Ford lost another \$800 million. America’s biggest auto parts maker, Delphi, announced 6,000 more layoffs.

- Bank losses on Argentina’s collapse, reported by Citigroup and six other international banks, rose by 60% to \$8.5 billion as of the first quarter of 2002.

When falling American home sales and durable-goods orders for March were announced on April 24, it was worth remembering that neither these, nor any other such indicators, measure the actual ongoing collapse. What is collapsing is the vast bubble of debt—unpayable, inflated debt instruments piled on governments, corporations, and consumers; and there is no end in sight without the emergency bankruptcy reorganization called for by Lyndon LaRouche. There was, indeed, no recession, as LaRouche has noted. The world economic *depression*, as of late April, was deepening.

India

Unions Send Message To Besieged New Delhi

by Ramtanu Maitra

The Vajpayee government in India, getting weaker by the day, may encounter serious threats from the country’s leading trade unions in the coming months. On April 16, nearly 10 million employees of state-run companies staged a one-day strike protesting the central government’s “anti-labor” policies—the very same day that 14 million Italian unionists staged a general strike throughout that nation. The Indian strike brought the country to a virtual halt; although it was peaceful, the participation of public sector units, insurance, and banking, sent a chilling message to Delhi.

The strike call was given by all the major Indian trade unions, including the Bharatiya Mazdoor Sangh confederation run by Prime Minister Atal Behari Vajpayee’s Bharatiya Janata Party (BJP). The massive response not only expresses general resentment against the BJP-led government’s economic policies, but also indicates the erosion of its authority.

In recent months, the three-year-old Vajpayee government has sharply lost public support, beginning last October with New Delhi’s quick endorsement of the United States’ “war against terrorism.” India, assured by Washington, had

come to believe that the United States would play a key role in helping to prevent cross-border terrorism in Kashmir, and thus, help resolve this long and costly problem. India mobilized 700,000 troops to the border to send a message both to Pakistan and the Indian people: Unless the cross-border terrorism is stopped, India will go to war against Pakistan to take control. The Indian people cheered the move, hoping that it would bring results.

But instead, the United States found Pakistan, and its President Gen. Pervez Musharraf in particular, to be its essential ally to fight the U.S. anti-terror war in Afghanistan. Whether the United States ever had any serious commitment to prevent cross-border terrorism in Kashmir, is a matter of conjecture by pundits. What is clear is that it warned India about amassing its troops along the India-Pakistan border. A few carrots were also dangled in front of New Delhi, in the form of some arms sales and the prospect of a strategic military partnership. But meanwhile, United States okayed Musharraf's move to extend his unelected Presidency by another five years through a controversial public referendum.

It has since dawned upon the Indians that the U.S. definition of war against terrorism is quite different from what New Delhi was promised. Even if the United States wins such a war, the security situation may not change at all in the subcontinent; if it does not succeed, things may get worse. Many Indian forces concluded that the Vajpayee government had deluded them.

In early March, the BJP received a major electoral setback. In the four state assembly elections, including the most populous state of Uttar Pradesh, the party was routed. All politicians are aware that to keep control on the national level, the ruling party must have control over Uttar Pradesh. As the BJP scrambled to form a state government there as a junior partner to the Bahujan Samaj Party, a massive Hindu-Muslim riot broke out in the BJP-run state of Gujarat. The mass killing and the brutality, beamed into average Indians' living rooms through television, almost brought the government to its knees.

A riot of this size, which killed almost 1,000 people and refuses to die down even after a month and a half, has shaken up investors, as it has shaken up most Indians, who had begun to believe that large Hindu-Muslim riots were events of the past. The last riot of comparable size occurred in 1992, when the 16th-Century Babri Mosque was torn down in Ayodhya, Uttar Pradesh, by a mob of Hindu chauvinist hooligans.

Economic Boondoggle

In the 1990s, economic reformers (privatizers and International Monetary Fund "free-trade" ideologues) in India were claiming that the reform process itself had created such a wide-ranging economic interest among the masses, that occurrence of large riots and such social catastrophes had become virtually impossible. While these reformers are busy eating their words, India's image as a tolerant and democratic

country has taken a massive beating. Prime Minister Vajpayee's anguished cry—"I am ashamed"—at the riot-torn Muslim refugee camps in Gujarat, has failed to convince Indians, or anyone outside. His subsequent inability to discipline the party he heads on the Gujarat riots, is a clear indication that India is now governed by a weak leader.

A regional survey prepared recently by the Hong Kong-based Political and Economic Risk Consultancy (PERC), shows that India is perceived as by far the most vulnerable of all countries in Asia, in terms of external threats. PERC surveyed more than 1,000 businessmen in 13 Asian countries to come to that conclusion. "The most notable feature of the overall scores was that India was the only country where such risks were perceived to be very high," it said.

In this context, the April 16 general strike is of great significance. The Vajpayee government claims that it is pushing through reforms to re-establish India in its rightful economic place. But T.K. Bhaumik, a senior policy adviser at the Confederation of Indian Industry (CII), touched the right chord when he told reporters that "in this kind of political climate, any talk of reforms is a joke."

The quality of India's infrastructure remains as abysmal as it was before the Vajpayee government took over. This is true in all areas: roads, ports, power and telecommunications. A UN study placed India 69th of the 75 countries ranked on telephone lines per 100 inhabitants; 73rd on road quality outside of major cities; 57th on port facilities and inland waterways; and 47th on the quality of air transport infrastructure.

It is evident that such an abysmal state of infrastructure cannot attract Western, or Eastern, investors. But, that is not all. A recent report, "National Human Development Report—2002," prepared by India's Planning Commission, says that India's alleged high growth in the 1990s, triggered by reforms, resulted in less human development than during the 1980s! They pointed out that some major Indian states have fallen further behind. The currency, the rupee, is steadily losing value, increasing the size of national debt by the hour.

The threat that Indian labor faces, is that the "reformers" still absurdly claim that the vast stagnant Indian economy can be magically transformed into a vibrant one, through the wide application of information technology—the familiar "New Economy" hoax—and that such transformation demands that India open up its economy further. This means lowering tariffs, getting rid of subsidies which keep many under-performing enterprises alive, and selling off public sector units. For three years, the Vajpayee government has spent more time on "reforming" than building infrastructure and creating new jobs. Now, with Delhi under siege, the "cowboy" reformers may have a field day, and promise the beleaguered BJP a way out of the maze it has gotten itself into. The Indian unions have already seen this threat of a weakened government's "last stand" against labor.

Candidates Are Without An Economic Policy

by Elke Fimmen and Rainer Apel

The next national elections in Germany are not scheduled until Sept. 22, but already there are signs of deep discontent among voters against all established parties. The discontent became visible in the election for state parliament in the eastern state of Saxe-Anhalt—the last major election until the Fall—on April 21: Voter abstention was unprecedentedly high for Germany, at 44%, and the governing Social Democratic Party (SPD) lost almost half of its share of the vote as compared to the last elections four years ago.

The latter aspect is particularly alarming for the Social Democrats of incumbent Chancellor Gerhard Schröder, who lead the national government, and are not certain on Sept. 22 to stay in power. Voters' discontent has a lot to do with the worsening unemployment situation, accelerating corporate defaults, and rumors about tax increases after the elections.

Schröder's main challenger, Christian Democratic Governor of Bavaria Edmund Stoiber, is benefitting a bit from the drop in the Chancellor's popularity, and the opposition Christian Democrats in Saxe-Anhalt gained almost as many votes there as the SPD lost. But Stoiber's own Christian Social Union party in Bavaria is moving into the same precarious situation as the Social Democrats of Saxe-Anhalt Gov. Reinhard Höppner: dramatic worsening of the economy.

For example, the April 6 AZ daily of Munich, Bavaria's state capital, reported that 100,000 citizens in Munich (Germany's third-largest city, with 1.3 million inhabitants) are caught in a "debt trap"—double the figure at the end of last year. Some 35% of all households have become heavily burdened with personal debt, by buying cars, furniture, or apartments, or by using their bank credit to the three-month limit. The Munich municipal debtors consultation office says that it is flooded with the calls of people who can no longer handle their debt load. It predicts that, "latest at Christmas, every third citizen of Munich will fall into financial chaos." One reason is that since January, when the euro was introduced, prices have generally risen by 30%!

Also, lacking sufficient income, more and more people are paying with credit cards. "Money has become more and more virtual, people lose their connection to it," said a debtor consultation office spokesman. Many young people lead a very expensive life. "If prices then increase suddenly, massively, these people are trapped."

Munich's municipal administration is also becoming precarious. The SPD-Green coalition-led municipal government announced a budget shortfall of 1.4 billion euros, in addition to 1 billion already envisaged. As in all other cities, the biggest problem is the collapse in business tax income, which decreased dramatically last year, and continued to fall in January and February 2002, with no signs of a change.

A Step in the Right Direction

City councillor for finances Klaus Jungfer is demanding new credits to finance necessary infrastructure investments. However, this would mean a doubling of interest and debt payments, something financiers oppose as unjustified. But streets, bridges, schools, and public transport have to be repaired, says Jungfer. "Shall we close bridges over the Isar [Munich's main river]? Shall we stop subway construction?" He refuses to present another austerity budget, because "it is not the task of a financial city councillor to destroy the city."

Jungfer identified the collapse of tax revenue as the biggest problem, which may cause the city to revise its budget even further. He attacked the SPD-Green national government in Berlin, as responsible for the unjust municipal taxation system. He is calling for investments, which "in a recession are necessary to stimulate economic growth."

The collapse in revenue is not Munich's problem alone, or attributable to the fact that it is run by an SPD-Green government. Unemployment, notably in industry, but also in the "new economy" sectors, is rising throughout Bavaria. The biggest, most recent corporate default in Germany, in the range of several billion euros, was the Leo Kirch Media Group, in Bavaria. Kirch has filed bankruptcy procedures comparable to the U.S. Chapter 11; it is indebted to Hypovereinsbank, one of its main creditors, to the tune of 2 billion euros. Hypovereinsbank is Bavaria's biggest private bank. Also, the Bavarian State Bank (Landesbank) is a creditor of Kirch, with 2 billion euros. Half of Stoiber's cabinet is on the Landesbank's board, which creates political instability.

Munich depends heavily on banking and insurance firms as a revenue source, and the collapse is going to hit even harder, very quickly. Bavaria is the home of Siemens, MAN, and BMW, the big auto producers, whose troubles are getting worse. High-technology firms, such as Dornier (aerospace), are collapsing, too; the top Munich-based military-industrial firms, such as Krauss Maffei and MTU, had already been largely destroyed through mergers.

So far, Stoiber has called for a flat tax rate, spreading the illusion that this alone would help to overcome the economic depression. However, he will soon have to present something substantial, because what would be his message if Bavaria, his home state, is falling apart economically?

In January, Helga Zepp-LaRouche, the BüSo party's chancellor candidate, challenged Stoiber to a debate. She has proposed to discuss the collapse, and the need for a New Bretton Woods global financial system.

Dialogue on the Fundamentals Of Sound Education Policy

by Lyndon H. LaRouche, Jr.

Democratic Presidential pre-candidate LaRouche, Jr. responds to a question on “education reform,” sent to his campaign website.

Sometimes, even often, perhaps, the best way to attack an apparently nebulous subject-matter, such as today’s animal-training of students to appear to pass standardized designs of tests, is to flank the apparent issue, in order to get to the deeper, underlying issues which the apparent subject-matter merely symptomizes. I respond accordingly.

There is a growing number of persons, chiefly university students, who have become active in our work here, and who represent special educational needs and concerns. These concerns include the insult of being subjected to virtually information-packed, but knowledge-free, and very high-priced education. More significant, is being deprived of access to the kind of knowledge to which they ought to have access as a matter of right. In various sessions in which they have tackled me in concentrations of one to several score individuals each, many of the topics posed add up to a challenge to me: “What are you going to do to give us a real education?” There is nothing unjust in that demand; I welcome it. However, delivering the product in a relatively short time, is a bit of a challenge.

I have supplied some extensive answers to that sort of question, but let me reply to your question by focussing upon what I have chosen as the cutting-edge of the package I have presented.

In the same period he was completing his *Disquisitiones Arithmeticae*, young Carl Gauss presented the first of his several presentations of his discovery of the fundamental theorem of algebra. In the first of these he detailed the fact that his discovery of the definition and deeper meaning of the complex domain provided a comprehensive refutation of the anti-Leibniz doctrine of “imaginary numbers” which had been circulated by Euler and Lagrange. Gauss, working from the standpoint of the most creative of his Göttingen professors, Kästner, successfully attacked the problem of showing the folly of Euler’s and Lagrange’s work, and gave us both the modern notion of the complex domain, as well as laying the basis for the integration of the contributions of both Gauss and Dirichlet under the umbrella of Riemann’s original devel-

opment of a true anti-Euclidean (rather than merely non-Euclidean) geometry.

In his later writings on the subject of the fundamental theorem, Gauss was usually far more cautious about attacking the reductionist school of Euler, Lagrange, and Cauchy, until near the end of his life, when he elected to make reference to his youthful discoveries of anti-Euclidean geometry. Therefore, it is indispensable to read his later writings on the subject of the fundamental theorem in light of the first. From that point of view, the consistency of his underlying argument in all cases, is clear, and also the connection which Riemann cites in his own habilitation dissertation is also clarified.

The Central Issue of Method

Now, on background. Over the past decades of arguing, teaching, and writing on the subject of scientific method, I have struggled to devise the optimal pedagogy for providing students and others with a more concise set of cognitive exercises by means of which they might come to grips with the central issue of method more quickly. I have included the work of Plato and his followers in his Academy, through Eratosthenes, and moderns such as Brunelleschi, Cusa, Pacioli, Leonardo, Kepler, Fermat, Huyghens, Bernoulli, and Leibniz, among others of that same anti-reductionist current in science. All that I can see in retrospect as sound pedagogy, but not yet adequate for the needs of the broad range of specialist interest of the young people to whom I have referred. I needed something still more concise, which would establish the crucial working-point at issue in the most efficient way, an approach which would meet the needs of such a wide range of students and the like. My recent decision, developed in concert with a team of my collaborators on this specific matter, has been to pivot an approach to a general policy for secondary and university undergraduate education in physical science, on the case of Gauss’s first presentation of his fundamental theorem.

Göttingen’s Leipzig-rooted Abraham Kästner, was a universal genius, the leading defender of the work of Leibniz and J.S. Bach, and a key figure in that all-sided development of the German Classic typified by Kästner’s own Lessing, Lessing’s collaborator against Euler et al., Moses Mendelssohn, and such followers of theirs as Goethe, Schiller, and of Wolfgang

Mozart, Beethoven, Schubert, the Humboldt brothers, and Gerhard Scharnhorst. On account of his genius, Kästner was defamed by the reductionist circles of Euler, Lagrange, Laplace, Cauchy, Poisson, et al., to such a degree that plainly fraudulent libels against him became almost an article of religious faith among reductionists even in his lifetime, down to modern scholars who pass on those frauds as eternal verities to the present time. Among the crucial contributions of Kästner to all subsequent physical science, was his originating the notion of an explicitly anti-Euclidean conception of mathematics to such followers as his student the young Carl Gauss. Gauss's first publication of his own discovery of the fundamental theorem of algebra, makes all of these connections and their presently continued leading relevance for science clear.

Platonic vs. Reductionist Traditions

This shift in my tactics has the following crucial features.

The crucial issue of science and science education in European civilization, from the time of Pythagoras and Plato, until the present, has been the division between the Platonic and reductionist traditions. The former as typified for modern science by Cusa's original definition of modern experimental principles, and such followers of Cusa as Pacioli, Leonardo, Gilbert, Kepler, Fermat, et al. The reductionists, typified by the Aristoteleans (such as Ptolemy, Copernicus, and Brahe), the empiricists (Sarpi, Galileo, et al., through Euler and Lagrange, and beyond), the "critical school" of neo-Aristotelean empiricists (Kant, Hegel), the positivists, and the existentialists. This division is otherwise expressed as the conflict between reductionism in the guise of the effort to derive physics from "ivory tower" mathematics, as opposed to the methods of (for example) Kepler, Leibniz, Gauss, and Riemann, to derive mathematics, as a tool of physical science, from experimental physics.

The pedagogical challenge which the students' demands presented to me and to such collaborators in this as Dr. Jonathan Tennenbaum and Mr. Bruce Director, has been to express these issues in the most concise, experimentally grounded way. All of Gauss's principal work points in the needed direction. The cornerstone of all Gauss's greatest contributions to physical science and mathematics is expressed by the science-historical issues embedded in Gauss's first presentation of his discovery of the fundamental theorem of algebra.

All reductionist methods in consistent mathematical practice depend upon the assumption of the existence of certain kinds of definitions, axioms, and postulates, which are taught as "self-evident," a claim chiefly premised on the assumption that they are derived from the essential nature of blind faith in sense-certainty itself. For as far back in the history of this matter as we know it today, the only coherent form of contrary method is that associated with the term "the method of hypothesis," as that method is best typified in the most general way by the collection of Plato's Socratic dialogues. The cases of the *Meno*, the *Theatetus*, and the *Timaeus*, most neatly typify those issues of method as they pertain immediately to

matters of the relationship between mathematics and physical science. The setting forth of the principles of an experimental scientific method based upon that method of hypothesis, was introduced by Nicholas of Cusa, in a series of writings beginning with his *De Docta Ignorantia*. The modern Platonic current in physical science and mathematics, is derived axiomatically from the reading of Platonic method introduced by Cusa. The first successful attempt at a comprehensive mathematical physics based upon these principles of a method of physical science, is the work of Kepler.

From the beginning, as since the dialogues of Plato, scientific method has been premised upon the demonstration that the formalist interpretation of reality breaks down, fatally, when the use of that interpretation is confronted by certain empirically well-defined ontological paradoxes, as typified by the case of the original discovery of universal gravitation by Kepler, as reported in his 1609 *The New Astronomy*. The only true solution to such paradoxes occurs in the form of the generation of an hypothesis, an hypothesis of the quality which overturns some existing definitions, axioms, and postulates, and also introduces hypothetical new universal principles. The validation of such hypotheses, by appropriately exhaustive experimental methods, establishes such an hypothesis as what is to be recognized as either a universal physical principle, or the equivalent (as in the case of J.S. Bach's discovery and development of principles of composition of well-tempered counterpoint).

The Geometry of the Complex Domain

Gauss's devastating refutation of Euler's and Lagrange's misconception of "imaginary numbers," and the introduction of the notion of the physical efficiency of the geometry of the complex domain, is the foundation of all defensible conceptions in modern mathematical physics. Here lies the pivot of my proposed general use of this case of Gauss's refutation of Euler and Lagrange, as a cornerstone of a new curriculum for secondary and university undergraduate students.

Summarily, Gauss demonstrated not only that arithmetic is not competently derived axiomatically from the notion of the so-called counting numbers, but that the proof of the existence of the complex domain within the number-domain, showed two things of crucial importance for all scientific method thereafter. These complex variables are not merely powers, in the sense that quadratic and cubic functions define powers distinct from simple linearity. They represent a replacement for the linear notions of dimensionality, by a general notion of extended magnitudes of physical space-time, as Riemann generalized this from, chiefly, the standpoints of both Gauss and Dirichlet, in his habilitation dissertation.

The elementary character of that theorem of Gauss, so situated, destroys the ivory-tower axioms of Euler et al. in an elementary way, from inside arithmetic itself. It also provides a standard of reference for the use of the term "truth," as distinct from mere opinion, within mathematics and physical science, and also within the domain of social relations. Those

goals are achieved only on the condition that the student works through Gauss's own cognitive experience, both in making the discovery and in refuting reductionism generically. It is the inner, cognitive sense of "I know," rather than "I have been taught to believe," which must become the clearly understood principle of a revived policy of a universalized Classical humanist education.

Once a dedicated student achieves the inner cognitive sense of "I know this," he, or she has gained a bench-mark against which to measure many other things.

Bringing the Invisible To the Surface

by Bruce Director

This is the second half of a pedagogical exercise on the great mathematician Carl Gauss' delving into the Fundamental Theorem of Algebra—something all high school graduates think they have learned. The first part, "The Fundamental Theorem: Gauss' Declaration of Independence," was published in EIR of April 12.

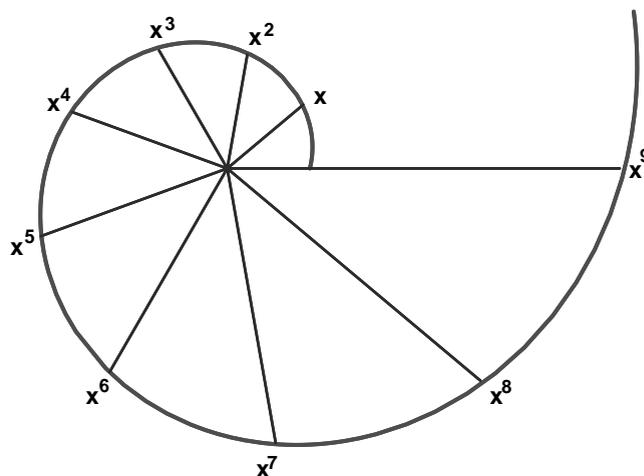
When Carl Friedrich Gauss in 1798 criticized the state of mathematics for its "shallowness," he spoke literally; and not only about his time, but also ours. Then, as now, it had become popular for academics to ignore, and even ridicule, any effort to search for universal physical principles, restricting the province of scientific inquiry to the seemingly more practical task, of describing only what's visible on the surface. Ironically, as Gauss demonstrated in his 1799 doctoral dissertation on the fundamental theorem of algebra, what's on the surface is revealed only if one knows what's underneath.

Gauss' method was ancient, made famous in Plato's metaphor of the cave, given new potency by Johannes Kepler's application of Nicholas of Cusa's method of *On Learned Ignorance*. For them, the task of the scientist was to bring into view, the underlying physical principles that could not be viewed directly—the unseen that guided the seen.

Take the case of Fermat's discovery of the principle, that refracted light follows the path of least time, instead of the path of least distance followed by reflected light. The principle of least distance is one that lies on the surface, and can be demonstrated in the visible domain. On the other hand, the principle of least time exists "behind," so to speak, the visible; brought into view only in the mind. On further reflection, it is clear, that the principle of least time was there all along, controlling, invisibly, the principle of least distance. In Plato's terms of reference, the principle of least time is of a "higher power" than the principle of least distance.

Fermat's discovery is a useful reference point for grasping

FIGURE 1



A succession of algebraic powers is generated by a self-similar spiral. For equal angles of rotation, the lengths of the corresponding radii are increased to the next power.

Gauss' concept of the complex domain. As Gauss himself stated, unequivocally, the complex domain does not mean Euler's formal, superficial concept of "impossible" or imaginary numbers, as taught by "experts" since. Rather, Gauss' concept of the complex domain, like Fermat's principle of least time, brings to the surface, a principle that was there all along, but hidden from view.

As Gauss emphasized in his jubilee re-working of his 1799 dissertation, the concept of the complex domain is a "higher domain," independent of all *a priori* concepts of space. Yet, it is a domain, "in which one cannot move without the use of language borrowed from spatial images."

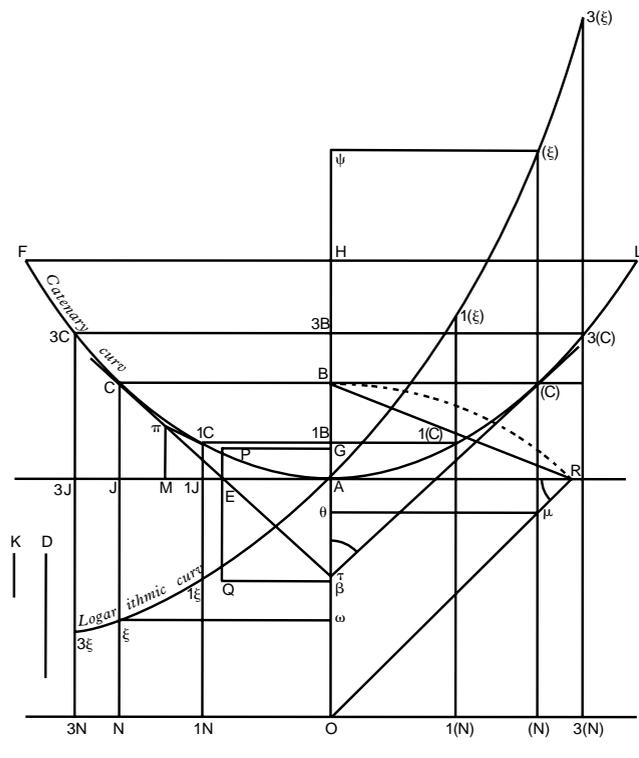
The Algebraic and the Transcendental

The issue for him, as for Gottfried Leibniz, was to find a general principle that characterized what had become known as "algebraic" magnitudes. These magnitudes, associated initially with the extension of lines, squares, and cubes, all fell under Plato's concept of *dunamais*, or *powers*.

Leibniz had shown, that while the domain of all "algebraic" magnitudes consisted of a succession of higher powers, this entire algebraic domain was itself dominated by a domain of a still higher power, which Leibniz called "transcendental." The relationship of the lower domain of algebraic magnitudes, to the higher non-algebraic domain of transcendental magnitudes, is reflected in what Jakob Bernoulli discovered about the equi-angular spiral (see **Figure 1**).

Leibniz, with Jakob's brother Johann Bernoulli, subsequently demonstrated that this higher, transcendental domain does not exist as a purely geometric principle, but originates from the physical action of a hanging chain, whose geometric

FIGURE 2



Leibniz' construction of the algebraic powers from the hanging chain, or catenary curve.

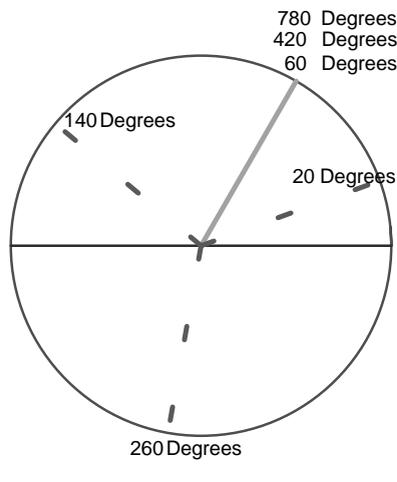
shape Christiaan Huygens called a *catenary* (see **Figure 2**). Thus, the physical universe itself demonstrates that the “algebraic” magnitudes associated with extension, are not *generated* by extension. Rather, the algebraic magnitudes are generated from a physical principle that exists beyond simple extension, in the higher, transcendental, domain.

Gauss, in his proofs of the fundamental theorem of algebra, showed that even though this transcendental physical principle was outside the domain of the visible, it nevertheless cast a shadow that could be made visible in what Gauss called the complex domain.

As indicated in part one of this article, the discovery of a general principle for algebraic magnitudes was found, by looking through the “hole” represented by the square roots of negative numbers. These square roots appeared as solutions to algebraic equations, but lacked any apparent physical meaning. For example, in the algebraic equation $x^2=4$, x signifies the side of a square whose area is 4; while, in the equation $x^2=-4$, the x signifies the side of a square whose area is -4 , an apparent impossibility.

For the first case, it is simple to see, that a line whose length is 2 would be the side of the square whose area is 4. However, from the standpoint of the algebraic equation, a line whose length is -2 , also produces the desired square. At first

FIGURE 3



An example of the three solutions to the trisection of an angle.

glance, a line whose length is -2 seems as impossible as a square whose area is -4 . Yet, if you draw a square of area 2, you will see that there are two diagonals, both of which have the power to produce a new square whose area is 4. These two magnitudes are distinguished from one another only by their direction, so one is denoted as 2 and the other as -2 .

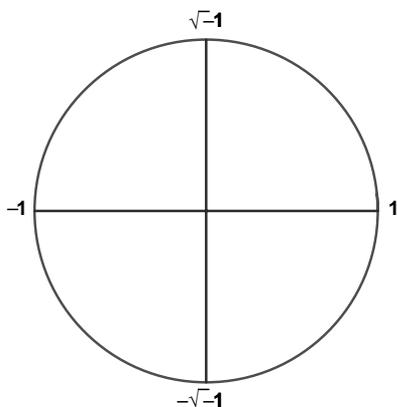
Now, extend this investigation to the cube. In the algebraic equation $x^3=8$, there appears to be only one number, 2, which satisfies the equation, and this number signifies the length of the edge of a cube whose volume is 8. This appears to be the only solution to this equation since $(-2)(-2)(-2)=-8$. The anomaly that there are two solutions, which appeared for the case of a quadratic equation, seems to disappear, in the case of the cube, for which there appears to be only one solution.

Trisecting an Angle

Not so fast. Look at another geometrical problem which, when stated in algebraic terms, poses the same paradox: the trisection of an arbitrary angle. Like the doubling of the cube, Greek geometers could not find a means for equally trisecting an arbitrary angle, from the principle of circular action itself. The several methods discovered (by Archimedes, Eratosthenes, and others), to find a general principle of trisecting an angle, were similar to those found, by Plato's collaborators, for doubling the cube. That is, this magnitude could not be constructed using only a circle and a straight line, but it required the use of extended circular action, such as conical action. But, trisecting an arbitrary angle presents another type of paradox which is not so evident in the problem of doubling the cube. To illustrate this, make the following experiment:

Draw a circle (**Figure 3**). For ease of illustration, mark off an angle of 60° . It is clear that an angle of 20° will trisect this angle equally. Now add one circular rotation to the 60° angle, making an angle of 420° . It appears these two angles

FIGURE 4



The unit of action in Gauss' complex domain.

are essentially the same. But, when 420° is divided by 3, we get an angle of 140° . Add another 360° rotation and we get to the angle of 780° , which appears to be exactly the same as the angles of 60° and 420° . Yet, when we divide 780° by 3 we get 260° . Keep this up, and you will see that the same pattern is repeated over and over again.

Looked at as a "sense certainty," the 60° angle can be trisected by only one angle, the 20° angle. Yet, when looked at beyond sense certainty, there are clearly three angles that "solve" the problem.

This illustrates another "hole" in the algebraic determination of magnitude. In the case of quadratic equations, there seem to be two solutions to each problem. In some cases, such as $x^2=4$, those solutions seem to have a visible existence; while for the case, $x^2=-4$, there are two solutions, $2\sqrt{-1}$ and $-2\sqrt{-1}$, both of which seem to be "imaginary," having no physical meaning. In the case of cubic equations, sometimes there are three visible solutions, such as in the case of trisecting an angle. But in the case of doubling the cube, there ap-

pears to be only one visible solution, but two "imaginary" solutions: $-1-(\sqrt{3})(\sqrt{-1})$; and $-1+(\sqrt{3})(\sqrt{-1})$.

Biquadratic equations, such as $x^4=16$, that seem to have no visible meaning themselves, have four solutions, two "real" (2 and -2) and two "imaginary" ($2\sqrt{-1}$ and $-2\sqrt{-1}$).

Things get even more confused for algebraic magnitudes of still higher powers. This anomaly poses the question that Gauss resolved in his proof of what he called the fundamental theorem of algebra: How many solutions are there for any algebraic equation?

The "shallow"-minded mathematicians of Gauss' day, such as Euler, Lagrange, and D'Alembert, took the superficial approach of asserting that any algebraic equation has as many solutions as it has powers, even if those solutions were "impossible," such as the square roots of negative numbers. (This sophist's argument is analogous to saying, "There is a difference between man and beast; but, this difference is meaningless.")

