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Creditors Bleeding Brazil Drier Than Argentina
Iraq-War Party Under Attack by GOP Leaders
Venezuela Driven Down Road to Civil War

LaRouche on 'China In A Changing World'



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From the Associate Editor

Those among our readers who have occasionally been heard to gripe, “LaRouche spends too much time in foreign countries,” should be happy now: LaRouche is back! In California in mid-August, he carried out an historic intervention on two fronts: meeting with Chinese and Chinese-American intellectuals, to aid China in charting its policy for the 21st Century; plus a rough-and-tumble session with 91 young Americans, to tell our 18-25 year-olds what it will take to give them a future. The National LaRouche Youth Movement was born in Los Angeles: a force that will grow rapidly in the weeks ahead, to whip the old fogies of their parents’ Baby Boomer generation into shape (including President Bush), and to implement an FDR-style infrastructure program that will rebuild this broken-down rust-bucket of a country, and go on to colonize Mars.

These interventions follow swiftly on LaRouche’s meetings in Moscow, New Delhi, São Paulo, Rome, and Abu Dhabi, providing inspired leadership for the planet such as no other living person is capable of offering. As we go to press, LaRouche has given a speech by telephone to a seminar in Guadalajara, Mexico, on “The March Towards a New Bretton Woods.”

More on the youth meeting and Mexico events next week. In this issue, we focus on the conference of the Institute for Sino Strategic Studies in Whittier, California, with the keynote address by Lyndon LaRouche, and papers presented by Helga Zepp-LaRouche and Schiller Institute Science Adviser Dr. Jonathan Tennenbaum.

The enthusiasm with which LaRouche’s wisdom is received worldwide, is abundantly shown in our *International* section, with coverage of his ideas in the Arab world, Argentina, and Macedonia.

In *National*, we document the rising opposition to the “war now” cabal of utopians Richard Perle and Paul Wolfowitz at the Defense Department. Catalyzed by the LaRouche in 2004 campaign’s 5-million-run leaflet exposing the conspiracy of Senators John McCain and Joe Lieberman to force President Bush into an insane war against Iraq, the opposition is now widespread and vocal. See also our articles exposing Perle’s Defense Policy Board and McCain’s “campaign reform” bill, the latter of which boosts the purse-string power of the Zionist Lobby’s political action committees.

Susan Welsh

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Corrections: Our caption on p.9 last week incorrectly named Colombia's new President, who is Alvaro Uribe Vélez. In the previous issue, of Aug. 16, the photo on p. 49 showed U.S. Secretary of State Colin Powell with Indian Deputy Prime Minister Lal Krishna Advani.

Creditors Are Bleeding Brazil Even Drier Than Argentina

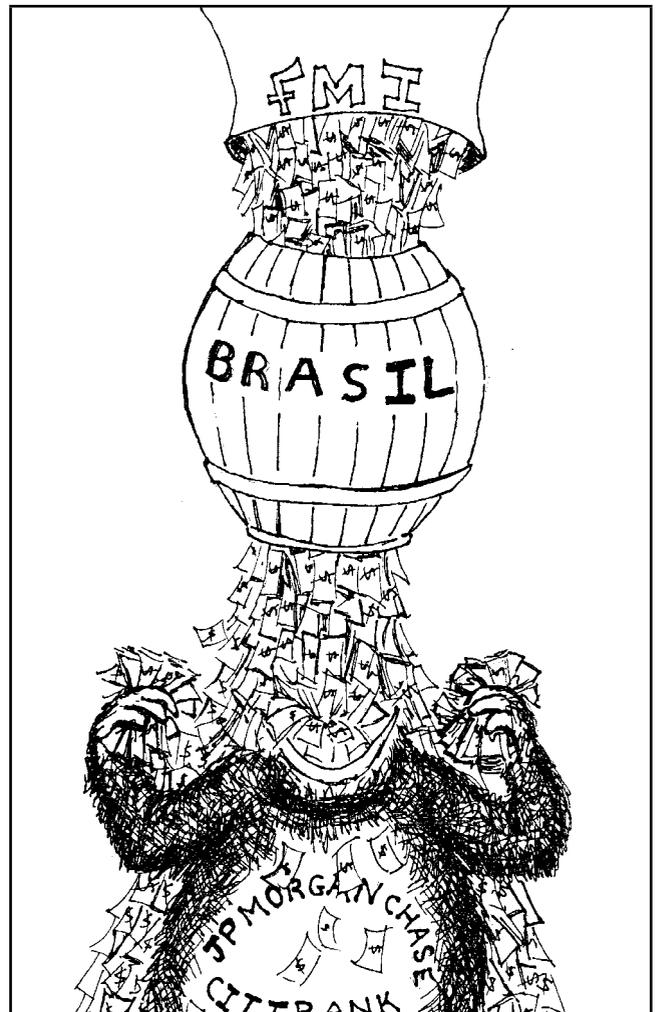
by Gretchen Small

Brazil has enormous natural and human resources, which, if mobilized for an aggressive national reconstruction project, could transform that nation into one of the most productive nations on Earth. But it is heading straight towards general default and the collapse of its banking system and national economy, repeating what happened to its neighbor, Argentina—despite the Aug. 7 announcement by the International Monetary Fund of an unprecedented \$30 billion bailout of Brazil's creditors. The government of President Fernando Henrique Cardoso hysterically refuses to face up to the fact that the international financial system to which it has tied Brazil's fate, is far more bankrupt than Brazil itself.

Growing desperate, the Brazilian President, a sociologist trained at France's infamous Sorbonne, called the crisis a psychological problem. Speaking to businessmen on Aug. 21 during a visit to Uruguay, Cardoso argued that persons afflicted by "cognitive dissonance . . . do not perceive what is happening. There is actually a disconnect between what is happening, and what is reported and is perceived as what is happening." But he would not see himself in his own mirror, charging that it is "the markets" which suffering "cognitive dissonance," because they perceive that Brazil is a country in an economic crisis! Sounding like U.S. President George W. Bush, Cardoso insisted the fundamentals of his nation's economy are sound, and those who say otherwise must change their perceptions.

Facing a Rigged Game

While the government limits itself to begging for better "perceptions," and refuses to impose the capital controls necessary to defend the country's continued existence, Brazil is being bled dry. Foreign financiers know that the debt cannot



be paid, and the country will have no choice but to default. They are working on getting out as much capital as they can, constrained only by their concern that the pull-out not be so disorderly that the Brazilian financial pyramid collapses before they have gotten out. Were there any doubts of the financiers' intention, the so-called "country risk" rating (see box) reveals them. On Aug. 21, Brazil's country risk was hiked yet further, to hit 2,300 basis points. That rating, alone, assures default will occur.

EIR warned Brazilians this would happen. Addressing a seminar organized around U.S. Presidential candidate Lyndon LaRouche's June visit to São Paulo, Brazil, *EIR* Ibero-American editor Dennis Small warned of precisely this danger on June 14, when Brazil's country risk rating was hiked to 1,300.

"People don't want to recognize it, they don't want to see it, they don't want to admit it. There is a gigantic elephant in the kitchen," Small said. "The problem here is that no one wants to believe that Brazil, in three weeks, could be in Argentina's situation. . . . How? Very simply: In four days Brazil's country risk could rise, not to 1,300, but to 2,500. Moody's, Standard & Poors, and Fitch change the country risk of Brazil. How? Just because the international rating companies decide to do it. And what happens? In three seconds, the total budget of the Brazilian nation blows up, because it's all tied to interest rates, and the interest rates are tied to the country risk. What

is country risk? Country risk is whatever the owners of the financial cancer wish to say it is. And in six weeks, there is no national budget left."

Chronicle of a Death Foretold

It is remarkable that months later, the Brazilians continue to let the game go on. Bloomberg wire service reported that "bankers said the IMF's announcement of a \$30 billion loan package to help Brazil avert a debt default isn't sufficient to persuade them to loosen their purse strings," and they would not renew loans to Brazilian borrowers. BCP Securities's much-quoted Walter Molano told Argentine daily, *Clarín*, that the IMF package won't work, and he recommends that investors "should sell everything now." Morgan Stanley issued a similar report, titled "Bearish on Brazil." The New York Council on Foreign Relations's Latin American man, Robert Maxwell, told *Folha de São Paulo* that the IMF's \$30 billion aid package, at best, could put off the collapse of the Brazilian economy a few months, and it ensures that the bankruptcy will be that much worse for both Brazil and the IMF.

Brazil now finds itself unable to roll over much of its debt. The Central Bank was only able to roll over 65% of the \$2.5 billion of public debt which came due in the week of Aug. 12-16, even though it offered a record rate of 30.17% a year on 47-day bonds! *Jornal do Brasil* noted on Aug. 15, that

LaRouche Hits 'Country Risk Ratings' as Corrupt

This press release was issued by the LaRouche in 2004 Presidential campaign committee on Aug. 17, 2002.

Lyndon LaRouche today condemned the fact that the U.S. and other governments regularly intervene to enforce private agreements and conditionalities, as part of the process of debt negotiations with developing sector nations. LaRouche, the renowned economist and 2004 Democratic Presidential pre-candidate, singled out country risk ratings as a transparent example of such corruption.

"For example: take country risk ratings, which are a key factor in debt negotiations, and which are a purely private-interest evaluation of the supposed credit-worthiness of a nation," LaRouche stated. "But governments are using that, through the International Monetary Fund, and they are imposing it as if it were law. So here you have governments being used to defend purely private interests—this is a clear case of corruption. The use of government, or of IMF conditionalities—which is essentially the same thing—to impose private conditionalities on coun-

tries such as Brazil, is a case of corruption of government, and corruption by the IMF."

The country risk rating is an index which purportedly measures the percentage points above the going interest rate for U.S. Treasury bills, which foreign lenders demand of a given country as a premium for the "risk" involved in extending that country a loan. The country risk rating is calculated exclusively by J.P. Morgan Chase—the major U.S. bank, that is itself skating at the edge of default, according to reliable financial sources!

For example, Brazil's country risk currently stands at 2,200, meaning that the Brazilian government is forced to pay usurious interest rates 22% greater than the rate on U.S. Treasuries, for any bonds that it issues. The *Financial Times* of London earlier this week reported that, if Brazil's country risk remains at 2,200, there is no conceivable way that it can avoid defaulting on its enormous debt bubble. The *Financial Times* suggested that the only way to lower the country risk, was by reestablishing "investor confidence," which in turn required that all of Brazil's major Presidential candidates for the October elections sign on to the terms of the IMF's recent \$30 billion bailout package granted to Brazil's creditor banks.

This is a typical case of the kind of corruption LaRouche denounced.

that is more than double the interest which the Argentine government offered on similar paper a year ago, only months before its default.

Brazilian private corporations are in the same boat, and they hold a foreign debt estimated at \$120 billion, more than the \$95 billion in official foreign debt which Argentina defaulted on in December 2001. All eyes are on Eletropaulo—the main electricity distributor for the city of São Paulo, the third largest in the world—today owned by U.S.-headquartered AES Corporation. Eletropaulo met a \$120 million bond payment Aug. 21 only because the state-owned National Economic and Development Bank (BNDES) provided the cash. Where Eletropaulo will get \$225 million for a loan coming due on Aug. 26, is unknown.

In their stampede out, the foreign banks are cutting off even trade credits for Brazil's companies. Central Bank President Arminio Fraga claims that trade credits have been cut by 20%, but most private sources report the cuts have been by far more than 50%. Exporters say that trade credits have dropped from \$16 billion to \$5 billion, Brazil's *O Globo* reported Aug. 20. Those being offered have much shorter maturities and prohibitive interest rates. According to Roberto Segatto, President of the Foreign Trade Association, interest rates have risen from their pre-crisis levels of 3-4%, to an average of 12%.

Desperate to extend the game a bit longer, Fraga and Treasury Minister Pedro Malán succeeded in scheduling—with some difficulty—a personal meeting with top representatives of 10-12 U.S., European and Asian banks on Aug. 26, in the offices of the New York Federal Reserve. The IMF will likely send a representative. Their stated goal is to convince the banks to restore credit lines, and give a "signal of confidence" in Brazil. Should their request be refused, the result could be an uncontrolled stampede by foreign money from Brazil.

West Nile Lesson: Restore Public Health

by Marcia Merry Baker

At least 1,000 cases of West Nile virus are expected in the United States before "mosquito season" ends this Fall, according to the most conservative mid-August estimate of the Centers for Disease Control and Prevention, the Federal disease-monitoring agency. There could easily be over three dozen deaths, from a virus which only arrived in this country in 1999, but has reached 41 states so far this Summer. Surprise? Not to anyone watching how the U.S. public health infrastructure has been taken down during the past three decades of deregulation. The lesson of the current West Nile

outbreak is, restore the public health system—pest control, surveillance, food and water safety programs—as the front line of protection against disease.

The U.S. Federal Public Health Service originated in 1798 as the Marine Hospital Service, centered in Boston. The PHS evolved to include a full range of capabilities, from laboratories, to quarantine centers, and research. In 1869, Massachusetts became the first state to create a public health department, and soon many others followed suit. A new public health era was begun by the Social Security Act of 1935, in which Title VI authorized Federal grants for state and local health departments. The Centers for Disease Control grew out of a 1942 program to eradicate malaria in the Southern part of the United States where military facilities were concentrated. In 1962, it took the lead in the worldwide eradication of smallpox by 1970.

However, as of the late 1970s, this progress was stopped. With the advent of the "post-industrial" policy shift, public health capabilities were drastically reduced. Core local functions such as disease monitoring, pest control (rats and vermin), and mosquito control, have been all but eliminated in many areas, including those in Louisiana where the West Nile epidemic took off.

In Fall 2001, during the anthrax attacks, public health networks were barely up to the task. Muhammad N. Akhter, MD, Executive Director of the American Public Health Association, warned at the time, "The demands to investigate these latest anthrax cases are rapidly outpacing our ability to act." Dr. Tom Milne, Executive Director of the National Association of County and City Health Officials told *EIR* in October 2001, that of 3,000 counties nationwide, 180 are without any kind of state or local public health center, and many have only a single nurse who has no capacity to do anything on public health issues. Some have no computers, no statewide communication system, nor "disease detectives."

The situation is now worse, as in the past 12 months, budget crises have hit all the states, which have responded by cutting public health further. One alarmed Colorado county official, Dr. Adrienne LeBailly, Director of Larimer County Department of Health and Environment, gave a warning which was foreseen by many: "The increases in diseases, injury and death that will come to our county as a result of these cuts is almost certain to exceed the harm ever caused by bioterrorists in our county. The net result is that our public health services will be in worse shape soon than they were before Sept. 11."

Louisiana: Center of Outbreak

At present, the center of the West Nile virus outbreak is in Louisiana and nearby Gulf Coast states, where the environment is most favorable to mosquitoes, the vector of the disease. Out of 300 reported cases and 14 deaths as of Aug. 22, the South had 296, and of those, Louisiana had 147 cases, with 8 dead.

Ironically, New Orleans has the world-class Tulane

LaRouche to Bush: Overturn DDT Ban

This press release was issued by the LaRouche in 2004 Presidential campaign committee on Aug. 16, 2002.

Lyndon LaRouche, pre-candidate for the Democratic Party Presidential primary in 2004, today called for overturning the ban on DDT, in the public health fight to repel the West Nile virus and other mosquito-borne disease vectors.

He said, “The banning of DDT was always based on scientifically fraudulent assertions. And there’s no reason that the President of the United States should not intervene now, to force through measures to re-introduce DDT. Maybe the United States isn’t producing it any more, but other countries are. I, personally, call on the President of the United States to take necessary measures to overturn

the banning of DDT, taking into account the fact that the argument for banning it was always fraudulent. We can not kill people for the sake of condoning a fraud—as we should have learned from the Enron case.”

As of August, 38 of the continental states report the presence of West Nile virus in mosquitoes. The Gulf Coast states are the hardest hit by infection and deaths. Mosquitoes flourish in the Gulf sub-tropics, and in recent years, health measures have been drastically cut under the budgetary constraints in Louisiana, Mississippi, and nearby states, and by lack of Federal public health infrastructure.

The use of the pesticide DDT, discovered in the 1940s, was banned in the United States in 1972, based on fraudulent claims that it caused harm to the environment. In fact, it is rightly regarded as the most life-saving man-made chemical in history, during the decades of its concerted use. Today, over 200 million new cases a year of malaria occur, in the absence of DDT to fight insect-borne diseases. (A review of the DDT story is in *21st Century Science & Technology*, Fall 1992, “Environmental Hoaxes Kill; Save the Earth with Technology.”)

School of Public Health and Tropical Diseases, with a long history of expertise in battling mosquito-borne illness, particularly malaria. It was founded in 1834. But impoverished state and local governments have abandoned anti-mosquito programs. The U.S. Gulf Coast and Southeastern states are on the watch list for other mosquito-borne diseases, including dengue (haemorrhagic fever) and various forms of encephalitis.

Martin Rowland, a New Orleans civil engineer contacted Aug. 22, reported that there has been a general mobilization of spraying trucks, draining of stagnant water, and other measures, since the West Nile outbreak, but stressed, “In recent years, the budget outlays for precautionary sanitation measures were reduced below the minimum needed.” He reported large numbers of broken water culverts, walls, and decaying structures, with pools of standing water, where the mosquito-breeding hazards are obvious. This is especially dangerous in New Orleans, a delta city in the sub-tropical latitudes.

Rowland estimated \$1 billion in water and sewer infrastructure is required to make the water system of greater New Orleans safe. In the midst of the West Nile emergency there, pre-scheduled public hearings took place in August, on the proposal for sewer rates to double in the next five years, to help defray \$600 million in urgent sewage treatment repairs the City Council and Sewerage and Water Board want to start. The big international water privateer companies—Vivendi Universal (U.S. Filter), Suez (United Water), RWE-Thames Water (American Water Works), and others—have attempted to cajole the beleaguered city to sell off the entire New Orleans

water works to private interests. But the debacle of Enron and the other energy privatizers has politically tainted such privatization bids, and the sell-off idea is now on hold.

In Atlanta, where the city waterworks was sold off in 1999 to United Water, there is now a growing movement to cancel that 20-year contract.

Follow-Up LaRouche’s Call for DDT

Rowland said that the New Orleans situation required the ban on DDT use be ended. He said that the worst infestation and cases of illness are appearing to the north of the city, where there is a more rural environment with large swampy areas, and a vulnerable, sparsely settled population. DDT is more effective, and above all longer-lasting, than its substitutes in such areas in particular.

On Aug. 15, David Hood, Louisiana Secretary of Health and Hospitals, declared that the state would go into deficit-spending to fight mosquitoes—allowed because the Governor has decreed a state of emergency over the West Nile virus. The state will spend \$3.5 million, matching the \$3.5 million advanced by the Federal government. The Air Force has come in to assist with spraying, but the process is hampered because they cannot fly at night (too much risk of hitting power lines and other features), when the house mosquito—a main disease carrier—is active. There are 60 types of mosquito in Louisiana; 40 can carry West Nile, and the main two types have been identified. Counties are now in the process of applying to the state Office of Emergency Preparedness, hoping for funds to carry out various spraying and related measures.

Bold Vision Needed for Europe's Reconstruction

by Rainer Apel

The August flood of the three rivers, Danube, Moldavia, and Elbe, which has hit southern and southeastern Germany, large parts of the Czech Republic, parts of Slovakia, large parts of Austria, and was on Aug. 20 beginning to reach Hungary and the other countries along the Danube in southeastern Europe, is the worst in at least 160 years, if not more. Some experts are even speaking of a "millennial flood."

Caused by continued heavy rainfall which poured down volumes of water usually registered in several weeks in a single day, the floods have wreaked havoc upon thousands of bridges for road and railway traffic, several tens of thousands of kilometers of highways and roads, innumerable private and public buildings, and urban infrastructure such as telecom cables, water pipes, and electricity cables in the cities and villages along the flooded rivers. Many of these will have to be rebuilt from scratch.

The city of Dresden, the capital of the eastern German state of Saxony, has seen the worst destruction since the devastating World War II Anglo-American air raids in February 1945.

In Germany alone, altogether 4.2 million citizens were affected during the first wave of flooding; more than 100,000

were evacuated from their homes; and 19,000 soldiers reinforced the 120,000 civilian volunteers who built emergency water dams. In the Czech Republic, 30% of the state territory was flooded, and 220,000 citizens evacuated. The flood damage will even increase, as regions further downriver, such as northern Germany and the Balkan states, will be hit by the waters now. The price tag will exceed \$20 billion, according to first, very preliminary, assessments by governments and insurance firms. For Germany alone, the chief economist of Allianz AG, Klaus Friedrich, presented a figure of \$10-15 billion, out of which only 10% would be covered by insurance policies.

Politicians in eastern Germany over the Aug. 16-18 weekend spoke of the need for "the biggest rebuilding project since World War II." Austrian Chancellor Wolfgang Schüssel stated, "We are going through the worst natural disaster of our generation." German Chancellor Gerhard Schröder, after an Aug. 16 tour of the flood emergency region in Saxony, spoke of a "national emergency," and convened an emergency summit of the government heads of Germany, Austria, Slovakia, and the Czech Republic in Berlin on Aug. 18, joined by European Union Commission (EU) President Romano Prodi.

The official outcome of the meeting was rather poor, however: The participants agreed to establish a European disaster relief fund next year, which in times of emergencies could provide up to \$500 million. The European Investment Bank (EIB) might grant special loans to farmers in the flood disaster areas. And the EU Commission wants to provide about 2 billion euros, taken from its structural reform funds, to the flooded regions, including to the non-EU members Slovakia and the Czech Republic. Commission President Prodi would have preferred not to give any money. But, already faced with the increasing spirit of revolt against the Maastricht Treaty spending limits in France and Italy, he decided rather to make



Maastricht spending limits must be scrapped, after "100-year floods" of the Elbe, the Danube, and other rivers across Central Europe killed hundreds, and hit Germany alone with damages which will exceed 20 billion euros. Here, the main rail station in the center of Dresden is flooded out.



Floods of August 2002, which destroyed roads, bridges, and railways across Germany, added to the already severe transport deficit caused by a decade of austerity against planned investments. This stretch is between Dresden and Tharandt.

some concessions to the Germans, than risk open conflict also with them.

Conflict with the European Commission

Indeed, the conflict between Germany and the Brussels EU Commission came to a head, when Chancellor Schröder said at a press conference in Berlin, that questions about the compatibility of the envisioned flood relief programs with the budgeting criteria of the EU's Maastricht Treaty "do not interest me at all, let me tell you that right away." (The EU does not allow member countries to have a public deficit larger than 3% of GNP—a provision which strips national governments of the sovereignty to make decisions for the general welfare, in states of emergency such as the present one.) And German Economics Minister Werner Müller went

a step further, stating in interviews the same day, that he expects the EU Commission to decide on "generous" exemptions from the budgeting regime, to enable the governments of Germany and the other states affected by the flood catastrophe, to fund recovery programs.

Commission President Prodi, visibly agitated by these remarks, rushed to the media to declare that the Commission would offer some extra aid, but would insist, at the same time, that the "floods will not be taken as a pretext to circumvent the Stability Pact." The German Chancellor then had his office tell the media that the EU Commission had better show a serious commitment to fight the flood damage, or risk the total loss of confidence of the European populations in this grave crisis.

Chancellor Schröder said after the Berlin meeting, that

Germany: Invest 'Job Bonds' in Transport

Creating employment by issuing "Job-Floater" bonds, the German government's new proposal as unemployment soared over 4 million, only works if the state invests in sensible projects. In Germany, there are innumerable such projects which have not been completed or have hardly even begun, on account of the fiscal and economic austerity policy of recent years.

In the final phase of the election campaign, the federal government suddenly is discovering that millions of new jobs can be created using unconventional financial methods. The starting point for this is above all the question, how will the requisite financial means for cranking up the economy be applied? For, given the extremely insecure world political situation and the extremely dim outlook for the world economy, hardly any entrepreneurs are prepared right now to engage new labor power, just because the government promises a one-time bonus should they do this.

A completely different situation would involve the German government's finally declaring it a priority for Germany to take up the decade-overdue reconstruction of Eastern and Southeastern Europe, through bilateral and international agreements. This would simultaneously fire the starter pistol for constructing the western sections of the four biggest projects of the Eurasian Land-Bridge. Under these conditions the same entrepreneurs would, in time, ascertain that they are in the middle of the greatest growth region of the world economy, and that much sooner secure the labor power still available today, rather than not be able to find it tomorrow.

650 Billion Euro Investment Needed

Accordingly, the German federal government must lead the way by investing, in a big way, in renewing domestic infrastructure. In order to remedy the negligence of the past decades, an enormous catching up of the deficit in infrastructure investments of all kinds is needed.

With respect to the cities and municipalities of Germany alone, the cumulative shortfall of investment, according to the estimates of the German Institute for Urban Studies, amounts to approximately 650 billion euros. Even with regard to the eastern German municipalities, investments in infrastructure since 1992 have even been continuously declining. City street renovation has been eliminated, bridges are falling down in disrepair, hundreds of thousands of kilometers of sewer mains are in dilapidated condition and must urgently be replaced.

Add to this, the investment bottleneck in the federal transportation system. According to the federal transport grid plan from 1992, in all, investment in German inter-regional roadways, railways, and waterways between then and 2012, ought to have been 275 billion euros—more than 25 billion euros per year. However, as a consequence of the fiscal calamity of the states, these undertakings, decisively important for Germany's economic productivity, were abruptly termed "big castles in the sky" by the federal Minister of Transport, and eliminated altogether.

Not one of the 17 "German Unification Transport Projects" (VDE), with a total budget once seen as 29 billion euros, was spared the austerity axe in the 1990s. Essentially, the highways and rail projects for the main East-West artery alone, between Hanover and Berlin, were completed, and those very sparsely. The rest of the projects, even if they carry the "high-priority" label, have been shelved.

Now, they are suddenly urgent for employment needs, and as well as for the productivity of the whole economy.

—Lothar Komp

this has “not been the last word on this matter.” In full awareness of the fact that shifting funds inside the domestic German budget would violate the Maastricht budget-balancing guidelines, he decided on Aug. 19, to make 1.2 billion euros available for flood relief from the budget of the Transport Ministry; to spend another 500 million euros from other budgets; and to scrap the “free trade” project of a tax cut for FY 2003 in the range of 7 billion euros. Finally, the EU Commission, under the increasing public pressure, had to concede that post-flood funds for the reconstruction of industrial capacities would be exempted from the general EU budgeting criteria. This divergence from the strict criteria gives the German government extra maneuvering room for a couple of billion euros.

The next, bigger, challenge is to define the projects of reconstruction, which must be done in cooperation with the people who live and work in the flood disaster regions—which just happen also to be the regions with disproportion-

ately high jobless rates. Here one needs a vision for longer-term development, naturally. For example, if infrastructure has to be rebuilt from scratch, it would make more sense to build the most modern magnetic levitation (mag-lev) train routes in Saxony, than to restore the old railway systems. These would be mag-lev routes from the state capital in Dresden to the Czech capital in Prague, or to the Polish-Silesian cities Wroclaw and Katowice.

Most of the reconstruction program already exists: It is in the election campaign program of Helga Zepp-LaRouche’s BüSo party, the Civil Rights Movement Solidarity, which calls for infrastructure and industrial development along the concept of the Eurasian Land-Bridge. BüSo chairwoman and Chancellor candidate Zepp-LaRouche issued a statement on Aug. 16, calling the creation of state credit for such an in-depth reconstruction and development project (see box).

Zepp-LaRouche: How To Repair the Flood Damage

German Chancellor candidate Helga Zepp-LaRouche spoke out on the flood damage ravaging Europe, with an Aug. 15 statement issued from Berlin, entitled “Fight the Flood Catastrophe with the Lautenbach Plan; Put the Maastricht Treaty Out of Commission, Immediately.” She is the chairwoman of the Civil Rights Movement Solidarity party (Bürgerrechtsbewegung Solidarität, or BüSo), and its lead candidate for the Bundestag elections in Germany.

To repair the damages, worth billions of euros, caused by the flood of the century—especially in Bavaria and Saxony—as quickly as possible, and to help the affected families in rebuilding their homes, we must immediately launch the measure proposed by German economist Dr. Wilhelm Lautenbach in the early 1930s. This was for grave emergency situations, such as a depression, the period immediately following a war, and the most severe natural catastrophes. The 400 million euros in aid promised so far, are at best, “peanuts,” and will simply amplify the fears of the victims that, like persons affected in earlier floods, they will be left alone in their misery.

In such a catastrophe, the necessary reconstruction can only be initiated with a policy of *productive credit generation*, as Lautenbach proposed it in the Fall of 1931, to actively fight the world depression—a policy later successfully implemented by President Franklin Delano Roosevelt in the U.S.A. Even current Chancellor Schröder had

to concede, during his visit to the [flood] region, that the financial aid offered so far will be insufficient. His remarks, that the necessary means cannot be mobilized in the framework of the “Maastricht criteria,” have my full support. But I call on him, urgently, to draw the correct conclusions from this recognition, and initiate, together with European partner countries, such as Italy or France, the immediate repeal of the Maastricht “Stability Pact.”

I rejected the Stability Pact from its very inception, and have actively fought it ever since.

In the European capitals—Berlin included—people have been thinking about how to bypass the “Maastricht criteria” for quite some time. The Italian government just decided to officially put up for discussion, the guidelines of the “Stability Pact”; Italy’s Minister for Finances and Economics Giulio Tremonti and some of his colleagues in the Cabinet have been demanding, in recent days, to change the “direction” of this pact, and, above all, to take the urgently required *infrastructure investments* out of this straitjacket for Europe’s economy—and its citizens.

Of course, the suspension of the Maastricht Treaty, as well as the possible mobilization of the Frankfurt Kreditanstalt für Wiederaufbau [Reconstruction Financing Agency] in issuing *project-related credits* for the creation of productive jobs, can only be a first step. After all, the entire world economy is in the end-phase of a *systemic crisis*, which can only be overcome, if the hopelessly bankrupt financial system—including the Maastricht “Stability Pact”—is thoroughly reformed and replaced by a *New Bretton Woods*.

The small-minded approach for overcoming the flood catastrophe shows again, that *bold* new ideas are needed in German politics. I know what has to be done!

India's Economic Worries Grow: Vajpayee Promises Infrastructure

by Ramtanu Maitra

The elusive monsoon, which will leave much of India's agricultural lands parched and under-cultivated this year, has added to the growing economic concern of Indians. What is evident in Delhi, and elsewhere as well, is that despite repeated utterances by the Finance Ministry, Indians do not believe that the nation's economy is doing well. Jobs are hard to come by, wages are stagnant, and the benefits of the 6%-plus reported gross domestic product growth rate, are reaching only a relatively small fraction of wage-earners.

