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Opposition and Economy May Yet 'Jam Up' Iraq War
Russia Looks at LaRouche Economic Alternative
Brazil's Big Election Winner Wants New Bretton Woods

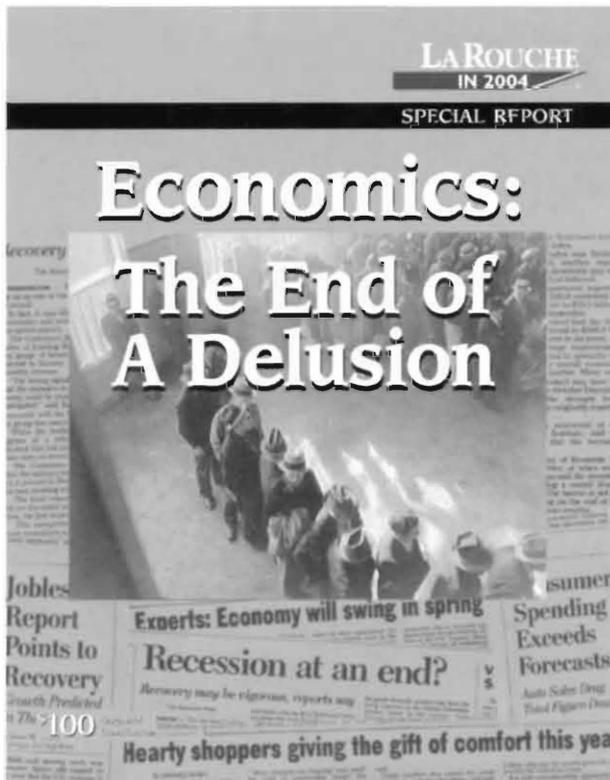
What Bush Doesn't Know: American System of Economy



Economy in Crisis:

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—Lyndon H. LaRouche, Jr.

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From the Associate Editor

European Commission President Romano Prodi of Italy, long a die-hard supporter of the European Union's monetarist Stability Pact, told the daily *Le Monde* on Oct. 17 that he has changed his mind: He now realizes that the Pact is "stupid, like all decisions that are too rigid." Prodi's recognition of reality takes us one step closer to implementing Lyndon H. LaRouche's call for a New Bretton Woods financial system. With the Stability Pact proclaimed dead, it is time for European countries to step forward to establish national banking arrangements, to replace Sir Alan Greenspan's central banking system and the bankrupt International Monetary Fund.

LaRouche's *Feature* lays out the conceptual basis for understanding why such a change is necessary, in order to prevent the current financial and economic collapse from leading into a Dark Age. Discussing the American System of political-economy, he writes: "The relevant moral and economic-science principle is, that no alien power not fully accountable to the sovereign nation-state government for the effects of its practiced policies, should be allowed to exist as a power above the sovereign nation-state." A new type of banking system must be created, with national banks which "maintain the framework within which the private banking and related functions of society are regulated and otherwise encouraged to do good."

LaRouche's ideas are at the forefront of debate in nations looking for a solution. In Brazil, the election victory of LaRouche's friend Dr. Enéas Carneiro has become a nightmare for the IMF forces (see *International*). In Russia, two LaRouche representatives addressed a conference on "The State of the Global Financial System and Tactics for Corporate Development," briefing Russian government and business representatives on LaRouche's New Bretton Woods proposal, and on the vote for a "new financial architecture" on the part of Italy's Chamber of Deputies.

In the United States, the LaRouche movement is organizing for LaRouche's November Program of emergency infrastructure buildup. See our transcript of the webcast by LaRouche Democratic candidate for Senate from Virginia, Nancy Spannaus, joined by transportation expert Dr. Hal Cooper, discussing a crash program for high-speed rail development in North America.



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A Great Friend and Preacher of Peace.

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Russia Sees Global Crisis, Looks at LaRouche Alternative

by Jonathan Tennenbaum

The attention of Russia's political elites is now focussed, as never before, on the interconnected menaces of the global financial crisis, and the insane U.S. "pre-emptive war" strategy. Thus a recent visit to Moscow by Schiller Institute representatives Jonathan Tennenbaum and Karl-Michael Vitt, encountered intense interest in the worldwide influence of Lyndon LaRouche and his international movement—LaRouche's U.S. Presidential campaign, the recent Italian Parliament resolution in favor of the "New Bretton Woods" policy, and the stunning victory of Dr. Enéas Carneiro and other LaRouche allies in the recent elections in Brazil.

Among numerous other meetings, Vitt and Tennenbaum participated in a two-day conference on "The State of the Global Financial System and Tactics for Corporate Development" held at the Financial Academy of the Government of the Russian Federation, attended by 70 representatives from the government, the State Duma (parliament), foreign embassies, and Russian banks and businesses. Addressing the conference alongside Dr. Tennenbaum were: former Central Bank chief and current head of the Russian National Banking Council, Viktor Gerashchenko; Gov. Konstantin Titov of Samara Province; Chairman of the Duma Commission on Credit and Financial Markets Alexander Shokhin; well-known Russian financial experts Andrei Kobyakov and Mikail Khazin; economists Tatyana Koryagina and Prof. Georgi Pirogov, and others.

Of particular interest were comments made by Gerashchenko immediately after Tennenbaum's speech, addressing some of the points raised by the LaRouche representative.

U.S. Crisis Is the Focus

Tennenbaum had pointed to LaRouche's unparalleled track record in economic forecasting, particularly his famous "Ninth Forecast" from 1994, in which LaRouche declared

that the present world monetary and financial system was doomed and could not be saved in its present form. Emphasizing the global systemic nature of the crisis now entering its acute "terminal phase," Tennenbaum presented data on, not only the United States, but also the disastrous situation developing in Europe, Japan, and the developing sector. And he detailed recent, worldwide motion towards LaRouche's "New Bretton Woods" solution. He read key paragraphs from the Russian-language translation of the Italian Parliament's resolution No. 6-00030 on the need for "a new financial architecture"—also distributed in full to all conference participants with the Russian text of Helga Zepp-LaRouche's "New Bretton Woods" petition—and discussed the historical significance of the Brazilian election results.

Citing Tennenbaum's presentation, Gerashchenko said that it was now obvious that a global financial crisis is under way. One of the world's senior banking and monetary authorities, Gerashchenko then drew attention to the text of the Italian resolution, saying that it was "a very favorable development" and that "our Parliament should absolutely take this up. . . . I want to add an optimistic note," he continued. "There are enough clever people in the world, who have studied the past and can find a solution" to the present crisis.

Gerashchenko also welcomed the electoral victory of "anti-globalists" in "the great country of Brazil." Although citing "objective" aspects of the globalization of world production, he said this does not eliminate the need for regulation and directed investment. "We need some regulation of financial flows, to avoid a 'domino'-like collapse of the financial system," Gerashchenko insisted. Calling the world population's consumption level too low, he said it is necessary to boost purchasing power, and to use "interesting projects" to move the economy ahead.

Pointing to the post-war Marshall Plan, which created "a

new technological wave” and prosperity in Europe and the United States, Gerashchenko said Russia today should take up modernizing and developing the railroad network across Siberia, building an East-West transcontinental highway, and other infrastructure projects. Some argue there is not enough money for such projects, he said, but speakers at this conference have just reported on the vaporization of \$19 trillion in the current stock market collapse.

‘Not Found in Economics Textbooks’

Another prominent speaker showed the growing awareness of the global systemic crisis: Alexander Shokhin, a former member of the Russian government, now head of the Credit and Financial Markets Committee of the State Duma, and generally an “economic liberal.” Shokhin repeatedly stressed the “multiple uncertainty factors” in the world economy, “which call for multiple scenarios in monetary and credit policy. . . . Russia must have contingency plans to protect the Russian economy in the event of all kinds of developments in the world economy,” including oil-market turbulence from an Iraq war.

Economists Andrei Kobyakov and Mikhail Khazin each presented the latest findings from their ongoing research on the U.S. financial and economic collapse, in particular the demise of the New Economy hoax. Kobyakov underlined the fundamental differences between the current crisis, now exploding in the center of the world economic and financial system—the United States—and earlier crises that were “on the periphery.” Khazin likewise emphasized that the United States is suffering “a structural crisis, of the sort not found in the economics textbooks.” He characterized official U.S. economic statistics as “completely unreliable. . . . It is impossible to stop the crisis except for a systemic reorganization.” (Khazin’s recent article in *Ekspert* magazine, appeared in translation in *EIR*, Aug. 9, 2002.) Khazin linked the Bush Administration’s drive toward war to a desperate attempt to “solve” the financial crisis by trying to grab control over Middle East oil resources. “What worries me, is the lack of ability of the U.S. Administration to find a real way out of the crisis,” he said. As a result, its behavior “threatens the very survival of humanity.”

The second day of the conference was in roundtable format. It led off with Dr. Tatyana Koryagina presenting the record of her economic and political forecasts, including the widely publicized Summer 2001 forecast of catastrophic events about to hit the United States. She emphasized her expectation of a major destabilization of world oil markets, and analyzed “the Malthusian world oligarchy,” which wants to reduce the world’s population by over half, reserving a decent standard of living not even for the proverbial “golden billion,” but for an elite of only 150 million or so people.

There was animated discussion about the significance of “U.S.-Russia partnership” under such circumstances. Tenenbaum developed the New Bretton Woods concept from the history of the sovereign nation-state, and described the

United States as split between a neo-imperial “war party”—hostile to U.S. constitutional principles and traditions—and the faction led by LaRouche, that desires to revive the United States as an historically unique constitutional republic devoted to realizing the common good. This situation requires a sophisticated approach from Russia and other nations, recognizing that the battle is over the future of the nation-state. While it is illusory and dangerous to seek partnership with a “New Roman Empire,” Russia can ally with forces representing the real constitutional tradition of the United States.

Prof. Grigori Pirogov of the Institute of Comparative Political Science, Russian Academy of Sciences, who hosted LaRouche in 2001 at his seminar series at the Lebedev Institute of Physics, spoke on the need for Russia to utilize its strategic position in the crisis. He cited LaRouche on the importance of actions by the “strategic triangle” of Russia, India, and China. Pirogov reviewed the crisis in Japan and the growing Asia-wide role of China, stressing Asian cooperation in the face of International Monetary Fund (IMF) policies “that destroy the productive base of nations.”

Deep Concerns About U.S. Policy

A recurring theme in the financial meeting and practically all other discussions in Moscow, was shock and horror at the implications of the Bush Administration’s current drive toward war in the Middle East. Typical, were private remarks by a senior Russian Academy of Sciences expert on Asia, who repeated again and again his concern that the U.S. war drive would ignite a new East-West conflict with “unpredictable consequences,” and cause a “terrible regression in international relations.”

“You can’t underestimate Asia and the Asian reaction, the way Washington is underestimating it now,” the expert stated. “Remember, India is a powerful nation which has made nuclear weapons. China is a huge, powerful nation. During the last Gulf War, I heard even moderate people in India referring to the U.S. bombardment of Iraq as an ‘attack against Asia.’ The Arab nations, despite their lack of unity, are seeing the U.S. policy as an attack of the West against the East. You can’t approach Asia on the basis of the Huntington doctrine. If this war occurs, the whole reform process in Russia, China, and India will be frozen. We could be heading into a destruction of civilization as a whole. This U.S. policy is completely out of contact with reality. I am sorry to say, that people here are more and more often talking about the United States moving toward a ‘fascism with American characteristics.’”

He emphasized the importance of an intense new round of diplomatic activity in Asia, including a forthcoming Asian tour by Russian President Vladimir Putin, which will include visits to India and China. Another well-informed Russian judged that, in reaction to world strategic developments, the Russian government was moving toward a much more “hard-line” foreign policy, and that significant changes in economic policy may be in the works.

Whatever Happened To Accounting?

by Lyndon H. LaRouche, Jr.

October 14, 2002

Once upon a time, there was a mighty Empire known as “The Domain of Financial & Cost Accounting.” Suddenly, after a long reign, it vanished. Among the few living survivors of that cataclysm, almost no one ever spoke of it again; popular denial went to such extremes, that people reacted by attempting to walk through any space occupied by the rare individual so reckless as to mention the fallen Empire’s name.

Only one survivor knew the reason for the Empire’s fall. His existence was rarely referred to, and even he was regarded as a purely mythical existence, referred to on rare occasions as “The Prophet.” For them, in current, post-doomsday popular opinion, he was a purely mythical, Cassandra-like figure who had inhabited that Domain of Accounting which, like mythical Troy, had never existed, “after all.”

For a time, the archaeologists engaged in uncovering the shattered broken remains of that wasteland were gripped in vivid debate: “How and Why?” In the end, the archaeologists decided to agree: “Since history is always shaped by popular issues, and never by the ideas of rare individuals, popular opinion could never accept the suggestion that the ‘The Prophet’ had existed. Therefore, for us academics, as true and faithful believers in popular opinion, there will never be a plausible explanation of the causes for the fall of that Empire. It was the work of some Invisible Hand.”

What had really happened?

The magi whose rule-of-thumb number theories had ruled the fallen Empire, had set up a set of rules of accounting, by which they proposed to convince both the Emperor and populace, that the policies which they called by such names as the all-powerful deity Bottom Line, ruled the universe. Whatever the accountants presented, by their calculations, as the Voice of the Bottom Line, popular opinion applauded, and the Emperor, understanding nothing of importance about much of anything, put on his ceremonial facial expression of The All-Knowing One, and nodded in agreement as he decreed whatever the official Voice of the Bottom Line proposed.

The Trouble With All That was that there was no consis-



tency between the way in which the physical universe works, as a whole, and what the magi’s system described as cause-and-effect. So, the Bottom Line evaporated, and the Empire of Financial Accounting with it.

Had the accountants, as those magi were called, faked the figures? Yes, they had done that, more and more, as the Empire verged near its inevitable, ultimate collapse; but, that fakery was only a contributing factor in what would have been the inevitable collapse, even without such frauds. The doom reposed in the way in which the accountants charged costs and expenses, and rigged the result to puff the fiction of the Bottom Line. Thus, they cut the allocations of resources which actually prompted economic growth, and, in this way, in the name of Balancing the Books, destroyed the existing physical basis for growth, for the purpose of improving, fictitiously, the appearance of the Bottom Line. The magi, with their Gramm-sized minds, were destroying the physical basis for the continued existence of the Empire, with each step of fiscal austerity toward the illusory satisfaction of the Bottom Line.

The same forces of natural selection wiped out many an individual firm. Sooner, or later, the same bankruptcy would, and did overtake the Empire as a whole.

Reality Does Not Permit Budget Balancing

by Rainer Apel

The economic policy announced on Oct. 16 by the two parties of the re-elected government of Germany—Social Democrats (SPD) and Greens—lacks any grand design for recovery from the depression state of the European economy, and so resorts, for now, to more of the already-failed policy of austerity.

The new Cabinet has failed to take up reasonable, though limited initiatives against monetarism, put forward during the election campaign. A project discussed by government experts in mid-August, to create incentives for the productive *Mittelstand*, the small and mid-sized German industries, through state-guaranteed infrastructure and construction bonds in the range of 150 billion euros, has been dropped. Proposals to create additional maneuvering room for the government to act against the economic depression with special investment and labor market programs, by lifting the Maastricht budgeting criteria of the European Union, has not found support among the German government, yet. Proposals to do more than to merely restore the infrastructure and industrial capacities destroyed by the August flood catastrophe in eastern Germany—to allocate more funds and go for some bold designs of economic development—have not been listened to, either.

The fact that Green party ecologists sit in the new Cabinet, implies that Chancellor Gerhard Schröder's second term will continue the policy of an "exit" from nuclear technology—a rather insane decision when world developments may feature a war in the Middle East oil-producing region, with an uncertain future for the oil supplies to Europe. And the government's decision to tax natural gas at the same level as crude and heating oil, from 2003 on, means an additional burden on the consumer—and that is the vast majority of citizens in Germany, who depend on affordable natural gas for their household heating. In terms of securing energy supplies, the new government has failed already at its start.

Still Genuflecting to Maastricht

Instead, the new government's platform states loyalty to the Maastricht criteria and to the policy of reaching a balanced budget during 2004-2006. The French government, by comparison, has already publicly thrown off this balanced-budget goal.

There is now a Europe-wide debate over those criteria which the Germans still pay so much homage to, so that a review, if not total collapse of the Maastricht system, even before the end of the year, cannot be ruled out. The German pro-Maastricht loyalty is, in reality, only lip-service to a system that no longer works, and which is no longer respected anywhere in Europe. The government platform presented to the public in Berlin, may not be the last word, therefore.

The only potentially good aspect in the platform is the commitment to increase the government's direct investments from 22.9 to 29 billion euros, in 2003—an increase by almost 30% over 2002. This does include 4 billion for reconstruction of the flood-devastated regions in east Germany. Related, is the commitment to give more incentives to the *Mittelstand* in eastern Germany, notably in the municipalities, and to put the emphasis on public sector infrastructure development in the east. There, a role for the Kreditanstalt für Wiederaufbau (Reconstruction Finance Agency) is addressed in the government platform, though limited in scope to 10 billion euros, annually.

The government's strange balanced-budget commitment is undermined already by a drop in tax revenues of 14 billion euros this fiscal year. Finance Minister Hans Eichel admitted a few hours after the presentation of the platform, that the German government will not be able to stay below the Maastricht limit of 3% of GDP in new debt, this year! The real situation may prove worse, when the next official half-year tax review is presented around mid-November: a gap not of 14, but of 20 billion euros is likely, according to numerous experts. An economy with an unprecedented 42,000 corporate bankruptcies this year is slashing the number of taxpaying firms and workers.

The new government ought to create incentives for the most productive sectors, such as aerospace, nuclear technology, transportation systems like the maglev train, machine-tool production, and manufacturing in general. This will employ more skilled workers and engineers, reduce expenses for unemployment support, and help to build a sound tax-revenue base for the future. What Berlin intends instead, is to just fill the 14 billion euro hole in the budget. In FY 2003, Berlin plans to raise 11.6 billion euros in new tax revenues: 7.4 billion by cancelling value-added-tax rebates, and 4.2 billion from the next stage of the ecology tax (on natural gas). This, plus the cancellation of state support to non-family homeowners, will burden the population in general. In addition, billions in new budget cuts will hit the unemployment administration (4 billion), long-term jobless support (2.3 billion), and the public pension system (1 billion). With that, the new government will soon get into serious conflict with the labor unions and aid organizations.

The certainty remains, that economic reality will assert itself with such shocks, that the government will be forced to abruptly change course, stop its futile budget-balancing, and throw the SPD-Green platform on the garbage heap.

U.S., Japan, Germany Bank Systems Melting

by Richard Freeman

The United States' bank regulatory agencies' annual review of syndicated loans in the country, called the "2002 Shared National Credit Review," has opened eyes about the true state of America's banking system. The report, released Oct. 8, shows that between 2000 and 2002, the percentage of loans that are classified as "adversely rated or troubled" has more than doubled. Exemplifying the crisis, the next day Moody's Investor Services downgraded, once again, the long-term debt of America's second-largest bank, J.P. Morgan Chase.

This crisis is clearly not confined to the United States. Japan's government has announced its third major bank "reorganization/bailout" program since 1998. Japanese banks have more than \$1 trillion in non-performing loans. In Germany, Commerzbank—once a titan of that nation's banking sector—is melting away, having lost, since January 2000, 88% of its stock value, and rumored suffering major derivatives losses.

Never in post-World War II memory, have the banking-financial systems of the three major economic powers—the United States, Japan, and Germany—experienced such crises simultaneously. Combined, these banking systems possess between two-fifths and two-thirds of the assets of the world's banking system. The breakdown conjuncture of these nations' interconnected bank systems defines a crisis point of the world financial system.

More and More Troubled Loans

The Shared National Credit Review (SNCR) is compiled once each year by the three major American bank regulatory agencies—the Federal Reserve Board of Governors, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC).

The SNCR reports on two broad categories of what it calls "adversely rated," or in common parlance, troubled loans. The first category is defined as "classified loan commitments," or "loans that have well-defined weaknesses." This includes loans that are a) substandard; b) doubtful; or c) in default/loss. The second type of adversely rated loans is that of "special mention loans," which are loans that "exhibit potential weaknesses, which may result in further deterioration if left uncorrected." These are not yet "classified," but are headed in that direction.

Table 1 shows the story. What is stunning is the increase in the volume of troubled "classified loan commitments," from \$22 billion in 1997, to \$157 billion in 2002, a sevenfold increase (within this category, the loans in default leapt from \$0.9 billion in 1997, to \$19.6 billion in 2002). Moreover, just between 2000 and 2002, "adversely rated loans" as a portion of total loan syndication commitments more than doubled, from 5.1% to 12.6%.

The telecom sector represents a problem spot: 44% of the syndicated loans to that sector are "adversely rated."

Compounding the problem is the high rate of indebtedness: David Gibbons, who is the OCC's deputy comptroller for risk, told the Oct. 9 *New York Times*, "We still have a lot of leverage in the system." The average corporation has debt that is 6.1 times its cash flow, based on an analysis of Federal Reserve data. That is a greater debt burden than corporations carried during the last two recessions, according to Gibbons.

Exemplifying the American banking system's overall crisis is the giant J.P. Morgan Chase Bank's evaporation. On Oct. 9, Moody's Investor Services cut its rating on Morgan Chase's long-term debt, by one notch, down to "A1," which is its fifth-highest grade. This affects the rating on \$42 billion

TABLE 1

Loans Commitments That Are Troubled in the United States

(\$ Billions)

Year	Classified Loan Commitments	Special Loans	Total Adversely Rated Loans	Total Loan Commitments	Adversely Rated as % of Total Commitments
1997	\$22	\$20	\$42	\$1,435	2.9%
1998	22	23	45	1,759	2.6%
1999	37	31	68	1,829	3.7%
2000	63	36	100	1,951	5.1%
2001	118	75	193	2,050	9.4%
2002	157	79	236	1,871	12.6%

Source: 2002 Shared National Credit Review.

of Morgan Chase's long-term debt. J.P. Morgan Chase, with \$713 billion in assets, is the world's leading derivatives bank, with \$26 trillion in such highly leveraged bets. Since the start of 2001, Morgan Chase's market capitalization has gone down from \$106.5 billion to \$33 billion. Morgan Chase is undergoing a death seizure which mirrors that which Enron experienced during 2001, where each month, it shrinks further.

Morgan Chase Chairman William Harrison has announced that he plans to fire 20% of the bank's investment banking division, which employs 20,000 people. (This would bring the number of workers fired at all divisions of Morgan Chase to 14,000 since the merger of J.P. Morgan and Chase Manhattan banks in December 2000.) On Oct. 9 the *Financial Times* reported a joke making the rounds on Wall Street, to the effect that a newspaper headline will soon appear, reading, "J.P. Morgan To Cut Workforce 120%." The same day, *Financial Times* "Lex Column" called Morgan's firings "haircuts [that] are getting close to the scalp—which may be in line with prevailing fashion, but makes each round harder to handle without damaging the franchise."

Japan and Germany

Bank of Japan (BOJ) Governor Masaru Hayami announced on Oct. 11, "The strength of [Japan's] banks has declined and the market's trust has been damaged. If there is a crisis, we will serve as lender of last resort." There will be the third banking system "reorganization/bailout" since 1998. The BOJ will attempt a very delicate operation in which Hayami will try to facilitate the purchase and write-off of bank bad paper, while continuing the functioning of Japan's heavy industrial enterprises.

In Germany, Commerzbank was hurt further by an early-October memo from Merrill Lynch, reporting that Commerzbank has sustained credit derivatives losses. Commerzbank's stock fell from 44 euros in 2000, to 5.3 euros on Oct. 8. Moreover, the market share price of other financial institutions which make up Germany's main stock index, the Dax-30, have also experienced huge losses: Bayerische HypoVereinsbank, -84%; Deutsche Bank, -64%; Allianz/Dresdner Bank, -83%; Münchner Ruck, -75%; and MLP, -96%. The entire market capitalization of these six banking firms plummeted from a combined 330 billion euros in 2000, to just 71 billion euros in early 2002, a fall of 78%.

The collapse of the physical economies of these three nations is accelerating the banking-financial crisis.

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South African Strike Exposes False Choices

by David Cherry

At the ruling African National Congress's policy conference in Johannesburg in late September, with the national trade union strike in prospect, South African President Thabo Mbeki angrily declared that the ANC was "under attack from domestic and foreign left sectarian factions" who accuse the party of turning its back on the poor. He was absolutely right. The jackals are gathering to feed on the discontent and misery partly unavoidable in the immediate post-apartheid years, but which are increasingly the consequence of the globalization and privatization policy into which President Mbeki himself has been steered by his Anglo-American self-declared "friends." South Africa can be brought to its intended end as a "failed state" by the policies of the left, or by Mbeki's own policies, or by the two in competition. But it need not happen.

Africans have difficulty believing that the Anglo-American powers contributed to the ending of apartheid for the purpose of imposing on the entire continent a combination of policies of differing political stripes that is even worse. It is a replay of the British use of its drive against the African slave trade in the 19th Century to seize much of the continent—but now with much greater human suffering in prospect. These are the policies of principalities and powers that are imposed by polite, friendly, and apparently well-intentioned people who are, nonetheless, the walking dead.

Trade Unions Offer No Alternative

The occasion for President Mbeki's attack on "domestic and foreign left sectarian factions" was the approach of the national strike of Oct. 1-2 led by the Congress of South African Trade Unions (COSATU), a member—along with the ANC and the South African Communist Party (SACP)—of the now strained tripartite governing alliance. Statements by Mbeki indicate that he blames COSATU for being guided by these "factions." We are confronted with a picture of President Mbeki and the ANC leadership on one side, and COSATU and the SACP on the other, playing out their scripted parts in a variation of what has already happened in other countries such as Peru, Mexico, and Colombia, leading to the destruction of national sovereignty and potential for development.

For his part, Mbeki supposes that a global financial system that is collapsing will fulfill its promises to inject capital to help develop the country, so long as free trade and privatization inducements are provided. In Mbeki's reckoning, a social

safety net redistributing wealth to the poorest will meanwhile cushion the transition to the new dawn. The global financial system, on the contrary, must *extract* capital from South Africa just to keep its huge bubble from bursting. There will be no new dawn, under this bankrupt system. The recent announcement of plans to interconnect the national electrical grids, from South Africa to Uganda, is a case in point. The big money for this selective infrastructure is for making a market in electricity; no large increase in *generating capacity for manufacturing and household use* has been mentioned.

COSATU, apart from being exactly right about the evils of globalization and the necessity of ending privatizations, is also—like the ANC government—promoting policies that call for the redistribution of existing, and dwindling, wealth. Thus, neither side has a vision of how South Africa can rapidly increase the production of wealth under conditions of a worldwide financial and productive collapse.

Who in the world today understands economics as a process of the advance of the cognitive powers of the individual, and of the construction of the subsumed physical productive capacity? Is it not thought-provoking that the minds behind the development of the United States, Germany, and Japan—and the primary exponent of their approach today, Lyndon LaRouche—do not figure in public discourse in South Africa? These are minds such as Benjamin Franklin, Alexander Hamilton, Lincoln’s adviser Henry Carey, Friedrich List, and the thinkers of Japan’s Meiji Restoration—not one free market or privatization advocate among them. Is it not also curious that the two courageous South Africans who most shared in this thinking in the 1930s and 1940s, Moses Kotane and H.J. van der Bijl, are all but forgotten?

Support for the National Strike

Social conditions in South Africa form part of the backdrop to the national strike of Oct. 1-2. According to UN Development Program data cited by COSATU, South Africa is one of the five most unequal countries in the world, in terms of living standards. The UNDP reports that one in seven South Africans does not have piped water, making it worse off than Zimbabwe, Morocco, and Indonesia in that respect. Its infant mortality is the 57th worst, on a par with Algeria and Syria. These conditions result from the legacy of apartheid—the ANC only came to power in 1994—combined with the results of Anglo-American financial hegemony in the years since.

COSATU reports that unemployment in South Africa has increased from 16% in 1995 to almost 30% today. Job losses have run at about 100,000 per year in that period. With the loss of formal jobs, South Africans have sought work in the so-called informal sector, so that more of those who are employed today have very low-level work. According to *Statistics South Africa*, 35% of workers earned less than 1,000 rand a month in 1995; but by 2001, the figure had climbed to 39%, and R1,000 was worth more in 1995. (The rand, worth 28 U.S. cents in 1995, is now worth 10¢.)

COSATU has sponsored strikes and demonstrations

against privatization, anti-labor legislation, unemployment, and high interest rates since 1995. The strike of Oct. 1-2 was called against privatization, unemployment, and high prices, especially soaring food prices.

While the South African Chamber of Business estimated participation at 15%, it was clearly larger. The executive director of the Cape Chamber of Commerce, Albert Schuitmaker, said that participation would have been greater were it not that, “With rising inflation and particularly the cost of food prices going up, workers have realized that missing a day’s wages, even two days’ wages, is quite a dent to their income.”

Highlights of COSATU’s report of the first day’s activity include that, although municipal buses were running in Johannesburg, they were mostly empty; in Pretoria, buses were not running, but the train station seemed almost normal. There was “unprecedented support” among miners, including “massive response” in Free State, Rustenburg, and Witwatersrand. In the Witwatersrand industrial area, there was an estimated 60% stay-away and municipal workers were on strike in most areas. In Durban, it looked “like a public holiday,” and there was “very strong support from the port workers, who are threatened with privatization soon. About 2,000 COSATU members and others marched on Parliament” and submitted a memorandum with its demands. “Overall,” the report concluded, “we estimate that at least 80% of mining and manufacturing workers have joined the stayaway.”

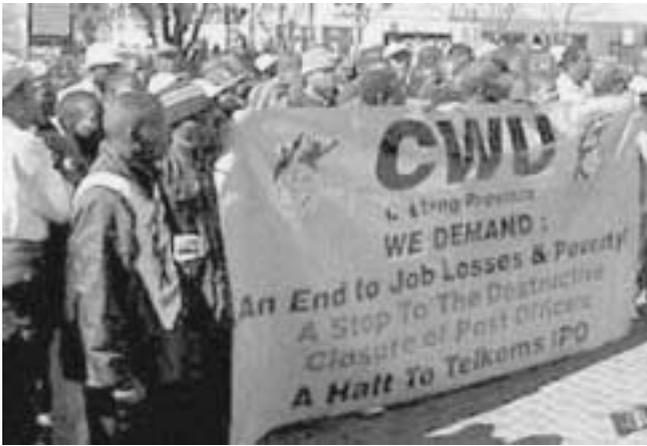
According to the South African Democratic Teachers Union, teaching almost ceased on the first day in many schools in Gauteng province, which includes Johannesburg and Pretoria. In Mpumalanga province, the teacher stay-away rate varied from 15% to 35%. Schools in four other provinces, including Eastern Cape, were on holiday, but 50% of non-teaching officials in the Eastern Cape education department stayed away.

On the second day, according to COSATU’s detailed report, participation remained strong.

The Case Against Privatization

COSATU’s Anti-Privatization Memorandum, issued on Oct. 1, argues that privatization leads to higher prices for basic services; decreased and inferior quality services for the poor, since they cannot afford the services provided by private interests; decreased capacity of the state to restructure the economy to ensure infrastructure development and growth; and the “casualization” of labor and removal of workers from established bargaining units in the public sector.

The case is not abstract, since it has already been proven everywhere, including in South Africa itself. Johannesburg privatized its water services to a group including Suez Lyonnaise des Eaux, the same French company that is the largest shareholder in the consortium that took over water and sewer services in Buenos Aires, Argentina. There, the price of water was supposed to drop by 27%; instead, it increased by 20%. Wherever Suez Lyonnaise comes in, prices have gone up—



South Africa's Communications Workers Union striking against privatization, and marching outside the Johannesburg Stock Exchange. Representatives of three other unions which took part in the anti-privatization strike Sept. 30 (from left): Dirk Herman of the Mineworkers Solidarity Union, Silumko Nondwangu of the National Union of Metalworkers, and Senzeni Zokwana of the National Union of Mineworkers.

including in Paris. Why shouldn't they? Isn't that what privatization is really all about, from California to the Himalayas? The company promised to build a new sewage treatment plant in Buenos Aires, but did not, and almost all of the city's raw sewage is flowing into the Rio del Plata. The Johannesburg Metropolitan Council, in violation of law, made its decision to privatize in secrecy.

Privatization of water in KwaZulu-Natal province (KZN) to Specialised Outsourcing (Outsors) led to the hiring of private security toughs to disconnect those too poor to pay, and to a 28% price increase in the Durban Unicity in May 2001, in the midst of a cholera epidemic. Households in northern KZN served by Umgeni Water had begun to receive 6 kiloliters of free water monthly, but the rural areas, much affected by cholera, were not included, and the rural households were paying a flat 20 rand a month for water and sewer.

In Eastern Cape province, water disconnections in Highland View forced residents to drink from old pipes next to the sewage treatment plant. Four persons from disconnected households were hospitalized with cholera at the beginning of May 2001; one died. It was the first appearance of cholera in the province in recent memory.

South Africa's state-owned electricity producer, Eskom, presents another ugly picture. It has been preparing for 30% privatization for some time, with commodities trader Walter Kansteiner—now U.S. Assistant Secretary of State for Africa—having counselled one of the unnamed candidate purchasers. Eskom has been brutal in preparing for privatization by attempting to show that it could “recover costs.” While the Cabinet declared in March 2001 that every home should get 50 KWh of free electricity every month, Eskom announced about the same time that it would be disconnecting 20,000 households each month in Soweto alone. This was being carried out in the weeks before the June 21 onset of Winter in the southern hemisphere, and included a June 5 incident in which Eskom security guards wearing bullet-proof vests fired

a dozen or so rounds on Soweto residents resisting disconnection of service.