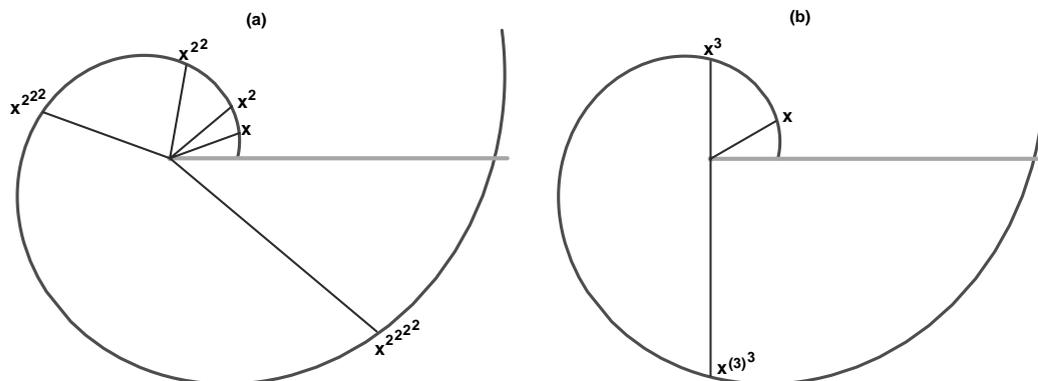
Shadows of Shadows: The Complex Domain

Gauss polemically exposed this fraud for the sophistry it was. "If someone would say a rectilinear equilateral right triangle is impossible, there will be nobody to deny that. But, if he intended to consider such an impossible triangle as a new species of triangles and to apply to it other qualities of triangles, would anyone refrain from laughing? That would be playing with words, or rather, misusing them."

For, Gauss, no magnitude could be admitted, unless its principle of generation was demonstrated. For magnitudes associated with the square roots of negative numbers, that principle was the complex physical action of *rotation, combined with extension*. Gauss called the magnitudes generated by this complex action, "complex numbers." Each complex number denoted a quantity of combined rotational, and extended action.

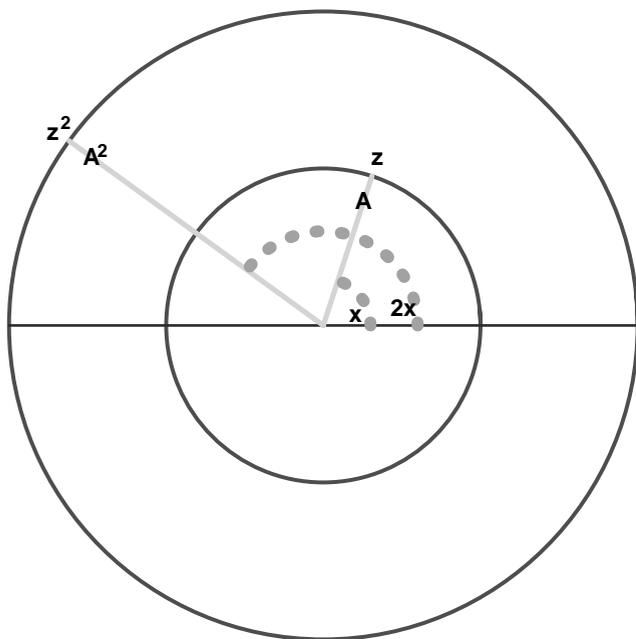
The unit of action in Gauss' complex domain is a circle, which is one rotation, with an extension of one (unit length).

FIGURE 5



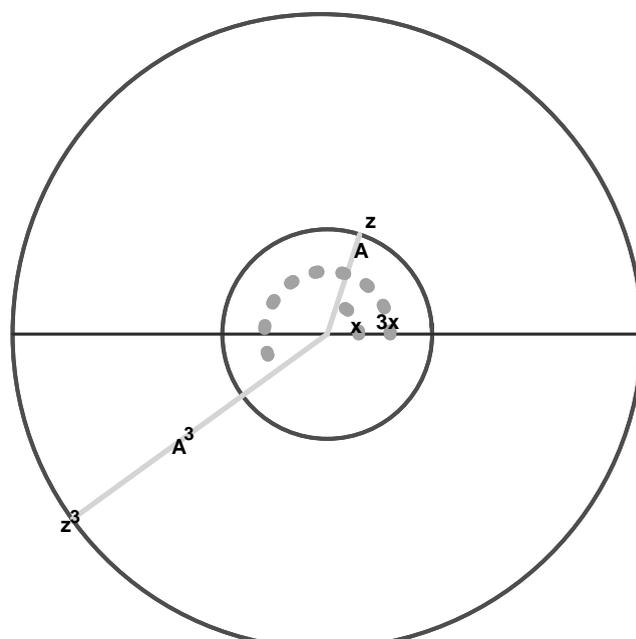
In (a) the lengths of the radii are squared as the angle of rotation doubles. In (b) the lengths of the radii are cubed as the angle of rotation triples.

FIGURE 6



Squaring a complex number.

FIGURE 7



Cubing a complex number.

In this domain, the number 1 signifies one complete rotation; -1 , half a rotation; $\sqrt{-1}$, one-fourth of a rotation; and $-\sqrt{-1}$, three-fourths of a rotation (Figure 4).

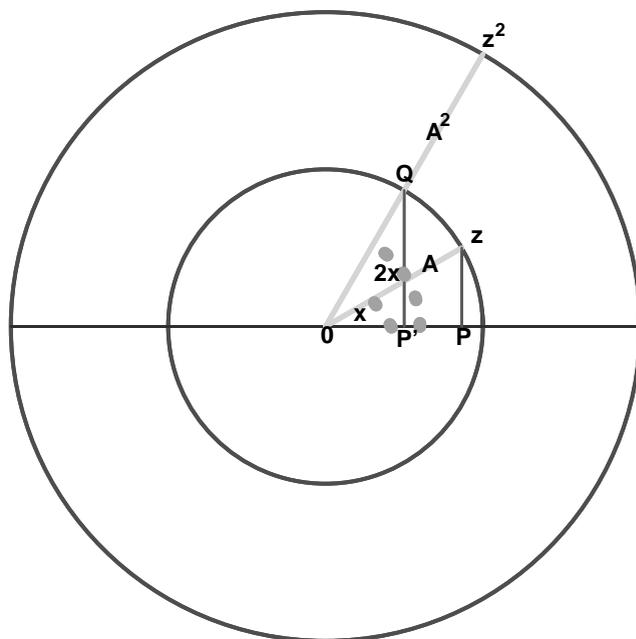
These “shadows of shadows,” as he called them, were only a visible reflection of a still higher type of action, that was independent of all visible concepts of space. These higher forms of action, although invisible, could nevertheless be brought into view as a projection onto a surface.

Gauss’ approach is consistent with that employed by the circles of Plato’s Academy, as indicated by their use of the term *epiphaneia* to indicate a surface (it comes from the same root as the word, “epiphany”). The concept indicated by the word *epiphaneia* is, “that on which something is brought into view.”

From this standpoint, Gauss demonstrated, in his 1799 dissertation, that the fundamental principle of generation of any algebraic equation, of no matter what power, could be brought into view, “epiphanied,” so to speak, as a surface in the complex domain. These surfaces were visible representations, not—as in the cases of lines, squares, and cubes—of what the powers produced, but of the *principle* that produced the powers.

To construct these surfaces, Gauss went outside the simple visible representation of powers—such as squares and cubes—by seeking a more general form of powers, as exhibited in the equi-angular spiral (Figure 5). Here, the generation of a power, corresponds to the extension produced by an angular change. The generation of square powers, for example,

FIGURE 8



The sine of angle x is the line zP and the cosine of x is OP . The sine of $2x$ is the line QP' and the cosine is OP' .

corresponds to the extension that results from a doubling of the angle of rotation, within the spiral (5a); and the generation of cubed powers corresponds to the extension that results from tripling the angle of rotation, within that spiral (5b). Thus, it is the *principle of squaring* that produces square magnitudes, and the *principle of cubing* that produces cubics.

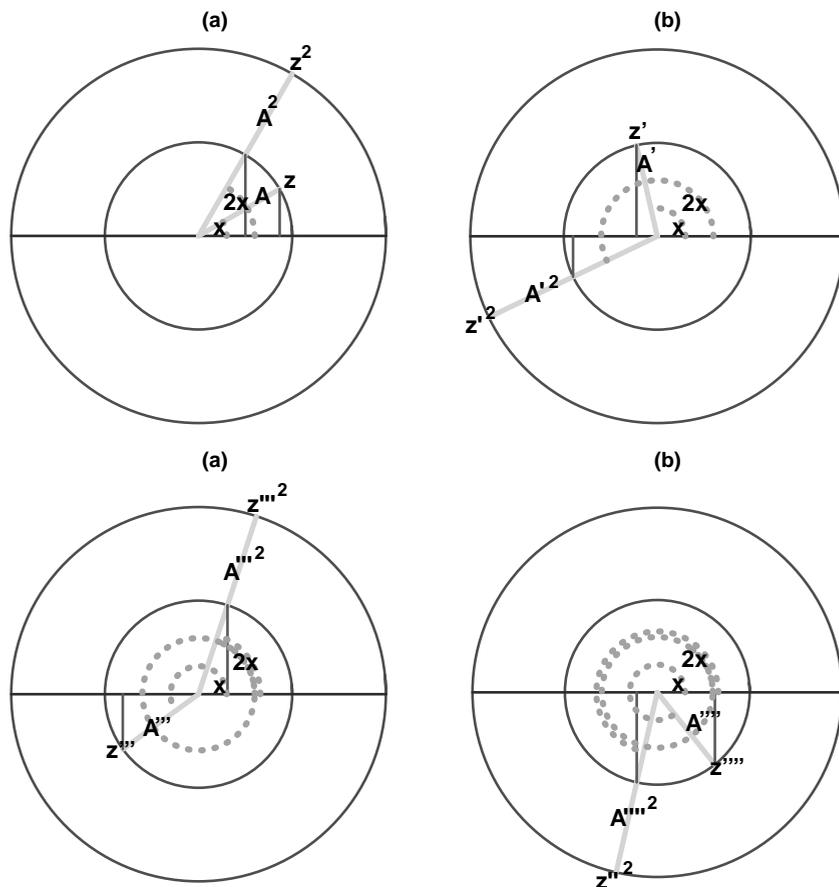
In Figure 6, the complex number z is “squared” when the angle of rotation is doubled from x to $2x$ and the length squared from A to A^2 . In doing this, the smaller circle maps twice onto the larger, “squared” circle. In Figure 7, the same principle is illustrated with respect to cubing. Here the angle x is tripled to $3x$, and the length A is cubed to A^3 . In this case, the smaller circle maps three times onto the larger, “cubed” circle. And so on for the higher powers. The fourth power maps the smaller circle four times onto the larger. The fifth power, five times, and so forth.

This gives a general principle that determines all algebraic powers: From this standpoint, all powers are reflected by the same action. The only thing that changes with each power, is the number of times that action occurs. Thus, each power is distinguished from the others, not by a particular magnitude, but by a topological characteristic.

In his doctoral dissertation, Gauss used this principle to generate surfaces that expressed the essential characteristic of powers in an even more fundamental way. Each rotation and extension produced a characteristic right triangle. The vertical leg of that triangle is the *sine* and the horizontal leg of that triangle is the *cosine* (Figure 8). There is a cyclical relationship between the sine and cosine which is a function of the angle of rotation. When the angle is 0, the sine is 0 and the cosine is 1. When the angle is 90° , the sine is 1 and the cosine is 0. Looking at this relationship for an entire rotation, the sine goes from 0 to 1 to 0 to -1 to 0; while the cosine goes from 1 to 0 to -1 to 0 and back to 1 (Figure 9).

In Figure 9, as z moves from 0 to 90° , the sine of the angle varies from 0 to 1; but at the same time, the angle for z^2 goes from 0 to 180° , and the sine of z^2 varies from 0 to 1 and back to 0. Then, as z moves from 90° to 180° , the sine varies from 1 back to 0, but the angle for z^2 has moved from 180° to 360° , and its sine has varied from 0 to -1 to 0. Thus, in one half rotation for z , the sine of z^2 has varied from 0 to 1 to 0 to -1 to 0. In his doctoral dissertation, Gauss represented this

FIGURE 9



Variations of the sine and cosine from the squaring of a complex number.

complex of actions as a surface (Figures 10, 11, 12). Each point on the surface is determined so that its height above the flat plane, is equal to the distance from the center, times the sine of the angle of rotation, as that angle is increased by the effect of the power. The *power* of any point in the flat plane, is represented by the height of the surface above that point. Thus, as the numbers on the flat surface move outward from the center, the surface grows higher according to the power. At the same time, as the numbers rotate around the center, the sine will pass from positive to negative. Since the numbers on the surface are the powers of the numbers on the flat plane, the number of times the sine will change from positive to negative, depends on how much the power multiplies the angle (double for square powers, triple for cubics, etc.). Therefore, each surface will have as many “humps” as the equation has dimensions. Consequently, a quadratic equation will have two “humps” up and two “humps” down (Figure 10). A cubic equation will have three “humps” up and three “humps” down. (Figure 11). A fourth-degree equation will have four “humps” in each direction (Figure 12); and so on.

Gauss specified the construction of two surfaces for each algebraic equation, one based on the variations of the sine and the other based on the variations of the cosine (**Figure 13**). Each of these surfaces will define definite curves where the surfaces intersect the flat plane. The number of curves will depend on the number of “humps,” which in turn depend on

the highest power. Since each of these surfaces will be rotated 90° to each other, these curves will intersect each other, and the number of intersections will correspond to the number of powers (**Figure 14**). If the flat plane is considered to be zero, these intersections will correspond to the solutions, or “roots” of the equation. This proves that an algebraic equation has as many roots as its highest power.

Step back and look at this work. These surfaces were produced, not from visible squares or cubes, but from the general principle of squaring, cubing, and higher powers. They represent, metaphorically, a principle that manifests itself physically, but cannot be seen. By projecting this principle—the general form of Plato’s powers—onto these complex surfaces, Gauss has brought the invisible into view, and made intelligible what is incomprehensible in the superficial world of algebraic formalism.

The effort to make intelligible the implications of the complex domain was a focus for Gauss throughout his life. Writing to his friend Hansen on Dec. 11, 1825, Gauss said: “These investigations lead deeply into many others, I would even say, into the Metaphysics of the theory of space, and it is only with great difficulty can I tear myself away from the

results that spring from it, as, for example, the true metaphysics of negative and complex numbers. The true sense of the square root of -1 stands before my mind fully alive, but it becomes very difficult to put it in words; I am always only able to give a vague image that floats in the air.”

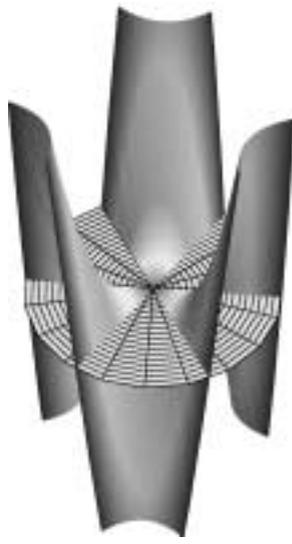
It was here, that Bernhard Riemann began.

FIGURE 10



A Gaussian surface for the second power.

FIGURE 11



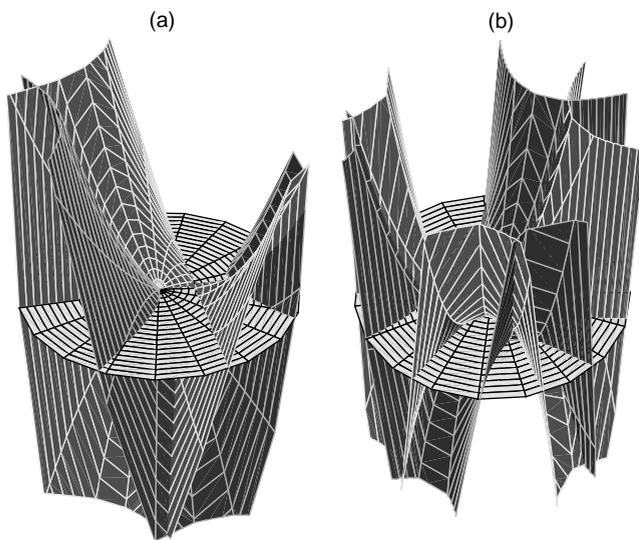
A Gaussian surface for the third power.

FIGURE 12



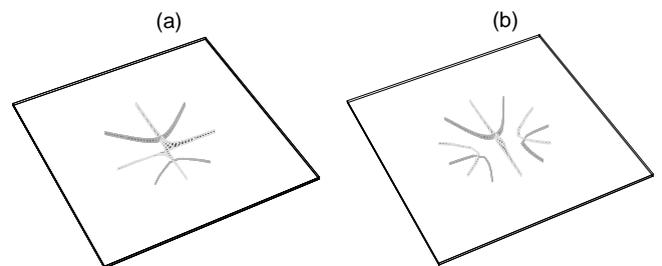
A Gaussian surface for the fourth power.

FIGURE 13



(a) combines the surfaces based on the variations of the sine and cosine for the second power. (b) combines the surfaces based on the variations of the sine and cosine for the third power.

FIGURE 14



(a) is the intersection of the surfaces in 13(a) with the flat plane. (b) is the intersection of the surfaces in 13(b) with the flat plane.

THEN, AND NOW

Why Roosevelt's Explosive 1933-45 Recovery Worked

Part 2, by Richard Freeman

The following is Part 2 of 3 of an article that appeared in a LaRouche in 2004 special report, Economics: The End of A Delusion. Part 1 (see EIR, April 26, 2002) traced the roots of President Franklin Roosevelt's economic outlook, and showed that his approach was grounded in the American System of political economy, as defined by Alexander Hamilton and by the Constitutional principle of the General Welfare.

B. The New Deal Recovery of 1933-37

Roosevelt's task as President was to restore the principles of the American Revolution for an economic recovery, with its center, the General Welfare clause. He succeeded brilliantly, pulling America and the world out of a descent into Hell.

Roosevelt would have to take on all the major elements: the banking collapse, the physical economic depression, the destruction of the living standards of the people. On the one hand, a very big job, and on the other hand, one for which he was well-prepared.

On March 4, 1933, Roosevelt outlined his conception in his first inaugural address. "So, first of all, let me assert my firm belief that the only thing we have to fear is fear itself—nameless, unreasoning, unjustified terror which paralyzes needed efforts to convert retreat into advance. . . .

"The money-changers have fled from their high seats in the temple of our civilization. We may now restore that temple

to the ancient truths. The measure of the restorations lies in the extent to which we apply social values more noble than mere monetary profit."

The President spoke of Happiness: not the Lockean notion of hedonistic pleasure-seeking that prevailed under Mellon and Coolidge, but the Leibnizian conception that is communicated in the U.S. Declaration of Independence. "Happiness lies not in the mere possession of money; it lies in the joy of achievement, in the thrill of creative effort. . . . Our greatest primary task is to put people to work. This is no unsolvable problem if we face it wisely and courageously. It can be accomplished in part by direct recruiting by the government itself, treating the task as we would treat the emergency of a war."

Roosevelt called for the "supervision of all forms of transportation and of communications and other utilities [such as electricity], which have a definitely public character" and "strict supervision of all banking and credits and investments."

The President concluded: "I am prepared, under my constitutional duty to recommend the measures that a stricken nation in the midst of a stricken world may require. These measures, or such other measures as the Congress may build out of its experience and wisdom, I shall seek, within my constitutional authority, to bring to speedy adoption.

"But in the event that the Congress shall fail to take one of these two courses, and in the event that the national emergency is still critical, I shall not evade the clear course of duty that will then confront me. I shall ask the Congress for the one remaining instrument to meet the crisis—broad executive power to wage a war against the emergency, as great as the



Just as Franklin Roosevelt was about to be inaugurated, international financiers' pressure forced German Chancellor Kurt von Schleicher to resign—the first step in Hitler's coup—and an assassination attempt was made, in Miami, against Roosevelt himself. Had von Schleicher survived and implemented the "Lautenbach Plan," similar to the New Deal, World War II would not have occurred.

power that would be given to me if we were in fact invaded by a foreign foe.”

Roosevelt was proclaiming that he intended to succeed. He would avail himself to the fullest, of the great powers the U.S. Constitution deliberately created in the Office of President, to be used exactly in a period of crisis. He would act within the framework of the U.S. Constitution, without ever violating it.

Roosevelt also, many times, addressed the downtrodden citizen, believing that government's purpose is to allow that citizen to be a productive human being. In his speech accepting his second Democratic Presidential nomination in June 1936, he evoked “Charity—in the true spirit of that grand old word. For charity, literally translated from the original, means love, the love that understands, that does not merely share the wealth of the giver, but in true sympathy and wisdom helps men to help themselves.

“We seek not merely to make government a mechanical implement, but to give it the vibrant personal character that is the very embodiment of human charity.

“We are poor indeed if this nation cannot afford to lift from every recess of American life the dread fear of the unemployed that they are not needed in the world. We cannot afford to accumulate a deficit in the books of human fortitude.

“Governments can err, Presidents do make mistakes, but the immortal Dante tells us, that Divine justice weighs the sins of the cold-blooded and the sins of the warm-hearted in different scales.

“Better the occasional faults of a government that lives in the spirit of charity, than the consistent omissions of a

government frozen in the ice of its own indifference. . . . To some generations, much is given. Of other generations, much is expected. This generation of Americans has a rendezvous with destiny.”

The Recovery Measures

FDR saw the crisis worsening before his eyes, from mass unemployment to banking failures; and that he needed to attack them at their core. This required:

- Building technology-transmitting infrastructure, both hard and soft, including great infrastructure projects, such as the Tennessee Valley Authority, that produced a spectacular increase in the rate of productivity, as well as the productive powers of labor, for the United States as a whole. The TVA built an integrated development project which developed abundant hydroelectric power, flood control and river diversion, scientific agriculture and new industry; it spread literacy and education, and eradicated malaria. TVA's infrastructure projects employed large numbers of people.

- Public works. The government ran public works employment programs, that hired millions of unemployed, principally building infrastructure. In so doing, the “multiplier effect” of the public works programs reactivated the idled industrial and related workplaces of the private sector: The large volume of goods needed by the infrastructure projects required increased output from the factories, and the rehiring of workers. In addition, the new infrastructure greatly increased the technological level of the whole economy.

- Banking and credit. Roosevelt had to stop the crash of the U.S. banking system, and, by related measures, halt the

process of farm and home foreclosures. Economic activity required that the banking system work. Simultaneously, Roosevelt had to ensure the flow of credit into the economy's productive activities. Roosevelt did not have a National Bank; instead, he reshaped the Reconstruction Finance Corporation into a Hamiltonian instrument, which issued and directed cheap and abundant credit into the physical economy and infrastructure, producing growth in turn.

- Protectionist regulation. Roosevelt issued a slew of measures of protection and regulation, which increased America's sovereign control over its credit and economic affairs. To the extent that these measures deliberately weakened Wall Street and the City of London, Roosevelt could shift the economy from speculation to production.

- Social justice. Roosevelt introduced measures, which uplifted the downtrodden, gave economic security to the elderly, etc.

These New Deal measures must be viewed, as they were in actuality, as a single, integrated package, subsumed by a higher ordering principle, whose elements reinforced each other. For public works and infrastructure-building to succeed, there had to exist a stable, functioning banking system, and directed credit. For the banking system to function, its loans had to be sound, and infrastructure-building, by guaranteeing a growing economy and stable businesses, provided the key to sound loans.

As Roosevelt stated clearly at the conclusion of his first inaugural address, he intended to implement his New Deal program on a crash basis, focussing the resources of the economy, and the minds of the population, on a mission. This did not mean that he achieved success within weeks—some of these missions took years to come to full fruition—but that the broad, sweeping features of the mission were launched and pushed forward as a package.

Roosevelt called the U.S. Congress into emergency session on March 9, to tackle the banking crisis, and got the key measure through Congress and signed into law within 24 hours. To maintain that momentum, he decided not to disband the Congress, but to keep it in session, and working. Within the span of his celebrated 100 days—between March 4 and June 16—he realized 15 pieces of legislation or executive orders. Much of this was major legislation. It included acts for public works and infrastructure, emergency banking reorganization, regulation of banks and stocks, etc. Some historians, idiotically, have criticized Roosevelt for not getting every measure through in the first year, and introducing some in 1934, 1935, 1936, etc. But of course, no President can always control the pace of Congress. Roosevelt just kept leading them forward.

Ending 35 Years of the British System in the U.S.

The President was tearing up, root and branch, the British System policy that the financiers had imposed on the U.S.

following the 1901 assassination of William McKinley. He kept the population abreast of this combat, and morally motivated, through his “fireside chats.” Already during his first week in office, Roosevelt had received an unprecedented half-million pieces of mail. The people were engaged and combative from the start.

Let us look at the revolutionary achievements of the major elements of the New Deal: 1) banking and credit; 2) infrastructure-building; 3) public works employment; 4) protectionist regulation; and 5) social justice. Roosevelt was orchestrating all these efforts at once for the maximum effect on the national emergency. However, the New Deal did not solve all the severe problems of that emergency. It required the mobilization of 1939-44 for World War II, to inject into the economy the “science driver” principle—inclusive of the “machine-tool principle”—which is central to the American System of political economy. The science-driven 1939-44 mobilization built much new manufacturing capacity, of the highest technological quality. The interaction of the science-driver principle with the preceding accomplishments of the New Deal, produced explosive anti-entropic growth.

1. Banking and Credit

President Roosevelt's move to reverse, what had seemed an unstoppable banking collapse, required that he break the City of London-Wall Street dictatorship over the American credit system, under which those banks had directed credit, almost exclusively, into speculation. Roosevelt promulgated a series of protectionist measures, which increased America's sovereign control over its credit and economic affairs. They deliberately took Wall Street's and the City of London's “hands” off the American economy, so that it could shift from speculation to production.

Roosevelt's first actions accomplished a substantial, though partial, banking reorganization. But by acting swiftly and decisively, he instilled confidence. After three years of an unrelenting diet of bank failures, within 31 days, Roosevelt had 75% of the banks open and operating. On his second day in office, March 5, 1933, his executive order used a provision of the Trading With the Enemy Act of 1917, to declare a National Bank Holiday, which superseded the separate individual state bank holidays, and closed indefinitely all the banks in the United States beginning March 6. The order also gave the Secretary of the Treasury control over all transactions in gold and foreign exchange.

Roosevelt had to move quickly. That week, he met frequently with his financial team, led by Treasury Secretary William Woodin; Cabinet advisers; and representatives from the outgoing Hoover Administration led by former Treasury Secretary Ogden Mills. By the wee hours of March 9, banking legislation had been worked out—the Emergency Banking Act. The Reconstruction Finance Corporation, whose loans to troubled banks under the Hoover Administration had done

nothing to help them, would now purchase capital (stock equity) and capital notes of troubled banks. The purchases would capitalize the troubled banks, without adding to their debts. The Act also had a provision, won by a hard Roosevelt fight, that authorized the district Federal Reserve Banks of the Federal Reserve System to discount previously ineligible assets, and to issue new Federal Reserve notes against them, thereby increasing liquidity for the economy as a whole. And it instructed the Comptroller of the Currency to name receivers for the purpose of shutting down banks that were insolvent.

The Act set up three classifications of banks for action: banks that that were sound and could open under their own power; banks that would require an RFC capital infusion; and banks that a Conservator would liquidate.

At 12 noon on March 9, President Roosevelt sent a message to Congress: "I cannot too strongly urge upon the Congress the clear necessity for immediate action" on the Emergency Banking Act.

Historian William Leuchtenburg described the next tumultuous scene: "Shortly before 1 P.M., Roosevelt's banking message was read, while some newly elected Congressmen were still trying to find their seats. The House [of Representatives] had no copies of the bill; the Speaker [of the House] recited the text from the one available draft, which bore last-minute corrections in pencil."

During the debate on the bill, "Speaker [of the House Henry] Rainey [D-Ill.] observed that the situation recalled the world war, when 'on both sides of this Chamber, the great war measures suggested by the administration were supported with practical unanimity. . . . Today we are engaged in another war, more serious even in its character and presenting greater dangers to the Republic.' "

According to the record, Bertrand Snell, the *Republican* floor leader, said, "The house is burning down, and the President of the U.S. says this is the way to put out the fire." The House voted unanimously for the Act; then the Senate, by 73-7. (A few Senators argued that it would strengthen the role of the New York banks.) The Senate adjourned at 7:52 p.m. Roosevelt signed it into law at 8:37 p.m. The whole affair, from the first introduction to the final signature had taken eight hours.

This demonstrates a vital point: that the emergency banking reorganization that, in the present period, Lyndon LaRouche has proposed for adoption, can be put through; that under emergency crisis conditions, and with a good swift kick to the right place, Congress can act immediately, even against its own previous axioms.

FDR's Reorganization, and LaRouche's

On Sunday night, March 12, Roosevelt delivered his first radio "fireside chat" to an estimated 60 million Americans—half the population of the United States—on the banking situation, including that "Some of our bankers . . . had used the

money entrusted to them in speculations." He told them what the Banking Act contained, and promised the reopening of the banks next morning. Those eligible to reopen under the Act, did so with extra supplies of cash. Yet—and nothing so demonstrates the tremendous confidence that Roosevelt transmitted to the population—on this and subsequent days, American citizens put more money into the banks than they took out.

By March 15, some 70% of the 18,399 nationally chartered banks that had been in existence, sound or unsound, prior to March 3, had reopened without RFC assistance; and 76% were so operating by April 12. During the course of 1933, the Comptroller of the Currency's appointed conservators liquidated 1,100 banks as insolvent. Another 3,115 nationally chartered banks remained troubled—and closed—but not insolvent. At first, these banks refused RFC cash infusions, but that changed. Soon, banks that had thought that they could operate under their own powers were taking RFC infusions. By June 1935, the RFC had an investment of \$1.3 billion in the purchase of stock and capital notes of 6,800 banks, which meant that the RFC owned more than one-third of all outstanding capital in U.S. banking system. At that point, the RFC decided the banks were stable, and started the disinvestment from them, which it completed in a matter of years.

The 1933 Emergency Banking Act was a partial reorganization: It did not write down a lot of the speculative financial obligations of the banks. To a large extent, the Depression and banking collapse had already wiped out a lot of this speculative financial paper. Under the Act, some banks were placed into bankruptcy, while some were reorganized and wrote off their bad paper, and had their checking and savings accounts strengthened through the RFC's purchase of some of their capital.

Lyndon LaRouche has presented a far more sweeping bankruptcy reorganization proposal for the banking system taken as an entirety, which would write down tens of trillions of dollars of bad paper, and protect accounts, within the context of creating a National Bank to direct credit into the productive economy.

The 1,100 U.S. banks put out of existence by Federal conservators in 1933, were but a fraction of the number that would have failed without Roosevelt's action. In 1934, only 61 commercial banks failed; in 1935, only 32. Roosevelt had halted the hemorrhaging of the system.

The Credit Crunch

Simultaneously, Roosevelt needed to get some credit into the physical economy, but the Morgan-Mellon-du Pont banking crowd blocked him, while planning to overthrow him in a coup d'état. In 1931, a depression year in which lending was significantly off its 1929 level, U.S. bank loans to the American economy totalled \$38.1 billion. But by the end of 1935, after two and a half years of the New Deal, U.S. banks—still dominated by Wall Street—had slashed their loans to the



Ferdinand Pecora (right) conducted crucial hearings in early 1933 which exposed the House of Morgan's corruption of America in the "Roaring Twenties," much more thoroughly than "Enron" looting and corruption is being exposed now. Roosevelt made great use of the Pecora hearings.

economy to a level of \$20.3 billion, a fall of 50% from the Depression levels of 1931! Instead of lending, the banks were buying government bonds. In 1929, only 21% of bank funds were invested in U.S. government securities/bonds; but by 1934, it was 58%. The banks were acting to force the productive economy to collapse, and loot the government's bond revenues.