Indians complain bitterly that Prime Minister Atal Behari Vajpayee, who remains, to date, a respected father figure to most Indians, has not paid any attention to the poor. The Bharatiya Janata Party (BJP), the dominant faction in the 24-party coalition that administers India, is widely known as the "traders' party" and was not expected to be pro-poor. But people expected Prime Minister Vajpayee to move heaven and earth to help the impoverished. With less than two years left before the Prime Minister retires from active politics and India goes to the election hustings again, people have begun wondering what went wrong with the man on whom they had rested so much hope.

What bothers educated Indians most is the endless shouting from the rooftops by the bureaucrats of the Ministry of Finance, about how large India's foreign-exchange reserves have become, under their management. People wonder why these huge sums of money were not invested in the areas which would enhance employment, and would help the poor and the underprivileged.

Long-Overdue Initiative

A ray of sunshine pierced this gloom on Aug. 15, on the 55th anniversary of India's independence. Speaking from the ramparts of Delhi's historic Lal Qila (Red Fort) for 25 minutes, Vajpayee condemned the anti-Muslim riots in the state of Gujarat last Spring, and alleged that Pakistan was involved in the efforts to sabotage the upcoming state assembly elections in the state of Jammu and Kashmir; he announced that he has ordered the production of medium-range surface-to-surface Agni 2 missiles for the Army.

But what made the speech noteworthy, is that Vajpayee also addressed what people came to hear about: economic re-

covery.

Vajpayee proposed an \$11 billion road-building program, which would link all Indian villages with all-weather, motorable roads for the first time. This, he made clear, is to be in addition to the ongoing \$12 billion in highway construction projects, which are to connect India's North and South, and its East and West, with four-lane highways.

The Prime Minister also promised to launch, soon, a nationwide water-management and water-harvesting program. All these programs would help employ a million-plus unemployed, Indian analysts say. The Prime Minister also pledged a new \$3 billion rail improvement fund, and called for an acceleration in the growth rate of the electric power sector.

Vajpayee combined these specific announcements with a general call for political consensus on infrastructure building: Infrastructure development should be the key to the 10th Five-Year Plan (2002-2006), he said, and could cause achievement of an 8% overall growth, through higher productivity of the economy.

The Prime Minister's initiative was long overdue. The Vajpayee Administration's greatest problem has been its failure to address this vital issue this long. Since it came to power, the BJP-led coalition, ostensibly brainwashed by the growth-at-any-cost crowd, has been busy telling the people how fast the country's GDP was growing. But recently, a special group in the Planning Commission came out with a well-researched study, which should act as an eye-opener to the Prime Minister's Office. The gist of the study shows India's economy may appear to be growing at a 6%-plus rate, but employment is not. It said, that the present level of high unemployment is due to the fact that the kind of economic growth India is enjoying, does not generate employment.

This phenomenon became particularly evident from 1993-94 to 1999-2000, according to the report. During this period, over seven years, India's GDP grew at an average rate of 6.7%, but employment at a paltry 1.07%. During the previous decade—1983-84 to 1992-93—India's GDP grew at an average rate of only 5.2%; yet, employment grew at a far more adequate annual rate of 2.7%.

These figures, and a whole lot more produced by the special group, only gave academic credence to what is observed

daily on the ground. Most people, particularly those who are academically underprivileged, have been left with little option, if they lose their jobs. The popular fear is now: If the drought sets in, what will the vast agricultural labor force do? With almost 50 million tons of foodgrains in its warehouses, India does not have to worry about crop failure, but it must worry about what its farmers would do. And what would happen to the Winter crop? With very little safety net made available by the government, the poor worry about their short-term survival.

Drought's Domino Effect

People in the rural areas, particularly in the northern states of Haryana, Punjab, Gujarat, Rajasthan, and western Uttar Pradesh, are worried that if the monsoon remains fickle, as it was throughout July and the early part of August, the Kharif (monsoon) crop will be mostly destroyed. The lack of moisture in the ground because of the inadequate monsoon rains will affect the Winter crop. Northern India, unlike the southern Indian peninsula, is not expected to receive any significant rainfall after the monsoon season ends in September.

The domino effect of the agricultural hardship will be felt in the lack of demand for manufactured goods, fertilizer, and farm implements. Some farmers are also buyers of very many durable consumer goods. This will particularly affect the small and medium-sized manufacturers who depend heavily on the consumptive power of the agricultural labor force.

Because almost 25% of India's GDP comes from the agricultural sector, its shrinking will also reduce the government's revenues significantly. From what Vajpayee said from the ramparts of Lal Qila on Aug. 15, it is evident that the administration will be pumping more money into the non-Five-Year-Plan programs (in India, new jobs are created largely through the development programs identified in the Five-Year Plans) to generate fresh employment. However, lower revenue earnings may eventually affect the government's ability to expand such programs, unless it is done quickly now.

It must also be noted, that India's defense spending is growing fast and sure. The war-like situation that prevails in its Western front, where Indian Kashmir borders Pakistani Kashmir, is consuming a lot of hard-earned revenues, and it is unlikely that India will get a reprieve on that front in the short term. In other words, India's defense spending will continue to widen the gap between revenue and overall spending.

Behind the 'Politics As Usual'

Despite the problems that confront Delhi, the powers-that-be in the Indian capital are only thinking about their electoral future. Within the BJP, preparations are afoot to hail the next chief, which, under the present arrangement, will be the Deputy Prime Minister, L.K. Advani. It is now a certainty that Advani will be leading the party to the next polls in 2004.

People are not too sure how to react: While Advani is considered a tough politician, his affinity (or, is it his weakness?) to attach to the more orthodox Hindu religious faction within the BJP, and his poor grasp of the nation's economic problems, are disliked by most Indians—Hindus and Muslims alike. Advani's name also evokes the memory of the BJP government's failure to prevent recent killings of Muslims in Gujarat, or the sectarian demolition of the Babri Masjid mosque, located on a Hindu holy site, in 1993.

It is evident that despite the irrational populism of a few, a vast majority of Indians, Hindu and Muslim, would not like such anarchic and barbaric events to occur again. While it is not certain that Advani would act in future according to his present image, people nonetheless are apprehensive. Furthermore, Advani's close ties with Israel make him a suspect in the eyes of all Muslims—and many Hindus—in India.

Also increasingly suspect, are the "politics as usual" in Indian-U.S. relations. Most Indian observers, as well as some government officials at a high level, have begun to question America's obsession with the war against terrorism. Most believe that the war against terrorism is a mere façade, behind which its real intent is to expand militarily in Asia. Some point out that the American interest in the Central Asian region, because of its huge hydrocarbon reserves, is the driving force behind this anti-terrorist campaign. They also point out that the anti-terrorist campaign has brought Pakistan back under Washington's fold. Reduced to an almost-failed state, Pakistan has emerged once more as an important geostrategic ally of the United States.

The protagonists of this argument claim that Washington walks on a tripod in West Asia—Saudi Arabia, Israel, and Egypt are the legs. And, Pakistan is a vital support to Saudi Arabia. Therefore, Indian analysts believe, Washington wants Pakistan to emerge again as a force in Central Asia, as in the Cold War days, when it was America's forward nation against the Soviet Union, as an ally for playing a role in Central Asia.

Under such circumstances, these analysts in New Delhi say, India-United States relations cannot move forward much further.

But neither has India been able to make much headway in improving its overall relations with either China or Southeast Asia. The members of the the Association of Southeast Asian Nations (ASEAN) grouping, are eager to work out their economic and strategic relations with the United States, and with China. They appear, to New Delhi, not at all interested in bringing India into their larger scheme of things. China, on the other hand, has remained cool to the Indian overtures and continues to promote Pakistan's military strength to maintain a balance of power in South Asia. With regard to the ASEAN nations, an Indian economic shift toward concentration on hard economic infrastructure—modern transport, water management, power generation, etc.—will definitely improve India's prospect of active state-to-state relations.

Hyperbolic Functions: A Fugue Across 25 Centuries

by Bruce Director

This pedagogical exercise is part of an ongoing series on "Riemann for Anti-Dummies." See for example EIR, April 12, 2002 and May 3, 2002.

When the Delians, circa 370 B.C., suffering the ravages of a plague, were directed by an oracle to increase the size of their temple's altar, Plato admonished them to disregard all magical interpretations of the oracle's demand and concentrate on solving the problem of doubling the cube. This is one of the earliest accounts of the significance of pedagogical, or spiritual, exercises for economics.

Some crises, such as the one currently facing humanity, require a degree of concentration on paradoxes that outlasts one human lifetime. Fortunately, mankind is endowed with what LaRouche has called, "super-genes," which provide the individual the capacity for higher powers of concentration, by bringing the efforts of generations past into the present. Exemplary is the case of Bernhard Riemann's 1854 habilitation lecture, *On the Hypotheses that Underlie the Foundations of Geometry*, in which Riemann speaks of a darkness that had shrouded human thought from Euclid to Legendre. After more than 2,000 thousand years of concentration on the matter, Riemann, standing on the shoulders of his teacher, Carl F. Gauss, lifted that darkness, by developing what he called, "a general concept of multiply-extended magnitude."

Riemann's concept extended the breakthroughs already put forward by Gauss, beginning with his 1799 dissertation on the fundamental theorem of algebra. Like its predecessor, it is a devastating refutation of the "ivory tower" methods of Euler, Lagrange, et al. that dominate the thinking of most of the population today, just as it dominated the minds of the Delians and the other unfortunate Greeks of Plato's time. Recognizing that all problems of society were ultimately subjective, Plato prescribed (in *The Republic*) that mastery of pedagogical exercises, (in the domain of music, geometry, arithmetic, and astronomy) be a prerequisite for political leadership. Only if leaders developed the capacity to free themselves, and then others, from this wrong-headedness, could crises, like the one facing us (or that which faced the Delians),

be vanquished.

These exercises accustom the mind to shift its attention from the shadows of sense perception, to the discovery of knowable, but unseen truths, that are reflected to us as paradoxes in the domain of the senses. The process is never-ending. With each new discovery, new paradoxes are brought to the surface, which provoke still further discoveries, producing an ever greater concentration of the requisite quality of mind that produced the discovery in the first place.

Doubling of the Line, Square, and Cube

Such is the context for concentrating on the 2,500-year investigation of the paradoxes initially posed by the problem of doubling the line, square, and cube. These objects appear, visually, to be similar. The square is made from lines, while the cube is made from squares. Yet, when subjected to an action, such as doubling, it becomes evident that while these objects appear visibly similar, their principle of generation is vastly different.

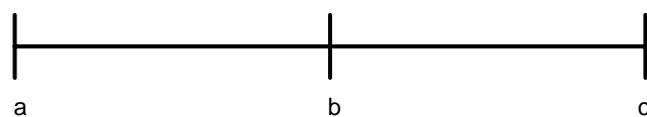
The Pythagoreans, who learned from the Egyptians, reportedly, were the first Greeks to investigate this paradox. Recognizing that these visibly similar, but knowably different, objects were all contained in one universe, they sought a unifying principle that underlay the generation of all three. That unifying principle could not be directly observed, but its existence could be known, through its expression, as a paradox, lurking among the shadows that were seen.

Nearly 80 years before Plato's rebuke of the Delians, Hippocrates of Chios offered an insight based on the Pythagorean principle of the connection among music, arithmetic, and geometry. The Pythagoreans had recognized the relationships which they called: the *arithmetic* and the *geometric*. The arithmetic mean is found when three numbers are related by a common difference: $b - a = c - b$. For example, 3 is the arithmetic mean between 1 and 5 (see **Figure 1a**). The geometric mean is when three numbers are in constant proportion, $a:b::b:c$. For example, $2:4::4:8$ (see **Figure 1b**).

Hippocrates recognized that the arithmetic relationship is expressed by the intervals formed when lines are added, and

FIGURE 1a

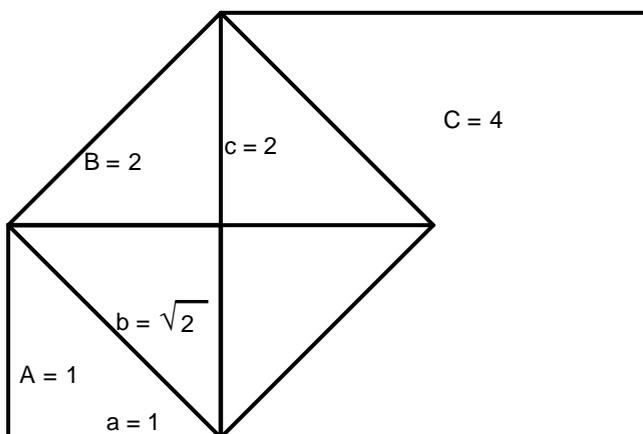
The Arithmetic Mean



b is the arithmetic mean between a and c.

FIGURE 1b

The Geometric Mean



The length b is the geometric mean between lengths a and c. The area B is the geometric mean between areas A and C.

that the geometric is expressed by the intervals when squares, or more generally, areas, are added. The formation of solid figures, being of a still higher power, did not correspond directly to any of these relationships. Nevertheless, the shadow cast by the doubling of the cube, expressed a relationship that corresponded to finding two geometric means between two extremes (see **Figure 1c**).

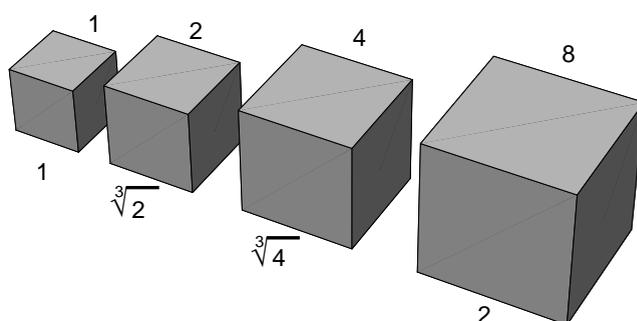
Plato, in the *Timaeus*, explains the significance of Hippocrates' insight:

“Now that which is created is of necessity corporeal, and also visible and tangible. . . . But it is not possible that two things alone be joined without a third; for in between there must needs be some bond joining the two. . . . Now if the body of the All had had to come into being as a plane surface, having no depth, one mean would have sufficed to bind together both itself and its fellow-terms; but now it is otherwise, for it behooved it to be solid in shape, and what brings solids into harmony is never one mean, but always two.”

In the *Epinomis*, Plato says of the investigations of the arithmetic and geometric means, “a divine and marvelous thing it is to those who contemplate it and reflect how the

FIGURE 1c

Two Geometric Means Between Solids



There are two geometric means between a cube whose edge is 1 and volume is 1 and a cube whose edge is 2 and volume is 8. Proportionally, there will be two geometric means between a cube of volume 1 and a cube of volume 2.

whole of nature is impressed with species and kind according to each proportion as power. . . . To the man who pursues his studies in the proper way, all geometric constructions, all systems of numbers, all duly constituted melodic progressions, the single ordered scheme of all celestial revolutions, should disclose themselves, and disclose themselves they will, if, as I say, a man pursues his studies aright with his mind's eye fixed on their single end. As such a man reflects, he will receive the revelation of a single bond of natural interconnection between all these problems. If such matters are handled in any other spirit, a man, as I am saying, will need to invoke his luck. We may rest assured that without these qualifications the happy will not make their appearance in any society; this is the method, this the pabulum, these the studies demanded; hard or easy, this is the road we must tread.”

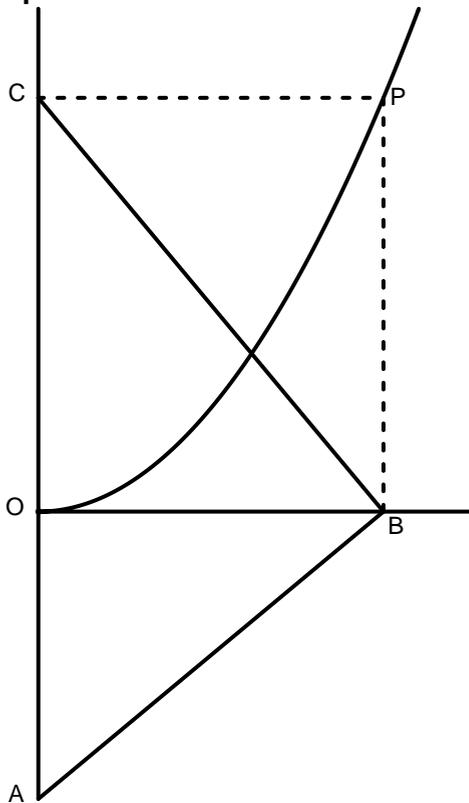
While the initial reported reaction to Hippocrates was that he had turned one impossible puzzle into another, others saw his insight as a flank. If the construction of two means between two extremes could be carried out among the shadows, the result could be applied to double the cube. Plato's collaborator, Archytas of Tarentum, supplied a solution by his famous construction involving a cylinder, torus, and cone (**Figure 4a**). This demonstrated that the required construction could only be carried out, not in the flat domain of the shadows, but in the higher domain of the curved surfaces. Archytas' result is consistent with the discovery of the Pythagoreans, Theatetus, and Plato, of the construction of the five regular solids from the sphere.

Menaechmus' Discovery

Plato's student, Menaechmus, supplied a further discovery, by demonstrating that curves generated from cones possessed the power to produce two means between two ex-

FIGURE 2a

The Proportions of a Parabola



The parabola is formed by moving right angle ABC so that vertex B moves along line OB while C moves along line OC . This forms the changing rectangle $OBPC$. Point P traces a parabola. By similar triangles, $OA:OB::OB:OC$ or, $OC=OB^2$.

tremes. As the accompanying diagrams illustrate, the parabola possesses the characteristic of one mean between two extremes, while the hyperbola embraces two (see **Figures 2a** and **2b**). Menaechmus showed that the intersection of an hyperbola and a parabola produces the result of placing two means between two extremes (**Figure 3**).

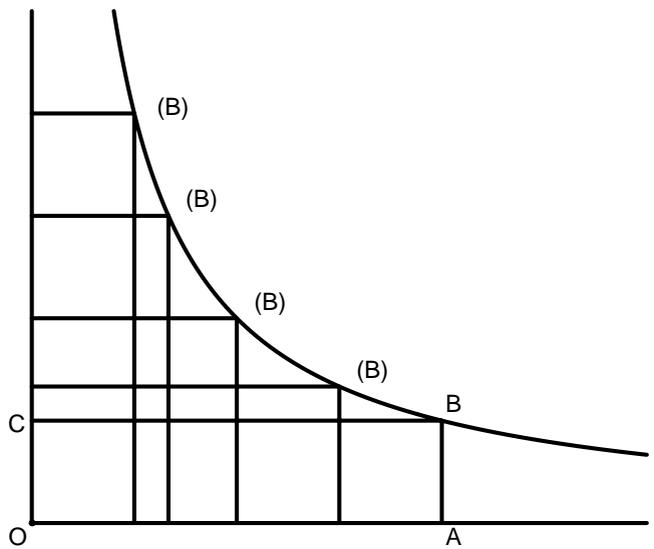
Embedded in the discoveries of Archytas and Menaechmus was a principle that would not fully blossom until 2,200 years later, with the discoveries of Riemann and Gauss. Archytas' solution depended on a characteristic possessed by the curve formed by the intersection of the cylinder and torus. This curve could not be drawn on a flat plane, because it curved in two directions (**Figures 4a** and **4b**).

Gauss would later define this characteristic as "negative" curvature.

However, Menaechmus' construction using a parabola and hyperbola, is carried out entirely in the flat domain of the shadows. Nonetheless, for reasons that would not become apparent until Gottfried Wilhelm Leibniz in the 17th Century, Menaechmus' solution worked because it contained this same

FIGURE 2b

The Proportions of an Hyperbola



The hyperbola is formed by the corner B of rectangle $OACB$. As the sides of the rectangle change, the area stays constant. This maintains the proportion $1:OA::OA:OA \times AB$.

principle of negative curvature as did Archytas'.

Because of the lack of extant original writings, it is difficult to know how conscious these ancient Greek investigators were of the principle which Gauss would call negative curvature. What is known, is that these Greeks knew that the principle that determined action in the physical universe, was a higher principle than that which dominated the flat world of areas. The principles governing solid objects, thus, depended on curves, generated by a higher type of action in space, which, when projected onto the lower domain of a plane, exhibited the capacity of putting two means between two extremes. These curves combined the arithmetic and the geometric into a One. When this principle was applied in the higher domain of solid objects, it produced the experimentally validatable result.

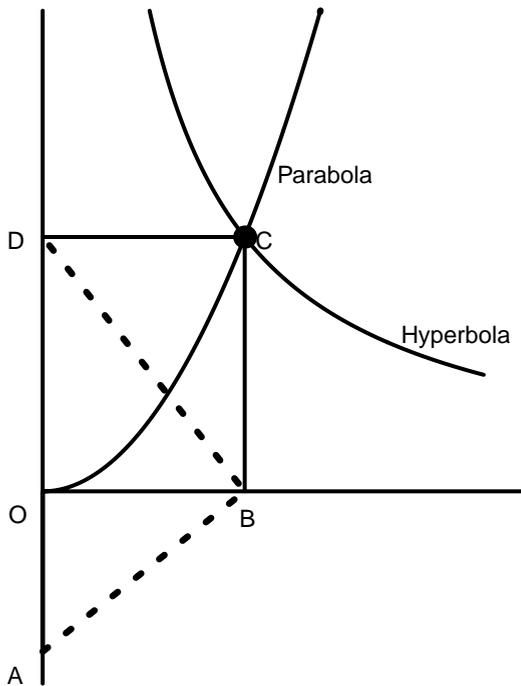
This demonstrates, as Plato makes clear, not simply a principle governing the physical realm, but the multiply-connected relationship between the spiritual and the material dimensions of the universe; hence the appropriateness of "pedagogical," or "spiritual exercises."

Kepler's Study of Conic Sections

The next significant step was accomplished by Johannes Kepler, who established modern physical science as an extension of these ancient Greek discoveries as those discoveries were re-discovered by Nicolaus of Cusa, Luca Pacioli, and Leonardo da Vinci. Kepler, citing Cusa, whom he called "divine," placed particular importance on the difference between

FIGURE 3

Menaechmus' Determination of Two Means by Conic Sections



The intersection of an hyperbola and a parabola determine the magnitudes that double the cube. The parabola is formed from $OA=1$ and right angle ABD . The hyperbola is formed from the OC^2 rectangle $OBCD$ which has an area of 2. From the parabola, $OA:OB::OB:OD$, or $1:OB::OB:OC^2$. From the hyperbola, $OB \times BC=2$. Combining these two yields the proportion, $1:OB::OB:BC::BC:2$. In other words, line OB will form the edge of a cube whose volume is 2 and BC will form the edge of a cube whose volume is 4.

the curved (geometric) and the straight (arithmetic).

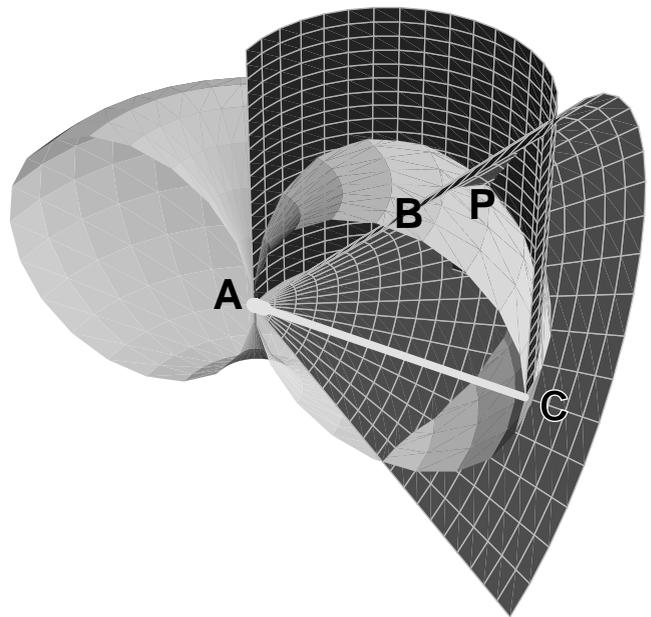
“But after all, why were the distinctions between curved and straight, and the nobility of a curve, among God’s intentions when he displayed the universe? Why indeed? Unless because by a most perfect Creator it was absolutely necessary that a most beautiful work should be produced,” Kepler wrote in the *Mysterium Cosmographicum*.

As part of his astronomical research, Kepler mastered the compilation of Greek discoveries on these higher curves contained in Apollonius’ *Conics*. As a result of his investigation of refraction of light, Kepler reports a revolutionary new concept of conic sections. For the first time, Kepler considered the conic sections as one projective manifold:

“[T]here exists among these lines the following order by reason of their properties: It passes from the straight line through an infinity of hyperbolas to the parabola, and thence through an infinity of ellipses to the circle. Thus the parabola has on one side two things infinite in nature, the hyper-

FIGURE 4a

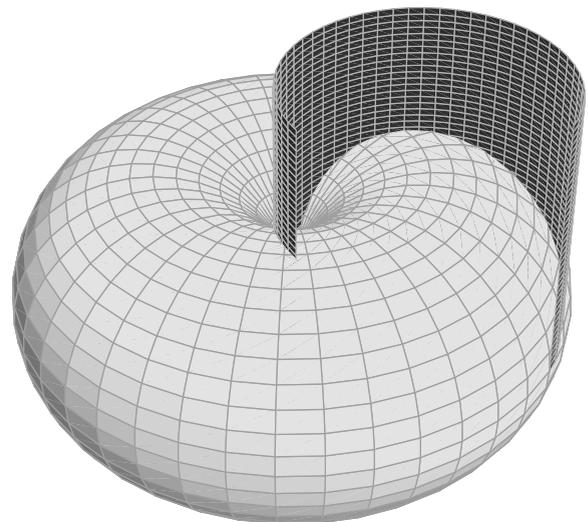
Archytas' Construction To Double the Cube



Archytas developed a construction to find two geometric means between two magnitudes. The longer magnitude is AC , which is the diameter of a circle. That circle is rotated around A to form a torus. A cylinder is then produced perpendicular to the torus, whose diameter is also AC . The shorter magnitude AB is drawn as a chord of a cross section of the torus. AB is extended until it intersects the cylinder, forming a triangle, which when rotated, produces a cone. All three surfaces intersect at point P .

FIGURE 4b

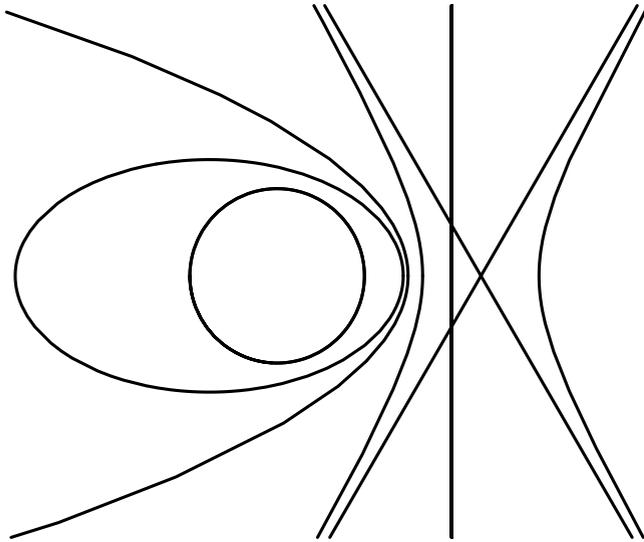
Intersection of Cylinder and Torus



The curve formed by the intersection of a cylinder and a torus has the characteristic that Gauss called “negative” curvature.

FIGURE 5

Kepler's Projective Concept of Conic Sections



As the focus moves off to the left, the circle is transformed into an ellipse. At the boundary with the infinite, the ellipse becomes a parabola. The hyperbola is formed on "other side" of the infinite.

bola and the straight line, the ellipse and the circle. For it is also infinite, but assumes a limitation from the other side. . . . Therefore, the opposite limits are the circle and the straight line: The former is pure curvedness, the latter pure straightness. The hyperbola, parabola, and the ellipse are placed in between, and participate in the straight and the curved, the parabola equally, the hyperbola in more of the straightness, and the ellipse in more of the curvedness." (See **Figure 5**.)

Of significance for this discussion is the discontinuity revealed by this projection between the parabola and the hyperbola. The hyperbola stands on the other side of the infinite, so to speak, from the ellipse and the circle, while the parabola has one side toward the infinite and the other toward the finite.

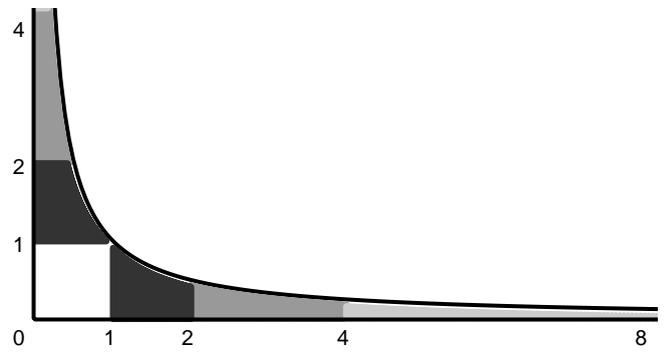
From Fermat to Gauss

The significance of this infinite boundary begins to become clear from the standpoint of Pierre de Fermat's complete re-working of Apollonius' *Conics* and the subsequent development of the calculus by Leibniz and Jean Bernoulli, with a crucial contribution supplied by Christian Huyghens.

Huyghens recognized that the curved and the straight expressed themselves in the hyperbola differently than in the other conic sections. His insight was based on the same principle recognized by Menaechmus, that the hyperbola,

FIGURE 6

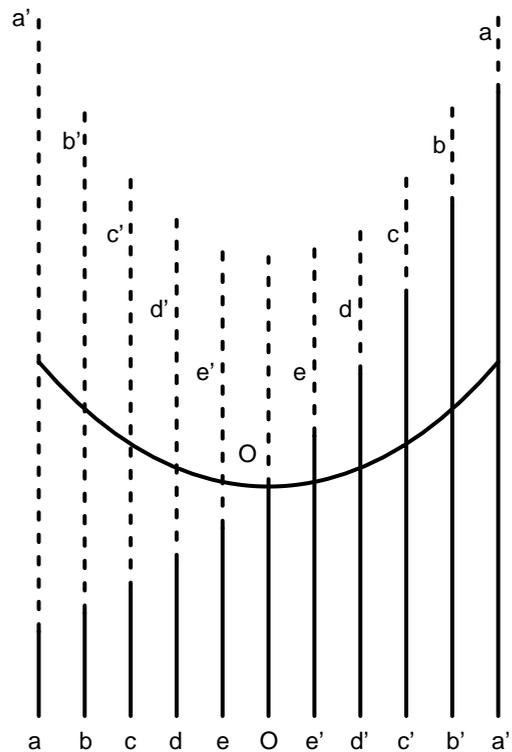
Equal Hyperbolic Areas



The areas between 1 and 2; 2 and 4; and 4 and 8, are all equal.