Eskom announced that its profits were up 37% in March 2002, just as the government announced that the national electrification program was “not commercially viable.” This is the International Monetary Fund's policy without the IMF. IMF loan agreements in Africa now often include the condition that water infrastructure either be privatized or operated with full cost-recovery.

Mbeki's Case

Mbeki cannot answer COSATU on privatization, and has not attempted to do so. His weekly letter in the online *ANC Today* for Oct. 3-10 responds to COSATU by citing major advances since the ANC came to power in 1994, including that many people in the rural areas now have access to piped clean water, electricity, and primary health-care centers; that mothers and babies now have free health care; that children now have a free meal at school, and so on.

The week following his letter saw major new steps. The Cabinet announced that the price of white maize meal will temporarily be subsidized at almost 50%, because of soaring prices. Meanwhile, the re-establishment of a strategic grain reserve is being considered and a Food Monitoring Committee will monitor the food production process, the supply chain, and the relationship between retail prices and actual costs. The Cabinet is also proposing to Parliament immediate increases in pensions, child support grants, foster care grants, and so on. The possibility of a food stamp program is being studied by two government departments.

Moreover, recent legislation making the government the ultimate owner of South Africa's mining lands is now supplemented by the Cabinet's adoption of a Mining Empowerment Charter. The Charter sets a target of 26% ownership of the mining companies by nonwhite South Africans within ten years. On a more urgent matter, it provides for upgrading the

still prison-like living quarters of miners, their conversion to family units, the promotion of home ownership for mineworkers, and the improvement of their nutrition.

The advances the ANC government can take credit for, therefore, lie overwhelmingly in redistributing South Africa's shrinking wealth. But the inroads of globalization and privatization will accelerate the shrinking. The more difficult task of increasing the production of wealth in time of worldwide depression is not being addressed.

COSATU and the Ultra-Left

In attacking what he sometimes calls the "ultra-left," Mbeki is attacking COSATU, or at least its strike leadership. But the core of the "ultra-left" is outside of COSATU. This core considers that President Mbeki has sold out and is now an adversary. It is exemplified by theorist and strategist Patrick Bond and the "global justice movements" he praises, such as the narco-terrorist/separatist Zapatista movement in Mexico. Bond is an associate professor at the University of the Witwatersrand in Johannesburg and a research associate of the Alternative Information and Development Centre.

This ultra-left is simply a local expression of the oligarchy's international right-wing/left-wing apparatus to eliminate the nation-state and industrialization. The left-wing side is directed in a significant degree by Britain's Teddy Goldsmith, founder of *The Ecologist* and brother of the late billionaire Jimmy Goldsmith, and it is partly funded by the Goldsmith family foundation.

Trevor Ngwane, the expelled ANC leader who is secretary of the Anti-Privatisation Forum in South Africa, represents this ultra-left operation in action. He appeared on South African national television during the World Summit on Sustainable Development there, with the message that President Mbeki was a sellout who was working with De Beers and Anglo American. Ngwane has support from such NGOs as the World Development Movement (U.K.) and Peoples' Global Action. PGA is the umbrella under which all of the world's major anti-nation-state, anti-industrial, narco-terrorist gangs assemble.

In contrast, COSATU President Willie Madisha and General Secretary Zwelinzima Vavi are South African patriots who are not ready to break with the ANC, despite the fight over privatization. Their view was expressed in COSATU's pronouncements during the strike, such as the Oct. 2 statement that "we will continue to use any opportunity government offers, for genuine engagement. . . . In September, we agreed with the ANC that we would work intensively to overcome our policy differences. That process should continue."

The problem within COSATU is not just that the ultra-left is influential in some important quarters there. Rather, on privatization and social policy generally, the ultra-left is its guiding leadership. The patriots today are only willing to go so far, but tomorrow, they will be surprised by what is required of them by the logic they have imbibed from the likes of Patrick Bond.

To Build the Future

South Africa cannot develop without international and intercontinental policy coordination in favor of Lyndon LaRouche's approach to nation-building. It could join Malaysian Prime Minister Mahathir's golden dinar currency plan, or produce a plan like it for Africa. It could adopt the kind of exchange and capital controls that are currently protecting Malaysia from speculative attack.

It could also investigate the thinking of the Italian Chamber of Deputies in its Sept. 25 bipartisan passage of a resolution calling for a "new financial architecture," motivated in the final debate by Deputy Giovanni Bianchi, who said, "Not by chance one speaks of a New Bretton Woods. . . . Let us not leave . . . Lyndon LaRouche, who had forecast the destiny of the bubble, to be the only one to carry on this issue. The Italian and Argentinian destiny lies in this." The resolution proposes far-reaching changes in the international financial system that would support the "real economy" and avoid "speculative bubbles." South Africa could also coordinate with PRONA Party leaders in Brazil, allies of LaRouche who scored record electoral victories on Oct. 6, and who are calling for an immediate New Bretton Woods monetary conference.

And what about the State Department and the British Foreign Office? Let them scream.

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Drought Ravages a Continent

Lyndon LaRouche's associates have made great water projects the talk of the nation.

Australia is in the tight grip of what is probably its worst drought since European colonization in 1788. Rainfall levels and water storage are at historic lows, and the value of farm produce is expected to drop from \$9.9 billion this year to \$3.7 billion or even lower, in this, one of the largest agricultural exporting countries of the world. The price of water has skyrocketed, from \$25-50 per megaliter (half the volume of an Olympic swimming pool) to as much as \$1,800; the Southern Hemisphere is just entering Summer, so the situation is expected to get much worse before it gets better. As *The Australian* newspaper summarized the case on Oct. 3, "The present drought is bringing ruination to many farmers, and the human cost is as devastating as the monumental stock [animal] losses."

In this horrific crisis, the notion of "great water projects" and "drought-proofing" the continent, is being widely discussed, in the federal Cabinet, in major talk radio shows, in the print media, and among the business elite. Others have helped popularize these notions, notably billionaire businessman Richard Pratt and the visionary engineer and veteran of the huge, post-war Snowy Mountains Hydro-Electric Scheme, Prof. Lance Endersbee; but the key impetus for the "great projects" discussion now taking place, has been the work of Lyndon LaRouche's associates in the Citizens Electoral Council (CEC).

Back in February, when the water problems were serious, but not yet catastrophic, the CEC issued a detailed proposal for 18 major water projects, which comprised the most compre-

hensive water development proposal in the nation's history. Inspired by LaRouche, and based in part upon Professor Endersbee's detailed studies, the proposal was released in the CEC's *New Citizen* newspaper as part of a special report, "The Infrastructure Road to Recovery—Let's Build Our Way Out of the Depression!" It featured a large map, and documentation which showed how numerous of the nation's rivers, particularly in its underdeveloped North, which now flow unused into the sea, could be turned inland to "make the deserts bloom." The report was sent to 12,000 individuals and institutions in the 20 million-person country, comprising virtually every key figure in political, engineering, religious, social welfare, farm lobby, and other leading institutions.

The CEC's mass organizing around these proposals has contributed to a seeming factional affray in the establishment, with one grouping, centered around Visy Industries Chairman Richard Pratt, championing a \$10 billion plan to line most of the nation's open irrigation channels with pipe, saving up to 80% of water now lost to evaporation. Pratt and his allies, including multibillionaire Kerry Packer, News Ltd. (Murdoch) CEO John Hartigan, and Telstra (national phone company) Chairman Bob Mansfield, have established the Farmhand Foundation, for short-term aid to farmers, and to discuss a long-term "great projects" approach to Australia's perennial drought problems, including turning rivers inland.

On the other side of the street is a collection of so-called "scientists"

who have fanatically denounced any notion of "great projects," and who are crusading for astronomical water price hikes, and *no* water development. Known as the Wentworth group, they were organized by British Royal Consort Prince Philip's World Wide Fund for Nature, which sponsored their inaugural meeting. This motley collection of hacks and quacks, whose eyeball-bulging anti-science ravings would make even the most hardened Luddite blush, is led by environmentalist Dr. Tim Flannery. Flannery has long crusaded to reduce Australia's population to only 6 million, and his Wentworth gang's highly publicized "scientific advice," is that man "just has to live with" Australia's harsh climate and poor soils, and give up any notion of conquering those challenges. The group's name is fitting: William Wentworth was a 19th-Century political stooge for the Crown and its ultra-wealthy "squatters."

Anti-development insanity is not confined to Flannery's flakes, however. Federal and state ministers will meet in November to discuss reducing irrigation flows in Australia's most populated and developed river basin, the Murray-Darling system (comprising 40% of the nation's agricultural output), by 5-15%, in order to "restore the natural flow" of the Snowy River. The Snowy Mountains Hydro-Electric Scheme, which was built from 1947 to 1974 in order to feed that system, has been cited by the American Institute of Engineers as "one of the seven engineering wonders of the world." Even so, Australian officialdom now plans to dismantle it as quickly as they can—and in the midst of the nation's worst-ever drought!

Whom the gods would destroy, they first make mad. LaRouche's CEC may make enough Australians sane, to save them from such madness.

The Emergency Rail-Building Program In the 2002 Mid-Term Election Campaign

Nancy Spannaus, LaRouche Democrat running for Senate from Virginia against incumbent Republican John Warner, held an Oct. 3 Internet webcast, in which she was joined by other LaRouche Democratic candidates and activists, and transportation expert and LaRouche supporter Dr. Hal Cooper of Cooper Consulting Company, discussing the immediate necessity of high-speed rail corridor development in North America. Here are the presentations of Spannaus and Cooper in the webcast, with some of their rail-construction maps and graphics. Subheads are added.

Rail-Building for Economic Development and Peace

Spannaus: Good evening. My name is Nancy Spannaus, and I am a candidate for U.S. Senate in Virginia. I will be on the ballot as an independent, but, as many of you know, I am a Democrat—I am a LaRouche Democrat. Therefore, tonight, we will be presenting the latest initiative from LaRouche: an attempt to bring sanity to the American population, through addressing a major physical-economic crisis which faces our United States.

We're going to be discussing LaRouche's "November Program" for emergency reconstruction—of rail infrastructure in particular, although also touching on how that relates to air, and water, and other means of moving our national economy and holding our nation together.

We're very pleased to have with us, a distinguished consulting engineer on major rail projects internationally—particularly, the Eurasian Land-Bridge, which Mr. LaRouche has championed—Dr. Hal Cooper. He just comes back from a trip to Alaska. He's working on the new lines of communication between Alaska and Canada; and also, has been the author of that famous map which you have occasionally seen in my literature and in *Executive Intelligence Review*, showing the Western Hemisphere connected to Eurasia through the Bering Strait. I'm sure someone will want to ask a question about how that's possible; I've only been asked that about 75 times over the last period.

We also have with us, Marcia Merry Baker, the Economics Editor of *EIR*, responsible for putting together the written version—the dynamic, punchy version—of LaRouche's infrastructure program, which has just been released. She will be helping me field questions, which we expect to be coming

from coast to coast—from legislators, steel workers, other people who are interested in rebuilding our national economy.

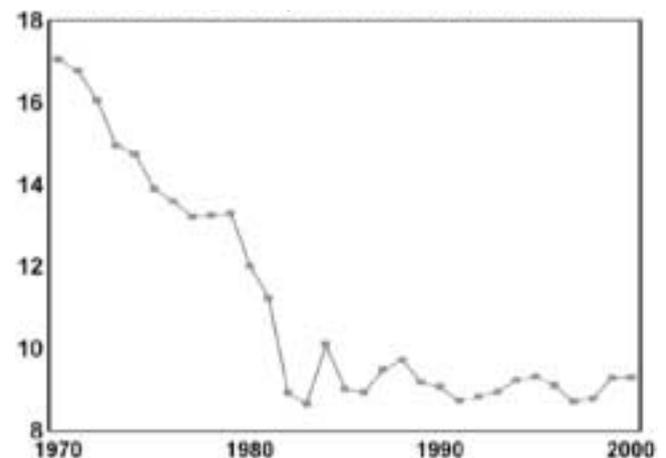
We're also pleased to have in the audience, Laurie Dobson, who is a LaRouche Democratic candidate, newly announced and causing quite a furor, from Darien, Connecticut. She will be, at a later point, giving us her views. She lives on the very crucial Northeast Corridor of transportation of the United States.

Disappearing Rail Grid

To begin, let me give you an overview of the way that we should look at this program—which has to become the major issue between now and the Nov. 5 election. This is the alternative to the insanity of war. You can't even discuss the war, really, without getting involved in the insanity that's coming from the people who are proposing it. We have to deal with the real economy, and the crisis that has developed over the last 30 years, and the fact that we are in the midst of a transportation breakdown, in rail, in air, in water, and now, in our seaports on the West Coast. This is caused, not only by financial considerations, and the bankruptcy of the system; but,

FIGURE 1
**Rail Industry's Shipping of Tons of Non-Coal
Goods, Per Household Basis**

(Tons of Non-Coal Goods, per Household)

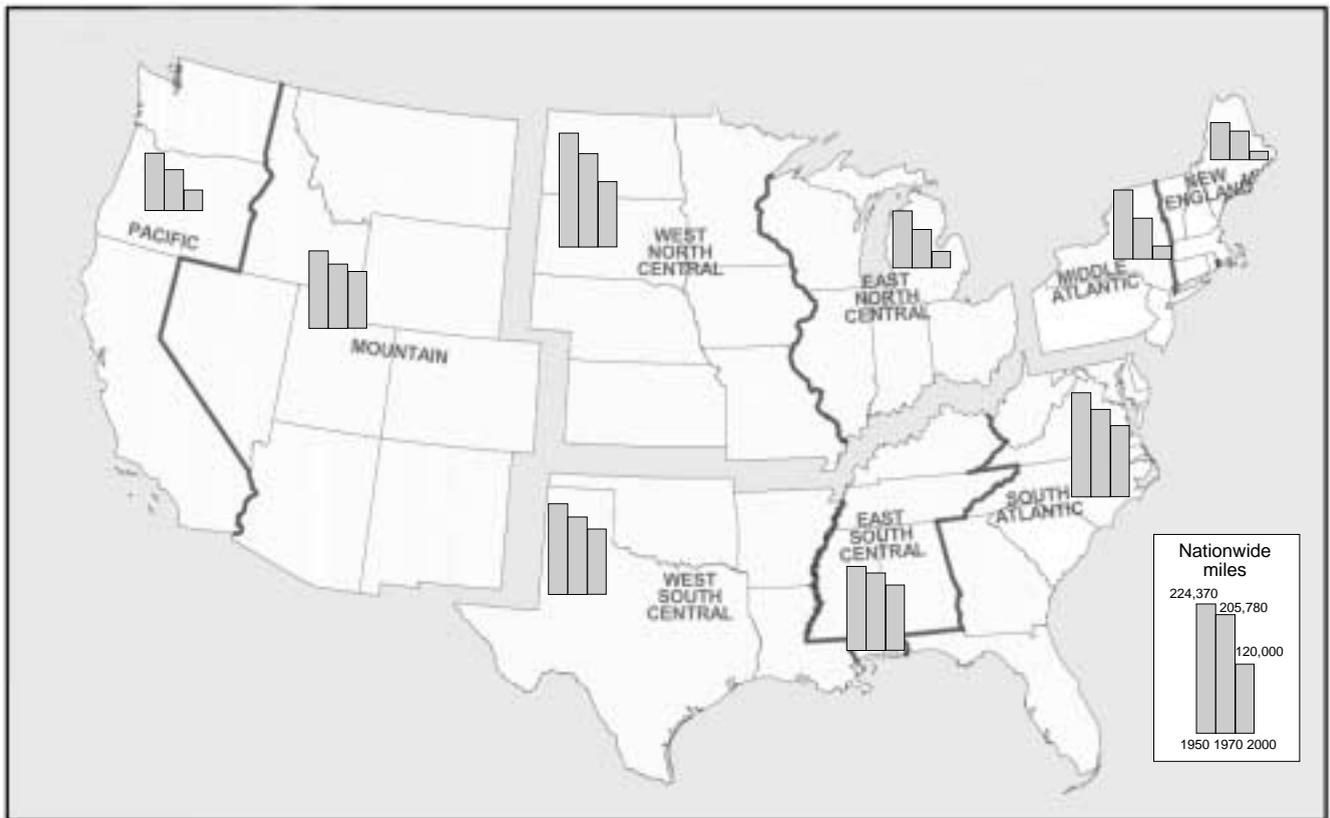


Source: EIRNS.

FIGURE 2

Decline in Railroad-Track Mileage, 1950, 1970 and 2000, by Region

(Miles of Track)



Source: EIRNS.

also, by the lack of investment in maintaining the physical infrastructure, basically since the time of Franklin Roosevelt, or slightly thereafter.

Just to give you a quick overview of what this looks like—first slide, please (**Figure 1**). This will give you some of the long view, of what’s happened with rail since 1970. Rail is, of course, as Mr. LaRouche points out, the most efficient mode for a large percentage of the capital equipment and goods that we need to move around, to have a unified economy. Obviously, not everything; for the major bulk raw materials, which don’t need to arrive just in time, or even very rapidly, you can use barges and water transportation. For something that needs to be moved very, very rapidly, you can use air over long distances. But, one of the major backbones of the national economy must be the rail industry.

And what you see here, is that we have had a collapse in the usage of rail, of a dramatic sort. You notice, this says “non-coal goods.” We are doing some very *inefficient* things with rail; moving coal, which could not only be moved by barge, but upon which we’re much too dependent for our

energy. So that is an inefficient use. This, is non-coal goods per household.

Next (**Figure 2**): Going along with the reduction in usage, you’ve had a decline in the railroad track mileage in the United States. There were three benchmarks. In each of these areas of the country, you see: on the left, what it was in 1950; in the middle, what it was in 1970; and on the right, what it was in 2001. You notice that in many areas of the country—particularly the West North Central, the East North Central, and, if you look at the Northeast, a *major* decline between 1970 and 2001 in rail track mileage.

Keep in mind, that this is not only freight; this is also passenger rail. In many places in our country, the same track is used for freight and passenger.

We’ve had a take-down of capacity which has actually left some of these states without the ability to access our rail system. The one, in particular, that Dr. Cooper and I were discussing before, is South Dakota. Here is an area where they need to move farm goods—major farm goods production state, and no access to the national rail network. Just insane,

from any standpoint of holding together the national economy.

Transcontinental Railroad Made the Nation

Next (Figure 3). Now, let's take a look back at the function of rail in building a national economy. Because Mr. LaRouche has made the point, which our citizens should be able to understand, that there is no national economy if we

don't have a functioning rail system.

In fact, you can show that, historically, our nation was brought together as a national functioning economy, through the construction of a national rail system. That construction was based upon a concept that we should be a continental nation, from the Atlantic to the Pacific, and that any kind of development of our people depended upon three aspects. One is an infrastructure for which the government itself—the Federal government or state governments—for a lot of the rail that was built in the United States was based on state government funding, as well as Federal government funding—must have a competent, workable infrastructure to be able to make it possible for citizens in any particular area to build their industries.

An absolute foundation for the economic entrepreneurship—the private enterprise, if you will, before it got a bad name with Enron and all that. It was what we saw in the 19th Century, the creative individual capitalist entrepreneur—this depends upon having a national infrastructure. If you don't have the electricity, for example, if you don't have the clean and serviceable water, if you don't have the power source, if you don't have the transportation to market, or if it's inefficient, you don't have a functioning economy.

And you may know, some of you, that in the area of food—when we're thinking about the world economy and deficits in food production for poor people—one of the major problems is that food grows, but can't be moved to market and to where it's needed, because the transportation system isn't working. We had a situation like that, actually, in the United States, in 1997, when Union Pacific Railroad collapsed financially—they shut down certain aspects of the physical network, and grain was rotting all over the ground, all through the Midwest.

Back to the map. The concept that [President Abraham] Lincoln was operating off, was one of nation-building, according to the specific American System concept of our Constitutional responsibility for the general welfare: To ensure a basic economic infrastructure that improves; ensure the capability for economic entrepreneurship; and through that, also create a higher level of culture and development in education for the entire population.

FIGURE 3



Source: EIRNS.

FIGURE 4



This [the Transcontinental Railroad] was one of the high points, when this actually happened. Under Lincoln's leadership—I believe it was in 1862—they initiated the construction of the railroad. It was a strategic necessity and an economic necessity, given the fact that we were in the middle of a war, to link the West Coast and the East. There had been rail built before, that Council Bluffs [Iowa] linked to, over to the East Coast. But beginning there, the construction went along that red line. It came, at the same time, from the West—from San Francisco. And it came together, in a very prominent ceremony, at Promontory Point, Utah. We'll show you the ceremony where they joined together (**Figure 4**). You see the champagne bottle right there in the middle, because this was a lot a work, going through the mountains, in particular, coming from the East.

And that created the basis for the emerging economy, the United States becoming the most productive economy in the entire world in the last part of the 19th Century. It wouldn't have happened without that kind of unity, and the improvement that that gave to the entire culture of the country, as well as the physical, economic capacity to move things around.

At the same time, at the end of the 19th Century, Lincoln had a vision of exporting that kind of technological development to the rest of the world (**Figure 5**). The Eurasian Land-Bridge programs that we talk about today had a precursor, in the work of Henry Carey and other industrialists who were associated with Lincoln's faction. And these are the rail lines, which were envisioned at the end of the 19th Century. You have there—you see the Trans-Siberian, which of course exists today. You see the Chinese eastern railroad. And at that point, the end of the 19th Century, at the Exposition of 1876 in Philadelphia, and so forth and so on, America was producing rail cars, producing rail track, and shipping it over there, on the basis that, a linkage of all of Eurasia, and an increase in this kind of trade, was to the benefit of the United States and the entire world.

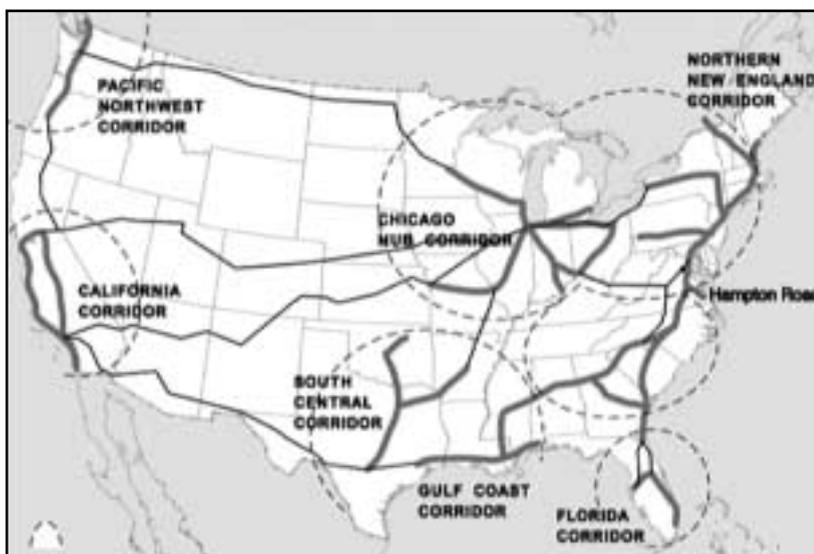
It was an alternative to what instead happened, which was that the British Empire decided this was a bad thing, and that there should be wars. And we had, first, the Russo-Japanese War, World War I, and so forth and so on, which essentially

FIGURE 5



Source: EIRNS.

FIGURE 6



Source: EIRNS.

stagnated this kind of development, particularly in relationship with the United States.

High-Speed Rail Today

Now, the equivalent today—this is a map (**Figure 6**) from the program which LaRouche's campaign just introduced, and it gives you an idea of what we would want to be doing—a very preliminary sketch—Dr. Cooper has more to say about

this—of the way in which the country should be connected right now. What this shows, is some of the lines that already exist, which are the sort of regular black lines. The heavy lines, in these particular corridor areas, are high-speed rail lines. These are lines that are already projected in a Senate bill, which has been put forward by Ernest Hollings [D-S.C.] and a number of other Senators in our Congress; saying, look, it's crazy that the United States is trying to transport everybody by car, or by airplane.

Particularly, airplane visits within radiuses of 350 miles or so. It costs you more (in the pamphlet you'll find material to back this up) in time, as individuals, and in resources, to go back and forth, for example, from New York to Washington, on an airplane. It takes so long to get to the airport, then you have to check your baggage, then you have to get on the plane, then you have to get there, then you have to get into New York City. You know, by the time you do all that, it's what, five hours or so? And you could go there by train, on a high-speed train, in a matter of less than two hours, for sure.

So, this projects those corridors, and the dotted lines that you see there, are the areas where you could replace—and obviously that takes a certain amount of time to figure out how we'll be able to do that—to replace the need for all those air flights that now exist. So that's an idea that we're talking about. This not only connects the nation—and obviously there are other things that could be there—but, it begins to factor in a much more rapid movement, not only of passenger rail, but also freight rail, and to put some more rationality into the whole system.

Now, in fact, what we're going to be wanting to be doing in this kind of construction program, is two things: We're going to be creating the basis for a much more productive economy, in a situation right now, where I believe that the speed of most rail traffic, even where it exists, is extremely slow—1926 technology, or something, maybe 55—.

Dr. Cooper: It was better in 1926.

Spannaus: It was better in '26, okay. Fifty-five miles per hour at most. I remember personally going on a trip from New York to Chicago, and I swear we went 13 miles per hour all the way—it took 24 hours by train. This is crazy.

Not only will you be improving the efficiency in that way, but you're also going to be creating jobs. Productive jobs, that in some cases we will not have people at the skill required to carry out those jobs, so we can train people to do that.

In fact, the intent of moving our economy out of the depression that it's in, and into a prosperity once again, will probably require, Mr. LaRouche estimates, essentially 50% of our new investment going into infrastructure. Not just rail infrastructure. Also, we have a lot to do, as the pamphlet will indicate to you, in our waterways, in our urban water systems, which are collapsing, in power, and other areas as well. But, you're going to have a massive jobs program here—you're talking millions [of jobs]; and billions, or trillions of dollars in order to actually get all the work done. You're talking about opening factories that have been closed. You're talking about

an actual boom on the scale of such a dramatic shift, that hasn't been seen since the beginning of World War II, where all of a sudden, people who—factories which had been dead-idle for years were bursting at the seams with raw materials and workers.

So, that's what we're actually talking about. The other aspect of this kind of transportation construction program is what it will actually do for the productivity of the workforce and the industry all along the way. Once you have a sane, high-state-of-the-art rail system going through a lot of these areas where it's now like a cow-catcher going through the field, you have the capability of transmitting higher technology and a higher quality of workforce to those areas as well, and getting into developing what Dr. Cooper will go through, of more of a development-corridor approach to the railroads. We're not just talking railroads here; we're talking—as we did in the time of Lincoln's Transcontinental Railroad—of actually opening up areas for potential development. Opening the capability to have factories, to have farms, to have higher technology farms, which can be serviced with the technology that they require. Because you can't just stick a factory out in the middle of nowhere, with no sustenance, with no supply of power, with no supply of the kind of raw materials, or machine tools that are required. You have to be on a transmission belt of technology in order to actually be able to carry this out.

A Technological Leap

The last aspect I want to deal with on this question, is another aspect of that technological leap, and cultural leap, which is what's required; and which we're really on the cusp of, in terms of changing our technology of rail into magnetically levitated trains. And on this, I have a series of things that will give you an idea of this new technology.

Now, what you should be aware of is: There is no such thing as a working magnetically levitated train. This is a new technology which eliminates the steel-on-steel, the wheel on the track, and uses magnets to float the train on top of the track. That kind of technology moves a lot faster; it's a lot more capable of more rapid acceleration and deceleration; it is able to go around curves more easily, go over mountains more easily; and so forth. It also can go a lot faster, anywhere from 150 to 350 kilometers per hour. And in some—I can't translate that immediately into miles, but I'm sure someone else can—has been tested up to 450 to 500 kilometers per hour, in the form that it's being pioneered in Germany.

The irony is, that this technology is being developed in Germany in particular, and they've decided not to do anything with it, because they have some anti-technology people over there who objected. So it's been exported to China; and China—which I will show you—intends to implement this as a means of transporting people through their country.

We do also have, as you will see, a company in the United States called American Maglev Technology, Inc., which is a relatively small company, which is working on a pilot project for this in the United States. It happens to be in Virginia, and

FIGURE 7



it also—but they aspire, if and when the project in Virginia—which is very small, it basically goes across from one side of a college campus to the other—but they aspire, by 2007, which is the 300th anniversary of the founding of Jamestown, to go from Norfolk to Washington, D.C.

But, that will all depend upon having the political decision made in Washington to have this emergency rail program, emergency infrastructure program, funded in the way that FDR funded these programs. This is not going to happen by small pilot projects; it's going to happen because there's a decision made, as FDR did, to provide the credit to mobilize the resources both corporate and individual and technological, to build this. It's going to be a decision to issue that credit.

So, let me know show you, have a little bit of fun with the maglev technology. This is from Siemens, which is the company that has developed the Transrapid maglev in Germany. And you see—this is the test track, clearly, it's not actually functioning—that it's a very narrow track, it's not taking up all the space that highways take up. It allows farming and such to continue, right next to it. And you'll see very shortly (**Figure 7**), that it also allows for you to have contented cows, producing their milk just as the train goes by—very quiet technology.

Then you have, next I have the Norfolk experiment (**Figure 8**). This is a little video which they've produced, which shows you the tiny little maglev that will go from one side of the campus of Old Dominion University in Norfolk, to the other. This shows you the magnet structure, and how that works, and then you're going to see it move from one side to the other. There you go. And it actually looks very nice, because they built this little track on columns; you would think you're in Greece, right? It fits in with the academic atmosphere quite well.

So, the next that we have: As I indicated to you, the Transrapid technology has been exported to China. They did, on Sept. 17, the first test run of that. But on the basis of that, as you would expect, and as we want, the Chinese themselves

FIGURE 8



FIGURE 9



have started developing their own maglev technology, for their own use. Because it is an abomination, in fact, to have this technological apartheid.

(**Figure 9**): China's first-ever magnetic suspension train appeared in the country's northeast industrial city of Changchun on Tuesday. The train, weighing 16 tons, has the capacity of 28 persons. It can run as fast as 60 kilometers per hour, which is much slower than its German and Japanese counterparts. The train is due to get a comprehensive testing in Chengdu, the capital of Sichuan province, in the next few weeks. China has recently speeded up the construction of high-speed railways. Earlier this year, China signed a contract with Germany's Transrapid International to build a 30-kilometer-long, Shanghai Airport-to-city, magnetic-suspension railway. The project will cost over 1 billion euros.

Now, the next slide (**Figure 10**) is the actual plan for the Transrapid in China. This is where it intends to go. From Hangzhou to Shanghai, up to Beijing. That's a relatively long distance, and it's by no means as ambitious as what the Chinese government, and even the Sun Yat-sen government back

FIGURE 10



Source: EIRNS.

FIGURE 11



Source: EIRNS.

in the early part of last century, anticipated for connecting China. But it's a start of a very high-technology corridor through that area.

Now, that project looked like an isolated project there. In fact those projects, as well as those here in the United States and elsewhere, have to be conceived from the standpoint of the global transportation corridor network defined, as I mentioned earlier, by the Eurasian Land-Bridge idea—the grand project of world development—Particularly of the inner parts of nations, of continents around the world—which is really

FIGURE 12



in progress, as a result of the work which has been done by the LaRouche movement, by people like Dr. Cooper; and also the tremendous hunger which, particularly, the people of Asia have, for economic development and getting out of poverty. They realize that this is necessary. So, it's critical that there be a global perspective and that the U.S. system link up, as Dr. Cooper will go through, and that the Chinese system hook up.

Land-Bridge Development And Peace

Now, we just had a major development in that direction—the direction of sanity—in the Koreas, where there has also been a plan on the boards for quite some time, to link South Korea and North Korea by what the President of South Korea calls, the “Iron Silk Road,” i.e., a railroad. And this (Figure 11) shows you how this will connect North Korea and South Korea to Europe, and over across the other way. You see the trans-China railway, and the Trans-Siberian Railway taken there.

And, what you have here, really—this is the last point I want to make—is a real demonstration of how this kind of economic development thrust, based on the reality of solving the

economic problems that we have, can create peace. Because what occurred, simply, two weeks ago, the 19th of September, is the opening of the rail line between North and South Korea—countries which are still occupied by UN forces and U.S. forces. In order to move this railroad, they had to cut down a barbed-wire fence of separation in the demilitarized zone between the two nations (Figure 12). And there was just tremendous excitement about the fact that it is possible to collaborate, to overcome the ideological blocks, to collaborate between these two nations.

This is the kind of model—it could have happened in the Middle East if Mr. LaRouche’s policies had been followed—that can and must happen throughout the entire world, around the Eurasian Land-Bridge conception.

So, I turn it now over to Mr. Eurasian Land-Bridge, Dr. Cooper.

Urgent Rail Reconstruction in North America

Dr. Cooper: Could we have the first slide, please (**Figure 13**)?

This is the proposal for the worldwide rail network. Some parts of this already exist, to at least some degree on all the continents, but there is a great deal that is not done, that needs to be done.