Roosevelt appealed in vain to the bankers, both in public and in private, to work with the New Deal. He knew the Tory treason of these bankers to its pedigree. On the eve of his inauguration, he had written to an acquaintance, "There will be no one in [the Cabinet] who knows the way to 23 Wall Street [the House of Morgan empire, most important arm of British finance in the United States]. No one who is linked in any way with the power trust or with the international bankers."

Seeking to break Wall Street's destructive power over the physical economy, the President worked with the Senate Committee on Banking and Currency and its chief counsel, the colorful and persistent Ferdinand Pecora, who conducted the committee's investigation into how Wall Street built its speculative bubbles. These hearings were launched in 1933. Pecora called J.P. Morgan's son Jack Morgan, now chairman of the banking empire, other top Morgan partners, and other Wall Street leaders before the committee.

The testimony lifted the veil from Wall Street's deliberate building of financial pyramids, and buying of top politicians, including former President Coolidge. The hearings led directly to the Glass-Steagall Act of 1933, which split investment banking from commercial banking, prevented insider loans by banks to their partners, and established the Federal

Deposit Insurance Corporation, to provide government bank insurance of small depositors for the first time in the nation's history.

The Glass-Steagall Act was part of a package of new regulation of Wall Street, including the 1934 Securities and Exchange Act, which prevented various Wall Street speculations and set up the Securities and Exchange Commission. Each of these Acts had useful effect, although each was circumscribed within a particular domain; their power was in their cumulative effect.

Roosevelt acted against the financial royalists on two other fronts. He used every lever of power he had to lower the bank rate on short-term business loans, from 4.7% in 1932, to 2.9% by 1935, and 2.1% in 1939. And he decided to create an instrument to get directed Hamiltonian credit into the economy.

The Reconstruction Finance Corporation was that instrument. We have seen that the RFC had been set up in January 1932, by the Hoover Administration, as an (unsuccessful) bank bailout mechanism; and, that Roosevelt used it under the Emergency Banking Act of 1933, to infuse capital into banks and stabilize the banking system. FDR liked the way that the RFC had been set up. At its inception, it had issued stock, which was bought by the U.S. government, meaning that the government owned it. But the RFC was a self-supporting and self-subsisting public corporation, financed through its own revolving fund, and through selling its own notes to the public through the Treasury Department, could pursue an independent policy.

Now Roosevelt decided to broaden the RFC's scope far beyond its dealings with banks. It made loans for useful purposes of reconstruction, which once paid back, with interest, increased the pool of money that the RFC had to lend again. Thus, it functioned essentially as a *bank*, and by the late 1930s, *the RFC became the largest single investor in economic projects, and biggest bank, in terms of volume of lending, in the United States.* Congress did not have to approve each of the RFC's important projects, given its self-supporting nature outside the Federal budget process.

The RFC Builds the Economy

On entering office, Roosevelt immediately appointed a new RFC director—Jesse Jones, a tall former lumberman and banker from Texas, who shared the President's distrust of Wall Street. By the Summer of 1934, recognizing the well-established pattern of the bankers credit crunch, Roosevelt and Jones moved to make a change. In June, FDR gained from Congress a change in the RFC's charter, which enabled it to make direct loans to business and industry. Roosevelt told an American Bankers Association meeting in 1934, "The old fallacious notion of the bankers on the one side and the Government on the other side, as being more or less equal and independent units, has passed away. Government by the necessity of things must be the leader, must be the judge of the

conflicting interests of all groups in the community, including bankers.”

Under Roosevelt’s prodding, the RFC provided capital for important public agencies, whose activities ranged from preventing home foreclosures, to providing funds for public works employment in infrastructure. During 1933-38, the RFC disbursed \$9.5 billion. While \$4 billion went to banks, more than \$1 billion apiece went to public works and to railroads, \$1.5 billion to agriculture, and hundreds of millions to housing. These were considerable amounts of money at that time, and moreover, the impact of these RFC funds to agriculture, housing, and so on, were multiplied: Where the sums were used for infrastructure construction, they spun off orders which stimulated industry and employment in the private sector.

For example, the RFC extended at least \$500 million to the Federal Emergency Relief Administration (FERA); with these funds, Harry Hopkins ran FERA’s Civil Works Administration, the public works program that built infrastructure and provided jobs to the unemployed. The RFC spent hundreds of millions of dollars purchasing securities from Harold Ickes’ Public Works Administration (PWA), the public works program for great infrastructure projects in the United States. The RFC lent \$246 million for programs carried out through the Rural Electrification Administration, including the construction of power lines across rural America, and the financing of the purchases of electrical appliances by rural Americans. The RFC also lent money to 632 different levee and irrigation districts, so that these districts could construct water-management and flood-control projects.

In 1934, the RFC created the Export-Import Bank of the United States as a division. Initially it financed trade with the Soviet Union; a few years later the Export-Import Bank’s charter was changed, to finance American capital goods and other exports worldwide.

The RFC also set up other public lending corporations, whose stock it owned. The RFC built a multiplier effect into the agencies it created, so that these agencies could lend, over time, 10 to 15 times their initial capital, for useful, vital functions.

Take the desperate home-foreclosure picture. In 1933, 40% of the nation’s mortgages were in default, and thousands of home owners were foreclosed each week, and thrown out their homes. The mortgage-lending institutions were bankrupt. Therefore, the RFC created and owned the Home Owners Loan Corporation (HOLC) in June 1933. The RFC used \$200 million to purchase all of the HOLC’s initial capital stock; the HOLC was then allowed to issue up to \$2 billion in bonds, which it could lend; the amounts increased in subsequent years. The HOLC traded its bonds for shaky home mortgages, and issued cash advances to help homeowners pay taxes and make repairs. In this way, it prevented millions of homeowners from being foreclosed on and evicted. When the Corporation opened for business in Akron, Ohio, a double

column of homeowners stretched for three blocks down Main Street by 7:00 a.m.

When it ceased operations in 1936, the HOLC, using its RFC-backed bonds to raise capital, had lent more than \$3 billion to refinance mortgages, a 15-fold multiple of its initial \$200 million capital base from the RFC. The benefits were enormous: The agency had helped refinance one in five mortgaged urban private dwellings in America. The RFC repeated the process in the farm sector, to prevent the massive foreclosure of family farms. Here, it created the Federal Farm Mortgage Corporation (FFMC), and bought all of FFMC’s stock. By 1936, the FFMC had refinanced more than 20% of all farm mortgages in the country, preventing loss of American farms by foreclosure.

In 1938-39, the RFC’s dirigistic operations through government agencies were dramatically scaled back. But the beginning of the economic mobilization for World War II relaunched the Corporation as an instrument of economic recovery. On June 25, 1940, Congress approved legislation which permitted the RFC to be more flexible in its setting of interest rates, maturities, and amounts and collateral requirements for loans. Over the next five years, the RFC would disburse far larger amounts—almost \$23 billion—in connection with the war mobilization. FDR took top-down control over the economy to wage war. Even the imperious Federal Reserve was made to take orders during 1940-45, and lowered interest rates to 1%.

The RFC’s mode of operation for the war buildup was as follows: It established the Defense Plant Corp., for example, to build plants and equipment. Once built, these plants were leased to industries, which then had the opportunity to buy the plant and equipment. To give an idea of the scope of the operation, the Defense Plant Corp. built 2,300 factories. The RFC’s scope was broader than factories, however; it also funded the Defense Supply Corp., the Metals Reserve Co., the Rubber Reserve Co., and the Disaster Loan Corp.

Altogether, *between 1933 and 1945, the RFC extended \$33 billion in new credit, more than the volume of new loans extended by the entire U.S. commercial banking system during the same period.* And RFC credit was designed to generate multiplier effects. This directed, Hamiltonian credit drove the economy forward.

In 1947, after Roosevelt’s death, the U.S. government’s funds for the Marshall Plan in Europe were administered through the same Reconstruction Finance Corporation. It is no accident that the Kreditanstalt für Wiederaufbau (KfW), which successfully rebuilt Germany after World War II, looks and functions so much like the RFC: Some of its initiators worked to model the KfW upon the RFC’s best features. In 1947, in the first discussions for the prototype of the KfW, the name used was Reconstruction Loan Corporation (RLC). German banker Hermann Abs had his own ideas for credit generation, but he and other Germans were quite familiar with the RFC.



The Tennessee Valley Authority's scores of major infrastructure projects, rapidly completed and accompanied with leaps forward in education, public health, electrification, and sanitation in an economically backward area, were central to the New Deal and became a worldwide model. Here, the Watts Bar Dam and steam-electric plant under construction.

2. Infrastructure

The Depression, while imposing great hardship, also presented the opportunity to transmit new technology through new infrastructure projects, which were urgently necessary in any case, and several of which had waited decades as ideas in the minds of patriots and engineers. The New Deal constructed economic infrastructure that fulfilled three interrelated, integral objectives.

First, Roosevelt built some of the largest great projects of integrated hydroelectric power and water management, in the nation's history. The centerpiece was the Tennessee Valley Authority, which revolutionized an entire economically backward region in America's former Confederacy. With the TVA and other great hydroelectric/water projects serving as national structural pillars, Roosevelt filled in the rest of the expanse of the country with over 45,000 projects in the five basic categories of infrastructure, over the period 1933 through 1939.

Second, the infrastructure employed millions of workers productively, enabling them to restore their labor power and provide for their families (see below).

Third, the infrastructure-public works projects stimulated the economy through the multiplier of the bills of materials ordered. Each project variously required structural steel bars, cement, tile, cranes, earth-moving equipment, machine tools, etc.; factories reopened to produce the goods to fill the orders; they, in turn, rehired workers in that vast portion of the economy that the Depression had shut down.

The economic infrastructure built under Franklin Roosevelt's administrations transformed the physical contour of America forever, permanently increasing the productivity of

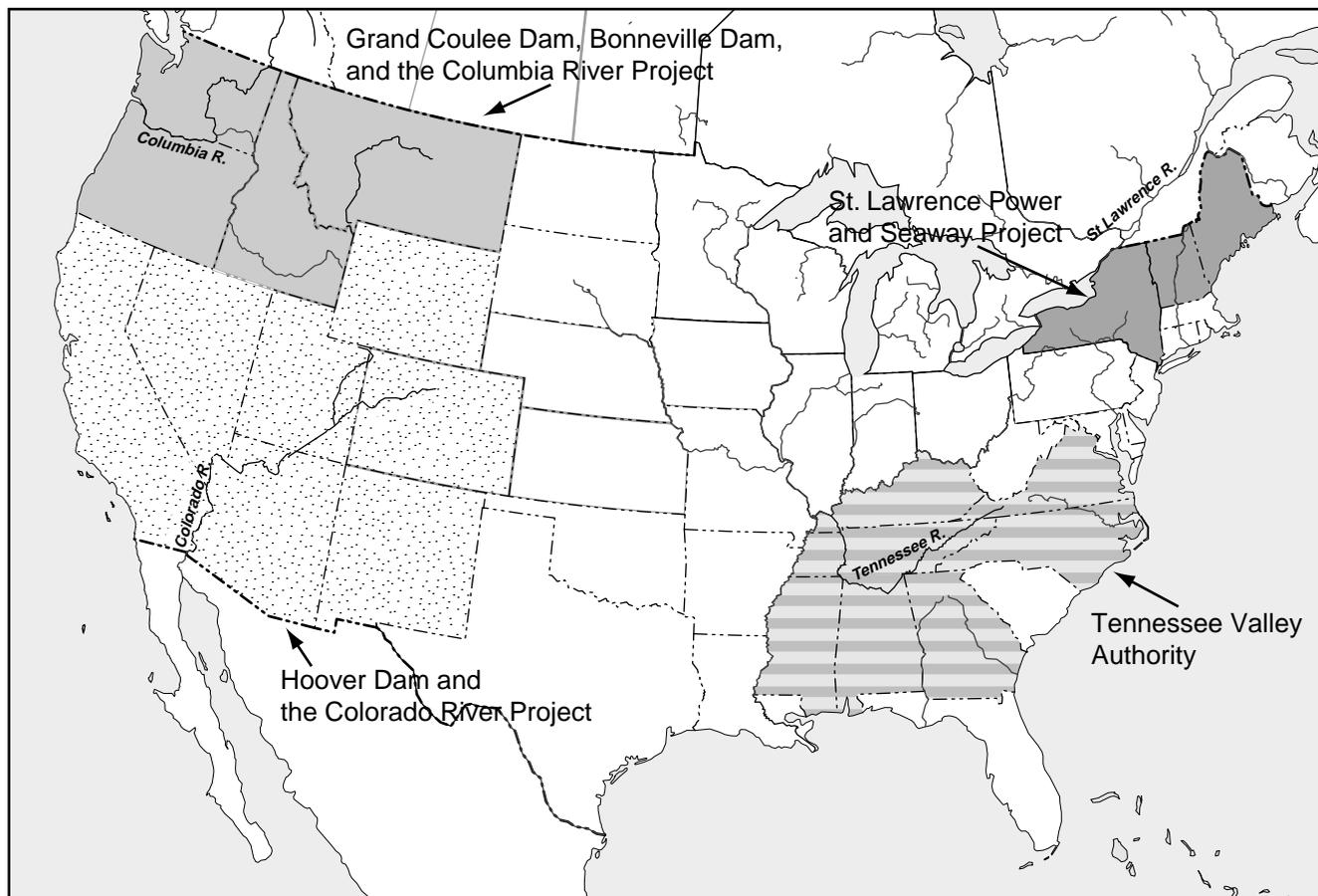
the economy and the productive powers of labor. Really to grasp what he accomplished, it is first necessary to distinguish what the inherent power of infrastructure is. It is no mere list of projects, as Lyndon LaRouche makes clear in his contribution to this report: "The basic economic infrastructure of transportation, water management, energy production and distribution, sanitation, forestation, urban development, and so on, is an extension of the fossil Earth's development, bringing the 'ecology' of our planet to much higher levels of anti-entropic metastability than the Earth could have achieved without us."

The universe is not governed by increasing disorder and entropy. As in the conception formulated by the great Russian scientist Vladimir Vernadsky, and advanced by LaRouche, it is an ordered process, characterized by three multiply-connected categories of universal physical principle: a.) non-living matter; b.) living processes (Biosphere); and, c.) human cognitive processes (Noösphere). Human cognition, in social form, acts upon the biosphere to bring it to greater perfection, through economic infrastructure which embodies the cumulative scientific discoveries of mankind.

In an essay, "The Gravity of Economic Intentions" (see *EIR*, March 30, 2001), LaRouche stated, "From this standpoint, the functional relationship of the Noösphere to the Biosphere, is expressed chiefly as what macroeconomics views as *basic economic infrastructure*. This means, chiefly, *the development of the land-area of a national physical economy as an indivisible unit of action, . . . over a relatively long-term period of not less than approximately a quarter-century, or even much longer.*"

Through this process, man is able to improve the longevity and other demographic characteristics of society, and to in-

Roosevelt's 'Four Quarters' Development Projects



Source: EIRNS.

crease its per-capita useful output within a diminishing required amount of average land-area per capita. There is an increased production of people, each of a higher cognitive quality and standard of living; thereby man increases his power over the universe.

Battle Plan: the 'Four Quarters' Projects

Recall that on Sept. 21, 1932, campaigning in Portland, Oregon, Roosevelt unveiled the bold plan to build four extraordinary infrastructure projects, telling the world his first line of attack to defeat the Depression:

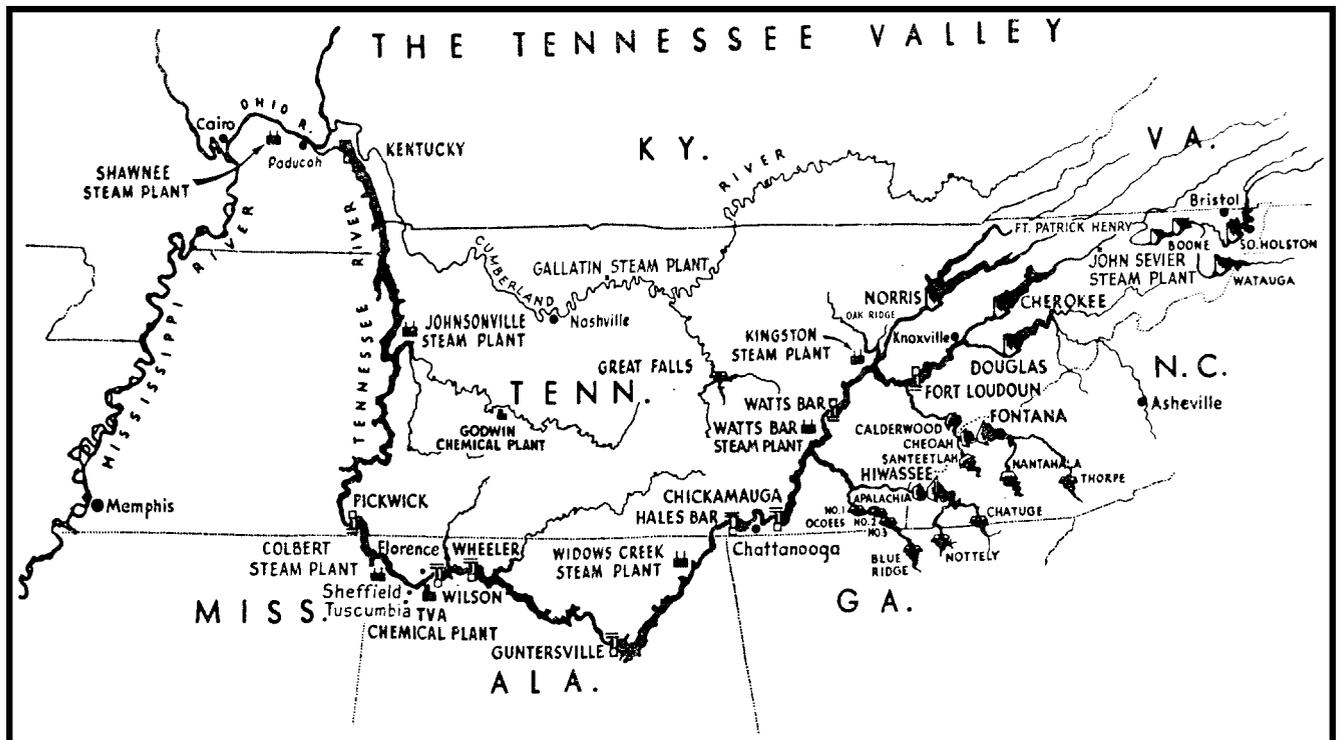
"We have, as all of you in this section of the country know, the vast possibilities of power development on the Columbia River. And I state in definite and certain terms, that the next great hydroelectric development to be undertaken by the Federal government must be that on the Columbia River.

"Here you have four great Government power developments in the United States—the St. Lawrence River in the

Northeast, Muscle Shoals [the initiating project of the Tennessee Valley Authority] in the Southeast, the Boulder Dam [later renamed the Hoover Dam] in the Southwest [on the Colorado River], and finally, but by no means the least of them, the Columbia River in the Northwest [where the Grand Coulee and Bonneville Dams were built]. Each one of these, in each of the four quarters of the United States, will be forever a national yardstick to prevent extortion against the public and to encourage the wider use of that servant of the people—electric power."

Map 1 shows the four development projects, and the regions that they encompassed, which, together, directly affected 22 states. Encapsulated in this idea, was a battle plan to use the four regions as beachheads, which, as an integrated force, would enkindle the development of the United States land-area as an indivisible unit of action. It would eliminate underdevelopment, and generate civilization. It was the opening round of a total assault.

The Tennessee Valley Watershed



Source: Tennessee Valley Authority.

Start with the Tennessee Valley Authority in the Southeast quarter.

The battle to develop the hydroelectric power upon the Tennessee River had started prior to World War I, and a first step was realized when work was begun on construction of a dam on the river at Muscle Shoals, Alabama during World War I. Upon completion in 1925, this dam, named the Wilson Dam, had a generating capacity of 184,000 kilowatts of electricity.

Sen. George Norris (R-Neb.), who, though no part of the Tennessee River touched his native state of Nebraska, saw in the river a great potential contribution to national development, introduced legislation calling for the U.S. government to take over the Wilson Dam—which it had built—and sell its electricity cheaply to the population. In 1928, President Calvin Coolidge vetoed that legislation, and subsequent legislation that Norris would introduce for development of hydroelectric power on other parts of the Tennessee River.

Norris also had to contend with the large electric power trust of Commonwealth and Southern (C&S), a holding company run by J.P. Morgan, that owned subsidiary companies which, in turn, owned and controlled power generation and distribution in most of the Southern states. C&S charged more

for electricity, and denied it to many, thus preventing development. It did not want a project such as Norris proposed, to undercut the C&S price.

What President Roosevelt confronted in launching the TVA—and the reason he launched it—was tremendous underdevelopment. There were two principal reasons for this: first, nature, that is, the river itself and the pattern of rainfall; and second, the presence of the ruinous legacy of the Confederacy.

As for nature, **Map 2** shows the path traversed by the Tennessee River, which starts in the mountains of Virginia and North Carolina, heads southward into Alabama, and then, after travelling along the northern tier of Alabama, heads northward until it reaches Paducah, Kentucky, where it flows into the Ohio River system. The Tennessee River and its tributaries—the French Broad, the Holston, the Hiwassee, the Little Tennessee, and the Clinch rivers—cover a valley watershed of 41,000 square miles that covers all, or portions of, seven states (North Carolina, Virginia, Tennessee, Georgia, Alabama, Mississippi, and Kentucky).

The average level of rainfall in the Tennessee Valley is 52 inches per year, considerably higher than the national average (and in some portions of the Valley, the average rainfall exceeds 80 inches per year). Destructive flooding regularly



At left, a picture of Chattanooga, Tennessee in 1867, after the flooding Tennessee River inundated the entire city. At right, Chattanooga in 1967, with completed reservoirs and a broad, well-banked Tennessee River flowing past a developed city, untouched by floods.

stripped the topsoil from the land, robbing it of its nutrients. There were approximately 4.5 million acres of fertile soil in the Valley, but the flooding limited agriculture to 1.5 million acres, and that could be farmed only sporadically. Industry did not develop in the region, and periodically, the floods would submerge and destroy portions of cities such as Chattanooga, Tennessee.

But there was a second ravaging influence: the continuing legacy of the pro-feudal Confederacy. This had created 70 years of enforced backwardness following the Civil War. Rep. Thaddeus Stephens had led the attempt to carry out Reconstruction after that war, to industrialize the South. But the Confederacy and instruments it spawned, like the Ku Klux Klan, mobilized to stop this.

Thanks to the Confederate legacy, in 1925 the infection rate for malaria was between 30% and 40% in sections of the Valley, and there were other diseases like smallpox and typhoid. Many sections had little sanitation and no hospitals, and in some, rates of adult illiteracy of up to 50% existed. Electricity had not reached many portions of the region: In Tennessee only 3% of farmers had it, and in Mississippi, only 1%.

All in all, there was enforced underdevelopment. The conditions were very similar to those existing in poorer portions of Ibero-America, Asia, and Africa today. In fact, an individual walking into some parts of the Tennessee Valley could just as well be walking into sections of Europe during the Middle Ages.

Roosevelt moved to take down the Confederate influence, and eradicate the underdevelopment.

Building the TVA

On April 10, 1933, President Roosevelt sent to Congress a special message calling for legislation to create a Tennessee Valley Authority. He stated that the TVA “would be a corporation clothed with the power of Government, but possessed of the flexibility and initiative of private enterprise,” which would be funded by the government. “It is clear that the Muscle Shoals development [including the Wilson Dam, which

was the initiating site of the TVA] is but a small part of the potential usefulness of the entire Tennessee River. Such use, if envisioned in its entirety, transcends mere power development; it enters the wide fields of flood control, soil erosion, afforestation, elimination from agricultural use of marginal lands, and distribution and diversification of industry. In short, this . . . leads . . . to national planning for a complete river watershed involving many states and the future lives and welfare of millions.”

George Norris co-sponsored the legislation.

In founding the TVA, Roosevelt appointed three directors: Harcourt Morgan, Arthur A. Morgan, and David Lilienthal, who became its second chairman. In his 1944 book, *TVA: Democracy on the March* (by 1944, there were 20 TVA hydroelectric dams on the Tennessee River system), Lilienthal described some of the physical work.

“In the heat and cold, in driving rain and under the blaze of the August sun, tens of thousands of men have hewed and blasted and hauled with their teams and tractors, cleaning more than 175,000 acres of land, land that the surface of the lakes [reservoirs] now covers. They have built or relocated more than 1,200 miles of highway and almost 140 miles of railroad. With thousands of tons of explosive and great electric shovels they have excavated nearly 30,000,000 cubic yards of rock and earth to prepare the foundations of these dams—an excavation large enough to bury twenty Empire State buildings. To hold the river, men of the TVA have poured and placed concrete, rock fill, and earth in a total quantity of 113 million cubic yards. . . . [which] is more [material] than twelve times the bulk of the great seven pyramids of Egypt.”

The TVA learned how to build hydroelectric dams quickly, using technological innovations. The Fontana Dam, built in southeastern Tennessee, the largest dam east of the Mississippi River, was constructed during only 18 months of 1941-42. It was built around the clock, which required using a newly developed water cooling system, so that concrete that had been poured could be cooled quickly and correctly, in order that new concrete could be poured right next to it.

But especially important was the upgrading of the labor force; American Indians, for example, were assimilated into the Fontana Dam labor force to do critical work. This process is conveyed by a picture in the little museum area located at the Fontana Dam. It shows an American Indian on top of and driving a huge bulldozer, engaged in earth-moving, who has a look, simultaneously, of intense concentration and boundless happiness on his face.

In 1933, there was little power generated in the region, but by 1939, the TVA system produced 2 billion kilowatt-hours; by 1945, it generated nearly 12 billion kwh, a further six-fold increase. Today, it generates 166 billion kilowatt-hours annually.

It should be noted that the enemies of the New Deal did everything they could to try to wreck the TVA. The Morgan-run C&S electric company, and the Morgan-Mellon-du Pont-controlled American Liberty League, brought 57 different legal suits against the Authority to try to stop its work. In January 1938, the anti-New Deal U.S. Supreme Court, after dragging its feet for years, finally ruled on one of the precedent cases brought against the TVA, finding that the TVA was constitutional. Thereafter, work went forward on an accelerated basis.

Revolutionary Change

The TVA incorporated, as an integrated package, hydro-electric generation, flood control, irrigation, scientific agriculture, the fostering of manufacturing, eradication of disease, elimination of illiteracy, and the spread of electrification, to bring about a revolutionary change to a region. The Authority put an end to the flooding, and its attendant destruction. The photo collage shows the dramatic change for one of the region's major cities.

The TVA also spread electricity. In 1933, the average Tennessee Valley resident used, per capita, only 60% as much electricity as the average resident of the United States. But by 1939, the Valley had leapfrogged the country: The average Tennessee Valley resident had 125% of the national average of electricity use per capita. This miraculous change altered every feature of life. The TVA also lowered the price of electricity: In 1933, the average cost of a kilowatt-hour of delivered electricity was a little over 7 cents; by 1935, it was about 2.5 cents, a savings of 65%.

The TVA fundamentally changed agriculture. It set up 15,000 "demonstration farms" throughout the region. On the farms, agronomists worked with the farmers to apply scientific methods that incorporated increased fertilizer use (much of it produced by the TVA itself, and sold at inexpensive prices); increased electricity use, which enabled farmers to use all manner of farm implements; the use of tiering on mountainsides to lessen water runoff, loss of top soil, etc. Between 1933 and 1943, the per-acre yields on the 15,000 TVA "demonstration farms" tripled. Farmers were brought from throughout the region to visit and study the methods of



Tennessee Valley Authority Chairman David Lilienthal wrote in 1944, "Impossible things can be done, are being done, in this mid-Twentieth Century."

the demonstration farms, spreading the increased farm productivity throughout the Valley.

With flood control, and increased electricity, the TVA deliberately brought manufacturing to the region, where it had scarcely existed before. Utilizing the electricity, aluminum plants were constructed there during World War II, to produce aluminum for military aircraft. In 1930, the Valley had four farm workers for every factory worker, but by 1960, it had two factory workers for every farm worker. This stunning shift in the composition of the labor force in only 30 years, represented a rapid industrialization and modernization; and, at the same time, each farmer was more productive.

The TVA, acting as a development organization, tackled other problems. The Authority established its own Health and Safety Department. By the mid-1940s, once-rampant malaria had been nearly eliminated in the Tennessee Valley. The U.S. government and the TVA jointly planned programs with special emphasis on constructing sanitation projects, and instituted immunization against smallpox, typhoid, and diphtheria. To overcome prevalent illiteracy, the TVA, in conjunction with government agencies, brought in books and libraries, including libraries on wheels, to reach people in the outer areas of the region. When the library program began, it was

distributing 52,000 books from 200 locations. By 1951, the regional library services distributed 1.5 million books.

Finally, availing itself of the abundant electricity, the government constructed at Oak Ridge, Tennessee, a nuclear development center, initially part of the wartime Manhattan Project, later one of the leading nuclear science and technology laboratories. A region that had been steeped in backwardness now had one of the top research and development centers in the world.

In his 1944 book, *Democracy on the March*, the famous chairman of the TVA, David Lilienthal, expressed the TVA's higher purpose: "Today, after ten years of TVA's work, at last its boundless energy works for the people who live in this valley. This is true of but few of the thousands of rivers the world over. But it can be true of many, perhaps most. The job will be begun in our time, can well be along toward fulfillment within the life of men now living. There is almost nothing, however fantastic, that (given competent organization) a team of engineers, scientists, and administrators cannot do today. Impossible things can be done, are being done in this mid-Twentieth Century."

The TVA had accomplished a revolution in demographics and potential relative population density for the whole Tennessee Valley region. It was strikingly clear that under Roosevelt, the TVA was a successful model of how a region *in any part of the world*, beset by enforced underdevelopment, could leapfrog onto the path of development and growth.

Source of Development Planning

Many nations looked to the TVA as a source for planning and a model for integrated regional development, and sent their representatives to visit. The Authority helped develop the grand conception of China's Three Gorges Dam on the Yangtze River. From its inception, the TVA worked with engineers and statesmen from China. Before the war, engineers from the National Resources Commission of China visited the TVA, and during the war, an electrical engineer from

MAP 3

The Colorado River Basin



Source: Bureau of Reclamation.

the TVA was an adviser to the Chinese War Production Board. Hu Shih, China's ambassador to the United States, and chairman Lilienthal developed a close relationship. In 1939, Ambassador Hu suggested to Lilienthal that at the war's conclusion, TVA should work with China in its reconstruction. They met to plan the multipurpose dam development of the Yangtze River. In December 1944, some 26 Chinese industrial representatives toured the TVA region and held ten days of discussions. They bore gifts and personal greetings from the chairman of the National Resources Commission of China.

On Feb. 6, 1945, Lilienthal met with Don Nelson, who had headed the U.S. War Production Board, and was now going to China as Roosevelt's personal representative. At their meeting, Lilienthal and Nelson discussed the Yangtze Three Gorges project as a Chinese "TVA."²

Plans to create TVAs in many parts of the world, follow-

2. For much more on the extraordinary international work and influence of the Tennessee Valley Authority, see Marsha Freeman, "Roosevelt's TVA: a Model for Global Development," *EIR*, June 12, 1998.



The Southwest of Franklin Roosevelt's "Four Quarters" of national infrastructure renewal, was anchored by the Hoover Dam, the highest in the world for half a century afterwards.

ing World War II, were developed and presented. A plan for the Jordan River in the Middle East was not completed because of British instigation of wars. A TVA project, the Khuzistan Water and Power Authority, was developed in Iran in the 1960s. Projects were developed for India, although here too the British engaged in sabotage. It was at the Oak Ridge laboratories, in Tennessee, that researcher Perry Stout developed a study entitled, "Potential Agricultural Production from Nuclear-Powered Agro-Industrial Complexes Designed for the Upper Indo-Gangetic Plain." These "nuplexes" incorporated nuclear power plants, manufacturing facilities, transportation systems, etc.