FIGURE 7

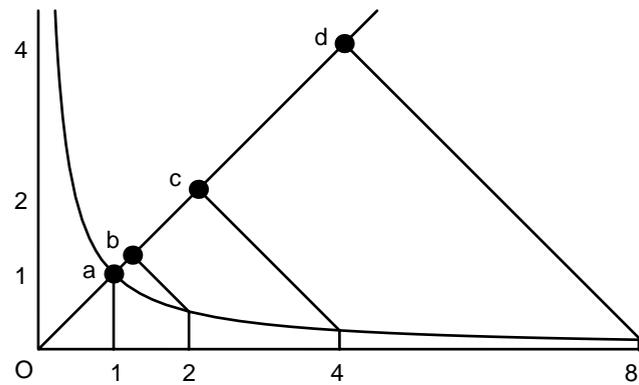
Leibniz's Construction of the Catenary



The catenary is formed as the arithmetic mean between two curves which Leibniz called "logarithmic," and are today called exponential. In the figure, the lines are spaced equally along a horizontal axis. The "logarithmic" curve is formed by the vertical lengths which are in geometric proportion. $OO=1$; $e'=OO^2$ and $e=1/OO^2$; $d'=OO^3$ and $d=1/OO^3$, etc. The catenary is formed by adding length e to e' and dividing the combined length by two; then adding length d to d' and dividing the combined length by two, etc. The points of the catenary are equal to $(OO^n + 1/OO^n)/2$.

FIGURE 8a

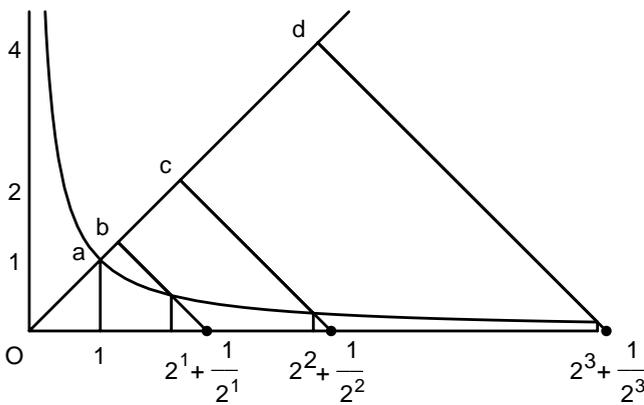
Projection of Equal Hyperbolic Areas



The points along the hyperbola that correspond to equal divisions of area are projected onto the axis, by drawing perpendicular lines from the axis to those points. This produces lengths, Ob, Oc, Od . $Oa=1$.

FIGURE 8b

Measuring the Lengths Along the Axis

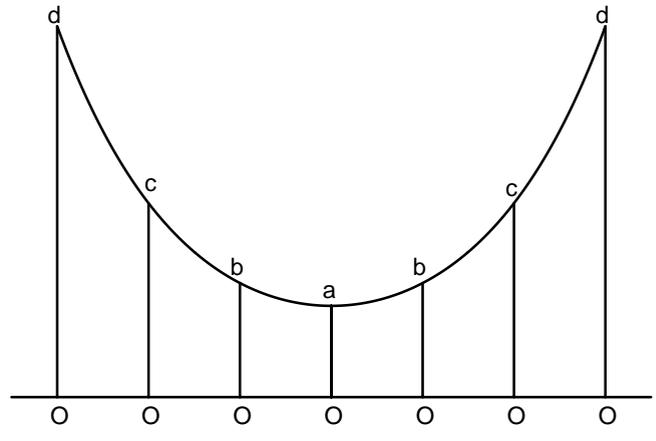


When the perpendicular lines from the axis are extended to intersect the asymptote, they mark off the lengths $(2^n + 1/2^n)$. By inversion, the corresponding lengths along the axis are projections by a 45 degree angle of these lengths. Therefore, the lengths Ob , Oc , and Od are equal to $(2^n + 1/2^n)/2$.

when projected onto a plane, was formed by a series of rectangles whose area was always equal. As one of the sides of the rectangles got longer, the other side got inversely smaller. Huyghens focused his attention on the area bounded by the hyperbola and the asymptote, which is the area formed by this ever-changing rectangle whose area is always the same (Figure 6). Areas between the hyperbola and the asymptote, formed by rectangles whose sides are in proportion, are equal. Consequently, as the diagram illustrates, those

FIGURE 8c

The Relationship Between Hyperbola and Catenary



When lengths from the hyperbola, Oa, Ob, Oc, Od , are set along a line at equal intervals, their endpoints form the catenary.

sections of the hyperbola, formed as the distance along the asymptote from the center increases geometrically, are equal. Thus, as the areas increase arithmetically, the lengths along the asymptote increase geometrically. Don't miss the irony of this inversion: In the hyperbola, the (geometric) areas grow arithmetically, while the (arithmetic) lengths grow geometrically!

As has been presented in previous installments of this series, this combined relationship of the arithmetic with the geometric was discovered by Leibniz to be expressed by the physical principle of the catenary. Leibniz demonstrated that the catenary was formed by a curve, which he called "logarithmic," today known as the "exponential." This curve is formed such that the horizontal change is arithmetic, while the vertical change is geometric. The catenary, Leibniz demonstrated, is the arithmetic mean between two such "logarithmic" curves (Figure 7).

From here we are led directly into the discovery of Gauss and Riemann through Leibniz' and Bernoulli's other catenary-related discovery: The relationship of the catenary to the hyperbola.¹ This relationship is formed from Huyghens' discovery. The equal hyperbolic areas define certain points along the hyperbola, that are "projected" onto the axis of the hyperbola, by perpendicular lines drawn from axis to those points. These projections produce lengths along

1. It should be noted that this discovery has been the victim of such a widespread pogrom initiated by Euler, Lagrange, and carried into the 20th Century by Felix Klein et al., that the mere discussion of it with anyone exposed to an academic mathematics education, is likely to provoke severe outbreaks of anxiety.

the axis, that are the same lengths that, as Leibniz showed, produced the catenary! (See **Figures 8a, 8b, and 8c.**)

The implications of this discovery become even more clear when viewed from the standpoint of Gauss' investigation of curved surfaces that arose out of his earlier work on the fundamental theorem of algebra, geodesy, astronomy,

and biquadratic residues. To complete this discussion, focus on Gauss' extension of the investigations of curves, into the investigation of the surfaces which contain them. Surfaces that contained curves with the characteristics of the hyperbola or catenary, Gauss called "negatively" curved, while surfaces that were formed by curves with the characteristics of circles and ellipses, he called "positively" curved.² (See **Figures 9a and 9b.**)

Now think back over this 2,500-year fugue. The principle underlying the constructions of Archytas and Menaechmus; the discontinuity expressed by the infinite boundary between the hyperbola and parabola; the inversion of the geometric and arithmetic in the hyperbola: From Gauss' perspective, these all reflect a transformation between negative and positive curvature.

Thus, to investigate action in the physical universe, it is necessary to extend the inquiry from simple extension to curvature and from simple curves to the surfaces that contain them. This, as will be developed in future installments, can only be done from the standpoint of Gauss and Riemann's complex domain.

2. The reason for the names "negative" and "positive" will be discussed in a future installment.

FIGURE 9a

Negative Curvature: The Catenoid

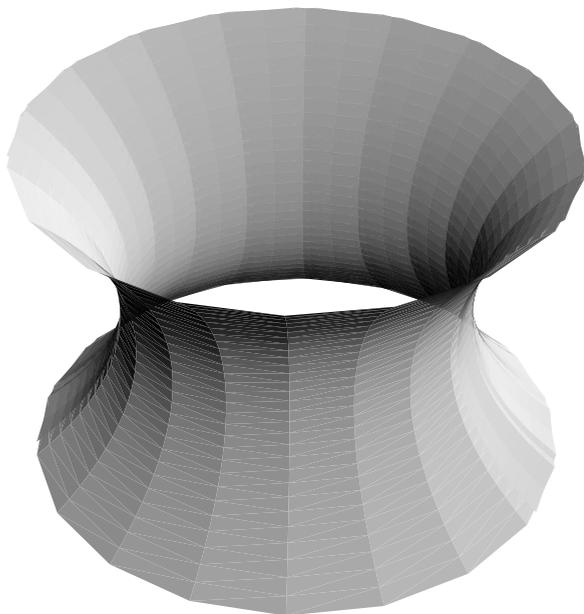
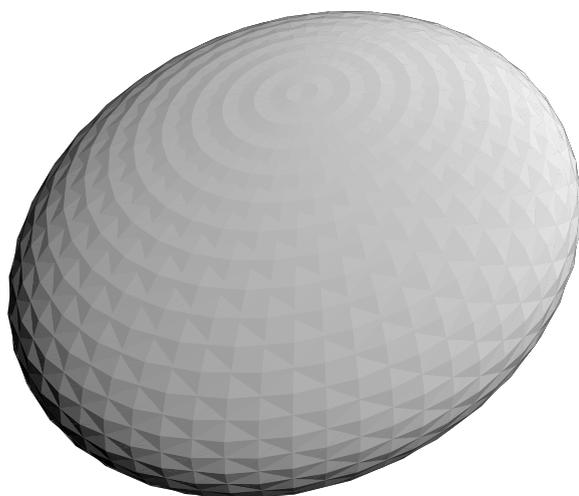


FIGURE 9b

Positive Curvature: The Ellipsoid



Kepler's Revolutionary Discoveries

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

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Business Briefs

Environmentalism

Starving Zambia Refuses Donations of Maize

The Zambian government has announced that it will not accept donations of genetically modified foods for fear they may be toxic, Zambian newspapers report. The fear has been whipped up by foreign Malthusian environmentalists and depopulators who are determined to destroy Africa's population.

As 15,000 tons of U.S.-donated, genetically modified maize sit waiting, Zambia does not have enough food for its starving people; indeed, many of the country's 9 million people are "on the verge of death," said one Zambian chief on Aug. 12—victims of a drought extending from South Africa to Senegal.

The decision followed a debate at Lusaka's Mulungushi International Conference Centre on Aug. 12, reported in the *Lusaka Post* on Aug. 13. Numerous influential figures expressed fear of genetic modification, including the president of the opposition Heritage Party, Brig. Gen. Godfrey Miyanda; Women for Change Executive Director Emily Sikazwe; and Dr. Mwananyanda Mbikusita-Lewanika of the National Institute of Scientific and Industrial Research.

Speaking for acceptance of the maize were the University of Zambia's Dean of the School of Natural Sciences, Luke Mumba, and Simon Zukas, national chairman of the opposition Forum for Democracy and Development Party.

Also urging acceptance, in an Aug. 9 appearance in Lusaka, were U.S. Reps. Earl Hilliard (D-Ala.) and Eva Clayton (D-N.C.), who emphasized that Americans eat the corn every day.

There is no danger from genetically modified maize. The modification of the genes of maize takes place in nature through cross-pollination; so-called genetically modified maize is different only because there is human supervision of which of the naturally occurring possibilities are permitted.

A leading environmentalist, Greenpeace founder Dr. Patrick Moore, has broken ranks to write that "the campaign of fear now being

waged against genetic modification is based largely on fantasy and a complete lack of respect for science and logic."

International Trade

U.S. 'Productivity Boom' Never Happened

Financial analyst Henry Ck Liu demonstrated in the *Asia Times* of Aug. 14 that the "productivity boom" of the 1990s was really only due to the U.S. import boom, which amounted to theft from other countries.

Liu writes: "There was no productivity boom in the U.S. in the last two decades of the 20th Century; there was an import boom. What's more, this boom was driven not by the spectacular growth of the American economy; it was driven by debt borrowed from the low-wage countries producing this wealth. Or, to put it a tad less technically, the economic boom that made possible the current U.S. political hegemony was fueled by payments of tribute from vassal states kept perpetually at the level of subsistence poverty by their own addiction to exports. Call it the New Rome theory of U.S. economic performance. . . ."

"The 4% productivity rise cited in U.S. government statistics can be primarily attributable to sharp import increases. The gain in net productivity is much smaller, on the order of 1.8%. . . . The transition to offshore production is the source of the productivity boom of the "New Economy" in the U.S. The productivity increase not attributable to the importing of other nation's productivity is much less impressive. . . ."

"Those economies that have been dependent on exports for growth will do well to understand that the recent drop in exports in more than a cyclical phenomenon. It is a downward spiral unless balanced trade is restored so that trade is a supplement to domestic development rather than a deterrent. Regions like Asia and Latin America should restructure their export policies to focus on intra-regional trade that aims at development instead of those that transfer wealth out of

the region. Places like Shanghai, Hong Kong, Singapore and Tokyo should stop looking for predatory competitive advantage and move toward symbiotic trade policies to enhance regional development."

European Union

Italian Economist: Cancel Maastricht

The budget-balancing criteria of the European Union's Maastricht Stability Pact are "a fruit of superstition," and, contrary to popular opinion, private debt, not public debt, is what is dangerous, said Giacomo Vaciago, an economist who teaches at the Catholic University in Milan.

Interviewed by the daily *Il Giornale* on Aug. 14, Vaciago said, "The constraints established first in 1992 in Maastricht, and confirmed at Amsterdam in 1997, are mythological, a fruit of superstition. Sixty percent of debt relative to GNP, 3% of deficit over GNP . . . [are] figures that no country, since Romulus and Remus, has ever dreamed to forecast. Figures that exist in no theory whatsoever. And therefore, we can just cancel them."

"Too much importance," said Vaciago, "is put on public debt. I explained this ten years ago in a lecture at Oxford. What is worse: an excessive private debt, as is the case in Anglo-Saxon countries, or an excessive public debt, as in Italy? The answer is, that you must look at the aggregate debt: of the citizens, of corporations, and of the state. In this context, the Amsterdam constraints put excessive emphasis on state debt, ignoring private debt. . . . The most serious economic crises have occurred because private debt was high, not because of public debt. The 1929 crisis was a private debt crisis. It is when there is too much family and corporate debt, that things go bad, and you are forced to go more deeply into public debt. I will never say that a country is more or less poor according to its public debt. Today, the United States is in worse shape than Italy, even if Italy has a public debt twice as large

THE HOUSING BUBBLE may collapse in the United States in the months ahead," wrote Dean Baker, the co-director of the Washington-based Center for Economic Policy Research, in the July 31 issue of *Beige Book Review & Analysis*, a publication of the Financial Markets Center. Baker notes that housing prices have risen by an average of 29 percentage points more than the inflation rate over the last seven years. Some Americans have pulled money out of the stock market, and placed it in real estate instead—"the sort of behavior one would expect to see in a bubble," he writes.

AMERICAN MAGLEV Technology, Inc. carried out its first successful propulsion test at Old Dominion University in Virginia in August, when its test vehicle "levitated, moved forward about 200 feet, stopped and moved in reverse, several times at a rate of 4 miles per hour," said an ODU spokeswoman. The company hopes to build a 193 mile maglev system between Hampton Roads, Virginia and Washington, D.C., by 2007.

THE WASHINGTON POST on Aug. 18 promoted legalized gambling for Mexico, saying that Mexican leaders are considering legislation to legalize gambling casinos, as a way to bring more tourists into the country. While casino gambling has been outlawed since 1938, analysts told the *Post*, "the political and economic climate is right for the Mexican Congress to legalize casinos, possibly by the end of the year."

GEORGE SOROS, the mega-speculator and self-styled critic of International Monetary Fund policies, called for an IMF bailout of the banks to which Brazil owes money, in a commentary in the Singapore *Straits Times* newspaper on Aug. 14. He phrased this as a call to "save Brazil." In addition to IMF money, Soros wrote, "the central banks of the developed countries should open their discount windows for Brazilian government debt."

as the U.S. one, but in the U.S.A., families are in the water almost up to their neck."

Drug Trafficking

Poppy Cultivation on The Rise in Pakistan

The Islamabad newspaper *The Dawn* reported in an editorial on Aug. 14 that there has been an ominous increase in poppy cultivation on the Pakistani side of the Afghan-Pakistan border. The reasons cited are: The prolonged bombing campaign next door and the proximity of the U.S. troops on the Afghan side of the border has made it difficult for people to carry on their traditional trade of smuggling; and Pakistan's Water and Power Development Authority has stopped the supply of electricity to the area because of the tribesmen's reluctance to pay for the electricity they consume, severely affecting agriculture. Over the years, Pakistan had virtually eliminated poppy cultivation in the tribal areas.

The dwindling sources of livelihood have driven many people to turn to poppy cultivation as a last resort. Meanwhile, reports from the bordering eastern Afghan province of Nangarhar, indicate that large heroin factories have been set up in the hills, increasing the demand for poppy. It is evident that the heroin trade is flourishing once more under the warlords now backing the U.S.-supported Karzai government in Kabul.

Petroleum

U.A.E. Zayed Centre Book Prints LaRouche Speech

On Aug. 15, the Zayed Centre for Coordination and Follow-Up, based in Abu Dhabi, United Arab Emirates, published a press release announcing the publication of a book containing the speeches and working papers presented at the June 2-3 international con-

ference on "Oil and Gas in World Politics." Lyndon H. LaRouche, Jr., who was the main featured Western guest, presented a paper entitled "The Middle East as a Strategic Cross-Roads" (see *EIR*, June 14). LaRouche's speech was followed by a discussion session, dealing with his views on major strategic, military, and economic issues.

The ZCCF's press release states:

"Considering the great interest shown in the issue of oil and sources of energy, the Zayed Centre for Coordination and Follow-Up compiled and published working papers, articles, and discussions in the form of a book entitled *Oil and Gas in International Security Policies*.

"The working papers and articles were presented at the two-day international conference attended by the U.A.E. Oil Minister, HE Obaid Bin Saif Al Nasiri, and Mr. Lyndon LaRouche, renowned American economist and prospective candidate for the American Presidential election. It also included a number of prominent experts in the field of oil and gas from many Arab countries.

"The publication is significant as it deals with the problem of energy in general, and oil, in particular. Besides, it is directly linked with all political, strategic, economic, and social issues. It is of vital importance to Arab oil-producing countries because it constitutes a major source for their development.

"HH Sheikh Sultan Bin Zayed Al Nahyan, Deputy Prime Minister and Chairman of the ZCCF, stressed the need for initiating a serious dialogue between oil-producing and oil-consuming countries for reaching fair and stable prices for oil. He particularly pointed to the low level of the prices that resulted in hindering the process of development.

"The study also discusses the possibility of using oil as political leverage to resolve Arab conflicts, its positive and negative impacts. The publication focuses on the emergence of competitors to the Arabs in the Caspian region and other areas. It also sheds light on non-OPEC oil-producing countries, how to compromise and coordinate with them for the sake of oil stability in the oil market. Oil pipelines and new world investments in the field of oil and gas have also been explored thoroughly in this publication."

LaRouche Keynotes ISSS Conference on World and China

by Harley Schlanger

U.S. Presidential pre-candidate Lyndon LaRouche was the keynote speaker at a conference on China on Aug. 17, sponsored by the Institute of Sino Strategic Studies (ISSS) in Whittier, California, and extensively covered in the Chinese press. The “Seventh Annual Conference on the Re-Emergence of China” was attended by scholars, intellectuals, and political activists from the United States, Taiwan, and the People’s Republic of China, many of whom were happy for the opportunity to hear directly from LaRouche, whose ideas are widely known in these circles.

LaRouche’s speech was titled “China in a Changing World,” and addressed the effects of the current global financial and strategic crisis on China, and the implications of this crisis on relations between the U.S. and China. His keynote was backed up by additional presentations, by Schiller Institute scientific adviser Dr. Jonathan Tennenbaum, on U.S.-China economic relations, and by Schiller Institute founder Helga Zepp-LaRouche, on the Eurasian Land-Bridge as the means of recovery from the economic depression.

We publish here all three of these addresses to this landmark conference.

Wide Coverage in Chinese Press

The Institute held a well-attended special press conference prior to the opening of the conference, to introduce LaRouche and the other speakers to the Chinese-language press. More than ten news services with correspondents in California attended. The introduction of LaRouche, and statements from the other participants, showed the high esteem in which he is held among the conference organizers and other scholars and political activists present. Dr. Tie Lin Yin, for example, a leading advocate of peaceful Chinese reunification, referred to LaRouche as “the distinguished thinker,” adding that, to him, there is no higher designation than that.

Zhong Jian Hua, the Consul General of the People’s Republic of China, was the sponsor of the pre-conference reception, at which he and Lyndon LaRouche



The Institute for Sino Strategic Studies press conference to introduce keynote speaker Lyndon LaRouche—here accompanied by Mr. Gau Zhi-yun of the Institute—was attended by more than ten Chinese news services with correspondents in California. Wide coverage followed the conference.

gave remarks.

The Chinese journalists' questions to LaRouche focussed first upon his Presidential campaign, and second on his views on relations between China and Taiwan. His own remarks stressed that the ISSS conference was occurring at a moment of economic collapse; thus the most important questions are what caused this situation, what are the solutions, and what can the role of China be, in solving this crisis? All these subjects, including LaRouche's campaign, were prominent in the coverage, in the Taiwan-linked *Chinese Daily News*, *China Today*, *Sing Tao* of Hong Kong, the *China Press*, and *China Daily*. The *Chinese Daily News and World Journal* headline was typical: "LaRouche: Reunification Across the Taiwan Strait Is in America's Best Interest." The *City Magazine* headlined its coverage, "The Economic Crisis Leads to War: Frightening Words of Lyndon LaRouche."

When a number of Chinese journalists asked LaRouche about the situation today in the Taiwan Straits, and what he considered were the prospects for reunification of China, or for Taiwan independence, the Presidential candidate replied that answering these questions requires going back in U.S. history to President John Quincy Adams and his crucial American view of national sovereignty. Adams proposed that U.S. policy must be to establish a community of principle among perfectly sovereign nation-states. His view was that the nation-state is not a source of conflict, but the basis for the establishment of a community for achievement of common purposes.

Modern China emerged as the result of the fight by overseas Chinese, led by Sun Yat-sen, for just such a sovereign nation-state. There are two aspects of the development of China as a modern nation-state, LaRouche said, which are important to the interest of the United States today. First, there is the idea of the unity of the Chinese people, as exemplified by Sun Yat-sen's plans for railroad construction throughout the vast extent of the country. The development of the interior of China still needs that rail program today. Second is the development of Eurasia, which requires the cooperation of three nations: China, India, and Russia. We must build a community of principle built around these three nations, he concluded, for peace, security, and development.

LaRouche said that while it is not for the Americans to tell China how to come together, there should be a reunification of China, as well as Korea, as part of a new, just order among nations. "Our hearts, of those in the U.S. who know history, are with the unification of China," he concluded.

The journalists peppered LaRouche with more questions on the U.S. Presidential campaign, his own electability in particular. The candidate emphasized that there are major political changes occurring in the United States because of the accelerating economic collapse. Asked for more detail, LaRouche referred to growing ferment among youth in support of his candidacy. This was shown dramatically later in the day, when LaRouche spoke to a meeting of nearly 100 young campaign supporters and prospective supporters in Los Angeles. The press conference closed with several jour-

nalists asking to have their pictures taken with “the future President.”

‘We Must Make a Revolution in Thinking’

Among the participants in this major conference were officials from the All-China Federation of Taiwan Compatriots; the Association for Relations Across the Taiwan Straits; the China Association for the Promotion of Culture; the Institute of American Studies of the Chinese Academy of Social Sciences; and the Alliance for the Reunification of China.

LaRouche’s keynote address was delivered before approximately 70 members and guests of the Institute of Sino Strategic Studies. He was introduced by the conference co-chairman, Dr. Wenji Victor Chang, who said he has been reading the *Executive Intelligence Review* for six years, and had been impressed by LaRouche’s foresight in forecasting the 1997 collapse of the Asian economies. Dr. Chang reported being warned of a more recent forecast by LaRouche last March, of a blow-out of the stock markets in the next three to four months. By August, LaRouche’s forecast had been proven to be accurate, as the market lost 25% of its value. “But I was not a good student,” Dr. Chang said, “because, if I had listened to Mr. LaRouche, I would not have lost so much money in the stock market. Now, he warns us that the next bubble to explode is the U.S. real estate bubble. So, I just sold my condo.”

LaRouche was asked several questions by the enthusiastic audience. “In addition to finance,” one asked, “you mentioned the spiritual.” LaRouche had concluded his speech by addressing the uniquely human desire and understanding that each human being has the potential to live on powerfully after death, in the contribution that person has made to a change for the better. “Will your philosophy,” the questioner asked, “materialize in this country?”

The U.S. population is terrified, LaRouche answered, not by the events of Sept. 11, but by the failure of the economic system, which they were told repeatedly would not fail. This has led to openness to his ideas among youth, ages 18-25, in particular. “Every great revolution in history comes about by the youth, who inspire their parents and grandparents. They have a sense that they have no future. If you look at what they’ve been taught in the schools, they’ve been cheated.”

But the crisis, he continued, is forcing changes to occur. “The obligation of a leader is to point to the problem, and also the solution. There is no guarantee of success, but I am confident that we can succeed.”

LaRouche and the Presidency

LaRouche also was asked, by the owner of a local radio station, if he had presented this speech to Bush, and if he can win the nomination for President. He answered by saying that there is no one, other than himself, who is presently qualified to be President in the economic and strategic crisis which this President must face. Since there are some talented people in



A prominent article in Tsing Tao daily was accompanied with a photo of Lyndon LaRouche with Consul General Zhong Jian-hua of the People’s Republic of China, at the conference reception.

the United States, he can move things so that the United States can solve these problems. To do this, however, “We’ve got to make a revolution in thinking.” LaRouche’s campaign has been engaged for a month in an intense, 5 million-leaflet campaign precisely to enable the President to act seriously in this crisis, in the one way possible: by making LaRouche himself the front-runner for the Democratic nomination for 2004.

After the formal session of the ISSS conference, the candidate had a series of private meetings with leading activists and scholars in the Chinese community.

Earlier in the day, the conference heard a presentation prepared by Helga Zepp-LaRouche, “The Eurasian Land-Bridge as an Alternative.” Mrs. LaRouche was unable to attend, due to her own ongoing political campaign as head of the Civil Rights Solidarity Movement’s slate of parliamentary candidates in Germany’s national elections; her speech was read by Leni Rubinstein, who is well-known to the conference sponsors for her longtime work in this area. A speech was also read which had been submitted by Dr. Jonathan Tennenbaum, “Reflections on a New Basis for Economic Relations between the United States and China.”

China in a Changing World

by Lyndon H. LaRouche, Jr.

The following keynote address was delivered to a special meeting of the Institute of Sino Strategic Studies in Whittier, California on Aug. 17. The meeting was called by the institute specifically to hear the views of Lyndon LaRouche directly, as they have been already for some time widely discussed in the Chinese-language press in the United States, and in China. The Consul General of the People's Republic of China in Los Angeles attended, as did leading political and intellectual figures of the Chinese-American community, and representatives of the media, who had also attended a press conference called by the Institute for Mr. LaRouche the previous day.

The People's Republic of China is now reassessing the impact of a rapidly changing world upon its future for the decades ahead. The questions posed include the combined effects of an accelerating crisis of both the monetary-financial and economic systems of the world, a crisis which was already in progress before the January 2001 inauguration of U.S. President George W. Bush. China is also faced with ominous,

continuing shifts in the general strategic situation, since Sept. 11, 2001.

Even if solutions for the present global monetary-financial crisis are put into effect, the decade ahead will be a difficult one for all of the world's national economies. The world could never return to the recent past. We can, and must rebuild the world economy, but rebuilding means adopting new policies, and moving in different directions than the U.S.A. and International Monetary Fund have led the world during recent decades.

Origin and Character of the World Crisis

Let us consider three points, briefly. **First**, the world crisis. **Second**, the available systemic solutions for that crisis. **Third**, what those solutions would mean as opportunities for China.

First, consider the principal features of the way in which the present world crisis occurred.

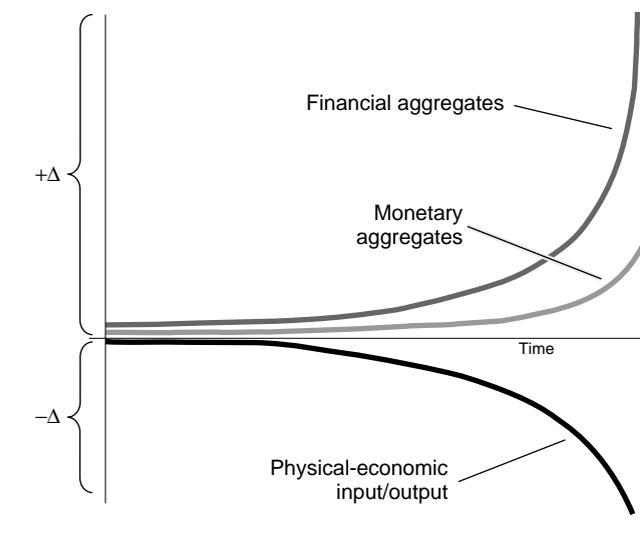
Over the period 1933-1945, the United States led by its President Franklin Roosevelt, steered through both a general



Lyndon LaRouche keynoting the Institute's "Seventh Annual Conference on the Re-Emergence of China," Aug. 17 in Whittier, California. With him is Institute leader Dr. Tie Lin Yin. Some 75 political leaders, scholars, and representatives of Chinese associations tied to both the Republic of China and Taiwan, attended.

FIGURE 1

A Typical Collapse Function



economic recovery and a great war. Shortly after the untimely death of that President, the U.S.A. emerged from that war as, in fact, the only world power of that moment. Although President Roosevelt's intention to decolonize the world was not carried out by his successors, the Americas, Western Europe, and Japan benefitted greatly from those aspects of President Roosevelt's policies which were built into the 1945-1964 phase of the Bretton Woods monetary system. There were many injustices within that world system, but the system produced great net growth in the world's real economy.