The LaRouche organization has been promoting this concept, starting with the Eurasian Land-Bridge, for some time, and this is the basis of economic development. And as you know, as Nancy has just mentioned, they have achieved a very significant victory by the connection of the North and South Korean rail lines. But, they are proposing numerous other connections—to Japan by rail, Sakhalin Island to Japan, at the Strait of Molucca; at the Suez Canal; the Strait of Gibraltar; between North and South America; and, of course, ultimately, to connect Eurasia with the Western Hemisphere at the Bering Strait, between Chukotka, Russia, and the state of Alaska.

And this serves as the basis for the development of a worldwide rail network, as the basis of promoting trade and commerce and of course peace—very much the opposite of the present policy of the Bush Administration.

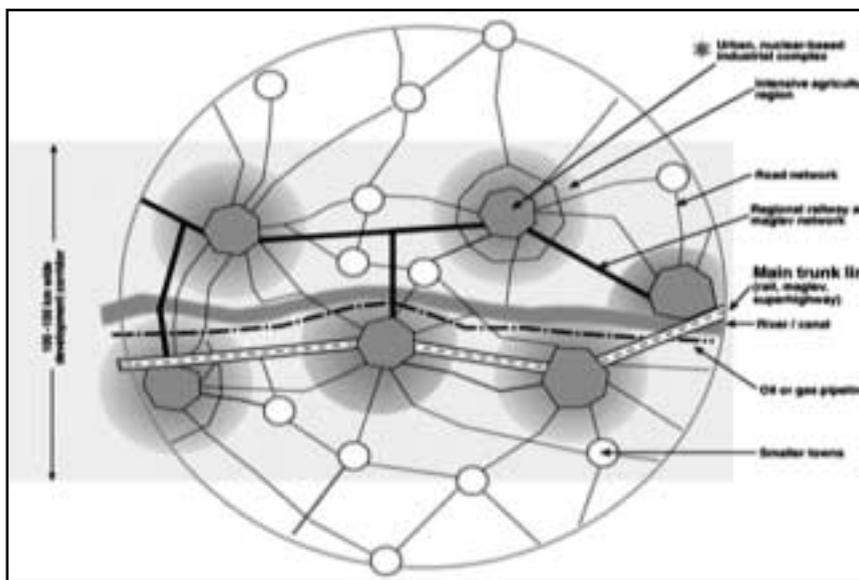
Next slide, please (**Figure 14**): The LaRouche organization has proposed and promoted the concept of the development corridor, where we have a series of integrated and interfaced economic activities which all link together. This is transportation, this is energy, this is water, this is communications, this is mining, this is agriculture. And all these things have to fit into a corridor concept, and their proposal is based

FIGURE 13



Source: Cooper Consulting Co.

FIGURE 14

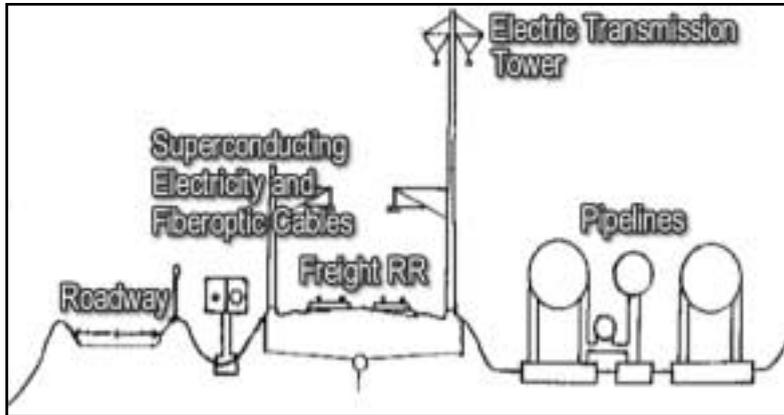


Source: EIRNS.

on the work of Dr. [Jonathan] Tennenbaum with the “Eurasian Land-Bridge” report, published by the *EIR* in 1997, of economic development corridors of 100 to 150 kilometers (60 to 100 miles) wide, promoting economic development.

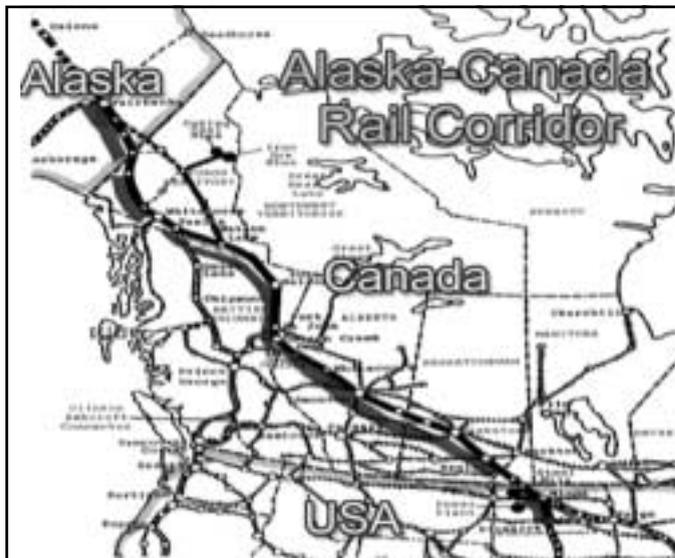
And when those are developed, of course, they bring linkages elsewhere. And all these things link together and they promote economic integration, and, of course, this leads ulti-

FIGURE 15



Source: Cooper Consulting Co.

FIGURE 16



Source: Cooper Consulting Co.

mately to prosperity, employment and peace. And again, very much the opposite of the present Bush Administration.

Alaska-Canada Rail Development Corridor

Next slide, please (Figure 15). Now, carrying this concept to a specific corridor—and this is based on some work I’m doing right now, developing a feasibility study to build a railroad line from northern British Columbia to Alaska, so that Alaska’s railway system is connected to the rest of the continent—a road on the side, in this case would be like the Alaskan Highway; fiber-optic communications; and perhaps,

when we have it, superconductivity; freight rail line. In this case, electric: doesn’t use oil; doesn’t emit air pollutants. Electric transmission along it. And then, various pipelines, in this case natural gas, oil, water, and perhaps carbon dioxide. All these fitting into a corridor, anywhere from 200 to 1,000 feet wide, over a large distance. And of course, on the side of this are warehouses, distribution centers, factories, farms, mines, all tie into this in one central corridor, going back exactly to the concept of Dr. Tennenbaum.

Next slide (Figure 16). Now, a week ago today, I was in Alaska. Seems hard to believe. We drove from Vancouver, to Fairbanks, and were looking at potential sites for the building of this railroad. A lot of our driving was along the existing Alaskan Highway; and we found, indeed, that a large part of that can be used for

the construction of the railroad. And our proposal, would be to look at going from—actually the place called Dease Lake in northwest British Columbia, up to Fairbanks, is the initial corridor, because some of this already exists. It was started by former British Columbia Premier W.A.C Bennett, whose ideas very much followed the ideas of the LaRouche movement: a believer in economic development, integration, industrial development and prosperity. Creating employment opportunities in areas where there were none before he became premier.

Unfortunately, this railroad was stopped and was never completed, and now there are efforts, going back to finish it up to Alaska. There’s an alternative route through the northeastern part of British Columbia to Fort Nelson—we see that as a second line—but it also can extend up into the Northwest Territories [in Canada], to access oil and gas-coal, a number of minerals. There’s some large iron ore and coal deposits here in the northern part; there’s a lot of lead and zinc and gold, and what have you. Many, many minerals.

And of course, this corridor would ultimately go down to Minneapolis and to Chicago. And it would be the site, not only of a rail, but of course, the road’s already there, natural-gas pipelines and others.

The next slide please (Figure 17). Now, this diagram shows the railroad. But it shows something else, where we can develop integrated corridors incorporating both the rail and focusing on natural-gas pipelines. There are large reserves of natural gas in northern Alaska, and in the far northwest of Canada, along the Arctic Ocean. At the present time, natural gas is being taken out the ground with the oil at the Prudhoe Bay field, but it’s being re-injected, because there’s no use for it. Building a pipeline—well there’s been a lot of publicity in the newspaper recently about this, and of course, unfortunately, the cost that they were talking of—\$15-25 bil-

lion for the pipeline—seemed to be, in my opinion, created to maximize the cost of the project, and minimize the potential for its being implemented. And, actually with a smaller-diameter pipeline, and a different configuration, they can indeed build the pipeline. My feeling is, that gas can come from Alaska down to Chicago, through the central corridor, and of course on the existing pipeline network to the West Coast. And there also should be a pipeline up into the MacKenzie River Valley, and to the delta.

Why is this important? The infrastructure that is going to be required to build this—not just the rail, but the pipeline and all the other things in the communities; energy development, towns, industries, farms, mines—all go along with Dr. Tennenbaum’s concept. And this is a real-world example of what he’s taking about. And you would create a hundred-mile-wide development corridor all the way through here. You’ll need new power plants, you’ll need new industries, you’ll need more farms, so we’ll have to drain the Muskeg. When you go up to Alaska, you’ll understand what I’m taking about.

But, in any case, we have lots of additional markets. And you know there’s a lot of focus now on natural-gas development in the coal-bed methane in Wyoming. But what isn’t being told is that each of those will probably last two years, then you need a new well. In the meantime you’ve made a water problem.

Efficiency of the Corridor Approach

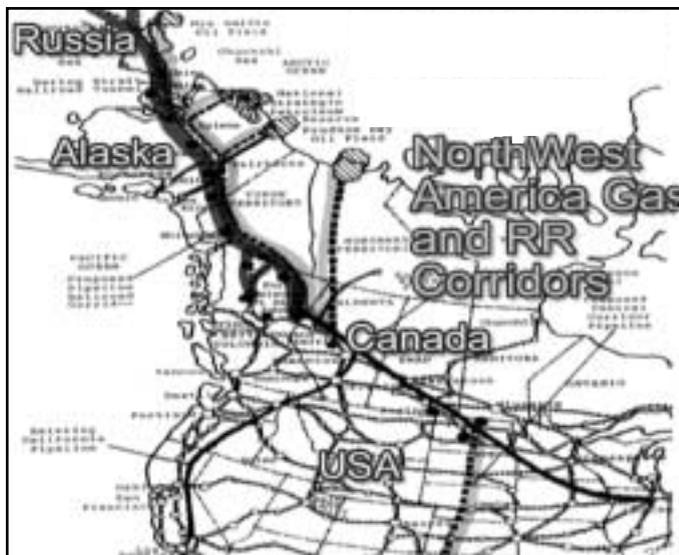
But anyway, the development-corridor concept applied here, with the natural gas pipelines and the railroad—and if the railroad is build first, before the pipeline, the reduction in the capital costs of the pipeline—having the railroad there, as compared to not having the railroad there—is sufficient to pay for the cost of the railroad.

Now, what’s the attitude of the oil and gas companies to this? They’re all working on cost-plus contracts, they don’t want any efficiency. They’d just as soon there be as sky-high price as you can get it. And of course, with the energy bill now before the Congress, and the tax credit, well, the idea is, get some very favorable terms from the government. Those may, or may not be needed. But, in any case, we are really going to need this.

And, I think there’s something else that—can I have the next slide (**Figure 18**), that’ll sort of illustrate it. This is the central corridor extension of this Alaska-Canada corridor going down to Mexico, ultimately to Central and South America: railroad, gas pipeline, industries, lots of things, and transporting water to the drought-laden regions of the Great Plains.

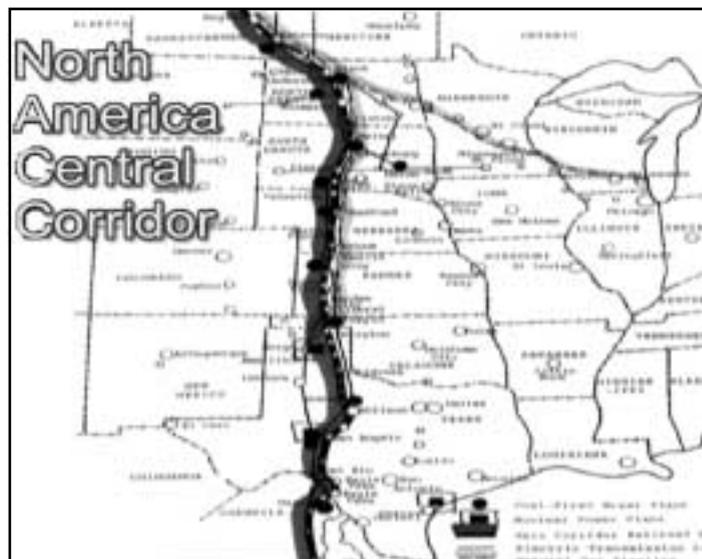
Now, in Texas, Governor Perry has proposed a program,

FIGURE 17



Source: Cooper Consulting Co.

FIGURE 18



Source: Cooper Consulting Co.

which I’ll talk about in a few minutes, that actually takes us to a further step, and his idea, in many respects, parallels that of the LaRouche movement. And I think that’s a positive step. Governor Perry in Texas, Governor Holman in North Dakota, are two of the very few governors in this country, who are in any way promoting any kind of infrastructure development.

with, completely, with some of the other people in the organization. My belief is, magnetic levitation is not a replacement for trains. It's a replacement for planes. You've got to be able to go long distances at high speeds with no stops. Let the train take care of all the little places in between; let the maglev go the long distance.

Now, it can handle light freight, and it can handle passengers. Now you can't handle heavy freight: But, coal and intermodal containers and grain, the numbers aren't going work out from a power standpoint. Let it do what it does best. The stuff that will go on the plane, that's what should go on the maglev. That's the people and the high-value goods—that means stuff like Airborne Express, Federal Express, U.S. Express Mail, United Parcel. Those are where the markets are, and the market's huge. It really is! And it would work. We just need to get on with it.

Now, interestingly enough—and again Dr. Tennenbaum, and the others at the Wiesbaden center of the LaRouche organization, in the late 1980s, proposed a system where actually we were going to have [high-speed rail] TGV train tracks and freight trains inside, in the median strips of freeways, and maglev on top. And that's what we're really probably talking about as the long-term solution. It's already there.

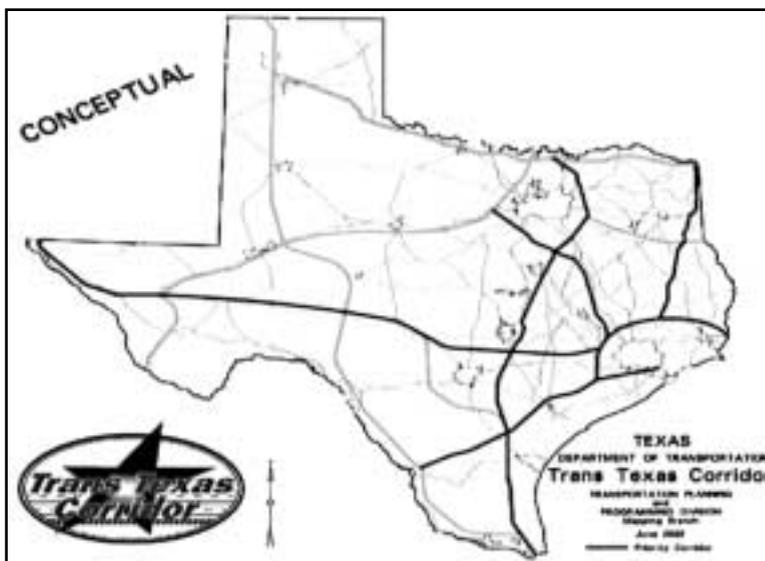
Means of Financing

Next (**Figure 20**). Now, in the great state of Texas, Governor Perry has proposed the trans-Texas corridors program: 4,000 miles of corridors going near, but not through cities. They're not going to make the same mistake of the Interstate Highway system, in using that as a way of urban removal for people. One hundred-seventy-five billion dollars in toll roads, railroads, electric transmission lines, gas pipelines, and water. They're even talking about building desalination plants, nuclear-, gas-, coal-powered. But anyway, just so they're doing it, because ultimately, water's the limiting constraint.

And one of the reasons they're proposing to build this corridor system, is to cause businesses and industries to be relocated from other states to Texas because of their efficient transportation system. Because, up until now, Texas is the *only* state that has proposed a comprehensive transportation infrastructure program.

Now, they're proposing private financing. Toll roads, railroad lines. Now, when you look at the numbers, what comes up is, the railroad works, the pipelines work, and the transmission lines work. What doesn't work are roads. The numbers don't come out. Now, they're going to want to build toll highways, and they will. They really need to. But, I mean, you know, you've got 7,000 trucks a day crossing the border there at Laredo, that are going up to the Midwest.

FIGURE 20



Source: Trans-Texas.

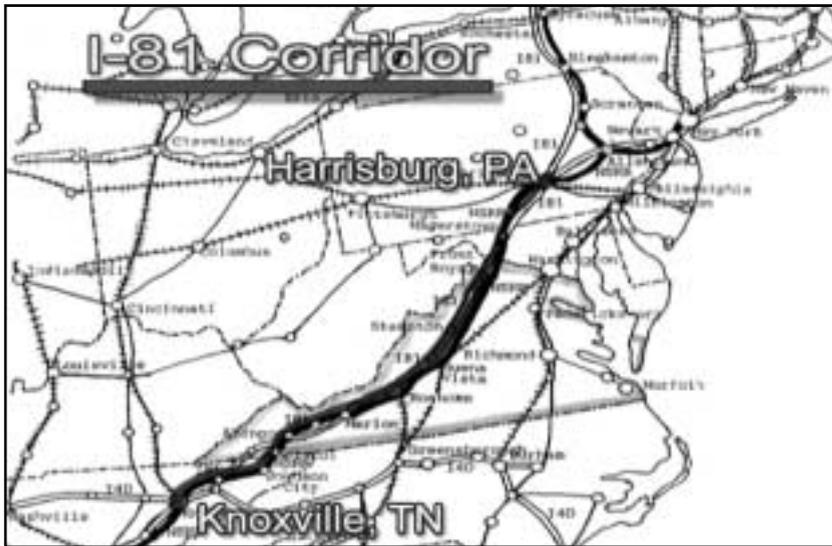
And you have as many as 20,000 trucks a day on Interstate 20. There's a lot of traffic, so there's really a need, and this concept can be applied all across the country; but, as Nancy said, Texas is doing this, because it's a big place, and it has people who believe that they are going to go ahead and do this; not just doing this because they want to improve transportation; they want to take everyone's businesses and industry and move them there. What's going to limit them? Water.

And that's why they have to build water infrastructure. I mean, you know, if we had a hurricane every week, and it was going out to West Texas, it's no problem; but there are not that many hurricanes, and typically they go to East Texas. And unlike California, where the water went from a high elevation to a low elevation, the water's all at the low elevation, and the dry places are where it's high. So you've got to pump everything.

Believe it or not, in the 1960s, Governor Connally proposed a system to do that—the Texas Water Plan. But it wasn't approved by the voters. Maybe this was just an initiation of the myopic thinking, which has not become such a pervasive cancer in this country. And I think Nancy's campaign is a way of starting the way to change that. Bringing the ideas of Mr. LaRouche and his policies forward, emphasizing the infrastructure development bank.

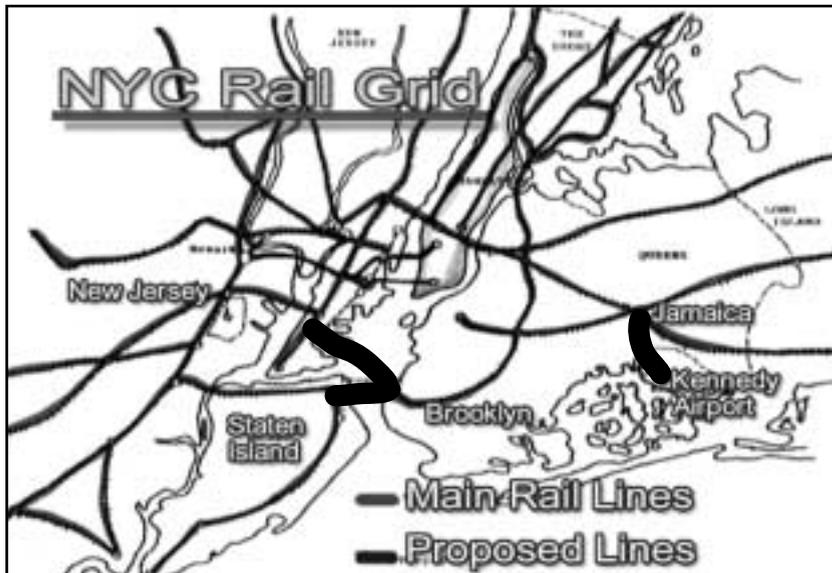
Next slide (**Figure 21**). Which brings us to the great state of Virginia. Four years ago—four years and 20 days—the Norfolk Southern Railroad proposed, to the state of Virginia, after the state of Virginia announced that it was looking at expanding the capacity of Interstate 81 because

FIGURE 21



Source: Cooper Consulting Co.

FIGURE 22



Source: Cooper Consulting Co.

of all the trucks on it—15,000 a day or so, out of 40,000 vehicles. And the state said it's going to cost \$4.5 billion to build these two new lanes, and it's going to take 20 years because of the nonsense of environmental impact, review, and all the rest. And they [Norfolk Southern] said, we can build you a second track for \$980 million, and it'll take us

four years. But, we want you to pay for the track.

Now, what did Governor Gilmore do? He went to sleep, he didn't do anything.

Spannaus: He built a prison.

Cooper: Yes, he built a prison instead, right; that's for the trucks, so the trucks can all go there and deliver food to the prison, right? Now, what did Governor Warner do? He said we've got to cut the budget, right? And we aren't going to be building any infrastructure, forget the benefits.

What's happening to your economy, folks? It's collapsing. It's all because of the inertia mentality. And unfortunately, the leadership that has been shown by the governors of your state, has just personified the problem we have nationally, which Nancy's campaign is proposing to try to change.

Now, this is a good starting point. But, it's only one—and you first build railroad track, and it would certainly help. But unfortunately, we have not had this imaginative leadership, nor the support. And let's go to the next slide, because we have to get past Harrisburg.

New York Bottleneck In Virginia

Now, this is a great theory (Figure 22). You know we get all these 15,000 trucks, then we take 5,000 off the road, and we reduce the maintenance costs, by over \$100 million a year, by the way. And where's that traffic going? Most of it's going to New York. Twenty-five thousand trucks a day cross the Hudson River. There's 70,000 trucks a day on the New Jersey Turnpike—sounds like a lot of trucks. Now, I can build that rail system with the present infrastructure, and I can add that second track, and I can add the yard in Harrisburg, and I can fix things in Philadelphia, but ultimately I've got a problem. How do I get the trains into New York?

Well, the answer is I can run the passenger trains into Penn Station, can't I? But what do I do with the freight trains? And the answer is: They stop in New Jersey, right? Guess what folks—it won't work. And that's why it hasn't been done.

Now, the cross-harbor tunnel: Actually the feasibility

studies are completed, the economic studies have been done, and they're looking for a way to finance it. It's about a \$2.5 billion project, to double-track the tunnel—either from Bayonne to Brooklyn, or from Staten Island to Brooklyn. There's an old, existing rail line here, which is actually the Staten Island Rapid Transit, which is now part of the New York City Rapid Transit Authority; it's now the Staten Island Railway. Many of you have ridden it, all the way out to Tottenville.

So this is necessary. Now, New York City wants to redevelop the old Brooklyn Army Terminal into an intermodal terminal. They're going to have to do some dredging, to dredge the harbor out to 48 or 50 feet, and they'll get that done. But we still have to get this link built. There was a conference a couple of months ago in New York, and the railroad that happens to be operating, under contract, the freight service on Long Island, said, we can't make the numbers work. Well, if all you're looking at is the short-term profit, they won't. You've got to look the longer-term investment benefits associated with it, and not all of them are going to show up in a company's balance sheet.

But it would certainly improve the economic development.

But there is a problem. All through here, there used to be a whole lot of warehouses, freight yards, distribution centers, and guess what happened to them all? They were all taken out. And now there's no room. So, they're going to have a real rebuilding job to get this done. Sad, but again it shows you the impact of short-sightedness.

You know, Nancy mentioned this project was first proposed in 1920. This was the project which led to the Port Authority of New York being formed. And it was stopped by Robert Moses. Unfortunately, but you know and he also redesigned the Van Wyck Expressway over the objection of his engineer, so you could not put a rail line in there, and that's why, now, it has to be 70 feet above the ground. It had these problems, and that goes back to the legacy of Robert Moses from many years ago.

But we really need to rebuild the rail infrastructure. And it's interesting: New York City, which probably has by far, the highest [number] of urban trips taken by rail in this country, of any city; it's about the lowest when it comes to traffic of freight. It's because you don't have the infrastructure. It gets back to Nancy's point, Mr. LaRouche's point, we've got to build the infrastructure, and go back to those programs of the 1930s.

The Reconstruction Finance Corporation of course built the electrification of the Pennsylvania Railroad, from New York to Washington and Harrisburg—well actually, they started in 1928, in Pennsylvania, but they ran out of money in 1932 with the Depression. And they had to ask the government to help, and President Roosevelt helped them, and it was built and completed by 1938. But why was it never extended? Guess who stopped it? And when you think about it today, it

doesn't make any sense at all—but this is what happened—the coal industry in Pennsylvania said: Oh, my gosh, you're going to have electric trains and we aren't going to be able have any more steam engines with coal, and we don't want that. So, they made sure it was never extended. And the railroad tried to tell them: Look, guys, if you electrify the railroad, you'll burn coal in the power plants, right? The coal industry said, "No, no, there's cheap hydroelectric power." And of course at the time, you know, the TVA was being built, the Bonneville Power Administration was being built, and there were power plants—they looked large at the time, but today they're not very much.

But it was that short-sighted thinking. Why don't we have rail lines to Kennedy Airport and LaGuardia? Because the Port Authority says, we don't want our parking lot revenues reduced. I mean we're really looking at the region's overall economy, aren't we? But, that's the thinking that we have to overcome in what we're doing today.

And I think this is starting very much with Nancy's campaign.

We're back to the world. We're in little pieces working to put the whole thing together. But the only way we're going to do this, is to follow Mr. LaRouche's program and his policies, starting with Nancy's campaign.

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Business Briefs

State Budgets

Fiscal Year 2003 Hole Rapidly Growing

The blow-out of state and local budgets in the United States is continuing to worsen, in what for most is only the third month of their fiscal year. In the fiscal year ending June 30, 2002, the combined budget shortfall of the 50 American states already reached \$50 billion.

- New York City is now projecting a \$5 billion deficit for fiscal year 2003, which began on July 1. City Councilman Gifford Miller (D-Manhattan) compared the current crisis to the 1970s city bankruptcy, and concluded that now it's worse: "I believe the city is going through perhaps the most severe fiscal crisis in its history." Mayor Michael Bloomberg (R) agreed and is preparing for drastic cuts and maybe even commuter tax increases.

- New York State, meanwhile, is currently projecting a \$6-10 billion deficit, with the conservative Manhattan Institute calling for 20,000 state job cuts, cuts in Medicaid spending, and privatizing some services.

- Arizona is facing a projected \$500 million revenue shortfall after tax collections came in tens of millions short in the first three months of the new fiscal year.

- Connecticut's comptroller's office reports that as of Sept. 30, revenues are already \$315 million behind projections. For now, the governor and legislators will work to close what is currently expected to be a \$390 million deficit.

- Delaware faces a \$95 million deficit. Its governor will make 3% cuts in all discretionary spending, and is considering a hiring freeze. Republicans in the state are suggesting privatizing some state services and cutting programs.

Japan

Top Companies Close 187 Factories

Of hundreds of top Japanese companies surveyed by *Nihon Keizai News*, 105 have de-

ecided to close a total of 187 domestic plants so far this year, a 50% increase from the same period last year, it reported Oct 13.

Of companies surveyed by the Japan Development Bank, 64.3% said they will reduce the number of domestic production lines. "A further hollowing-out of the domestic manufacturing industry will boost unemployment, as companies are shifting manufacturing to China and other Asian countries," due to competitive wage devaluation under globalization, they note.

The largest plants to be closed are in the materials industry—39 so far this year, up from 18 last year—and the industry plans to shutter 73 plants by year's end, including Mitsui Chemicals, Sumitomo Chemical, and Mitsubishi Chemical. "A decrease in public works projects is also affecting many manufacturers. Taiheiyo Cement is suspending two production facilities, and Sumitomo Osaka Cement will end production at its Shiga Prefecture plant."

In the electronics and information technology sectors, 17 companies have decided to end operations of 41 plants, while 19 companies did so for a total of 46 facilities last year.

Indonesia

Bali Bombing Also Direct Economic hit

Indonesia's economy will take severe damages from the Oct. 12 terror bombing in Bali, when Indonesia can least afford it. The tourism sector, with Bali as a jewel in the archipelago, brings in \$5.4 billion annually, employs 8-12 million people, and accounts for 5% of economic output.

Coordinating Minister for Economics Dorodjatun Kuntjoro-Jakti held urgent meetings with foreign and domestic investors on Oct. 14. In the context of the collapsing global markets, the Jakarta Composite Index had risen to the sixth-best performing market in the world up until Oct. 11, and Indonesia's rupiah was the third-strongest currency against the dollar, according to Bloomberg. However, the rupiah fell 3.8%

in morning trading Oct. 14, and was down 10% at the close of the market, its biggest one-day drop since the catastrophic collapse in "the Asian Crisis" of 1998.

Bali was scheduled to open its first international airline, Air Paradise International, this month, with flights to Australia. The opening, set for Oct. 27 with flights to Perth and Melbourne from Denpasar, Bali's capital, has been cancelled, and the 10,000 tickets sold will be refunded.

United States

2002 Sees New Drop In Machine Production

Machine tool production in the United States is in a new phase of collapse in late 2002, far behind 2001's very depressed level. In August 2002, machine tool consumption by U.S. industry totalled \$139.17 million, up 4.0% from \$133.78 million in July—the lowest monthly level since records began in January 1996—according to a report issued Oct. 14 by the American Machine Tool Distributors Association and the Association for Manufacturing Technology. But the August 2002 total is down 33.6% compared to August 2001. For the first eight months of 2002, U.S. machine tool consumption, at \$1.429 billion, compared to the same period in 2001, represents a steep fall of 24.7%.

Machine tool production closely parallels machine tool consumption.

Viewing the disaster over a longer term, we see that American industry's machine tool consumption levels over the five-year period 1997-2001 had gone through a precipitous drop by more than half: from \$5.56 billion in 1997, to \$4.91 billion in 1998; \$3.90 billion in 1999; \$3.99 billion in 2000; and down to \$2.67 billion in 2001.

Thus, machine tool consumption in 2001 was already in a depression, having dropped by a third in the year since the 2000 elections alone; and now the first eight months of 2002 represent a further contraction of one-fourth of that depression-level consumption. Machine tools incorporate into their design the

GERMANY and France called on the European Union to ease application of the Maastricht Pact rules on budget deficits, in favor of growth-vectored spending. French President Jacques Chirac announced, "We must see stability in terms of growth and pro-growth policies." Their declarations come at a time when the European Commission is threatening to start "excessive deficit procedure" review against Germany.

FANNIE MAE, the giant national mortgage corporation holding up the U.S. housing bubble, suffered a loss of \$1.38 billion in the derivatives markets in the third quarter, and its earnings for the quarter fell 19%, although its revenue was fueled by the continuing refinancing frenzy. Fannie Mae profits were also down for the first three quarters as a whole.

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

THE WORLD'S longest sea-bed fiber optic cable went into operation on Oct. 11 in Shanghai. The cable, the APCN2, is 17,000 kilometers (more than 10,000 miles) in length, connecting China, Japan, Malaysia, Republic of Korea, Singapore, and others. The cost of the cable was \$1.4 billion in the initial phase, with designed transmission capacity of 160 gigabits per second.

LUCENT Technologies, Bell Labs' communications company, will lay off another 10,000 employees by March. Lucent's workforce will then fall to 35,000, when a few years ago it was 155,000. This and more cuts were announced after its expectation of a \$2.2 billion loss for the quarter to Sept. 30—Lucent's ninth consecutive losing quarter.

most advanced scientific discoveries, and by transmitting them, increase the productivity of the economy as a whole.

Brazil

Huge Interest Rate Hike Does No Good

The "markets" rejected Brazil's Oct. 15 hike in its prime rate by 3%, to a usurious 21%. High enough to sink the Brazilian economy, it was still too low for the country's even-more-bankrupt creditors.

Bank of America official Marcelo Carvalho said: "Call it boldness or despair, it shows how critical the situation is." Only a package with even higher interest rates and further budget adjustments will be enough to have an impact, he pronounced.

"Analysts doubted the move could stem the capital outflows which are crippling the Brazilian economy," the London *Financial Times* trumpeted. *Estado de São Paulo* wrote that "the market was disappointed" in Central Bank President Arminio Fraga's actions, citing cynical dismissals by Crédit Suisse First Boston and ABN Ambro.

Standish Mellon Asset Management's John Peta agreed that "hiking rates was a sign of desperation. You have the perception that jacking up rates won't help the economy, that it will hike up debt payments, and you become worried."

Crédit Agricole Indosuez's Mitul Kotecha said the rate would have to be increased again when the monetary committee meets on Oct. 23. ING Barings' Marcelo Salomon said he was expecting a "more aggressive" action, urging the rate be jacked up to 25%. He forecast that Brazil's currency, the real, will devalue further.