Franklin Roosevelt had intended to build six additional "TVAs" in the United States, and many around the world. Within today's overarching mission of bringing the Eurasian Land-Bridge into existence, such work is still appropriate.

The Other Pillars of Development

As the TVA was realized, Roosevelt moved to build the other three "quarters" of infrastructure development, which would not only change the region in which they acted, but converge to act on the United States as a whole. These were the leading pillars of the national crash mission. What they achieved can be succinctly reported.

The pillar of the Southwest quarter was the Hoover Dam. The Colorado River starts in the Rocky Mountains of Wyoming and Colorado, and runs southward through Arizona and

Nevada (**Map 3**), draining an immense watershed of 250,000 square miles, including areas in seven states. In the Spring, the swollen river would create violent floods, while farther out in the surrounding region, marked by wide stretches of desert, human and biospheric life were starved for water.

Construction of the dam project had started in mid-1931, under the Hoover administration, but it did not accelerate until the Roosevelt administration took charge. The project chose as its damsite the Black Canyon, near Las Vegas, Nevada. The site was a gorge with a very steep drop. Daily temperatures there could reach above 100 degrees. Since the damsite was in an isolated, barren area, everything necessary had to be moved in and/or constructed there: machine shops, air compressors, two huge-concrete mixing plants, warehouses, housing "townships" for the workers, etc. To provide the area with power, a 220-mile-long power line had to be strung across the blazing desert from San Bernardino, California.

The damsite to be constructed started 800 feet below the upper rim of the canyon, and a good deal of it was unreachable by normal means (see the photograph). This presented a huge engineering challenge: Aerial cableways, spanning the canyon, were constructed, and critical elements were lowered into the canyon. An entire modern city was built for the workers who came to the area, according to one history, "in broken-down cars, and some walked. Some were undernourished. . . ."

Upon completion, the 726-foot-high structure, then the

Columbia River Basin



Source: U.S. Army Corps of Engineers.



The central New Deal infrastructure project of the “Northwest Quarter” built the Grand Coulee Dam on the Columbia River in Washington State (above), and the Bonneville Dam in Oregon.

world’s highest dam by about 300 feet, incorporated many technological innovations, including original twin diversion tunnels. The U-shaped power plant at Hoover Dam initially generated 1.33 million kilowatts (gigawatts) of power. The Hoover Dam directed the once wild Colorado River, after capturing its hydroelectric power, to travel in an orderly fashion, through the All-American Canal constructed at that time, to the Imperial Valley in southern California. This formerly desert area, receiving the water, became the nation’s largest vegetable-growing region. The Hoover Dam, through a specially built canal and pump system, also directed the Colorado River to provide much of the fresh water for the City of Los Angeles. Together, the dam’s generation of abundant electricity and provision of fresh water made the desert bloom and spawned industrial growth, population growth, and city-building in the Southwest/Far West quadrant of America, much of which had once been uninhabitable.

The Grand Coulee and Bonneville Dams were the great projects envisioned by FDR for the Northwest Quadrant. The Columbia River has one of the greatest volumes of water flow, per second, of any river in the world. Its headwaters arise in British Columbia and then, heading southwards, the river flows into the American states of Washington, Oregon, Idaho,

and Montana (**Map 4**). The Columbia River watershed covers an immense 220,000 square miles of territory in the American Northwest (and an additional 39,000 square miles in western Canada). Periodically, the river would overflow, creating deluges, while a large section of the Northwest’s fertile soil could not be developed fully for lack of irrigation.

A chain of hydroelectric and river diversion dams was built on the Columbia River and its tributaries, of which the crown jewels are the Grand Coulee Dam, in Washington State, and the Bonneville Dam in Oregon. Each dam represents a technological wonder. The Grand Coulee is 530 feet high and 4,173 feet long, and contains 10.5 million cubic yards of concrete, making it the world’s largest concrete structure. Due to its huge generators, it was the world’s largest hydroelectric plant up until the 1980s, when Brazil’s Itaipú Dam’s generating facility was built. The efficiency of Grand Coulee’s and Bonneville’s hydro-power pushed the price of electricity down to less than 2 cents per delivered kilowatt hour. During World War II, this abundant, cheap electricity led Alcoa and Kaiser Aluminum to open up aluminum plants throughout the Columbia River basin, and Boeing Company to build its major aircraft factories in Washington State. The Columbia River-based great infrastructure project built a tremendous potential for growth, still largely to be tapped, into the vast region. The fertile soil, now irrigated with water from the Columbia River, has blossomed.

Finally, the infrastructure mission in the Northeast Quadrant centered on the St. Lawrence River, which runs northeastward, between the United States and Canada, as an outlet for the Great Lakes all the way to the Atlantic Ocean, with potential for hydroelectric power all along the way. (See **Map 5**.) Roosevelt worked on trying to realize such power from 1911, when he was a New York State Senator, throughout

St. Lawrence Seaway



Source: Canadainfolink Web Site.

his whole life. Lacking the treaty with Canada required for development of the project, Roosevelt could not build it during his lifetime. But when consummated in the 1950s, it realized all the promise he had foreseen.

These four great projects transformed immense regions, and the first three of these, during the 1930s and 1940s, had a remarkable effect on increasing productivity for the United States as a unit area.

There were many other great projects, of which the Rural Electrification Administration, and the Mississippi River control projects, deserve special attention.

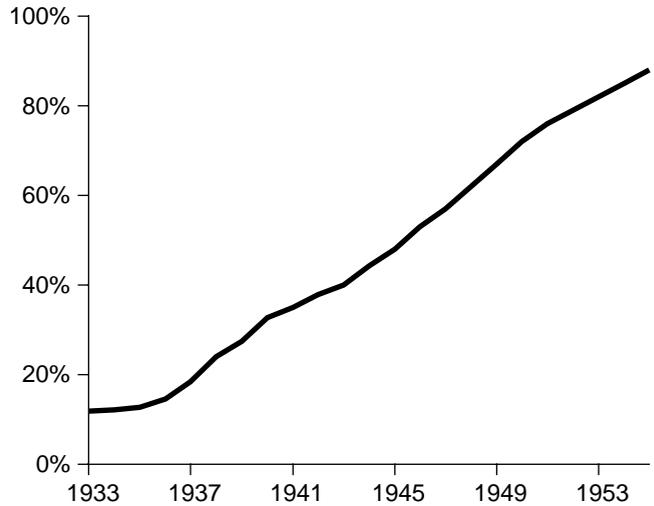
In 1934, some 49.2 million rural Americans did not have the use of electricity—that was 89% of those living in rural areas—and 39% of all Americans were without electric power. Roosevelt produced a great increase in capacity, but the question was how to get the power to rural America. In 1935-36, he created the Rural Electrification Administration (REA) to electrify the countryside. The REA set up and extended loans to rural cooperatives, to purchase electricity and build transmission lines. By the mid-1970s, the REA program included 1.8 million miles of power transmission lines, 50% of the nation’s total. **Figure 1** shows that in 1933, only one in ten American farmers had electricity; this rose to 48% by 1945, and to 88% by 1955, as the REA and New Deal projects came on line. The productive potential of rural communities was elevated.

The Mississippi River, third largest in the world, flows north-south from above Minneapolis-St. Paul in Minnesota, through the heart of America on its way toward emptying out in the Gulf of Mexico (see **Map 6**). The mighty Mississippi’s periodic floods destroyed animal life, human life, and cities, such as New Orleans, Louisiana. Though it was used for navigation, its plentiful shoals, shallows, and other impediments, plus raging floods, made portions of the river difficult to navigate or unnavigable. With Roosevelt pushing the process, the Army Corps of Engineers built a unified flood control and river diversion program, with a series of 28 major locks and

FIGURE 1

American Farms With Electricity, 1933-55

(percent)



Source: National Archives of the United States, U.S. Dept. of Agriculture.

Map 6

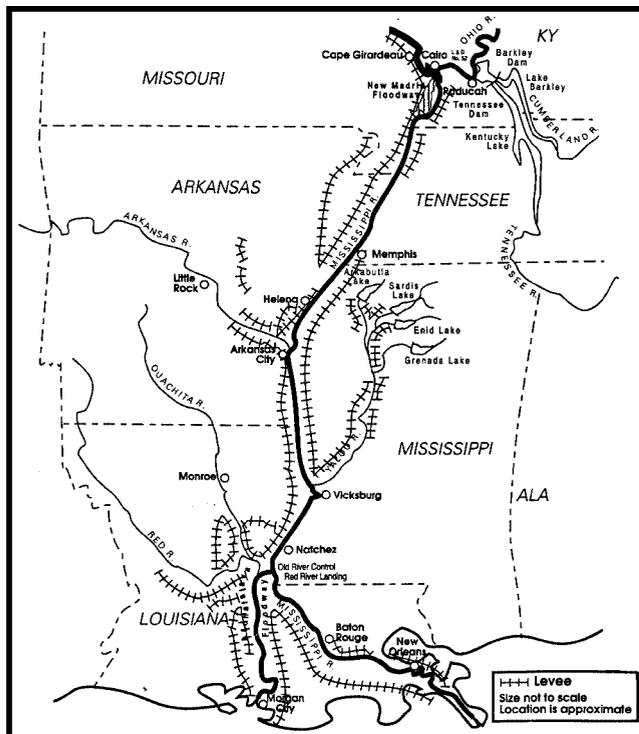
The Mississippi River



Source: EIRNS.

MAP 6a

Lower Mississippi River



Source: U.S. Army Corps of Engineers.

dams, reservoirs, levees, etc. (See **Map 6a.**) The flooding was stopped south of Cairo, Illinois, 15 to 20 million acres of overflow lands were reclaimed, and the river was made navigable. Within 15 years of the start of this ambitious undertaking, water-borne freight traffic increased five-fold.

In concert, the great “four quarters” infrastructure projects, along with the Rural Electrification Administration and the infrastructure activity upon the Mississippi River, produced a dramatic increase in the productive powers of labor for each of the affected regions, and for the United States as a whole.

Waves of Basic Infrastructure

Now, Roosevelt’s administrations filled in around these pillars, and built all the basic types of infrastructure in abundance. Over 45,000 infrastructure projects were built: bridges, tunnels, sewage treatment plants, fresh water provision, hospitals in locales without medical facilities, and thousands of schools. We can see the revolutionary effect that the medium- and small-scale infrastructure had, if we give an accounting of it in the following way: Rather than attempting to review the projects—an impossibility here—we present Public Works Administration (PWA) maps for the basic types of infrastructure, showing the immense scale of what they con-

MAP 7

Location of Major PWA Hydroelectric Dam Projects in 1930s



Source: Public Works Administration.

MAP 8

Allotments for Electric Power Projects



Source: Public Works Administration.

structed, and then consider leading examples.

Dams and hydro projects. The report has already discussed some of the great dam and hydroelectric projects. **Map 7** shows the rest. Roosevelt built 43 major dam and hydroelectric projects in 22 states. He also built over 450 medium- and smaller-sized dams.

Power plants. Roosevelt built 250 power plants for local governments, shown on **Map 8.**

Sewage and water treatment/sanitation. In 1933, more than 40% of America’s urban population did not have sewage treatment. **Map 9** shows the construction of over 1,000 sew-



The Mississippi flood of 1927, near Cairo, Illinois. New Deal flood-control construction by the Army Corps of Engineers, stopped the perennial flooding completely from Cairo south to the Gulf of Mexico (map 6a). Flood control on the Mississippi's northern sections was not pursued under later Presidents, so severe flooding still occurs there.

MAP 9

Location of PWA Sewage Disposal Projects



Source: Public Works Administration.

age systems throughout the United States. In 1934, the Roosevelt administration built a breakthrough sewage treatment plant in Chicago that required alteration of the Chicago River, so that it wouldn't reverse course; a system of street laterals that emptied into larger and deeper tubes, ending up in the great interceptors, far below street level, that were approximately the size of subway tubes, etc. When completed, it was double the size of any other treatment plan in the world. It removed solids from 400 million gallons of sewage a day, served 1.5 million people, and poured purified water back into the river. Between 1934 and 1938, the New Deal constructed more sewage-treatment plants in New York State than had been built there during the previous 30 years.

MAP 10

PWA Program of Hospital Construction



Source: Public Works Administration.

Health and hospital systems. In the 1930s, in Florida, between 500 and 1,000 people died every year from tuberculosis, yet the state did not have a single hospital dedicated to tuberculosis treatment and cure. In sections of the South, hospital treatment was primitive.

In 1937, President Roosevelt mobilized to conquer the problem with indicative planning. He set up an Inter-Departmental Committee to Coordinate Health and Welfare Activities. A technical committee of this broader committee was created, which made a survey of the nation's health needs. In July 1938, Roosevelt called a national conference, at which the technical committee presented its findings. It found that 40% of the counties in the United States did not have a single registered general hospital!; that 60% of the states had fewer hospitals than could be considered adequate; and that there was an acute shortage of pure drinking water and sanitary sewage systems. The President's approach was to build hospitals to an indicative level *per thousands of population* (Map 10). Between 1933 and 1939, the New Deal effected an increase of 121,760 hospital beds nationwide.

After the war, New Dealer Senator Lester Hill (D-Ala.) introduced the Hill-Burton Act of 1946, which codified and brought to fruition the Roosevelt policy of indicative hospital planning and construction, by county, with Federal assistance.

Public Works Authority waterworks projects. The thousands of projects for fresh water provision are shown on Map 11. Note that FDR's administration deliberately built infrastructure projects in the South. Were it not for the New Deal, the economy of the American South would hardly exist today, to sustain the likes of Sen. Phil Gramm (R-Tex.) to complain against the New Deal.

Transportation. The Roosevelt administration constructed every fundamental form of transportation, from tun-

MAP 11

Location of PWA Waterworks Projects



Source: Public Works Administration.

MAP 12

PWA Program of Educational Building Construction



Source: Public Works Administration.

nels, bridges, and rail, to ports and waterways. The PWA lent money to the Pennsylvania RR, America's largest Eastern railroad, to carry out a marvelous electrification project, which allowed it to build 68 electric locomotives, and buy another 33 electric locomotives and 93,787 tons of rail. The PWA also built the Chicago Loop elevated subway. And the New Deal allotted funds, primarily to the Army Corps of Engineers, to widen, deepen or improve almost every major harbor on the East, South, and West Coasts of the United States.

Education. In March 1933, an earthquake struck Los Angeles, Long Beach, and other cities in southern California, tearing apart the walls and foundations in many schools. The California state legislature passed legislation requiring the schools to meet earthquake construction standards, but lacked the money to address the problem. Accordingly, the children were going to school in make-shift tents, bungalows, and temporary shelters. The Public Works Administration stepped in to provide more than half the funding to rehabilitate, or construct anew, 536 school buildings, capable of withstanding earth shocks greater than those experienced in the past.

Map 12 shows Roosevelt's school construction. Between 1933 and 1939, the New Deal accounted for more than 70% of all school construction nationwide, building about 60,000 classrooms with seats for approximately 2.5 million children.

Franklin Roosevelt's New Deal had built positive growth and productivity into the economy for a generation to come.

3. Public Works Employment

On June 6, 1933, President Roosevelt signed into law the National Industrial Recovery Act. The NIRA was a mixed bag of conflicting policies, but Roosevelt emphasized its Title II—"Public Works and Construction Projects"—as

critical to his recovery measures. It established the Public Works Administration as an agency through which the U.S. government would hire unemployed workers in Federal public works, building everything from ports and flood control, to bridges and transportation. Title II authorized, over two years, spending \$3.3 billion—nearly 30% of U.S. Federal budget expenditures—for public works. This was the largest amount to be spent on public works in the nation's history.

Roosevelt stressed putting people to work as a top priority in his March 4, 1933 inaugural address, and mobilized the American people behind this national mission. Unemployment had risen, officially, to 12.83 million people, or 24.9% of the labor force, by January 1933. But it was more pervasive than that, as Roosevelt knew. In Detroit, in early 1933, according to a representative of the Mayor's office, about 350,000 out of the city's 689,000 potential wage earners—more than half—were totally unemployed, and many others were working only short time.

National unemployment insurance did not exist until Roosevelt later created it, and only two states had a state unemployment insurance system. Workers who had lost jobs had to rely on state and local "relief," and the Depression, by mid-1932, had exhausted that relief or reduced it to a pittance. Private charity assistance was also largely exhausted, even as it has, during 2001, shrunk today.

The Public Works Administration which the NIRA created was directed by Harold Ickes, who was also Roosevelt's Interior Secretary. By November 1933, a second public works organization was created, directed by Harry Hopkins, called the Civil Works Administration (its successor organization would be the Works Progress Administration). The third public works agency, the Civilian Conservation Corps, mostly hired youth.

These public works organizations had three purposes:

building hard and soft economic infrastructure; providing wage employment to restore the nation's labor power and sustain families; and multiplying their own effect through the purchase of the bill of materials used in the public works. During the 1930s, these public works literally restarted the economy, employing directly an average of 3.1 million workers per year, and including their multiplier effects, in direct and indirect employment, giving combined direct or indirect employment to approximately 7.1 million workers per year.

The Civil Works Administration

Franklin Roosevelt's close collaborator in the field of public works, was Harry Hopkins. Born in 1890 in Sioux City, Iowa, Hopkins moved to New York State, and during the mid-1910s, as director of the New York Tuberculosis and Health Association, did a brilliant job in taking on the scourge of tuberculosis, by attempting to eradicate the medical, housing, and sanitation conditions that gave rise to the disease. Hopkins headed Gov. Franklin Roosevelt's relief operations in New York State during 1931-32. Later, he served as one of Roosevelt's most trusted confidants and emissaries in relations with Russia during World War II. Frequently appearing disheveled, the lean, loose-limbed, and astute Hopkins often wielded an acerbic wit, and had a determination to carry out what Roosevelt asked him to do.

The first New Deal organization that Hopkins was to head was the Federal Emergency Relief Administration (FERA), created May 12, 1933 to provide unemployed relief. A mark of the Roosevelt administration was that it focused not so much on formal organization, as on the purpose to be accomplished. On May 20, 1933, his first day on the job, Hopkins met with President Roosevelt to discuss what had to be done. He had no formal organizational chart and no office. Historian William Leuchtenburg described what Hopkins did first: "A half-hour after Hopkins left the White House, he placed a desk in the hallway of the RFC [Reconstruction Finance Corporation] building. Amidst discarded packing cases, gulping down endless rounds of black coffee, and chain-smoking cigarettes, he spent over \$5 million in his first two hours in office."

Hopkins judged work to be better than relief for the unemployed. Toward the early Fall of 1933, he had heard of weather reports—which proved to be true—that the Winter of 1933-34 would be very severe, and he knew that workers would need incomes to survive. Hopkins persuaded President Roosevelt to establish, on Nov. 9, 1933, the Civil Works Administration within FERA. Roosevelt diverted some of the \$3.3 billion that had been dedicated to public works under the NIRA Act, to the CWA's public works.

There was a distinction between Hopkins' CWA (and later, the Works Progress Administration he headed), and Harold Ickes' Public Works Administration. Hopkins' CWA's principal mission was to build medium- and small-scale infrastructure. His projects, by design, were to employ



Franklin Roosevelt's close collaborator in the public works revolution, Harry Hopkins, head of the Works Progress Administration.

as many people on relief as possible, and to be set up and launched as quickly as possible. Ickes' PWA's principal mission was to build larger infrastructure, including great projects like the Grand Coulee Dam. By design, Ickes' projects were to employ a mix of skilled, semi-skilled, and unskilled workers. Several projects required long-range planning before they could start.

In operation, Hopkins' CWA demonstrated a crucial principle: that if one is properly motivated, one can employ a huge number of unemployed in productive work on an accelerated basis; public works can be effective immediately.

The CWA began operation on Nov. 9, 1933. *Ten days later*, Hopkins was employing 800,000 people on CWA payrolls. Two weeks later, the CWA employed nearly 2 million people. Nine weeks—in the week ending January 18, 1934—after the CWA had been started, the CWA had its peak employment: 4,263,644 men and women.

Colonel John C.H. Lee, an officer in the Army Corps of Engineers known for his highly demanding administrative attitudes and techniques, in the words of one historian, "watched Hopkins' unorthodox methods with astonished admiration." Lee wrote to a friend, "Mr. Hopkins' loose fluidity of organization . . . enabled him to engage for employment in two months, nearly as many persons as were enlisted and called to the colors during our year and a half of World War mobilization. . . ." The young administrator and "the group of able young assistants which he has assembled and inspired . . . have worked daily long into the night with a morale easily comparable to that of a war emergency."

Hopkins began to break the downward spiral of living standards.

Frank Walker of Montana, who headed President Roosevelt's National Emergency Council, reported what he saw in his home state: "old friends of mine, men I had been to school with—digging ditches and laying sewer pipe. They were wearing regular business suits as they worked because they couldn't afford overalls and rubber boots. . . ." Yet these men were happy. "Do you know, Frank," one of them said to Walker, "this is the first money I've had in my pocket for a year and one-half?"

The 'Make-Work' Lie

Yet, the lies of Morgan-Mellon-du Pont banking circles, and their political arm, the American Liberty League, invented 70 years ago against the Roosevelt public works projects, are repeated today by such circles as the Mont Pelerin Society, and Al Gore's Democratic Leadership Council. The Morgan faction labeled the public works "make-work," and "useless boondoggles." Countered with the truth, they raised their press and radio voices louder, shouting the same lies.

Consider what the CWA did during its brief period of existence between Nov. 9, 1933 and late March 1934. Its millions of workmen built or improved thousands of miles of city street and secondary roads; constructed or remodeled thousands of school buildings; created scores of airfields and improved as many existing ones; laid miles upon miles of sewer line; and constructed or improved hundreds of parks, playgrounds, stadiums, and swimming pools. CWA workmen renovated Montana's State Capitol Building and helped erect Pittsburgh's Cathedral of Learning. Among its other functions, the CWA employed 50,000 teachers to keep rural schools open and to teach adult education classes in the cities, and made it possible for unemployed Boston teachers to return to schools.

Still, the City of London-Wall Street financiers wanted to shut down the CWA program precisely because of its initial success in reconstructing the economy. They used their instrument inside the Roosevelt administration, monetarist Budget director Lewis Douglas, who was dubbed the "Minister of Deflation," to shut it down. Amid allegations that the CWA soon would lead to a permanent class of "people on the public payroll," on Feb 15, 1934, Douglas instructed Hopkins to dismantle the CWA. Within six weeks, Hopkins had to fire all of CWA's 4 million workers. London and Wall Street's method of sabotaging the New Deal was thus set—either through Congress, or through instruments inside the administration, it would ceaselessly attack the New Deal's spending.

In April 1935, Roosevelt succeeded in securing another appropriation for public works/infrastructure, two years after the first. Congress passed and Roosevelt signed into law, the Emergency Relief Appropriation Act, with the intention, again, of putting to work 3.5 million workers. The Act appropriated \$5 billion, the largest public works appropriation in

history.³ The Act established the Works Progress Division, quickly renamed the Works Progress Administration (WPA), and headed by Harry Hopkins. On the small and medium-size infrastructure projects typical of the CWA before it, Hopkins' WPA only employed 220,000 workers in 1935; but in 1936, 1937, and 1938, it employed an average of 2.3 million unemployed each year.

The NIRA Act of June 16, 1933 had created the Public Works Administration, headed by Harold Ickes. Ickes was born in Blair County, Pennsylvania in 1874; at age 16, he moved to Chicago; he was a progressive Republican in the Lincoln tradition, and was involved in the fight for civil rights (Eleanor Roosevelt and he were those most responsible for organizing Marian Anderson's outdoor concert at the Lincoln memorial in April 1939). Having thick features and gold-rimmed glasses, blunt, irascible, with a charge-ahead personality, Ickes was incorruptible and willing to go out front for Roosevelt, when others did not wish the publicity.

Collaborating with the Army Corps of Engineers, Ickes' PWA built great infrastructure projects, like the "four quarters" and Mississippi-region projects outlined above, spending a considerable amount on capital goods in the process, while employing 400,000-700,000 workers per year. This agency also participated in joint Federal-local government infrastructure projects, in which it made a combination of loans and grants to the local government institution involved.⁴

3. Franklin Roosevelt is often accused of running up budget deficits by public works spending, but this is a fallacy of composition. During the Depression, Federal tax revenues plummeted; the question was how to increase tax revenues through increasing economic activity. Under the impact of Herbert Hoover's budget-cutting, the U.S. budget deficit increased to \$2.735 billion in 1932. Had Hoover remained in office and pursued his failed policy, the deficit's tendency would have been to rise to \$4 to \$5 billion a year.

During the five years 1933-37, Roosevelt's budget deficits averaged \$3.245 billion per year—about \$500 million more than budget-cutter, President Hoover's level. But the *contents* of the two budgets were completely different: Roosevelt's budgets built tremendous infrastructure, put people to work, and paid unemployment benefits, creating, within the overall New Deal policy measures, a recovery. Hoover's budgets did nothing to restart the economy.

4. The PWA developed a novel, but useful way to aid cities and towns to finance the building of infrastructure. The Depression had left citizens unable to pay local property and other taxes, without which cities and towns could not maintain capital investment for infrastructure. In June 1933, even good municipal bonds were quoted at 30-40% discount, meaning that investors were not buying them. Further, the yield on a bond for 20 "standard" cities, as reported by *Bond Buyer* magazine, stood at 5.7%, an interest rate far too high for a city or town to pay in a depression.

The PWA set up a financing mechanism: first, it would purchase the bonds of a city or town at full par value, disregarding the "market" discount. Second, any qualifying municipality could issue a new bond at a 4% interest rate—rather than the prevailing yield of 5.7%—and the PWA would buy it. This rejuvenated the municipal bond market, enabling municipalities to engage in infrastructure building; and, as cities recovered and paid off their bonds with interest, the PWA made money.

In addition, once a local infrastructure project was designed and approved, the PWA would pay, through grants and loans, more than 50% of its construction cost.

The other job-creation legislation of 1933, which set up the Civilian Conservation Corps (CCC), was largely conceptualized by FDR himself. The mostly young men in the Corps—or CCC’ers, as they were known—were paid \$1 a day, and provided with food, clothing, and lodging in the famous “CCC camps.” Hundreds of thousands of young men each year were deployed to do useful work, primarily in rural areas and woodlands. One novel idea they carried out, in part conceived by Roosevelt, was to plant rows of trees along a several-hundred-mile north-south line in the Midwest, as a windbreak, to prevent the erosion of soil, and to prevent the appallingly destructive “Dustbowl” effect. The CCC’s purposes included river and stream diversion, and everything from clearing forests of underbrush, to building rural dams.

To arrive at the contribution of public works to the annual level of employment, if one takes the employment of the major public works programs, between 1933 and 1938, that contribution varied from a low of 900,000 (a year when neither the CWA nor the WPA was in existence) to a high of 4.01 million workers. Focusing on the years that the three major public works programs (WPA, PWA, and CCC) had employment, the average level of U.S. public works employment was 3.1 million workers per year.

Reviving the Private Economy, Rehiring Workers

The public works programs, by placing orders for goods to build the infrastructure projects, stimulated the *private* economy to produce these goods, reopening shut-down factories, rehiring laid-off workers; the public projects were used to revive the broader economy.

If one fosters infrastructure projects, they stimulate the production of volumes of raw, semi-finished, and finished goods that go into the infrastructure construction. For example, the construction of the Bonneville Dam required a bill of materials which included tractors, cranes, earth-movers, turbine-generators, electrical transmission lines, machine-tools, flow-ways, etc., as well as structural steel bars, cement, hollow tiles, etc.

Now imagine the thousands of public works projects that Roosevelt built each year, yielding, collectively, an immense bill of materials. This required a tremendous supply of these materials, through cranking up production. *The public works infrastructure ignited and drove the entire economy’s recovery.* We can depict this process in the period 1934-37, in **Table 2.**

Table 2 shows the primary phenomenon: The Public Works Administration’s infrastructure projects consumed each year an immense percentage of the United States’ total production of critical goods used in the industrial and construction process. For the three years 1934-36, of the United States’ total production, the PWA projects consumed, on average, 31.0% of all brick and hollow tile; 42.4% of all cement; 33.2% of all structural and reinforcing steel; 32.3% of all cast-

TABLE 2

Materials Purchased for PWA Construction Projects

Percentage of PWA Orders to U.S. Total Production, 1934-37

Type of Material	1934	1935	1936	1937
Brick & Hollow Tile	23.5	26.9	42.7	22.7
Cement	73.6	36.8	16.8	13.2
Structural & Reinforcing Steel	39.8	35.9	23.8	12.3
Cast-iron Pipe Fittings	35.0	30.0	31.8	17.7
Sand and Gravel	37.7	26.6	16.6	9.9

Source: Public Works Administration.

iron pipe fittings; and 27.0% of all sand and gravel. These are semi-finished goods and raw materials, and the PWA infrastructure projects were also consuming important percentages of other semi-finished goods and raw materials, such as wood, copper, zinc, and so forth.

These infrastructure projects also consumed significant percentages of finished goods, in particular capital goods. Though lacking exact figures, it can be estimated that the PWA infrastructure projects consumed 25% of the cranes, earth-moving equipment, electrical generators, pumps, as well as machine tools, that United States factories produced.

To produce these cranes and machine tools required, in turn—through their own bill of materials—steel, copper, and so on. The PWA projects sent waves of production stimulation through the economy, reviving production overall.

In 1936, the PWA projects’ percentage of total consumption of semi-finished goods declined. This showed a healthy further process: Other sectors of the U.S. economy were reviving, and as they did, they consumed a greater volume and therefore greater percentage of the materials listed above, even with PWA’s construction activity remaining at a high level. And we have indicated only the PWA infrastructure projects’ percentage of consumption of these goods; Harry Hopkins’ WPA also consumed structural steel rods, earth-moving machines, sand and gravel, and the rest of the bill of materials. The influence upon the whole economy would be greater if this WPA consumption were included.

The Job Multiplier

Just as the public works projects caused a revival of the broader private-sector economy, they also led to the rehiring of workers in the private sector. We can call this the “job multiplier effect” of the projects. We have already seen that when all three major infrastructure-public works programs were active at once, they gainfully employed approximately 3.1 million workers per year. How many additional jobs did they create through the “job multiplier effect”?

In 1939, the PWA commissioned a study to determine the number of jobs that it created in other parts of the economy.

It was characteristic of the PWA that its contractors submitted a certified copy of their payrolls to the local sponsor—state, country, or city government—which in turn submitted it to the PWA engineer on the job. This statement showed the number of men employed on the construction site, how long each worked, and how much each was paid. The contractors also submitted material orders, showing how much materials had been used, where they came from, and how much they cost.

The Bureau of Labor Statistics of the U.S. Department of Labor then studied the data, and found that PWA projects had *directly* employed 1.715 billion man-hours of work at construction sites through March 1, 1939 (with most of that work being completed by mid-1937). It then concentrated on how many jobs were created in the industries that produced raw materials and semi-finished goods (it did not focus on the capital goods industries). The BLS found that PWA projects had created approximately 3.179 billion man-hours in *indirect* employment in the industries that produced raw materials and semi-finished goods (and secondarily, those that distributed these goods). Thus:

1.715 billion man-hours of direct PWA employment

3.179 billion man-hours of indirect employment

4.894 billion man-hours of total employment

A large part of the 3.179 billion man-hours of indirect employment, were in the productive economy. In summary, each single job in the PWA created 1.85 indirect jobs in the private economy.

Clearly, if one were to include, in addition, the jobs created by the PWA infrastructure projects in the industries that produced capital goods (omitted in the 1939 study cited above), the “job multiplier effect” would be higher than 1.85 private jobs for one public works job.