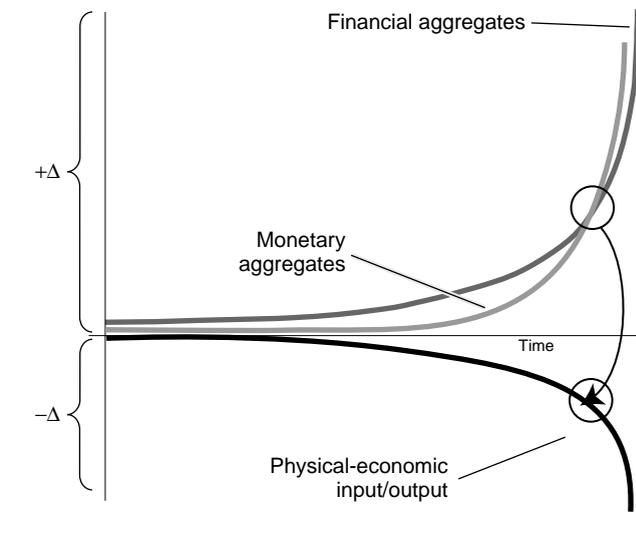
From about the same time as the onset of the U.S.A.'s 1964-1972 war in Indo-China, U.S. policy began a series of dramatic shifts away from both the economic policies of 1933-1964 and the traditional military policies applied during 1941-1945. Over the interval 1964 through January 1981, three radical shifts were introduced to the policies of the United Kingdom and U.S.A. The first, was a shift from a producers' society toward a so-called "post-industrial," "consumer" society, led by the U.K.'s Harold Wilson government. The second was the destruction of the 1945-1964 Bretton Woods monetary system, by the action of President Nixon, creating a "floating-exchange-rate" system, on Aug. 15, 1971. The third, was the drastic shift to destruction of the U.S.A.'s own infrastructure, agriculture, and manufacturing, launched under National Security Advisor Zbigniew Brzezinski during 1977-1981. This process was accelerated following the 1989-1991 collapse of Soviet power.

To illustrate the results of these three shifts, I have provided five charts, as follows.

Figure 1 is one I first introduced to a 1995 Rome conference. This is a purely pedagogical showing of the general

FIGURE 2

The Collapse Reaches a Critical Point of Instability



characteristics of the changes in the economy of the Americas, Europe, and Japan over the interval from the 1966-1967 monetary crises of British sterling and the U.S. dollar, to approximately the present time. The chart is described as follows.

From left to right, the chart represents the interval from 1966 to approximately 2000.

The lower, downward-sweeping curve, represents a net decline in per-capita rates of physical output of the combined economies. The upper of the three curves, represents increase of nominal valuation of financial aggregates. The middle curve represents the infusion of sundry varieties of monetary aggregates used to facilitate the inflation of the financial bubble.

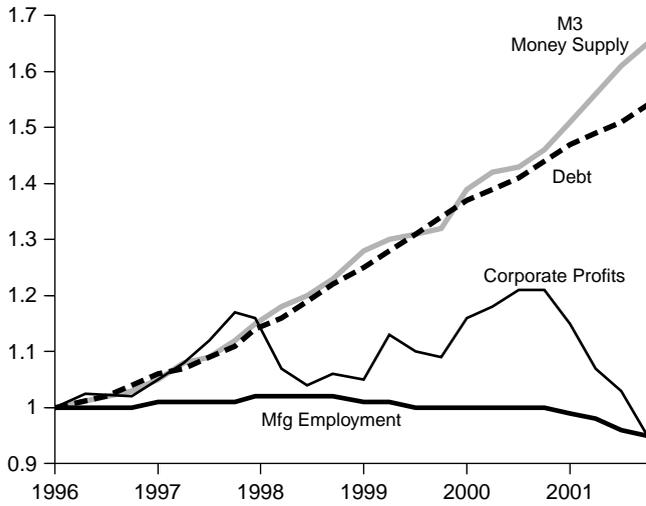
Figure 2 is also pedagogical. However, it reflects a change, estimated to have occurred during the Spring of 2000, in the relations between rates of growth of monetary and financial aggregates. From that point on, to the present, the amount of monetary aggregate supplied to support financial assets, must exceed the valuation of the financial assets subsidized in this way. This cross-over is of the same type as that which occurred in Weimar Germany during the interval of approximately June-July 1923. This cross-over was the launching of the hyper-inflationary skyrocket which destroyed the reichsmark in October-November of that same year.

Figure 3 represents *actual data* for a period corresponding to the portrait given in the second chart.

Figure 4 shows, simply the curve of hyperinflation in 1923 Germany. **Figure 5** compares 1923 Germany with trends in the U.S. dollar today.

FIGURE 3

The U.S. Economy's Collapse Function Since 1996



Source: EIRNS.

That illustrates the core of the causes for the world's presently exploding monetary-financial and economic crises. The present crisis is not conjunctural; it is systemic. It is the present system itself which has created this world crisis, over a period of about thirty-five years. There is no solution for this crisis without replacing that system. So, similarly, empires and dynasties have fallen in the past, and entire cultures have even disappeared.

To Avert Threat of a New Dark Age

If the system is not changed, the following world scenario is virtually inevitable.

When we consider the ratio of combined regular and irregular financial indebtedness, including all categories of financial derivatives and so-called "junk bonds" built into world finances as a whole, the ratio of financial debt to real value added in the world today is comparable to the debt-ratios which collapsed the Lombard banking system during the middle of Europe's Fourteenth Century. The effort of financiers then, to collect the full value of the financial debt, plunged Europe into what historians study as a "New Dark Age," during which an estimated one-third of Europe's population was wiped out. When that comparison to today's world is made, two facts should be clearly seen. First, that only a change from the world's present monetary-financial system would save civilization. Second, why some powerful financial special interests are desperate in their determination to resist establishing a new monetary-financial system.

There is a solution for this crisis. In my view, there are

FIGURE 4

Reichmarks in Circulation in Weimar Germany Grew 100 Million Times, June-November 1923

(logarithmic scale)

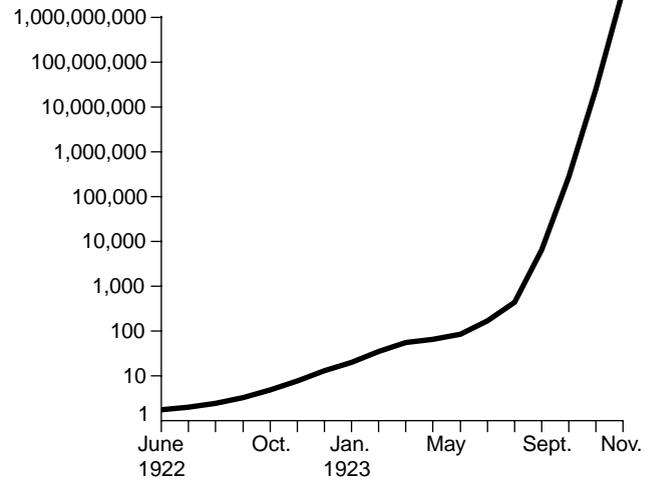
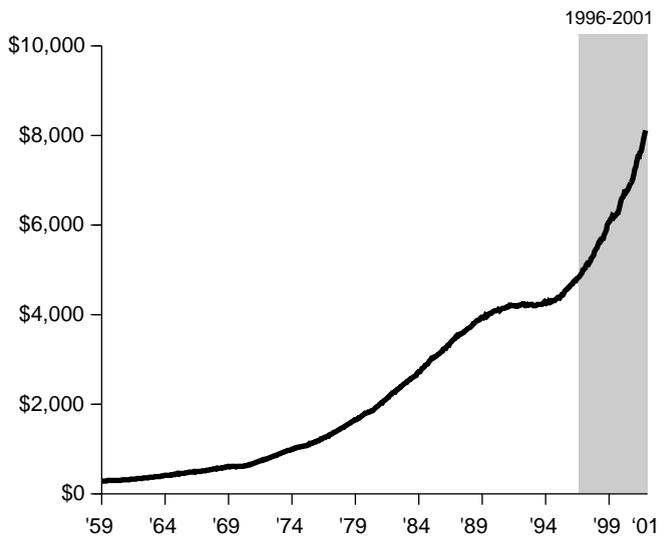


FIGURE 5

Dollars (M3-Money Supply) Circulating in the U.S. Begins Hyperinflationary Growth, 1996-2001

(\$ Billions)



Source: Federal Reserve

three steps which must be taken to find a way out of the presently deepening, combined, monetary-financial, economic, and strategic world crisis.

Step Number One: Use the relatively successful experience of the 1945-1964 Bretton Woods system as a model of reference for establishing a new world monetary system. This means a fixed-exchange-rate system, operating among economic-protectionist policies adopted as treaty-agreements between and among nations.

Such a proposal has been endorsed by groups of leading parliamentarians in Italy and elsewhere.

My personal estimate is that this might price monetary-reserve gold at somewhere between \$800 and \$1,000 a troy ounce; I may be underestimating the price, but the estimate illustrates the point. This means reorganizing the world's trade and physical economy around long-term credit in the order of a quarter-century in maturity and at borrowing costs not in excess of 1-2% simple-interest rate, for development of basic economic infrastructure and special-priority other projects.

Establishing such a new system would require intervention by, and cooperation among perfectly sovereign national governments, to put the existing monetary-financial system through government-directed bankruptcy-reorganization. This action would be governed, from the outset, as it was in President Franklin Roosevelt's measures, by the constitutional principle of natural law called variously "the general welfare" or "the common good." All essential employment and production, and payment of pensions, must continue in a customary form. Levels of production and distribution of physical goods and professional services must be sustained. Immediate measures to increase employment must be launched, with state-backed credit, especially in areas of basic economic infrastructure important for the present and future national interest.

Step Number Two. Technological measures must be taken as cooperation among nations, to raise the general net level of the physical-productive powers of labor globally, through flows of technology from technology-exporting localities to technology-deficit localities. Typical of such needed measures, is the proposal for a Eurasian Land-Bridge, proposed by my associates over the course of the recent ten years. Eurasian cooperation, probably pivoted on Europe's cooperation with a group of nations brought together by aid of strategic-economic cooperation among Russia, China, and India, is typical of the economic-growth programs which are required to match a return to something equivalent to the 1945-1964 Bretton Woods system.

Step Number Three. The time has been reached, at which we must surpass those relatively primitive levels of cooperation, in which peaceful cooperation has been treated merely as a form of mere negation of conflict. We must move toward the kind of policy which then-U.S. Secretary of State John Quincy Adams proposed for the future of the Americas: *a community of principle among perfectly sovereign nation-states*. Sovereignty requires that states be self-governed according to those national cultures by means of which the

members of the nation are able to communicate ideas pertaining to what England's poet Shelley described as "profound and impassioned conceptions respecting man and nature." However, among such nations, our common purpose must be the same: the general welfare of each nation, and the general welfare which is positively promoted through cooperation among nations. Those nations which are prepared to adopt such a policy toward humanity should do so now. We should not seek to impose our will to that effect on other nations, but we should set the example we would hope they would come to admire.

The General Welfare of Humanity

All nations are, in fact, in one boat, a boat which is now sinking. We shall not save the boat without an energetic promotion of fundamental scientific and derived technological progress in the physical productive powers of labor. That means that that science and technology must be shared with those who have need of it. Without the adopted motive to benefit one's neighbor, for no different reason than the sake of the general welfare of humanity, we should probably not find the will needed to overcome the threats to the general welfare which now proliferate among the populations of the world.

Situate China in respect to that third consideration. See China through my eyes as an economist. See the crucial matters of the world's reciprocal relations with the nation of China, in the terms of my work as a long-range economic forecaster.

Progress is the fruit of the combination of a scientifically progressive culture, with the evolving cultural tradition through which a people chooses and implements its policies of practice. The fruit of such combined development of the culture, is to be estimated as the benefits which a present generation's work contributes to two, three, and four generations ahead. Since approximately a quarter-century is required, in technologically modern culture, to educate a newborn child to young-adult maturity as a working professional, we must judge the long-term effects of the present generation's decisions over a period of not less than fifty years ahead. What do we intend the condition of China and neighboring Asia to be fifty years from now? That should be the agenda for policy deliberation of the Americas and Europe with China today.

To motivate progress, we must provide the living individual with a sense of the meaning of his or her individual life and its outcome two or more generations ahead. An animal lives for today; a human being lives for that for which he or she should be remembered, and thanked, generations yet to come. If peoples of nations would think of themselves, their nation, and other nations, in that way, relations among peoples will have positive motives, the sense that we need one another to succeed, rather than merely negative desires to escape the penalties of conflict.

Eurasian Land-Bridge As an Alternative

by Helga Zepp-LaRouche

This address was delivered to the “Seventh Annual Conference on the Re-Emergence of China” on Aug. 17.

Since I am, unfortunately, not able to attend your very important conference, I send you my observations—how the economic and strategic situation looks from a European standpoint—in a written form.

In 1990, after the Berlin Wall had come down, and the issue of the unification of Germany was on the table, I communicated the warning of Mr. LaRouche in many conferences and various publications: Not to commit fundamental blunders in economic policy. [I said that] if people would simply superimpose the already bankrupt system of the free-market economy, on the then-just collapsed, bankrupt communist system in the former D.D.R. [East Germany]—and later the former Comecon—everyone would soon be hit by an even larger, global collapse.

As an alternative policy, I presented Mr. LaRouche’s proposal for the so-called “Productive Triangle Paris-Berlin-Vienna,” which essentially was a crash program to upgrade the East with modern productive technologies, through development corridors. The proposal, however, was not taken up, due to the geopolitical motives of Margaret Thatcher, François Mitterrand, and George Bush, Sr., who put pressure on Germany at the time to agree to the “shock therapy” of the International Monetary Fund (IMF) for Eastern Europe, and later for the states of the former Soviet Union.

System Now Is Full of Achilles’ Heels

Today, the prognosis which Mr. LaRouche made in 1990 has, unfortunately, come true. The global financial system has now entered the end-phase of its collapse. The failed system, which is associated with globalization and with the present, floating-exchange-rate form of the IMF, has essentially reached the same hopeless degree of bankruptcy, as the D.D.R. [East German communist regime] did in October 1989. This system has developed a very high density of Achilles’ heels, which each could trigger an uncontrollable meltdown. Among these are the foreign debt of countries such as Argentina, Brazil, Uruguay, and others.

The obvious danger of a new big war in the Middle East comes from this dynamic.

Some circles in the United States are obviously convinced, that it is possible to deflect from the financial and

economic crisis by starting a new war against Iraq. Contrary to such convictions, if such a war were to occur, it could be the last straw: For example, if the oil price would go up to double the present price or more. It would also set up the whole region, from the Maghreb to Indonesia, for religious war.

One thing is clear: If the present trends of world politics, the systemic crisis of the financial system, and the resulting war dynamic will just continue, a worldwide catastrophe is certain. It is therefore in the interest of the whole human community, to dramatically change the agenda of world politics. What is urgently needed, is a vision for the future of all of mankind and a true war avoidance policy.

We suggest that the Eurasian Land-Bridge is such a vision and policy. If preferably all, or a large number of the participating countries would pronounce the Eurasian Land-Bridge as their common strategic priority for the next 25 years, the whole world dynamic would change. Not only would the overcoming of the financial and economic crisis remove the cause for the war dynamic; but a higher level of reason, and the definition of a joined interest, would create the basis for overcoming all leading existing internal conflicts.

For Europe, and for Germany in particular, this program is in their fundamental self-interest. Europe is presently gripped by the slide into a depression. and Germany has already, in fact, a higher number of unemployed than in 1933, if one counts all categories of hidden unemployment. Germany is, like Japan, a country that has almost no raw materials and has been depending on its ability to export up to 40% of its production; and for this, Germany needs expanding markets and customers with a long-term growth in their buying power.

Land-Bridge To Integrate Eurasia

Since the very conception of the European Land-Bridge is explicitly not merely to build transport lines from A to B, but to integrate the entire Eurasian continent, infrastructurally and economically, through the so-called development corridors, we are really talking about a gigantic increase of the productivity of the population in the presently undeveloped regions.

The basic idea is, to build an integrated net of transport lines, of high-speed trains, highways, waterways, computerized stations, energy production and distribution, and communication, as arteries in these corridors. The corridors are supposed to be approximately 100 kilometers wide, and are now equipped to be the optimal location for the construction of new industries, new cities, and the development of modern agriculture. Contrary to the past practice of the colonialists, the building of the transport line is not to be a way of extracting wealth from the interior of a nation, but an instrument for *developing* the interior of the nation.

When I have presented the program of the Eurasian Land-Bridge as the way to overcome the world depression, the

Topographical Map of Eurasia, With Some Main Development Corridors of the Future



Recovery from the depression requires that the development corridors of the Eurasian Land-Bridge as a whole be built as “an integrated vision”; the method of generating credit for such great projects, is that of Franklin Delano Roosevelt, Wilhelm Lautenbach, and Germany’s post-war Kreditanstalt für Wiederaufbau.

question most often asked has been, “But who should finance all of this?” The answer is surprisingly simple: namely, over the medium- to long-term, this program costs essentially nothing; but one still gets something more than that in return!

This, however, will only be possible, if we say good-bye completely to the fantasies of the present, so-called “neo-liberal” form of the free-market system. We must free nations of such fantasies as the beliefs that money earns money; that it is more profitable to speculate than to produce; that society can survive as a so-called “post-industrial service economy”; that long-term investment can be sacrificed in favor of shareholder value; and that all that counts is to take as much profit out as quickly as possible.

We have to replace such shortsighted nonsense with the solid principles of physical economy. The key idea of physical economy is the concept, that the only source of wealth is the creativity of the cognitive mind of the individual. It is this cognitive ability which enables man again and again to dis-

cover new fundamental principles of the physical universe. When these scientific discoveries are transformed into technologies and applied in the production process, they lead to an increase in productivity.

The Financing Method of the KfW

It is therefore in the interest of all states to do the optimum to further the creative potential of the population. That means that in the Land-Bridge economy, we must think in terms of approximately 25 years, because that is the amount of time it takes to develop a newborn child into an educated, skilled laborer, engineer, or scientist. It is, therefore, essential that national credit institutions give out long-term credits with low interest rates of 1-2%, so that the maturation of these projects can occur, and the buying power can develop, so that the original credit eventually can be paid back.

This is, in principle, the method with which Germany’s Kreditanstalt für Wiederaufbau reconstructed Germany, after

1945. This is the method which transformed a war-wrecked Germany from a rubble field, into an economic miracle. It was the method used by Franklin D. Roosevelt to lead the United States out of the depression.

In 1931, in a situation like today's world crisis, a very important economist and representative of the [German] Economics Ministry, Dr. Wilhelm Lautenbach, presented a memorandum to a Friedrich List Society conference, in which the chairman of the Central Bank and 30 top bankers and industrialists participated. The memo contained a plan, how one can overcome an economic crisis under the conditions of a simultaneous currency crisis and depression. Dr. Lautenbach argued, that under this combined situation, normal market mechanisms don't function any more, since the buying power of the population collapses. This is exactly what we see in Japan, where, as today's end-result shows, all the neo-liberal government stimulus packages of the last two decades failed.

The main objective, Dr. Lautenbach argued, was to eliminate unemployment, which is a huge cost factor for the real economy. For this purpose only, the government could issue large credit lines for investment. These investments, however, have to be limited to categories where real capital assets are created, and they have to be directed toward areas in which one would also invest if the economy was doing well; and, they also have to serve the common good.

The most obvious such categories are investment into large infrastructure projects, Lautenbach argued, because they benefit the development of the economy at large. When the credit lines are given to the participating firms, the entrepreneur has more financial leverage; he can employ more workforce; the now-employed laborers and employees earn money for their livelihood; they can spend more for consumer goods, etc. So the effect of these credit lines is both direct and indirect; the entire economy starts to flourish by beneficial effects which are larger than the outlays for the initial lines of credit.

Today, the Eurasian Land-Bridge should be the obvious focus of such investments. The most rational approach would be, that preferably all states of Eurasia would agree on this general transport and infrastructure plan as a totality, rather than individual states building partial rail lines, roads, waterways, and so forth. If there is agreement on the totality of the plan, then in the different countries, construction can occur simultaneously. Each country would operate through its own national bank or national "Kreditanstalt für Wiederaufbau."

All Mankind in One Boat

Many aspects of the Eurasian Land-Bridge are being worked on, or are in different phases of realization—both along the Trans-Siberian Railroad, as well as along the different lines of the old Silk Road. Several political leaders have emphasized the importance of this program. The President of South Korea, Kim Dae-jung, for example, appealed last December in Strasbourg, at the European Parliament, that

Europe should help in the completion of the rail line between North and South Korea and the Eurasian Land-Bridge.

What is still lacking, is a projection of the Eurasian Land-Bridge as the great vision for the future of all of mankind, as the program for the reconstruction of the world economy after the collapse of the present system of globalization. For this purpose, one country or a group of countries could, for example, introduce this perspective into the General Assembly of the United Nations in September, as an alternative to war, chaos, and poverty; as an alternative to the present world, . . . where one-third of the population goes hungry every day.

Once there is agreement among the participating states, the construction of the Eurasian Land-Bridge will completely change the dynamic of international relations to the positive. In Asia, as well as in Europe, there exist today many historical conflicts between states on a bilateral basis—in some cases, because they fought wars in the past, or they had other tensions of various kinds. With the Land-Bridge, a completely different plane is created: a common level of reason, which is magnitudes more powerful.

Mankind has reached a historical branching point. For the first time, all mankind is sitting in one boat. In the past, entire cultures collapsed in one part of the world, while in others, there were phases of high culture, and they would not even know of each other, because it took many years to travel. Today, the world is closely connected, through communication, through nuclear weapons, through diseases like AIDS, through the globalized financial system. So, either we create solutions, or we all plunge into that new dark age which a continuation of the present neo-liberal system would now bring about.

The Eurasian Land-Bridge will not only mean the largest economic boom which ever occurred in history; it will also, like the old Silk Road, mean an exchange of ideas and culture. The beautiful treasures of Chinese culture will be known in the whole world; the high points of Indian, Persian, Arabic, and European culture will be made known especially to the children and youth of all countries. And, as in the past, when different cultures touched each other with their best traditions, all the great ideas and cultural pearls of the past will become the possession of all.

Thank you.

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Reflections On a New Basis for U.S.-China Economic Relations

by Dr. Jonathan Tennenbaum

Dr. Tennenbaum is Scientific Adviser to the Schiller Institute and EIR. His presentation to the Institute for Sino Strategic Studies conference was given Aug. 17.

It was hoped and expected by many from the Chinese side, that the expansion of trade with the United States, together with China's entry into the World Trade Organization (WTO), would help improve both economic and political relations between the two countries. I wish to point out, however, that the present, unhealthy structure of trade not only continues to be a major source of friction between the United States and China, but seriously endangers the economic and political security of both countries. We must realize, that the present trade structure is neither mutually desirable, nor is it sustainable under conditions of growing, acute instability in the U.S. and world financial system.

In actuality, we are faced with a choice between a disastrous, chaotic collapse of world trade as a whole, or carrying out a fundamental reform of trade relations, based on principles radically different from the liberal doctrines that have dominated the process of "free-trade globalization" during the recent period.

Conversely, restructuring trade relations between the United States and China, based on a long-term perspective for the real economic development of both nations, could become a pillar of global economic development and the realization of a new, just world economic order in the 21st Century. Of course, this would require a radical change in attitude and thinking on the part of the U.S. administration and leading U.S. institutions. Also, the Chinese side would have to remedy some serious shortcomings, in my view, in thinking about China's relations to the world. But a situation is developing, which leaves no acceptable alternative to such radical rethinking.

'Unhealthy Structure' of U.S.-China Trade

First, I want to briefly indicate what I mean by an "unhealthy structure of trade" which "endangers the economic and political security of both sides." Then, I shall indicate in what direction that trade structure should be adjusted, in order

to provide the maximum long-term benefit to China, the United States, and the world as a whole. Much more could be said about these matters, of course, and I hope my remarks will help provoke a more profound reflection.

In the late 1990s, I often heard Chinese officials expressing satisfaction at the strong growth in China's foreign trade, as if this would automatically mean an increased benefit to China's economy. But the reality is not at all so simple. For example, if you are exporting at prices below the real social costs of production, then more exports means bigger losses!

To judge the impact of China's trade on the Chinese economy, you have to examine what it really costs China, as a nation, to export what it exports; you also have to look at the composition of the *imported* goods, and their real value for China's economic development, as opposed to their nominal price-value. You also have to look at the effects of the trade structure on the overall character of China's social and economic development. If you do that in a rigorous way, as I shall indicate, you arrive at a much less favorable conclusion, than has generally been assumed.

Similarly, looking at the U.S. side of the equation, it might at first glance appear to be a great benefit for the U.S. economy, to be able to import large quantities of goods from China and other nations, at prices far below the costs of producing those same goods inside the United States itself. What, however, if those imports are connected to a process of radical de-industrialization of the United States itself, resulting in an accelerated shrinkage of America's pool of skilled manpower—which are thereby lost not only to the United States, but to the world economy as a whole? What will it cost the United States to rebuild its once-mighty, skilled industrial labor force to the levels necessary for long-term survival of the nation?

In fact, there is no possibility of an economic recovery of the United States from the present disastrous situation, without a major revival of U.S. production and export of modern industrial capital-goods—many of which the United States today either no longer produces, or which are currently banned from export to China and other developing nations by misguided government policy.

China Is Losing on Exports

Now, I want to look at China's exports more closely. Ask yourself, first, how many dollars of foreign machinery, parts, materials, intermediate goods, etc., China must import, in order to produce \$100 of goods for export? Often, the imported content is 60-80% or even higher, as in the case of many internationalized manufacturing operations, in which labor-intensive steps have been located to China to exploit low labor costs, while crucial "high-tech" components are produced elsewhere. However, the situation is actually less favorable than it appears, even in these terms.

The crux of the problem, in my view, lies in a wrong

FIGURE 1

China's 1998 Offer of Projects for Foreign Participation



In December 1998, Yu Shuning, Minister-Counsellor for Press Affairs from the Chinese Embassy in Washington, announced that, at a meeting of the Sino-U.S. Commission, “the Chinese delegation presented the U.S. side with three lists of major projects to provide opportunities for the U.S. business community to compete on the Chinese market.” The value of the projects were estimated at \$620 billion. Unfortunately, the response from the United States was rather negative. The map itemizes the proposed power projects (numbers 1-8), environmental protection projects (9-17), chemical fertilizer projects (18-20), transport (21-28), and technology transformation and renovation projects (29-38).

way of thinking about such basic economic notions as “cost,” “productivity” and “profit.” A typical expression of that wrong way of thinking is the widespread belief, that the existence of super-abundant, so-called “cheap labor” provides a

crucial “comparative advantage” to China’s economy.

To get to the point as quickly as possible, let me suggest, that China—despite, or in a certain sense actually because of, the apparent cheapness of Chinese labor—is currently

exporting at significantly below her own real costs of production. Such a statement might appear absurd to many, at first hearing. “After all,” they will point out, “aren’t Chinese export industries earning a lot of money? Isn’t China as a whole enjoying a huge income from trade? Haven’t the export-oriented coastal areas of China enjoyed an unprecedented period of prosperity and development over the last two decades?”

These statements are all true, but they don’t address the essential problem.

To judge the real costs of production in China, we have to look not only at the direct outlays of industrial firms for labor, machines, materials etc., but also at the costs of maintaining the entire Chinese nation—its population, Chinese society as a whole—in a long-term perspective. That means providing for an overall rate of real physical investment, sufficient to guarantee the stability and development of the entire country, including the interior areas. If that social cost is not met, then China will disintegrate.

Because of China’s complex of accumulated problems, its special history, its natural conditions, its social structure and so forth, a very high rate of investment is required—both in absolute terms and per capita of the population—just to keep the country moving in a positive direction. This includes long-term, in-depth development of basic economic infrastructure across the entire territory of the country; and enormous investments—an order of magnitude higher than the current levels—into the general education, health care, and cultural development of the population.

From this standpoint, the impression of “cheap labor” is an illusion, based on ignoring the real costs of maintaining Chinese society, its population and households, which are the source of that labor. Profits, gained purely by exploiting the differential of wage levels between China and the United States, for example, do not, by themselves, reflect a real additional generation of economic wealth. On the contrary, they can conceal a process of looting China’s own potential for development, by not meeting the minimal costs which such long-term development entails.

‘Opening Up’ to a West in Decay

Of course, these points are not unfamiliar to many Chinese economists and officials, who have acknowledged the bitter dilemma of so-called “export-driven economic development” advocated by such institutions as the World Bank, which has brought disaster to nearly the entire developing sector. The author has often heard: “Yes, we see these problems. But opening up was necessary. China has no alternative but to integrate into the present world economic system, and make the best of that. So far, we have done better than everybody else.” What, however, if the present world economic system is collapsing?

The great hope in China has been, of course, that the opening-up policy, and intensification of economic relations with advanced industrial nations, would give China full ac-

cess to the fruits of modern science and technology, thereby making possible a rapid increase in the productivity of the Chinese economy that might compensate for the exploitation of “cheap labor.” In fact, China has been able to absorb a great deal of technology and to reach a world level in a variety of specific areas. But the overall result falls far short of what potentially could have been achieved, and also far short of what China, minimally, requires for its long-term stability and development today.

There are a number of reasons for this. On the one hand, over the last 30 years, just as China was “opening up,” the industrial nations, including the United States, embarked on an insane policy of systematically dismantling their in-depth potentials for scientific and technological progress, embracing the parasitical ideology of the “consumer society” and plunging into accelerating cultural and moral decay. Thus, what China has been able to access, through its interaction with the Western nations, is, at best, the precious left-overs of a formerly much more powerful scientific and industrial culture, along with large amounts of garbage. China has also been bitterly disappointed by the refusal of the United States, in particular, to share some of the most valuable technologies and know-how still existing, which could make a significant difference for China’s development.

I should mention another aspect of the present, unhealthy trade and investment structure. Many of the joint-venture investments, through which China hoped to gain access to modern production technology, have taken the form of virtual “turn-key” import of entire mass-production lines, involving sophisticated equipment requiring long-term outside support. Quite apart from its proprietary nature, this kind of highly specialized equipment is poorly suited as a vehicle for transferring essential principles of technological design. Far from promoting the establishment of an all-round, “full-set” domestic industrial-technological capability, this sort of investment often actually increases China’s technological dependence on the outside.

Free-Trade Backlash in Both Countries

Let me now briefly turn to the other side of the equation, namely the United States, which is now plunging into the gravest financial and economic crisis since the Great Depression, and potentially far worse. That crisis is itself inseparable from the pathological trade structure which developed over the last two decades, hand-in-hand with the transformation of the United States from the world’s most powerful industrial nation, into a parasitical, “hollowed-out” consumer society, dependent on a massive net influx of goods from the outside.