Gazeta Mercantil's sources complained that the market had expected the benchmark rate would have been increased to 28% a year, or, at the very least, to something higher than the interest rate on the futures market, currently 24%. The hike to "only" 21% is dangerous, these financiers claimed, because it "means the Central Bank does not have control over the market. It appears the

great test of Arminio is not over yet."

Likewise, a BBA Bank official suggested the Central Bank had "blinked" in the face of the "standoff" between the government and the financial speculators. He estimated that Brazil's debt service payment load would be increased by the 3% hike by an amount equivalent to 1.8% of Gross Domestic Product, because of the amount of the debt carrying floating exchange rates.

Electric Power

Credit Crunch Has Hit the Industry

Having followed the yellow-brick road to deregulation, most of the American electric power industry now faces a credit crisis. "The U.S. electric power industry is in its worst credit crunch since the Great Depression," and it will get worse, reported the *Wall Street Journal* on Oct. 15. In the next months, electric-energy firms will have to roll over about \$50 billion in short-term debt. But a just-released Standard & Poor's report on the state of the industry found that the debt load, most of which was contracted in anticipation of growth in a deregulated market, led to "half the industry" being downgraded to a triple B credit rating—just two notches above "junk" rating.

Of the 320 companies reviewed by Standard & Poors, 11% were rated at junk bond levels. The S&P report says that in the first nine months of 2002, there were 135 credit downgrades of utility holding companies, leaving one-third of the major companies on the watch lists. Debt, the report found, was nearly 60% of the industry's total capital as of June 30. Thus, their ability to get new lines of credit is severely hampered.

One example makes the case clear. Tulsa-based Williams Co. was downgraded in August, just at the time it was trying to raise new monies to roll over debt. Closed out of the markets, the company was forced to borrow at a 34% interest rate from Lehman Brothers and Berkshire Hathaway, Inc., the only takers.

ANOTHER THING GEORGE W. BUSH DOES NOT KNOW

The American System Of Political-Economy

by Lyndon H. LaRouche, Jr.

Released by the LaRouche in 2004 Presidential campaign committee.

October 7, 2002

I have just read an important piece by Henry C.K. Liu, "Crippling Debt and Bankrupt Solutions," dated Sept. 28, 2002, as published by the Online *Asia Times*. I think it worthwhile that I respond to the timely, deeply embedded but unstated implications of his argument.

All Classical science and historiography, is defined by reference to that tragic principle of self-inflicted doom, which comes to the surface at each point a nation or culture enters a period of potentially terminal, systemic crisis, as the IMF world system today. So, as in the presently onrushing collapse of that world monetary-financial system, the relevant, most interesting paradoxes are always expressed by those cases, such as now, in which the essential problem is the actor's lack of awareness of his own reliance on an erroneous, systemic quality of axiomatic assumptions. Even when he may be unaware of these assumptions, he obeys them, as if these hidden assumptions had the authority of self-evident tradition, as if he were one of Pavlov's famous experimental dogs, or Skinner's experimental pigeons.

Typical of this clinical phenomenon, is the assumption which, as in the case of U.S. patriot Edgar Allan Poe's famous story of "The Purloined Letter," blinded the perplexed viewer to the solution which he should have recognized as, paradoxically, "hidden within plain sight."

Such potentially tragic, systemic errors of assumption, respecting the historically determined, controlling characteristics of recent U.S. policy-shaping, are typical among comments from among so-called authorities of the U.S. and abroad today. The history of European culture has shown, since Solon and Plato, that if one does not address that specific type of error Socratically, the person, or society



Physical economist Lyndon LaRouche's success in economic forecasting is due to his recognition that "all really important dangers to society arise, like self-inflicted mental illnesses, from popularized, axiomatic delusions, especially official ones."

which made that mistake, will cling self-righteously to his infection by that fatal belief, even for many generations still to come—if the society does not bring itself down much sooner, through the effects of just such false beliefs. Such pathologically stubborn forms of popular opinion of a people, are, again, the root-cause of all great Classical tragedies on stage, and also the real-life national tragedies of entire cultures.

The challenge I present to author Liu focuses upon a matter of method, as follows.

My decades-long general intellectual advantage over most professionals, in diagnosing and warning against such tragedies, has been that, in my work, I concentrate my attention upon the primary importance of those false, more or less popular beliefs which they share. In contrast, most others fail in their long-term assessments, because they situate proposed reforms within the confines of what are often described as generally accepted institutions and standards of conduct. Since all really important dangers to society arise, like self-inflicted mental illnesses, from popularized, axiomatic delusions, especially official ones, I am often obliged to risk a certain commonplace, but thoroughly wrong-headed complaint from my would-be critics. The common, mistaken complaint is, that I often reply Socratically to questions by, first, addressing the faulty systemic assumptions underlying the question itself, and, then, often, leave it to the questioner to discover the detailed truth of the matter for himself, or herself.

In the case of author Liu's piece, his obvious systemic error, is the same, generically, as made by virtually all his,

and my own rivals among today's professional economists and political leaders, world-wide. Chiefly, today, the error on which to focus here, is the commonplace academic's folly, of failing to take into account the absolute difference between, on the one side, the history of the American System of political-economy, upon which the existence of the U.S.A. was founded, and, on the opposite side, the historical origins of those polluting effects of central banking systems of all European nations, up to the present day.

That is the same *systemic* error which a leading, Wall Street-centered faction in the U.S.A. has imported from Europe, since Aaron Burr's founding of the Bank of Manhattan with the political backing of his sponsor, the British Foreign Office's "secret committee" chief Jeremy Bentham. This *systemic* error, typified in the extreme by the neo-manichean religious doctrine of "free trade," is the same pollution which now permeates, fatally, the establishment of the currently self-doomed U.S. Federal Reserve System. This is the same *systemic* delusion which is the principal source of the "free trade" follies of the Bush Administration, up to the present moment. It is, also, the ultimate, self-inflicted doom, inherent, *systemically*, in the post-1971 international monetary-financial system (IMF).

For this case, I present two categories of argument. First, under the descriptive heading of "The Romantic Roots of Central Banking," I point to the historical roots of author Liu's oversights respecting the continuing origins of the relevant principles of European banking systems. Second, under

“Piercing the Veil of Sense-Certainty,” I address those still deeper issues of physical science, which must be seen as overriding all arguments presented from the standpoint of popular contemporary monetary-financial doctrines as such.

Finally, to conclude these prefatory remarks, I warn that it must be recognized that all systemic processes in human affairs are defined empirically by history as a lawful process, rather than the connect-the-dots topics which the Aristoteleans, empiricists, Cartesians, or kindred reductionists portray them to be. Any competent systemic assessment of social processes references the transmission of social institutions, such as languages, and ideas in the Platonic sense of the term, over successive generations. I shall qualify that in my concluding observations under “Piercing the Veil of Sense-Certainty.”

1. The Romantic Roots of Central Banking

The crucial point to be made respecting central banking, is two-fold.

First, if one compares the scale and demanded yields of present debt-levels, with the accelerating rate of collapse of present physical levels of per-capita national income, there exists no possibility for successful reform, or adjustment, within the frameworks of either the present, post-1971 Volcker-Greenspan modes of the Federal Reserve System, or the post-1971, “floating exchange-rate” modalities of the IMF and World Bank. The exemplary case, of the demands of the IMF-led bankers on Argentina and Brazil, shows that under any IMF-imposed conditionalities, neither of those nations, nor the IMF would survive. On the other hand, as Italy’s Chamber of Deputies enacted this view I share into law, conditions which would allow those two nations to survive physically, would force leading nations of the world to conduct a devastating reorganization of the post-August 1971, now hopelessly bankrupt IMF system.

For example, In the case of Argentina and Brazil, the relationship between usurious international monetary and financial practices, on the one side, and physical economy, on the opposite side, is such that any effort to induce those nations to satisfy the creditors, would mean the physical destruction of the nation and its people. The resulting ratio of collapse of production to spiralling of debt-obligations, must lead rapidly and soon, through chain-reaction effects, to the hopeless bankruptcy of the creditor, the IMF system itself. Much of the creditor claims against indebted nations represent accruals—“we stole it ‘fair and square’ by our post-1971 IMF rules”—fictitiously concocted claims by the creditors. Nothing less than the virtual elimination of the current mass of the fictitiously incurred portion of the financial debt-overhang of Ibero-American nations generally, would permit Brazil and Ar-

gentina to become again credit-worthy producer economies.

That would mean the bankrupting of the IMF. So, what! It is already bankrupt in fact, bankrupt to the degree that its unworthiness as an institution is already accomplished fact. Indeed, most of the leading banks of Europe and the Americas are already in a state of financial dilapidation beyond bankruptcy, in which only state-conducted reorganization in bankruptcy could prevent their early, chaotic collapse. That bankruptcy of the IMF and World Bank, was already built into the system, axiomatically, far in advance, when the “floating-exchange-rate” system was introduced, during 1971-1975. The collapse was only a matter of time; decades have passed, the time has come.

Moreover, the existence of the IMF is nothing but a fiction created by sovereign governments. Those governments now have the responsibility, and authority, to act in concert to put the IMF through bankruptcy-reorganization, and to replace it entirely with a new institution, preferably a gold-reserve system, perhaps at \$1,000 per troy ounce, free of the folly of floating exchange-rates, and committed to modes of regulation associated with the IMF of the immediate post-war, 1946-1958 interval.

In short, the rampage of those financial dinosaurs of the predatory, 1971-2002 IMF, is ending. Excepting some swamp-dwelling financier crocodilia of organized crime’s predatory characteristics, probably no financial dinosaur which chose to remain a dinosaur, would survive the presently onrushing passing of this new age of dinosaurs; nor will any nation survive, if it now seeks what it hopes would be a successful reform within the fatal framework of the doomed, present central-banking systems.

Second, the principles of a science of physical economy, as developed, uniquely, by Leibniz, and as reflected in those principles underlying the 1787-1789 drafting of the governing Preamble of the U.S. Federal Constitution, provide the only established, axiomatic, and effective alternative offered, world-wide, to those central-banking practices which are doomed to oblivion by the currently onrushing economic collapse of the present form of international monetary-financial system.

This is the most crucial, strategic issue of today’s world as a whole. The sheer, Laputa-mocking silliness of the current rash of Nobel awards for economics, reflects the combination of the customary lack of knowledge of these matters, among all but a tiny minority within today’s academia world-wide, and that hostility to reason itself fostered by the strategic inanities rampant within a post-Franklin Roosevelt U.S.A., which has added to the emotional blocks against recognizing the solutions to present global problems. These are solutions which were previously contributed, and proven by the earlier, deep, pre-March 1945 role in intellectual world-leadership represented by the tradition of the leading intellect of Eighteenth-Century North America, Benjamin Franklin. The tragedy of the contemporary United States, and others, is that the



Alan Greenspan's predatory, self-doomed Federal Reserve System is permeated with the systemic error of the doctrine of "free trade"—a doctrine abhorrent to the American System of political-economy.

most crucial fact about today's U.S.A., is now essentially unknown among even leading figures around the world as a whole. The fact is, the recently dominant position of a financier-centered, American Tory opposition to the American patriotic tradition of such outstanding leaders as Benjamin Franklin and Abraham Lincoln, is the principal factor behind the past thirty-five years economic and moral erosion of the U.S.A., from the world's leading producer society, to a decadent, probably doomed "post-industrial, consumer" society.

Especially notable, is the widespread mythical inevitability (*post hoc, ergo propter hoc*) of an unbroken alliance between the leading U.S. financial circles and the British monarchy since the successful assassination of U.S. President William McKinley. Among such afflicted academic and related circles, we meet the loss of recollection of the only systemically effective, Twentieth-Century U.S. independence from that financier interest, under President Franklin Roosevelt. Such intellectual flights from historical reality, like Karl Marx's ignorant faith in that same British error, have tended to foster today's widespread delusion, that the British system called "capitalism," also known as the "free trade" system, and the American System of political-economy, have the same essential root.

This false, but popular academic dogma, was the implied source of the error of assumption permeating author Liu's treatment of banking systems in this instance. To correct that error, to understand the fundamental difference between the British system and the American System of political-economy, one should reference the original discovery of scientific economy, by Gottfried Leibniz, and the determining, radiated

influence of Leibniz's work on Alexander Hamilton, Mathew Carey, Friedrich List, and the world's leading Nineteenth-Century economist, Henry C. Carey.

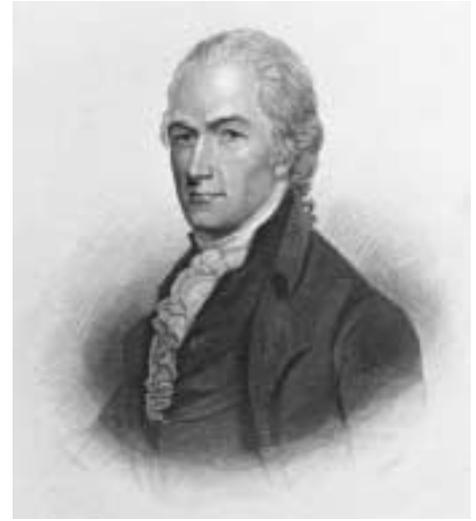
It is also important to recognize the global relevance of that certain systemic conflict within the U.S.A. itself. Those who defend my nation's patriotic, anti-Tory tradition, especially leading representatives of that tradition, are feared, hated, and defamed, as I am, by the currently dominant American Tory faction. It is nothing but a notable illustration of that point, that, on this account, over a period of not less than approximately thirty years to date, more aggregate effort has been expended by the American Tory establishment and its wholly owned mass media, in its effort to be rid of me, either by induced death or defamation, than on any other living U.S. figure of that time-frame. Today, the fraudulent defamation of me, not only within the U.S.A., but spread into places such as Europe and elsewhere today, when compared with my unrivalled accuracy as a long-range economic forecaster, is the most typical of the evidence pointing to the systemically erroneous views on U.S. history among those foolish enough to believe such defamatory, Tory rumor-mongering.

Consequently, misleading features of the present U.S. political reality, encourage the mistaken, commonplace assumption, that the present academic and related trends represent an "historically inevitable" U.S. patriotic, and global tradition. Consequently, valid ideas respecting the economy have been banned from the leading mass media and most university classrooms, and from open discussions within leading political parties. Only doctrines now demonstrated by the ongoing financial debacle to have been more or less as insane as they were popular, have been allowed officially, in universities, or in the principal mass media. Such behavior is the essence of national tragedy. The result of that corrupted standard of so-called "political democracy" is widespread credulity among policy influentials, credulity in favor of that axiomatic error of assumption implicit in the currently prevalent official views on debt and banking reform.

Therefore, if I have now included here some points which I have treated in numerous locations published earlier, it was necessary, in any address made, inclusively, to an Asia audience, to bring all the essential premises of my conclusions respecting peculiarities of European history into the realm of a global set of predicates.

Who Is the U.S.A.?

European civilization can not be efficiently understood in East and South Asia, except when that subject is viewed as traced, essentially, as an outgrowth of the influence of, and reactions against the ancient culture of Egypt. It was an Egyptian influence which contributed greatly to producing what came to be known in history-books as the Etruscans' and Greeks' exemplary role in the emergence of Mediterranean civilization from a preceding "dark age" of the Mediterranean region. Thus, since the Romans' cultural genocide against the



The First National Bank of the United States, in Philadelphia. Its founder, Treasury Secretary Alexander Hamilton, reflecting the influence of Germany's Gottfried Leibniz, created the American System of political-economy.

Etruscans, the surviving Classical Greek civilization, as dated essentially from such figures as Thales and Pythagoras, has been the principal, surviving starting-place of reference for all subsequent cultural achievements of globally extended European civilization over more than 2,700 years to date.

However, in the aftermath of that great folly known as the Peloponnesian War, Greek political life went into decline, although the core of the culture's intellectual life, chiefly expressed by the followers of Plato, continued to dominate all progress occurring within leading aspects of Hellenistic culture. This supremacy of Platonic Classical culture continued through the lifetimes of Archimedes and Eratosthenes, until the rise of Rome toward imperial power throughout Europe, that in the aftermath of Rome's military conquests, and accelerated spread of chattel slavery, as dated from approximately 200 B.C. onward.

Since those ancient times, all European culture, including that of the Americas, has been dominated by a single, subsuming, internal conflict: the continuing conflict between the decadence of the Roman Empire, a tradition known as *Romanticism*, and the opposing *Classical* tradition which is to be traced, chiefly, from the Greece of Plato and his Academy.

This political division between Classical and Romantic, erupted afresh, with full force, within Eighteenth-Century, English-speaking North America. The crucial breaking-point in this development came in 1763, prompted by the British monarchy's determination to crush the freedoms and economic development of its North American colonies. The great division between patriots and those whom President Franklin Roosevelt later denounced as "American Tories" of his time, was defined, philosophically, as a division between the followers of Gottfried Leibniz's anti-Locke "life, liberty, and the pursuit of happiness," the patriots, on the one side, and

the followers of the pro-slavery dogma, "life, liberty, and property," of John Locke, on the opposing side.

From the standpoint of science, this same deep cultural division within the U.S.A., was expressed by the opposition of that Classical Greek tradition adopted by such as Nicholas of Cusa, Leonardo da Vinci, Johannes Kepler, and Leibniz, against those expressions of Romanticism paraded under the assorted flags of the modern reductionists, such as our empiricists, positivists, and existentialists. From the standpoint of art, the same opposition is that of the Classical, to the characteristic irrationalism of the Romantic and modernist.

The central issue of this continuing, principal philosophical division between patriots and Tories in today's U.S.A., is otherwise expressed, on the one side, by the Preamble of the Federal Constitution, in which three great universal principles of the whole Constitution are defined, as these are in contrast to, on the other side, the pro-Locke Preamble of the Constitution of the treasonous Anglo-French-Spanish puppet, that slaveholders' insurrection known as the Confederacy.

The three U.S. constitutional principles of that Preamble are: 1.) The principle of sovereignty of the nation-state republic; 2.) That no government rules legitimately under natural law, unless it is efficiently committed to promote the general welfare of all of the people; 3.) The commitment to act in ways which effectively plan to ensure the progress in general welfare of posterity, rather than let the future be consumed by the momentary appetites of the present moment. The essential conflict between those principles and the existence of central banking systems, or the plainly anti-constitutional Federal Reserve System, is clarified at a later point within these remarks.

However, while those details of internal U.S. history are indispensable for any competent assessment of the United

States today, one must never be misled into the chauvinistic presumption, that the development of the U.S.A. was chiefly an internal, North American matter. It is more or less essential, under the present conditions of global crisis, that all regions of the world come to recognize the global implications of the relevant, leading points of that internal history of North America.

Both the English and French colonization in North America were, in large degree, not only a benefit from the Fifteenth-Century Renaissance, but, on the dark side, a flight from both the condition of religious warfare dominating Europe during the interval of the 1511-1648 “little dark age” of Venice-orchestrated, Habsburg-led religious warfare, and a response, on the better side, to the still-embattled achievements of that 1648 Peace of Westphalia, such as the work of Leibniz, which restored a condition deserving of the name of “civilization” to Europe.

This 1648 peace was brought about largely through France’s Jules Cardinal Mazarin’s skilled diplomatic efforts; Mazarin’s political heir, and patron of the scientist Leibniz, Jean-Baptiste Colbert, led Europe in a great development effort, during a time following the 1648 treaty. Unfortunately, the combination of the wrecking of Mazarin’s and Colbert’s work by self-avowed “Sun King” Louis XIV, and the predatory role of William of Orange on the continent and in England, led to a condition in Eighteenth-Century Europe, in which there was no immediate possibility of resuming those earlier, Fifteenth-Century attempts as by France’s Louis XI and England’s Henry VII, at developing modern nation-states.

Under the conditions defined by the early, war-torn Eighteenth-Century Europe, the best minds of the Old World looked to the English colonies in the new, as the only available location for building up that model of a true republic which they hoped to introduce back into Europe itself. *The consequent establishment of the U.S.A., with the Preamble of its Constitution, under the continuing leadership of Benjamin Franklin, was, therefore, a truly great historical exception within the modern history of globally extended European civilization as a whole.* The significance of the U.S.A., for good, or for evil, is located in the current U.S. acceptance, or evasion, of the obligation inhering in that *exceptional historical fact* of all modern history.

Unfortunately, the France events of the period from July 14, 1789 through the toppling of the first model fascist tyrant, Napoleon Bonaparte, produced a pattern of developments in Europe under which no true republic has been firmly established there to the present time. Despite important, even great reforms in such relics as feudalistic parliamentary systems, there have been two great flaws in those reforms. First, the imperialistic “gene” still deeply embedded, if often only as a vestige, within the ideological heritage of modern Europe’s present and former monarchical systems; and, second, the power held by central banking systems. These were the princi-

pal, axiomatic errors of practice which made possible British King Edward VII’s pre-orchestration of the first of two Twentieth-Century World Wars, that on behalf of so-called “geopolitical” issues between respectively land-based and maritime powers. Continental Europe has not been permitted to recover fully from the deep effects of those two wars, to the present day.

The Anglo-Dutch World System

The key to this tragic feature of modern history to date, is the role of that Venetian model expressed institutionally through the continued, toxic influence of modern central banking systems. The rules of the game imposed upon nations by those forms of banking systems, have created the unnatural condition which author Liu’s commentary has failed to recognize. As I shall show, his commentary errs by implicitly accepting those artificial boundary conditions. His argument limits the mooted choices at hand to practices which accept the continued reign of that fatal disease of medieval banking which dooms the dinosaurs of central banking and related practices today, as it did during the mid-Fourteenth-Century “New Dark Age.” He makes, in other words, not an *ad hoc* error, but, rather, the same *systemic* error of today’s typical U.S. classroom. He adopts implicitly the prevalent, mistaken historical assumptions respecting the issue of a choice between principled, properly state-regulated, or, in the alternative, diseased roles of banking in modern agro-industrial, nation-state economies.

The history of European civilization since approximately 200 B.C., is divided among three, successive long-wave phases. The first period, as dominated by Rome and its legacy, was concluded with the eruption of modern European civilization from within the Italy-centered revival of Classical Greek traditions in science and art, during the Fifteenth-Century Renaissance. This Renaissance produced the birth of the first modern, sovereign nation-states (commonwealths), Louis XI’s France, and Henry VII’s England, states based upon that controlling principle of the general welfare, the principle known in Classical Greece as Socrates’ alternative to the wicked practices of the figures Thrasymachus and Glaucon, the notion of *agapē*.

The second period, sometimes named a “little new dark age,” was a turning back of the clock of history, from the achievements of the Fifteenth-Century Classical Renaissance, toward feudalism. This “little new dark age” is dated to the epidemic condition of religious wars, launched by Venice and its Habsburg allies, during the interval from 1511 to the 1648 Treaty of Westphalia. This pre-1648 collection of horrors, was a period of Habsburg-led resurgence of those same Venetian forms of anti-Classical, Romantic traditions which had led medieval Europe into the mid-Fourteenth-Century “New Dark Age.” During that awful 1511-1648 interval, although the modern development of the Classical influence grew stronger among a minority, as Sir Thomas More, Fran-

çois Rabelais, Cervantes, Gilbert, Shakespeare, France's Henry IV, and Kepler only typify this, the political power lay predominantly at the disposal of the horrible.

The third period, including the present time, is that of increasing world-domination by the presently continued unfolding of that conflict, between the then-emerging, future U.S. republic of 1789 and 1865, on the one side, and the Venice-modelled, imperial system of financier-oligarchical maritime power. That Venice-modelled influence was expressed by the amoral liberalism of Locke, Hume, Adam Smith, and Jeremy Bentham, under the respective Dutch and British monarchies, among the opponents of the U.S. Constitution. The most characteristic, continued feature of that liberal-monarchical form of imperial maritime power, is the Venetian model of symbiosis, a symbiosis arranged between the power of the state, on the one side, and, on the other, the rentier-financier form of oligarchical power residing in the independent institution of a tyranny rooted in a privately controlled central banking system.

Under that modern continuation of the Venetian model, a fanatically superstitious, primitive, adoration of money, the mere symbol of wealth, replaces the proper role of that real increase of wealth, as the latter is expressed by increase of the potential relative population-density of mankind. The ills of the world economy today, are chiefly the natural outgrowth of an epidemic expression of that mental disease, called monetarism.

Our planet is still lodged within the latter, third period of modern European civilization. During this period, three outstanding initiatives by the U.S.A.'s patriotic tradition, have had the most powerfully beneficial impact upon the fate of nations throughout this planet.

The first was the 1776-1789 establishment of the U.S. Constitutional Republic, a republic whose example the British monarchy and Habsburgs sought, repeatedly, to eradicate from the memory of the world during the interval 1782-1863.

The second was the leadership of President Abraham Lincoln, not only in defeating that traitorous Confederacy co-sponsored by the same combined British, Napoleonic, Spanish monarchy's interests' in the rape of Mexico under the Habsburg tyrant Maximilian, but by presenting to the world a U.S. become the world's model of an agro-industrial nation-state, at the Philadelphia Centennial celebration of 1876. During 1863-65 the U.S.A. solidly defeated the cabal of Lord Palmerston, Napoleon III, and the Habsburgs in the latter's schemes for destroying the U.S., both directly, through the Confederacy, and indirectly, through those powers' imposition of the evil tyranny of the Habsburg Maximilian on Mexico.

Over the course of the decades immediately following the U.S. victory of 1876, the American System of political-economy, served as the model to inspire the post-1877 industrial revolution in Bismarck's Germany, the adoption of the

American model by Japan, and the role of scientist Mendeleev in the industrial development of Russia, and the inspiration of Sun Yat-sen's campaign to establish a New China.

The third development, was the role of President Franklin Roosevelt's leadership. Britain's King Edward VII, the one known as "The Lord of the Isles," had captured the U.S. Presidency under patriotic Franklin Roosevelt's pro-Confederacy cousin, Theodore, and Ku Klux Klan fanatic Woodrow Wilson, making them tools of the British imperial cause. Franklin Roosevelt created the preconditions for ending that world hegemony by what I shall now describe summarily as the Anglo-Dutch imperial maritime system of financier-oligarchical rule. Franklin Roosevelt's untimely death allowed the financier-oligarchy to turn the world back, away from the Roosevelt promise of a just post-war world, in the direction of a utopian reincarnation of the old imperial maritime system.

As of 1945, two efforts, the launching of the two World Wars of the 1914-1945 interval, had failed to crush the embedded U.S. patriotic impulse toward establishing a world system of respectively sovereign nation-state republics.

Unfortunately, the occasion of President Franklin Roosevelt's death was exploited for the general purpose stated by those enemies of the U.S.A. who were the founders and leaders of what became today's Anglo-American utopian faction, H.G. Wells and Bertrand Russell. This pair of scoundrels, assembled treasonous forces best typified by Russell's Unification of the Sciences plot, to use a triad of land-based, maritime, and aerospace nuclear weapons, to terrorize the world into submitting to world government under the American Tories and their British co-thinkers. The post-1945 conflict of the superpowers, the 1964-1972 U.S. war in Indo-China, and the shift of the U.S.A. from a productive nation-state economy, to a neo-imperialist consumer society, were conditions set into motion by such followers of Wells' and Russell's scheme, as 1969-1981 National Security Advisors Kissinger and Brzezinski. This latter phase of the Wells-Russell utopian scheme for Anglo-Saxon world government, is the leading proximate cause for the present combination of a world depression produced by a presently collapsing, hopelessly doomed, world monetary-financial system.

The characteristic feature of the economic polices of both government and supra-national agencies, under that latter scheme, is the Anglo-Dutch version of the Venetian model of central banking represented today by the current policies of the IMF.

The Venetian System

From approximately 200 B.C. until the accession of the European Emperor Otto III, the Mediterranean and relevant adjoining portions of Europe were dominated by a succession of the original Roman Empire, and, later, Byzantium. From the time of its resurgence as a relatively independent power, with the accession of Otto III, Venice, step by step, supplanted

decadent Byzantium, and assumed increasing power as the dominant imperial maritime power in the region. At the center of that imperial power, was Venice's role under the reign of a political system, of the Doge (Duke) and his Council, a dictatorship of and by a slime-mold-like financier oligarchy.

With the rather rapid collapse of the physical power of Venice as a state, following the 1648 Treaty of Westphalia, the Venice model of financier-controlled imperial maritime power, was bestowed upon the Netherlands and England of

the tyrant William of Orange. The principal rival of the Anglo-Dutch clone of Venice, was the landed feudality of the Princely Council dominated nominally by the Habsburgs; that rival was weakened, especially over the decades following the post-Napoleon Congress of Vienna.

With the ruin of France, and the crushing of the "Three-Kaiser Alliance," through the effects of World War I on the continent, the London-led Anglo-Dutch Venetian model of imperial maritime power dominated Europe as a whole. The

Dr. Liu on the Failure Of IMF Debt Solutions

Henry C.K. Liu, the chairman of the New York-based Liu Investment Group, wrote "Crippling Debt and Bankrupt Solutions," in *Asia Times Online* on Sept. 28 (www.asiatimes.com). While Dr. Liu strongly attacks the past and current failures of International Monetary Fund policies in dealing with the debt crisis sweeping the developing sector economies, his proposed solution does not consider the largest bankrupt nation on Earth—the U.S.A.—nor the bankruptcy of the IMF-based monetary/financial system itself.

With reference to the reform proposals of IMF Deputy Managing Director Anne Krueger, Dr. Liu writes: "A movement to tackle distressed sovereign dollar debts, particularly of the Heavily Indebted Poor Countries (HIPC), through an international bankruptcy regime has gained momentum in neo-liberal circles in recent years. . . . The essence of the proposed IMF/Krueger Plan claims to be the introduction of changes in International Monetary Fund Articles of Agreement that would permit a 'super majority' (analogous to the select committee of creditors under Chapter 11) to take collective action to make the terms of the agreement binding on the rest of the participants."

Liu also cites the proposals of former Harvard (now Columbia) economist Jeffrey Sachs, who "landed Russia in gangster capitalism with his shock-treatment approach to instant reform." Sachs called in 1995 for the creation of an International Bankruptcy Court, to give "transitional" economies protections comparable to those available to U.S. corporate borrowers.

"What all these neo-liberal (restructuring) proposals fail to acknowledge," Liu writes, "is the fact that a government is not a corporation, former U.S. President Ronald Reagan's anti-statist rhetorical assertions notwithstanding. Governments are not instituted merely to make profit for their power-brokering shareholders at the expense of

the general population. A government belongs to the people, not a few special interest shareholders. Its job is to safeguard and improve the lives of the people by maintaining a safe and fair society with sustainable economic growth."

The IMF's insistence on fiscal austerity, increasing unemployment with an aim to service government foreign debt better, is "irrational and self-defeating," Liu writes. And, in practice, the focus of the IMF's debt restructuring "has been to sanction officially the protection of foreign creditors, permitting them to exit non-performing loans at least cost while leaving the sovereign debtor with drastically scaled-down social and development goals and programs, usually under an IMF/creditor-sanctioned program of austere adjustment." Unlike bankrupt corporations, sovereign nations cannot be made subject to "liquidation of assets as provided for in national bankruptcy laws. Sovereign debt problems cannot therefore be resolved in the same manner as corporate debt."

"These proposals for reform of the sovereign debt restructuring process should be exposed as an integral part of a broader strategy toward emerging markets to keep poor countries permanently chained to the tyranny of foreign debt and condemn them to the slavery of export to service such debt," Liu writes, describing the IMF's actions as "in essence highway robbery of the poor countries by the rich in the form of predatory lending."

But Dr. Liu stops far short of promoting the only feasible solution, which is the creation of a new world financial system to replace the IMF, as developed by LaRouche. Liu promotes instead a "debtor revolt" of the poor nations, begging for relief in the World Court from an equally bankrupt advanced sector.

"Collective sovereign foreign debt default in a massive debtor revolt is the only rational solution," he writes, "and lender liability action against foreign lenders is the only way out for the world's indebted poor."

"A class-action suit claiming lender liability should be instituted at the World Court on behalf of the world's poor." —*Michael O. Billington*

death of President Franklin Roosevelt gave that Venetian model adopted by our American Tories world-hegemony, especially with the combined effects of the retiring of President Eisenhower and assassination of President Kennedy.

As a result of this stepwise accretion of power of Venice-modelled Anglo-Dutch liberalism, over these recent three centuries, the Venetian model of an imperial maritime power associated with a ruling financier oligarchy, became the axiomatic basis for the hegemonic constitutions and quasi-constitutions of Europe. The role of that curious relic of feudalism, the central banking system, is a characteristic feature of that so-called “liberal,” or Venetian model.

Hence, most immediately, as a result of the pro-liberal changes in the world’s hegemonic monetary-financial system since August 15, 1971, the planetary economy as a whole has been transformed, over the recent three decades, into an increasingly depraved, currently bankrupt mass of moral, intellectual, physical-economic, and, now, financial wreckage.

There have been two principal causes for this 1971-2002 change. The first, which I need merely identify here, is the factor which I addressed in such published locations as my Presidential campaign’s recent report, on the adoption of the Wells-Russell design, for a neo-Roman, English-speaking one-world empire premised on the fear of nuclear arsenals (*A Boldly Modest U.S. Global Mission*). The cultural changes, introduced during the 1960s, within globally extended European civilization, in furtherance of that imperial goal, supplied the motive for the 1971-2002 radical change in axioms of the world’s monetary-financial system, and economic policies as well. It was these changes which brought about the implicitly inevitable, present collapse of the existing world system as a whole. Crucial was the past three-and-a-half decades of intentional termination of the U.S.A.’s role as the leading producer economy, as my nation was transformed into today’s parasitical, increasingly post-industrial consumer society.