To roughly calculate how many jobs the PWA, Harry Hopkins’ WPA, and the Civilian Conservation Corps created in the private economy, we may conservatively assume here a ratio of only one public-works-infrastructure job creating one job in the private sector. There are many reasons for making this conservative assumption, but the principal reason is that the more numerous jobs of Harry Hopkins’ WPA used fewer raw materials and semi-finished goods than did the jobs of the PWA.

As reported, the three infrastructure-public works programs employed 3.1 million workers per year. This created 3.1 million jobs in the private economy, so there is a total of 6.2 million jobs. These 6.2 million workers spent their income on purchasing food, clothing, and homes, and this created accompanying production and 0.9 million more jobs in those other sectors. As a result of infrastructure-public works, a total of approximately 7.1 million jobs were created, conservatively estimated. This represented about one-ninth of the United States’s workforce of the time. Roosevelt had made a major attack on the Depression unemployment, created jobs that made a productive contribution to the economy, and en-

abled workers to both sustain and uplift their families. This was quite a dividend to the economy (which could be repeated today). This put the U.S. economy on a new trajectory, which will be discussed at the conclusion of the section on the New Deal.

4. A President for Social Justice

President Franklin Roosevelt carried out a revolution for social justice. Basing himself on the General Welfare clause of the U.S. Constitution, he took personal responsibility for the development of the full powers of every citizen.

A foremost feature of this process, was the development of a social security system. No citizen should be permitted to starve or perish from want, and a sound instrument for retirement was to be provided for. In a June 8, 1934 message to Congress, Roosevelt spoke of a “national social insurance system,” to protect against “misfortunes which cannot be wholly eliminated in this man-made world of ours.”

During the 1930s, the antecedents of today’s neo-Conservatives, the fascist crowd of Morgan, Mellon, and du Pont, voiced many objections to the legislation to create a Social Security System, objections that are the same as those used 70 years later to try to tear the system down. As early as 1924, the banker-run Pennsylvania Chamber of Commerce railed that compulsory public schemes to aid the elderly were “un-American and socialistic, and unmistakably earmarked as an entering wedge of communist propaganda.” The watchword then, as today, was that if a retired or unemployed worker didn’t have enough personal savings, and could not live with his family, he should simply live off private charity. But the inadequacy of the charity system, which was clearly insufficient during the specious prosperity of the 1920s, showed itself during the Depression years of 1929-33. During that period, real personal savings fell by \$34 billion. The question of living from savings was moot: They had been wiped out.

Likewise, what public assistance for the elderly did exist, was criminally inadequate. Between 1930 and 1934 alone, the yearly cost of old-age assistance, administered by the states, rose from \$2 million to \$32 million, nearly twenty-fold in real terms, and the official number of recipients increased from 11,000 to 235,000. The number of people who really needed help, and didn’t get it, totaled several millions.

Despite the hysterics of Newt Gingrich’s political forebears, in August of 1935, the House of Representatives passed the Social Security Act by a vote of 372-33; the Senate by 77-6. On Aug. 14, 1935, President Roosevelt signed the Act into law. The Social Security Act not only provided for social insurance for retirement, but also provided for assistance to the indigent elderly, the blind, and families with dependent children; and established the first comprehensive national unemployment insurance system. Taking this Act’s major provisions:

- Old-Age Insurance—a giant national retirement sys-



Roosevelt is remembered for his commitment to the General Welfare principle, his intention to set in motion a “revolution for social justice.” The Franklin Delano Roosevelt Memorial in Washington, D.C.

tem based on social insurance principles, and intended to be the chief method of assuring income to an individual after retirement. The basis of the system is a Federal payroll tax, assessed on most employees and their employers. Today, the tax is 6.2% each for employers and employees. An individual becomes eligible for a monthly cash payment at 65, if he has worked a specified amount of time in employment subject to the payroll tax and has thus, along with his employer, contributed toward the costs of his own pension. Eligibility is a matter of right and does not depend on need.

- Old-Age Assistance to the Indigent—authorized Federal matching grants to the states to help them make monthly cash payments to indigent elderly people.
- Aid to the Blind—authorized Federal matching grants to the states to help them make monthly cash payments to those who are blind.
- Aid to Dependent Children—Federal grants to the states to help them support needy children and a parent, if the children have been deprived of normal parental support because of the death, incapacity, or absence from the home of a parent. Called Aid to Families with Dependent Children, the program incorporated the premise that society should leave no one destitute.
- Unemployment Insurance—a system established by the Act, whereby the states set up their own unemployment insurance programs, but by means of a tax offset device, are compensated by the Federal government. For the first time in American history, laid-off workers could collect unemployment insurance.

The Social Security Act was a revolution in social policy. Different nations in Europe had differing elements of this package, but America had had none. Now, it had all of them in one package.

The Fight for Labor Power and Civil Rights

At the same time, Roosevelt created the conditions to give labor the right to organize, thus increasing wages and living standards. One of the positive sections of the National Industrial Recovery Act (NIRA) of 1933, its Section 7(a), guaranteed the right to collective bargaining and stipulated that minimum wages and maximum hours of work should be set. The question was raised, whether industry would abide by the Act, and how enforceable it was. But labor leaders utilized it: John L. Lewis of the United Mineworkers had posters proclaiming, “President Roosevelt Wants You to Join the Union.” Organizing grew in mines, textiles, garment industries, along with the embryonic rubber, steel, and auto unions.

The National Recovery Administration, created by the NIRA, had a mediation machinery for collective bargaining, the National Labor Board, which Roosevelt appointed Sen. Robert Wagner (D-N.Y.) to head. The U.S. Supreme Court declared the NRA unconstitutional in 1935.

In February 1935, Senator Wagner introduced his Act to set up a National Labor Relations Board as a permanent independent agency, empowered not only to conduct elections to determine the appropriate bargaining units and agents, but to restrain business from committing “unfair labor practices” such as discharging workers for union membership, or fostering employer-dominated company unions. This Wagner Act set the basis for collective bargaining, and beginning to eliminate below-subsistence wages. This was essential to increase labor power, which would otherwise have been ground down.

In 1933, in the South, lynch mobs hanged black citizens and burned houses and churches, and there existed a strict segregation of facilities for blacks and whites, from water fountains to schools; in the North, rampant discrimination



Sen. Robert Wagner, an active force in the "American System caucus" which fought a crucial, though losing struggle for economic reconstruction legislation throughout the 1920s and until Roosevelt's election. Wagner sponsored much New Deal legislation.

and racism ran throughout society. Roosevelt made important changes on the front of civil rights, but there were others he did not make. Roosevelt fought on what issues he thought he could, but faced a powerful racist faction of the Democratic Party in the South, whose outlook had been reinforced by President Woodrow Wilson's support for the Ku Klux Klan, in the period of 1913-21.

In 1934, two leading figures in the American System Caucus, Senator Wagner and Sen. Edward Costigan (D-Colo.) introduced Federal anti-lynching legislation that had been drafted by the NAACP. President Roosevelt supported the legislation, and denounced lynching in portions of his speeches. A filibuster by Southern Democrats prevented a vote on the legislation.

Roosevelt attacked the problem largely by creating jobs, and setting up provisions for racial equality within some Federal organizations. For example, the Agricultural Adjustment Administration had provisions by which farmers voted on policies, such as crop referenda, and thousands of black Southern farmers, who were members of the AAA, voted for the first time in their lives. Roosevelt created jobs by which many blacks and minorities were rehired, and numerous more got jobs. In both Harold Ickes' Public Works Administration and Harry Hopkins' Works Progress Administration, provisions required that all workers get equal pay in each region.

These drew fanatical attacks. In March 1934, a retired DuPont Corporation official railed in a letter to John J. Raskob, the former chairman of General Motors, former chairman of the Democratic National Committee, and an officer of the du Pont-Morgan-Mellon-run American Liberty League that sought a fascist overthrow of Roosevelt: "Five Negroes on my place in South Carolina refused work this Spring saying that they had easy jobs with the government. . . A cook on my houseboat at Fort Meyers quit because the government was paying him a dollar an hour as a painter."

In June 1941, Roosevelt issued an executive order which forbade discrimination on the basis of race, creed, color, or national origins in the employment of workers in government or defense industries. As a result, the percentage of black workers in defense industry employment rose from 3% in 1942 to more than 8% in 1944. This created a basis for black workers to enter the productive labor force, particularly manufacturing in large cities, and created the environment within which, during the next two decades, to tackle the entrenched racism.

In 1932, black Americans had voted Republican, in homage to the legacy of Abraham Lincoln; in Chicago, in the Presidential election, 71% of black voters voted for Herbert Hoover. This changed substantially and blacks, along with labor and farmers—also Lincoln Republicans—now formed a minority-labor-farmer-ethnic alliance, as the basis of the Democratic Party.

5. Protectionist Regulation

The principle that guided the Roosevelt Administration's protectionist-regulatory legislation, and the instruments it set up, was that of national sovereignty. The London-Wall Street supranational oligarchy's speculation and looting of the economy had to be stopped; a nation has the right and obligation to exercise control over its financial and economic affairs, shaping them to provide for the general welfare of current and future generations. Roosevelt could never develop the economy productively while Wall Street had the power to extort through debt, and loot through speculation.

These laws were not comprehensive, and varied in their effectiveness even in addressing individual problems; yet taken all together, they moved the nation in the direction of asserting national sovereignty.

Protection From Wall Street's Bubbles

Most illustrative, was the effect of the banking legislation officially titled The Banking Act of 1933, but popularly known by the names of its two sponsors, Sen. Carter Glass (D-Va.), a senior member of the Senate Banking Committee, and Rep. Henry Steagall (D-Ala.), the chairman of the House Banking Committee. This legislation was crucial to the nation's sovereign ability to protect its citizens from the disasters of huge financial "bubbles." Glass-Steagall targeted a crucial aspect of banking, and was indeed a very sore point with the bankers, as attested to by the fact that Wall Street has spent billions of dollars, and 65 years, working to undo it. The story of the explosive 1933 Senate "J.P. Morgan" hearings, which blew the lid off the banking corruption behind the wild speculation of Coolidge and Morgan's "Roaring Twenties," is told in **Appendix A**. Franklin Roosevelt consciously used the political dynamite of these hearings to make possible the passage of Glass-Steagall despite fierce Wall Street opposition. The legislation passed both the House of Representatives and the Senate by overwhelming margins, and President Roo-

sevelt signed it on June 16, 1933.

Glass-Steagall split commercial banking from brokerage/investment banking. Any financial institution engaging in both activities, either had to split into two, or forgo one or the other activity. No commercial bank was allowed to own an investment bank, and vice versa. Sections 16 and 21 of the Act stated that no commercial bank could engage in the business of “issuing, underwriting, selling, or distributing, at wholesale or retail, or through syndicate participation, stock, bonds, debentures, notes or other securities.” (The exception is that commercial banks could sell and underwrite U.S. government bonds.) No commercial bank could underwrite, deal with, trade, or own for its own account, securities—since that was the domain of the investment banks. Conversely, no investment bank could take individual small customer deposits, which was the domain of the commercial banks.

To counter some of the other practices of the 1920s, the bill also forbade any bank officer from borrowing from his own institution.

This enforced separation of banking activities may at first seem arcane; but it actually addresses two very important matters. First, if a single institution is allowed to carry out commercial banking and investment banking (and insurance) under one roof, a very great amount of power is concentrated in that institution’s hands. Today, if the repeal of Glass-Steagall were combined with the repeal of the McFadden Act—which forbids interstate banking—the United States could rapidly consolidate to only 15 to 20 super-institutions, controlling every aspect of America’s financial life. Such a process was advancing rapidly in the 1920s, and Glass-Steagall helped to halt it.

Second, by placing different pools of money in a single institution—pools from commercial banking, from investment banking, from insurance—one is creating the temptation that that institution will commingle the funds, and use them for whatever purposes it pleases. This violates a basic tenet of banking. A commercial bank is, by definition, simply a *deposit-taking institution*. An individual who puts his money into a savings or checking account in a commercial bank, expects some interest, but is putting the funds there *for safe-keeping*, not for *investment*, which is the purpose of an investment bank/brokerage house. The individual does not want the funds commingled with other funds without permission.

During the 1920s, precisely these principles were grossly abused; banks were building up enormous power, and they were using funds as they saw fit. It was this abuse, as Franklin Roosevelt and other patriots saw, that had contributed mightily to the 1929-32 stock market crash, the breakdown of the banking system, and the physical-economic depression which had left millions destitute.

The bill carried another useful provision. It created the Federal Deposit Insurance Corp. (FDIC), which gave Federal insurance for citizens’ bank deposits up to a certain amount,



Giuseppe Zangara’s February 1933 attempt to assassinate President-elect Roosevelt in Miami, was one act in a decade-long battle by London- and Wall Street-centered backers of fascism, to get rid of FDR, including an effort at a military coup, exposed a year later, and constant assaults on the New Deal.

for the first time in the nation’s history. The FDIC announced that starting July 1, 1934, all deposits under \$10,000 would be insured 100%; deposits in the range of \$10,000 to \$50,000 would be insured 75%; and deposits of \$50,000 or larger would be insured 50% (today, all deposits up to \$100,000 are insured 100%).

When the Glass-Steagall Act became law, the bankers understood that an important part of the cycle of the 1920s was being broken. W.C. Potter of the Morgan Bank-controlled Guaranty Trust characterized the proposal as “quite the most disastrous” he had “ever heard.” The American Bankers Association led the fight against the bill, “to the last ditch,” in its president’s words.

Today, the bankers argue against the Glass-Steagall regulations with the lie that they are “outmoded.” Ironically, the exact opposite is true: Such regulation is needed now more than ever. While, up to now, the banks have not been able to unrestrictedly commingle commercial banking, investment banking, and insurance, they have nonetheless built up practices that are as deadly as anything that existed during the 1920s.

Other protectionist regulation by Roosevelt’s administra-

tion took aim at the hemorrhaging of citizens' and firms' wealth through securities bubbles and swindles. The Truth-in-Securities Act became law on May 27, 1933. This required full disclosure in the issue of new securities to the public. Heavy penalties would be levied for failure to give full and accurate information to the government about securities. The Securities Exchange Act of the following year—June 6, 1934—set up the Securities and Exchange Commission (SEC) to regulate and oversee the securities markets. Certain manipulative practices (such as washed sales and matched orders) were prohibited. Insider trading was eliminated.

The Public Utility Holding Company Act (PUHCA) of Aug. 26, 1935, regulated the electric utility industry, to halt the speculation in and pillaging of electric power by financier-controlled “power trusts.” In combination with the Federal Power Act of 1935, this set up the system of cost-of-production pricing of electricity, which functioned well for 60 years until it came under attack, with well-known disastrous effects, from the deregulators in the late 1990s.

The Roosevelt administration also pushed through the Communications Act of 1934, which created the Federal Communications Commission to regulate the radio, telegraph, and cable businesses; the Civil Aviation Act of 1935, which created the Civil Aeronautics Board which regulated the airline industry and fostered its development; the Railway Retirement Act, which set up pensions for railway workers; legislation which established minimum wages and virtually abolished sweat shops; and others.

6. A Trajectory of Recovery

We can assess the contributions of the New Deal as a whole.

Roosevelt's public works-infrastructure projects, along with the other industrial and agricultural work of his administration, powered the physical economy on a trajectory of recovery. Between 1933 and 1937, the production of food and kindred produce rose from a value of \$7.96 billion to \$13.08 billion; the production of clothing rose from \$2.18 billion to \$3.26 billion; the production of motor vehicles rose from \$725 million to \$2.21 billion; and the production of the capital goods sector of industrial machinery, rose from \$577 million to \$1.88 billion, a tripling. Adjusting for the sharp deflation, many areas of industrial production had surpassed their 1929 levels, some were below. But the *New York Times* industrial production index for the total economy, expressed on the basis that 1929 = 100, had reached 110 by Spring 1937.

Roosevelt had reduced unemployment from 12.83 million at the start of 1933 to 7.70 million in 1937. (It should be noted that, at least according to one account by Labor Secretary Frances Perkins, those workers working on public works programs were not officially counted by the Department of Labor as employed, but as unemployed. If that is true, at least with

respect to this issue, the reported official unemployment levels were too high, as there were millions working on public works.)

Roosevelt had also significantly restored the *quality* of labor power, built a matrix of technology-transmitting infrastructure, and stabilized the banking system.

But this picture must be tempered: *FDR's work had not licked the Depression, but it had put the physical economy on a trajectory of recovery.* The level of unemployed of 7.70 million (or whatever its exact level, when corrected for the workers on public works) remained too high. The increases in industrial production had only partially touched some sectors of the economy. There was not the interaction of the different sectors of the economy which is needed to give an economy depth. The economy had advanced significantly from the worst features of the Depression, and had generated positive features of permanent benefit, but there was much more to do.

The Assault on Public Works

At times, Wall Street could work through elements of Roosevelt's own administration to cripple public works. One such element was the equivocal Treasury Secretary, Henry Morgenthau. At times, Morgenthau supported Roosevelt strongly; at other times, he leaned to his Wall Street patrician upbringing. Starting in 1936, Morgenthau joined Wall Street in a campaign to get Roosevelt to slash public works, claiming the economy no longer needed it, and that Roosevelt should concentrate on “balancing the budget” for the 1938 election campaign. Morgenthau asserted that although “the patient might scream a bit when he was taken off narcotics,” the time had come “to strip off the bandages, throw away the crutches,” and let the economy see if “it could stand on its own two feet.” He pointed to the *New York Times* industrial production index reaching 110 by Spring 1937.

Morgenthau succeeded in June 1937, in pressuring Roosevelt to cut nearly all funds to the Public Works Administration, with the result that between June and July 1937, almost all the PWA workers were fired. In lockstep, the Wall Street financiers, Roosevelt's fierce opponents, began pulling credit out of the economy, creating another credit crunch. This set off a self-feeding spiral of economic collapse beginning August 1937. By December, from its high of 110 in the Spring, the same *Times* index fell to 85, wiping out all the gains made since 1935. In three months, steel fell from 80% of capacity to 19% of capacity. Between Labor Day and the end of the year, 2 million people were thrown out of work. And the Dow Jones industrial average lost 39% of its value between August and October.

The value of public works to the physical economy had thus been demonstrated, by negative example.

The economy was set back, and had to wait for Roosevelt to undertake his next phase of activity: the 1939-44 economic mobilization for World War II.

Sharon May Kill Arafat, To Cling to Power

by Dean Andromidas

There are dangerous indications that Israeli Prime Minister Ariel Sharon is preparing the assassination of Palestinian Authority President Yasser Arafat. Faced with a growing international outcry against his “Operation Warsaw Ghetto”—dealing with the Palestinian Authority as the Nazis did with Warsaw’s Jewish Resistance—and with a collapsing Israeli economy, Sharon must maintain the momentum of his war drive, or soon fall from power.

Sharon could also be sensing that his backers in the United States and Britain might opt for Benjamin Netanyahu, who, while sharing Sharon’s extreme views, would be more pliable to play Washington’s tune, as the Bush Administration prepares for a war against Iraq.

The killing of Arafat would have catastrophic consequences for the Middle East. U.S. State Department officials were quoted in the Israeli daily *Ha’aretz*, saying that the killing of Arafat, even if accidental, would be “likely to lead to a catastrophe of unimaginable dimensions.” But it is precisely that, that will further the “Clash of Civilizations” policies being promoted by hard-liners in Washington.

This very real possibility was signalled in the Israeli press, which has revealed a debate within Sharon’s cabinet on whether to force Arafat’s exile from the occupied territories. Arafat has made it clear that the only way he could be exiled is in a coffin, while any Arab leader who agreed to accept Arafat as part of a deal with Sharon, would be overthrown. Therefore, “exile” should be seen as the code word for assassination.

In the April 21 *Ha’aretz*, senior political correspondent Aluf Benn wrote, “The signs that Prime Minister Ariel Sharon and his government are taking a decisive and perhaps final step in office are becoming increasingly evident. . . . While riding a wave of public support for Operation Defensive Shield, the Prime Minister has spotted a window of opportunity through which to get rid of Arafat once and for all; and he is being backed by increasing support from President

George W. Bush and the hawks in the U.S. administration. . . . One can assume that the prime minister will wait for the next terror attack to give him the political and public justification for this action and silence the opposition in the cabinet.”

The London *Daily Telegraph* reports that while Netanyahu was in Washington in mid-April, he held discussions with Vice President Dick Cheney and Defense Secretary Donald Rumsfeld “on how to proceed if Mr. Arafat were removed.”

Sharon’s scheme to “exile” or eliminate Arafat was hatched with the help of Israeli Chief of Staff Gen. Shaul Mofaz. They presented the proposal to the Israeli Cabinet on April 18. Sharon said, “I know that the defense minister and the head of the Shin Bet security service disagree with me,” but he nonetheless put forward the absurd notion that an “alternative Palestinian leadership” could take over the territories once Arafat disappears from the scene. But Sharon knows full well that the death of Arafat would mean a regional explosion and war, by means of which he intends to implement his “Jordan is Palestine policy,” forcing 2 million Palestinians across the Jordan River.

No sooner did the Cabinet meeting end, than the Israeli military began announcing its intent to raid the Mukata compound in Ramallah where Arafat is a virtual prisoner. The pretext for the raid would be to capture the alleged murderers of Israeli Tourism Minister Rehavam Ze’evi, who are imprisoned in the compound.

A senior Israeli military source confirmed that he has been “hearing whisperings” of an attack on the Mutaka compound with the explicit purpose of killing Arafat. He underscored that “only Sharon will make that decision.”

The UN Security Council met on April 23, at the request of Syria, after several explosions near Arafat’s compound. Security Council President Sergei Lavrov, Russia’s Ambassador to the UN, stated: “The members of the Council express



The danger of an Israeli Defense Forces move to physically eliminate Yasser Arafat was increasing in late April—primarily because Israeli Prime Minister Ariel Sharon's own strategic position was becoming so precarious.

serious concern for the safety of Chairman Arafat. They emphasized that there must be no harm to him or others in the compound. The siege must be lifted, and Chairman Arafat must have full freedom of movement to fully carry out his functions.”

Either Now or Never

Despite high ratings in the polls, Sharon's political position is extremely weak. If the United States opted for a real peace option along the lines proposed by Presidential pre-candidate Lyndon LaRouche, and signalled that Sharon had to go, he could quickly be packed off to The Hague, or to Belgium, to face a war crimes tribunal.

“Operation Defensive Shield,” Israel's largest military operation since the 1982 Lebanon War, has left hundreds of Palestinians dead, including women and children, and thousands homeless. The massive suffering brought upon the Palestinians, including denial of food and medical services, has brought denunciations by governments and aid organizations from around the world.

There are confirmed reports that the Israeli military also engaged in general looting of civilians' property—including the money in banks—and destruction of hospitals, offices, and administrative centers. Looting and rape were the two war crimes that the Israeli military had always punished severely. Looting is now apparently acceptable—connived at, if not encouraged, by senior echelons of the military.

Sharon's most vulnerable flank is Jenin. If the truth of the war crimes committed in the refugee camp were to be revealed to the world, especially through the auspices of the United Nations, it could force Israel to the negotiating table or to suffer complete diplomatic isolation.

Sharon knows this only too well, and has refused to cooperate with the UN fact-finding mission named by Secretary General Kofi Annan and backed by a UN Security Council

resolution. The April 25 *Ha'aretz* revealed that Sharon's refusal came after his government was advised to drastically curtail the military's mandate by one of Israel's international legal advisers. Daniel Bethlehem, of the Lauterpracht Research Center for International Law at Cambridge University, warned in a memorandum to Sharon's government, that with the naming of the UN fact-finding mission, “For all practical purposes, Israel is faced with a war crimes investigation,” the seriousness of which “should not be minimized.” Bethlehem said, “If the committee's findings uphold allegations against Israel—even on poor reasoning—this will fundamentally alter the dynamics of the Israel-Palestinian leadership and may make it impossible for Israel to resist calls for an international force, the immediate establishment of a Palestinian state, and the prosecution of individuals said to have committed the alleged acts.”

The Bethlehem memo, in effect, tells Sharon and his generals to stop believing their own propaganda. “Israel has already lost the public relations battle. Whether or not there was a massacre in Jenin as the Palestinians contend, there is a widely held perception in the international community that Israel's use of force in Jenin was excessive, disproportionate, and indiscriminate, and that this was compounded by a failure to provide, or allow the provision of, humanitarian assistance in the conflict. Even assuming that all the facts are in Israel's favor, it will be difficult to redress this balance.”

As soon as this memo arrived on Sharon's desk, he announced he was suspending cooperation with the UN mission. *Ha'aretz* commented, “Israel's complete backtracking of its position within three days served to further strengthen the suspicion that it has something to hide under the rubble in Jenin.”

Rats Flee the Sinking Ship

On April 19, Uri Shani, a flunky of Sharon's for the last three decades, resigned as his Bureau Chief, one of the most influential positions among Sharon's personal circle. Israeli political commentators point to two possible reasons, both of which are leading Sharon to yet newer adventures.

The first is the ongoing criminal investigation of Sharon for illegally financing one of his election campaigns though foreign, primarily U.S., donors. Several weeks ago, Shani was questioned by Israel's national fraud squad for eight hours, because of his alleged role in the crime. Sharon was questioned on April 22 for seven and a half hours. Police sources indicate that other, much more serious crimes—such as corruption, influence peddling, and breach of trust—could be involved.

The second is that Shani opposed Sharon's move to launch such an adventure as killing Arafat, and did not want to be in the line of fire when the inevitable political, if not military explosion occurred.

Israeli political commentator Hannah Kim, in *Ha'aretz* on April 23, pointed to the connection between Sharon's political woes and his military strategy: “Sharon did a lot of politicking

while conquering Jenin, because the danger was not only from there. The danger is at home, from Benjamin Netanyahu, the Likud Central Committee, and the police investigation into the shell companies that financed Sharon's campaigns. . . . Therefore it would not be an exaggeration to assume that the deranged idea to break into the Mukata compound in Ramallah . . . is something Sharon is taking seriously because it could provide a political dividend."

Meanwhile, the Israeli economy continues to collapse under the weight Sharon and his war. The shekel fell from 4.77 to the dollar on April 23, to as low as 4.92 in the course of 48 hours. Sharon's finance minister announced massive tax increases, including a 26% tax on interest accrued on savings accounts, an increase in the value-added tax, and increased taxes on cigarettes and gasoline. He also announced a cut of 13 billion shekels from the budget, mostly from social programs, prompting the Histadrut Labor Federation to declare its intent to organize a general strike within a few weeks.

Time is running out for Sharon. Either he and his generals accept, in effect, defeat or international isolation, or extend their war drive beyond the occupied territories.

Milan Suicide Crash More Pressure on Italy?

by Claudio Celani

Though Milan prosecutors might close their investigation on the April 18 plane crash into the Pirelli Building with the official finding that it was an "accident," nobody will erase from the minds of Italians, the potential that April 18 was intended to be their "small" Sept. 11. This, when the United States and Britain need the backing of reluctant allies for an "anti-terror" war against Iraq.

The crash took but three victims, including the pilot, only because it occurred at 5:47 p.m., after most employees had left the building for the day. However, plenty of evidence indicates that it was no accident, but a "deliberate collision" (as Lombardy Gov. Roberto Formigoni put it) into the only skyscraper in Milan. "Il Pirellone," built by the Pirelli corporation in the 1950s, is today the seat of the regional government and parliament, and a symbol of Italy's industrial heartland.

Most noteworthy are the accounts of eyewitnesses who saw the Piper-class Rockwell ARC112 hit the Pirellone. One, Paolo Bedoschi, is himself a Piper pilot. He told the daily *Il Giornale* that he was walking, some 100 meters from the Pirellone when he heard the plane's engine. "I told myself: 'What a nice motor this plane has.' It was going full throttle, I have no doubt. One second later, I saw it coming from the

right side, over the square: It was flying level, he was going neither up or down and I did not see it maneuvering to avoid the obstacle. I thought: 'He is going right into it.' He flew at about 80 meters altitude . . . straight into it, with level wings." Bedoschi added that the landing gear were in flight position and there were no traces of smoke.

From the fireball and explosion which erupted on the building's 26th floor, Bedoschi concluded that the pilot had fuel reserves of at least 200 liters. These details contradict the "accident" version, which assumes either a mechanical or human failure. It also contradicts evidence of a cover-up built up by the pilot himself, possibly as part of a suicide mission.

Not an Ordinary Pilot

The presumed pilot, Luigi ("Gino") Fasulo, was a 67-year-old Swiss citizen living in Pregassona, who officially ran a one-man air-taxi firm, Playmatic Aviation. In reality, Fasulo was a smuggler and a money lender. He was known to both the Swiss and Italian police, who in the past had caught him smuggling art works, jewels, and even "soft" drugs. Fasulo was an experienced pilot with 5,000 hours of flight time, and several emergency landings, in his record. On April 18, he took off from Locarno airport, in Switzerland, telling his friends he was going to fill his fuel tank across the border in Italy, because the price was cheaper.

Within view of the Milan-Linate airport, Fasulo communicated his intention to land, and was directed to a different runway, and then reported problems engaging the landing gear. He was put into a holding pattern west of the airport, on the outskirts of the city. But instead, Fasulo moved *toward* the city, and cut radio communications. During the last 76 seconds of his flight, he covered the 5-7 kilometer distance to the Pirellone without anyone being able to stop him. Supporters of the "accident" version suggest that Fasulo might have been on automatic pilot, while trying manually to lower the landing gear; or, that fire and smoke developed on board and prevented his seeing the skyscraper; or that he became sick and lost control. But all such explanations are contradicted by Bedoschi's and other witnesses, whose reports indicate that the pilot had full control of the plane.

"We must dig into his past and his connections, to understand who might have commissioned the suicide, and why," *EIR* was told by a leading anti-terrorist investigator. "The nature of this case is not what its appearances would have us to believe. . . . The result they have achieved is that the population feels now totally vulnerable to terrorist attacks of this sort."

A first glance into Fasulo's past brings remarkable connections to the foreground. According to a report published by the daily *La Repubblica* on April 19, Fasulo started his financial activities through Orazio Bagnasco, a financier who was involved in the famous Banco Ambrosiano case. Bagnasco was vice president of Ambrosiano in 1982, when Ambrosiano was bankrupted and its president, Roberto Calvi, was "suicided" and demonstratively hanged under Black Fri-

ars Bridge in London. Bagnasco, who died recently, was eventually sentenced for fraud in the Ambrosiano trial. According to *La Repubblica*, Fasulo was “almost Bagnasco’s personal pilot,” and learned from Bagnasco’s secrets on how to make money. He became a smuggler and a money lender. His specialty was to cash checks of dubious origin, in exchange for the large proportion of the check’s value.

But despite his reputed personal fortune, on the morning of the crash, April 18, Fasulo had sought help from Italian police against people who had apparently bankrupted him. Early that morning, Fasulo and his son Marco crossed into Italy, and contacted the Italian police in Como. Fasulo told the story that a small-time Italian criminal named Sergio Landonio had robbed him of 1.7 million euros. “They have ruined us,” Fasulo’s wife told journalists on April 19. Yet Fasulo did not contact the Swiss police, the most natural thing to do. Did he not trust them? Or did he want to have a plausible story to explain a suicide mission to Italian authorities?

Later Fasulo’s son again called the Como police station, this time from Pregassona, Switzerland, saying: “I am being threatened, some people followed me and they are here, checking the house.” After the plane crash, Marco Fasulo told journalists that his father had “committed suicide.” But Fasulo’s second son, Giorgio, and his wife Filomena, who confirms they are bankrupt, do not believe it.

Pushing a Public Opinion Shift?