If China and other nations appeared to benefit, in the short term, from the U.S. role as an “importer of last resort,” that benefit has had a very high price for all sides involved. This includes the high political price that China pays inside the United States, for tolerating a global “free-trade” policy which, in effect, has played off Chinese workers against

American workers. This helped cause major elements of the U.S. labor movement, which might otherwise strongly support improved relations with China, to align instead with the anti-China lobby.

In return, the conditions imposed by the United States for China's membership in the WTO, threaten to cause massive disruptions of Chinese society, that could one day lead to a powerful political backlash in China against the United States, as well as the leadership's reform policy. The naive expectation, that trade liberalization would strengthen peace and political stability, could turn into the opposite in reality: "free trade" as a major factor leading to war.

Should anybody be surprised? The process of "globalization" and radical liberalization of world trade and financial flows represents, de facto, a revival of the "free-trade" policies of the British Empire. And what was the British Empire, but a continuous nightmare of genocide, looting, and war? As two nations which have had a certain experience in fighting against the evil of the British Empire, it is time for the United States and China to re-evaluate their economic and political relations on the basis of that experience. That includes a radical break from the concept of "free trade," "cheap labor," and everything that goes along with that.

Quite apart from the use of "free trade"—both by the British Empire and again today—as a tool of conquest and destruction of sovereign nation-states, it is completely impossible to establish and maintain mutually beneficial trade relations on the basis of a "free trade" or "free-market system." Long-term economic development—whether of a single nation, or between nations—requires human thinking and planning. It requires long-term policy-directions and agreements that take into account the probable requirements of two or more generations into the future.

In the case of the United States and China, certain general directions are clear. The United States must abandon the insane policies of the last 30 years, including the U.S. role in imposing disastrous policies of financial globalization, deregulation and free trade, upon nations throughout the world. The United States must return to the classical American System of Hamilton, Carey and Friedrich List, and revive its former role as a leading developer and exporter of modern industrial capital-goods and a "volcano" of scientific and technological progress.

Rebuilding U.S. scientific, technological and industrial capability is impossible, without, on the one hand, protectionist and related government measures to foster domestic production and investment; and on the other hand, a large, sustained increase in high-technology exports to developing countries, including China.

China also cannot develop without protectionist measures, coupled with an expanded rate of import and absorption of modern technologies, which China's development requires. These include things like advanced nuclear energy technologies, modern high-speed (maglev) transport, novel

laser and plasma technologies, biophysical technologies and so forth.

Strategic and Financial Requirements

Rather than depending exclusively upon exports to finance imports of modern technology, nations should agree on establishing new mechanisms for the creation and issuance of long-term, low-interest credit for development projects and technology transfer on a large scale, along the lines Lyndon LaRouche has proposed for many years.

Of course, the necessary context for such a policy goes far beyond bilateral relations between the United States and China. On the one side, China has a vital interest in the "Strategic Triangle" partnership between China, India, and Russia; in the kinds of cooperation in Central Asia exemplified by the aims of the Shanghai Cooperation Organization; and in the launching, in partnership with Europe and Asian nations, of a new era of large-scale infrastructural development of the entire Eurasian landmass (the Eurasian Land-Bridge).

On the other hand, there can be no world economic recovery without a "New Bretton Woods" reorganization of the global financial and monetary system, as proposed by LaRouche. The recent period of the unrestrained, savage "free-trade" globalization must be ended, and replaced by a combination of protectionist measures for national economic development, coupled with long-term, mutually beneficial trade agreements between nations. Under such conditions, stability will return to the global economy, and the useful volume of world trade will be greatly increased.

A couple of years ago, the Chinese government presented a long list of major state-financed infrastructure projects in China, inviting the United States and U.S. companies to participate. At that time, the response from the United States was rather negative. Ironically, however, it was the U.S.A., under such Presidents as Abraham Lincoln and Franklin Roosevelt, that provided the world with the best model for development based on great infrastructure projects—from the transcontinental railway to the Tennessee Valley Authority (TVA), forerunner to China's great Three Georges Project of today.

Were the United States to return soon to the best traditions of Lincoln and Roosevelt—as it would under a President LaRouche—a bright future for both nations would certainly be assured.

Thank you.

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Venezuela Marches Down The Road to Civil War

by David Ramonet

Mob followers of Venezuelan President Hugo Chávez, organized and deployed like paramilitary troops, attempted to assault the Venezuelan Supreme Court on Aug. 14. A majority of the court's magistrates had ruled in favor of four high-level officers of the Armed Forces facing possible charges of military rebellion, in connection with the events of April 11-13, 2002. The mob assault was frustrated, thanks to the efforts of National Guardsmen deployed to protect the Justice Palace, in contravention of express orders from the Chávez government to allow the assault to proceed. When members of the mob fired at the troops, they were dispersed with tear gas and rubber bullets.

Chávez's televised appeal to "the people" to gather at the Justice Palace, which had been made several days earlier, was thus in vain. In fact, when the "Chavista" mob began to shoot, the National Guardsmen rebelled against the general in charge of the operation, refusing to "fall back," as they had been ordered from the Presidential palace itself.

Still later, when President Chávez called on the military commanders to declare their opposition to the Supreme Court ruling, they refused.

For the great majority of Venezuelans, Hugo Chávez's mandate has lost all legitimacy, and his stubborn insistence on remaining in the Presidency despite the repeated mass demonstrations demanding his resignation, has led the country to the brink of civil war. The Supreme Court ruling exonerating the military officers was not only a political defeat for Chávez, but also opened the door to an investigation and possible indictment of Chávez himself, which would make a collision of forces virtually inevitable.

Under these circumstances, contrary to the claims of the international self-styled "Project Democracy" apparatus, the National Armed Forces is, in fact, the only national institution capable of preventing civil war.

Chávez on Trial?

Ironically, Venezuela's President is now faced with having his own "Bolivarian Constitution" turned against him. Chávez has all along chosen to interpret the new national charter as he pleases, to justify the establishment of a fascist Jacobin regime, modeled explicitly on the criteria of Hitler's favorite jurist, Carl Schmitt. Chávez never imagined the current situation back in December 1999, when the text of the new Constitution, written by a Constituent Assembly hand-picked by the President himself, was approved in plebiscite.

On Aug. 14, the Supreme Court approved, by a vote of 11-8, a paper by Magistrate Franklin Arriechi, which proposed to dismiss the accusation of "military rebellion" against four military officers, simply because the new Constitution does not recognize such a crime. Further, Article 350 of the Constitution consecrates the right of rebellion against any regime that puts itself above the Constitution and violates human rights.

Now that the court has ruled that the officers who declared themselves against the Chávez regime on April 11, did so in adherence to the Constitution, it remains to be determined who bears responsibility for the massacre of defenseless demonstrators against Chávez that took place that day.

The Supreme Court reconvenes in September, and one of its first agenda items is a case against Chávez himself, followed by one against then-Defense Minister and current Vice President José Vicente Rangel, as well as Attorney General Isaías Chávez. Other accusations are also pending against Chávez, following a Supreme Court decision that any citizen who considers him or herself to have been the victim of any abuse, can file a lawsuit. Above these pending accusations is the charge of embezzlement, since Chávez has already admitted that \$2.3 billion in oil revenues that should have been deposited in a special savings fund known as the Investment

Fund for Economic Stabilization, were used instead for operating expenses. Also pending against Chávez is the charge that he illegally received \$1.5 million from Banco Bilbao Vizcaya Argentaria (BBVA), for his 1998 electoral campaign, and the campaign for the 1999 Constituent Assembly.

Any of these cases could land Chávez in jail, and after orchestrating the failed self-coup of Aug. 14, he is seriously considering several possible options for dismantling the current Supreme Court. However, Chávez only has a relative majority of 86 National Assembly deputies, against 74 of the opposition, while the law states that a two-thirds majority is required to oust a Supreme Court magistrate. Thus, he has ordered the convoking of a new Constituent Assembly, under the illusion that he can repeat history, and again dissolve the constituent branches of government, as he did in 1999.

Chávez and his “Taliban,” (or “Black Bloc,” as they call themselves) are not excluding violence, and are preparing for confrontation. One such confrontation is in the works for September. The directors of the state oil company PDVSA are once again going head-to-head with PDVSA President Alí Rodríguez—a prominent figure in the narco-terrorist São Paulo Forum—and are preparing for another labor strike, which the Venezuelan Labor Federation and the business leadership represented by Fedecámaras will join.

The reason for the conflict is the unfavorable conditions of the oil agreement with Cuba, whose supply was suspended by the PDVSA directors because Cuba owes Venezuela \$142 million. Not long ago, Chávez personally ordered that the supply of oil to Cuba be resumed, against the wishes of the company itself. In fact, one of the cases pending against Chávez before the Supreme Court, concerns this contract.

The government of the United States is ready to put in its two cents. The U.S. Embassy has opened up an office explicitly to “mediate” between the opposition and the government, clearly for the purpose of preventing the participation of the defense forces in any transition process.

A Government in Bankruptcy

Despite the fact that the Chávez regime has enjoyed three and a half years of nearly uninterrupted high oil prices (with the exception of a few months), the government is practically bankrupt today. The economic depression has raised official unemployment to a whopping 16% of the 10 million person workforce, and driven 52% of those still employed into the



Venezuelan President Hugo Chávez has lost legitimacy in the eyes of most Venezuelans, and his flagrant regard for the “Bolivarian Constitution” that he himself introduced in 1999, has now brought the country to the brink of civil war. Here, a demonstration in April against the President.

“informal economy.” An administration, known for squandering money, has created a budget deficit this year of 8% of GNP. This is a considerable increase, even with a budget this year of only 25.5 billion bolivars, as compared to last year’s 28 billion.

To resolve this problem, the Chavista majority in the National Assembly approved a tax package that increases the value-added tax (VAT) from the current 14.5%, to 16% as of September. A bank transaction tax will increase from 0.75% to 1%. In preparation for putting this plan into action, the government devalued the national currency, which went from 700 bolivars to the dollar three months ago, to 1,400 bolivars today.

The government is not paying its local vendors, and is thus driving them into bankruptcy. The only thing that has, in fact, been religiously honored, has been service on the \$27 billion foreign debt. However, like every other country in the region, the specter of default also hovers over Venezuela. Although the debt is guaranteed by oil profits, oil revenue is practically the only assured income upon which the public budget can be sustained. Thus, Finance Minister Tobías Nóbrega proposes to carry out a swap of \$1.6 billion in debt bonds for longer-term notes, in exchange for raising their interest rate from 14%, which they are now paying, to 17%. Further, with the backing of the International Monetary Fund, the Chávez government hopes to collect another \$2 billion with new bonds placed on the international markets. That is, if they find a buyer.

National Argentine Radio Hosts LaRouche

Radio Splendid, which interviewed Lyndon LaRouche live for half an hour on Aug. 9, is one of the top five national radio stations in Argentina. The broadcast set off reverberations and generated a large number of call-ins to the radio station; in the interview, LaRouche explained that the International Monetary Fund package is a bailout of the banks, not Brazil. The interview, by host Mr. De Renzis, was re-broadcast on Aug. 12, with EIR's Buenos Aires correspondent Gerardo Teran and Gen. Harold Bedoya from Colombia, to discuss the crisis in that country and the just-inaugurated Alvaro Uribe government.

Radio Splendid: How does the situation in Argentina look from the outside world?

LaRouche: Argentina is faced with being destroyed, but not only Argentina. Brazil is in a similar situation. The entire area of the Americas below the U.S. border, is similarly threatened. Every part. It's the same train, but the cars are arriving at different times; and the United States is also on the road to destruction.

Radio Splendid: If that is the case, what's the danger the world faces, in light of the possibility that Bush might order an attack against Iraq?

LaRouche: Well, this is now being contested. There's much more resistance to this now than there was, say, two weeks ago, and there is pressure inside the Bush Administration to reconsider, as there is from Europe.

Radio Splendid: If the world were to continue on this track, what is the likelihood of the world exploding economically?

LaRouche: More than that, it *would* explode if it were to continue on this track. Let me define what the solution is, because that makes the crisis more clear.

To understand the present world situation, you have to look back to the middle decades of the 14th Century in Europe, when the Lombard banking system collapsed. At that time, the Lombard bankers were able to enforce the collection of debts. As a result, they had a dark age in which the population of Europe collapsed by at least one-third. If the IMF conditions are not overturned now, a similar fate to that of the "little dark age" of the 14th Century will hit most of the world as a whole.

Therefore, the key today is to not make the mistake of

14th Century Europe. It is the debts which must suffer, not the nations.

Radio Splendid: You often make references to the question of a financial bubble. What precisely is that?

LaRouche: Well, what you have is—take three curves, which I've described many times. Since 1966, looking at the United States and the United Kingdom—the figures for other countries are similar, but a little different—we've had an increase in financial aggregates, at the same time that the *physical* aggregates of production are collapsing. This process has been funded by the growth of monetary aggregates. So therefore, most of the financial values upon which the debts are based, are fictitious. They have no physical basis in reality.

As a result, the entire IMF system is a gigantic financial bubble, like the John Law bubble in France in the early 18th Century, and like the debt bubble that was built up by the Lombard bankers in the 14th Century.

Recently, the rate at which monetary aggregate has to be put in—as you see in the recent Brazil bailout—actually exceeds the amount of financial aggregates they're saving. Which is what happened in Germany at a certain point, which led to the great hyperinflation of Germany in 1923.

I think that you'll find that, among inside circles in the United States, London, and Europe today, they presently agree generally that the present IMF system is hopeless. It cannot be saved.

Radio Splendid: What's the responsibility or the role in this of the Federal Reserve in the United States?

LaRouche: The Federal Reserve is implicitly bankrupt. You have, for example, two U.S. banks which have traditionally dominated South America. In former times, this was the Rockefeller bank, Chase Manhattan, and Citibank. And you had a third factor behind the scenes, J.P. Morgan. So, today, you have the consolidated CitiGroup, controlled by Sandy Weill, who is not exactly the most honest man I've ever known. And you have J.P. Morgan Chase. They are about to go under. That's what the bailout for Brazil was actually for. That was not done for Brazil or for Uruguay, but to rescue the U.S. banking system.

But the bailout won't work. So therefore, the Federal Reserve system is bankrupt. So, if the United States government is sane—and I have some indications that sanity might take over the U.S. government—then it will act as Franklin Roosevelt acted. It will put the world banking system into a bankruptcy reorganization, through agreements among governments. We will probably freeze most of the debt, while ensuring a flow of credit to keep employment and production and pensions going. And also launch an economic recovery. And these are the only rational solutions available to the world at this time.

Radio Splendid: Mr. LaRouche, what do you know about

the possibility that they will try to collect Argentina's foreign debt through national territory?

LaRouche: If they do that, Argentina will disintegrate. If it's done to Argentina, it will set off a chain reaction in which the entirety of South America will go into the same crisis. There is no part of Ibero-America which could survive under those conditions. That is absolutely morally forbidden. It would be the beginning of a dark age for all humanity.

Radio Splendid: What's the view of the Democratic Party with regard to the crisis in this region, and what differences are there with the Republican Party?

LaRouche: The Democratic Party has some of the worst fascists in the world in it, typified by Michael Steinhardt, one of the financial backers of Senator Joe Lieberman, who is one of the worst. You have some of the same types in the Republican Party. So what I'm trying to do, is make a revolution in the Democratic Party, while also cooperating with sane people in the Republican Party.

I'm trying to pull together a combination among people, which can walk into the White House and get a change of policy, because that's what is absolutely necessary. Anything else will be a catastrophe.

Radio Splendid: What is the relationship, as you see it, between London and New York, and concretely, is that the location of the hidden powers that govern the world?

LaRouche: Not exactly—it is and it isn't. You have an international English-speaking oligarchy, which is based in the United States, Canada, the United Kingdom, Australia, and New Zealand. They're pretty nasty, but on the present issues, they're divided. The British are against what is being proposed for an Iraq war, even though Blair says he's for it. Continental Europe and Russia are against this. There's a big opposition to this within the United States. So, in the present crisis, you have a picture where the United States' authority, while still powerful, is disintegrating internationally.

We've entered a period of extreme turbulence, where many of the agreements and alliances are breaking up. And we're in a period where new kinds of alliances, of cooperation are likely. Not certain, but likely.

Radio Splendid: After the dollarization of certain countries in South America, such as Ecuador, did their situations improve or worsen?

LaRouche: It's worsened. For example, in Brazil, the dollarization of their debt is the leading cause of catastrophe in that country.

Radio Splendid: A related question is, do you see any forces in the State Department, CIA, or elsewhere, that are financing any form of military uprising against democracy?

LaRouche: There's a general tendency, especially among

the so-called Utopian crowd in the United States. To make it simple: Anybody in the United States or elsewhere who is presently allied with Ariel Sharon in Israel, would be part of such an operation. Those are the guys who would do it.

Radio Splendid: So then, there is a real, concrete danger that there are forces who could finance such a thing?

LaRouche: They wouldn't have to finance it. They'd just do it!

Radio Splendid: Thank you for this interview, but one last question. What are your views regarding Hugo Chávez in Venezuela, Fidel Castro in Cuba, and also Colombia?

LaRouche: Actually, Fidel Castro is much more durable than the others are, for some strange reasons. Castro is like a chameleon; he's changed his colors many times. He's also been in desperate situations, but managed to change his colors at the right time.

Chávez and Venezuela are in deep trouble. There are some good qualities of people gathered around Uribe, the new President of Colombia, but I wouldn't assume that all of them are good, however. But Colombia has a greater survival potential right now than Venezuela does, although I would hope it would improve in Venezuela. Obviously, the problem in Colombia is the drug problem. You have to get this drug factor out of the situation, or under control, or you cannot have a country in Colombia.

Radio Splendid: Very good. Thank you very much, Mr. LaRouche. Finally, what is your advice, or perhaps suggestions, as to what Argentina should do to get out of this current situation, which has driven more than half of its population into poverty?

LaRouche: Well, there are things that can be done. But to do them, Argentina needs allies from abroad. I've been looking at the Mercosur factor, for example. Unfortunately, when the President of Peru, then [Alberto] Fujimori, made his speech at the conference [of South American heads of state], they couped him immediately afterwards.

But the present situation in Argentina, Uruguay, Paraguay, and Brazil, in particular, is really a problem for Europe, too. This can blow up the Spanish economy, which could set off a chain reaction through all of Western Europe. So, if governments are sane, they have to ally with Argentina, to give a solution for reconstruction of Argentina, and to put some of this debt under reorganization.

You have to think about the security of the population and institutions of Argentina. If that population is not kept alive, and if the institutions are not saved, you will have a situation very much like what happened with the Lombard banks' foreclosure on England at the beginning of the dark age of the 14th Century. I think Argentina just has to reach out, to find co-thinkers in other countries to build a coalition that can put enough pressure on to get a solution.

Shall Lyndon LaRouche Be the Arabs' Favorite Presidential Candidate?

by Sohair Soukkary

Since mid-July of this year, this review of Lyndon LaRouche's Presidential electability and policies, by a Washington-based Egyptian journalist, has appeared in edited versions in at least half a dozen major newspapers in Egypt, Saudi Arabia, Kuwait, and online throughout the Mideast. This version is taken from the July 15 issue of Al-Quds, published in London, and is slightly excerpted.

In the last few years, Lyndon LaRouche's star has started to shine again on the American and international political scene: he has started to receive much more frequent and intense attention than ever in American and international radio and television networks and on the Internet, mostly because virtually all of his economic and political predictions have turned out to be true. This, after his many years of absence from the scene, when he served time in jail on account of charges fabricated against him by Kissinger and his cabal, in collusion with some highly placed officials of the Department of Justice, to silence his voice from being heard by American and world public opinion. . . .

One of the more notable of Mr. LaRouche's traits is that he is the first American politician in our times who holds that American interests can be ensured only within the context of recognizing and equally ensuring the interests of humanity at large. He does not believe in war of any kind as a means of serving those interests. In his view, recourse to war should be had only as a last resort and for the sole purpose of establishing peace. On the other hand, he is of the opinion that the United States is currently on the verge of a far more horrendous economic collapse than that of the '30s of the last century, and will take the world along with it to that baleful end. This is all on account of the foolish economic policies adopted since 1971, which have undermined the solid foundations on which the world economy had rested after the Second World War, thanks to the enlightened economic policies formulated by Roosevelt and embraced by his successors.

The advocates of these foolish economic policies can find no way out of the catastrophe to which they will inevitably lead, save by taking even more foolish measures: (a) to unleash the clash of civilizations operation; (b) to instigate a bogus, endless war under the spurious slogan of a war against terrorism; (c) to seek, under another spurious slogan, namely that of "globalization," to impose the hegemony of the United

States over the world through the establishment of a Roman-style empire, protected by legions similar to the Waffen SS forces which the Nazis formed to protect the system they envisioned for the post-war world.

His Defense of Human and Economic Rights

Faced with this at once dismal and frightening situation, LaRouche, alone among American politicians of any weight, has a detailed program, based on firm scientific, economic and humanitarian grounds, to overcome this crisis and prevent the expected catastrophe. Among the features that stand out in his program are: (a) the promotion of cooperation, rather than conflict, among civilizations; (b) ensuring the development and well-being of all the peoples of the world through such far-reaching projects as the establishment of land-bridges or transportation corridors consisting of long-distance rail lines or high-speed magnetic levitation systems linking Europe, Asia and Africa as well as America, together with parallel water supply systems that would bring development and prosperity to the vast arid spaces along the way, to say nothing of power stations to supply energy for such areas.

Another trait of Mr. LaRouche's that is of particular concern to us as Arabs and Muslims is to be found in the following facts: it is needless to say that no American politician dares utter a single word of criticism of Zionism or Israel, . . . for fear of bringing on his/her head the wrath of the Zionists, who need send out only one signal to label the culprit as anti-Semite and wreck his/her political career for good. On the contrary, American politicians . . . consider all those who resist Israeli occupation as terrorists, especially since the events of 11 September 2001. Not so LaRouche. Throughout his political career, he has been known for his opposition to Zionism and his explicit criticism of the criminal policies of Israel, especially under the leadership of Sharon, as well as for his support of Palestinian rights, his refusal to accuse them of terrorism and his attacks on the so-called Christian Zionists. With their wonted ferocious slander-mongering, the Zionists have tried hard to label him with anti-Semitism, but they have failed miserably because he has never in his life uttered a single word against Jews or Judaism or, for that matter, been less than zealous in opposing all Nazi-like, fascist or racist ideas and defending the rights of all minorities.

In order to have a better understanding of this declared



Lyndon LaRouche speaks on "The Mideast As a Strategic Crossroad," at the Zayed Centre of the Arab League in Abu Dhabi on June 1. The address, and the wide Mideast circulation of this and other articles on his Presidential campaign, are one indication of his electability in an economic and strategic crisis.

Presidential candidate and of his political program, as well as of his vision of American domestic and foreign policies, . . . I began my research by first accessing his weekly bulletins on his website in the Internet (www.larouchein2004), and reading through his monthly magazine, *Executive Intelligence Review (EIR)*. I also attended one of his Presidential election campaign meetings in Washington, D.C. Finally, I conducted an interview with him that lasted for some 45 minutes.

I append below, without comment, some of Mr. LaRouche's personal views on a number of issues:

The Military Coup D'État:

Mr. LaRouche holds that what the aforementioned faction did on 11 September 2001 was an attempted military coup d'état against George Bush, intended to establish the United States as a military empire ruling the world through international "protective" forces set up around [Samuel] Huntington's ideas. As a matter of fact, in the morning of 11 September 2001, LaRouche was on the air being interviewed live on a radio talk show, when he was interrupted by the news of the attacks on the World Trade Center. His immediate reaction, as recorded, was: "I hope some idiot does not try to blame this on Osama Bin Laden!"

LaRouche is convinced that what happened on September 11th could only have been done by high-ranking elements inside the military security apparatus, and the policy for which these people acted was the policy advocated by those whom he calls the "utopian" faction in United States strategic and military thinking, who came to power with the retirement of former President Eisenhower. He believes that imputing the

blame for the attacks to Arabs and Muslims means that that policy is being currently based on the "clash of civilizations" strategy advocated by Huntington, [Zbigniew] Brzezinski, Bernard Lewis and Richard Perle, and supported inside the Pentagon by [Paul] Wolfowitz.

LaRouche recalls that in his farewell address at the end of his Presidency, Eisenhower warned against the "Military-Industrial Complex" and urged vigilance, lest it be allowed to have undue influence on the life and fate of the American people and deprive them of their freedom. The way the Military-Industrial Complex has been behaving since the Gulf War of 1991, and the way it has been conducting the so-called war against terrorism since September 11th, is exactly what Eisenhower feared: namely, an endless series of wars. . . .

The Question of Palestine and Israel

Mr. LaRouche has always stated that he considers the cause at issue in the Middle East, a just cause, and that, therefore, he finds himself obliged to respond to it as a just cause. He likens the situation in that area to a hand-grenade thrown at civilization, that will inevitably destroy itself in the process. He points out that though Israel is the third biggest nuclear power in the world, it is destroying itself; and while Rabin and a few others in Israel have recognized its plight, there are those other groups of crazy fanatics who suffer from a "Masada complex" and who are stupidly willing to die and kill others to realize their aims. But they can never win the kind of warfare they are trying to wage in that area, nor will they ever be able to have the empire they are dreaming of. According to LaRouche, they are being exploited, since in

fact they are intended to be used and then discarded once they win.

Mr. LaRouche has recently issued a statement in which he cautioned President Bush against repeating the mistakes of ex-President Clinton. He points out that President Bush has but one problem which he must face personally, if he is going to escape successfully from the trap set for him by both the Lieberman-Brzezinski-Wolfowitz-Kissinger cabal and the majority who support them among his current advisers. Bush, he urges, should forget the election campaign, and think and act like the kind of President the Constitution implies. He should remember President Eisenhower and the decisive way he acted during the Suez crisis in the middle of his re-election campaign. Clinton, the statement recalls, failed on several counts on which he acted more like a sponsor and lawyer for Ehud Barak's career than as the President of the United States. . . .

Clinton's biggest mistake, however, was the one which led to Sharon assuming power and conducting the Nazi Warsaw Ghetto-like operations against the Palestinian people: for when Chairman Arafat was ready to sign his agreement to whatever had been agreed upon during the Camp David talks and put off the issue of Jerusalem, Clinton brought up the issue of the religious sites, such as the Temple Mount; and when Arafat demurred, Clinton surprised the world by publicly blaming Arafat rather than Barak for the failure of the Camp David talks. He thus created the circumstances under which Sharon has unleashed the present campaign of religious warfare and given free rein to the ethnic cleansing policies of his Likud party. The statement emphasizes that no President of the United States should ever permit any political or personal pressures to cause him to forget the unique meaning of the words "President of the United States of America" among the governments of the world. The statement has therefore called upon President Bush to take a Presidential rather than a partisan or political or career decision. . . .

Economics and the Clash of Civilizations

LaRouche points to the fact that Europe, Asia and their adjoining islands are moving at very high speed towards a step-by-step economic cooperation, with a view to initiating a process of economic recovery that would save the two continents from the financial collapse threatening them. This would necessarily mean that the two continents would unite to form one mighty economic force. There are, however, certain people like Kissinger, Perle, Brzezinski and Wolfowitz who think differently. . . . Thus, the only solution to which they would subscribe is to prevent such cooperation, break it up where it exists and put an end to the recovery. How? By waging wars!

He notes that the war into which we are being plunged is a Third World War which may last for a hundred years. Israel's role in it is to wage a religious war in the Middle East. But Israel cannot conduct such a war alone. While it has the

military power, it cannot hold the territory it occupies. So it would resort to using weapons of mass destruction, and that would be sufficient to kindle the flames of a Third World War. LaRouche therefore urges us to resist those crazy people who are leading the world to annihilation. He holds that the only viable option is to cooperate with all the peoples of the world with a view to establishing permanent peace on the basis of a new economic system as was the case from 1945 to 1965; i.e., the period which witnessed the successful implementation of the process of world economic reform which had been initiated by Roosevelt.

Odds in Favor of Electing LaRouche

LaRouche is confident that the odds are highly in favor of his being elected President because the situation today is very much like that which prevailed in the period of the Great Depression of 1929-1933. He points out that what led to eliminating the possibility of re-electing then-President Hoover, was that he did what Bush and most politicians in the United States are doing right now, namely: He said there was recovery in progress, when none was in progress, thus virtually assuring Roosevelt's election. We are now in an analogous situation. The expected crash is going to discredit the existing institutions of government, banking and the like. The people are going to demand a solution for their problems. And LaRouche is holding on to the proposition that it is possible to bring about the kind of re-organization of the international financial-monetary system under which we all can live and grow.

LaRouche says he is not afraid in the sense that other people are. Therefore, he believes what he should do is to function as the coordinating point of reference, namely, to bring people together, and create a cloak under which they can organize. He draws attention to the many minorities in the United States and, as far as the Islamic minorities in particular are concerned, he says we all know what the situation is among them: They are simply terrified. They would therefore be provided with a cloak of courage and helped to find their place among allies who think as they do with regard to this situation; they would thus be able to have their say in public affairs as United States citizens.

LaRouche firmly believes that by telling the truth bluntly without equivocation, he will win the support of the majority of the American people, including, in particular, the minorities. He believes equally firmly that if these minorities were to unite and close ranks, they could easily tip the scales in his favor in the elections.

Lyndon LaRouche has already formally announced his intention of seeking the Democratic Presidential nomination in the 2004 election. His rival for this nomination will most probably be Senator [Joseph] Lieberman. If LaRouche wins, he will have to run against the Republican nominee who will, of course, be President Bush unless something totally unforeseen happens.

Macedonian Patriots Play 'LaRouche Card'

by Umberto Pascali

Twenty-four hours after its first issue hit the streets of Macedonia, *Manifest* magazine had already become a phenomenon. People were contacting the editor, Krum Velkov, to thank him for "clearing the air." It became the focus on prime-time TV programs and in discussions popping up all over the country, in the final rush toward the general elections on Sept. 15. The front cover, featuring Lyndon LaRouche (with the title: "They Want To Involve Us in a New World War") and LaRouche's punchy interview (see below), provoked a much-needed, positive shock in a country that has been under increasing physical and psychological assault since the terrorist attacks on Macedonia, from bases in NATO-controlled Kosovo, during the Spring.

It is remarkable that in this situation, a relatively small country has succeeded in putting up such resistance to its Anglo-American fifth column. This happens in the midst of renewed war dangers surrounding the country, the result of Anglo-American maneuvers aimed at preventing any stabilization and development of the Balkans. But Macedonia did not give up—rather the opposite. Prime Minister Ljubco Georgievski has made a series of statements denouncing the ongoing attack against Macedonia's national sovereignty. At the end of June, in a speech where he denounced the "corruption" of mega-speculator George Soros and his methods of buying up intellectuals to turn them against their own country, the Prime Minister went so far as to pronounce the "forbidden" words, "Lyndon LaRouche."