The mechanism through which the world economy was put through such controlled disintegration of the pre-existing economy, was the instrumentality of a radically liberal form of IMF-dominated, regulated network of both central banking systems and a U.S. Federal Reserve System which has degenerated to similar effect. The point has now been reached, at which the possibility of survival of the world economy, including the present nations, now depends absolutely upon uprooting all vestiges of a ruling network of central banking systems. If we do not do that, civilization itself will be plunged into a global dark age, comparable to, or worse than that which struck Europe during the Fourteenth Century. What central banking systems choose, is no longer relevant among sane and competent economists; the only relevant thing is what sovereign nation-states decide to do about replacing those inherently bankrupt relics of feudalism, which are called central banking systems.

2. Piercing the Veil of Sense-Certainty

Now, I come to the issue of economics as such, by which I signify *physical economy*, not financial accounting.

On this point, the pivotal, systemic quality of difference between Classical and Romantic cultures, is their contrasted views of the matter of sense-certainty. In contrast to both the Classical Greeks since Pythagoras, and the greatest scientific minds of modern European science, the relatively inferior cultures are gripped by the delusion that what is real is that which the senses imagine that they see, hear, taste, smell, and touch. When that childish error of assumption by relatively brutish cultures, such as the Roman Empire’s, is taken into account, it should be difficult to pin-point those pivotal accomplishments of the superior Classical Greek scientific thought, which are summed up in Plato’s *Republic*, notably, on this account, in his use of the allegory of the Cave.

Such an understanding of this problem, is the indispensable starting-point for any scientifically competent body of thought respecting economy.

The senses are living organs of our bodies, which reflect, about as faithfully as shadows do, the impact of the experiences which the senses as such can never “see” directly. Science is the practiced accumulation of discovery of what are practically provable to be universal physical principles, principles which can not be seen directly by the senses, but which correspond to those efficiently existing forms of action which increase man’s power in and over the universe, yet are acting from beyond the veil of sense-certainty.

Take as an example, the matter of gravitation. Consider, as an obvious choice of illustration, the uniquely successful method of the only original discovery of a principle of universal gravitation, by Johannes Kepler.

The continuation of that erroneous Aristotelean method revived and dictated by the decadent Roman Empire, prompted not only Claudius Ptolemy, but also Copernicus and Tycho Brahe, to devise schemes which sought to explain sense-perception of the astronomical heavens (normalized sensual observations) according to Aristotelean principles.

Kepler, adding more precise measurements to those of Brahe, showed empirically that the planetary orbits were elliptical, not circular, and did not represent uniform motion. Both the entire system of Aristotle, and also the empiricist hoaxster Galileo, were forever discredited by that single discovery of Kepler’s. This paradox discredited, in fact, all astronomy based on the simplistic view of sense-perception, and led to Kepler’s discovery of universal gravitation, and thus to the founding of the first comprehensive approach to constructing a mathematical physics.

Kepler showed, thus, the existence of a universally efficient principle of action, operating as if from behind the shadow-world’s veil of mere sense-perception. Gravitation,

like all universally efficient physical principles, is not an object of sense-perception. It is not something which can be merely “learned,” as learning and symbolism are associated with sense-certainty; it can only be known, as a universal hypothesis validated by appropriate experimental methods of proof. As Plato emphasized in his dialogue on the doubling of the square, and as Leibniz and Gauss, among others, showed, our knowledge of these principles is dependent upon proof of their unique *power* to enable us to change willfully the real world, such as that of nuclear microphysics, which is acting from beyond the mere shadows that the real world projects upon our sensorium.

This same view of physical science was already characteristic of Classical Greek scientific thought, as from Archytas and Plato through Archimedes and Eratosthenes. Typical are the Classical Greek topics of constructing a square double another square, doubling a cube by construction, and the powerful implications of the series of the five Platonic solids. This was a conception which became temporarily lost to European civilization wherever the relatively brutish, corrosive influence of Romanticism prevailed. These are the same points on which Carl Gauss caused a revolution in modern mathematical physics, founding the concept of the complex domain, in his 1799 report of his discovery of the first valid form of a fundamental theorem of algebra. Plato, in his *Theaetetus* dialogue, associated this complex domain with the domain of the *physical powers*, beyond sense-perception, by which things impossible within sense-certainty geometry, were brought into existence, as shadows, within the shadow-world of sense-certainty.

Leibniz, similarly, in his discovery of the fundamental principle of a science of physical economy, gave the Platonic name of *powers* (*Kraft*) to the effects of application of discovered physical principles to improve the practice of economy. Gauss employs the same notion of *powers* in defining the complex domain. The Leibniz-Bernouilli proof that the catenary, the characteristic reflection of the complex domain, expresses a principle of universal least-action, is the most efficiently simple demonstration of Leibniz’s *physical* principle of the infinitesimal calculus, opposite to the famous conceits of Carl Gauss’s adversaries Lagrange and Cauchy.

The use of Socratic method, to adduce the efficient existence of those powers called universal physical principles, as acting on our senses from beyond the veil of sense-certainty, is the essential, experimentally defined demonstration of the fundamental difference between the human individual and the lower forms of life. No other species is capable of willfully increasing, again and again, its potential relative population-density.

This difference is expressed as the increase of the relative potential population-density of the human species, above the millions possible among species of higher apes, to the billions of today. The potential of the human species, *not only to generate an individual’s discovery of an efficient principle of*

action from beyond the veil of sense-certainty, but to induce the replication of that act of discovery in succeeding generations, is the essential species of action which separates human cultures scientifically from the attributed cultures of the lower forms of life. The general expression of this is the resulting increase of the potential relative population-density of mankind, as measurable per capita and per square kilometer of surface area.

Through this cognitive mode of individual and collective reaching beyond the veil, man not only improves his individual power over nature as he finds it, but changes his environment, as by scientific revolutions, and by means of development of capital investment in physical improvements of conditions of production, such as basic economic infrastructure,

It is by the maintenance and enhancement of such willful improvements in human knowledge and physical-capital improvements, that the productive powers of labor are maintained and also improved. In the science of physical economy, the mind looks at the shadow-world of sense-certainty from a vantage-point beyond the veil of sense-certainty, and measures the performance of economy in physical, rather than merely financial terms, accordingly.

Useful Versus Toxic Money

In a sound nation-state system, as under the U.S. Federal Constitution, the power to create and regulate all forms of monetary currency, is restricted to the sovereign power of the state; *no monetary power external to regulation by the state is permitted*. The properly governing objective of those acts of creation and regulation, is to control the behavior of the effects of circulation of money, that for the purpose of fostering results which will coincide with desired intentions of physical-economic goals serving the maintenance and improvement of the general welfare. That constitutional restriction draws a line of separation between useful and usuriously toxic forms of that purely symbolic, empty form of existence called “money.”

The significance of this argument is illustrated most simply, by considering two of the most common expressions of popular but intrinsically psychopathic opinions concerning money. The first, is the delusion that there is a natural rate of interest on loaned money. The second, is that the proper rate of interest on any particular lot of loaned money, is determined by an (actually non-existent) “law of supply and demand.”

First of all, contrary to those marginal minds who babble about a non-existent magnitude called “utility,” the investment of money as such will not increase the level of wealth produced by society. Paper remains paper, and, within the bounds of the real world, paper values tend more readily to burn than to breed.

Improvement—i.e., physical growth, increased physical productivity, physically improved product—occurs solely

through *physical investment in the production of those physical effects* which tend to increase the average level of the physical-productive powers of labor in the society as a whole. The state, with its unrestricted sovereign authority for the creation and circulation of its currency, must shape the rules of credit and monetary circulation in ways which tend to foster the physically desired long-term physical effects. The emphasis must be as much, or even more, than on the short-term effects.

The most difficult challenges are posed by matters lying within the categories of medium- to long-term *capital cycles*. To define competent policy bearing upon these cycles, one must always consider the physical cycle as primary, and bring the financial reflection of that physical cycle into conformity with the physical valuation.

The most elementary type of long-term economic cycle is measured in generations: the investment which must be made, cumulatively, in the development of the newborn infant into an educated, economically efficient young adult, a generation later. For example, the cost and prices of production and exchange, must reflect the incurred physical cost of that investment in the development of a new generation of a certain productive potential.

The variation in quality of the physical investment by society in any one generation, were better estimated in terms of the gains in per-capita physical productivity of society over a minimum of two generations, approximately fifty years, and, still more reliably, three generations. *The essence of any effective leadership of a nation, is to be measured as the intellectual power of foresight and will, to set effectively into motion today, future generations' achievement which could not be realized within the bounds of a single generation.* In President de Gaulle's France, this was expressed by the notion of *indicative planning* of long-range investment priorities. Such "indicative planning" was the basis for the U.S.A.'s "economic miracle" of 1861-1876, of President Franklin Roosevelt's recovery program, and the stunning technological benefits, for the economy as a whole, of the Kennedy "crash" space program.

Apart from the society's investment in the typical family household's development of its successive generations, we must consider several exemplary, other types of long-term cycles of physical investment. There is investment in basic economic infrastructure, such as systems of general transportation, power generation and distribution, water management, land reclamation, sanitation, education, and health-care systems. These involve cycles to be estimated and measured in spans of two or more generations. There is, typically, private capital investment in local productive capacity, as of agriculture and manufacturing. There are also two very special categories of individuals' activity, in scientific discovery and productive entrepreneurship as such.

With the latter pair of capital cycles, science and produc-

tive entrepreneurship, we touch most directly on the most crucial features of a modern economy: the sovereign role of the cognitive powers of the individual person in generating progress. Although only some entrepreneurs employed in production perform their function of economic leadership as scientists, all effective entrepreneurship among farmers and manufacturers touches upon the same role of leadership exerted through the sovereign powers of the individual mind so reflected, if in a relatively diluted, and also indirect form.

The essential feature of increases in physical productivity in production of agricultural, manufactured, and related physical goods, is the impact of variations in the practiced rate of investment in fundamental scientific progress, and that progress's determining control over the potential rate of technological progress. These overriding scientific-technological determinants of the boundaries of increased productivity, are expressed mathematically as *physical powers*, as the Gauss-Riemann domain defines the *physical* meaning of the mathematical complex domain, contrary to Gauss's reductionist adversaries Lagrange and Cauchy.

No existing financial-accounting system, or methods derived from the reductionist, ivory-tower notions of "systems analysis," by such clones of Bertrand Russell as Norbert Wiener and John von Neumann, can competently assess such aspects of the physical-economic processes. Financial accounting, systems analysis, and other "ivory tower" misconstructions of economic analysis of real economies, will always, and always do produce wrong-headed policy directives, that as a consequence of the lack of correspondence of such simple-sense-certainty-based mathematical schemes to the real universe within which physical economy actually exists.

Put the usually questionable role of the corporate absentee-ownership to one side for a moment. Focus upon the example of the owner-operated small- to medium-sized manufacturing firm whose essential contribution to the society's economy is either generating, or, more frequently, producing technological advances in product and process designs. Compare this entrepreneur's truly Classical role in society with the contribution of those discovered universal physical principles which Plato, Leibniz, and Gauss, for example, define as the physical powers of the mind to change the real world which exists beyond the veil of sense-certainty.

In the latter example, the scientific discoverer, the characteristic physical-economic activity of that individual, is the *power* unique to the sovereign creative powers of the human individual, to generate valid working definitions of universal physical principles. In the case of the referenced type of entrepreneur, we have a case best understood by comparison with that of the scientific discoverer. Power, as used by me here, has the same connotations as Plato's use of the equivalent term in his treatment of the construction of the doubling of the square, Leibniz's use of *power (Kraft)* in defining a science of



Thomas Edison (left) and engineer Charles Steinmetz typified the spirit of productive entrepreneurship that is indispensable for the progress of a modern economy.

physical economy, and the physical meaning of the use of the notion of *powers* in both Gauss's 1799 report of his discovery of the fundamental theorem of algebra, and Riemann's definition of the physical-experimental significance of powers within the concluding portion of 1854 habilitation dissertation.

Physical Science and Society

The development and use of these qualities of the sovereign cognitive intellect of the individual person, is the underlying, unifying principle of all competent economics knowledge. The modern republic, typified by the intent of the Preamble of our historically exceptional Federal Constitution, is intended to develop our economy as an instrument through which to bring those creative powers of the sovereign human individual into play, as the reigning feature of our medium- to long-range policy decisions. We must recognize that there exists no populist, or other sort of reductionist social or other system, by means of which those specific kinds of fruits of the individual intellect could be generated "collectively."

The function of the proper political design of a republic, is to create the combined social and physical preconditions, under which the development of the creative powers of every individual (as Plato, Leibniz, and Gauss defined "powers") is fostered, and in which those with developed such sovereign creative powers of the individual mind, from whatever prior

station in life, are steered into opportunities to supply society as a whole with the performance of those functions which the creative scientist, entrepreneur, and workman bring to the social-economic process.

There is no way to calculate arithmetically the value of such persons and their work; we must rely on producing such persons, and affording them the circumstances to do their work. *We measure economic growth, not in simple arithmetic magnitudes, but in powers.* Each such power is expressed in the form of a discovery of a universal physical principle. (Physical principles include those Classical-artistic and other social principles for which an efficient, specific physical effect may be demonstrated experimentally. These principles are discovered in the same way in which universal physical principles of abiotic and biological processes are demonstrated. The restriction is, that only those artistic and related social principles which conform to Classical principles can be defined as principles in this manner.) It is the accumulation of the combined transmitted, and new discovery of such principles, as *powers*, which defines human progress scientifically. Therefore, the most profitable form of national economy is known to be the type of science-driver program which U.S. President Kennedy motivated.

Therefore, we must never permit today's generally accepted definition of a financial-accounting system, or its derivatives, to determine our government's economic policies. It is the generation, transmission, and application of the dis-

covery of such *powers*, which is the sole mode of action by which the characteristic productivity of a society (e.g., an economy) is effected. These powers define the *physical action*, performed on the universe, by means of which the increase of the productive powers of labor may be measured in a meaningful way. Ultimately, there is no valid definition of *profit*, unless we mean the term “profit” as it might be applied to measuring the performance of a national economy considered as an indivisible unit. Neither an individual human being, nor an economy, actually exists as the sum of its separable parts.

The Noösphere, Again

The ability to generate and transmit an experimentally validatable discovery of a universal principle, is the only existing definition of specifically human nature, which is available from within the bounds of so-called physical science. No higher ape, even one capable of learning to pass a computer-scored, multiple-choice-question form of university examination, can perform this specifically human act.

This distinction was emphasized by Russia’s Vladimir I. Vernadsky, who was the first to present durable definitions of both the Biosphere and Noösphere. This power of the sovereign cognitive power of the human mind, to accomplish what Immanuel Kant, Bertrand Russell, Norbert Wiener, and John von Neumann insisted were impossible, to generate, willfully: knowledge of a universal physical principle. This is the form of action which sets the human species, categorically, above all lower forms of life. This defines the Noösphere.

It is precisely this form of cognitive action, which provides the only functionally meaningful distinction between an economy, and a society of baboons. Thus, science reveals what many observers of our nation’s economy have long suspected: there is nothing in the subject-matter adopted by financial accounting, or systems analysis, which reflects any specific quality of distinction between the work of baboons and Chicago University or Harvard Business School economists.

These considerations should warn us, that a standard of measure which fails to express such a functional distinction between societies of baboons and people, altogether misses the purpose of competent economics practice. However, when the moral implications of this point are brought into view, a much more unpleasant judgment is passed on Chicago University economists as a zoological type. The doctrine of “free trade” which admirers of Turgot complained Adam Smith had plagiarized from the work of Physiocrats such as Turgot and Quesnay, defines an economy, as by Quesnay’s neo-manichean, *laissez-faire* dogmatism, as based upon the exploiting and culling of herds of slave-like human cattle.

The specific accomplishment of the Fifteenth-Century, anti-Romantic, Classical Renaissance, was the partial realization of Cardinal Nicholas of Cusa’s combined *Concordantia Catholica* and founding of modern experimental science, *De*

Docta Ignorantia, in the founding of the modern commonwealth, under France’s Louis XI and England’s Henry VII. It was the introduction of the state’s accountability, under the general welfare principle, for the development of the human powers of all persons, which frees bestialized serfs to become citizens. It was this overturning of that Code of Diocletian which had permeated the practice of imperial (*ultramontane*) feudalism, which unleashed those creative powers of mind which had been suppressed in the cattle-like role assigned by the likes of Quesnay, Locke, and Adam Smith, to serfs and cheap labor generally.

The essential faults of the use of financial accounting and systems analysis for a science of physical economy, is that the view of man implicit in the former two, is an inhuman one. Contrary to Quesnay and Smith, it is men whose creative powers of work create new wealth, and it is the beasts who prey upon them, such as Quesnay, Locke, and Smith, who keep the accounts.

3. Banking Under Imperial or National Economy

The characteristic organization of that Venetian model which we know as the Anglo-Dutch liberal model of society, divides the control over society among two powers: the state and the slime-mold-like entity which is the collective organ of the financier oligarchy. The latter assumes the form, typically, of a modern, so-called “independent” central banking system, or the post-1971 International Monetary Fund (IMF).

The latter, by its nature, its powers, and its customary practice, is an inhuman parasite upon mankind. Under this arrangement, the state, which is notionally accountable to the people, is actually dominated, even ruled by its obligation to an alien, predatory agency, an occupying power, a financier interest, which operates within society, but which is allowed to operate without efficient accountability to the societies upon which it preys. This is the plain way of speaking about that wondrous expression, “the independence of the central bank,” a phrase which turns the ecstatic eyes of the duped true believer upward, but never heavenward, in their sockets.

As a consequence, under the influence of central banking systems, such as today’s IMF, economic doctrines and practices, including financial accounting practices, are reflections of an alien power, aliens as if predatory creatures from outer space, who collect tribute from the victims in approximately the same manner the occupying khans used to loot the princes and monasteries of pre-modern Russia.

To see this phenomenon against its larger and more ancient background, this kind of arrangement between a nation and a predatory central banking system, is an outgrowth of a more ancient practice often defined in those times as *imperialism*. The empires of ancient Mesopotamia, the international

financial practices of the Delphi Cult of Apollo, and the ancient Roman pantheistic system of *Pontifex Maximus*, express the same model as the modern “independent” central bank. The common feature of all derivatives of that same principle is that the ruling agency has no efficient accountability for the effects of its policies and other practices upon the nations on which it preys.

The combined moral and economic degeneration of the U.S.A. under such utopian, pro-central-banking, imperialistic influences, during, especially, the recent three decades, has had the effect of transforming the U.S.A. from its former status as the world’s leading producer society, into a predatory, internally decadent consumer society, echoing the economic and moral degeneration of Italy following those imperial conquests which began with the Second Punic War.

In the globally extended history of modern European civilization, the alternative to central banking is identified by the precedent of the first and second Bank of the United States. Although New York and other American Tory private bankers, such as Aaron Burr, Martin van Buren, and pro-Confederacy August Belmont, succeeded, in concert with London, in suppressing the national banks of the U.S.A., the principle of national banking is implicitly intrinsic to the U.S. Federal Constitution. Here lies the most crucial difference between what Europeans have mistakenly tolerated as their definition

of “capitalism,” and the deepest axiomatic principle of that American System of political-economy which the German-American economist Friedrich List defined as the National System of economy.

The relevant moral and economic-science principle is, that no alien power not fully accountable to the sovereign nation-state government for the effects of its practiced policies, should be allowed to exist as a power above the sovereign nation-state. The agencies of banking and finance, must bear the burden of suffering the same fate as that their practices and power tend to impose upon the sovereign nation and its people. Those who insist on continuing to behave as if they were a predatory species from outer space, should find a place better suited to their natures, in outer space. The alternative to such an exodus were, that they submit to the same hazards and accountabilities as the rest of us.

That is the rule which must govern reform today. Otherwise, civilization were now plunging into a prolonged, planetary-wide new dark age.

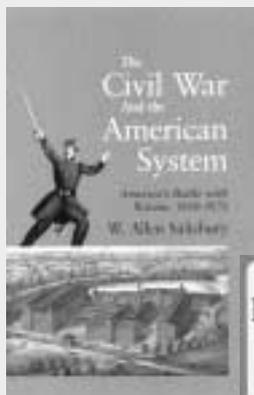
On that account, governments must collaborate to create a new type of banking system, to supplant “independent” central banking systems. These new systems must be national banks, which maintain the framework within which the private banking and related functions of society are regulated and otherwise encouraged to do good.

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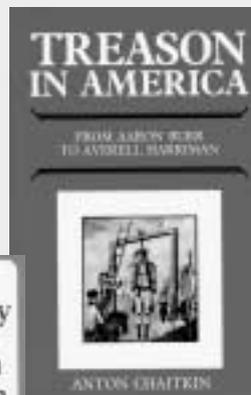
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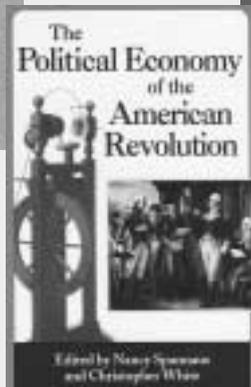
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Despite Congress, a Growing Chance To 'Jam Up' Iraq War

by Muriel Mirak-Weissbach

Once the U.S. Congress had capitulated on Oct. 10 and voted a resolution—albeit with significant opposition—authorizing President George W. Bush to wage war on Iraq, the idea spread that war is now “inevitable.” One authoritative figure expressing this view was Gen. Anthony Zinni, former head of the Central Command, and a harsh critic of aggression against Iraq.

But this actually marked the start of a new phase, in which the war can still be stopped, despite the Congressional vote. Presidential pre-candidate Lyndon LaRouche, who catalyzed the swelling opposition to the resolution with 7-8 million mass leaflets in two months, believes that the process leading to war can be effectively “jammed,” if the European resistance, in particular, does not waver. Now that Bush has committed himself (due to international pressure) to go through the diplomatic motions in the United Nations Security Council, it is possible that a group of nations can kill the U.S.-U.K. resolution authorizing war. There is a two-resolution solution proposed by France: a first resolution would mandate the UN inspections teams back into Iraq; and if they were hindered or sabotaged in their work, a second resolution could authorize the use of force.

Can the UN Respect Its Charter?

President Bush has gone on record that if the UN will not pre-authorize war, he will go it alone, so such diplomatic measures in themselves cannot stave off a conflict. But if the process of sending inspectors into Iraq, evaluating their work, etc., is actually initiated, this will gain time for those seeking to prevent the worst. In LaRouche's estimation, if a full-fledged war can be postponed through the end of this year, it is likely that the financial and economic breakdown crisis will hit with such force, as to render war plans meaningless. This

is the perspective of his campaign mobilization in America.

If in 1991, the UN rubber-stamped the “crusade” of George Bush “41” against Iraq (“with God's blessing,” said evangelist Billy Graham), today the situation is radically altered. Due to the worldwide economic crisis, the fanatical drive for imperial power by the U.S. utopian warhawks, and their threatened Clash of Civilizations against Islam, close U.S. allies in Europe, as well as long-standing friends among developing sector nations, have stood up and said, “No.” Inside the elite permanent five members of the Security Council, attempts by the United States and U.K. to ram through their resolution have met with staunch resistance. Russian President Vladimir Putin, following a meeting with Italian Prime Minister Silvio Berlusconi in Moscow on Oct. 16, reiterated Russia's rejection, saying that a new resolution may be acceptable, but not one which authorizes the use of force. Putin telephoned French Prime Minister Jacques Chirac, to reconfirm their identical positions.

Chirac again made his country's stance clear, in remarks to the Lebanese daily *L'Orient-Le Jour* on Oct. 16, reaffirming his commitment to a two-stage process, and rejecting any resolution authorizing use of force. The Chinese government, though less outspoken, has repeatedly declared its commitment to a peaceful solution.

This translates into a deadlock inside the Permanent Five, which could be broken if America and Britain were to accept the French approach. If they refuse it, any one of the other three could exercise its veto power.

The fact that Washington has been concentrating its maneuvering on the Permanent Five, has insulted the other ten Security Council members, whose votes are also necessary to pass any resolution. Nine of the 15 members must approve; but they are not even being informed of the Permanent Five's



Though President Bush (here calling Presidents of Security Council permanent members) got his war-resolution capitulation from Congressional Democrats, worldwide opposition to war, in the Security Council (above) and elsewhere, has escalated, not diminished, in reaction. If the war is delayed, an “economic time-bomb” could derail it by year’s end.

consultations. The gravity of the decisions to be taken, and the arrogance with which the pro-war forces have proceeded, have catalyzed a healthy spirit of resistance among the Non-Aligned Movement (NAM) nations. An open Security Council debate was demanded by 114 NAM nations, and agreed to. Eighty governments signed up to speak, most to denounce the U.K.-U.S. approach.

President and spokesman for the NAM, South African Ambassador to the UN Dumisani Kumalo, exposed the illegitimacy of the U.S.-U.K. stance: “The UN is asked to declare war on Iraq, and this contradicts the principles of the UN Charter. The UN Security Council is on the verge of entering into uncharted waters and the situation now is different from others, and it cannot be left to its 15 members to decide alone.” The NAM is standing on the UN Charter which calls for peaceful resolution of crises like that over Iraq. They argue that any decision, including the use of force, would affect all the Middle East and other parts of the world. Kumalo also attacked the Permanent Five for discussing the issue among themselves, excluding the other ten Security Council members. He called on the ten to become “fully engaged,” and said the NAM also opposes the French two-resolution approach.

Worldwide Resistance Grows

This UN line-up reflects escalating, not shrinking worldwide resistance to the war, since the Congressional vote. This emphatically includes within the United States itself.

Most vocal and prominent among the nay-sayers have been the professional military, persons whose direct experience with war has shaped their judgment. General Zinni, although resigned to the inevitability of this war, spoke out against it again on Oct. 14 at Virginia Military Institute, to

warm and repeated applause (see article in *National*). He warned that any U.S. occupation would involve heavy American casualties, and said no evidence existed of weapons of mass destruction in Iraq, and no rational reason, to go to war. “War in Iraq [is] a bad military and diplomatic move that should be put on hold until the war on terrorism is dealt with and the economy strengthens,” Zinni said. “It’s a mine field. . . . We get along fine with other things that are far more terrible. . . . You’d better be sure. . . before we do this and there are another 58,000 names on a wall in Washington.”

In the German daily *Die Welt* on Oct. 16, Gen. Wesley Clark, former head of the Allied Command Europe, spelled out “what could happen if” certain scenarios were followed. Without explicitly denouncing the war, he soberly presented its risks. Even assuming it began with massive, sustained aerial

bombardments against military installations, with limited “collateral damage,” and ended within 14 days, still 250,000 men would have to be on hand, 75,000-100,000 to be deployed. The “best scenario” would be that after the aerial attacks, the Iraqi military would raise a white flag. Then, Clark said, “our problem will be dealing with the hundreds of thousands of hungry and armed deserters.” Rebellions and violence could break out between pro- and anti-government forces and factions. If Saddam Hussein has and deploys chemical or biological weapons against the 12-14 million Shi’ites in the South, how to protect them without exposing U.S. troops to danger? If Israel were hit and retaliated, this “could mean tens of thousands of civilian victims.” The war would destabilize the entire region.

The most significant evidence of a raging fight in the Pentagon was a feature on Secretary of Defense Donald Rumsfeld in the Oct. 16 *Washington Post*, re-run the following day, again front page, in the *International Herald Tribune*, thus guaranteeing international impact. The article focussed on the growing opposition to Rumsfeld within the Pentagon, where the military is not listened to. Rumsfeld is felt to be arrogant and indecisive. He is said to have targetted particularly the Joint Staff—the staff of the Joint Chiefs of Staff—firing personnel and shutting down operations. Rumsfeld accuses them, and the military generally—especially the Army—of being “risk averse”; i.e., unwilling to accept American casualties. Not surprisingly, the article reports that the Army is most hostile to Rumsfeld, and most skeptical of his drive to bring the military into the “information age.” The report states that all three (civilian) service secretaries, Army, Navy, and Air Force, are considering leaving before the end of this year, in disgust with Rumsfeld.

On the War Front

No one knows better what dangers a new war against Iraq will bring, than those nations and governments in the region itself. Contrary to 1991, when many Arab states joined the war coalition, this time, none has, with the de facto exception of Qatar. There, the United States has been building up the El Obeid air base, as its key installation in the region, after the Saudis decided not to allow their country to be the launching-pad for war as in 1991. On Oct. 15, Saudi Defense Minister Prince Sultan told *Al-Hayat* that “Saudi Arabia will not provide any military assistance in any strikes against Iraq,” reiterating Crown Prince Abdallah’s statements that the country would not provide bases for attacks. Saudi Foreign Minister Prince Saud al-Faisal echoed the same position: “I had never said that Saudi Arabia agrees to allow the use of its territory to strike Iraq. . . . We will refuse to enter into a war against Iraq.” Despite factional differences among the royal family, all are in agreement against the war, and aware that the break-up and possible occupation of Saudi Arabia is on the same drawing board as the Iraq war plan.

Iran, which signed a far-reaching defense pact with Saudi Arabia, is also 100% opposed to war. During a meeting of the Economic Cooperation Organization (ECO) in Turkey, Iranian President Seyyed Khatami stated: “As the Islamic Republic of Iran, we have great respect for Iraq’s territorial integrity. We are certainly opposed to a possible military intervention in Iraq. . . . We want Iraq to comply with UN resolutions.” Khatami went to the sensitive Kurdish question: “Turkey’s Kurds are Turkey’s citizens, Syria’s Kurds are Syria’s, Iraq’s Kurds are Iraq’s, and Iran’s Kurds are Iranian citizens. Turkey, Syria, and Iran are against the establishment of a government that would end this.”

Turkish Prime Minister Bulent Ecevit implied that he would deny the United States bases: “We are the strongest country of the Middle East. It is essential that Turkey acts as the sentinel of the region. . . . We know that the U.S.A. cannot carry out this operation without us. That is why *we are advising that it abandon the idea*. We are telling [Washington] that we are worried over this matter.”

Secretary General of the Arab League Amr Moussa said, “Arab states cannot be part of or join an alliance directed against an Arab nation without justification. And if, as some suggest, the justification is weapons of mass destruction, then the logical solution lies in the return of inspectors to Iraq to see for themselves.” Asked if defense treaties with the United States would bind Gulf states to give bases, Moussa said, “I don’t think that any military agreement with the United States contains articles on helping to attack Iraq.”

Moussa made these statements in Qatar, joining other Arab leaders who have been pressuring that government. Qatar is now not only the base for U.S. operations, but the host country to Al-Jazeera TV, which has become a mouthpiece for Osama bin Laden. Saudi Arabia has been demanding that the Qataris shut down the network, on grounds that it broadcasts slanders against the Kingdom. This is the public side of

a conflict between the two, which is actually over the war. On Oct. 14, an attempted coup was reported against the Qatari leader, Sheikh Al-Thani. Egypt’s *Al Gumhuriya* said U.S. soldiers arrested several Qatari army officers for the plot. Pakistani and Yemeni soldiers were also reportedly involved. Whether or not it was a serious coup attempt, the report sent an unmistakable message to the Qatari government, that its pro-U.S. stance is not appreciated. And one day later, Qatari Foreign Minister Sheikh Hamad bin Jassim al-Thani issued a pro forma statement against the war.

Terrorism as War Preparations?

The utopian war faction is also aware of the “economic time-bomb” factor LaRouche pointed to, and is moving for war all the faster. Since early October, a new war argument has been thrust into the foreground. Formerly, the motivation was, officially, to eliminate the weapons of mass destruction Iraq allegedly has. The new argument is that Saddam Hussein works with the international al-Qaeda terrorist networks, which are said to be behind the recent spate of attacks, from that against the French tanker *Limburg*, to the killing of U.S. soldiers in Kuwait, to the atrocity in Bali. The attacks, which began on Oct. 4 and continued through Oct. 15, occurred almost as a backdrop for public statements of the new line: An attack on Iraq continues the war against terror begun after Sept. 11. Opponents have insisted, of course, that war on Iraq would derail the internationally supported war on terrorism.

The story of Iraq/al-Qaeda links first surfaced in later-discredited reports of contact between al-Qaeda’s Mohammed Atta and an Iraqi diplomat in Prague. Some die-hards, such as warhawk Richard Perle, are still pushing this story, but the main emphasis is being placed on new assertions of links.

President Bush revived them on Oct. 7 in his Cincinnati speech: “We know that Iraq and the al-Qaeda terrorist network share a common enemy—the United States of America. We know that [they] have had high-level contacts that go back a decade. Some al-Qaeda leaders who fled Afghanistan went to Iraq. . . . We’ve learned that Iraq has trained al-Qaeda members in bomb-making and poisons and deadly gases.” In his Oct. 14 remarks following the Bali terrorist attacks, Bush explicitly insisted al-Qaeda and Iraq are linked. Asked a set-up question, “How does this [the Bali bombing] play on your policy on Iraq?” Bush answered, “Our thoughts about Iraq relate to the war on terror. . . . [The United States] will fight, if need be, the war on terror on two fronts. . . . Iraq is a part of the war on terror.”