These circumstances have prompted popular TV newsman Emilio Fede to question whether someone could have exploited Fasulo’s financially desperate situation, by promising to provide for his family, in exchange for what he did. And the German daily *Frankfurter Allgemeine Zeitung* reported on April 22, that some sources insist Fasulo “might have acted on a mission for international terrorism, involving a high monetary compensation.”

Six days after the crash, Transport Minister Lunardi, whose experts are conducting an administrative investigation, stated: “The data which are emerging all converge on the suicide hypothesis. I have no doubts.” But that same day, prosecutor Bruna Albertini told the press, “The evidence produced so far excludes the possibility of suicide”! A higher political cover-up is suggested by Interior Minister Scaiola’s statement one day earlier, categorically excluding suicide, contrary to his colleague Lunardi. The Italian government may fear that admitting to a deliberate act, suicide, would manipulate an unsettled public mood, toward support for the U.S. “war on terrorism”—such as providing air bases for the war against Iraq.

As of now, unless something dramatic occurs, Italy is signalling its unwillingness to follow Washington in its war on terrorism. As with the truck-bombing of a Tunisian synagogue, which killed a dozen German and French tourists on April 11, the Pirellone crash, following the recent assassinations of two Italian government officials, may be part of “something dramatic”: a new strategy of tension.

Australia’s Emergency Laws Mimic Hitler’s

by Allen Douglas

In late March, Australia’s government suddenly rammed through the lower house of Parliament, draconian emergency “anti-terror” laws—anti-immigrant and anti-political freedom legislation which goes far beyond anything discussed in the post-Sept. 11 United States. The laws now up for vote in the Australian Senate as early as May 14, are the precise equivalent of Adolf Hitler’s *Notverordnung* (emergency decree) of Feb. 28, 1933.

Following the infamous Reichstag Fire, and formally called the “Decree for the Protection of the People and the State,” the Nazis’ *Notverordnung* abolished free speech, freedom of the press, sanctity of the home, security of mail and telephonic communications, and freedom to assemble or form organizations. Most importantly, it allowed Hitler to arbitrarily designate “enemies of the state,” and eliminate them. Within a month, he was building the first concentration camp, at Dachau.

But while Hitler had to wait until after his *Notverordnung* were enacted to build concentration camps, seven such camps, ringed with razor wire, are already functioning in Australia. They hold 3,500 inmates, charged with no crime, who are subject to daily psychological and physical torture; at least two more such camps are presently being built—these new ones with electrified fences.

The Strategic Context

Australia is the Bush Administration’s loyal ally in the “war on terror,” even more so than Tony Blair’s Britain itself. But though the Australian government’s emergency decrees in part reflect U.S. Attorney General John Ashcroft’s round-ups of, and security actions against, Arab-American and Muslim groups and individuals, they go far beyond those precedents.

Presidential pre-candidate Lyndon LaRouche forecast already during Ashcroft’s confirmation battle, months before Sept. 11, the emergence of measures exactly like Hitler’s *Notverordnung*—and not only in the United States—because of the global financial breakdown under way. Given the necessity to manage the population under conditions of the global financial crash already then unfolding, LaRouche warned, “You’re going to get crisis management. Where members of the special warfare types, of the secret government, the secret police teams, will set off provocations, which will be used to bring about dictatorial powers and emotion, in the name of crisis management.” Since Sept. 11, Ashcroft

has acted precisely as LaRouche forecast, by rounding up thousands of people and holding them incommunicado; by Gestapo-style raids against moderate Islamic groups in Virginia and other states; by his attempt to establish a multi-million person spy apparatus, the "U.S.A. Freedom Corps"; by the establishment of secret military tribunals for "terrorism"; by the rapid moves to eliminate attorney-client privilege, etc.

"Sept. 11" is also the stated justification for Australia's proposed new laws. The leadership of both of Australia's major parties, Prime Minister John Howard's ruling Liberal Party/National Party coalition and the opposition Australian Labor Party (ALP), are strongly inclined, for their own reasons, to follow the United States wherever it leads them. Australia is in charge of the Persian Gulf naval blockade of Iraq; has deployed its Special Air Services in combat in Afghanistan; has had extensive joint military exercises with the United States in northern Australia; and Howard has indicated his openness to participating in a war against Iraq.

On March 21, Howard's government suddenly handed an astonished House of Representatives the eight bills comprising the most sweeping changes in Australia's security and intelligence measures since World War II. The bills had been prepared in utter secrecy, such that even backbench (non-Cabinet) MPs in Howard's own party had initially revolted when first told of them. The opposition Labor Party and the smaller parties were given precisely *16 hours* (overnight) to examine 100 pages of legislation and 100 pages of explanatory memoranda, before debate began on them the following day. The bills were passed and are now before the Senate, which reconvenes on May 14.

Bespeaking the government's fanatical commitment, the Senate's Legal and Constitution Committee allowed *two weeks* for public hearings. The bills are: the Australian Security Intelligence Organization Legislation Amendment (Terrorism) Bill 2002; the Border Security Legislation Amendment Bill 2002; the Criminal Code Amendment (Espionage and Related Offenses) Bill 2002; the Security Legislation Amendment (Terrorism) Bill 2002; the Suppression of the Financing of Terrorism Bill 2002; the Telecommunications Interception Legislation Amendment Bill 2002; and the Criminal Code Amendment (Suppression of Terrorist Bombings) Bill 2002; and the Criminal Code Amendment (Anti-Hoax and Other Measures) Act 2002.

Australia's 'Notverordnungen'

The last of these has already passed both houses, and is now law. It provides for two years in jail for "a person to use a postal or like service in such a way as would be regarded by a reasonable person as being, in all the circumstances, menacing, harassing or offensive. . . . The offense would cover material that would make a person apprehensive as to his or her safety or well-being or the safety of his or her property as well as containing offensive or abusive language

or derogatory religious, racial or sexual connotations." Under this legislation, anyone sending out a newspaper or magazine which, for instance, warned of the global financial crash, could be judged to be making people "apprehensive."

The remaining, still-pending legislation defines a new offense of "terrorism" which is so broad, that a wide range of political activity, including certain instances of picketing, public demonstrations, and civil disobedience, could be labeled "terrorist." For instance, a representative of Attorney General Daryl Williams' office replied in the affirmative, when he was asked in Parliament if actions taken (such as cutting a lock with boltcutters) during a recent protest against the internment of refugees at the brutal Woomera detention center in South Australia, would count as "terrorism" under the new laws.

The Attorney General would be empowered to proscribe organizations using four criteria of "terrorism," including the vaguely worded catch-all, "likely to endanger the security or integrity of the [Australian] Commonwealth or another country." (Existing law refers to the "*safety and integrity*" of Australia, with no mention of other countries.) Williams bragged that this substitution of a single word, "security," radically widens the scope of existing laws. Under the legislation, organizations could be "proscribed," *whether or not they have been charged or convicted of anything*; individuals who assist them, or are members or them, could be imprisoned for 25 years. The law would place the onus on the group, to prove that they are *not* terrorists.

The legislation may also be applied retrospectively, i.e., on any previous conduct now deemed "terrorist." That is, if the person who cut the lock at Woomera were a member of an organization, that organization could be banned, and anyone associated with it be thrown in jail for 25 years to life. Additionally, terrorist acts are very broadly defined, and include "serious harm to persons, serious damage to property, and serious interference with or destruction of electronic systems, done with the intention of advancing a political, religious or ideological cause." One prominent lawyer, Greg Carne of the University of Tasmania, has noted that "organized and persistent protest tactics by community pressure groups to flood politicians with e-mails, faxes, and phone calls" could fall under this legislation; that "groups advocating a wide variety of political causes could be judged as 'endangering the integrity of the Commonwealth or of another country' "; and that "many other persons beyond those physically engaging in such direct activities would also be potentially liable for related 'terrorism' offenses."

The Australian Security Intelligence Organization (ASIO), the equivalent of Britain's domestic intelligence agency MI5, is to be transformed into a secret police, with powers to detain people for up to six days, without a lawyer, and without the right to remain silent. Should they exercise their right to remain silent, or fail to produce something, such as a document, which the government may rightly or wrongly



Some 3,500 asylum seekers in Australia, charged with no crimes, have been placed in indefinite detention in a growing number of isolated private prison camps for political detainees. In their desperation, some throw themselves on the concertina wire or otherwise commit suicide; others ask to fight against Australia's growing fascism.

claim they have, they may be jailed for five years. The detainee need not be a terrorist suspect, just someone whom the police think *might* have information about terrorism. Lawyers and journalists would be major targets, and attorney/client privilege would be eliminated forever. This notion of “espionage” is no longer limited to classified information, but extends to almost any government-originated information, putting journalists, whistleblowers, and political activists in the crosshairs. Unprecedented secret trials are provided for, merely if a court “is satisfied that it is in the interest of the security or defense of the Commonwealth.”

Already, by proclamation of then-Defense Minister Peter Reith in October, Australia's super-secret Defense Signals Directorate (DSD) has been given far wider powers to spy on Australian citizens, for purposes of “maintaining Australia's economic well-being . . . promoting Australia's foreign relations . . . preventing or investigating the commission of a serious crime [or] responding to an apparent threat to the safety of a person,” among other things. Previously, the DSD could only spy on Australians within Australia if they were working for a foreign power. Now, anyone posing a serious challenge to the fanatical commitment of Australia's two major parties to globalization, for example, would clearly be fair game under the new laws.

The Concentration Camps

One of the clearest markers for the developing fascist police state in Australia, is the practice of “mandatory deten-

tion” for asylum seekers, a policy unique to Australia among Western nations. The 3,500 unfortunates now in the “detention centers”—actually concentration camps—include over 400 children under 18, of whom 50 have no family. Most camps are located in remote areas of the Australian continent, hundreds or thousands of miles from civilization, or on Australia's even remoter possessions, such as the Cocos and Christmas Islands thousands of miles offshore. Little or no news can leak out about what happens in these camps. They are usually surrounded by several layers of barbed wire, topped with razor wire.

According to studies, many, or even most of the camps' inmates had already experienced torture or the death or “disappearance” of one of their family members before they came to Australia; many have fled Afghanistan or Iraq, particularly Shi'ites from Iraq whom the United States encouraged to rebel against Saddam Hussein in 1990. They have usually paid their entire pathetic life's savings to a smuggler, risking their and their children's lives on leaky boats, usually sailing from Indonesia, in hopes of starting a new life in Australia. One of these boats sunk recently, and 353 men, women and children died.

Having caught and interned them, the Australian government initially keeps asylum seekers separate from other inmates—who might tell them of their rights to file for legal help—until the allotted 30 days has expired. The camps are run for profit (as was Auschwitz), by Australasian Correctional Management (ACM), a subsidiary of the notorious

American firm, Wackenhut. Guards frequently beat or psychologically abuse the inmates, while medical care is almost nonexistent, because the “doctors” are all on the payroll of ACM.

Former Prime Minister Malcolm Fraser has described one of the most notorious of the camps—Woomera, in the remote desert of South Australia—as a “hell-hole.” Maqsood Alshams, a journalist who fled repression in Bangladesh, only to be interned in Australia, described the camps in the February 2002 *New Citizen* newspaper of LaRouche’s associates, the Citizens Electoral Council: “It’s worse than a medium-security prison. I mean, in a prison, people have minimum rights as human beings, being punished and serving sentences for crimes they have committed. But in detention centers, none of the people have any rights. People are treated like animals.”

Another inmate, Dr. Aamer Sultan, a Shi’ite from southern Iraq, co-authored a study of conditions in the Villawood camp with Zachary Steel, a former ACM psychiatrist, who, like most psychologists hired by ACM, quit in disgust. The study, published in the *Medical Journal of Australia*, described the deepening psychological depression which refugees typically experience, as they realize that they have little or no hope of getting Australian citizenship, and that they may stay in the camps indefinitely. An “overwhelming sense of impending doom” gives way to psychotic illness, including self-mutilations, thoughts of suicide (two-thirds regularly contemplate suicide), and full-blown paranoid delusions. Riots, hunger strikes, attempted breakouts, and suicide attempts are common, and met with further repression.

Earlier this year, inmates at Woomera dug mass graves and buried themselves up to their necks in over 100°F heat, while others slashed their wrists, jumped head-first onto the razor wire, or swallowed detergent. Some 200 went on hunger strike and sewed their lips shut, so that the guards could not force-feed them, as did many distraught children as well, imitating their desperate parents.

On Christmas Island in December 2001, some 180 refugees were locked in a sports hall the size of two basketball courts for more than a month, although at least one woman among them had tested positive for typhoid. A health professional who visited the site told the *Australian Financial Review* on Dec. 11, that conditions in the hall were “devastating. . . . My first impression was fundamental disbelief that these living conditions could exist in Australia, in a supervised way,” he said.

Police State Emerging

Notwithstanding their nominal differences, the Liberal/National Party coalition and the Labor Party have collaborated over the past two years, both at state and federal levels, to ram through fascist legislation which had already established many of the preconditions for a dictatorship, long before the Sept. 11 provocation (see “Australia Moves Toward a Fascist Police State,” *EIR*, Oct. 19, 2001, and “Australia and Hitler’s

Dictatorship,” *EIR*, June 19, 2001). The Defense Legislation Amendment (Aid to Civilian Authorities) Act 2000, for example, authorizes the army to kill Australian civilians.

Australians despise these two parties for their fanatical support of globalization over the past two decades. Thus, as in France, Germany, the United States, and other Western nations, Australia’s “major” parties are collapsing; they view these sorts of draconian laws as their only means to maintain power. In the federal election in November 2001, the ALP recorded its worst vote since 1933, while the equally hated Coalition only won because it cooked up a “boat people” crisis on the eve of the election, and rode a *vox populi* “tough-on-refugees” policy to victory. The parties have colluded to change electoral requirements, to try to preclude any other political force from emerging to challenge them.

Their collapse is shown in the state of Western Australia, home to 1.4 million of Australia’s 20 million citizens. Recent discussions with political insiders there have revealed a tightly held secret—the membership figures of the “major” parties. These show these “big” parties to be Potemkin villages: The ruling ALP has some 1,600 members, the Liberal Party (which ruled the state for eight years until February 2001) has only 800, and the rural-based National Party has 1,200. By contrast, the new “minor” party, the Curtin Labor Alliance, founded by the LaRouche-associated CEC and the Municipal Employees Union in April 2000, recruited 800 members within a mere eight months to contest the election (but were kept off the ballot by dirty tricks from the Western Australian Electoral Commission). The CEC itself is recognized by insiders to be the fastest-growing political party in the country. It is no surprise, then, that a leading civil rights lawyer pointedly warned the CEC, “If I were you, I would be extremely concerned about these new laws.”

A storm of protest has arisen against these bills from many quarters, from trade union leaders to Supreme Court justices. Notwithstanding, the laws will most likely pass, at least in slightly diluted form, unless opponents face the reality, uniquely outlined by Lyndon LaRouche: The global financial crash is driving this push for dictatorships, in the United States, Australia, and elsewhere; and all modern-day “terrorism” is irregular warfare run by governments, factions of governments, or private financial powers equivalent to governments—including the attempted U.S. coup d’état of Sept. 11.

Otherwise, those opposed to these heinous laws will continue to bleat like sheep, all the way to the slaughterhouse, with no effective answer to the seemingly all-powerful argument: “Yes, these laws are draconian, but we must have them because of Sept. 11.” The impotent rejoinder often now heard, that “we have never had terrorism in Australia,” will disappear overnight, with the first provocation on Australian soil, or with another Sept. 11-magnitude attack elsewhere. And this when fascist Israeli Prime Minister Ariel Sharon—the creator of Hamas—is predicting waves of suicide bombers worldwide.

Mindanao Bombs Grease U.S. Slope to Asia War

by Michael Billington

On the April 20-21 weekend, 340 U.S. Marines and Seabees joined the ongoing joint U.S./Philippines military offensive against the Abu Sayyaf, the kidnapping gang in Mindanao, bringing the total U.S. troop presence to 1,000 in the region, while 2,700 U.S. troops disembarked at Subic Bay, the former U.S. naval base near Manila, to participate in a huge “exercise” on the northern island of Luzon. Then, on April 21, three terrorist bombs exploded in General Santos City on the southern tip of Mindanao, killing 15 and wounding dozens more. Investigations have led to the arrest of five suspects as of April 25, who have multiple links to every major armed movement in the country: the Abu Sayyaf itself; the two Islamic separatist movements in Mindanao (the Moro National Liberation Front, MNLF, and the Moro Islamic Liberation Front, MILF); and the New People’s Army (NPA), the armed wing of the Communist Party of the Philippines. Both the Abu Sayyaf and the NPA are on the U.S. list of terrorist organizations.

General Santos City is a strategically critical location. It sits near the Philippine Trench off the eastern edge of the Philippines, a deep cavity in the ocean floor which serves as a submarine haven for operations across all of Asia. General Santos City also sits just above the strategic Indonesian shipping lanes. In the 1990s, the United States built a state-of-the-art commercial port and airfield for the city, which could also serve as a military base.

China Targetted

EIR Founding Editor Lyndon LaRouche warned in February that the U.S. military deployment into the Philippines had little to do with the so-called “war on terrorism,” and everything to do with the military encirclement of China, a primary target of the “Clash of Civilizations” policy faction now running amok in Washington. While both the Philippine and U.S. governments have denied this, in the past month both sides have acted in a manner which confirms that warning. President Gloria Macapagal-Arroyo’s administration has back-tracked on every pledge it made to gain the approval of the Philippine Congress for the joint military operation in Mindanao.

The operation was only an “exercise,” they argued; but U.S. troops, aircraft, and other equipment are directly involved in search and destroy operations against the Abu Say-

yaf. (A U.S. helicopter went down off the coast of Basilan on Feb. 21, killing all ten U.S. airmen on board, in still-unexplained circumstances.) The U.S. troop strength was not to exceed 660, they insisted, but 340 more were added this week without a blink, and more are now expected. The “exercise” would end precisely after six months, it was said, but now it is admitted that it will be longer. Several Philippine Senators have noted that the U.S. presence is becoming “permanent,” even without changing the Constitution to allow the United States to re-establish military bases in the country.

Also, and most importantly, the Arroyo government insisted that the U.S. military deployment would be strictly limited to operations against the small but brutal Abu Sayyaf gang, and not against the mass-based MILF, MNLF, or NPA. However, the arrests in the General Santos City terror bombing demonstrate the difficulty of such strict differentiation between the armed groups. Of the five suspects now in detention, one is reported to be a member of Abu Sayyaf, one or more MILF, and one MNLF. Three of them were apprehended in an office run by a front group for the NPA. Members of the various armed movements have often shifted alliances; the MILF was a split off from the MNLF, and the Abu Sayyaf came from the MILF. The recent bombing is suspected to be the work of a “Lost Command,” a term used for renegade members of Muslim separatist groups.

As for the supposed al-Qaeda connection to the Abu Sayyaf, much touted in the Western press, this is a hoax—which even President Arroyo has acknowledged to be an artificial construct. The last known connection between al-Qaeda and the Philippines was in 1995, when Afghan militants were involved in establishing support groups in the country.

The more relevant question is the role of Western intelligence in the various insurgencies. In the 1980s, dozens, perhaps hundreds or even thousands of militant Islamic Filipinos, mostly from Mindanao, were recruited directly by U.S. intelligence, which took them to Afghanistan and trained them in armed insurgency, in order to fight the U.S. proxy war against the Soviet occupation of Afghanistan. When the Soviets withdrew, these trained insurgents returned to the Philippines (and to other nations around the world), many joining armed separatist movements in the South. The continued role of U.S. intelligence assets within their ranks would be denied only by fools or liars.

The second “exercise” which is now under way in Luzon, called Balikatan II, was originally reported by American officials, although unofficially, to be an anti-China war game dealing with an imagined Chinese invasion of the disputed Spratly Islands in the South China Sea. This aspect has been carefully omitted from subsequent press reports. Nonetheless, the exercises are taking place in a region of Luzon considered to be an area of operations of the NPA. The 33-year war between the Philippines Army and the Maoist NPA is far from settled—in 2001, at least 189 NPA fighters and 120 government troops were killed in 350 military engagements and ambushes. In early April 2002, an NPA spokesman called

on the approximately 12,000 active NPA soldiers to “inflict severe casualties on the invading U.S. forces” if they infringe on NPA territory. The U.S. forces in both “exercises” are authorized to return fire, if fired upon.

Israeli Commandos Involved

To make matters worse, a team of Israeli commandos was brought into Subic Bay in late April to train the Philippine National Police (PNP) in “anti-terror operations.” Several Senators denounced the deployment as an affront to the Muslim population in the South, given the Israeli atrocities against the Palestinians over the past weeks.

The United States chose to rename the exercise in Mindanao soon after it began, from the Philippine *Balikatan*—translating as “shoulder to shoulder”—to “Enduring Freedom Philippines.” Using the same term as the Afghanistan operation made clear that the “exercise” was in fact an East Asian continuation of the war in Central Asia. Adm. Dennis Blair, Commander of the U.S. Pacific Command, visited the troops on the jungle island of Basilan, off the coast of Mindanao, and in Zamboanga (see map), on April 15. The United States then essentially dropped the pretext that the American troops were only advisers, by announcing on April 24 that Admiral Blair and the Philippines government had agreed to deploy U.S. Special Forces troops directly on combat missions with the Philippines Army. U.S. Air Force Gen. John Rosa revealed that, under the plan, yet another increase in troop strength would be required, and admitted, “It would greatly increase the possibility of our forces needing to defend themselves.” The announcement that same day that Gen. Richard Myers, Chairman of the Joint Chiefs of Staff, would visit the Philippine war zone the following week, indicated that the slippery slope is indeed getting greased for another ground war in Asia, and the desired clash with China.

General Ramos Threatens Arroyo

As *EIR* has reported (see “Marines and Mini-Coup Hit the Philippines,” *EIR*, Jan. 25, 2002), the senior U.S. asset in the Philippines, retired general and former President Fidel Ramos, has been manipulating President Arroyo to submit to his direction on security matters, under the thinly veiled threat of yet another military-run “people’s power” coup d’état, like those that overthrew Presidents Ferdinand Marcos in 1986, and Joseph Estrada in 2001. This coup threat escalated in the days following the General Santos City bombing. Cardinal Jaime Sin (a key Ramos asset in both previous military coups) “revealed” that several leading players in those coups—including Rep. Jose “Peping” Cojuangco, the brother of former President Corazon Aquino, and Pastor “Boy” Saycon—had approached the good Cardinal for his blessing for the creation of a “collective leadership” of generals to take over the government.

These gentlemen are well-known allies of General

American Military Forces in the Philippines



Ramos, from the elites (Cojuangco) and the non-governmental organizations (Saycon). Cardinal Sin’s “revelation” demonstrates that the threatened action was not real, at least at this time, but was intended as another warning to President Arroyo, at a moment when she is being told to compromise the nation’s sovereignty, again, to the demands of the U.S. war faction.

President Bush, whose Presidency is now stumbling since the Venezuela fiasco and the insulting defiance of the fascist marauder Ariel Sharon, has allowed the war faction increasingly free rein over American policy. In the 1960s, the same “Clash of Civilization” proponents, including Samuel Huntington and Henry Kissinger, pushed for war in Vietnam as a surrogate for attacking China. As then, so now in the Philippines, when U.S. colonial-style military operations provoke a response, either military or terrorist, by those under attack, such a response is used to justify further escalation. As then, there is a point of no return, which is approaching.

Cuban Intelligence Behind Brazilian Press Slander of LaRouche

The following press release was issued by EIR on April 22, 2002.

A spokesman for *EIR*, whose Founding Editor is U.S. 2004 Presidential pre-candidate Lyndon LaRouche, responded sharply to slanders appearing against LaRouche in a major Brazilian daily on April 17, which claimed that he was personally involved in the recent coup d'état against Venezuela's Hugo Chávez.

"Someone is trying to orchestrate more bloodshed in Venezuela," the spokesman warned. "The lies appearing under the byline of Mario Augusto Jakobskind in *Tribuna da Imprensa*—that LaRouche supposedly met secretly in the Dominican Republic with former Venezuelan President Carlos Andrés Pérez, business leader Pedro Carmona, and trade union head Carlos Ortega, to plot the overthrow of Chávez with the help of anti-Castro Cubans—are so absurd, that one has to ask: Why are these lies appearing now?"

The spokesman explained: "The fabrication appeared in the middle of an inconclusive coup and counter-coup in Venezuela, which may quickly lead to yet another counter-counter-coup, and so on. The governments of the United States and of other countries in the hemisphere have issued notice to their employees and ordinary citizens residing in Venezuela, that a new explosion may be imminent.

"Their concern is a valid one," the representative said. "As Lyndon LaRouche recently explained, the chaos in Venezuela is the result of utter incompetence and policy blundering in Washington, under which many of the old Iran-Contra networks have again been let loose throughout the Caribbean region—including anti-Castro thugs associated with Florida Gov. Jeb Bush. This Iran-Contra legacy is a throwback to the old Filibusters, as typified by Teddy Roosevelt's uncle James Bullock, and U.S. Presidents Polk, Jackson, and van Buren before him. So the danger is very real.

"Under such circumstances, the lies about LaRouche cannot be viewed as mere idle gossip, but are the work of identifiable intelligence networks. They must be taken seriously, as posing a security threat not only to Venezuela, but to other nations in the region, such as Brazil, which may face an echo of the kind of danger now present in Venezuela."

EIR has opened an investigation into the intelligence networks involved, but already has a substantial dossier in place. "Author Jakobskind himself gave it away," the spokesman



Venezuelan President Hugo Chávez had mass support three years ago, and now has generated a mobilized mass opposition of his countrymen, primarily with his disastrous, actually pro-IMF, economic policies.

said. "In his response to a letter written by *EIR*'s Brazil office and published in *Tribuna da Imprensa* on April 19, and which refuted each of his lies, Jakobskind asserts that his information came from 'the journalist Carlos Aznárez . . . who is an experienced professional whom I have no reason to doubt.'

"Aznárez is a Basque-Argentine based in Madrid, who runs an Internet magazine, *Resumen Latino-Americano*, which publishes propaganda messages from the Colombian FARC, among other terrorists, and which has links to Mexico's EZLN [Zapatista National Liberation Army], and Cuban publications *Granma* and *Juventud Rebelde*. Aznárez is also published by the Red Basque Network, the Euskadi Information Network, and other such promoters of the terrorist Basque separatist ETA."

"But Aznárez is not the original author of the slander either," the *EIR* spokesman elaborated. "We have traced the fabrication back to Cuban intelligence itself. On Dec. 6, 2001, two pro-Chávez Deputies in Venezuela's National Assembly, Defense Commission head Maj. Francisco Ameliach and Capt. Pedro Carreno, called a press conference to reveal that they had received a dossier from unnamed 'intelligence services' which allegedly proved—with photographs, pictures, telephone taps, and a grid of travel between Miami and the Dominican Republic—that ex-President Pérez, Carmona, Ortega, 'a U.S. Congressman,' and Miami's anti-Castro Cubans, were running an operation to oust Chávez, and that Lyndon LaRouche was involved in the meetings as well. The next day, Radio Havana used the Venezuelan Deputies' story—which most likely originated in Cuba in the first place—to put out a wire which repeated the concoction."

The spokesman for LaRouche's *EIR* magazine concluded: "The lies should stop—for the peace and stability of Venezuela and the region."

China Endorses Iran's 'Dialogue Of Civilizations'

by Mary Burdman

Chinese President Jiang Zemin has just completed a two-week tour of five nations, conducted, as China's Vice Foreign Minister Yang Wenchang stated on April 22 in Tehran, "against a complicated international background following the Sept. 11 terror attacks on New York and Washington." Jiang first visited Germany, China's key partner in Europe; Libya; Tunisia; Nigeria; and lastly, Iran—one of the three nations targeted by U.S. President George W. Bush as part of the alleged "axis of evil."

Thus, Jiang visited one of the nations Washington has identified as its enemy-image, on the eve of Vice President Hu Jintao's visit to the United States. Libya, also, is not a favorite of Washington's, and, in almost the same time period, Chinese Prime Minister Zhu Rongji was in Turkey and Egypt. Cairo is China's key partner in the Middle East and Africa. As Zhu Rongji noted in Ankara, Turkey's capital, Turkey is the bridge to Europe for the new Silk Road.

In Germany, Jiang was blunter than usual, denouncing those who would try to solve global issues "single-handedly"—a reference to Washington's self-proclaimed "full spectrum dominance" policy. In Iran, Jiang publicly stated opposition to the growing U.S. military presence in Central and West Asia. This encompasses both the immediate U.S. military threat to Iraq, and the longer-term potential threat posed to Iran, and China itself, by the U.S. forces in Pakistan, Uzbekistan, and Kyrgyzstan.

The Iranians made clear that Jiang's visit was of great importance, not only to enhance bilateral cooperation, but, even more so, to promote strategic cooperation among Iran, China, and India. Iranian leaders stressed China's economic growth, and its role as a permanent member of the UN Security Council.

The visit is certainly raising hackles in Washington. The bugaboos of Harvard Prof. Samuel Huntington, author of *Clash of Civilizations*, a book of geopolitics with a mass-populist flavor, are the "Confucian-Islamic" cultures, which he attacks as the enemies of what he claims is the "European, Christian, Protestant, English culture" of the United States.

Chinese Vice Premier Qian Qichen, who accompanied Jiang, recently ridiculed Huntington's basic tenet, that rapid economic and population growth (especially in nations he hates) *must* lead to "expansionism." Qian Qichen pointed out that the often-cited examples of Japan and Germany resorted to expansionism when they were "plagued by economic cri-

sis." After World War II, both nations achieved remarkable economic growth, yet were not "expansionist." "Cause-effect methods," Qian wrote, can lead to an "extreme view."

Culture and Economic Development

Cultural relations, economic development, and energy were leading issues that Jiang and Zhu Rongji discussed with their hosts. The ancient Silk Road, which centuries earlier had linked China with Western Asia and Europe, was a constant theme. In addition, Iranian President Mohammad Khatami has emphatically urged the "Dialogue of Civilizations" as the basis for resolving international issues and conflicts.

Energy, especially oil, is also of growing concern. In a conference in Beijing on April 18 on strategic oil and gas resources, Resources Minister Tian Fengshan said that China has listed petroleum, food, and water as three strategic resources with a great impact on maintaining economic and social development. Government think-tanks have made an assessment of the potential impact of the Sept. 11 attacks and subsequent U.S. war on Afghanistan on China's energy resources, Tian Fengshan said. The conclusion is, that if China becomes too dependent on imports, its "economic and political security will be affected." China has cooperated with Sudan and Venezuela in oil development, but the vulnerability of both these nations is clear. Now, China wants to expand its overseas oil exploration to Russia, Indonesia, and other nations.

Jiang was in Germany on April 8-13. He had been invited by Germany's President Johannes Rau to commemorate 30 years of diplomatic ties. The substance of bilateral discussion was kept quiet, but it is clear, that without Germany as the western terminus, there will be no modern Silk Road. Speaking in Berlin—where, he noted, many leaders of the Chinese revolution had lived and studied in the 1920s and 1930s—to the Foreign Policy Association on April 10, Jiang stressed the "uncertainty about the future" among many nations. After two catastrophic world wars and the Cold War, the world population has been "all long for lasting peace." Yet, "no fundamental change has been made in the unreasonable and unfair international political and economic order."

Now, the "international situation is undergoing the most penetrating changes since the end of the Cold War." Multi-polarization is "the important foundation for promoting world peace and development," Jiang said, and all countries, no

matter their size, wealth, or power, “are all equal members of the international community.” No one should try to deal with issues “single-handedly”; there should be “no double standards” in dealing with terrorism; and “no other political agenda having an impact on world and regional stability and development should be promoted in the name of counter-terrorism.” In the “current complex and volatile international situation,” cooperation between China and Europe, especially Germany, must grow.