On Aug. 2 at the celebration of the national holiday, whereas the protégé of the "international community," President Boris Trajkovski, flew to the United States for a conference on the illusory "New Economy," Georgievski stated: "It is a fact that certain structures of the international community not only failed to fight terrorism as a global evil, but granted unprincipled assistance to the terrorists." Speaking before more than 100,000 people, Georgievski continued: "Many words have been said about multi-ethnicity in Kosovo, Macedonia, Bosnia, but in reality, what has been happening is the biggest ethnic cleansing that this part of the Balkans can remember. Some international structures are supporting ethnic cleansing in Bosnia, Macedonia, Serbia."

In response to this challenge, the Anglo-American "fifth column"—including Transparency International, the Soros gang, the International Crisis Group (ICG), and the Forum

Group (which supplies cadres to many of those non-governmental organizations)—went berserk. Ljubmir Frckoski, the most prominent of these agents, and a former Interior and Foreign Minister and currently adviser to President Trajkovski, from the pages of the daily *Dnevnik* blasted Georgievski and his ally, the Interior Minister Ljube Boskovski, with what he took to be his most devastating insult: "Their favorite literature is LaRouche." Working himself up into a paroxysm of rage, Frckoski concluded his attack on Georgievski/Boskovski with these incredible words: "Anyway, we shall finish them off, before they cause damage to the society."

British Royal Consort Prince Philip's Transparency International issued noisy ululations on alleged corruption in high places. The International Crisis Group presented a report on "Macedonia's Public Secret: How Corruption Drags the Country Down," entirely taken from old media reports. The report was immediately taken up and serialized by the Soros-influenced media. It is difficult to imagine more blatant interference into a nation's internal affairs, a few days before the elections.

Minister Boskovski reacted forcefully, speaking to a rally in Kumanovo: "Such groups should be expelled from the Republic of Macedonia. [Their aim] is to undermine democracy and to create a climate of insecurity." The local head of the ICG, U.S. citizen Edward Joseph, "is a well-known political hack, smuggler, and criminal who speaks against the government of Macedonia without any data and directly interferes in our internal affairs." Other sources revealed that Macedonian diplomatic and intelligence channels would ask the U.S. and Australian governments for an explanation.

An Instrument in the Battle for Truth

It was in this atmosphere, that *Manifest* hit the newsstands. An overview of its main articles will illustrate its impact: The cover page, besides LaRouche, carries a small picture of Frckoski, apparently picking his nose. In a dramatic autobiographical article, editor Krum Velkov details his previous confrontation with Frckoski. When Velkov wrote articles critical of Frckoski, he was told that organized-crime figures had been recruited to "break his legs." Later on, in a televised interview, a known mafioso, Roly Jakupovich, confessed that Frckoski had asked him to teach a journalist a lesson: "to break his legs."

The real point is that *Manifest* succeeded in putting together a lucid, strategic, LaRouchean approach, with profound cultural and historical elaborations aimed at answering the key question: How to create a new Renaissance? Its declared purpose is to create a mass movement, especially among students. This "militant Renaissance" approach is coupled with in-depth intelligence studies concerning the deployment of the so-called international community against Macedonia, which the magazine labels as "The Soft Coup d'État."

"Read It and Think!" reads the poster issued to advertise

the magazine. Teams of students volunteered to put it up. The students' enthusiasm was not cooled, even when two of their cars were involved in a bizarre accident, in which a truck hit them at a red light. "LaRouche's ideas are comparable to red-hot metal penetrating the conscience of the world, when he unmask[s] the oligarchical dark forces' methods and policies," Velkov explains. The lead editorial states the *raison d'être* for *Manifest*, in the context of the historical confrontation between republican and oligarchical principles. "*Manifest* will be an instrument in the battle for the truth. For Macedonia . . . for humanity." It further stresses the importance of organizing youth into a patriotic force that understands the real battle going on in the world right now.

The inaugural issue includes:

- A regular column ("The Open Conspiracy") on LaRouche's speech in Rome on July 2, on the Middle East war danger;

- Coverage of a study by Helga Zepp-LaRouche on Friedrich Schiller: "Why Are We Still Barbarians?"

- A feature on "How the IMF Executed Argentina," accompanied by the text of a parliamentary solution by former Italian Prime Minister, Sen. Giulio Andreotti and other Italian Senators, calling for a New Bretton Woods financial reorganization; the feature concludes with an appeal to Macedonia and other countries to act now;

- A dossier, "Macedonia Must Defend Itself Against the Soft Coup d'État," which describes the penetration of the "international community's fifth column," targetting Frckoski, whom it compares to Petronius Arbitr, Nero's *Magister Elegantiarum* who, when the Emperor changed his mind, was forced to commit suicide;

- Short profiles of the main destabilizing tools deployed inside Macedonia: Transparency International, Soros' Open Society Institute Macedonia, the International Crisis Group, the Institute for War and Peace Reporting (IWPR), Transfuse, et al.

- An exclusive investigative report on the origin of the "non-governmental organization" (NGO) concept, as an instrument invented by British colonialism, plus a devastating profile of Frckoski ("The Fascist Who Wanted To Be a Democrat");

- A "Strategic Insight" column by Macedonia government strategic adviser Emilija Geleva, titled "Development Versus Destabilization," which stresses the need for large-scale infrastructural development—the Eurasian Land-Bridge—and a New Bretton Woods;

- A first-hand report from the positions of the Macedonian Army, with exclusive photographs;

- An article on the "anti-globalization" movement as an instrument of the globalizers themselves, with profiles of Teddy Goldsmith and Toni Negri. With a youthful audience in mind, the author writes: "The real fight against globalization can only be based on the fundamentals of human civilization in its positive form: national identity, sovereignty, devel-

opment. . . ."

- A scientific column, "Back to the Moon, Then on to Mars," by Wendel V. Mendel.

Interestingly, the Executive Director of Soros' Open Society Institute, Vladimir Milchin, couldn't wait more than 24 hours before publishing a slanderous attack against *Manifest* in *Utrinski Vensik*, which ended up attacking this writer as a "conspirophile." Milchin presents himself and the other components of the "fifth column" as victims of a government "witch-hunt." In the Macedonian capital of Skopje, the rantings of Soros' man were immediately dismissed as "the bleating of the wolves."

Documentation

LaRouche Featured in New Macedonian Magazine

The main feature in the inaugural issue of the new Macedonian magazine Manifest is an exclusive interview with Lyndon LaRouche. Manifest, which hit the newsstands on Aug. 15, also elaborates the leading issues associated with LaRouche, from the need for New Bretton Woods monetary system and the Eurasian Land-Bridge to his intervention in the Middle East. LaRouche gave the interview from Wiesbaden, Germany on July 25, to Umberto Pascali. Here are excerpts.

Q: In the last few days, we've seen a very sharp collapse in the Wall Street stock market, which confirms what you have been saying for many years. So, this is not a disaster, but indeed it is an opportunity. Can you explain for our readers what is really happening now and, above all, what should happen?

LaRouche: What is happening now is a general breakdown of a system, which has developed internationally over a period of about 35 or more years. This was a change in the United States in particular, and also the United Kingdom, from a production-oriented society to an imperial consumer society—that is, relying more and more on getting, at reduced prices, material from overseas, from cheap labor, rather than producing it ourselves. In this process, what has happened is that we have built up a gigantic financial bubble internationally. This bubble is now disintegrating.

Nothing could be done to save the present monetary and financial system—in its present form. So the only thing that we can do, which is politically feasible at this time, is to compare the success of the Roosevelt recovery and the relative success of the post-war reconstruction up until the middle of the 1960s, with the degeneration which exploded from

1971 on, with the changed Bretton Woods system of today. Therefore, as a practical matter, we have to go back to the period of the Depression of 1929-1933 where, for different, but for somewhat similar reasons, the world had a depression. We are now going into a depression which is far worse—it's already on, and it is far worse than 1929-1933. This depression has been in full effect since the Spring of the year 2000. It has been going on for almost two years already. We're now going into a deeper phase of a worldwide economic depression caused by a monetary-financial system that has failed.

So under those circumstances, the only remedy that will work, that is also politically feasible, is to restore the model of the international monetary-financial system that existed between 1945 and 1958 in Europe, the United States, Japan, and so forth; to restore that kind of system. But we also have to put the entire system through bankruptcy reorganization, because we have hundreds of trillions of dollars of valuation of debt outstanding, but a total world product that is only estimated to be \$40-odd trillion. So you've got hundreds of trillions of dollars of obligations, on the record and off the record, which are now crushing down on a collapsing world physical economy, and obviously, the only thing that you can do is to put the system through financial bankruptcy, in which we will, over the course of time, write off most of that financial debt as worthless debt, and consolidate the remaining amount of debt to an amount that we can manage.

It is just like a bankruptcy reorganization. That is the only solution. And we are at the danger point, where if we do not solve this financial crisis, those forces behind the financial crisis are going to plunge us into a general world war, possibly beginning as soon as the August-October period.

Q: Is there is a direct relation between the status of this financial bubble and the strategic situation?

LaRouche: Absolutely. This is what has been said plainly by the U.S. Defense Secretary, Donald Rumsfeld. He has said, don't worry about the financial crisis, we are going into a new period of war. And people are talking about this war as lasting as long as 100 years. They call it "perpetual war," a long war, a "war against terrorism"—they call it by many names. But this is to change the social and political institutions of the world, with use of military force and terror, as a way of dealing with a financial crisis. In other words, set up a dictatorship, in the same way that Adolf Hitler did in the 1930s, as a way of dealing with a financial crisis.

Q: How is the collapse of this bubble going to affect the Balkans and Macedonia in particular? Is this going to change the attacks against the country's national sovereignty and territorial integrity? Will this affect the potential new war adventure in the Balkan area? And even more: If the "LaRouche recipe"—the New Bretton Woods and the Land-Bridge projects—would become U.S. policy and would be endorsed by a coalition of countries in the world, how fast and how directly



The inaugural edition of the Macedonian magazine Manifest features an interview with Lyndon LaRouche, and articles on various aspects of his strategic analysis and global perspective for economic development. The impact has been explosive.

could this change the situation for the better? Can you explain how this mechanism could work?

LaRouche: Well, it is very simple in a sense. It can change very rapidly, because on the day that we actually make a statement among a number of countries that we're going to do a reorganization of this type, you can immediately put into operation certain mechanisms of economic recovery. Most of the immediate measures which would cause a growth of employment—which, of course, is crucial for any recovery—would be in basic economic infrastructure. Now, therefore, take the case like the Balkans, the area below the Danube, all the way down to the Mediterranean, and the Black Sea, and the Adriatic. This whole area, while it is composed of different states, has a certain integral characteristic—geographic and otherwise. Thus, in this region, large-scale infrastructure development projects, of the type that we proposed in the European Productive Triangle program, that kind of approach could go into effect immediately, if international institutions—that is, governments—came to an agreement with Balkan governments, to share a general development program on developing routes of transportation, power generation and

distribution, and water management, and also use these as development corridors for concentration of industrial development. Under those conditions, we could have an immediate change in direction of the economic situation in the Balkans, and also the political situation.

Q: Your name has recently popped up quite a few times in Macedonia, lately in the form of a bizarre approximation of a slander by some figures who insist that the Macedonian leadership is so bad that they “read LaRouche.” Obviously, after several interviews with you both on TV and in print, your name is quite well known in Macedonia, and people, including young people, want to know more about your ideas and your proposals. The apparent paradox is, that you represent, in economic and philosophical terms, the American System that emerged from a revolution against the British colonial empire, but the official U.S. now is acting in opposition to those original American principles, including in disregarding Macedonia’s rights as a sovereign nation. How can the real America emerge? How can this historic paradox be solved?

LaRouche: Well, it depends on who is President of the United States. It also depends on other things as well. But, the United States government has been at times my friend, and at times it has acted as my enemy. For example, I got along well with some people at various points—not that we agreed, but we had correct relations, we talked to each other, we found points of common agreement, and we proceeded on that. For example, the SDI, and other things I agreed upon with President Reagan, during the period that he and I were cooperating. We didn’t agree on the economic policy, we disagreed on a lot of other things. But we had relations which were proper and decent relations. Now, we also had, to a certain degree, proper and decent relations with President Clinton, and with many political figures in the United States. So the answer is, that I represent a certain tradition in U.S. history which can be traced from Benjamin Franklin, through John Quincy Adams, Abraham Lincoln, and Franklin Roosevelt—that’s called the American Patriotic Tradition. We have also in the United States, an opposite view, which has always been of the opposite view since 1763. So there are two forces in the United States; I represent one, and some of the other fellows in government represent the other, and the other guys do not come out and honestly debate me, they simply rely on spreading slander and misinformation and threats.

So if you know that, that answers the question. The other guys obviously fear me. In the United States, those forces are probably more afraid of me personally than any other individual. So far, even though they have tried to assassinate me a couple of times, and it didn’t come off—officially even, by official agencies—but, on the other side, many people who would like to have me dead, don’t want me to be a martyr. So, they don’t kill me, but they do everything else they can possibly do to embarrass me. . . .

U.S. Utopians Move In On the Philippines

by Michael Billington

Philippines Defense Secretary Gen. Angelo Reyes was welcomed into the parlors of the utopian war faction at the U.S. Defense Department, and the closely allied think-tank, the Heritage Foundation, on Aug. 12-13. The purpose of the visit was spelled out in unambiguous terms by both the U.S. Defense Department and General Reyes: to create a *civilian-to-civilian* line of command between the United States and the Philippines, to override the existing military-to-military institutions which have guided policy thus far.

Under normal circumstances, it may appear that the idea of “civilian control over the military” would be the appropriate policy objective. But these are not normal times, because the war-mongering civilian leadership of the U.S. Defense Department, centered around Secretary of Defense Donald Rumsfeld and his assistant, Deputy Secretary Paul Wolfowitz, are attempting to initiate global religious warfare under the guise of the “war on terrorism.” The uniformed military, including some members of the Joint Chiefs of Staff, are in open revolt against the insanity of these “Clash of Civilization” ideologues. Placing U.S. military policy in the hands of the civilian fanatics is a sure bet to unleash the dogs of war in the Philippines, while also serving the broader objective of the utopians: a clash with China.

The New ‘Defense Policy Board’

After a meeting with Rumsfeld at the Pentagon on Aug. 12, General Reyes told the press that a new forum had been established, to be called the Defense Policy Board, between the civilian side of the military establishments of the two nations. The Pentagon’s spokesman, Lt. Cmdr. Jeff Davis, said that for years there had been several dialogue venues “for uniformed military officers, but no forum for defense officials who are civilians.” The details and the composition of the board will be determined at a later time.

The very name of the board is ominous. The world’s press is currently full of reports on the infamous presentation on July 10 by a RAND Corp. analyst, calling for the United States to invade Saudi Arabia and seize the Saudi oil fields. This lunatic proposal was presented to a forum, also called the Defense Policy Board, which is also a civilian board, formed to advise the Defense Department, and headed by Richard

Perle, the foremost war-monger among the “Wolfowitz cabal,” and the head of the Defense Policy Board who has been long suspected of being an Israeli spy. The choice of the same name for the United States-Philippines Defense Policy Board is a bit of intrigue which will not be missed by governments around the world. It is not yet known whether General Reyes spent time in the web of Perle’s Defense Policy Board during his visit to Washington.

The timing of the Reyes trip is crucial. Secretary of State Colin Powell, who is the most outspoken opponent of the war policy within the Bush Administration, and who is looked to for leadership by many of the uniformed military officers who oppose the Wolfowitz cabal at the Defense Department, has just completed a tour of Southeast Asia (see “Powell Points Different U.S. Policy for SE Asia,” *EIR*, Aug. 16, 2002). Across the region, Powell represented a different direction for U.S. policy from the confrontational approach of the war faction, assuring the leaders in the region that there was a voice of sanity within the Bush Administration, which could hopefully counter the influence of the new warrior caste. In the Philippines, Powell assured the nation that the United States would not establish bases, would not be involved in any combat, and would not demand agreements that were counter to Philippine law or Philippine wishes. Powell was basing his policies on the existing chain of command, which ran from the foreign policy establishment which he directs as Secretary of State, through the military establishments of the two sovereign nations.

The new civilian-to-civilian structure is intended to shift policymaking to the war faction at the Defense Department.

Powell announced a new measure upon his return to the United States, which he may eventually regret, if it ends up providing cover for the war faction. Powell placed the Communist Party of the Philippines (CPP), and its military wing, the New People’s Army (NPA), on the U.S. list of terrorist organizations. His motivation in this act is not completely clear—the NPA has committed terrorist acts in its 33-year history, but it is purely a domestic organization rather than an international terrorist operation (although it receives foreign financial support). It has also been engaged in various peace negotiations with the Philippines government for many years. Sources in the United States indicate that Powell took the step in response to evidence of drug trafficking and money laundering by the NPA. Placement on the terrorist list may also dry up the public and private foreign funding for the NPA insurgency.

The danger lies in the fact that among the policy options put forth by the war party in the United States, is the notion that any organization on the U.S. terrorist list is fair game for unilateral U.S. commando operations, with or without the approval of the host nation. Secretary of State Powell’s assurance that such measures will not be taken in the Philippines

will mean little if the war faction attains control over U.S. policy.

Confrontation at the Heritage Foundation

On Aug. 13, General Reyes appeared at an open forum at the Heritage Foundation, one of the leading institutes promoting free-trade fundamentalism and U.S. military unilateralism throughout the world. Introducing General Reyes was Larry M. Wortzel, the foundation’s Director of Asian Studies, and one of the most rabid advocates of U.S. unilateral confrontation, not only against Iraq and Muslim nations, but most emphatically against China, the Philippines’ neighbor.

EIR asked General Reyes whether the open differences between the civilian and military leadership in the U.S. defense establishment did not lead him to worry that the new civilian-to-civilian Defense Policy Board would place his nation under the gun of those promoting a Clash of Civilizations. While acknowledging the existence of the factional division within the United States, General Reyes dodged the issue by reporting that no such division exists within the Philippines.

That assertion could be challenged, based on the January 2001 decision by General Reyes, then Chief of Staff, to desert the civilian Commander-in-Chief, President Joseph Estrada, who was thereupon overthrown in a bloodless coup. However, even if the assertion were true, General Reyes was missing the point, that the *U.S.-based civilian war party* could attempt to assert U.S. power over the Philippines through the civilian line of control set up under the new Defense Policy Board, regardless of the intentions of the Philippine leadership.

To his credit, when *EIR* also asked General Reyes if he were not concerned, given the Philippines’ proximity to China, that his sponsor at the event, the Heritage Foundation’s Wortzel, had been a leading participant on the U.S.-China Security Review Commission—whose report to the U.S. Congress in July was a raving diatribe against China, calling it a terrorist-supporting nation, and calling for sanctions and confrontation—he responded at length that the Philippines values its economic and cultural relations with China, and stands by the “One China” policy. General Reyes praised China for adopting diplomatic means to settle the territorial disputes in the region over several islands in the South China Sea. Wortzel, visibly uncomfortable throughout Reyes’ comments, later told this reporter that he had tried to convince the Security Review Commission to call for even tougher language, declaring China to be a threat to the security of the United States.

Again, however, General Reyes either denied, or chose to diplomatically ignore, the danger that if the war faction consolidates its power in the United States, the U.S. military’s assistance and training exercises in the Philippines could drag the Philippines, against its will, into a broader U.S. confrontation with China.

Gladstone Holder: A World Citizen With a Passion for Classical Culture

by Timothy Rush

Gladstone Holder, dean of Barbados journalists and a dear friend of *EIR* and the LaRouche movement, died after unsuccessful surgery on Aug. 7. He was 81 years old.

Holder was trained in a British colonial education system, turning the best of that education, especially rooted in the study of Shakespeare, against the ingrained habits of that colonialism, especially within the minds of his fellow Barbadians and others in the British Caribbean.

Although Holder rose to be Chief Information Officer of the Barbadian government at the time of Barbados' independence in 1966, his first and greatest love was teaching. His second career was journalism. Psychologically operating "behind enemy lines," in a British Commonwealth country where the ideology of colonialism remains strong, he kept up his beautifully written and conceived weekly columns in the Barbados press to the last. Although he wrote with passion and discernment on everything from Classical music (members of the Barbados Chamber Symphony played at his funeral) to the game of cricket, his abiding theme was the erosion of *agapē* in international affairs, and the destruction of cognitive powers in educational policy.

A Lifelong Passion for Real Knowledge

He came from a family poor in money terms, but rich in dignity and the love of reading. He once recounted, "On my ninth birthday, when my father could not have afforded a gift for 60¢, he enrolled me at the Public Library, our first free university, giving me the most enduring gift of all." Throughout his school years, he bridled at grammar or vocabulary taught isolated from content. His most beloved teacher, Frank Collymore, once asked him with puzzlement, why he had scored 92 out of 100 in an essay exam, but only 22 out of 100 in the accompanying grammar exam. "There's

not a single grammatical error in your composition and it's a lively piece of writing!" Collymore exclaimed. "That's just the point," replied Holder. "In the grammar, I cannot tell the difference between a gerund and a verbal noun. . . . Don't you think the meaning is more important than the names given them?"

"In the public system the goal of genuine literacy is undermined by acceptance of an adulteration called functional literacy," Holder would write years later. "It is like putting water in the milk, or sand in the sugar. This linguistic depreciation has its burgeoning offshoot in what we now hear of as education for jobs. . . . Some of the methods I've seen fill me with agony. I've seen prescriptions for words that ought to be known at certain ages—as if language were divorced from . . . experiences, actual or vicarious, of life. . . . I may have been able to withstand the barren and illusory strategy of learning words in isolation because my parents and grandfather, before I went to school, expanded my vocabulary contextually, before the experts had reduced reading to a pseudo science."

In his 35 years as Barbados' journalistic public conscience, he wielded his pen with ceaseless ferocity against any effort to deviate curriculum from reading original Classics of literature. He had no use for "role models," "Basic English," "Ebonics," "critical thinking," "problem solving," "information society" (which he denounced as a "scam"), or related humbug. Nor could he abide "teaching to the test" or "learning skills," as a substitute for the living qualities of irony and insight from a Shakespeare, a Jonathan Swift, or a Joseph Conrad. In one of his most searing columns, he asked, if some consider abortion of a fetus a crime, is it any less an abortion of the student's mind, to deny the student access to the greatest minds of human history? He despised



Gladstone Holder

the use of computers in any classroom before secondary school.

Confronting Racism

Like anyone growing up in a British colony, “Mr. G.,” as he came to be called affectionately by most who knew him, had to grapple with racism. He developed a sense of his own dignity which had something of the sublime. As a youth, he had at first refused an invitation from his teacher to see a movie of *Romeo and Juliet*, being shown at the Aquatic Club. “The Aquatic was a racially exclusive club and I would not wish to go there by special permission. Had the word apartheid then been invented, I would have used it.” His teacher persuaded him to go, for the sake of the Shakespeare. “I left the Aquatic walking on air . . . within weeks I discovered that I knew all of Romeo’s lines by heart, many of Juliet’s and Tybalt’s, and Mercutio’s Queen Mab speech, without setting out to learn them.” But on the issue of the Aquatic Club, Gladstone later reflected, “I would discover that anger and retaliation or even withdrawal were crude and silly responses to other people’s racism. . . . I recall an instance when a white man called my young nephew ‘boy.’ He flew into a rage. It took some time to cool him down. I told him that a white man who hates or despises a black merely because of his own colour lived imprisoned in a pit that dehumanizes him. Similarly for a black. Both being victims of their own ignorance and spiritual blindness, deserve pity. If a white man called me a nigger, I’d first look to see if he meant it and if I thought he did, I’d smile at the idiot in pity. I have no doubt about who I am. . . .”

“Men who chose [the] dangerous and lonely path” of a Martin Luther King, a Thomas à Becket, a Sir Thomas More, wrote Gladstone in a tribute to the sublime, “are not role models. They are exceptional men with exceptional resolution to be themselves, to take a stand against principalities and powers, and to endure, whatever the cost. They are ideals. But by bearing witness to the human potential they are beacons of hope and promise to a world wedded to the pinchbeck wisdom of ‘going along to get along.’ They remind us of what we might be if we could defeat our little selves.”

One of Gladstone’s most intense polemics was against those who wanted to suppress the teaching of Shakespeare, whether to promote a “Caribbean identity,” or simply to “dumb down.” “Language,” Gladstone insisted, “is not just a means of communication. It is the food that nourishes the brain and heart to their full human potential and beyond. Hence the quality of the language environment is vital. . . . You taught me language, snarled Caliban at Prospero [in Shakespeare’s *The Tempest*], and my profit on it is I know how to curse. Out of that resentment comes a host of societal ills. But *how well Shakespeare understood the potential of language and the interest of the government class in ensuring that their minions are not emancipated by it.*”

Gladstone’s revenge was to use Shakespeare as his con-

stant refrain, in exposing the hypocrisy of those espousing “democracy” and “rule of law” in international affairs—while obliterating real justice and *agapē*. If he was making the point that Malaysia and a few other countries have resisted “New Age Imperialism,” it was to “bring me back to Hamlet:

“*Sure He that made us with such large discourse, Looking before and after, gave us not the capability and god-like reason to fust in us unus’d.*”

Collaboration with LaRouche

Gladstone was ever in battle. His column for several years in one of Barbados’ two dailies, the *Advocate*, was named “From the Masthead”; his column more recently in the other, *The Nation*, was simply “Eye in the Storm.” From the first moment of acquaintance with *EIR*, some 14 years ago, he was outspoken in his identification with Lyndon LaRouche and his work. “The weekly news magazine, *Executive Intelligence Review (EIR)*, with its greater freedom of expression than exists in Britain, backgrounds every story, naming names. Which makes it at once the most informative and the most hated magazine in the world,” he wrote over a decade ago. In a column just a few months before his death, he joined his voice to that of “*EIR*’s publisher, Lyndon LaRouche, Jr.,” in denouncing Israeli Prime Minister Ariel Sharon’s crimes in Palestine as a copy of Nazi operations against the Jews of the Warsaw Ghetto.

Holder’s constant citing of *EIR* over more than a decade, won for him the high honor of getting on the U.S. Embassy’s enemies list, as *EIR* learned from a Freedom of Information Act release.

In early 2002, Gladstone got a telephone call from a reader, who challenged him as to why he had written an article “showing concern for prisoners from the war in Afghanistan now transferred to the United States’ naval base at Guantanamo, Cuba. You live in Barbados. What America does has nothing to do with you.”

Gladstone responded: “I’ve become accustomed to that kind of blindness. I’ll give you three reasons, two of which, from your remarks, you will almost certainly reject. 1) Regardless of race, colour or station in life, we are all God’s children. 2) All of us are therefore eligible to be treated with love, compassion, and even forgiveness. For the third, I’ll quote John Donne: Ask not for whom the bell tolls; it tolls for thee.

“My guess was wrong; he rejected all three.”

Gladstone himself provided the appropriate words to summarize his life, at the conclusion of his 1985 return to the beloved Combermere School where he had studied and first taught:

“If what philosophers say of the kinship of God and Man be true, what remains for Man to do, but as Socrates did: Never, when asked one’s country, to answer ‘I am an Athenian or a Corinthian,’ but ‘I am a citizen of the world.’”

The world has lost one of its finest citizens.

Iraq War-Party Is Under Attack by Republican Leaders

by Edward Spannaus

If the Richard Perle-Paul Wolfowitz cabal inside the Bush Administration don't succeed into dragging the United States into a war against 1 billion Muslims, they may succeed in something else: bringing down the U.S. economy. Reports in the financial press indicate that as much as \$200 billion has already been pulled out of the United States by Saudi and other Arab investors, of a total investment estimated at \$1.3 trillion.

Why the capital outflow? Since Sept. 11, a small but vocal group of neo-conservative war-hawks in the United States has been calling for the U.S. to cut off relations with Saudi Arabia, and even to seize the Saudi oil fields. The Saudis and others feared that this grouping could actually force a shift in Bush Administration policy, after the publicizing of a briefing given to the Pentagon's Defense Policy Board on July 10, by RAND "analyst" Laurent Murawiec, who urged the Bush Administration to declare the Saudis as the enemy. Disavowals by Defense Secretary Rumsfeld and other administration officials rang hollow to many. Perle remains in his position as chairman of the advisory committee.

The *Washington Post's* Aug. 6 exposure of the war-party briefing—coming during a campaign launched weeks earlier by Lyndon LaRouche to destroy the ability of Senators John McCain and Joe Lieberman to blackmail the President into launching an Iraq war—has opened up the floodgates, exposing a deep rift in the Republican Party between the more traditional old-line leadership—largely grouped around the person of former President George H.W. Bush ("Bush 41"), and the neo-conservative warhawks in the current administration.

This GOP division, according to informed intelligence sources, has existed for some time. But recently the traditionalists concluded that the administration's policy agenda had been hijacked by the neo-conservatives and their allied Chris-

tian-Zionist circles, and that the Republican Party was heading for defections, losses in this year's mid-term elections, and in the 2004 Presidential elections, unless an effort was mounted to break the grip of the numerically small but highly vocal neo-cons and the pro-Likud Christian Evangelicals.

Perle in the Spotlight

Syndicated columnist Robert Novak, in his Aug. 22 column, pointed to what many observers see as the strategic significance of the Murawiec briefing. Novak noted that, two weeks after the revelations about the Defense Policy Board briefing, the Saudi government is still upset, and it is not at all satisfied with Rumsfeld's disavowal of responsibility for the incident.

"Few accounts of the bizarre incident paid much attention to the centrality of former Assistant Defense Secretary Richard Perle, the Rumsfeld-appointed policy board chairman and staunch friend of Israel," Novak continued. "Perle's arrangement of the Murawiec briefing is seen in both Washington and Riyadh as part of a campaign to recast long-standing U.S. policies." The campaign, Novak added, enjoys "strong, though certainly not unanimous, support in the White House and Defense Department." Novak called it the domino theory in reverse: overthrow Saddam Hussein to undermine the Saudi regime, and so on. American Presidents since World War II "have balanced support for the state of Israel with friendship for Arab nations headed by oil-producing Saudi Arabia," Novak concluded. "George W. Bush faces a choice of whether he wants to continue that policy, or venture down the road charted by Richard Perle."