Next day in Michigan, Bush went further: “We need to think about Saddam Hussein using the al-Qaeda to do his dirty work, to not leave fingerprints behind.” He received immediate support from British Prime Minister Tony Blair, while France’s Chirac flatly rejected any such allegations. As the political and diplomatic battle intensifies, further terrorist actions are likely to occur and be “linked” to Iraq.

Record Election Winner: New Bretton Woods Now

by Gretchen Small

Since Mexican President José López Portillo imposed exchange controls and re-nationalized Mexico's credit system in 1982, Wall Street has done everything possible to keep another Ibero-American nation from acting on the policies of current U.S. Presidential pre-candidate Lyndon LaRouche. Now they fear their worst nightmare is coming back. Just as Brazil's financial bubble blows up, Dr. Enéas Carneiro, one of Brazil's most vociferous advocates of LaRouche's policies, has been catapulted into the center of national policy-making.

Within 48 hours of his stunning Congressional victory in Brazil's Oct. 6 general elections, Dr. Enéas received more than 100 requests for interviews from Brazilian and foreign media, and is using them to campaign for a New Bretton Woods agreement to replace the dying international financial system, as LaRouche proposes.

Dr. Enéas, a candidate in the previous three Presidential races and famed as an outspoken opponent of the International Monetary Fund's (IMF) destruction of Brazil, was thrust into national prominence on Oct. 6, when he received the greatest number of votes of any candidate for Congress in the history of Brazil: 1.573 million of them. An associate from his Party for the Rebuilding of National Order (PRONA), Dr. Havanir Nimtz, also broke records, receiving 681,900 votes for her candidacy for the São Paulo state legislature, almost a half-million votes more than the second-highest vote-getter.

Following his spectacular visit to São Paulo in June, LaRouche has become the *éminence grise* of anti-globalization resistance in Brazil. Without exception, LaRouche's analysis is at the heart of the intense debates now ongoing in the bastions of power over how to defend the nation from disintegration.

The October issue of *Ombro a Ombro*, the informal mouthpiece of the most nationalist faction within the Armed Forces, gave a rare public report of where LaRouche's ideas are being debated. According to a highly credible source cited by the newspaper, during President Fernando Henrique Cardoso's meetings in August with the (then) four Presidential candidates—meetings called to arm-twist the candidates into backing the \$30 billion IMF bailout package announced on Aug. 7—candidate Ciro Gomes “created tension” when he quoted LaRouche on the fact that Washington “is bluff-

ing” with its \$30 billion IMF loan offer. “The real objective is to protect the interests of American firms, like Citigroup and J.P. Morgan,” Ciro Gomes is reported to have told Cardoso.

With the record-breaking election victories of Drs. Enéas and Havanir, the discussion of LaRouche's ideas is no longer containable behind closed doors in Brasilia.

Wall Street and London know that the threat they face in Brazil is not Presidential front-runner Luiz Inácio “Lula” da Silva, the likely winner of the Oct. 27 run-off election, but LaRouche—and that's a much tougher proposition. Since the Oct. 6 election, Lula's people have issued statement after statement promising that a Lula government would never default on the debt, and that the words “exchange controls” don't exist in their vocabulary.

Dr. Enéas, however, is using his election victory as a platform from which to rally the political forces which Brazil will require—whoever wins the election and no matter what promises they have made—to survive the most dangerous crisis in its history.

Immediately upon being elected, Dr. Enéas told *O Globo* newspaper: “The perspective is to fight for national sovereignty. The project is the same as what is in any of our books for the last 13 years: Brazil, the sovereign nation-state; against privatizations, against this make-believe education. We want a basic educational system such as that which those who are older had. We want a health system that functions. We want Brazil to stop paying these extortionary interest rates.”

Given his vote totals, the press has been forced to interview him, but reporters have sought to stick to their stock, banal questions. Dr. Enéas has not been deterred. He told an interviewer from BBC of London that “to defend the sovereign nation-state, it is urgently necessary to convoke a New Bretton Woods conference,” sources close to the Congressman-elect report.

He also startled an interviewer on a Buenos Aires radio station on Oct. 11, when he declared that “the Argentine nationalist leader whom I most respect is Mohamed Alí Seineldín, who is in prison, where I visited him.” Malvinas war hero and political prisoner Colonel Seineldín is also well-known as a friend of LaRouche.

The interviewer asked if he, then, was the “Brazilian Seineldín.” Dr. Enéas answered, “No, because I am a doctor, and Seineldín is a military officer, but we have the identical goal of defending the sovereign nation-state. Look at Seineldín in prison—and Argentina torn apart. What we need to do, is convoke a New Bretton Woods conference.” At that point, the interview abruptly ended.

The *New York Times* reportedly was also given an earful on LaRouche and the New Bretton Woods, but there has yet been no mention of Dr. Enéas printed in that paper.

‘Impending Default’

Wall Street and London, meanwhile, are in panic over Brazil's financial blow-out. An editorial in London's *Finan-*

cial Times on Oct. 15 admitted publicly, that “all the hallmarks of an impending default are visible: a soaring public sector debt burden; high short-term interest rates; low growth; a rapidly depreciating currency; and an international loss of confidence. At current market rates, even an optimist would admit Brazil is insolvent.” It threatened the likely next President, writing that “with this backdrop, the importance of Lula’s initial economic policy decisions cannot be overstated.” In the first few days after the Oct. 27 election, he must appoint an acceptable economic team, and “any sign of profligacy, with the public finances or with inflation,” would bring down Hell.

The *Wall Street Journal* issued a virtual death threat against Brazil, were it to break from the policies which are already killing it. The *Journal*’s Americas Editor Mary Anastasia O’Grady snarled in her Oct. 14 column that “one false move by the incoming President could cost the country dearly. . . . [Brazil] is capable of saving itself from default, devaluation, inflation and destruction. Or it can whistle down the populist, big government path that leads to disaster, all the while thumbing its nose at markets and economic freedom.” But if it chooses the latter, wrote O’Grady, “the nation should be ready to live with the consequences.”

Like King Canute before them, however, these ideologues of monetarist dogma cannot stop, nor hope to control, the collapse of the Brazilian debt bubble. Capital flight is accelerating. As the treasurer of the Brazilian unit of London’s Lloyds TSB Group stated flatly to Bloomberg wire service on Oct. 16, the strategy of all the foreign banks “is to reduce risk to the maximum extent possible.” They are getting out.

The Central Bank was barely able to roll over half of the nearly \$6 billion worth of dollar-indexed debt and currency hedges which came due in the first half of October. Brazilian Central Bank officials panicked. On Oct. 14, officials called the first unscheduled emergency meeting of the monetary committee since the 1998 Russian default, announcing at its conclusion a 3% increase in the benchmark interest rate (the SELIC), upping it from the already insane 18%, to 21%.

That gives Brazil the highest real interest rates of any country in the world, but the financiers were not calmed. “Call it boldness or despair, it shows how critical the situation is,” Bank of America’s Marcelo Carvalho declared. ING Barings and others insisted “more aggressive” rate hikes were needed to keep capital from fleeing—at least 25%, and perhaps as high as 28%!

Mice at Work

Under these circumstances, the bankers’ boys are trying to figure out how to knock out the Enéas factor. The first line of attack mobilized, was the universal propagation of the line that the more than 1.5 million who voted for Dr. Enéas had no idea what they were doing. This was just a protest vote, even a joke vote, for “a fringe candidate,” leading Brazilian dailies proclaimed.

Reality is too big to cover up, however. Even one of Italy’s leading political dailies, *Corriere della Serra*, featured in its coverage of the Brazilian elections the fact that Dr. Enéas had won the largest vote in all the history of Brazil. *Corriere* did not report much more than that, but anyone who goes to any Internet search engine, in any language, to see what pops up for Enéas Carneiro, comes up with more than two dozen listings which mention LaRouche, including Dr. Enéas’s speech about LaRouche, during the latter’s trip to São Paulo, his endorsement of LaRouche’s 2000 election campaign, etc.

So far, the only coverage in the leading Brazilian press of Dr. Enéas’s LaRouche connection, was a letter to the editor published by *O Estado de São Paulo* on Oct. 11, slandering LaRouche as an anti-Semite, and demanding Drs. Enéas and Havanir clarify their positions on this matter. LaRouche sent a reply to the São Paulo daily, denouncing the letter as a lying fraud, which the author of the letter should clarify. While it had yet to run LaRouche’s letter as of Oct. 18, *O Estado* did publish another letter from a Brazilian LaRouche supporter, which defended LaRouche for his role in leading the fight against the NGOs of Prince Philip’s World Wide Fund for Nature (WWF), in defense of Brazil.

The “mice” are searching desperately for a way to cut down Dr. Enéas’s Congressional faction, at least. On Oct. 10, in what is clearly a “put-up job,” an independent São Paulo City Councilman, Edvaldo Estima, and his son Fernando, (who ran for Congress on the Liberal Party ticket, but lost), filed suit against the faction before the Regional Electoral Court. They contested four of the six PRONA candidates elected to sit in Congress along with Dr. Enéas under Brazil’s proportional election system, on the spurious grounds that they were elected from São Paulo, but allegedly live outside the state. One of those challenged, Dr. Irapua Teixeira, called the accusation “absurd,” and suggested that Estima the younger was kicking because PRONA upset *his* Congressional plans.

PRONA has no intention of rolling over and playing dead. Dr. Havanir suggested to *Estado de São Paulo* on Oct. 11, that, given her record number of votes, she should, by all rights, be elected to preside over the state assembly. And she proposed that Dr. Enéas be elected to preside over the Federal Congress, given that he won more votes, by far, than any other of the Congressmen.

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Bali Bombing: Global Low-Intensity Warfare

by Michael Billington

Just days after the U.S. Congress granted President George W. Bush the unconstitutional power to start a unilateral, preemptive, and insane aggressive war, came the most deadly terrorist attack since Sept. 11, 2001. The Oct. 12 nightclub bombing on the idyllic resort island of Bali, Indonesia, leaving at least 180 dead and hundreds wounded—mostly foreigners, and most of them Australians—was the most lethal of a series of low-intensity war attacks around the world in the past weeks. There were bombs in Finland and the Philippines—including multiple bombs that killed and injured dozens in Mindanao in the Southern Philippines on Oct. 17—explosions on a French oil tanker, and a serial sniper in the Washington, D.C. area.

Indonesia, with the largest Islamic population in the world, has been subjected in past months to a massive international campaign, both from Western governments and their media outlets, demanding that it follow the Anglo-American version of the “war on terrorism.” Indonesia has been instructed to arrest radical Muslim activists, and, in particular, the cleric Abu Bakar Ba’asyir, declared by Singapore and the Western press (quoting leaks from the CIA) to be the leader of a Southeast Asian terrorist network called Jemaah Islamiah. Indonesia has refused these demands, insisting that it will not return to the tyrannical rule of the Suharto regime, refusing to make arrests of its citizens without evidence or due process.

This resistance, however, has earned Indonesia such titles as “the new headquarters for al-Qaeda,” and the “weak link in the war on terrorism.” This is verging on the accusation that Indonesia is “harboring terrorists,” a trip wire for the utopian warriors in Washington to proclaim the right to unilateral intervention.

Threat To Name Indonesia ‘Terror Haven’

After the Bali bombing, the United States and its “deputy sheriff” in Asia (as Australian Prime Minister John Howard once described his nation’s role) have demanded that Indonesia now admit its error and obey the global imperial power structure—although the source of the carnage in Bali is still unknown. American Ambassador to Indonesia Ralph Boyce, according to the Oct. 16 *New York Times*, had told Indonesian President Megawati Sukarnoputri, on the eve of the Bali bombing, that “if the government did not act by the time President Megawati was to see Mr. Bush at a meeting in Mexico in late October, the United States planned to send a

public signal that Indonesia was a terrorist haven, by ordering all but the most essential American diplomats home.” After the bombing, Boyce activated his warning.

Howard, whose country suffered on Oct. 12 its greatest casualties abroad since the Vietnam War, chose to follow the U.S. lead by calling on the UN to place Jemaah Islamiah on the terrorist list, a proposal first offered several weeks ago by U.S. State Department official James Kelly. On Oct. 17, Howard strongly encouraged all Australians in Indonesia—a total of more than 10,000 people—to leave immediately, citing new evidence of more attacks being planned.

Indonesia, battered by the brutality of the bombing and the intense pressure from abroad, has not been willing to submit its sovereignty to foreign dictates, nor allow the hysteria of the Bush Administration’s utopian war-cry to obscure their *real* problem with terrorism. The *Jakarta Post*, the leading English-language paper in the country, presented an unusually blunt and insightful editorial on the morning of Oct. 14, called “National Tragedy”: “We don’t believe that the arrest of Muslim cleric Abu Bakar Ba’asyir—whom Singapore and Malaysia have identified as the leader of a regional group with aspirations to turn Southeast Asia into an Islamic state—would have prevented Saturday’s attacks [in Bali]. Ba’asyir, if anything, has been a diversion, or even a decoy. While we have all debated his role in Jemaah Islamiah, and whether or not to put him under arrest on suspicion of terrorist activities, the real operatives, whoever they may be, were quietly plotting the attacks.”

Coordinating Minister for Defense and Security Bambang Susilo Yudhoyono, although sternly warning Indonesians that there could be no more delusions regarding the threat within Indonesia, refused to acknowledge any particular foreign role in the bombing pending the investigation, and added that he did not believe that Jemaah Islamiah existed in Indonesia. While not defending Ba’asyir directly, this seconded Ba’asyir’s contention that there is no such organization as Jemaah Islamiah—a term that simply means “Islamic community.”

Headlines around the world on Oct. 15 reported “Indonesia Admits al-Qaeda Role in Indonesia,” quoting the Defense Minister, Matori Abdul Djilil, who said he had no doubt that al-Qaeda was connected to the bombing. However, other Cabinet Ministers do doubt it, as international journalists were well aware, but played down.

Ba’asyir himself has denounced the bombing, speculating that the United States had the most to gain from the incident, while he is busy filing a lawsuit against *Time* magazine for slander, in leaking a CIA report which allegedly ties Ba’asyir to earlier and planned terrorist acts in Indonesia.

Economic Damage Is Great

The impact of the bombing on Indonesia, and on Southeast Asia generally, will be severe. Indonesia is already saddled with a debt burden far beyond its capacity to sustain—left by the assault of global speculators on its currency and its

economy in the 1997-98 "Asian crisis." Tourism in Indonesia, centered in Bali, represents 5% of the economy, employing more than 10 million people; at least temporarily, it will collapse drastically. There is a run on both the rupiah and the nation's equity markets, and the flight of capital, which has continued unabated since 1997, will likely get worse. A dark irony: Bali was about to open its first international airline, called Air Paradise International, with flights to Perth and Melbourne. Pre-purchased tickets are being refunded, and the company's future appears dim.

As the Argentina and Brazil crises explode over the coming months, Indonesia could easily become the next sacrificial lamb to the lords of the debt bubble. Predictably, an International Monetary Fund (IMF) representative met with government officials immediately after the attack, and said the IMF would work with the lender institutions to "offer whatever support possible to the government of Indonesia at this difficult time"—but added, the *Jakarta Post* reported, that "so far, the Bali attack has had no impact on the time frame of the IMF's delayed loan disbursement. . . . Indonesia needed to meet its reform targets first." The \$360 million tranche of the IMF's already-pledged support is being held up as Indonesia refuses to sell off valuable state-owned banks and industries (as the IMF demands) while the market is so depressed that the sale would constitute a virtual giveaway. With the markets now facing an even greater decline,

the IMF hard line shows it may be considering the Argentina treatment for Indonesia.

Theories of All Stripes

Theories abound concerning the controlling hand behind the Bali atrocity. Beside the al-Qaeda/Jemaah Islamiah theory, others accuse the Indonesian Army, saying it sought revenge for Australia's subversive role in the separation of East Timor, and continuing support for separatist movements in other Indonesian provinces. Others blame followers of former President Suharto, aiming at a comeback through the "war on terror." The primary domestic Islamic radical movement, the Laskar Jihad, might have fallen under suspicion, but it suddenly closed its headquarters in Yogyakarta and announced it was disbanding—not due to the Bali attack, but because peace between Muslims and Christians has generally been restored in the Muloccas, the scene of Laskar Jihad's violent defense of Muslims. Other theories claim U.S. or Israeli instigation to further stir up global sentiment for war against Iraq and other Islamic nations, and for Sharon's plan to expel the Palestinians to Jordan.

No conclusions can be drawn without international investigative efforts, and the necessary consideration of the global strategic transformation now taking place, centered on the imperial U.S. strategic policy declaration of September 2002, and the proliferation of low-intensity warfare worldwide.

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Sharon Makes War While Rabin Is Mourned

by Dean Andromidas

In the evening of Oct. 17,* Israel commemorated the seventh anniversary of the assassination of Prime Minister Yitzhak Rabin, who was murdered by an Israeli right-wing extremist. This day is officially commemorated every year, but this year Israeli Prime Minister Ariel Sharon chose to absent himself, going to Washington to plot a new Middle East war with President George Bush.

Israeli commentator Nehemia Strasler, writing in *Ha'aretz*, conveyed the bitterness of those who saw Rabin as one of Israel's most important statesmen, the man who signed the Oslo Accords with Palestinian Chairman Yasser Arafat on Sept. 13, 1993: "Today is the anniversary of the assassination of Yitzhak Rabin. Ariel Sharon won't be in the country, he won't take part in the state memorial ceremony, at Mt. Herzl—and it's best that way. Hypocrisy also has to have its limits. Some of us will not forget—and will never forget—that Sharon was one of those who stood on the incitement stage in Jerusalem's Zion Square when the crowd raised signs showing Rabin dressed in an SS uniform, and those on the platform did not protest. He took an active part in the incitement against Rabin, and called the Oslo agreements—a courageous and important act of statesmanship that could have brought peace and security and economic prosperity—'an act of treason.'"

Strasler wrote that under Rabin, Israel experienced unparalleled economic growth because of the promise of peace which the Oslo Accords brought with them, but now Sharon is committed to anything but peace. Sharon will "continue the war until the other side surrenders, if it surrenders, and to encourage lawbreakers in Hebron who make a disgrace of the term Jew; he's ready to advance colonial expansion on every hilltop to make clear that the Palestinians have no chance to ever get a state; he's ready to humiliate the Palestinians' leadership. . . . Sharon is not interested in negotiations, because then he would really have to concede the territories and the settlements, and he doesn't have the courage to do so, because it would endanger his regime, supported, as it is, by the extreme right."

While Israeli President Moshe Katsav led a commemorative event at his official residence on this darkest of Israeli anniversaries, President George Bush was meeting his "close friend" Sharon, to give him what many observers believe is a

* This is the anniversary, according to the Jewish calendar, on Cheshvan 12, 5763. Rabin was shot on Nov. 4, 1995.

green light for war. Bush told reporters, "If Iraq attacks Israel tomorrow, I would assume the Prime Minister would respond." Although Sean McCormack, spokesman of the U.S. National Security Council, tried to qualify that statement by saying that if the United States attacked Iraq, it would be a "qualitatively different situation," it is doubtful whether Sharon will pay heed to this nuance. One senior Israeli intelligence source said, "McCormack is not the President. . . . It's clear to me that Sharon is totally out of control."

Expressing his pleasure with Bush's backing, Sharon said, "As far as I remember . . . I think we never had such relations with any President of the United States as we have with you, and we never had such cooperation in everything as we have with the current administration."

United Nations Special Coordinator for the Middle East Terje Roed-Larsen, in a commentary appearing in the Israeli daily *Ha'aretz* on this anniversary, warned that if Israeli-Palestinian peace negotiations are not begun soon, we are "nearing the death of the two-state solution, the bedrock for all our peacemaking efforts." In 1993, it was Roed-Larsen who, from his position in the Norwegian Foreign Ministry, hosted the Israeli-Palestinian talks out of which came the Oslo Accords. But now he has warned that if the international community does not take action to get peace talks restarted, Israel's continued military operations and expansion of settlements will lead to the collapse of the Palestinian Authority and create chaos in the West Bank and Gaza. He wrote that the "other option," if the two-state solution collapses, "is Israel controlling the land, but without the people. That is known as 'transfer.'" Roed-Larsen thus confirms, for the first time publicly, that official circles in Europe fear that Sharon will implement his "final solution"—expulsion of the Palestinians—if Bush attacks Iraq.

Murderers of Rabin Run Wild

The Israeli extremists, who applauded the murder of Rabin, commemorated his death by launching massive provocations throughout the West Bank. These provocations did not make headlines in the international press, because they were overshadowed by Defense Minister Binyamin Ben-Eliezer's deployment of Israeli troops to dismantle a handful of "illegal outposts" built by settlers in the West Bank. The move was nothing more than a "dog and pony show," timed for Sharon's visit to Washington, where he was expected to come under pressure from the U.S. State Department on the question of settlements. The Israeli organization Peace Now, among others, has exposed this farce, reporting that the "illegal outposts" that are being dismantled, had been erected solely for this purpose, and in coordination with the Israeli military. Peace Now reports that there are over 100 so-called illegal outposts and settlements that have been built in the last two years. They warn that the dismantling of 30 such outposts, all of which comprise empty caravans, is just an exercise aimed at covering the fact that the government will soon turn around and declare the 70 others to be "legal." Peace Now



The late Israeli Prime Minister Yitzhak Rabin, speaking on Oct. 25, 1995 in Washington. He was shot shortly upon his return to Israel, by an assassin from the Israeli extremist milieu—the people who are now maintaining Ariel Sharon in office, and have ripped up the peace agreements that Rabin signed.

correctly points out that *all* settlements are “illegal” under international law.

The reality is that the settlers are being allowed to run wild, with the aim of creating a pretext for escalation of Sharon’s military operations and a new regional war. This was dramatically demonstrated once more in the West Bank city of Hebron, where, in February 1994, Jewish settler-terrorist Dr. Baruch Goldstein murdered 30 or more Muslim worshippers in the mosque where the Tomb of the Patriarchs, the burial site of Abraham, is located. *EIR* reported last week that Israeli security sources fear a replay of this bloody event in the next weeks. No sooner did this warning appear in the Israeli press, than the settlers launched new provocations.

Operating out of a small settlement in the heart of Hebron’s old city, the settlers have systematically attacked the homes of Palestinians who live near the Jewish settlement. Under the noses of the Israeli police, settlers have entered these homes, destroyed property, and forced the Palestinians out, moving Jews in. This has continued even though a few weeks ago, these settlers brutally attacked Israeli police and Palestinians alike during one of their “anti-Arab pogroms” (see *EIR*, Aug. 23). On Oct. 12, the settlers escalated their operations and attacked the offices of the Waqf (the Islamic Trust), which are part of the complex that includes the mosque which houses the Tomb of the Patriarchs. These fascist thugs ransacked the offices and made a bonfire out of documents, including property deeds, which they took out of the offices. They then assaulted the muezzin, preventing him from enter-

ing the mosque to call the faithful to prayers. All this was done while the Israeli military had the entire city under a lockdown curfew. If any Palestinians should dare leave their homes, they are shot dead on sight.

Hebron’s Palestinian Governor, Arif Alhjabari, warned the Israelis that these settlers could “ignite the city.”

Still, the Israeli police did nothing. The obvious reason is that these thugs are controlled from the nearby settlement of Kiryat Arba, where Goldstein lived. Their controller is Ze’ev Hever, whom Sharon calls “my friend Zambish,” a member of the terrorist Jewish Underground in the 1980s. No settler activities occur in the West Bank and the Gaza Strip, without his approval. Hever gets his orders from Sharon, whom he meets several times each week.

Israeli Opposition Speaks Out

Yossi Sarid, chairman of the pro-peace Meretz party and leader of the opposition in the Israeli Knesset (parliament), denounced the settlers in a hard-hitting commentary in *Ha’aretz* on Oct. 9, entitled “Greater Sodom and Its Daughters.” Sarid wrote: “The settlers are the only people who make me ashamed of what I am—an Israeli and a Jew. . . . Sometimes I think that if they are Jews, then I must be something completely different. . . . I have nothing in common with them and we are strangers to each other. At all events, we are not human brothers, and if that is the case, there is no danger of a civil war. . . .

“For many years we have been aware of what is happening in Hebron, how Jews treat their neighbors there. It was a mistake from the start to plant this cancerous growth in the heart of a densely populated Arab town. It was a recipe for perpetual calamity. . . . The second fateful mistake was when they did not uproot the growth after the massacre at the Tomb of the Patriarchs.” With the settlers, “it is not a question of a different outlook, but of a different planet, one that shows signs of life, but from people who do not have human shape. . . . Perhaps it is indeed easier to be ashamed than to actually rise up against Sodom, which has expanded its borders so that today it includes greater Sodom, with its daughters Tapuah and Itamar [West Bank settlements], with its capital, Hebron. This is a Sodom that is deceiving to the eye. For all we see are beautiful vistas of olive trees.” Then, as a warning which Sharon and the rest of Israel should take seriously, Sarid wrote, “This is the Sodom of the Jewish state.”

Israeli Labor Party Peace Candidate, Mitzna, Under Attack

by Dean Andromidas

A political assault has been launched against Haifa Mayor Amram Mitzna, who is running for the leadership of the Israeli Labor Party. Mitzna, who had been a close collaborator of slain Prime Minister Yitzhak Rabin, has been openly challenging the national unity government led by Prime Minister Ariel Sharon and his Labor Party partners, Defense Minister Binyamin Ben-Eliezer and Foreign Minister Shimon Peres. Mitzna is demanding that unconditional peace negotiations between Israel and the Palestinians begin immediately, and has called for ending the Israeli occupation of the West Bank and Gaza Strip. The attacks on Mitzna are aimed at sabotaging his bid to win the chairmanship of the Labor Party in its elections on Nov. 19 (see *EIR*, Aug. 23, 2002).

This assault is being led by extremists linked to the Likud party's Ariel Sharon and former Prime Minister Benjamin Netanyahu, as well as the right wing of the Labor Party, led by current party chairman Ben-Eliezer.

On Oct. 13, Mitzna was questioned by police for eight hours as part of an investigation into alleged campaign financing violations, as the result of an attempt to entrap him into accepting large illegal foreign financial contributions. This entrapment was led by one Aviad Visoly, who is linked to Netanyahu and opposes any negotiation with the Palestinians.

Speaking to the press prior to his interrogation, Mitzna charged that the investigation was part of the "undemocratic ways" in which he is being attacked. He declared that he had committed no crime. "I am coming here with my own truth. It seems that I am threatening several candidates and they cannot deal with my threat by normal means." After leaving the interrogation, he said, "In a democratic country, people are innocent until proven guilty. . . . At the end of all this, it will be clear that this was nothing but a political witch-hunt that did not succeed."

Visoly's Big Business and Bimbos

A look at the background of Aviad Visoly, the organizer of this attempt to incriminate Mitzna, explains a great deal about this effort at character assassination. Visoly told the

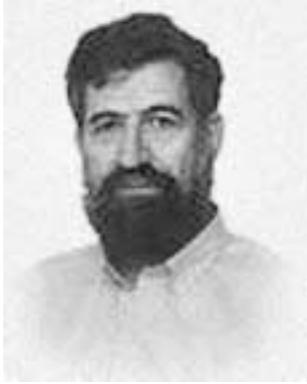
press that he is a "right-wing activist" who wants to prove that Mitzna, contrary to his popular image, is corrupt. Mitzna has been mayor of Haifa for almost ten years and is very popular, with support across the entire political spectrum in the city, including among the large Israeli Arab community, and even among the local leadership of the Likud. Visoly's sting involved an attempt to make large, bogus contributions, in excess of legal limits, to Mitzna's campaign. Early in September, Visoly approached individuals on the fringes of Mitzna's campaign organization, for this purpose. Although the funds were never accepted, Visoly gave a press conference with his story and filed a criminal complaint against Mitzna, thus initiating the official investigation.

On Sept. 14, after Visoly made his claims, Mitzna told a press conference, "They tried to trap me in a sting operation using gangster-style tactics of the mafia, but my political experience saved me from falling for it. They tried to make an illegal contribution in order to incriminate me and present me and my campaign as corrupt and dishonest, but at the last moment we stopped it, before damage could be done."

Visoly's charges got the vocal support of Deputy Defense Minister Weizmann Shiri, who is a well-known crony of Labor Party Chairman Ben-Eliezer, who fears that Mitzna will defeat him in the party election. Since Visoly openly supports former Likud Prime Minister Netanyahu, such backing from Ben-Eliezer and his cronies demonstrates that the attack is across party lines.

Visoly's background indicates that he is more than just a "right-wing activist," but is in fact a hard-core political-intelligence operative on behalf of extremist circles in both Israel and the United States.

From his base in Haifa, Visoly is a leader of an organization called "Cities for the Land of Israel." A look at his website (www.match.org) reveals a group that organizes demonstrations and other grassroots activities in support of the "Land of Israel"—by which they mean the continued occupation of the West Bank and Gaza Strip, in violation of the Oslo peace accords. This organization is linked up with all the other organizations of the extreme right-wing nationalist camp, the spawning ground of the murderer of



Haifa Mayor Amram Mitzna (left), who is challenging Binyamin Ben-Eliezer (right) in a bid for leadership of the Labor Party, has suddenly been hit by a scandal orchestrated by opponents of his peace platform.

Prime Minister Rabin.

Visoly claims to have lived in the United States for 14 years, where he owned several successful businesses. He sold them four years ago, using the money to move back to Israel and devote all his time to political activities.

An *EIR* investigation revealed a somewhat different story. According to the Florida state companies register, Visoly owned six companies, all of which are currently inactive and three of which were “involuntarily dissolved.” None were involved in advanced technology and construction, contradicting a claim he had made to the Israeli media.

One of these, American Dream Company, casts light on his connections in the United States. Visoly told *EIR* that that company was formed to conduct interviews with celebrities, which were then sold to the media. He offered no other details except that the Israeli journalist Daphne Barak, who was also a director of the company, conducted the interviews.

According to one senior Israeli journalist, Barak is “sort of a bimbo,” who was “not among the first class of journalists.” Although Barak is known for interviewing such show business personalities as Michael Jackson, she also interviewed British Prime Minister Tony Blair. More interesting is the fact that she interviewed Linda Tripp and Paula Jones of Clintongate infamy, and claimed that President Bill Clinton had made a pass at her, too.

Interviews with Tripp and Jones were not easy to come by. All such interviews were arranged by Lucianne Goldberg, who, through her neo-conservative salon in New York City, functioned as “controller” of Tripp and Jones, on behalf of the British-steered operation to impeach Clinton. Goldberg worked with operatives from the Mellon Scaife Foundation and special prosecutor Kenneth Starr. This makes for an intriguing possible link between Visoly and this anti-Clinton operation.

Daphne Barak is also close to Howard Rubinstein, who runs one of the most powerful and influential public relations

firms in New York City. The extremely politically well-connected Rubinstein happens to handle the public relations for pop star Michael Jackson—as well as for the government of Prime Minister Sharon. In Rubinstein’s class, “public relations” does not mean putting out a few press releases, but ruthlessly using his tremendous influence in the U.S. media on behalf of his clients.

Political Battle Intersects Economic Collapse

The elimination of Mitzna from the political scene is important for the pro-war faction in both Israel and Washington. Sharon is banking on a war with Iraq in order for him to stay in power and implement his “final solution” for the Palestinians, through their forcible “transfer” out of the “Land of Israel.” Sharon needs a war within the next weeks or months, because the longer war is postponed, the greater the chances are that his government coalition will collapse, leading to early elections.

A collapse of Sharon’s government will be triggered by the catastrophic economic situation, which is only getting worse. The International Monetary Fund announced that the Israeli economy will register a negative growth of 1.5% for the first time since the founding of the State of Israel. The standard of living has collapsed by 6%, with unemployment expected to top 12% by the end of the year—also the highest since the founding of the state. Thirty thousand independent companies collapsed last year, and another 50,000—one in seven—are expected to fold this year. The collapse of tourism has left hotels with occupancy rates of only 10%. With inflation running at 7%, Israelis are sending their money out of the country. In the first six months of this year, \$2.6 billion fled Israel, twice the amount as the year before.

The economic crisis is having a big impact on the population, particularly lower-income families and the unemployed. On Oct. 14, more than 600 activists representing various social organizations held a meeting in a hall in the Israeli Knesset (parliament), which was attended also by Members of the Knesset from the opposition pro-peace Meretz party, and by members of the pro-peace faction in the Labor Party. These activists committed themselves to lobby Knesset Members against the brutal austerity budget that the Sharon government hopes to pass in the current Knesset session. If the budget fails, new elections would result.

Since everyone knows the economy will never revive as long as the war with the Palestinians continues, a strong pro-peace candidate who directly addresses the economic crisis, as has Mitzna, could very well have a decisive impact in the elections. For Sharon and the others, including the war party in Washington, the danger is that Mitzna, once he captures the leadership of the Labor Party, could ally with Meretz and other smaller parties, such as the ethnic-Russian Democratic Choice party, and transform the Israeli political scene, putting the country back on the road to peace.

Knesset Leader Hits Sharon's 'Apartheid'

by William Jones

Naomi Chazan, Deputy Speaker of the Israeli Knesset (parliament) and a member of the Meretz party, accused Israeli Prime Minister Ariel Sharon of conducting a policy of apartheid against the Palestinians. Speaking at a forum sponsored by the Foundation for Middle East Peace, in Washington, D.C. on Oct. 7, she said, "There has been an effective reoccupation of the West Bank, and now they are taking the first steps of doing the same thing in Gaza, which they previously had refrained from doing." Sharon's policy "has been aimed at carving up the Palestinian territory into small 'bantustans,' a 'palestani-zation,' as I call it," Chazan said. "They have built an electronic fence and have dug ditches around the fences. They are creating facts on the ground that delay the possibility of movement between the areas. This separation makes it impossible for the development of a Palestinian leadership that would encompass the entire Palestinian territory."