U.S. Policy Criticized

Jiang’s visit to Iran on April 18-22 was only the second by a Chinese head of state since 1979. The official reason for the visit was to return that of President Khatami, who went to China in 2000. But there was much more on the agenda. Tehran took measures to ensure that there would be a substantial response from Beijing on U.S. backing for Israel, its pressure on Iraq, and its moves into Central Asia.

On April 20, Jiang was received by Ali Akbar Hashemi Rafsanjani, the head of the Expediency Council and former President of Iran. According to the official Tehran media, Rafsanjani said that Iran has chosen China as one of its strategic allies, and called upon China to take part in oil and gas projects in Iran.

Jiang addressed the issue of the U.S. military presence in Central Asia, the Caucasus, Afghanistan, and Pakistan, stating that U.S. interference is creating regional tension. Rafsanjani said that regional powers, including China, should adopt measures to promptly end the U.S. presence in the region. He also condemned U.S. support for Sharon.

Jiang responded that China opposes U.S. “bullying tactics” and its military presence in the region. He criticized U.S. double standards. Jiang also accused Israel of “not having implemented UN resolutions,” and called for its immediate withdrawal from Palestinian territories. He criticized “U.S. support for Israel’s policies.” According to IRNA, Jiang said that protecting the developing countries against U.S. pretensions is top on China’s agenda, and that China wants a sustainable peace in Afghanistan. Jiang met with President Khatami, and also Iran’s Supreme Leader, Ayatollah Khamenei.

In answer to the “Clash of Civilizations” gang running Washington policy, Jiang told Khatami that China supports the initiative for a dialogue among different civilizations that he is leading, and that China is ready to take an active part. This, Jiang said, is how to develop relations among civilizations; this will enable all nations to treat each other as equals. China is ready to cooperate with Iran and other countries to create a new and just political and economic world order.

Khatami said that Iran attaches special importance to ties with China; Jiang responded that both are nations with ancient civilizations, which had established relations through the Silk Road 2,000 years ago, and contributed to the development of world civilization. Now, both are developing countries which share similar views on many important inter-

national and regional issues.

Of particular interest, was the report of the two leaders’ discussion on Iraq. Both sides said that the “legacies of the Gulf War”—i.e., the economic sanctions and continued bombing of Iraq by the United States and Great Britain—should be properly settled as soon as possible, on the basis of the relevant resolutions by the UN Security Council. Both supported Iraq’s sovereignty and territorial integrity, and Khatami stated his opposition to any nation interfering in Iraq by force. The pressure on Iraq, Jiang said, has “triggered crises from time to time, seriously affecting the security and development of the Gulf region.”

Both sides expressed deep concern about the Israeli military strikes against Palestine and the siege of President Yasser Arafat. War-torn Afghanistan, they said, urgently requires reconstruction.

Iran’s religious leader, Ayatollah Khamenei, was particularly outspoken. Asia, he said, has a broad capacity to develop regional cooperation. It was he, who emphasized the importance of fostering cooperation among Iran, China, and India. The United States, he said, is taking advantage of its political and military power. “This has posed a great threat to all countries and for this reason the international community is required to oppose Washington’s wrong stance in order to save the future of humanity.” The European states have stayed clear of the United States over Palestine and they no longer support the U.S. stance on the Middle East.

Jiang responded that there are worldwide objections to U.S. hegemonic policies. China, he said, thinks “that terrorism should be dealt with on the basis of valid evidence, and the international campaign against terrorism should not breach international regulations or [be] carried out unilaterally.”

The Iranians later emphasized the particular success of Jiang’s discussions with Ayatollah Khamenei.

Vice Foreign Minister Yang Wenchang also said that Jiang’s tour had been a “complete success.” The Chinese official media were somewhat more circumspect in their coverage of Jiang’s talks in Tehran, omitting, for example, his references to the U.S. military in Central Asia. At the same time, the press was enthusiastic in its accounts of the warmth of Jiang’s reception in Iran.

Jiang made clear Beijing’s views on leading international issues, and to discuss ways to safeguard world peace and stability with leaders in all five nations. China also signed 23 new cooperation documents.

Vice President Hu Jintao, on his first stop, in Kuala Lumpur, Malaysia, on his way to the United States, told the Asian Strategy and Leadership Institute on April 24, that “China views all nations as equals, irrespective of their size. It opposes the strong lording it over the weak, and the big bullying the small. . . . Big countries should respect the interests of small and medium-sized Asian countries, treat them as equals and act constructively for Asia’s stability and prosperity.” Hu’s approach, when he meets U.S. Vice President Dick Cheney, will likely be quiet, but also firm.

Anglo-Americans Consolidate Power in South/Central Africa

by Uwe Friesecke

After more than eight weeks of negotiations in the South African resort Sun City, the Inter-Congolese Dialogue (ICD) drew to a close without an agreement signed by all parties participating. The South African government, the United States, and the European Union, which paid for the negotiating marathon of more than 360 delegates—representing the Kinshasa government of the Democratic Republic of Congo, various opposition groups, and the two main rebel groups controlled by Uganda and Rwanda—declared that they wanted to bring lasting peace to the Congo. But again, as with most Western-sponsored peace negotiations in Africa, a careful analysis reveals a much more cynical design, followed in particular by the British and U.S. governments.

If one disregards the rhetoric of diplomatic declarations, and looks at the facts on the ground, it becomes obvious that Western governments' concern for the well-being of the people is pure hypocrisy, and their real attention is focussed on the enormous wealth of raw materials buried in the ground in Central Africa and under the ocean along the western coastline of Southern Africa. While many political observers in the region expect nothing else from the governments in Washington, London, Paris, Brussels, or Lisbon, they are deeply concerned about South African President Thabo Mbeki, whose proposal for a transitional Congolese government suited more the regional designs of Western strategists, than the genuine interests of the Congolese people.

The Regional Context

The ICD in Sun City started shortly after the death of National Union for the Total Independence of Angola (UNITA) leader Jonas Savimbi at the end of February. It is by now an open secret that Savimbi was hunted down in the bush of Angola's Moxico province by the Angolan Army with the help of U.S. and Israeli intelligence. Right after Savimbi's death, Angola's President Eduardo dos Santos, Savimbi's rival for more than 25 years, went on a state visit to Washington and offered an increased supply of Angolan oil. (The United States already receives about 7% of its supply from Angola.)

The death of Savimbi, who during the Cold War used to be Washington's most favored ally in Southern Africa, was widely hailed as the removal of an obstacle to peace in the country. But the peace that is being prepared for Angola now,

looks more like a dictated peace by the West, than a genuine effort of Angolans to undue the horrors of almost 30 years of civil war, and lay the just foundation for peace and development, benefitting all citizens of the country.

The Angolan malaise has been the intricate involvement of the country's power elites with Western multinational corporations, especially in oil and diamonds, to loot the country—regardless of the ever-deteriorating living conditions of the people. For decades now, U.S., British, and French oil firms have lifted billions of barrels of petroleum offshore in Angola, knowing full well that the proceeds fuelled the war and filled the pockets of a few individuals inside and outside the country. And the same Western interests bought diamonds from the rebel group UNITA, the other side of the war.

But Savimbi had apparently outlived his usefulness, and rather than making another attempt to include him in a power-sharing agreement with the Popular Movement for the Liberation of Angola (MPLA) government, he was removed from the scene as a complicating factor. The government could then dictate a cease-fire agreement, which was signed by the government and UNITA at the beginning of April.

The cease-fire may have ended the military fighting for the time being. But political observers fear, that the wrangling over the participation of UNITA leaders of different factions in the lucrative oil and diamond business with the MPLA government, will destroy all serious efforts for rebuilding the country economically and politically. As long as the oil flows and diamonds find their way to Antwerp, the Anglo-American powers don't care. For them it is a strategic question, because the western coastline of Africa—from Nigeria in the north down to Namibia in the south, including Equatorial Guinea, Gabon, Congo-Brazzaville, the Cabinda enclave in Angola, Congo-Kinshasa, and Angola—contains probably as much, or more petroleum and natural gas than the Middle East. With a war against Iraq looming, with its incalculable consequences for the stability of the Arab world, relations with those countries in Africa are moving higher up on the agenda for Washington.

Therefore, the Pentagon is intensely involved in guiding U.S. Africa policy. Deputy Assistant Secretary of Defense for African Affairs Michel Westphal, at a Pentagon news conference on April 2, explained how some longtime oil-

Political Division of the Democratic Republic of the Congo



producing nations in the Middle East and Persian Gulf region are now beset by anti-Western sentiments, that could affect future energy exports to America; and therefore that Sub-Saharan Africa is increasingly looking attractive to the United States. Westphal said, Africa “does matter” to U.S. policy-makers, because “15% of the U.S.’s imported oil supply comes from Sub-Saharan Africa.” One should keep in mind, that the State Department’s Assistant Secretary of African Affairs, Kannsteiner, served with the Department of Defense as a member of the strategic minerals task force.

A consolidation and streamlining of power structures is under way in Central and Southern Africa. To control Anglo-

la's oil and diamonds from just one center, the capital city of Luanda, is more effective than having to deal with the incalculability of a continuous war. Besides consolidating influence over Angola, the Congo must be controlled, because its tremendous wealth contains important strategic minerals such as coltan. This is the real issue in the ICD.

The Fraud of Western Peace Efforts

In January 1961, Patrice Lumumba, the hero of Congolese independence, was murdered by an operation of Western secret services, and Col. Mobutu Sese Seko was brought to power. He relentlessly looted the country in the name of his Western backers. By 1996 an ailing Mobutu had outlived his usefulness, and the same Anglo-American powers that had backed him, worked with the governments in Uganda and Rwanda to organize Laurent Kabila's march to power in Kinshasa in May 1997. But Kabila did not honor the agreements he had signed earlier, and he fell out with his invading former "allies," Rwanda and Uganda. He apparently preempted an assassination plot against himself, and threw the Rwandan advisers out of the country. In return, in the Summer of 1998, Rwanda and Uganda staged an invasion of so-called rebels into the Congo, with the aim of removing Kabila from power in Kinshasa and replacing him with somebody who would fit into the their Anglophile alliance.

But President Yoweri Museveni of Uganda and then-Vice President Paul Kagame of Rwanda were doing nothing in the Congo without the active consent of the British and U.S. governments. Because the Presidents of Namibia and Zimbabwe realized the danger to their countries if Uganda and Rwanda were to take over power in Kinshasa, they deployed troops into the Congo to save the Kabila government.

Since then, the Congo has been divided, and the Kinshasa government of the Democratic Republic of Congo controls less than half of the territory. The southeast is occupied by the Congolese Rally for Democracy (RCD), controlled by Rwanda, and the north by the Movement for the Liberation of Congo (MLC), controlled by Uganda. Even though the Presidents Museveni of Uganda and Kagame of Rwanda have since fallen out with one other, they both remain willing puppets of the U.S. and British governments, and occupy half the Congo for those Anglo-American interests.

After Laurent Kabila was assassinated in January 2001, his son Joseph, who assumed the Presidency, was forced to the negotiating table. U.S. and British diplomacy organized the Lusaka peace accord of 1999 and the deployment of a UN observer mission to watch over the cease-fire. The ICD dialogue, following the Lusaka agreement, is supposed to work out an arrangement for a transitional government to prepare general elections of a parliament and President for Congo-Kinshasa while preserving the unity of the country.

The fundamental flaw in this dialogue is that the invading forces, the so-called rebels, are being accepted as legitimate. As with so many precedents in Africa, first the West, the U.S. and British governments in particular, organized the invasion.

Then they called both sides, the two Uganda- and Rwanda-controlled rebel forces (as the aggressors), and the Kinshasa government (as the victim), to the negotiating table, gave them equal status, and tried to manipulate a peace agreement which accomplishes for the Anglo-American strategy diplomatically, what it couldn't achieve militarily—in this case the control of the resources of the Congo.

Regional observers are alarmed that the proposal of South African President Mbeki at the Sun City talks fits exactly into this. Mbeki's proposal would keep Kabila as President, with much reduced powers, and give the rebel groups control of all important portfolios—the army, the economy, and the interior. Under cover of "withdrawal of foreign forces," the Zimbabwe troops defending Kabila's government would be forced out of the Congo, while in reality, the other foreign forces, from Uganda and Rwanda, would occupy ministerial posts in Kinshasa. Zimbabwe's President Robert Mugabe would be further isolated and cut off from his economic cooperation with Kabila. Thus, the most aggressive opponent of Anglo-American colonial control in Southern Africa would be significantly weakened, if not eliminated.

But the Sun City talks took a turn which the facilitators, the South African government, and former Botswana President Sir Ketumile Masire did not expect. Joseph Kabila and his ministers struck a separate deal with one of the rebel forces, the Uganda-controlled MLC. Their leader, Jean-Pierre Bemba, will become Prime Minister, and Kabila will remain President. The government in Kinshasa announced, after leaving Sun City, that it would implement this agreement, even though the other rebel group, Rwanda's RCD, protested loudly and threatened the resumption of the war.

Joseph Kabila had apparently understood that the praise which was heaped on him right after he took over power in Kinshasa was conditional on his willingness to make the expected deals with the Western powers concerning Congo's raw materials. Having in mind what happened to his father, he is trying to survive by exploiting the differences among his adversaries. So far, he has succeeded. But the chances that he could establish a government for the Congo, committed to the real development of the country against the strategic design of a neo-colonial Anglo-American policy, are slim. London and Washington, with other Western partners, will continue to push aside any independent political force in the region which stands in the way of their control over the region's raw materials. This reminds us again, that if U.S. and British diplomats speak of peace, they mean peace for their interests, not for the suffering people in these African countries.

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France Continues Global Pattern: Falling Tsars

by EIR Staff

In the first round of the French Presidential elections on April 21, French commentators claimed that “an earthquake” had hit the country. Incumbent President Jacques Chirac just narrowly took first place in the voting, over right-wing extremist, anti-immigrant head of the National Front, Jean-Marie Le Pen; and Prime Minister Lionel Jospin’s career abruptly ended, his Socialist Party shocked by his failure even to make the runoff. With 16 Presidential candidates on the ballot, President Chirac polled just over 19%, Le Pen 17%, and Jospin just over 16%. The total of votes cast was millions fewer than in the last Presidential election, in 1995.

The results, however, were not surprising to those with an overview of the politics of many nations now hammered by economic depression conditions; not, for example, to Jacques Cheminade, the French Presidential candidate linked to U.S. Presidential pre-candidate Lyndon LaRouche. The French elites launched an extraordinary dirty tricks campaign, which kept Cheminade off the ballot, as he explains in the accompanying interview.

Continuing the pattern seen in Italy, Germany, Colombia, Venezuela, Argentina, and emerging in all the Western nations, governing and major parties’ popular support is collapsing, in tandem with their failure to address the economic collapse. Instead, they insist on austerity measures and attempts to prop up unpayable debts. In the French contest, fully one-third of the eligible voters failed to cast ballots, and half of those who did, threw their votes to parties of the extreme left or extreme right—including Le Pen, who actually received the same number of votes for his racist poison, as he had in the 1995 election, but emerged this time as the “spoiler,” because of the collapse of the major parties.

More Turbulence Ahead

As with George Bush and Al Gore in the U.S. Presidential election of 2000, both Chirac and Jospin had colluded in lying to the electorate that the economy was doing well, and concentrated obsessively on the “issue” of local crime. As in the Bush-Gore charade, the only candidate who was truthful about the economic collapse, growing unemployment, bankruptcies, etc.—LaRouche’s ally, Cheminade—was kept out of debates and, finally, off the ballot. Socialist Jospin destroyed his candidacy by attempting to “move to the center” as the U.S. Democratic Party has, resulting in French liberal and socialist-leaning voters abstaining or going to the Trotskyist and other far-left candidates.



Jean-Marie Le Pen’s National Front party did not actually increase its Presidential vote; France’s traditional major parties’ votes collapsed, due to ignoring economic reality.

On the right side of the spectrum, Chirac and other “conservatives” also lost voters from 1995. Le Pen’s vote total hardly changed, but its composition shifted, showing the mood of revolt in a population being laid off and lied to. It was evenly distributed among all age groups, rather than concentrated among older voters; one exit poll showed Le Pen getting 38% of unemployed votes, 20% of farmers’ votes, and a high percentage of votes from working people in part-time or otherwise unstable jobs. And though Le Pen is noted for anti-Semitic comments in the past, this time—where, in the context of the Israeli invasion of Palestinian territories, anti-Semitic incidents have been on the rise in France, with synagogues burned, cemeteries desecrated, and Jews assaulted on the street—Le Pen curried votes, including among the Jewish community, when he pledged to crack down on areas with high crime and large populations of unemployed youths of African and Arab Muslim background.

With such “leaders” emerging at a time of worsening economic crisis, more turbulence is ahead for France. Chirac is expected to win the run-off in May, primarily by virtue of a mobilization of Socialist voters, firmly holding their noses to vote for him. But then in June, these forces will mobilize against both Le Pen and Chirac, in national legislative elections. Should the left wing win those elections, Chirac will face the choice of resigning and calling a new Presidential election, or inviting a new Prime Minister from the discredited Socialist Party to “co-habit” with him in government. And Le Pen’s National Front, and other extreme parties, may win far more legislative seats than they have in the past.

Either way, this is a recipe for extreme political instability, which will continue, perhaps with one government after another falling, until leaders emerge who are willing to adopt entirely new economic policy-axioms—those which Jacques Cheminade had injected into the race.

French Presidential Elections Show, The Elites Are Running Scared

Former French Presidential candidate Jacques Cheminade, known throughout France as a good friend of U.S. Presidential pre-candidate Lyndon H. LaRouche, spoke at length with Elisabeth Hellenbroich of EIR on April 8, shortly after being denied ballot status for the first round of voting. He has announced that he will run for President in the 2007 elections.

EIR: You were a candidate for the Presidential elections in 2002—the first round of which will take place April 21, and the second round on May 5. You were able to collect hundreds of signatures from mayors, but then a very dirty operation was launched against you to sabotage your campaign. What has happened?

Cheminade: The French elections require the candidate to get signatures from more than 500 grand electors, who must be elected officials. This includes mayors, but also National Assembly deputies and regional councillors. The main parties control the mayors of the major cities. Therefore, new candidates must convince mayors from towns and smaller cities, who are not under direct political control, to sign nominating letters for them. We—that is, the Solidarité et Progrès group, which supported my campaign—started to obtain pledges from mayors as early as mid-June 2001, for an election which was to take place on April 21, 2002. So the gathering process has to begin pretty far in advance.

We had a team of about ten people calling the mayors—six hours per day, at the end of this process—and we had given our candidacy a high profile with a widely distributed policy declaration that called for a fundamental change in policy: a change in foreign policy, and above all, a change in economic and monetary policy, so as to create a more social, more just economic development policy inside France. As a result of our campaign, by the end of February, we were able to obtain 525 commitments to sign nominating letters from French mayors. Once one has the commitments, then, the candidate must send out the official nominating document to these mayors, which they officially sign for the candidate to whom they have given their pledge. These documents became available on Feb. 26. . . .

On Feb. 20, an article appeared in a publication called *L'Hebdo*, which is owned by a minor candidate named Nicolas Miguët, who said that I was the “leader of a cult,” and that the mayors who had pledged to sign for me would lose their

[state] subsidies, because . . . my party—“Solidarité et Progrès”—was mentioned in a Parliamentary report on cults. This slander was followed with more articles in *L'Hebdo*, which was sent out to all the mayors for free—40,000 copies—saying that I have a “*casier judiciaire chargé*,” which means that my judicial files are heavily burdened by condemnations in court. And that I have a “sulfurous” reputation.

So, this operation was designed against my candidacy. A lot of mayors did not believe what was written, and signed for us—most of them, 366 mayors, did sign. But others were in trouble, because they were under pressure from their town councils, or people around them, or their families, while others were afraid that they would get problems in their commune [town].

So, these articles were designed to create a lack of confidence around my candidacy among about 150 mayors, who were not courageous enough to keep going. We called these people back, and most of them told us that they withdrew their pledge of honor for the candidate because of the slander articles in *L'Hebdo*.

We had thus been able to nail down an operation, which was designed to disrupt my candidacy. We managed, despite that, to continue collecting signatures from mayors—we got 35 new ones; and keep in mind, this was the end of a long process, and we ended up with 401 signatures.

There are now 16 candidates participating in the Presidential elections. We were among the candidates, together with [former Interior Minister Charles] Pasqua, who did not make it; well-known candidates, like the former head of the Green [Party], all of whom failed to get the 500 signatures. . . .

Another factor was the Association of French Mayors (AMF), which, at the end of October 2001, declared that mayors were not compelled to sign, and that they could very well refuse—and they were, in fact, enticed to refuse. The head of this association is Mr. Delvoix, who is the head of President Jacques Chirac's RPR party. Then, the head of the Association of Rural Mayors, who is from the center-right and de facto supports Chirac, proclaimed, “I myself don't support anybody, and I am against the support, and against this mechanism.” Finally, at the end of the process, we discovered that Prime Minister Lionel Jospin had said that . . . the one thing amiss in the 1995 [Presidential] campaign, was the case of Jacques Cheminade. [In 1995, the first Presidential elections



Former French Presidential candidate Jacques Cheminade with volunteers in his campaign office in Paris.

after 14 years and two terms under François Mitterrand, Cheminade made a come-from-behind bid, assembling 500 mayors' signatures, and achieving ballot status. With the elites' chessboard kicked over, the leading press made scant mention of Cheminade except to unleash a torrent of abuse against him and LaRouche—ed.]

So, why all these operations?—and the last one, launched by Miguet, is the most visible, and we went to court against that. It is all very simple: It's because the issue of foreign policy and European policy, and the fact that the world economic, financial, and monetary system is collapsing, must not to be put on the table in this campaign. There was an agreement among the French elites not to put these questions on the table.

And, finally, the French elites did not want to be caught in their game—which is to publicly oppose the Anglo-American fascist order, the imperial policies, but, under the table, make arrangements with and submit to those policies. So, they didn't want to be caught in that, because, then, they would have to acknowledge that they are submitting, and since they do not want to make a clear policy choice, they wanted to get me out.

EIR: How do you proceed against Miguet's campaign?

Cheminade: Miguet is a guy who many years ago, set up a stock market operation. He makes a lot of money on the stock market, by giving advice to the people, to middle-class people, and he is connected to certain extreme right-wing circles in the RPR in particular, who called to sign for him. He has a lot of money—his image was all over France for many weeks in 2001 and this year, which is not permitted

by the law. You are not allowed to commercially promote yourself in an pre-election time; but he did it nonetheless, not caring about the law. And he pretended to be a candidate to the legislature; in fact, he was also running in the Presidential elections. He showed up at the Constitutional Council, claiming to have 509 signatures, when, in fact, he got only 261, with all the means and money he has. So, therefore, you can say that his candidacy was launched to “torpedo,” or to kill my candidacy.

The case was brought before the court. The issue is: Were we in an election campaign period, and were we in a position to protest? The issue was: Saying that somebody is member of a cult and that he is mentioned in a parliamentary report, and threatening the mayors that they will lose the subsidies, if they sign for me—is this considered as defamation, and blackmail and intimidation, and pressure on our elected officials? That's the issue.

EIR: And what about the Parliamentary report?

Cheminade: We were never mentioned in any Parliamentary report.

EIR: So, it is all a total lie?

Cheminade: Yes, it is a total lie. It's a lie as to fact. The prosecutor said, to call somebody a member of a cult today is not defamation, because it's so usual. But, in fact, it is defamation to say that a Parliamentary report—which is a precise fact—mentions you as a member of a cult. That's defamation and the French courts have to say it so. I don't know whether they have the courage to say so, and to create a legal precedent in a Presidential election.

EIR: Coming back to the economic situation. They obviously did not want to have you around with a high profile in this campaign, since you, unlike the other 16 candidates, would point to the truth of the actual global financial and economic crisis and present a programmatic alternative. What is actually economically and socially going on in your country?

Cheminade: The first fact to mention is that 58% of the French population is absolutely disinterested in the Presidential elections, and 75% think that the Jospin and Chirac programs are nearly identical. So, this election, in a way, is a joke. It's based on personalities, on an American type of promoting candidates. And it's ridiculous. There is no substance to the election. At best, everybody puts the question of the Maas-tricht Treaty at the end of their proposals, as well as the question of the Stability Pact and foreign policy. So, it's like a doctor who sees a cancer, and treats some skin pimples. That's exactly what's happening.

There is discontent in the country. But not represented by the unions, because the unions, like political parties, are in the process of disappearing. For example, in a country with 62 million inhabitants, there are roughly 400,000 dues-paying party members; the average membership in trade unions is 12-13% in the public sector, and between 4% and 5% in the private sector. So, this is a disunionized and unpolitical country, at this point. In that sense, all kinds of conflicts erupt, and there is no filter or association to organize them.

So, it erupts in all directions, and it went very far in the recent weeks and months. Take the example of the Gendarmes, which are military, and run by the Ministry of Defense. The Gendarmes went out into the streets in a protest, in uniform, which has never happened before. That's new. It's as if Italy's Carabinieri would go on strike and protest in the streets. There were demonstrations by the *aides maternelles*, the women who care for young babies, who had protested strongly—including Jospin's mother who is a nurse. Then the nurses started demonstrations—there are not enough nurses in France, and their status is very low. The French health-care system is still one of the best in the world, but it is being degraded very, very fast. Throughout the country, which is heavily bureaucratized, there is an internal process of degradation, which is creating all those reactions throughout the country.

Add to this the fact that the Jospin government—with its claim to be “Socialist”—has done more privatizing than the previous Balladur and Juppé right-wing governments put together. This privatization creates problems in various sectors and is leading to revolts. Take the example of Moulinex—the company was destroyed. Or, Alcatel, which is going to lease or sell its industrial plants, and these are bought by some type of Taiwanese or American sharks, who resell them after kicking most of the people out of the firm. You have all that kind of degradation, although it's not yet a generalized process.

Coinciding with the collapse of the world financial and monetary system, this whole process will accelerate after the Presidential elections. Everybody says that the next President will be elected with less support than ever, and will face the largest wave of frustration that we have ever faced in France; that it would be a very turbulent Presidency, and there are years of tumult ahead of us.

EIR: This parallels events in Germany—where just some weeks ago we were confronted with a wave of bankruptcies, including the construction company Philipp Holzmann, the media conglomerate Kirch, and the aerospace manufacturer Dornier Fairchild, construction equipment producer Mühl, and office equipment producer Herlitz, to name a few.

Cheminade: It's not at this level yet—but there is a step-by-step destruction of the industrial productive base of the country. But step by step; it has not not been in big waves so far. It's certain to come, nobody knows exactly when, but, it will be in a relatively short period, probably less than a year.

EIR: Take this together with the unemployment situation in your country, which seems to be steadily rising.

Cheminade: Yes, it is steadily rising, again, especially in the last five months. There was a decrease of unemployment between 1997 and 2001—a decrease of between 800,000 and 1 million fewer unemployed—but, now it's increasing month by month, again.

EIR: How will the voters decide in the upcoming election?

Cheminade: People are going to vote “against” somebody. There will be a lot of abstention, which means that a third of this 58%, who display disinterest in French politics, are probably not going to vote, and a lot of persons are calling for abstention.

EIR: The image of the statesman, who represents the art of statecraft—*l'homme d'état* in the tradition of Jean Jaurès or Charles de Gaulle—it seems as though this quality of character in policymaking, no longer exists in French politics.

Cheminade: What you have is careerists, and most young people today who adopt a policy and go into political parties to make a career. They no longer have the conviction of undertaking the noble tasks of responsibility for the state. Politics is considered a career. What de Gaulle called “*le caractère*” has disappeared. Nobody would forcefully oppose something, if their political career is threatened: They prefer the career to the truth.

EIR: Tell us about your political program, for France and Europe, in response to the unfolding global strategic crisis.

Cheminade: The key is to defend the physical economy. And through the defense of this physical economy, it is necessary to create a Euro-Mediterranean policy, connected to the Eurasian Land-Bridge, and to create a Euro-African

policy, which is also connected to the Eurasian Land-Bridge. Europe, in these three-pronged directions, has to confront the Anglo-American oligarchy, which they don't want to do. My association with Lyndon LaRouche put the fear into the elite that I will put this issue on the table. They don't want that. They don't like the idea that Lyndon LaRouche would say what he has to say about the present crisis and what alternatives must be taken on French territory—be it either indirectly through my voice, which they see as representing LaRouche—or to have LaRouche directly come to France. This they don't want.

Look for a moment at what Europe is doing now. Europe is not credible. When you send a Jaime Piqué, Spain's Foreign Minister, and this European Union envoy Javier Solana to Israel, you are not credible. These two Spanish persons are not particularly known for their courage, or their capacity to confront a situation as grave as what we are facing in the Middle East. What happens in reality, is that Europe gives way completely, to let the Bush Administration become the controller of the Mideast. They are letting the extremists around Bush run amok. President Bush does not have a handle on the situation. The Europeans do not have a handle on Bush, and, as a result, nobody controls anything. So, by default, the extremists prevail.

Europe is not proposing anything in terms of a sound economic reconstruction program for the Middle East, and there is a fear of confronting the issue of the Anglo-Americans, and also of Sharon. For example, there were a lot of anti-Semitic incidents in France in the last weeks, and there is a fear to confront Israel. It's a very dangerous situation, because if you don't confront the policies of today's Israel, you will have a very unbalanced situation. And something has to be done by France, and by the other countries of Europe, to lead the fight against Sharon: Not just with words, there have to be concrete proposals for a peaceful solution for both the Palestinian and Israeli populations.

However, at this point, there is no offensive view. The French, even if they don't like what the present American administration and the Anglo-American oligarchy are doing, are making all kinds of accommodations to their policy. And this is also true for Germany. You have very nice words in public, but there is no substance to it. And what I saw as my mission in this electoral campaign, was to address that question.

France has to obviously face the challenge of the collapsing global monetary and financial system. And what is needed, is to adopt a policy which LaRouche refers to in terms of a "Global New Deal," which Roosevelt was calling for. A policy of "rupture," which is going to change the rules of the game. Concretely, this means, as I have been outlining in my electoral and policy program: 1) We must immediately implement a New Bretton Woods system. 2) This must go together with Europe focussing its attention onto great infrastructure projects, like the Eurasian Land-Bridge. And, 3) we

need to promote a "Dialogue of Civilizations," a dialogue, organized on a serious basis, which puts in common the best of all in the accomplishments of these cultures. This must be in coherence with a sound educational policy, a clear public health and research and development (R&D) policy; as well as military policy, which cannot be based on participating with NATO and the Americans in expeditions which are imposing imperial designs, but must be based on the defense of France and Europe. This means developing advanced aspects in physics as a true basis for a policy of defense.

EIR: You were recently invited to speak in Moscow at the Diplomatic Academy, and you had the chance to talk to various leading Russian politicians. What is the Russian view of Europe?

Cheminade: They expect something from Europe, and they asked why Europe is doing nothing. There is a weakness in [Russian President Vladimir] Putin, but it could be converted into a force only if Europe thinks in terms of a common policy for a common design—a community of purpose—which goes together with a Eurasian perspective that would include China, India, and, if possible, Japan and the Koreans. Russia expects that somebody in Europe would push for that kind of policy. You can start to develop culturally and economically a certain community in the approach, and create a community of sovereign states, oriented toward a common purpose.

EIR: This underlines all the more, the need for a Renaissance, which is the necessary cultural basis for the kind of mission you are talking about.

Cheminade: Take the example of the youth, today. You have to give them a sense of the future, and of those who did accomplish important things in the past. Most young people plunge into the present, but have lost the capacity to see and hear. When you go into prehistory, the origin of man, this is a challenge for the young people. If you introduce the fact that pre-historic people were cognitive, and show how they were able to intervene and change the laws of the universe, then the youngsters get very excited. So, it is absolutely indispensable to have Classical culture, in singing, poetry, and painting. There is, in other words, the need to bring, as Friedrich Schiller underlined in his *Letters on the Aesthetical Education of Man*, reason into harmony with the heart.