Perle's sudden prominence was also reflected in *Time* magazine's prominent story in its Aug. 26 issue "Inside The Secret War Council," which ridiculed Perle and quoted him

as saying, on his invitation to Murawiec: “I didn’t know what he was going to say, but he had done some serious research on Saudi Arabia.” This, *Time* noted, was patently untrue. *Time* claimed, without much foundation, that Perle’s ignorance of Murawiec’s talking points rivaled his unfamiliarity with Murawiec’s past—i.e., that in the 1980s, Murawiec had worked for “political extremist and perpetual Presidential aspirant Lyndon LaRouche” at *EIR*. And then, in a highly unusual piece of straightforward reporting, *Time* added: “By the end of last week, LaRouche was denouncing both his former associate and ‘suspected Israeli agent Richard Perle’ for pushing the U.S. toward war with the Islamic world.”

Republican Opposition to War Emerges

This escalation of attacks on Perle, caps an extraordinary couple of weeks of rising criticism of the administration’s plans for an attack on Iraq, emanating from prominent Republican figures. It commenced with an Aug. 4 appearance on CBS television by Brent Scowcroft, who had been National Security Adviser to Presidents Gerald Ford and George Bush (senior), including during the 1991 Persian Gulf War, and who is currently the chairman of the President’s Foreign Intelligence Advisory Board (PFIAB). Scowcroft said that the question of attacking Iraq is a question of setting priorities. “The President has announced that terrorism is our number-one focus. Saddam is a problem, but he’s not a problem because of terrorism.” Scowcroft went on to say that Saddam could be dislodged, but cautioned: “I think we could have an explosion in the Middle East. It could turn the whole region into a cauldron, and destroy the war on terror.”

Then, in the first major defection from the GOP Congressional leadership, House Majority Leader Rep. Dick Arme (R-Tex.) warned that an unprovoked attack against Iraq would violate international law, and would undermine international support for President Bush’s policy of removing Saddam Hussein. “If we try to act against Saddam Hussein, as obnoxious as he is, without proper provocation, we will not have the support of other nation-states who might do so,” Arme said. “I don’t believe that America will justifiably make an unprovoked attack on another nation. It would not be consistent with what we have been as a nation or what we should be as a nation.”

On the Senate side, the most outspoken has been Sen. Chuck Hagel (R-Neb.), who told the *New York Times* on Aug. 15, that the Central Intelligence Agency had “absolutely no evidence” that Iraq possesses or will soon possess nuclear weapons. “You can take the country into a war pretty fast,” Hagel said, “but you can’t get out as quickly, and the public needs to know what the risks are.” And, referring to the civilian neo-cons in the Pentagon who are demanding an invasion of Iraq, Hagel remarked, “Maybe Mr. Perle would like to be in the first wave of those who go into Baghdad.”

Also of note are the comments by former Congressman Jack Kemp (R-N.Y.), who served in the first Bush Adminis-



A rally by LaRouche supporters at the Chicago financial district on Aug. 14. Lyndon LaRouche’s campaign to stop John McCain and Joseph Lieberman’s drive for war, with the circulation of 5 million leaflets on “The Electable LaRouche,” has catalyzed opposition to the war policy in both political parties.

tration, but is more identified with former President Ronald Reagan. Kemp has pointed to the lack of evidence linking Saddam Hussein to Sept. 11, and has said, “I don’t believe we are ready to start another war, when Afghanistan has yet to be pacified, and the Middle East remains in chaos.”

Scowcroft then escalated on Aug. 15, with an op-ed entitled “Don’t Attack Saddam,” published following this article. The *Wall Street Journal*, which ran the Scowcroft piece, published its own Aug. 19 editorial, saying that it had simply offered its pages to give an airing to Scowcroft’s view—which it dismissed as *Realpolitik*.

Scowcroft castigated the utopian gang (typified by Kenneth Adelman), who claim that an invasion of Iraq would be a “cakewalk”; on the contrary, Scowcroft declared, it would be very expensive and very bloody, with Israel likely to be the first casualty. “Even without Israeli involvement, the results could well destabilize Arab regimes in the region,” Scowcroft warned.

Richard Perle, contacted in France by the *New York Times*, arrogantly denounced Scowcroft’s arguments as misguided and naive.

‘I’m Scared to Death . . .’

While Scowcroft diplomatically avoided directly naming the Perle-Wolfowitz cabal, former Secretary of State Lawrence Eagleburger displayed no such reticence in an appear-



LaRouche supporters in Seattle organize for infrastructure development, such as maglev train networks, instead of war.

ance on “Fox News Sunday” on Aug. 18.

Eagleburger said he doesn’t think that militarily overthrowing Saddam Hussein is a legitimate policy at this stage, “unless the President can demonstrate to all of us that Saddam has his finger on a nuclear or biological or chemical trigger, and he’s about to use it.” And secondly, Eagleburger said, the Bush Administration has not demonstrated that “they have really thought through what it’s going to take to overthrow him . . . or what we do when we overthrow him.”

“I’m scared to death that the Richard Perles and Wolfowitzes of this world are arguing we can do it in a cakewalk,” said Eagleburger, “when I think it will take some hundreds of thousands of troops, at least, to be sure that we can do it correctly, and we haven’t seen any reserves called up.” And he ridiculed Perle and Wolfowitz for claiming that “we’ve got all of these wonderful insurgents out here who will be able to govern immediately after we succeed.”

Host Tony Snow then challenged Eagleburger, saying “this is the second time you’ve mentioned Richard Perle and Paul Wolfowitz,” asking, “Do you think they’re naive?”

“No, I don’t think they’re naive,” Eagleburger answered. “I must tell you I think they’re devious,” noting that they have been committed to getting rid of Saddam Hussein for years, “because they think we should have done it the first time around,” and that “they have convinced themselves that it would be done on the cheap,” by using the anti-Saddam Iraqis. “I am scared to death that they are going to convince the President that they can do this, overthrow Saddam on the cheap, and we’ll find ourselves in the middle of a swamp, because we didn’t plan to do it in the right way.”

When he was asked if Brent Scowcroft’s views reflect those of President Bush’s father—a matter of great speculation in the news media—Eagleburger answered: “I heard yesterday somebody saying that they thought this was the former President Bush putting Brent up to this. I don’t believe that. I believe this was Scowcroft on his own.”

Others have reported that there is great tension between Bush elder and younger, on the question of Iraq. Columnist Georgie Anne Geyer said she was told that on the question of invading Iraq, “the senior President Bush and the current President Bush could hardly speak about the subject, so different were their opinions.”

More Military Opposition

One of the catalysts for this rising tide of opposition, has clearly been the role of the uniformed military, centered

in the Joint Chiefs of Staff, who have let be known their own opposition to the war plans of the Perle-Wolfowitz cabal, through a series of calculated leaks to the news media.

General Norman Schwarzkopf, who led the U.S. attack on Iraq in 1991, went on NBC’s “Meet the Press” on Aug. 18, to warn against those who claim that an invasion of Iraq will be easy. Schwarzkopf said that the Iraqi military has 400,000 active duty people, of which maybe 300,000 can be discounted, “but you can’t discount the 100,000 Republican Guard and Palace Guard . . . a good military force . . . they have a lot of good equipment behind them.”

“It’s not going to be an easy battle,” Schwarzkopf said, adding that “I think it would be much more effective if we didn’t have to do it alone,” citing the need for bases, including port facilities and air field facilities. A few days later, Marine Corps Commandant Gen. James Jones gave an interview to the *Washington Times* in which he warned that the so-called “Afghanistan model” does not apply to Iraq. Jones states that would be foolish to think that the Special Forces methods that were successful in Afghanistan, would necessarily be successful in Iraq. In contrast to what happened in Afghanistan, the U.S. military “would face a much tougher foe,” in Iraq. “The defense of a homeland is hard stuff,” Jones said, “because they’re not going to go anywhere.”

Changing the Presidency

EIR has been advised by well-placed intelligence sources, that whatever the level of publicly voiced opposition to the Iraq war plans, there is far, far more of it behind the scenes. Scowcroft’s public statements are only the tip of a much

greater ferment within Republican ranks, one source said. One source said that top circles in both the Republican and Democratic Parties are stunned at what he called “the impeccable timing” of Lyndon LaRouche’s launching of his campaign to expose and discredit McCain and Lieberman; LaRouche’s efforts have had an enormous impact in creating the climate in which others have been able to speak out against the warhawks.

Lyndon LaRouche himself forecast, when he launched his campaign to destroy the influence of Lieberman and McCain, that ripple effects would be felt in the Republican as well as the Democratic Party.

In his 5-million-circulation “The Electable LaRouche” leaflet, LaRouche wrote that two urgent steps must immediately be taken: to shut down the political blackmail being exerted by the McCain-Lieberman cabal, and, secondly, to build a new bipartisan political infrastructure around the Presidency, which gives the President new policy-options.

This is what is now in the process of taking place.

Don’t Attack Saddam

by Brent Scowcroft

The following article is reprinted here with the permission of the author. The op-ed, circulated by the Forum for International Policy beginning Aug. 18, has become a focus for a long-overdue national and international policy discussion about the war on Iraq. Mr. Scowcroft, National Security Adviser under Presidents Gerald Ford and George H.W. Bush, is founder and president of the Forum for International Policy.

Our nation is presently engaged in a debate about whether to launch a war against Iraq. Leaks of various strategies for an attack on Iraq appear with regularity. The Bush administration vows regime change, but states that no decision has been made whether, much less when, to launch an invasion.

It is beyond dispute that Saddam Hussein is a menace. He terrorizes and brutalizes his own people. He has launched war on two of his neighbors. He devotes enormous effort to rebuilding his military forces and equipping them with weapons of mass destruction. We will all be better off when he is gone.

Think Carefully

That said, we need to think through this issue very carefully. We need to analyze the relationship between Iraq and our other pressing priorities—notably the war on terrorism—as well as the best strategy and tactics available were we to move to change the regime in Baghdad.

Saddam’s strategic objective appears to be to dominate the Persian Gulf, to control oil from the region, or both.

That clearly poses a real threat to key U.S. interests. But there is scant evidence to tie Saddam to terrorist organizations, and even less to the Sept. 11 attacks. Indeed, Saddam’s goals have little in common with the terrorists who threaten us, and there is little incentive for him to make common cause with them.

He is unlikely to risk his investment in weapons of mass destruction, much less his country, by handing such weapons to terrorists who would use them for their own purposes and leave Baghdad as the return address. Threatening to use these weapons for blackmail—much less their actual use—would open him and his entire regime to a devastating response by the United States. While Saddam is thoroughly evil, he is above all a power-hungry survivor.

Saddam is a familiar dictatorial aggressor, with traditional goals for his aggression. There is little evidence to indicate that the United States itself is an object of his aggression. Rather, Saddam’s problem with the United States appears to be that we stand in the way of his ambitions. He seeks weapons of mass destruction not to arm terrorists, but to deter us from intervening to block his aggressive designs.

Given Saddam’s aggressive regional ambitions, as well as his ruthlessness and unpredictability, it may at some point be wise to remove him from power. Whether and when that point should come ought to depend on overall U.S. national security priorities. Our pre-eminent security priority—underscored repeatedly by the president—is the war on terrorism. An attack on Iraq at this time would seriously jeopardize, if not destroy, the global counterterrorist campaign we have undertaken.

The United States could certainly defeat the Iraqi military and destroy Saddam’s regime. But it would not be a cakewalk. On the contrary, it undoubtedly would be very expensive—with serious consequences for the U.S. and global economy—and could as well be bloody. In fact, Saddam would be likely to conclude he had nothing left to lose, leading him to unleash whatever weapons of mass destruction he possesses.

Israel would have to expect to be the first casualty, as in 1991, when Saddam sought to bring Israel into the Gulf conflict. This time, using weapons of mass destruction, he might succeed, provoking Israel to respond, perhaps with nuclear weapons, unleashing an Armageddon in the Middle East.

Finally, if we are to achieve our strategic objectives in Iraq, a military campaign very likely would have to be followed by a large-scale, long-term military occupation.

But the central point is that any campaign against Iraq, whatever the strategy, cost and risks, is certain to divert us for some indefinite period from our war on terrorism. Worse, there is a virtual consensus in the world against an attack on Iraq at this time. So long as that sentiment persists, it would

require the United States to pursue a virtual go-it-alone strategy against Iraq, making any military operations correspondingly more difficult and expensive. The most serious cost, however, would be to the war on terrorism. Ignoring that clear sentiment would result in a serious degradation in international cooperation with us against terrorism. And make no mistake, we simply cannot win that war without enthusiastic international cooperation, especially on intelligence.

Possibly the most dire consequences would be the effect in the region. The shared view in the region is that Iraq is principally an obsession of the United States. The obsession of the region, however, is the Israeli-Palestinian conflict. If we were seen to be turning our backs on that bitter conflict—which the region, rightly or wrongly, perceives to be clearly within our power to resolve—in order to go after Iraq, there would be an explosion of outrage against us. We would be seen as ignoring a key interest of the Muslim world in order to satisfy what is seen to be a narrow American interest.

Even without Israeli involvement, the results could well destabilize Arab regimes in the region, ironically facilitating one of Saddam's strategic objectives. At a minimum, it would stifle any cooperation on terrorism, and could even swell the ranks of the terrorists. Conversely, the more progress we make in the war on terrorism, and the more we are seen to be committed to resolving the Israel-Palestinian issue, the greater will be the international support for going after Saddam.

If we are truly serious about the war on terrorism, it must remain our top priority. However, should Saddam Hussein be found to be clearly implicated in the events of Sept. 11, that could make him a key counterterrorist target, rather than a competing priority, and significantly shift world opinion toward support for regime change.

No-Notice Inspections

In any event, we should be pressing the United Nations Security Council to insist on an effective no-notice inspection regime for Iraq—any time, anywhere, no permission required. On this point, senior administration officials have opined that Saddam Hussein would never agree to such an inspection regime. But if he did, inspections would serve to keep him off balance and under close observation, even if all his weapons of mass destruction capabilities were not uncovered. And if he refused, his rejection could provide the persuasive *casus belli* which many claim we do not now have. Compelling evidence that Saddam had acquired nuclear-weapons capability could have a similar effect.

In sum, if we will act in full awareness of the intimate interrelationship of the key issues in the region, keeping counterterrorism as our foremost priority, there is much potential for success across the entire range of our security interests—including Iraq. If we reject a comprehensive perspective, however, we put at risk our campaign against terrorism as well as stability and security in a vital region of the world.

Kucinich Forum Hears Opposition to Iraq War

by Suzanne Rose

Representative Dennis Kucinich (D-Ohio) has launched a campaign to open up the U.S. Congress to a discussion of why we should not go to war in Iraq, with a series of forums beginning on Aug. 20 on Capitol Hill. Himself opposed, he said that he wants to create an opportunity for bipartisan, diverse voices to be heard. The three speakers at his opening forum were Dr. Donald Cortwright, president of the Fourth Freedom Forum; Phyllis Bennis of the Institute for Policy Studies (IPS); and former UN chief weapons inspector in Iraq, Scott Ritter. By far the most relevant and effective presentation was Ritter's, in countering the propaganda campaign which is accompanying the drive to war. No one, however, challenged the underlying motive for war, which, as has been pointed out by Democratic Presidential pre-candidate Lyndon LaRouche, has nothing to do with Iraqi President Saddam Hussein. U.S. Iraq policy is a foil in the strategic policy backed by Henry Kissinger, Zbigniew Brzezinski, and allied financial elites to impose perpetual war on the world, in the midst of a global financial breakdown crisis.

Where's the Threat?

Ritter opened by criticizing the lack of democracy reflected in the want of debate on this issue, specifically in the one-sided Senate Foreign Relations Committee hearings chaired by Sen. Joseph Biden (D-Del.) prior to the Congressional recess. Ritter said you can't make a case for going to war unless you discern a threat, and in his view, there is no evidence that a threat exists.

He specified, that before the inspections were ended in Iraq in 1998, Iraq had been disarmed. If Baghdad has tried to produce weapons of mass destruction (WMD) since 1998, which is the central argument for going to war, the Iraqi government would need an infrastructure, and that would be detectable from the outside. Ritter asserted, that every nuclear facility was destroyed and then blanketed with gamma detection sensors. The technology to detect poison gas production also exists, he said, though he was not sure it is being used. In response to Defense Secretary Donald Rumsfeld's recent assertions that Iraq is producing weapons of mass destruction in underground factories and on mobile trucks, Ritter said this is speculative: Iraq's geography is not conducive to building things underground, and the inspectors never detected any factories on trucks during their exhaustive and often surprise inspections. He also attacked those who want war against Iraq

for their own ideological reasons. This war has more to do with domestic U.S. policy than anything else, he charged, adding, that there are people who want to hijack our foreign policy to promote their own ideology and ambitions.

Ritter debunked the idea that Iraq would proliferate WMD through Islamic terrorist networks, even if they had them, by describing an operation Iraq has in its North to eliminate Islamic fundamentalist infiltration of the Kurds there. Soldiers are being trained for this mission at a camp south of Baghdad, which had been formerly used for training hostage-release missions. The U.S. government has been giving a false picture of the purposes of this camp, Ritter said.

He confirmed that contrary to the pro-war propaganda, the UN inspectors were not thrown out by Iraq, but pulled out six days before the U.S. bombing campaign in 1998, after Iraq had been manipulated into creating a provocation, which then became a pretext for the bombing. After seven years of inspections and destruction of weapons of mass destruction capability, Ritter said he was confident that Iraq was disarmed, and incapable of projecting military power beyond its borders. Iraq, he said, is no threat to the region.

Alternatives to War

Phyllis Bennis of IPS argued that the United States would be violating international law, if Iraq were attacked, because Article 51 of the UN Charter allows a country to wage war to defend itself only if there has been an armed attack. She said that any pre-emptive strike is a violation of international law.

Dr. Cortwright advocated a series of alternatives to “contain Iraq,” rather than going to war. He called the consequences of a pre-emptive attack so dangerous that no one who was truly concerned with future terrorism, would contemplate such an action. “If we go to war, it will make the terrorist threat worse. It would recruit people to taking extreme actions against us. It would undermine international cooperation.”

Neither Ritter nor Cortwright believes the Bush Administration wants inspectors to return to Iraq. It would be contrary to existing law passed by Congress in support of a regime change, when it authorized support for the opposition Iraqi National Congress. Ritter also does not believe Iraq will allow inspectors in, as long as the U.S. policy is for a regime change. Cortwright said the new inspectors might be more acceptable to the Iraqis, because they would be less likely to be manipulated and used for spying as the previous UN Special Commission (UNSCOM) inspectors were, because they will not be the agents of any state, but civil servants working for the UN.

Kucinich said he expects many other opponents to the war to surface after Congress reconvenes. He is not opposed to responding to the Iraqi offer to U.S. Congressmen to visit, but said it would have to occur in tandem with the return of inspectors. He hoped Russia could be drawn into the process of finding a resolution, and referred to the U.S. Congressional delegation which worked with Russia to negotiate a solution to the war with Serbia in 1999.

Rumsfeld's 'Feith and Bum' Corps: What Is Defense Policy Board?

by Michele Steinberg

To say that Richard Perle's Defense Policy Board “advises” Defense Secretary Donald Rumsfeld is an legend that has popped up increasingly in recent weeks, especially following the exposure of the notorious July 10 anti-Saudi briefing, where Laurent “of Arabia” Murawiec delivered a Power Point presentation identifying the Saudis as enemies of the United States. Rumsfeld, who claimed to know nothing about the scheduling of the briefing, later called Murawiec “a resident alien,” who had nothing to do with policy. A few days after Murawiec's briefing was exposed, Frank Gaffney, head of the right-wing extremist Center for Security Policy, was praising Murawiec as “Laurent of Arabia.”

The fact that Murawiec's employer, the RAND Corporation, disavowed any connection to the anti-Saudi briefing, and critics described the quality of the presentation as “sub-undergraduate” grade, should be a warning that the Defense Policy Board's agenda is not “policy,” but propaganda. And that propaganda is in the hands of a notorious troika of Likudnik agents and followers of the pro-fascist Vladimir Jabotinsky within the Defense Department: Under Secretary of Defense for Policy Douglas J. Feith, Defense Policy Board Chairman Richard Perle, and Deputy Secretary of Defense Paul Wolfowitz.

Run Rings Around Rumsfeld

It is absolutely true—to the dismay of traditional Republican Party strategists—that Rumsfeld, who is showing the signs of age, as well as the stress of the Afghanistan war disaster, has fallen increasingly under the sway of Defense Policy Board, which has also been called “the Wolfowitz cabal.” The troika of Likudniks has worked together for over 20 years in a network of neo-conservative think tanks, during which time Rumsfeld was in semi-retirement after serving as the Secretary of Defense for President Gerald Ford.

Defense Department sources have told *EIR* that the troika runs rings around Rumsfeld, as they fight to make U.S. policy identical to the aims of Israeli war criminal Ariel Sharon: ethnic cleansing of the Palestinians, preemptive war against Iran and Iraq; and the breakup of Saudi Arabia and seizure of its oil fields.

The Defense Policy Board is an extension of the neo-conservative gaggle of Israeli moles that surrounded then-

Gov. George W. Bush during the 2000 campaign, and called themselves “The Vulcans.” The two main figures were Wolfowitz and Perle, tasked with pounding Bush into shape on foreign policy—recall that Bush could not even name the heads of five countries in a nasty “pop quiz.” Joining them in the effort was Condoleezza Rice, now the National Security Adviser. Rumsfeld was a johnny-come-lately to the Bush team.

When Rice and Wolfowitz received their high-level appointments, (though Wolfowitz wanted the Defense Secretary job directly), observers wondered why Perle did not have an administration post. Some explained that he did not wish to submit to Senate approval—which was avoided in the Defense Policy Board role. Others explained that Perle could use the DPB platform to access classified information, and plant policy proposals, while he continued to keep his other jobs: head of the Digital division of the Hollinger Corporation, owner of the *Jerusalem Post* and the London *Daily Telegraph*; member of American Enterprise Institute and the Jewish Institute for National Security Affairs (JINSA), where he continues to serve along with espionage-investigation target Steven Bryen (see accompanying article).

Reporting on the anti-Saudi DPB meeting, *Time* reporter Mark Thompson noted that being on the Board affords its members something “every Washington player wants—unrivaled access without accountability.” Citing “the Saudi episode,” Thompson accused the DPB of concocting “a false impression” of U.S. policy—such as a planned attack against Saudi Arabia, and the Iraq war.

Chain of Command

According to its charter, the Defense Policy Board (full name—Defense Policy Board Advisory Committee) “will serve the public interest by providing the Secretary of Defense (Rumsfeld), Deputy Secretary (Wolfowitz), and Under Secretary for Policy (Feith) with independent, informed advice and opinion concerning major matters of defense policy.” The sole function is “advisory” and its members, limited to “approximately 30” serve without compensation. But in this organizational chart, “location” is everything, and Doug Feith is the strategically located linchpin.

According to the charter, Feith selects the members of the DPB, including Chairman Perle, with Rumsfeld’s approval. Feith is the “Official to Whom the Committee Reports.” Feith is also the head of the “Agency Responsible for Providing the Necessary Support” for the DPB. Feith also calls the shots on when the Board should meet—“quarterly or as required by the Under Secretary for Policy.” Feith also controls the budget, selects the “2.2 man-years” of permanent staff, and pays expenses.

Feith briefs the Deputy Secretary of Defense (Wolfowitz), the second highest position in the Pentagon, on the scenarios. Importantly none of the members of DPB are paid, so they are deliberately deployed by the Perle/Feith/Wolfowitz troika around the world, planting op-eds, holding conferences, such

as the Hudson Institute conference on June 18 in Washington, D.C. where the policy of breaking up Saudi Arabia was first fully laid out.

Crucial to this propaganda side of the operation are the links of Feith and Perle *outside* the government, as documented in *EIR*’s Aug. 2 Special Offprint article, “The ‘Mole-hill’ Inside the Bush Administration.” Until he joined the Bush Administration, Feith was a director of the extremist Center for Security Policy (CSP), headed by Frank Gaffney, a fanatical supporter of the Netanyahu-Sharon apparatus in Israel, and linked to the right-wing Christian Zionists. In addition, during the Clinton Administration, Feith worked closely with Perle, Wolfowitz, JINSA, AEI, and the neo-conservative *Weekly Standard*, churning out scenarios for war against Iraq, and occasionally China, at every opportunity.

Most importantly, Feith, who made private business deals for Israeli defense companies (as did Perle,) is a “second generation” Jabotinskyite. His father, Dalck Feith, was honored by the Zionists of America group—which opposes any peace in Palestine and Israel—as an early member of Betar, the youth movement founded by Jabotinsky, who had been denounced by Israel’s first Prime Minister, David Ben-Gurion, as “Vladimir Hitler.”

Among the DPB members, “war party” operatives—those who advocate a U.S. unilateral “war against terrorism” that can go anywhere, anytime, with no explanation—and Likud supporters have the strongest voice. This group includes former Congressman Newt Gingrich, the fallen angel of the 1994 “Conservative Revolution”; Fred Iklé, Adm. David Jeremiah, and former CIA Director James Woolsey, all JINSA members; and Eliot Cohen, a writer for the *Weekly Standard* and co-founder of the Project for a New American Century.

The other members of the DPB are: Kenneth Adelman, Richard Allen, Martin Anderson, Gary Becker, Barry Blechman, Harold Brown, Lt. Gen. Marc Cisneros (ret.), Devon Cross, Gen. Ronald Fogleman (ret.), Thomas Foley, Tillie Fowler, Gerald Hillman, Kim Holmes, Gen. Chuck Horner (ret.), Henry A. Kissinger, Philip Merrill, Adm. Bill Owens (ret.), Dan Quayle, Henry Rowen, James Schlesinger, Gen. Jack Sheehan (ret.), Kiron Skinner, Helmut Sonnenfeldt, Chris Williams, and Pete Wilson.

By charter, the Defense Policy Board must announce its meetings 15 days in advance in the Federal register, and “all procedures for closed meetings will be followed scrupulously.” After the July 10-11 debacle, officials in the Pentagon and the State Dept. will be watching more carefully what the Perle gang is up to.

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Why Does Perle Have Security Clearance?

by Jeffrey Steinberg and Michele Steinberg

The Pentagon events of July 10-11 in Richard Perle's Defense Policy Board (DPB), in which Perle reportedly plotted a campaign to fire uniformed military leaders who oppose the war in Iraq, and which featured a now-notorious discussion of waging aggressive war against Saudi Arabia—a U.S. military and political ally—again raise long-standing questions about Perle's agenda. The primary question: Why Perle has not been fired as head of the DPB, now that the anti-Saudi briefing has been repudiated by both the Bush Administration and the RAND organization (whose employee gave the briefing); and why he remains trusted to have security clearance.

These were pressing matters of U.S. national security as long ago as 1984. In that year was published a remarkable book, *The Armageddon Network*, which documented an FBI investigation of a high-level Senate staff member and close Perle collaborator—Steven Bryen—for allegedly passing classified information to Israeli government agents, in order to sabotage relations between the United States and Arab nations. The book, a first-hand account written by businessman Michael Saba, provides massive documentation in the form of investigative records obtained under the Freedom of Information Act (FOIA).

It is a chilling reminder of the activities of a network of Israeli “moles” inside the Washington policy establishment who are today pushing for war against Iraq, Iran, and Saudi Arabia. It is all the more alarming because the two central figures in *The Armageddon Network* are central to the Iraqi war drive today: Perle at the DPB, and Bryen at the Jewish Institute for National Security Affairs. From the JINSA platform, Bryen, using his connections to the Likud troika of Perle, Paul Wolfowitz, and Douglas Feith in the Defense Department, is able repeatedly to appear before Congressional committees as an “independent” expert, when he is actually an agent of right-wing interests of the Israeli Likud party.

The Armageddon Network documents an incident in 1978, when the Jimmy Carter Administration was seeking approval for the sale of F-15 fighter planes to Saudi Arabia. While there never was an indictment in the case, the Bryen incident was a precursor of the Jonathan Jay Pollard spy case, which emerged in 1985. Pollard, a spy for a secret network inside the Israeli government run directly by Ariel Sharon, was arrested outside the Israeli Embassy in Washington, D.C. The Israelis slammed the door on Pollard and his wife, who were trying to escape from the FBI and get asylum. A decade later, the Israeli government admitted that Pollard was their spy, and

Pollard remains in prison serving a sentence of life without parole. Bryen was luckier than Pollard, and today, Bryen is an established member of the neo-conservative network gunning for a global war against Islamic and Arab countries. But the Perle-Bryen nexus is no less dangerous to U.S. interests than the network for which Pollard worked.

The Steven Bryen Case

The following timeline, of events too important to be swept under the rug, is taken from *The Armageddon Network*.

March 8, 1978: The Pentagon delivered a top-secret memorandum to the Senate Foreign Relations Committee, titled “DOD Analysis of Saudi Request to Purchase F-15 Fighter Aircraft.” The memo was classified “Secret Nonfor,” meaning that it was not to be shared with any foreign government or foreign national.

March 9, 1978: Washington lobbyist Michael Saba witnessed a discussion at the coffee shop of the Madison Hotel, between Steven Bryen and at least three Israelis, presumed to be officials of the Israeli Ministry of Defense, traveling with then-Minister of Defense Ezer Weizman. Bryen told the Israelis, “I have the Pentagon documents on the bases, which you are welcome to see.” He assured them that there was a staffer at the National Security Council, involved in arms sales, who “is with us.” After the Israelis and Bryen departed, Saba—executive director of the National Association of Arab Americans (NAAA) for two years—wrote notes from the conversation, and prepared a sworn affidavit.

March 10, 1978: Saba met with Sen. James Abourezk (D-S.D.), who arranged for him to meet with Deputy Attorney General Benjamin Civiletti, to discuss the previous day's incident. At the meeting, Saba was introduced to John Davitt, Chief of the Department of Justice Internal Security Division. In extensive meetings in Washington with attorney Tom Shack, Saba prepared a 13-page affidavit. He also met with Bill Quandt, Middle East desk officer at the National Security Council.

April 1, 1978: Journalist Nick Luddington wrote an article for Associated Press, detailing the Saba account of Bryen's alleged espionage activity for Israel. Luddington reported, from a confidential Defense Department source, that the day before Bryen's meeting with the Israelis, the Defense Department had delivered a classified report on Saudi Arabia's request to purchase U.S. F-15 aircraft, to the Senate Foreign Relations Committee (SFRC). In his meeting with the Israelis, Bryen had talked about the prospect of preventing the F-15 sales to the Saudis.

April 6, 1978: The *Washington Post* reported that Bryen was taking a leave of absence from his SFRC post to prepare for his upcoming marriage. The same day, FBI Special Agent Stephen Pletcher called Saba, to arrange an interview about the Bryen espionage allegations.

April 25, 1978: FOIA documents later obtained by NAAA and Saba in 1983 reveal that FBI Agent Pletcher conducted his first interview with Bryen on this date. Bryen was

asked to submit to a polygraph test, but stalled by saying he must get the okay of the SFRC first.