Naomi Chazan

Sharon has built a wall through the Palestinian district of Abu Dis in Jerusalem, as well as effectively isolating parts of Bethlehem on the West Bank. He has also escalated the establishment of settlements in the Palestinian areas. "There are now 109 outposts or expanded settlements. These play the role of 'spoiler' in the peace process," she said. While in the past, Palestinian territory was officially recognized as "occupied territories" under the control of the Israeli government, now "they have occupied the territory, but bear no responsibility for what happens in it."

This has been Sharon's policy since his days as army commander in Lebanon in 1982, Chazan noted. He allowed Lebanese Phalangists under his control to carry out the infamous massacre at the Sabra and Shatila Palestinian refugee camps outside Beirut.

Today, Chazan said, "the dynamic is one of escalation. It is a violent situation on an escalating trajectory. And the voices of extremism are taking over in a most pernicious way. Some of the most extreme views are being expressed."

Although the Sharon government, led by his Likud party,

calls itself a "national unity" government, with Labor Party leaders holding important ministerial posts, this is largely a chimera. Foreign Minister Shimon Peres and Defense Minister Binyamin Ben-Eliezer, both of the Labor Party, "are not the 'movers,'" Chazan said. "The policy is controlled by a small group of people around Ariel Sharon, some of them in uniform."

"Meretz is considered dovish, while the Labor Party is schizophrenic," she continued. "There the doves are supporting the hawks." Chaim Ramon, one of the challengers to Ben-Eliezer for the Labor Party leadership, is himself in favor of "separation" between the Palestinians and Israel. "And the hawks are supporting a dove, Ben-Eliezer. The opposition is therefore not able to mobilize for a change of government."

Hope for a Change

Chazan hopes to create a focus for opposition, by creating an alliance between the Meretz party and Labor and others. "We must organize new techniques in the fight, utilize the media more effectively. We must link the security situation with the awful economic situation. We have to reframe the political scene in order to make the messenger compatible with the message."

But ultimately, "the answer lies in this city [Washington] and not in my region," she said. "It is impossible to do without an international intervention now. Otherwise the U.S. and the Western world are going to have to pick up the pieces." An international conference should be convened, and the convening parties should be prepared to enforce its conclusions, she underlined.

The Oslo peace process failed, "because it tried to sequence the steps," Chazan said. "The only hope is to move for a permanent settlement immediately. From the permanent settlement will come the roadmap, as was the case with Camp David I, when Prime Minister [Menachem] Begin signed an agreement with Egypt." She said that such a settlement could be based on the proposal of Saudi Crown Prince Abdullah, which also guaranteed Arab nations' recognition of Israel. "But to this must be added the agreements which had been achieved at Taba," she said. The Taba talks between Israelis and Palestinians were conducted in January 2001, after the failure of Camp David II, and succeeded in reaching agreements on most of the difficult issues: refugees, Jerusalem, and borders. Yet these agreements became moot, with the defeat of Labor Prime Minister Ehud Barak in the next election, Feb. 6, 2001.

Now, time is running out. "Every day that passes without positive movement results in negative movement," Chazan emphasized.

If President Bush continues to pursue the Cheney-Rumsfeld "Get Iraq" gameplan, instead of focussing on the explosive situation in the Middle East, the "window of opportunity" that Naomi Chazan indicates still exists for peace in the area, may close permanently.

Pakistani Elections Complicate War Fronts

by Ramtanu Maitra

As Pakistan's parties continue their hectic consultations in search of a workable coalition for the central government, the outcome of the Oct. 10 general elections has surprised and worried the region, and beyond. Its most surprising element is the massive electoral success of the religious grouping, Muttahida Majlis-e-Amal (MMA), a party of six religious groups cobbled together. MMA not only won 45 of 272 seats in the National Assembly, but also virtually swept the National and Provincial assembly polls in Balochistan and North West Frontier Province—two Pakistani provinces bordering war-torn Afghanistan.

As of this writing, three countries—the United States, Afghanistan and India—have put the Pakistani poll results under a microscope and are trying to figure out every little unexpected turn and twist that brought about this uncalculated outcome. So far, India's reactions indicate virtual horror; Afghanistan's, serious concerns; while the United States has chosen not to express any emotion over the poll results yet.

Musharraf Kept to Schedule

President Gen. Pervez Musharraf, who seized absolute power in a bloodless coup on Oct. 12, 1999 and had promised to bring back "democracy" three years later, has certainly enhanced his credibility inside the country and in the United States, by sticking to the schedule he had promised. This is particularly noteworthy in light of the serious security problem that exists in Pakistan now.

To his credit, the polls went virtually trouble free, although two major political parties—the Pakistan People's Party, which has reincarnated itself as the Pakistan People's Party Parliamentarians (PPPP), and the Pakistan Muslim League-Nawaz (PML-N)—have accused President Musharraf of rigging the polls and making the election a "farce."

Musharraf, who got himself appointed as President of Pakistan through 2007 via a questionable "Yes-No" referendum months before the general elections, and had proposed more than 50 amendments to the 1973 Constitution, was trying to put all the ducks in a row to get the right formulation from the final poll outcome. He disallowed the PPPP leader, Benazir Bhutto, who is self-exiled in London and Dubai, from contesting the polls because of her conviction *in absentia* of

criminal charges by Pakistani courts; and also barred Mian Nawaz Sharif, who is exiled to Saudi Arabia till 2010. Each had twice been prime minister of Pakistan. Musharraf also amended the Constitution so that only college graduates could contest the polls. This automatically eliminated 85% of Pakistan's population from becoming candidates.

In addition, General Musharraf split the PML-N to form the Pakistan Muslim League-Qaid-e-Azam (PML-Q), which came to be known as the "King's Party." He also blessed the formation of the religious party, MMA, brought about with the help of a section of Pakistan's military, which had long developed close contacts with the Islamic orthodox groupings. These Islamic groups had helped the Pakistani Inter-Services Intelligence (ISI) to indoctrinate many Afghans in their madrassas, or religious schools, and thus to form the anchor of the Taliban movement in Afghanistan in the mid-1990s. These religious groups also played a major role in fomenting terrorism inside the India-held part of Jammu and Kashmir, and they did so with the help of the Pakistani military.

President Musharraf's expectations that his PML-Q would be able to secure an absolute majority by winning at least 137 seats, did not, however, materialize. PML-Q ended up with 77 seats, followed by the PPPP with 63. PML-N, which was drained of its leaders who joined the "King's Party," won only 14 seats. MMA, on the other hand, not expected to win more than 20 contests, emerged as the third largest political party with 45 Assembly seats. The same grouping of religious parties had won only 4 seats in the 1996 elections, in which the PML-N had secured almost two-thirds of the National Assembly seats.

The outcome of the poll results ensured that formation of a government will be an arduous task. It is also a certainty that both President Musharraf and the Pakistani military will be involved in putting together a coalition. Such an agreement between these disparate groups can be ensured only through a series of give-and-takes. This is what is in progress now.

What Is the Religious Party?

From the noises one hears, the differences between the top three vote-getters are not difficult to fathom, but seemingly difficult to reconcile. PML-Q, being the King's Party, will sign on the dotted line under Islamabad's orders. The PPPP, in contrast, has a list of grievances, which must be remedied. These are, in their order of priorities: Bhutto must be given free passage to Pakistan and the sentences against her must be dropped; the 1973 Constitution must be upheld and no new Constitution would be endorsed; Bhutto's husband, Asif Ali Zardari, who is languishing in Pakistani jails on corruption charges, must be released; and the U.S. forces, who are now based in Pakistan, must leave. It is evident that the PPPP will drop its last demand quickly. That one is now used as a negotiating tool.

MMA, which is a grouping of pro-Taliban and pro-

orthodox Islamic religious groups, has single-item agenda as of now, which is the removal of the U.S. troops from Pakistan. MMA is led by three angry Pashtuns (the same ethnic group dominant in southern and central Afghanistan—Qazi Hussain Ahmed of Jamaat-e-Islami (JI); Maulana Fazlur Rehman of Jamiatul Ulema-e-Pakistan-Fazlur (JUI-F); and Maulana Samiul Haq of Jamiatul Ulema-e-Pakistan-Samiul (JUI-S).

What is interesting to note is that the MMA leaders have been around for a while and are quite conversant with the Pakistani political system. Qazi Hussain Ahmed, for instance, is a Pashtun based in Punjab. He raises the temperature of the masses in a measured fashion. One of his claims to fame is that it was he who had won the Jamaat referendum against the Comprehensive Test Ban Treaty (CTBT) in the late 1990s. The fact that his party's links with banned terrorist groups—Hizbul Mujahideen and Al-Badr—faded over time, gave him a “non-terrorist” democratic status, and he has even visited the United States. He calls President Musharraf a “security risk,” has appealed for his removal, and has attacked his private life.

During the war against the Soviet Union in Afghanistan, JUI-F was on the outer fringes, since the Pakistani military was directly involved in helping Gulbuddin Hekmatyar, an Afghan mujahideen leader backed by the United States, as an option in Afghanistan. JUI-F was not strong, and the Deobandi sectarian militant group, Sipah-e-Sahaba, was weak in Punjab. JUI-F always had a base in Balochistan and in the Tribal Areas bordering Afghanistan.

Maulana Fazlur played on the rift between Prime Ministers Benazir Bhutto and Nawaz Sharif in the 1990s. In return, the PPP government inducted him into the Foreign Affairs Committee of the National Assembly and gave his men a few ambassadorial jobs in Africa. His angry phase came in the mid-1990s, when the Taliban appeared on the scene, and the ISI began to back the Deobandis as the surrogate army for its proxy war in the India-held part of Jammu and Kashmir. At the time, Maulana Fazlur developed a strong nexus with a Karachi seminary. His members from this seminary, Sipah-e-Sahaba, began travelling to Afghanistan as trainee warriors, and for the first time, the JUI-F started getting powerful in the province of Punjab.

The third important leader is Maulana Samiul Haq of JUI-S. Haq was also sidelined during the Afghan war. He was put in the Senate as an “expert” by the late Gen. Mohammad Zia ul-Haq because of his Akora Khattak Haqqaniya seminary. His angry statements in the press promised a tough orthodox society for Pakistan, especially for women, whom he does not want to see without “burkha” in public and working in tandem with men.

Maulana Samiul became important to the Afghans after it was revealed that some of his former seminarians became the core around the top Taliban leader, Mullah Mohammad Omar. Afghan President Hamid Karzai claims the Taliban is

not the religious group of the Afghans, but was sent to Kandahar from the Deobandi seminaries of Pakistan. The fact remains that Maulana Samiul Haq, along with Karachi's Mufti Shamzai, benefitted immensely from the rise of the Taliban. It is said that when Mullah Mohammad Omar sent invitations to Pakistani clerics to come over to Kandahar, it was Maulana Samiul Haq who was in-charge of vetting those invitees.

Karzai Government Concerned

Reactions from India and Afghanistan following the polls are centered around the success of the MMA and the emergence of three Pashtun maulvis as major players in Pakistan's political process. Afghan President Hamid Karzai, while attending the Economic Cooperation Organization (ECO) conference in Istanbul on Oct. 14, said—without naming either the MMA or Pakistan—that he is concerned about the developments and would like to host a conference of neighboring countries to agree to stop “extremist” groups operating across the long and remote borders. Both Afghanistan and the United States claim that the Taliban and al-Qaeda members, who had escaped the U.S. dragnet spread in Afghanistan, are operating along the Afghanistan-Pakistan borders while being based in Pakistan's tribal areas. They also claim that these groups pose a threat to the Karzai government in Kabul.

The Indian response is almost identical, although it has less to do with Afghanistan than with the India-held part of Jammu and Kashmir. New Delhi is concerned that with the Pakistani ISI's help, the MMA will rebuild the Taliban-al-Qaeda combo, and could regain control of Afghanistan. India is worried about the fact that the MMA, now a fast-growing political force inside Pakistan, will openly call for a harsher Pakistani policy vis-à-vis India. And it is concerned that with the MMA on the scene, the cross-border terrorism, to destabilize the border areas in India, will be an accepted policy.

In contrast, Washington has remained silent. Having congratulated President Musharraf for holding the elections in time, the United States is also aware, as President Karzai is, that the MMA's electoral victory in the adjoining province—using a campaign that called for removal of U.S. troops and U.S. bases from Pakistan—will make the war against terrorism more difficult, and will also make it difficult to build up Pakistan to play a role in Central Asia on behalf of the United States. If the United States plunges into a war in the Middle East, as seems likely, a Pakistan dominated by the MMA will be anti-U.S.A.

What could bother Washington more, is that it has not much more to offer to Islamabad. It has already provided \$2 billion of financial help and has promised another \$1 billion. Washington has also started military hardware sales to Pakistan after an absence of four years. The United States is now involved on Pakistani soil in a three week-long military exercise with the Pakistani army for the first time since 1997.

International Intelligence

Main British, U.S. Churches Oppose War

The heads of more than 60 Christian organizations of the United States and Britain issued a statement on Oct. 11, saying that war with Iraq is unjustified on both moral and practical grounds. "We do not believe," they said, "that pre-emptive war with Iraq is a last resort; could effectively guard against massive civilian casualties; would be waged with adequate international authority; and could create a result proportionate to the cost."

The statement came after some 450 religious leaders fanned out across Capitol Hill, to urge Congress to vote against the Iraq war resolution. The statement was signed by the heads of Habitat for Humanity and Bread for the World, as well as two Catholic bishops, and deans of several schools of theology. The British signers included 17 bishops of the Church of England, the president of the Baptist Union and the head of the Scottish Episcopal Church.

Some of the religious leaders also criticized the Bush Administration's rush to war and the cowardice of the Democrats who didn't resist it. "We are convinced that the current move towards war is generated by fear," said Sister Carole Shinnick, executive director of the Catholic Leadership Conference of Women Religious, "fear that has been carefully nurtured by the present administration. Fear of another Sept. 11. Fear of not being re-elected."

Philippines, U.S. Set Up War Games

Six hundred U.S. Marines from Okinawa, Japan, arrived at the former U.S. Subic Bay naval base in the Philippines on Oct. 13, en route to the former Clark Air Base in Pangasinan, North Luzon, reported the Oct. 14 *Philippines Inquirer*. They will join 200 U.S. troops who arrived earlier, for "Talon Vision 02" training exercises with Filipino soldiers from Oct. 14-28. The exercise in

northern Luzon is designed to improve special skills and to exchange techniques in staff planning, aviation, light armor operation, jungle survival and artillery firing, according to U.S. Marine officials.

Those Marine officials said Talon Vision was not directly connected to previous exercises. "It is being conducted as a result of an invitation extended by the Philippine government in early 2001," they said.

The Marines arrived a day after the Abu Sayyaf terrorist group killed 11 Filipino soldiers and wounded 26 others on Jolo Island, in the heaviest fighting in recent months in Mindanao. In early October, a U.S. soldier and two Filipino civilians were killed, and more than 20 injured, in a bomb attack in Zamboanga City, also blamed on the Abu Sayyaf. The Communist New People's Army (NPA) has also stepped up actions, attacking police stations in two provinces and stealing dozens of rifles from their armories.

AIDS Has Caused Africa's Famine

Steven Lewis, UN special envoy for HIV/AIDS in Africa, told the Center for Strategic and International Studies in Washington on Oct. 4 that he and other experts were shocked by the relationship emerging between AIDS and the southern African famine. Lewis described his meeting the week before with James Morris, head of the World Food Program (WFP), who had returned from a fact-finding mission to southern Africa and was "reeling from what he's seen. He had instantly recognized that food was only part of the problem."

Lewis quoted the WFP mission report: "What the mission team found was shocking. There is a dramatic and complex crisis unfolding in southern Africa. Erratic rainfall and drought can be identified as contributing factors to acute vulnerability, but in many cases the causes of the crisis can be linked to other sources . . . Worst of all, southern Africa is being devastated by the HIV/AIDS pandemic. . . . The relationship between the

HIV/AIDS pandemic and the reduced capacity of the people and governments of southern Africa to cope with the current crisis is striking."

Lewis, who consulted with others on the WFP mission, said "I think it is reasonable to argue that AIDS has caused the famine; that what we all feared one day would happen, is happening. So many people, particularly women, have died, or are desperately ill, or whose immune systems are like shrinking parchment, that there simply aren't enough farmers left to plant the seeds, till the soil, harvest the crops, provide the food. We may be witness to one of those appalling, traumatic societal upheavals where the world shifts on its axis. We've been predicting that you can't ravage the 15- to 49-year-old productive age group forever, without reaping the whirlwind. The whirlwind is in southern Africa."

Lewis reiterated how he continues to be "strangled by the double standard between developed and developing countries," and by the monies available for the war on terrorism, "and doubtless to be available for the war on Iraq, but somehow never available for the human imperative." Lewis referenced the "Next Wave" report—just released—that focusses on the national security implications of the spreading epidemic on the people of Nigeria, India, China, and Ethiopia. "I know only that if the Next Wave is to escape the wretched fate of the last wave, then the world and its governments will have to come to their senses."

Mexico Plans for High-Speed Rail Net

A plan may be under way to build a network of high-speed "bullet" trains in Mexico, with the first stage to cover the route between Mexico City and Queretaro, about 150 kilometers northeast of the capital, by 2006. According to an article on Oct. 15 in the Mexico City daily *Reforma*, the plan is, eventually, to connect Mexico City all the way to Monterrey in the north, and to Guadalajara as

well. The project would involve the various intervening state governments, and the European Union has already been approached regarding financing the project, which would be built by the Spanish high-speed railway construction firm CAF.

The train would be modelled on the AVE train in Spain, which travels at speeds of 250 kph, and which CAF helped to build. The director of CAF in Mexico, Maximiliano Zurita Llaca, said that once the feasibility studies are approved and the funds assured, the first phase of the project could be completed in three years. The entire network could be built in three and a half years, "if the funds were unlimited," he added. He also pointed out that such a "bullet train" could compete with air travel, especially in price.

Venezuelans Stage Huge Counter-Marches

Venezuelan President Hugo Chávez pulled out an alleged 1 million of his own supporters to march on Oct. 13 through the capital city of Caracas, in response to the huge Oct. 10 opposition march of an estimated 1-2 million people. Chávez boasted publicly about the size of his march, and forced several news stations to show only scenes of the greatest concentration of his supporters. The battle of numbers between Chavistas and the opposition cannot disguise the fact that there are vast numbers on both sides of the divide, and that the country is severely polarized.

Chávez addressed his supporters, the largest number of whom came in 800 buses from the interior of the country, on his refusal to step down before December 2006, when his term formally ends. He denied that the general strike against him planned for Oct. 21 will be successful, since "we are the workers, and we will not strike! Let them try to bring the country to a standstill!" he dared them. The opposition march had demanded that Chávez resign by the next week, or face a 12-hour national strike. It remains to be seen whether the oil sector will join the Oct.

21 action, as it did in April when Chávez was (temporarily) ousted from office.

In response, reportedly, to pressure from the U.S. State Department, Organization of American States Secretary General Cesar Gaviria spent a week in Caracas, trying to convince Chávez to sign a commitment to negotiate with the opposition. But when Gaviria announced plans to return Oct. 14 to continue his appeal for "dialogue," Chávez advanced his plans for a five-day trip to Europe, and left on the day Gaviria was to have arrived, thereby forcing the OAS head to cancel his trip. Chávez is to visit France, Italy, England and Norway, and return to Caracas on Oct. 19.

China Is Now Korea's Top Export Market

Seoul's Ministry of Commerce, Industry and Energy reported on Oct. 14 that China has been Korea's top export market this year so far. The pattern is emerging throughout Asia, even between China and Japan, as the U.S. market contracts. It is the opposite of what happened in the 1997-99 "Asia crisis" when the Asian economies were split and became more dependent upon the United States.

The Seoul ministry said exports were \$15.750 billion to China and \$7.169 billion to Hong Kong, as of Sept. 20. The United States imported \$22.792 billion worth from Korea, \$82 million less than China and Hong Kong. The U.S. share of Korea's exports fell to 20.2%; the share of China, including Hong Kong, rose to 20.3%.

"The change came about as shipments to China grew by 20.1% during the year, while those to the United States stopped at 2.4%," a ministry official was quoted. "Given the current state, it's very possible that exports to China will only grow."

The Bank of Korea also called exports to China "a blessing" for Korea, considering the losses in the U.S. market. It said that "stagnation" of the U.S. economy had undermined its historical domination of Korea's export markets.

EGYPT'S President Hosni Mubarak delivered an "address to the peoples of the world," at the inauguration ceremonies for the Bibliotheca Alexandrina. Presidents of France, Italy, Croatia, Greece, Romania, Moldaves, the Governor General of Australia, Queen Rania of Jordan; representatives of King Fahd of Saudi Arabia, a representative of U.A.E.'s President, the Kazak President's wife, the Lebanese Prime Minister's wife, and Nobel Prize laureates were among the 800 prominent personalities, of the 3,000 attending the event. Celebrations will run over three days on official, popular, and cultural levels. The library will start its activities on Oct. 20, 2002 by a number of forums and seminars in which outstanding cultural and scientific figures will take part.

UKRAINE'S President, Leonid Kuchma, had a criminal case opened against him by a court in Kiev on Oct. 15, one day after British and U.S. experts began investigating allegations that he had approved the sale of a Kolchuha radar system to Iraq. Opposition lawmakers brought the case. They charge Kuchma with violating 11 articles of the criminal code.

UNEMPLOYMENT in Israel will top 12% by the end of the year, the Israeli Manufacturers Association estimated, putting the number of unemployed at over 310,000. This is the highest in Israel's national history. The Association also foresaw a negative growth rate of -1.9% for 2002, another undesirable historic first for the country.

RUSSIAN arms exports were a record \$4.4 billion in 2001, and also very high in 2002, reported *Russian Entrepreneur* on Oct. 13. Deputy Defense Minister Mikhail Dmitriyev said that China and India were Russia's leading strategic customers, followed by Southeast Asia and South America.

Democrats Now Venture to The Dark Side of the Moon

by Jeffrey Steinberg and Scott Thompson

“When you defecate, do you use a mask? This is no laughing matter, this is serious. When you were kids, did you ever taste the cooties from your nose? . . . Why didn’t you feel they were dirty? Because that’s a part of your body. The Reverend Moon has discovered something that no one else had thought about.”

—*Rev. Sun Myung Moon, at the Nov. 23, 1996 opening ceremony of Tiempos del Mundo newspaper in Buenos Aires, attended by former President George Bush*

On Jan. 9, 1994, the Reverend Jerry Falwell traveled secretly to Seoul, South Korea. Falwell, then the head of the Moral Majority and the proprietor of the “Clinton Chronicles” series of scurrilous videos attacking the President, was accompanied by his direct mail handler, Dan Riber, and Ronald Godwin, the former executive director of the Moral Majority, who had recently left that post to become the Vice President of the Unification Church-owned Washington Times Corp. The secret Seoul meeting was with the Unification Church leader Rev. Sun Myung Moon and some of his key operatives; and it resulted, within a few years, in the Moonies’ takeover of the Falwell operation, through a bailout of Falwell, who was, at the time of the Seoul pilgrimage, already on the verge of bankruptcy. Falwell was facing \$73 million in debt, accrued by his Liberty University in Lynchburg, Virginia. With the aid of the Moonies, Falwell would shed that debt and, in the process, bilk his loyal supporters out of most of that money.

Just as organized crime’s favorite ploy is to capture control over prominent, but vulnerable politicians or businessmen by “buying up their markers” at Las Vegas or Atlantic City casinos, Moon’s favorite ploy, throughout the 1990s,

was to buy up right-wing politicians and wanna-be Elmer Ganttrys, at the point they hit the financial skids. Moon had already established a track record for using his nearly bottomless pool of Asian and Ibero-American offshore cash, to “buy up the markers” of prominent figures in the Christian Right, starting with Richard Viguerie, the Buckleyite direct mail guru, who found himself in deep financial kimche in the late 1980s.

In 1982, the Moon organization had hired Viguerie to do direct mail solicitations for the just-launched *Washington Times* newspaper (which has lost an estimated \$100 million a year, from its inception). According to an Oct. 15, 1989 *Washington Post* account, a company owned by Moon controller and bagman Col. Bo Hi Pak, of the Korean Central Intelligence Agency (KCIA), bought a piece of Fairfax County, Virginia commercial real estate from Viguerie for \$10 million—far more than the property was actually worth, at the point that Viguerie was about to go broke. The Moon money saved the day for the Radical Right’s legendary direct mail-meister.

History of Grovelling in Lynchburg

The Falwell bailout by Moon was a far more complex deal. It was first exposed by investigative journalist Bob Parry in a 1997 series, titled “The Dark Side of the Moon,” which was published on the Internet by the Consortium for Investigative Journalism (CIJ, www.consortiumnews.com).

During the 1980s, Falwell accumulated \$73 million in debt, largely in the form of bonds, sold by a Texas company, Church & Institutional Facilities Development Corp., which marketed the commercial paper to finance Falwell’s operations and the expansion of Liberty University. All told, 2,500 fans of Falwell’s Moral Majority and Old Time Gospel Hour

TV show, ponied up their hard-earned money to purchase the bonds. Falwell burned through the money, and, by the end of the 1980s, when the political might of the Christian Right began to decline, Falwell found himself on the verge of financial ruin. At first, according to a U.S. Senate source familiar with the case, Falwell was able to fend off his creditors, by turning to such Christian fundamentalist deep pockets as the Arthur DeMoss Foundation.

According to court records on file in Bedford County, Virginia, by the Summer of 1993, two Virginia associates of Falwell, Dan Reber and Jimmy Thomas, began devoting most of their time and energy to finding a bigger “financial angel” to bail out Liberty University and Falwell’s other front operations. Reber and Thomas were the sole proprietors of the non-profit Christian Heritage Foundation of Forest, Virginia, and they also ran a small outfit, Direct Mail Communications (DMC), which they founded in 1989, located in a strip mall in the same rural town.

Just months after DMC had been created by Reber and Thomas, it was purchased by one of the Moon fronts, Mail America, for \$2.5 million—a hefty sum for a company that was only months old, with no track record of making money. What DMC had was the line into Falwell, handling direct-mail solicitations for Falwell’s entire empire; but, according to court records, the firm was never even compensated for the postage costs. Was Moon, then, already subsidizing Falwell’s operations in the early 1990s? What is confirmed by the court documents obtained by Bob Parry, is that in the Summer of 1993, Reber, Ronald Godwin, the architect of the Moon buy-out of DMC, Falwell, and Dong Moon Joo, the publisher of the *Washington Times*, met in Lynchburg, Virginia to discuss Falwell’s financial dilemma. The Summer 1993 meeting led to Falwell’s January 1994 trip to Seoul.

Clearly, a bailout deal was hatched during the South Korea session. On July 26, 1994, Falwell made his first appearance at a Moonie event, sitting next to Reverend Moon at the head table of a gala affair for the Youth Federation for World Peace. It would be the first of many grovelling appearances that the pudgy televangelist would make before Moon-manufactured organizations.

In January 1995, Reber and Thomas bought half of Falwell’s Liberty University debt—for pennies on the dollar. The total that the duo shelled out was \$2.5 million. The purchase of the Falwell debt came shortly after Reber and Thomas’ Christian Heritage Foundation received a contribution of \$3.5 million from Moon’s Women’s Federation for World Peace. Federation vice president Susan Fefferman confirmed, in a Parry interview, that the \$3.5 million had gone to “Mr. Falwell’s people” for the benefit of Liberty University.

One of the attorneys in a Bedford County court case that evolved out of the DMC-centered financial shenanigans, had a different take on the “bailout.” Doug Hudman told Parry that most of the bondholders, who lost their shirts, were



Reverend Sun Myung Moon’s operatives are now paying for campaigns for “slavery reparations,” and paying Islamic leaders to attack Jerry Falwell—who himself is virtually owned by Moon for years! Here, the two embrace.

“moms and pops cashing in their IRA [individual retirement account] money because their local minister and Falwell’s letters said they’d be doing God’s work. The true victims are the . . . believers who think their money was going to a good cause. All it was doing was going to fund Mr. Falwell’s continued indebtedness. It’s kind of sickening.”

Worse: Falwell’s bailout by the Moonies consolidated a nearly total takeover of the already-demented Christian Zionist Right by the Moonies and their controllers.

By 1986, the list of Christian Right prominents who were adorning the head tables of Moon-front affairs included Falwell, Ralph Reed, Beverly and Tim LaHaye, Gary Bauer, Paul Crouch, and Robert Schuller. Moon’s collection also included some prominent elected officials, who became virtually addicted to Moon’s reported six-figure honoraria checks. Thus, former President George H.W. Bush found himself standing next to Reverend Moon, addressing a crowd in Buenos Aires in November 1996, for the opening of the South American version of Moon’s *Washington Times*. Former President Gerald Ford had already become one of the regulars on the Moon-front circuit.

Among the members of Congress who also lent their names to Moonie fronts are: Rep. J.C. Watts (R-Okla.) and Sen. Rick Santorum (R-Pa.), who were poster boys for Moon’s Faith-Based Initiative for Family and Community Revival, a group that many on both the Right and the Left regard as the gatekeeper to President George W. Bush’s “Faith-Based Initiative” pots of gold. Another Moon front, the Empowerment Leadership Roundtable, headed by long-time Moon hireling and former aide to Housing and Urban Development Secretary Jack Kemp, David Caprara, prominently featured Santorum and Sen. Joseph Lieberman (D-Conn.)

When the Moonies ran a demonstration in front of the U.S.

Supreme Court, demanding that George Bush be declared the victor over Al Gore in the November 2000 elections, even Pat Robertson sent his personal emissary, Billy McCormack, to read a statement of endorsement from “Diamond Pat.”

Dipping for Narco-Dollars?

The White House National Office of Drug Control Policy has been running a series of TV ads, warning kids that the money they spend for illegal drugs could be going into the pockets of terrorists who are out to destroy the United States. The same could perhaps be said for Reverend Moon.

While the House International Relations Committee conducted an exhaustive study of the Moonies’ role in the “Korea-gate” influence-buying scandal in the late 1970s, and found that the “church” had been established as a front for the KCIA and had been linked to the Japanese Yakuza organized-crime apparatus, no such study was done in the 1980s heyday of Iran-Contra, of Moon’s involvement with some of Ibero-America’s most vicious narco-terrorists.

On July 17, 1980, the “Cocaine Colonels Coup” took place in Bolivia, placing General García Meza and Col. Luis Arce-Gómez in power. The money behind the coup came, principally, from the world’s then-leading cocaine trafficker, Roberto Suárez, Colonel Gómez’s cousin.

Within weeks of the coup, Col. Bo Hi Pak, the real ruler of the Moon empire, arrived in Bolivia’s capital, La Paz, to bless the new regime. Soon, the photo of Pak and General García Meza was adorning the pages of every Moon publication around the world. According to Parry, Moon’s World Anti-Communist League (WACL) front had poured \$4 million into the cocaine coup—money that would be repaid many times over, before the putschists were ousted from power. Another Moon front, CAUSA, which became a principal conduit of suspect funds to the Lt. Col. Oliver North-led Iran-Contra “Enterprise,” set up shop in La Paz, under the control of Thomas Ward, a Moon functionary, who was frequently seen in the company of Nazi butcher Klaus Barbie, who ran the “Cocaine Colonels” intelligence organ.

While most of the Cocaine Colonels wound up in jail as drug traffickers, Moon’s operation in Bolivia escaped scrutiny. And, the Korean guru seemed to have early warning of the regime’s collapse: Moon had moved his South American operations to Uruguay and Honduras, two other major hubs of Contra hot-money flows, before the colonels fell.

Beginning in 2000, through another string of front groups, Moon began the same “buy up the markers” operations, targeting the Democratic Party, the remnants of the civil rights movement, and the growing Islamic community in the United States. At one recent Midwest Islamic event, Moon’s church boss in America, Rev. Michael Jenkins, delivered a donation to a prominent imam who had just completed a sermon *denouncing Reverend Falwell* for his vicious smear against the Prophet Mohammed, whom Falwell labeled “a terrorist.” Reverend Jenkins, true to Moonie form, didn’t even blush at the attacks against Moon’s favorite fundamentalist.

Separation of Church And Mental State Needed

by Michele Steinberg and Scott Thompson

President George W. Bush’s leading speechwriter, Michael J. Gerson, who wrote the President’s Oct. 7 Cincinnati speech on Iraq, is a Christian fundamentalist, who calls himself an “evangelical Episcopalian” and holds a degree in theology from the Darbyite Wheaton College in Illinois. He is seeding Bush’s speeches with Biblical references designed to appeal to an Armageddon army.

According to the Oct. 11 *Washington Post*, Gerson, who was recruited out of the Prison Ministry of Born-Again Christian and ex-Watergate burglar Chuck Colson, sits in on the National Security Council’s and Situation Room’s highly classified meetings on terrorism and the Middle East. He is another dangerous example of Zionist and Evangelical fanatics penetrating U.S. national security.