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International Media Cover LaRouche, On Eve of Webcast

by Paul Gallagher

During the second half of April, an extraordinary degree of international media coverage of Lyndon LaRouche, reflected the intense ferment in many countries over the Middle East events, and their potential to trigger a spreading, global religious war.

These breakthroughs are leading up to a major webcast address by LaRouche to a Washington audience on May 1; its title is "The Middle East Blow-Back Effect." The candidate's speech, and then dialogue with questioners in Washington and worldwide, will be broadcast beginning 1 p.m., on two Internet sites: www.larouchein2004.com, and www.larouchepub.com.

LaRouche's uncompromising demand that the U.S. stop Ariel Sharon and launch peace initiatives based on economic development, and his internationally known and debated *Zbigniew Brzezinski and September 11th* campaign Special Report, have made him the polarizing center of the discussion of what must be done to stop a global Clash of Civilizations.

Widespread coverage of LaRouche in the media of Arab countries, ongoing for several months, led to major interviews with the American statesman on Al-Jazeera satellite television on April 14, and on the "Good Morning, Egypt" national television program on April 16. The transcript then appeared in *Al-Ahram* newspaper. On April 25 and 26, interviews and feature coverage of LaRouche appeared in five significant Middle Eastern newspapers. At the same time, all of the major daily newspapers of Mexico City were covering what LaRouche and his allies had to say against the proposed electricity deregulation in that country; deregulation was defeated in the Mexican Congress a week later.

In the United States, coverage of LaRouche featured three major radio interviews in the nation's capital, between April 15 and April 22. We publish here a part of one of those syndi-

cated interviews, on the District's major black-owned radio station WOL, which focussed on the Mideast crisis.

LaRouche on 'Reynolds' Rap'

Here are excerpts from LaRouche's April 20 interview on WOL's "Reynolds' Rap" broadcast, hosted by Barbara Reynolds. The program was also nationally broadcast on XM Satellite.

Reynolds: Reynolds' Rap. And we're all into what's going on in the Middle East. We have Lyndon LaRouche on. He's a Presidential candidate again, is running for President. But we wanted to ask you about your characterizations about how the Palestinians are being treated. You compare that with how the Jews had a model for extermination? Isn't that just taking a saying too far? Because you remember that the Nazis killed 6 million Jews, and of course, there were Gypsies and Africans whom they also killed.

But when you make this. . . . First of all, explain why you think there is a connection, and then I want you to . . . go ahead.

LaRouche: There is a report, which was done by the Nazi Gen. Jürgen Stroop, who was the guy who did the job on the Warsaw Jewish Ghetto. Now, that report has been published and studied in great detail. The report was studied by the Israeli military, and was used by them in planning the current operation against the Palestinians. So, . . . stop the whole question of what the Nazis did to Jews all over Europe. The point is that, in this specific case, what is being done to the Palestinians now, is exactly a carbon copy of what the Nazis did to the Jews in the Warsaw Ghetto.

Reynolds: Okay, and you're talking about the cutting off of their electricity, laying siege to hospitals. . . .

LaRouche: Mass assassinations, extermination, mass killing, burning buildings with people in them, pushing down buildings on top of children and others, families . . . in order to exterminate and drive the people from the land. And that's what the Nazis did. They said that in 1943, you had the Eastern Front, the Russian front, and the Nazis were concerned about this pocket of Jewish resistance in this area in Warsaw. So they turned to this ghetto. And they said, "We're going to clean it up!" And Strop, the Nazi general, cleaned it up! Using exactly the procedures for mop-up that were done in the case, are being done now, as in Jenin. Exactly. It's an exact copy of what happened in the Warsaw Ghetto.

Reynolds: I hope that you are wrong. I hope that we're not watching a repeat of what happened in Warsaw. But when you look at what happened in Jenin, the horrific scenes of human suffering, the people who would have made it to the hospitals, but they didn't allow the ambulances to travel around the city, how the equipment that you see in any earthquake situation, where you have heavy equipment, and dogs that can come and sniff out bodies—they wouldn't allow that there. And when you saw them digging relatives out of the rubble, you know. I was looking at that scene, and I said, "There are little boys crying in front of their homes, because they went to get their schoolbooks, and their schoolbooks were buried in the rubble. And their cousins buried." And I said, "There's the next terrorist."

LaRouche: Well, that's what happens.

Now, this thing is not just simply in Israel. . . . See, we cover up: If you look at some of the things that have happened in Africa, particularly in the Great Lakes district, or in the takeover of whole parts of Congo by occupying, mercenary armies, with mass killing—we turned a blind eye to what's going on in Africa. I've been sitting on this genocide for a long time, and it's been getting worse. I talked to the Clinton Administration about this, and they just said, they couldn't do anything about it. They couldn't fight that policy.

So, what's happening with Sharon; Sharon and Netanyahu, simply happen to be Jewish fascists, but we've got people of the same mentality in various parts of the world, including inside the United States, who have exactly the same kind of mentality.

Reynolds: But let's wait here a minute. Because you have to understand that, although many of us understand why someone in a hopeless refugee camp would strap dynamite, or whatever, to them, and go blow up a city, but we still do not side with suicide bombers, because somewhere in here, there's got to be some balance, somebody to bring someone to the table for peace. I mean, I'm not for people who are blowing up other folks, no more than I am for the Israelis who are terrorists, state terrorists, who are tearing down villages, and blowing up people with tanks. The Israelis, they want security, and the Palestinians want a state. Do

you see any way that this peace mission can ever be accomplished?

LaRouche: Oh, sure. I've worked at this. I'm been involved with Israelis and others, Palestinians and Israelis, since about 1975, very intensely, in trying to get this kind of peace. Clinton tried, but Clinton made some serious mistakes.

First of all, he allowed himself to be bulldozed into not raising the question of water and economic development. Secondly, when Barak refused, or made a demand, which no member of an Islamic community could accept—that is, the desecration of the holy site on the holy mountain in Jerusalem—when he refused that, Clinton made the mistake of publicly blaming Arafat for blowing up the negotiations. Arafat had agreed to almost everything that was demanded for negotiation, in consistency with the Oslo Accords. . . .

Reynolds: But what can be done to try to get any kind of fairness in foreign policy here, because here, all we do is say that the Jews are right, that Israel is defending itself, and because, you see how they pull, they control the media, they wouldn't let the media into the Jenin refugee camp, so you couldn't show how they were blowing up their houses, and shooting people. But any time that a Palestinian does some atrocity, the cameras are right there. You see people bleeding, you see people crying, you know. But when it's on the other side, you know, we're not there, we're not allowed to be there. So, it's such a control of the media.

LaRouche: Barbara, actually the responsibility lies in Washington. If the United States would stop backing Sharon, and say, "We agree with the former murdered Prime Minister Rabin," who made an agreement with Arafat, which they both kept to, and say, "That is what we support," and if the United States would put its muscle behind that, you would find that the people of Europe, the nations of Europe, would join the United States; that most of the nations in the United Nations would join with the United States, and we would simply give Mr. Sharon and company an offer they could not refuse. And we would simply *impose* a peace on the Middle East, because we're not going to have a war in the Middle East, as a religious war, or quasi-religious war, spreading throughout the Middle East, throughout all of Asia. We can not have that. This is the greatest threat to world security today, is the danger of religious war, or ethnic war. And we in the United States, have a moral responsibility, to use our influence and power in a just way, to bring about peace, modelled on what happened in Europe in 1648, with the Treaty of Westphalia. And we can do it.

But we have to back it up with real substance. We have to say, "We are for the economic reconstruction of the Middle East. We are for mass desalination, so there's enough water for everyone in the area. We're for economic development to end the poverty in Israel, the impoverishment of the Palestinians. We want to make this an area of promise."

Thousands Mobilize for Palestinians in U.S.

by Michele Steinberg

On April 20, a rally for justice in Palestine swept Washington, D.C., with a crowd that official police estimates put at more than 75,000 people, calling for President George Bush to stop Israeli Prime Minister Ariel Sharon from carrying out his murderous policies in the West Bank. Moved by the heroic resistance of Palestinians in Jenin, where humanitarian rescue teams are reporting massacres of civilians, the rally dwarfed the pro-Sharon “hate rally” of April 15, organized for Israeli war-monger Benjamin Netanyahu. Netanyahu was in the United States at Sharon’s behest to silence U.S. demands that Israel withdraw from the Palestinian territories, and to get full support to exterminate and expel all Palestinians from Israel and the Occupied and Palestinian Territories. Netanyahu cynically calls this a “war on terrorism.”

While the Netanyahu rally has been used as a political club to force the U.S. Congress to attack Arafat and the Palestinian Authority, that multimillion-dollar-funded demonstration was officially counted at 42,000.

The Palestinian turnout eclipsed all the other issues that were being pushed by a gaggle of anti-globalization protesters, and the pro-Palestinian demonstration included many Jewish activists, who are pro-Israel, but anguished by the fascist actions taken by the Sharon government.

Also on April 20, a rally was organized in San Francisco, where “at least 20,000 people marched” in what the San Francisco newspapers reported as one of the largest Bay Area protests in recent years, in defense of a Palestinian state. And, like the Washington rally, the march was ecumenical.

One Jewish activist told the *San Francisco Chronicle*, “Twenty years ago, I was with a group of Jews protesting at the Israeli Embassy and it was lonely. I am happy that Jews especially . . . are no longer blind to oppression by the Israelis.” In Washington, D.C., busloads of Jewish activists from Illinois, Michigan, and New York came to rally for peace with Palestinians. Among them were several dozen Orthodox rabbis who oppose the Israeli occupation, and support a free Palestine. Rabbi Yisroel Weiss of New York told the *Washington Post* that initially, Palestinians in the crowd “look at us mistrustfully at first. But then they speak a few words with us, and they show us respect and friendship.”

Thousands of the Palestinian protesters in Washington have relatives in Jenin, Nablus, and among the nearly 200 people who have sought sanctuary in Bethlehem’s Church of the Nativity—historically identified as the location where

Jesus was born—which has been surrounded by Israeli commandos for weeks, and where occupants have died from lack of medical care.

‘Peace of the Brave’

The Palestinian rally in Washington stood in stark contrast to the venomous speeches that opened the April 21-23 conference of the American Israel Public Affairs Committee in Washington—where even the Jewish-American attendees privately confided that Netanyahu “scares the hell” of them. The rally embodied the best ideas of the Oslo Accords that the late Prime Minister Yitzhak Rabin had called “the peace of the brave,” i.e., for those, like himself and Arafat, who had the courage to lead their populations away from war and bloodshed.

D.C. Police Chief Charles Ramsey praised the demonstration as one of “the best we’ve every had.” At one point, when the Palestinian marchers were apprehensive about marching through a tunnel, Ramsey and Executive Assistant Police Chief Terrance W. Gainer marched at the head of the group as part of the security detail.

The Palestinian rally, led by groups such as the American Muslims for Jerusalem, and the Muslim Public Affairs Council, was followed by a successful lobbying day on Capitol Hill, where citizen activists from ten states met with 75 members of the House and Senate to get support for House Resolution 394, introduced by Rep. Peter Fazio (D-Ore.) on April 18. It is co-sponsored by Reps. Maurice Hinchey (D-N.Y.), Fortney Stark (D-Calif.), Nick J. Rahall (D-W.V.), Sam Farr (D-Calif.), John Dingell (D-Mich.), Dennis Kucinich (D-Ohio), Darryl Issa (R-Calif.), Vic Snyder (D-Ariz.), Barbara Lee (D-Calif.), Lynn Woolsey (D-Calif.), and Gregory Meeks (D-N.Y.). The resolution calls for Israeli withdrawal from Palestinian cities, urges both sides to end the violence, and cites the proposals of various parties (Bush, the European Union, Saudi Arabia, the Arab League, and the Mitchell Commission) for potential pathways to peace, including recognition of Israel’s right to exist, guaranteeing Israeli security within its 1967 borders, creation of a Palestinian state, halting construction of settlements, and negotiations on the final status of Jerusalem and refugees. H. Res. 394 “strongly supports” UN Security Council Resolution 1402.

At the same time, the Israeli peace movement is escalating its organizing of American Jews to counter the war-mongers. Groups such as “Not in Our Name,” and “The Courage to Refuse,” based in Illinois, are organizing U.S. tours for Israeli reservists who are refusing to serve in occupied Palestine. Several of the refusers, including a lieutenant in the paratroopers, and another from the artillery who was jailed last Summer, are visiting campuses, synagogues, and political organizations to spread the message that the occupation of Palestine is destroying “all the values we had absorbed while growing up” in Israel. The number of refusers has grown from 111 in February to 420, and thousands more sympathize.

AIPAC Targets Arafat For Elimination

by William Jones

The annual gathering of the American Israel Public Affairs Committee (AIPAC), the cream of the “Zionist lobby,” has always been an occasion of great controversy—as in 1994, when Israeli Prime Minister Yitzhak Rabin warned AIPAC not to undermine the Middle East peace process. But the gathering this year, on April 21-23, in the midst of the brutal repression of the Palestinians by the Israeli Defense Forces, including the massacre of Palestinians at the Jenin refugee camp, took on more of the appearance of the Nazi rallies in Nuremberg in the 1930s.

Israeli Prime Minister Ariel Sharon has been able to pursue his repression of the Palestinians only through U.S. acquiescence. So far, President George Bush, fearful that a showdown with Sharon would seal the fate of some Republican candidates, including that of his brother Jeb in the Florida gubernatorial race, has given Sharon a lot of slack. While urging Sharon to pull back from the West Bank, in fact Bush had given Sharon a great deal of time to accomplish his killing. At the Washington meeting, AIPAC foot-soldiers were being mobilized like domestic storm-troopers, to march to Capitol Hill and arm-twist legislators to get President Bush to allow Sharon to eliminate Palestinian Authority President Yasser Arafat, and hence terminate the peace process. The only thing that stands between Arafat and an Israeli bullet is the commitment of the Bush Administration to keep him alive. And if that tenuous commitment is even seriously weakened, Arafat becomes a target for IDF assassins.

The purpose of the drumbeat against Arafat at the AIPAC gathering was most starkly outlined by the Likud party’s former Prime Minister Benjamin Netanyahu, now an unofficial emissary and confidant of fellow Likudnik Sharon. Netanyahu gave his speech on April 22, the evening when Congressmen were expected to attend the conference. “In a private meeting with the Prime Minister, I told him, ‘Get rid of that regime!’ As long as Arafat is there, there will be no peace,” Netanyahu said. Indeed, Sharon pursued precisely that policy, by destroying all of the infrastructure of the Palestinian Authority, and making Arafat a veritable prisoner in his West Bank headquarters in Ramallah. Only at the behest of the United States, did he not move to have Arafat killed.

AIPAC had pulled out all stops to bring out a big mobilization this year, with over 3,000 people—more than double the previous years’ attendance. The bloodletting on the West Bank had triggered major protests against the conference

again this year, with pro-Palestinian demonstrators pitted against pro-Israeli demonstrators, and with police out in force prevent confrontations.

Following three days at the Washington Hilton Hotel, a dozen buses filled with AIPAC activists, and accompanied by a significant police escort, descended on Capitol Hill, to convince members that they were under surveillance by the most powerful lobby in Washington. Not that they needed to go to Capitol Hill. Indeed, to a large extent, Capitol Hill came to them, with Congressmen going to the Washington Hilton, cap in hand, and dropping the one or two pat Hebrew phrases which they had succeeded in mastering. Half the U.S. Senate, and more than one-fourth of the House of Representatives, were present on the evening that Netanyahu spoke.

While the messages of the speakers ranged from Senate Majority Leader Tom Daschle’s (D-S.D.) mealy-mouthed appeal for a return to the peace process, to the more aggressive tones of born-again fundamentalist Tom DeLay (R-Tex.), who framed an explicit call for the Palestinian territories to return to Israeli control, all these gutless wonders just had to say *something* to propitiate the AIPAC behemoth.

Gung-Ho for a ‘Clash of Civilizations’

The broader aim of the gathering was to mobilize its minions behind a “Clash of Civilizations” war. Not only Arafat was a target, but so too were most Arab and Muslim states. This again received its clearest expression in the rantings of Netanyahu, who, referring to his mentor, the proto-fascist philosopher Immanuel Kant, presented a Manichean vision of a world of “democracies” versus a world of “totalitarian states,” i.e., the U.S. and Israel versus the Muslim world. Ironically, “democrat” Netanyahu lamented the fall of the Soviet Union, which he admired as the “stop-gap” which prevented the onslaught of Muslim “hordes” from Central Asia. “Now these groups will grow, and suck in the Soviet nuclear weaponry,” Netanyahu warned. “If they get weapons of mass destruction, they will use them—unless they are stopped. We have to dismantle the means of these international capabilities. This is why we want to destroy the Arafat regime. . . . We must support George Bush’s plan to overthrow Saddam Hussein. They both have to go! This is the short-term goal.”

And the long-term goal? “But more importantly, how do we prevent the next Arafat or next Saddam Hussein 10 or 20 years down the road. There are 1 billion Muslims. Maybe 100,000 of these are infected by Islamism. You have to realize that if you don’t do something, it will come back. . . . You can only stop aggression if you have a strong league with deterrent force,” Netanyahu said.

The task of this “league” of democratic nations, according to Netanyahu, must be to transform all the Muslim nations into “democracies.” But what his policy entails, as U.S. Presidential pre-candidate Lyndon LaRouche has pointed out, is a hecatomb of religious war throughout the Eurasian continent.

Farm Bill Stalls In Conference

House-Senate negotiations on a new farm bill stalled amid disagreements over a number of its provisions and growing costs due to continuing low commodities prices. The impasse prompted Sen. Pat Roberts (R-Kan.) to propose calling off the conference negotiations and passing a one-year agriculture relief bill. He told the Senate on April 17, "It is too late to pass a bill that applies to this year's crop," since none of the assistance in the bill will get out to farmers before the Spring of 2003. Roberts said that, as soon as it is feasible, he will ask unanimous consent to call up the relief bill that he introduced earlier in the year or, if that fails, he will call it up as an amendment to "any bill" being considered by the Senate.

Meanwhile, the House has been wrangling with motions to instruct the House conferees on certain provisions of the bill. At the time Roberts spoke, the House was debating a motion by Nick Smith (R-Mich.) to instruct conferees to agree to a Senate amendment to limit subsidy payments to large producers. He said that large producers, what he called "megafarms," are able to use a loophole in the law to get millions of dollars in price support payments, to the detriment of small farms. David Bonior (D-Mich.) supported Smith's motion on the basis that it was needed to stop the loss of agricultural land to real-estate "developers." Smith's motion passed the House the next day by a vote of 265 to 158.

Two other issues of contention include sales of agricultural products to Cuba, and the provision of food stamp benefits to legal immigrants.

Adding to the farm bill's troubles, the Congressional Budget Office is reportedly estimating that existing farm programs will cost \$9.6 billion more

over the next ten years, because of depressed commodities prices, than had been estimated one year ago. The fear is that the increasing costs could exceed Congressional spending limits set last year, forcing cuts in other programs that House and Senate members want included in the bill.

On April 23, Senate Majority Leader Tom Daschle (D-S.D.) expressed optimism that the difficulties could be solved.

Partisan Warfare Rages Over Judicial Nominations

On April 17, Judiciary Committee Chairman Pat Leahy (D-Vt.) defended the Democrats' record on judicial nominations on the Senate floor. His remarks followed what he said was the 44th nominee to be confirmed since the Democratic takeover of the Senate last June.

Leahy said that the 44 confirmations in nine months are more than the Republicans confirmed in any one year of the six-and-one-half years that they controlled the chamber. He blamed the vacancies crisis that Republicans have been complaining about on the failure of the Republicans themselves to move enough nominations during the last two years of the Clinton Administration. He said that more than 50 of President Clinton's nominees never had a hearing, "which perpetuated long-standing vacancies into this year." In contrast, he said that the committee has held 16 hearings on 55 nominees since July.

The next day, Orrin Hatch (R-Utah) took issue with Leahy's report, claiming that at the end of the 106th Congress there were only 67 vacancies in the court system, but that number shot up to nearly 100 last year. "The current pace of hearings and confir-

mations is simply not keeping up with the increase in vacancies," he said. He added that what is happening in the Judiciary Committee is that extreme-left interest groups are exerting undue influence on the committee, groups "whose political purposes are served by launching invidious attacks on the good people President Bush has nominated to serve."

House Passes GOP Tax Cut Amid Electioneering

The April 18 House debate on a bill to make last year's tax cuts permanent served to do little more than allow both parties to stake out their positions for the November 2002 mid-term elections. The bill passed the House by a near-party-line vote of 229 to 198, but Senate Majority Leader Tom Daschle (D-S.D.) said, even before the House voted, that he would not let it come up in the Senate.

Last year's bill provides for the tax cuts to expire in 2011. This was necessitated by the fact that the then-GOP-controlled Senate could not muster 60 votes to get past a Democratic filibuster, so the GOP used the reconciliation process. But those rules meant that the tax changes could not be permanent. Therefore, the GOP felt an urgency to pass a bill to make the cuts permanent, otherwise, as Rep. Doc Hastings (R-Wash.) put it, "Americans will lose tax relief on Jan. 1, 2011." Republicans denied Democrats the usual courtesies regarding amendments and a motion to recommit. Rules Committee Chairman David Dreier (R-Calif.) said that since the Democrats had a chance last year to bring up amendments and a motion to recommit, there was no reason for them to have an opportunity again this year.

Democrats charged Republicans with one-track thinking, and with looting the Social Security and Medicare trust funds. Bob Matsui (D-Calif.) said that 60% of the benefits go to taxpayers who make \$500,000 or more a year. Gerald Kleczka (D-Wisc.) said that the reason why Republicans were pushing it was because of the November election, where polls show that they are in trouble. Karen Thurman (D-Fla.) said that the bill does nothing about the increasing number of Americans affected by the alternative minimum tax, a number expected to reach 39 million by 2012. "This bill gives a promise with one hand and takes away the promised tax cut with the other," she said.

Alaska Oil Drilling Debated in Senate

The Senate debate and vote on whether to drill in the Alaska National Wildlife Refuge (ANWR) provided yet another example of election-year posturing while the global strategic crisis is ignored. The amendment to the energy bill to open the ANWR to oil exploration failed a cloture vote by 54 to 46 on April 18, despite GOP attempts to offer a deal on steel legacy costs and to tie it to national security.

Even before the vote was taken, Democrats were already declaring victory. On April 17, John Kerry (D-Mass.) accused Republicans of "extraordinary exaggeration and misplaced priority" in pushing for drilling in the ANWR. He noted how "the ground has shifted" underneath them as they offered several rationales in an attempt to gain support. He decried the GOP for their lack of interest in "moving our economy to the alternatives and renewables and other forms of energy that are available." The next day,

Majority Leader Tom Daschle (D-S.D.) said, "We are just not going to allow the Republicans to destroy the environment, and that's exactly what this issue's been all about from the beginning."

Republicans promised that energy will indeed be an issue in November. Kay Bailey Hutchison (R-Tex.) blamed environmentalists for the outcome of the vote, saying, "I think people were swayed by the rhetoric rather than the facts. . . . I think it is significant to mainstream America that we have a ready supply of oil that would depend on our own resources and our people working at the wells rather than Middle Eastern resources that could cut us off for political purposes."

The Senate invoked cloture on the bill by a vote of 86 to 13 on April 23, setting a limit on debate after nine weeks of consideration. Daschle told reporters that he hoped to bring the bill to a conclusion soon, and take it to conference with the House. He did not venture to predict how smoothly a conference would go, however, given that the Senate bill was essentially written on the floor, and the House bill includes provisions rejected by the Senate, such as drilling for oil in the Alaska National Wildlife Refuge.

Border Security Bill Sails Through Senate

The Senate unanimously passed a bill on April 18 to enhance border security. Among its provisions are requirements for enhanced information sharing by law enforcement and intelligence agencies with the Immigration and Naturalization Service and the State Department, an increase in the number of INS investigators and inspectors, tighter control of visas, a re-

quirement that vessels and aircraft coming into or departing from the United States provide passenger and crew lists to immigration authorities, and new monitoring requirements for foreign students, including that schools must notify the INS, if a foreign student fails to enroll.

The Senate was scheduled to take up the bill in December, but Appropriations Committee Chairman Robert Byrd (D-W.V.) placed a hold on it, because he was unhappy with the way the border security issue had been handled. As he said on April 15, he had tried to add \$1.5 billion for border security to a supplemental appropriations bill last November, but was thwarted by an objection from the GOP. He was defeated again in December. He kept asking the bill's sponsors, notably Dianne Feinstein (D-Calif.) and Edward Kennedy (D-Mass.), if the funding authorized by the bill, a total of \$1.2 billion for fiscal year 2003, would actually be appropriated. He noted that the \$28.6 billion supplemental appropriations request sent up by President George Bush in March, included only \$35 million for the INS. He warned that President Bush has already threatened to veto any spending bill that exceeds his budget limitations. "We make a mistake when we pass legislation here that leaves the American people the impression we have done something to surmount the problem . . . but where is the money?"

Feinstein and Kennedy reassured Byrd that the bill would be funded. Feinstein told Byrd that \$743 million of the amount was already in the administration's FY 2003 budget request, leaving about \$440 million not covered. Kennedy told Byrd, "We are strongly committed to making sure this is going to be funded and going to be put into effect." Bush praised the Senate for passing the bill.

Something Done About Enron!—in Mexico

The April 25 vote by the Senate of Mexico to kill the Fox government's proposed electricity deregulation scheme, is the first sane step by a national legislature against deregulation, since the terrible fiasco known as the "California effect" began to take shape in the United States during the Summer of 2000. Lyndon LaRouche's leadership, and associates of his movement, played a catalytic role—a role which LaRouche's leadership must have worldwide, if nations are to survive the ongoing economic collapse.

Sen. Manuel Bartlett of the opposition PRI party, a key leader of this battle, declared the vote "a victory for Mexico." PRI Senators and Congressmen may next attempt to undo the electricity and gas "privatization" mistakes of their own party, under previous Presidents Carlos Salinas and Ernesto Zedillo.

The lesson of California and Enron—which, in fact, California's leaders themselves have not yet learned sufficiently to dare to *re-regulate* electricity—was clearly crucial to the Mexican Senate's decision. What made that lesson effective, was the repeated interventions into Mexico, by collaborators of Lyndon LaRouche in the last two years' battle against the insane deregulation drive in the United States. One the eve of the vote, PRI Congressman Benjamin Ayala had organized important seminars in the Chamber of Deputies, with the input of LaRouche U.S. spokesman Harley Schlanger, and Nevada State Sen. Joseph Neal, who himself had stopped electricity deregulation in his own state during 2001, almost singlehandedly, using *EIR*'s intelligence as ammunition. We had declared war on deregulation in a hard-hitting *Feature* of Aug. 18, 2000, in which the crucial importance of Franklin Roosevelt's 1930s regulatory legislation, to the functioning or recovery of any industrial economy, was made clear.

Senator Neal has made four trips to Mexico since the Fall of 2000, to urge that country to fight Enron and the other U.S. energy pirates on their northern flank, defeat them, and stop energy deregulation. On April 16, he was accompanied by Schlanger, and was backed up by a personal address by LaRouche, via satellite, to a Mexico City seminar. These seminars and meetings in

the capital, and LaRouche's address on "Energy Policy and the Strategic Crisis," were reported in full in *EIR* last week.

By April 18, the six major daily newspapers of Mexico's capital had featured the intervention of Neal, Schlanger, and Marivilia Carrasco, leader of LaRouche's movement in that country. Headlines read, "Enron, Example of Neo-Liberal Failure;" and "There Are More Bankruptcies Forming: Joseph Neal"; and, most telling, "In California, the Bailout Cost \$47 Billion." One of *Excelsior*'s editorials that day proclaimed, "We Should Not Take the U.S. as a Model." *La Prensa*'s headline straightforwardly announced, "Looting of Electricity in U.S., Reason Not To Privatize in Mexico."

The defeat of deregulation is important for Mexico's defense of its own economy from the exploding global financial bubble; it is important for North and South America more broadly because the energy pirate companies—including bankrupt Enron—are still looters out to destroy economic wealth from Canada to Chile and beyond.

Still more important is the example Mexico's representatives have set, of acting on the *real* Enron fiasco, not the imaginary one about which American Congressman unceasingly prattle and posture. The crimes of Enron and fellow looters do not consist in what the pirate company did to its stockholders, or to its long-suffering, highly paid employees; but in what it did to loot the economy of the United States, and in particular California, which it left with a \$20 billion budget deficit and a \$70 billion annual electric bill.

Why don't we see headlines in the United States, like the sensible ones in Mexico City's press? Because of the criminal agreement of the U.S. media magnates not to cover anything LaRouche does. Why doesn't the U.S. Congress—or the legislature of victimized California—take a step to re-regulate energy, to regulate financial derivatives, to stop the new Enrons? Because they lack the courage to take LaRouche's leadership. Whom the gods would bankrupt, over and over again. . . . Americans were better represented this month, by the Congress of Mexico.

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- FRIDAY
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- SATURDAYS—8:30 pm
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Saturdays—7 pm
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MISSISSIPPI

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Sundays—9 am
- CHEMUNG/STUEBEN
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Mon., Fri.—4:30 pm
- ERIE COUNTY
Adelphia Intl. Ch.20
Thursdays—10:35 pm
- ILION—Ch. 10
Mon. & Wed.—11 am
- SATURDAYS—11:30 pm
- IRONDEQUOIT Ch.15
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- THURSDAYS—7 pm
- JEFFERSON/LEWIS
Time Warner—Ch.2
Unscheduled pop-ins
- JOHNSTOWN—Ch.16
Tuesdays—5 pm
- MANHATTAN—MNN
T/W Ch.34; RCN Ch.109
Alt. Sundays—9 am
- NIAGARA COUNTY
Adelphia Ch. 20
Thursdays—10:35 pm
- ONEIDA—Ch.10
Thu—8 or 9 pm
- PENFIELD—Ch.15
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- QUEENSBURY Ch.71
Thursdays—7 pm
- RIVERHEAD Ch.70
Thurs.—12 Midnight
- ROCHESTER—Ch.15
Sundays—3 pm
- MONDAYS—10 pm

ROCKLAND—Ch. 77

- MONDAYS—6 pm
- SCHENECTADY Ch.16
Mondays—3 pm
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- STATEN ISL.
Time Warner Cable
Thu.—11 pm (Ch.35)
Sat.—8 am (Ch.34)
- TOMPKINS COUNTY
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Sun.—9 pm (Ch.78)
Wed.—5 pm (Ch.13)
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Adelphia Ch. 2
Sun: 7 am, 1 pm, 8 pm
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Tuesdays—6:30 pm
- STATEWIDE
R.I. Interconnect*
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Full Ch. 49

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- DALLAS Ch.13-B
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- EL PASO COUNTY
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Sat, 5/4: 10 am
Tue, 5/7: 5:30 pm

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- UTAH
• REDMOND
Peak Cable Ch.38
Sun, Mon, Thu
6 pm & 10 pm
- SEVIER
Mallard-Suntel
Richfield Ch.45
Peak Cable
Anabella Ch.29
Central Ch.29
Elinor Ch.29
Glenwood Ch.32
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Adelphia Ch.8
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- CHESTERFIELD
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- KENNEWICK
Charter Ch. 12
Mondays—12 Noon
- THURSDAYS—8:30 pm
- PASCO
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Mondays—12 Noon
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- RICHLAND
Charter Ch. 12
Mondays—12 Noon
- THURSDAYS—8:30 pm
- SPOKANE—Ch.14
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