May 8, 1978: FBI Agent Pletcher, in a second interview with Bryen, told the latter of a possible espionage case developing against Zvi Rafiah, counsellor at the Israeli Embassy in Washington, who was probably one of the men at the Madison Hotel meeting. Rafiah was assigned to kill the I-Hawk sales to the Saudis, and solicited information from Bryen. SFRC staffers confirm that Rafiah was in Bryen's office three times a week, in an area adjacent to where classified documents were kept. The two men were often heard speaking loudly in Hebrew, and staffers gave the impression that Rafiah treated Bryen as someone who worked under him.

Bryen told Pletcher that Senators Clifford Case (R-N.J.), John Sparkman, and Richard Stone (D-Fla.) had told him he could not submit to a polygraph exam. During a 1977 trip to Jordan that Bryen had taken with Senator Stone, Bryen had requested a briefing on Jordan's missile systems. U.S. Ambassador Thomas Pickering checked with the Pentagon and refused Bryen's request.

June 20, 1978: Pletcher's third interview with Bryen included several topics. Prior to the Madison Hotel meeting, Senator Stone had sent a letter to the Defense Department requesting classified data and satellite photos of the Tabruk air base in Saudi Arabia. Bryen's name was cited on the request letter. The Pentagon refused.

Aug. 14, 1978: A Washington "friend" called Saba in South Dakota to tell him that President Carter was able to salvage the F-15 sales to the Saudis on the basis of the Bryen case. Saba was told that Bryen would soon be brought to testify before a Federal grand jury probing the spy allegations.

Sept. 25, 1978: Nathan Lewin, Bryen's attorney, wrote his first letter to Philip Heymann, head of the Criminal Division of the Justice Department. As a result of the letter, Heymann assigned his deputy, Ron Stern, to assume oversight over the Bryen probe. Lewin and Heymann had been close friends for 20 years. When Heymann first moved to Washington in 1978, he stayed at Lewin's house, until he found his own lodging. The two men had criss-crossed careers, dating back to *Harvard Law Review*, clerking for Supreme Court Justice John Harlan, working in the Solicitor General's office of the Department of Justice, and at the State Department Bureau of Security and Consular Affairs.

Oct. 26, 1978: Saba received a call from FBI Agent Pletcher, who informed him that he had retired from the FBI (on June 1, 1978), and gave him the name of his replacement, Tim Mahoney. Six weeks later, Mahoney contacted Saba to arrange a meeting.

November 1978: Bryen returned to his duties on the SFRC, but his return was short lived, as his sponsor, Sen. Clifford Case had been defeated in the Republican primary and would leave the Senate in January 1979. Bryen had been on Case's staff since 1971.

This coincided with the completion of a Defense Intelligence Agency (DIA) analysis of the Pentagon document on

Saudi F-15 purchases, to determine whether it could have been the document referred to by Bryen as the "document on the bases" in his meeting with the Israelis at the Madison Hotel. While the document was not about "bases" per se, the DIA analysis concluded that the document could have been defined in such terms, as it did provide a detailed review of military bases and military capabilities of all the major nations of the Middle East, including Saudi Arabia and even Israel. The Justice Department revealed that Bryen's fingerprints were found all over the documents. The Justice Department did not reveal publicly whether they had found fingerprints of Zvi Rafiah on the same.

Nov. 13, 1978: Seymour Hersh wrote a story in the *New York Times*, reporting that CIA Director Stansfield Turner had fired career CIA officer David Sullivan for passing classified CIA material to Richard Perle, then a staffer working for Sen. Henry "Scoop" Jackson (D-Wash.). There was pressure on Jackson from the CIA to take similar action against Perle, but the Senator refused.

Saba also cites Hersh's book on Henry Kissinger, which recounts an earlier incident, in which FBI wiretaps of the Israeli Embassy in Washington revealed that Perle was passing classified National Security Council documents to the Israelis.

Jan. 26, 1979: A Department of Justice Action Memorandum by Davitt and Joel Lisker requested authority to convene an investigative grand jury, since Lewin and Bryen had refused to cooperate with deposition offers.

Feb. 9, 1979: Bryen left the Senate staff and became executive director of the Coalition for a Democratic Majority, an antecedent to the present-day neo-conservatives, many of whom are with Perle today at the American Enterprise Institute (AEI). The group's members included: Sen. Henry Jackson (D-Wash.), Sen. Daniel Moynihan (D-N.Y.), Ben Wattemberg, Jeane Kirkpatrick, Elliott Abrams, and Norman Podhoretz.

March 5, 1979: Relations between Lisker/Davitt and Lewin had become so strained that Deputy Assistant Attorney General Robert Keuch was sent to meet with Lewin, in an attempt to set ground rules for a deposition. Lewin demanded that questions be limited, and that no questions be asked about Bryen's ties to the Israel lobby.

May 25, 1979: Keuch wrote on Heymann's letterhead to Davitt and Lisker, approving the convening of an investigative grand jury, to conduct an unrestricted probe into the allegations of espionage and violations of the Foreign Agents Registration Act by Bryen.

May 31, 1979: Lewin learned of the authorization for convening the grand jury.

June 7-8, 1979: Lewin had two phone discussions with Heymann and they reached an agreement on a limited deposition of Bryen, to avoid the need for the grand jury probe. Lisker and Davitt sought documents and interviews from the SFRC and the new committee general counsel, Patrick Shea, and set limiting ground rules, including that he be present at

all interviews with SFRC staff.

Sept. 6, 1979: Lewin wrote to Heymann, protesting that Lisker was suggesting that there might have to be two deposition sessions with Bryen, given that the SFRC was stalling on providing documents that would be necessary for full questioning of Bryen. The SFRC had set further restrictions, including that Senator Case, Bryen, and Lewin had the right to pre-screen all documents before they were turned over to Lisker.

Oct. 10, 1979: Message to Keuch that “PBH [Heymann] wants to close this—Joel will get letter to Lewin telling him.”

November 1979: Lisker memo to Davitt reporting that he had finally gotten access to four committee documents that prove that Bryen was “furnishing information to the Israeli Defense Ministry.”

December 1979: Bryen became executive director of the Jewish Institute for National Security Affairs. The group was founded in 1976 as a study group on U.S.-Israeli security affairs, but with the appointment of Bryen, JINSA would become a major propaganda and recruiting organ for Israel within the ranks of the U.S. military. JINSA under Bryen pushed for U.S. military bases in Israel and opposed arms sales to Saudi Arabia, which JINSA accused of financing Iraqi and Palestine Liberation Organization terrorists.

April 1980: The NAAA filed an FOIA request to the FBI on the Bryen probe.

August 1980: The FBI wrote to the NAAA confirming that it had located 600 pages of documents responsive to the FOIA request.

June 7, 1981: Israeli Air Force jets bombed the Osirak nuclear reactor in Baghdad, Iraq.

Aug. 3, 1981: Richard Perle was confirmed as Assistant Secretary of Defense for International Security Policy. His nomination had been held up for weeks because of his announced intention to name Bryen as Deputy Assistant Secretary of Defense for ISP (Bryen did not have to be confirmed by the Senate, so the Perle hearing afforded the only opportunity to probe the spy allegations against him). Senators John Warner (R-Va.), Jeremiah Denton (R-Ala.), and James Exon (D-Neb.) put a hold on the Perle nomination, pending revelations about Bryen. Eventually Scoop Jackson negotiated a deal whereby the Senators would be given access to the FBI files on Bryen, in return for unfreezing the Perle nomination.

Aug. 19, 1981: David Sadd met with James McCue of the Defense Department Clearance office regarding Bryen.

Sept. 28, 1981: William H. Taft IV wrote to the NAAA that the Bryen “files do not provide sufficient basis” to deny him security clearances. Taft was the general counsel to the Secretary of Defense.

Nov. 13, 1981: Fred Iklé, Deputy Secretary of Defense, wrote to the NAAA that Bryen had been granted his security clearance, and would assume his full duties as Perle’s assistant. (Iklé is today a member of Perle’s Defense Policy Board.)

November 1981: NAAA was so furious at the coverup of

the Bryen espionage matter, that it hired FOIA expert attorney Robert Belair of Kirkpatrick, Lockhart, Hill, Christopher, and Phillips, to take the case to Federal court.

Around the same time, a review of the papers of the late Sen. Clifford Case that were donated to Rutgers University in New Jersey, revealed that Bryen used his work for Case, and 1975 appointment to SFRC staff (Case was the ranking minority member) to sabotage U.S. strategic relations with Arab countries. By January 1978, Bryen was the staff director of the Senate Foreign Relations Subcommittee on the Near East and South Asia, and worked closely with Sen. Richard Stone, the subcommittee chair. Throughout this period, Bryen’s priority was blocking sales of fighter jets to Saudi Arabia and Jordan, and preventing Saudi Arabia from building up its Tabruk Air Force Base with U.S. aid. One document found in the Case files was a memo from Bryen to Case just before the Madison Hotel meeting, in which Bryen wrote that Saudi Arabia lacked the money to purchase U.S. F-15s that had been offered.

October 1982: Shoshana Bryen, wife of Steven Bryen, who has replaced him as executive director of JINSA, brought a delegation of American military and others to Israel and Lebanon, and were toured through southern Lebanon by Ariel Sharon. This was one month after the massacres of Palestinian refugees at Sabra and Shatila camps in Beirut by Lebanese Phalangists, with complicity of the Israeli Defense Forces.

December 1982: NAAA received a partial FOIA release, including heavily redacted documents, which, nevertheless confirmed that the Justice Department and FBI had been attempting to conduct a serious probe into the Bryen spy allegations, and that there had been previous reports from SFRC staffers that Bryen was passing classified information to Israel.

Dec. 28, 1982: Douglass Wood of Justice Department FOIA division wrote a memo indicating that 450 pages out of the 600 pages on the Bryen investigation were missing from the file. However, he assured that the original case agents had their own file copies and that the material would be recovered and made available as appropriate.

April 6, 1983: NAAA filed a lawsuit in Federal District Court in Washington, D.C. under FOIA, to obtain the missing documents. The government admitted that the full 600 pages had been found, and that an additional 400 pages were also discovered.

April 17, 1983: Jeff Gerth wrote a *New York Times* exposé of Perle’s ties to Israeli corporations. Gerth focussed on Shlomo Zabłudowicz and his son Chaim, proprietors of Soltam Ltd., Établissements Salgad, and Tamares Ltd., which, in 1980 alone, paid Perle’s Abington Corp. \$90,000 in commissions and consulting fees.

July 1983: *Monitin* magazine reported on an Israeli communications firm, Tadiran, half-owned by General Telephone and Electric and half-owned by Elron/Elbit, Israeli defense firms. The article named Zvi Rafiah as a Tadiran “consultant” on sales to the U.S. Department of Defense.

McCain Bill Deepens Organized Crime's Lock on Government

by Jeffrey Steinberg

New Yorker magazine's resident John McCain propagandist Elizabeth Drew recently wrote *Citizen McCain* (duly deposited on the *New York Times* nonfiction bestseller list), lauding the Arizona mobbed-up legislator and his Campaign Finance Reform Bill as the best things to hit Washington since Teddy Roosevelt (see review in *EIR*, June 21). But, if the truth be told, the so-called McCain-Feingold Act is the biggest boost to organized crime's control over the Federal government, since McCain bankroller Charles Keating was hauled off to Federal prison in the 1990s, leaving far more than five members of the House and Senate with gaping holes in their wallets and offshore bank accounts.

While cutting off all "soft money" contributions—except from Indian tribes with huge gambling revenues, which dot the landscapes of McCain's Arizona and pol-pal Joe Lieberman's Connecticut—the Campaign Finance Reform Bill made no dent in the power or contributions of political action committees (PACs). PAC power, particularly AIPAC (American Israel Public Affairs Committee) power was in full display in two recent Southern primaries, when out-of-state Zionist Lobby PAC money and the individual contributions of members of dozens of AIPAC-run PACS defeated two incumbent members of the Congressional Black Caucus, who dared to be critical of Israel's own serial war criminal, Ariel Sharon, the current Prime Minister.

Alabaman Earl Hilliard was defeated in the June 25 Democratic Party primary by Artur Davis, a candidate who was overtly put up and bankrolled by out-of-state Zionist Lobby interests, to the tune of hundreds of thousands of dollars, plus reportedly an ample supply of Election Day pocket cash, with which to buy votes. Davis had been escorted around the floor of the AIPAC convention in Washington, D.C. weeks before the primary vote, like a prize poodle.

On Aug. 20, Rep. Cynthia McKinney (D-Ga.), who had enraged the Zionist Lobby and some Republicans by her refusal to accept the "official version" of the events of Sept. 11, 2001, and had demanded a thorough and transparent investigation, was defeated by a political neophyte, Denise Majette, an African-American judge, who received over a million dollars in campaign dole, almost exclusively from out-of-state Zionist Lobby PAC rats.

In a *New York Times* interview, published Aug. 22, Morris

Amitay, the former longtime executive director of AIPAC, flaunted the Zionist Lobby's PAC attack on Hilliard and McKinney: "This shows that there is a price to pay for taking a position that is out of step with the view of most Americans." Of course, Amitay was lying through his teeth about the issues that sank McKinney. In fact, most Americans shared McKinney's and Hilliard's disgust at the Nazi-like atrocities committed against the Palestinian people by the Israeli Defense Forces, since Sharon took power.

What worked against McKinney and Hilliard was the pure, corrupt power of money: AIPAC-run PAC money, and the personal cash of the legions of AIPAC lemmings, who blindly put their money where AIPAC's mouth is.

After November 2002, when the McCain-Feingold Act goes into effect, the power of the PACs, especially the AIPAC nexus of tightly intertwined PACs, which trace all of their seed funding to the Michael Milken-Charles Keating swindlers loot of the 1980s and early '90s junk-bond and savings and loan scams, will be even more powerful.

Under the guise of "campaign reform," Bull-Mooser McCain delivered a big payback to his financial angels in organized crime.

Washington Post Spills the Beans

The con-job behind McCain's "campaign finance reform" has now become so transparent that the *Washington Post*, on Aug. 18, 2002, finally decided to spill the beans.

Under the headline, "PAC Attack II: Why Some Groups Are Learning To Love Campaign Finance Reform," Thomas B. Edsall and Juliet Eilperin wrote, "Instead of reducing the power wielded by special interest groups in American elections, the McCain-Feingold reform bill is magnifying that power and making PACs, the *bêtes noires* of Common Cause and other good government groups, key players in campaign financing once again."

The authors continued, "Now, the McCain-Feingold ban on the use of soft money by the national parties has abruptly made 'hard money'—smaller contributions of up to a maximum of \$2,000 by an individual—crucial to the survival of politicians. That favors PACs and business groups, which can act as 'bundlers' of individual contributions by gathering like-minded people from around the country to give the maximum

amount permitted to many different campaigns. Well-connected lobbyists and trade associations with large Rolodexes will be among the best equipped to capitalize on the new law, which places a premium on the ability to raise tens, if not hundreds, of \$1,000 to \$2,000 donations.”

The (Jewish) Mother of All PACs

In 1992, Lyndon LaRouche commissioned a book-length profile of the links between the Meyer Lansky-founded National Crime Syndicate and the Anti-Defamation League of B'nai Brith. The book, *The Ugly Truth About the ADL*, became an underground bestseller, with over 250,000 copies placed in circulation in the first year of its release. Within days of the release of the book, in January 1993, a scandal erupted in San Francisco, where the ADL was caught in a criminal espionage operation, targeted against civil rights, labor, Arab-American, and political activists—including several West Coast political associates of LaRouche. The ADL dirty tricks operations included attacks on a number of elected public officials, including former Congressman Pete McCloskey (R-Calif.), a leading spokesman for the rights of Arab-Americans and for Palestinians living under Israeli occupation. McCloskey filed a lawsuit against the ADL, and after nearly a decade of litigation, won a substantial out-of-court settlement for his clients, all victims of the ADL spy games.

The Ugly Truth About the ADL revealed the role of the ADL, the Milken swindlers cabal, and AIPAC, in the creation of scores of political action committees, which were, in fact, one single entity, operating in violation of the Federal elections laws that placed a \$5,000 ceiling on PAC contributions to an individual candidate. While some of the factual data may now be out of date, *The Ugly Truth* . . . provided a road map to the ADL-AIPAC illegal PAC operations that is as accurate today as it was a decade ago, when the book was published.

Given the role of Senator McCain in the blackmail operations against President George W. Bush, and given McCain's pivotal role in deepening the hooks that organized crime will have, after November 2002, into the Washington political arena, we reprint below, the text of the ninth chapter of *The Ugly Truth About the ADL*.

The Best Government Dope Money Can Buy

In 1974, Richard Nixon went down for the count as the result of the botched Watergate break-in at the Democratic National Committee's headquarters in Washington, D.C. during the 1972 Presidential campaign. As reporters, Congressional committees and special prosecutors pored over the details of the Watergate scandal, evidence of a pattern of bribery



Rep. Cynthia McKinney (D-Ga.) was defeated in her re-election bid on Aug. 20, by a million-dollar mobilization in the Democratic primary by out-of-state Zionist Lobby PACs. The power of these PACs has grown enormously, thanks to John McCain's Finance Reform Bill.

and coverups emerged that ended up contributing to Nixon's resignation even more than the break-in itself.

Since the fall of Nixon, the American political lexicon has been blessed with such Watergate offspring as "Debategate," "Cartergate," "Irangate," "Bushgate," and "Iraqgate." Political corruption scandals have become as American as apple pie.

Yet despite this growing addiction to political sleaze, the vast majority of Americans are totally oblivious to the fact that on any given day, the ADL and its fellow hooligans in what is euphemistically dubbed the "Zionist lobby" (the "Dope lobby" is a far more appropriate description) commit crimes against the American electorate that make Watergate seem tame by comparison. Blackmail, extortion, and bribery are such routine tactics of the Zionist lobby that its primary target-victims, the United States Senate and House of Representatives, have been turned into political mush, incapable of governing under the best of circumstances, and completely paralyzed in the face of the current political and economic crises.

While the media had led the charge against Congressional incumbents, appealing to a justified "throw the bums out" sentiment building among the majority of voters, the sad reality is that unless the power of the Zionist lobby is cut down to size, any newly elected Congress will be like lambs walking to the slaughter, and nothing will change.

Officially, both the ADL and its leading collaborator in



An organizer in Seattle distributes EIR's dossier on Senators John McCain and Joseph Lieberman, exposing their ties to organized crime and the "Clash of Civilizations" drive for war against the Arab and Muslim world.

this corrupting of the Congress, the American-Israel Public Affairs Committee (AIPAC), are forbidden from engaging in political campaigning due to their tax-exempt status. Both groups have managed to systematically break the electoral and tax laws with impunity—largely due to the fact that they have placed fellow travelers in key posts in the Executive Branch regulatory agencies that are supposed to monitor the activities of groups benefiting from the tax exemptions: the Federal Election Commission (FEC) and the Internal Revenue Service (IRS).

Spreading Narco-Dollars

A glimpse at how the Zionist lobby has used the power of the narco-dollar to corrupt and control the Congress is contained in a lawsuit filed in Federal court in Washington, D.C. on Aug. 10, 1992. The suit, filed by a group of retired U.S. diplomats against the FEC, charges that the agency failed to impose sanctions against AIPAC for functioning as an unregistered political action committee. Even though the General Counsel at the FEC agreed that AIPAC had violated the law, the Commissioners decided in July 1992 not to take any action against the group.

According to the court papers, AIPAC secretly controls at least 27 different political action committees (PACs) (other investigators place the figure at 59), and uses them to funnel enormous amounts of money to candidates for Congress who support AIPAC's political agenda. Under the FEC statutes, strict limits are imposed on how much money can be given to an individual candidate by a single PAC. The purpose of the regulation is to curb the power of special interest groups in the financing of candidates. By running dozens of PACs, AIPAC, according to the suit, illegally circumvents the law.

The case of the Joint Action Committee for Political Affairs (JACPAC), one of the 27 PACs named in the suit, underscores the tight relationship among AIPAC, the ADL, and the political committees. JACPAC lists among its directors the wives of Thomas Dine and Stuart Eizenstat. Since 1980, Dine has been the executive director of AIPAC. Eizenstat, formerly domestic policy adviser to President Jimmy Carter, is the head of the National Jewish Democratic Council (NJDC), an ADL-dominated organization dedicated to winning control over the Democratic Party and placing as many of its members as possible on the staffs of Congressmen, governors, and mayors.

And where does all of the money come from to buy up the hundreds of Congressional seats currently owned by ADL-AIPAC?

A brief look at the Roundtable PAC, one of the 27 outfits cited in the lawsuit as AIPAC-owned, answers that question. Roundtable PAC was founded in 1981 by a group of leading ADL and AIPAC officials and contributors, led by Malcolm Hohlein, the head of the Jewish Community Relations Council of New York. From day one, it was housed in the Manhattan offices of a tax shelter firm called Integrated Resources. Integrated was a thinly veiled money conduit for Michael Milken and his crew of junk bond peddlers and dope money washers at Drexel Burnham. In fact, Drexel CEO Stephen Weinroth, the liaison between Milken and Ivan Boesky in their insider trading scams, was a director of Integrated. All of Milken's prime "investors" socked their money into Integrated as a tax dodge. All of them also poured contributions into the Roundtable PAC.

Among the biggest donors to Roundtable: Ivan Boesky, Robert Davidow (Milken's personal aide at the Beverly Hills office of Drexel), and the sons and daughters of Meshulam Riklis, Laurence Tisch, Saul Steinberg, and Paul Milstein (of Carl Lindner's United Brands).

When the Roundtable PAC holds its meetings, guests of honor include, respectively, New York and Minnesota Attorneys General Robert Abrams and "Skip" Humphrey, and N.Y. Sen. Daniel Patrick Moynihan. All are regular recipients of AIPAC PAC dollars. In return for such generosity, Senator Moynihan in 1986 shepherded a tax code revision through the U.S. Congress that gave Integrated Resources an added \$43 million in tax breaks. With friends like Moynihan in key posts in the U.S. Senate, Integrated could afford to be generous—at least for a while.

The relationship between Milken and Integrated was so tight that within three months of Milken's indictment in March 1989 for insider trading, Integrated defaulted on \$1 billion in short-term loans. It seems that without the running pipeline of hot money from Milken's bottomless Caribbean cash pool, Integrated was lost.

The AIPAC-ADL-run political action committees, in short, represent the combined financial clout of the Lansky dope syndicate! Any similarity between ADL-AIPAC and the

genuine national interests of the state of Israel or the Jewish people is purely coincidental.

All told, 211 candidates for the U.S. House and Senate from 48 states received money from the ADL-AIPAC PACs between Jan. 1, 1991 and March 31, 1992. Of the 211 recipients, 187 were incumbents. The total amount given in that 15-month period was well over \$2 million, making ADL-AIPAC the second largest source of institutional money to candidates for Federal office, second only to the combined donations of all of the labor union PACs. By October 1992, that figure had soared past the \$3 million mark.

The ADL-AIPAC PACs don't funnel the majority of their money into Jewish candidates, or even into candidates running for office in states where there are large Jewish populations. More typical of the kinds of officeholders and candidates who receive AIPAC payoffs is Richard C. Shelby, a first-term Democratic U.S. Senator from Alabama who has recently gained notoriety for pushing a death penalty bill for the District of Columbia. Shelby received \$67,800 from the AIPAC PACs in the 15 months beginning in January 1991, with a career total of \$133,825.

Another record-setting recipient of AIPAC largess is Sen. Tom Harkin, the Iowa Democrat who ran an unsuccessful bid for the Democratic Presidential nomination in 1992. Harkin came into the Senate in 1984 by defeating incumbent Roger Jepsen, who in 1981 had cast a decisive vote against AIPAC in a fight over the sale of AWACS surveillance aircraft to Saudi Arabia. In his first Senate bid, Harkin received over \$100,000 from the AIPAC combine. His career total in AIPAC money is a staggering \$366,130!

A total of 29 current incumbent Senators and Congressmen have received over \$100,000 in illegal contributions from the ADL-AIPAC PACs. A dozen have received \$50,000 or more just for their 1992 re-election campaigns.

That "dirty dozen" are: Richard Shelby (D-Ala.), Mel Levine (D-Calif.), Timothy Wirth (D-Colo.), Daniel Inouye (D-Hawaii), Barbara Mikulski (D-Md.), Christopher Bond (R-Mo.), Kent Conrad (D-N.D.), Robert Packwood (R-Ore.), Arlen Specter (R-Pa.), Harris Wofford (D-Pa.), Thomas Daschle (D-S.D.), and Robert Kasten (R-Wisc.).

Plumbers Unit

Narco-dollars are the key to the ADL's hold over the U.S. Congress, but the League and its AIPAC associates have other trump cards as well. Both groups operate secret, highly illegal spy units that gather blackmail material and carry out dirty tricks against political opponents.

When Richard Nixon got caught running such a "plumbers unit" at the offices of the Committee to Re-Elect the President (CREEP) in 1972, the American people demanded his scalp. It remains to be seen what the reaction will be now that AIPAC has had its first damaging defection—from its own "plumbers unit."

Gregory Slabodkin worked for a number of years in AI-

PAC's Policy Analysis unit. Slabodkin eventually got turned off by some of the dirty deeds he was ordered to carry out by the unit's chief, Michael Lewis, and he quit his job and went public with his story. Not surprisingly, Michael Lewis is the son of Dr. Bernard Lewis, the Oxford-trained Arabist who was the architect of the Carter administration's "Arc of Crisis" policy which abetted Ayatollah Khomeini's Islamic Revolution in Iran and the spread of fundamentalism throughout the region.

Policy Analysis, the super-euphemistic name given to AIPAC's "plumbers," maintains dossiers on thousands of American activists—many of them Jewish! University professors who criticize AIPAC or ADL's activities are placed on a blacklist. Their lectures are monitored by spies, who occasionally stage noisy disruptions. Their homes and cars are vandalized. University alumni linked to ADL and AIPAC threaten to pull financial backing from the schools unless the targeted faculty members are immediately fired or blocked from tenure.

Members of Congress are cast as either friends or targets of the ADL-AIPAC syndicate. If they are on the friendlies list, they may be the recipients of weekly computerized blackmail dossiers on some of their colleagues and other policy shapers, which are called "Activities." The "Activities" dossiers are sent out in plain white envelopes bearing no organizational emblems. Deniability is a priority, and the whole filthy blackmail and extortion program was 100% deniable—until Slabodkin's defection, complete with reams of AIPAC documents.

AIPAC's unit maintains a singularly close link to the ADL's parallel Fact Finding department, which engages in the exact same kind of activity. In fact, shortly after Thomas Dine took over as executive director of AIPAC, he hired Amy Goott as the first full-time staffer of the Policy Analysis unit. Goott had worked for years at the ADL; her shift of address was apparently blessed by her bosses at the League, and she continued for a period of time to work for both agencies, thereby assuring near-total integration at the covert operations level.

One feature of the job that ultimately got under Gregory Slabodkin's skin was the fact that many of his targets were themselves prominent Jewish activists, usually affiliated with left-wing causes in both the United States and Israel. Many were outspoken critics of the Israeli Likud government's brutality toward the Palestinians living in the occupied territories. Many simply favored a peaceful and equitable solution to the Arab-Israeli conflict. Many of these Jewish activists were treated to the same violence and vicious smearing by ADL-AIPAC that was meted out to Palestine Liberation Organization (PLO) officials!

This "McCarthyite" targeting of prominent Jews who simply bucked the ADL or AIPAC on some policy issue or financial deal underscores the fact that the League and AIPAC are anything but a Jewish "defense organization."

Infrastructure as National Security

Speaking to nearly 100 youthful campaign workers and volunteers in Los Angeles on Aug. 17, Lyndon LaRouche challenged President George W. Bush's "so-called 'economic summit' of a sleeping President," in the only way that can change such a disaster. By making LaRouche's own Presidential campaign the leading Democratic campaign for the Presidency, the White House can be made to get serious about the real "economic fundamentals"—our collapsed national infrastructure. To quote LaRouche:

"What we should do, of course . . . is, recognizing that the rail system and the air-transport system, as presently constituted, is an *essential, national security asset—national economic security asset*—meaning, the nation would be seriously damaged if this thing were to be disrupted, if this were not developed. Therefore, under a situation like this, the government must intervene into areas of basic economic infrastructure, put them back under regulation, provide credit for their rational reorganization, and expansion, and improvement.

"For example: The problem with rails in the United States, the fundamental problems—why we can't even *use* trains that are improved trains—is because the track has not been maintained. The track is not safe to use at high speeds. The systems are old and antiquated. We need, therefore, a national railway development program, as an *emergency program*, at this time. We need a national air-transport development program, so that, while we're trying to reorganize air traffic companies rationally, we must make sure they continue to function; that the maintenance required for aircraft continues, and competently; that aircraft are upgraded, so they don't crash on your roof, or trying to get out of the airport—that sort of thing: So, you must go back to a regulated system, which is government-protected. That does not mean you have to de-privatize everything, but it means you have to regulate it.

"And, the only competent response—and it's an urgent, emergency response, which a real President would have made, at the time that the vacationing President

was talking nonsense in Texas—what we should have done is, said, 'The United States government is going to ensure that rail and air traffic are maintained; that we do not lose that quality, we do not lose that capability. And, the Federal government is going to intervene to get that thing straightened up.'

"Now, that's going to mean raising some money. It's going to mean a change in the present Federal Reserve System; a change in the laws in Congress, going back to a Franklin Roosevelt approach to these kinds of problems. That must be done *now*: What if these companies break up in three months? What if the leading air-transport companies of the United States begin to break up, go into irreversible disorganization, over the next three months, which is now a quite-probable situation? This would be a national security disaster.

"We have no national security disaster in Iraq. We have an Iraq policy, which is a national security disaster, but Iraq is not our problem. Our problem is chiefly right here! In the United States: Our mismanagement of our own society.

"Roosevelt faced that kind of situation in 1932-33, when he was running for President, and when he first became President: Take emergency action, to save this nation; not merely to deal with the crises, which were presented, but to launch programs, using the power of government to do this, to set things into motion. As a result of what he did, in the public sector, and by certain reforms, he created the condition under which we had a very successful—on balance—a very successful progress in economic development, over the period from 1933, actually until 1964. There was a general improvement, despite the injustices, there was a general, net improvement, in the conditions of life in the United States and, to a large degree, outside the United States, as a result of that change."

EIR will publish next week, LaRouche's challenge in full, and an outline of the most important infrastructure building, financing, and regulating required—the response to the economic breakdown which his campaign uniquely can make happen.

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