Gerson says the Bible references are an American tradition. But according to Washington observers versed in the operations of the Christian Zionists and the movement of 19th-Century “End Times Propheteer” John Nelson Darby, Gerson’s input is extremely dangerous for the President’s state of mind. Not only does Darbyism “welcome” Armageddon war in Israel, but the Darbyites use encoded phrases with “secret meanings” for each other. So, Gerson may be planting such mumbo-jumbo in the speeches—and even worse, in Bush’s mind.

The *Washington Post* provided extremely important insight into how the President is being worked over by the evangelicals, through Gerson, with “end times constructs,” while intelligence on foreign policy is in the hands of the neo-conservative pro-Israeli Likudniks such as Richard Perle, working closely with war criminal Ariel Sharon. Here’s how the *Post* describes the power of this Elmer Gantry, Gerson: “Scholars are calling Gerson the most influential Presidential speechwriter since [Ted] Sorenson, confidant and muse of President John F. Kennedy. . . . ‘Mike has become the arbiter of what Bush would want,’ said a person who sat in . . . with him. ‘When he says “It’s not going to happen,” there’s nobody in the room’ ” who will say anything different.

Gerson was given a higher security clearance the day after the Sept. 11, 2001 terrorist attacks, and has grown in power ever since, especially after longtime Bush adviser Karen P. Hughes left the White House under unexplained circumstances.

“The hallmark of Gerson’s speeches is the invocation of the vocabulary . . . of faith,” says the *Post*, and Gerson, whom George W. calls “The Scribe,” likes to boast of it. “The result is a President whose public words are laced with Biblical

undertones.” Indeed, the Cincinnati speech has Bush warning of a direct nuclear threat to Israel from Saddam Hussein’s “holy warriors.” While this may appear merely fanatic to the ordinary listener, heard through the prism of Darbyism and “End Times” fundamentalism, it carries the weight of Apocalyptic Biblical prophecy.

Darby, a defrocked Anglican priest who was deployed to the United States at the height of the 19th-Century British plot to split the United States with a British-allied Confederacy, preached Christian Zionism. His essay, “The Hopes of the Church of God in Connection With the Destiny of the Jews and the Nations as Revealed in Prophecy,” is only one sampling. Darby is alive and “unwell” today, through the likes of Moral Majority founder Jerry Falwell, Christian Coalition creator Pat Robertson, the Religious Roundtables’ Rev. Ed McAteer, and their allies among the supporters of the late Israeli fascist Vladimir Jabotinsky, particularly the Zionists of America (ZOA) group promoted by one of the leading Administration “chicken-hawks,” Assistant Secretary of Defense Douglas Feith.

Threats to Bush

Since its first exposés in 1982-83 of the plot by a combination of Christian fundamentalists and right-wing Israelis to blow up the holy places of Islam on al-Haram al-Sharif, also known as the Temple Mount, in Jerusalem, *EIR* has been documenting the insane scenarios of religious war allegedly based on Darbyite Biblical prophecy, pushed by the American Christian right. *EIR* also reported how this “Armageddon Army” has been threatening the President since *at least* July 2001, that he “had better” support Ariel Sharon in his war against Arabs and Muslims, or the “70 million” Christian evangelicals will turn against him. They coordinate closely with the war party’s Israeli agents in the Defense Department and Vice President Richard Cheney’s office.

The full evil of this pro-Sharon insanity was on display on Oct. 11-13 when the Christian Coalition assembled the Darbyites in a revival meeting that called for the extermination of Palestinians. Speakers ranging from Presidential hopeful Gary Bauer, who now runs the American Alliance of Christians and Jews; to House Majority Whip Rep. Tom DeLay (R-Tex.); to Senate hopeful Rep. Lindsey Graham (R-S.C.), declared that the Occupied Territories of Palestine are the “Biblical” Israel’s “Promised Land.” These warmongers not only demanded political opposition to a Palestinian state, but theological rejection of it as well. Supporters of a Palestinian state will suffer damnation in their eyes. Benny Alon of the fascist Molodet Party in Israel, and Jerusalem Mayor Ehud Olmert were also on hand to call for death to Arafat, and the “transfer” of Palestinians to Jordan.

Held just two days before Sharon arrived to hold his seventh meeting with Bush, the Christian Coalition revival included a “victory for Israel” rally. Bush gave a 15-minute videotaped speech there, but the White House has neither released nor posted it on its website.

Huge Economic Turmoil Shapes U.S. Elections

by Katherine R. Notley

There’s an emblematic characterization of “company manners,” according to which if you notice that your hostess has an un-house-trained elephant in her living room, it’s impolite to mention it. That characterization quite adequately depicts the election polemics for this Nov. 5—aside from candidates who identify themselves with Lyndon LaRouche’s 2004 Presidential campaign. In just under two weeks, U.S. citizens will cast ballots for the entire House of Representatives (435 seats); one-third of the Senate (33 seats); 36 of the 50 governors and many state legislatures; innumerable county, mayoral, municipal, and school board seats, plus local and bond issues which have dramatically increased as tax revenues have fallen. Only elections in which the President and Vice President are also chosen, are considered more important.

Now, back to the elephant: This is not the mascot of the “Grand Old Party”—which does have a lot at stake this year, as Republican incumbents had capitalized on the blunders of the Democratic Party leadership and ridden the coattails of the 1994 Conservative Revolution. What concerns voters, and what nearly every candidate of every persuasion politely refuses to utter, is the rapid descent of the U.S. and world economy into deep depression. It is the underlying reason why, in the 36 gubernatorial races, only 14 incumbents are seeking re-election.

But the elephant *is* in the living room, and even the “get Saddam”-besotted media are beginning to acknowledge it, as many states struggle with their new fiscal years’ huge shortfalls in tax revenues, industrial shutdowns, corporate scandals, and rising unemployment. On Oct. 14, three major dailies arrived at the same conclusion: “The economy dwarfs all other issues.” The *Hartford Courant* had this to say about the re-election campaign of Connecticut Gov. John Rowland (R): The state’s \$1 billion deficit “is the elephant in the room that Rowland and other incumbents” avoid mentioning “during the election season.”

The *New York Times*, writing on the 36 gubernatorial races, also reported on Oct. 14, “Across the country, the economy is by no means the single dominant issue in every race, but it is present everywhere.” It quoted a Kansas political science professor on the gubernatorial race in that state, which faces an \$840 million deficit: “The Republican Party . . . may be suffering from their control during a period of economic calamity.”

Also on Oct. 14, the *Washington Times* cited four polls which all conclude that the economy is what bothers voters

most. Pollster Curtis Gans: “Nothing is exciting [voters] right now, but if the economy gets worse, it can drive the election.” Democratic pollster Alan Secrest says Democratic voters consider the economy to be crucial: “The domestic issues are not being drowned out by the debate over Iraq. That is vastly overstated.” Pollster John Zogby was quoted: “Everybody in Washington is talking about war with Iraq, but as soon as you leave Washington, you find everybody is talking about the economy.”

Pew Research Center pollster Andrew Kohut complained in his Oct. 14 op-ed in the *New York Times* that voters were being inscrutable: If poll-takers fed answers, such as terrorism or Iraq, to respondents about major issues in the Congressional elections, over 70% agreed these were important. But, when voters were asked to list their own idea of election hot topics, without prompting, “the economy dwarfs all other issues.” In the non-prompted survey, 40% cited the economy, 4% Iraq, and 11% mentioned terrorism as important.

The national economy is also catching the Bush family in a bind; Florida Gov. Jeb Bush could lose re-election, if the trade unions take out their anger over President George W. Bush’s labor policies (almost certainly including his invoking Taft-Hartley against locked-out West Coast longshoremen) on the President’s brother. The *Wall Street Journal* quotes an AFL-CIO political director, that labor is “as jazzed about this [Florida election] as they are about any other race in the country.”

Only LaRouche Democrats Are ‘Electable’

No “Miss Manners,” LaRouche Democrat Nancy Spannaus, who is contesting the U.S. Senate seat long held by Virginia patrician John Warner, has been running radio ads in Metropolitan Washington and Virginia featuring Lyndon LaRouche, especially on the only alternative to the economic collapse. Virginia has been hit by two rounds of large budget cuts and layoffs; the second, announced on Oct. 16 by Gov. Mark Warner, eliminated about 2,000 jobs and cut nearly \$1 billion in state services. In one 10-second ad, Spannaus asks:

“Do you want to get out of this economic depression? Listen to Lyndon LaRouche:

“Today, we’re now at the point, we’re in the worst depression, in the experience of any living person on this planet, right now. This system is coming down, coming down hard, like you’ve never seen before. The only thing that will save us, now, is a return to the policies like those, that is, the attitude of a Franklin Delano Roosevelt Administration.’ ”

“LaRouche’s FDR-style policies would restart our economy. He’s demanded a new world monetary system based on the same principles. On Sept. 25, the Italian Chamber of Deputies passed a resolution modelled on LaRouche’s proposals.”

In another ad, she urges: “You, the voter, face two test cases on election day. Lyndon LaRouche described them this way: ‘One, We have to stop the bleeding of the national rail-way system. That is, stop the disruption right now, and start

Democrats Have No Economic Plan

Having bowed to the White House on war, the Democrats’ leadership now believes that it can “focus” on economic issues. This was demonstrated by an “economic forum” sponsored by Senate Majority Leader Tom Daschle (D-S.D.) and House Minority Leader Dick Gephardt (D-Mo.) on Oct. 11; and by what was billed as a major policy speech by Gephardt on Oct. 15. The Democrats charge the Bush White House with ignoring the hardship that many people across the country are experiencing as a result of the decline in the economy. But these events demonstrated that the Democrats, other than Presidential pre-candidate Lyndon LaRouche, have little more idea of how to address the economic collapse, than the GOP.

The main point of the Oct. 11 event was stated at the outset by Daschle, who complained of Bush, “We’re asking him to focus on the economy and join us in a bipartisan summit.” Gephardt added, “We must come together on a new bipartisan plan to restore growth and create jobs.” But the *economic policy* thrust of the Democrats was to restore the glorious 1990s boom in the stock market and the “New Economy”! This approach—which wrecked the economy—was exemplified by the Club for Growth’s Stephen Moore, who advocated a reduction of the capital gains tax to 10%, explicitly to get “investors” back into the markets.

In his Oct. 15 speech, Gephardt laid out a five-point plan to “restore economic growth”: a short-term stimulus package of \$125 billion for school construction, domestic anti-terrorism infrastructure and health care assistance, with one-time tax rebates for working families; balancing the Federal budget; limiting CEOs’ stock ownership; making employee pensions portable; and increasing the minimum wage and extending unemployment benefits. Given the Dems’ underlying assumptions, they too await Hoover’s “recovery just around the corner.”—*Carl Osgood*

to reverse, to rebuild.

“Number two, we must intervene, with the imminent collapse of United Airlines, into bankruptcy—and many other airlines will go with it, if we don’t stop it—we must have emergency legislation, which takes the situation over, and stops the breakup of our national airtravel system.’ ”

I’m Nancy Spannaus . . . and I support LaRouche’s emergency infrastructure plan. It will create millions of decent jobs, and save our national transport system.”

Zinni Invokes Generals Who Were Peacemakers

by Carl Osgood

General Anthony Zinni (ret.), former chief of U.S. Central Command, made an important intervention against the Iraq war drive in remarks to the Middle East Institute on Oct. 10. The speech showed that Zinni has not backed down from his “Bay of Goats” characterization of utopian plans for war with Iraq, dating back to the time that he was still at Central Command, and likely represents an outlook that is widespread in the active-duty military.

Zinni insisted that alternative policies to that coming out of the White House must be pursued. He told his audience that over the past decade, Central Command has built up partnerships with numerous countries in its region, partnerships threatened by U.S. unilateral action. He pointed out that historically, Central Command has not had large, standing forces, unlike the European or Pacific commands—“to show that we’re not a colonial power.”

Zinni insisted on the U.S. commitment to the war on terrorism, which he defined in terms beyond tactical military operations. “Terrorism is a manifestation of something greater.” Could the issues behind that extremism be political, economic, or social, he asked, rather than religious fanaticism? He proposed that “we ought to think in terms of a Marshall Plan . . . one that is international, one that is cooperative, one that looks at what needs to be done on the economic front, political front and the social front to help this important, critical part of the world get through this rough patch.” He offered this approach as a better alternative to “unleashing the kinetic energy” of a military strike, because “you never know what’s going to come out of the other end.”

Here is the most pungent message Zinni delivered.

“I have a couple of heroes. One is George C. Marshall, a great general, who led us through a great war and victory. Look what that general did after the war. He didn’t look to fight more wars. He didn’t look to leave the situation in the condition—in a place, where those wars would re-breed themselves. Look at General MacArthur in Japan, a man who suffered through Bataan and Corregidor, who lost his troops to a horrific enemy—and his reaching out to the Japanese people, his using other means to re-create stability, prosperity.

“Look at Generals Grant and Lee, where Grant wanted the mildest of surrenders, where dignity was maintained, where friendship and connection could happen. Robert E. Lee did not want to go into the hills and fight guerrilla war. He knew it was a time to heal, to do it at the best level. Gen. George



Retired Commander of CENTCOM, Gen. Anthony Zinni.

Washington, who avoided a second war with England, despite everyone pressing him to go to war a second time, someone who’d been through the pains of fighting with the Continental Army. General Eisenhower, who didn’t see the solution in Indochina, in getting involved when the French were engaged with the Viet Minh. He saw that as a loser’s strategy, despite everybody clamoring about the dominoes that would fall.

“Like those generals, who are far greater than I am, I don’t think violence and war is the solution. There are times when you, reluctantly, as a last resort, have to go to war. But, as a general who has seen war. . . . I will tell you, I never saw anything come out of fighting that was worth the fight, in my time. Now, I’m sure my brother who served in Korea, my cousins who served in the Pacific and served in Europe in World War II, my father who fought for this country in the First World War, and the other 12% of Italian immigrants who served in the infantry—they may have a different view of their war. My wars that I saw, were handled poorly.

“I carry with me a quote from Robert McNamara’s book *In Retrospect*, which unfortunately was written 30 years after a war which put 58,000 names on that [Vietnam Memorial] wall, caused 350,000 of us to suffer wounds and crushed many lives. . . . He said, ‘I want to put Vietnam in context. We of the Kennedy and Johnson Administrations who participated in the decisions on Vietnam, acted according to what we thought were the principles and traditions of this nation. We made our decisions in the light of those values, yet we were wrong, terribly wrong. We owe it to future generations to explain why. I truly believe we made an error, not of values and intentions, but of judgment and capabilities.’ . . .

“Well, Mr. McNamara, my 24 hours a day and my troops’ 24 hours a day was in a sweaty, hot jungle, bleeding for these mistakes. When he resigned in 1968, he didn’t want to do it in a way where he objected openly to the war. There were many more years of that war left, and many more casualties that occurred. I wish he would have stood up for that principle.”

Congress Asked to Back Pro-War Censorship

by Suzanne Rose

An effort is being made, as evidenced by an Oct. 8 Congressional hearing and by government-backed groups suppressing campus free speech (see *EIR*, Oct. 18), to pull together an international poison-pen apparatus to target, slander, and censor opposition to the Iraq war policy. A new type of anti-defamation commission is in the works, in the mold of the old Anti-Defamation League of B'nai B'rith.

In the days of Iran-Contra “secret government” operations of the 1980s, the Anti-Defamation League was used to target political opponents. Then, a salon of converging interests met at the New York apartment of investment banker John Train to establish procedures for targetting and defaming associates of Lyndon LaRouche, who was an opponent of the Iran-Contra policy. The Anti-Defamation League, a front organization for Jewish-surnamed organized crime interests, spearheaded the effort, in the press and among prospective LaRouche supporters, defaming him as anti-Semitic, and conducting various black operations and disinformation.

This was part of a broader operation in the Reagan-Bush Administration known as “Public Diplomacy”—a government-run propaganda machine, which promoted policies such as support of the Contras and the Afghan resistance through planting of articles and op-eds, and also targetted opponents of these policies with campaigns of defamation and harassment. Although nominally located in the State Department, the Public Diplomacy operation was actually centered in the National Security Council, and run by the CIA’s top propaganda expert, Walter Raymond, who had extensive experience in the CIA’s clandestine overseas media program.

Enforcing the Warhawks’ Aims

The presence of “former” Israeli military intelligence agent Yigal Carmon at the Oct. 8 Congressional hearing signals that a similar and renewed effort is under way, against Arab and LaRouche-led opponents of the Clash of Civilizations war policy. The occasion was a hearing of the House Government Reform Committee, National Security Subcommittee, convened by Rep. Christopher Shays (R-Conn.), titled “Arab Street Opinion of U.S. Policy.” The first panel included Harold Pachios, Chairman of the U.S. Advisory Commission on Public Diplomacy. He called for a revival of “Public Diplomacy” efforts to win supporters to the foreign policy goals of the U.S. government, especially in the Arab world. He lamented that the Public Diplomacy Commission has lan-

guished since the end of the Cold War.

Pachios said the commission intends to work closely with the President’s new Office of Global Communication, which has the stated purpose of winning support for the President’s war aims.

Yigal Carmon testified on the second panel, representing the Middle East Media Research Institute (MEMRI), along with Hafez Al-Mirazi, Washington Bureau Chief of Al Jazeera, and Laurent Murawiec, former research analyst with the RAND corporation. The speakers, led by Carmon, motivated the need for a super-agency or commission to monitor and control all information published and broadcast about the Middle East, the war on terrorism, and the Iraq war.

The proposals that Carmon presented, he said, are “necessary” to end hate crimes and incitement, which he claims are rampant in the Arab world. Carmon is already running a private pilot project—MEMRI—financed by the neo-conservative mafia, and affiliated with Daniel Pipes’ Middle East Forum. MEF monitors all the Arab institutions, including press, educational, and religious institutions—for “radicalism.”

The bias against Arabs and Muslims which underlay the hearings was evident from the inclusion of Murawiec as a panelist. He is the low-level think-tanker who gained notoriety after news was leaked that, in July, he had given a school-boy-level anti-Saudi briefing to Richard Perle’s Defense Policy Board at the Pentagon. Murawiec advocates a U.S. invasion of Saudi Arabia, and taking the Saudi oil fields by force. He also suggested the United States target Egypt as an enemy. After the DPB briefing, Murawiec was dumped from RAND, and according to a source on the committee, listed no current employment. At the Shays hearing he again played the hatchet man, this time against all Arab thought and Arab governments, comparing them to Mao’s China, and Hitler’s Germany.

As a model for the new effort to confront “anti-Semitic” and “anti-Western” outpourings in the Arab and Muslim media and elsewhere, Carmon applauded the confrontational censorship approach recently taken by U.S. Ambassador David Welch in Egypt. Welch lambasted articles in the Egyptian press whose authors questioned the “official” story about the Sept. 11 attacks. As *EIR* reported Oct. 11, Ambassador Welch was responding to the prominent coverage given to the neo-conservatives’ leading opponent, Lyndon LaRouche.

MEMRI is doing this kind of monitoring on a daily basis, and reporting its distorted findings to legislators around the world, including what it calls “The Hill Report” to the U.S. Congress. Carmon’s appearance was to promote official government backing for these efforts. He insisted that there should be government action to enforce the type of censorship that MEMRI can only do privately. As an example, he called for government action to punish the editor of Egypt’s leading newspaper *Al-Ahram*, for articles on the West which Carmon claimed were incitements to hatred.

Importance of Truth Versus Public Opinion

This young organizer's question, and Presidential pre-candidate Lyndon LaRouche's answer, were part of an open discussion among about 1,000 members and supporters of LaRouche's movement, gathered in Reston, Virginia on Sept. 1 at its biannual national conference.

Q: When I tell people about Lyn, the biggest objection I hear, over and over again, is: "Well, that's interesting, but that's your opinion." My question is: What's at the root of people's denial that there is such thing as truth, and that truth is knowable to man? Where did this view come from, and why is it shared by people from all walks of life? What is the best way to overcome this objection?

LaRouche: The origin of this is fascism, especially as radiated from Germany, in the form of the followers of Friedrich Nietzsche, who included the members of the Frankfurt School so-called, which had two divisions, in the course of its history. All were fascists. But they divided, because some were Jewish. And the Jewish members found they were not qualified to join the Nazi Party. And they had to be told that; it had to be explained to Theodor Adorno and Hannah Arendt, for example, that they were not qualified for membership in the Nazi Party.

Remember now, this is not surprising, entirely. Because, remember that Vladimir Jabotinsky, who was a joint British and Russian Okhrana agent, was the founder of the fascist movement in Zionism, which is typified today by the Likud, and which is represented by the group of war-makers in New York and elsewhere, such as Max Fisher and so forth, who are called "Mega." They used to call themselves the "Billionaires Club," but they got too much money, so they had to call themselves "Mega." These are the people who brought [in] Joe Lieberman and John McCain, and so forth and so on—all relevant.

Now, remember that Jabotinsky was a Russian agent, but also a British agent: That is, he went to Paris. He worked for the guy in the Okhrana, who issued the "Protocols of the Elders of Zion" from Paris. He was attached then, to a British intelligence operation, a Foreign Office operation, called the "Young Turks," which was based in Saloniki, in then Turkey; and this was the group that formed the Young Turk rebellion. Jabotinsky was the editor of a publication, the official publication of the Young Turk organization called *Jeune Turque*.

Another famous person of this group, who was not technically a fascist, was a guy called "Parvus," born Alexander Helphand: a close associate of Jabotinsky, who played all kinds of games in the Russian Revolution; and played a very interesting game in terms of working as a British agent, primarily; also an Okhrana agent of the Jabotinsky-type; also an agent of German intelligence, at a certain point, who funded Lenin's trip to Petrograd, and arranged for it—just as a troublemaker, not because he had any sympathies for Lenin.

But, anyway, Jabotinsky was moved from his position as *Jeune Turque* editor, back to Italy. In Italy, he became the founder of a movement, called the Betar. The Betar was an avowedly fascist organization, a fascist-Zionist organization, backed by Mussolini. As a matter of fact, an element of the Betar was actually a naval unit for the Mussolini naval forces, during the relevant period.

Jabotinsky also made several applications to Hitler for an *alliance*. Hitler turned him down. But he didn't give up fascism on that count.

The 'Authoritarian Personality'

Now go back to Germany. Reality is interesting, here—*real* history. *Truth* is interesting. Opinions are generally worthless. All right, so, the truth: Hannah Arendt, who was very influential in this country at a certain point, had a very intimate relationship with a leading fascist in Germany [Martin Heidegger], a member of this same group. The same fascist who created Jean-Paul Sartre in France, as a protégé. But, he was German, and he could get by with it. So he became the leading anti-Semite, purging the Jews from the University of Freiburg. She, who admired him to the day she died, went over to the United States, after discovering she could not qualify for Nazi Party membership.

In the United States, she and Adorno, in the late 1940s, produced a book called *The Authoritarian Personality*. And this book was based on the common ideas of Martin Heidegger, her boyfriend, and anti-Semitic purger of Jews.

The theory which she is responsible for, and a number of other fascists worked on it, including—well, Heidegger was on the same theory—was based on a study of Kant. Now, these people were called "existentialists," who were in this group. This group adopted this argument of Kant's saying, there is no truth in the universe; there is only opinion. They praised it, and set forth a doctrine, which was published as an influential book, in the late 1940s in the United States, called *The Authoritarian Personality*.

Now, this doctrine is now a prevalent doctrine in secondary schools and universities and elsewhere, in the United States today. That is, teachers and other kinds of enforcers—the Ritalin-pushers for example, in the schools, will say, "*There is no truth. There is only opinion.*" If you say there is truth, then you are an *authoritarian*. And this was the definition of this.

'We Don't Allow Truth'

Now, it happens, that this crowd is backed by the other crowd, the crowd which is behind the attack for the war on Iraq, the crowd that's pushing that war, the crowd that's supporting Sharon. Sharon is a fascist. That is the truth. He's a member of the Likud. Netanyahu is a fascist—a Jabotinsky fascist. Shamir, a fascist. The hard core of the leadership of Likud is fascist. What these fascists are doing in Israel-Palestine today, is, they're doing the same kind of thing that the Nazis under General Stroop did in Warsaw, against the Warsaw Jewish Ghetto. The same methods, with the same kind of results.

"There is no truth": "You can't say that a Jew can be a fascist." Why not? Jabotinsky said he was a fascist. Jews can be fascists. And most Zionist gangster types in the United States are. And that's the core of the thing.

So, what you have is, you have the biggest circulator of rumors, which targets us, with certain friends who will do it for them; target every place we organize, and spread the word that therefore, "LaRouche is wrong, because *there is no truth!* There is only opinion. He says, that Sharon is a fascist. That's his opinion. There is no truth." Jabotinsky who was the founder of Likud, said he was a fascist. He said he tried to make an alliance with Hitler, on the basis of fascism, to get Hitler to give up anti-Semitism, and have

one, big fascist movement, a unity soup of fascists. That's the truth!

So, what can you say about this? That people who believe, there is no truth, belong to a society which has lost the moral fitness to survive. And, under present conditions, a society which accepts the doctrine, that there is no truth, but only opinion, *such a society will die—including the United States.*

I would add to that, that, today, it was pointed out to me by Helga, that [Deputy Secretary of State Richard] Armitage was quoted in the front pages of the local rag—the local Washington rag—as saying that the problem is people abroad: We're more powerful than ever before, and people abroad envy the United States. Now, the attitude of people around the world, toward the United States, and particularly toward the Bush Administration today, is not envy! It's contempt! And even hatred, growing hatred. So, that is a matter of truth, not a matter of opinion.

So, the point is, she [the questioner] found herself being targetted by somebody who repeats this stuff. And we have some people in Chicago, some young ladies in Chicago—one young lady, still young—was also directly targetted in her school on this issue; and by a sociologist-fascist enforcer type, in that school, who says, "We don't allow truth in this school." "So, what are we paying them to teach for?"

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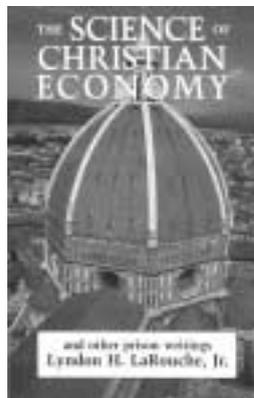
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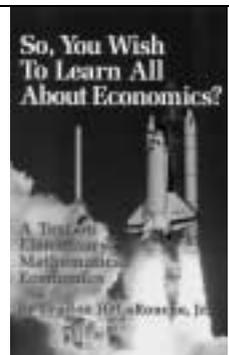
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National News

Medical Editor Warns Of Health Profiteering

In a *New York Times* op-ed Oct. 13, Marcia Angell, former editor-in-chief of the *New England Journal of Medicine* and a lecturer at Harvard Medical School, charged that waste and profiteering are destroying the nation's health-care system.

In "The Forgotten Domestic Crisis," Angell showed how health-care funds are diverted to overhead and profit: Private insurers skim 25% off the top of premiums for administrative costs, marketing and profits; then the remainder goes through insurance brokers, lawyers, consultants, billing agencies, etc.; all of which take a cut, so that as much as half the health-care dollar never reaches the doctors and hospitals—who themselves face high overhead costs in dealing with multiple insurers.

Angell advocates creation of a national, single-payer system, which would be tantamount to expanding Medicare to the entire population. She says that Medicare is by far the most efficient part of our health system, with its overhead costs being less than 3%, while it covers virtually everyone over the age of 65.

Va., Md. Fail To Spray, Despite Malaria

A fourth location of pools of malaria-infected mosquitoes was found Oct. 8, in the Northern Virginia area where two teenagers contracted malaria in July. Two pools of malaria-infected mosquitoes were found on Selden Island, Maryland in the Potomac River, just off the shore from Virginia. Farm laborers, who work from pre-dawn to dusk on Selden Island, and have been exposed constantly to multiple bites by the anopheline mosquitoes which can carry malaria, were being tested during the following week, after the pools were discovered.

Yet Maryland and Virginia have failed, over months, to spray the adult mosquito populations. Health officials of neighboring Loudoun County, Virginia and Montgomery

County, Maryland had finally planned an aerial spraying campaign in October because, as Lynn Frank, chief of Montgomery public health services, said, "Once this thing takes hold, it's very hard to get rid of it."

But some officials in both states claimed spraying wasn't necessary, or that it would just "spread chemicals" in the effort to get rid of all the mosquitoes, which isn't "practical." Finally on Oct. 15, Maryland officials said no spraying would take place; after waiting through the Summer months, the weather had become too cold and wet in October, and the mosquitoes had ceased flying in large numbers and begun hibernating in drains and similar places. Decisions on spraying are now postponed until the Spring.

West Nile virus, meanwhile, had claimed 160 lives (including a Loudoun woman) and sickened 3,000 people nationally by Oct. 15, according to the Federal Centers for Disease Control and Prevention.

U.S. Infrastructure Portside 'Cracking'

International Longshore and Warehouse Union national spokesman Steve Stallone attributed the continued log-jam in the 29 West Coast ports which were reopened by Taft-Hartley injunction on Oct. 8, to the fact that "the infrastructure is cracking," and pointed to the the lack of train cars and the shortage of truck chassis which are keeping the ports clogged and are creating a "logistical nightmare" for workers.

"You can take the containers off the ships, but you can't get them out of the ports," Stallone said. His comments were a rejoinder to accusations from the Pacific Maritime Association (PMA), that the union may be engaging in a work slow-down in defiance of the Taft-Hartley injunction. Democratic Party Presidential pre-candidate Lyndon LaRouche's campaign pamphlet, "November Program To Rebuild the Economy," with its emphasis on the need for a massive immediate expansion of the nation's rail system, is widely circulating among ILWU officials and members. In an August speech in Los Angeles, LaRouche had pointed to the infrastructure problem of the import-dependent U.S. economy, saying

"you can import the goods, but how do you move them from the ports?" (The transcript appears in *EIR*, Sept. 6, 2002.)

The ILWU has also accused the PMA of a long-term policy of refusing to train and hire the skilled labor force to adequately man the ports, trying instead to keep the costs of wages and benefits down. On Oct. 15, in a dramatic move, ILWU Local 13, which mans the Los Angeles and Long Beach ports, filed an official complaint with the labor relations panel established by the ILWU and PMA to look into such disputes. The union charged that management was sabotaging the operations of the docks, and strategically orchestrating a crisis by refusing to put enough available workers on the docks to efficiently handle the cargo containers.

There had been some press reports that the PMA might charge the Union with violation of the Taft-Hartley court injunction obtained by President Bush; but no such charge had materialized by Oct. 16.

Ad: Osama 'Wants You To Invade Iraq'

Two full-page advertisements against a war on Iraq were run in the *New York Times* on Oct. 14.

- TomPaine.com ran an ad mimicking the old "Uncle Sam Wants You" poster, but instead showing Osama bin Laden saying: "I Want You To Invade Iraq." Its text said, "Send me a new generation of recruits. Your bombs will fuel hatred of America. . . . Distract yourself from fighting Al Qaeda. Destabilize the region. . . . So please—invade Iraq. Make my day."

- "Business Leaders for Sensible Priorities" ran an ad with pictures of Rumsfeld, Bush, and Cheney, headlined: "They're Selling War. We're Not Buying." The text read: "The President's men have compared their war on Iraq to a new product. They've timed it 'from a marketing point of view'. . . . But their product is a deadly distraction with nasty side effects. Speaking as seasoned business people, we want to see warnings on the label." The ad then featured such warnings as: "War Will Wreck Economy," "War Will Breed Terrorism," etc.

Insults Traded Over Blocked Judicial Nominee

The long-simmering dispute over judicial nominees got personal, on Oct. 8, when Senate Judiciary Committee Chairman Pat Leahy (D-Vt.) blocked a committee vote on South Carolina District Judge Dennis Shedd, for a position on the Fourth Circuit Court of Appeals. The following day, Sen. Strom Thurmond (R-S.C.), for whom Shedd once worked as chief of staff, took to the floor of the Senate to complain that he had been treated badly by Leahy, who had violated committee rules to avoid a vote on the nomination. He called Leahy's action an "egregious act of destructive politics," after having assured Thurmond that the committee would vote on the nomination.

Senate Majority Whip Harry Reid (D-Nev.) jumped up to defend Leahy's action. He said that the committee has continued to receive opposition to Shedd's nomination, and that Leahy had decided that to take up the nomination would delay the consideration of 17 noncontroversial nominations that were also on the committee's agenda. In reply, Sen. Orin Hatch (R-Utah), the Judiciary Committee's ranking Republican, accused Leahy of lying when he assured Republicans that there would be a committee vote on Shedd. He charged that "the real reason Judge Shedd was not on the agenda was there are liberal special interest groups in this city that seem to have lock-stock control over the Judiciary Committee."

The following day, Leahy appeared on the Senate floor to defend himself against Hatch's charges. After reporting that the committee has voted on 100 nominees under Democratic control and favorably reported 98 of them, he angrily accused the Republicans of believing "that there is partisan hay to be harvested in complaining

that every single judicial nominee has not yet been confirmed." He compared what the committee has accomplished under his chairmanship, to what was done under the most recent period of Republican control. "As frustrated as Democrats were with the lengthy delays and obstruction of scores of judicial nominees in the prior six-plus years of Republican control," he said, "we never attacked the chairman of the committee in the manner Republicans chose this week." He declared that with the White House making so many nominations "to appease the far-right wing of the Republican Party, it would be irresponsible for us to simply rubber-stamp these nominations for lifetime appointments to our independent Federal judiciary."

Byrd Warns: Senators Will Regret Votes for War

The Senate vote of 77 to 23 in favor of the Iraq war resolution, on Oct. 10, prematurely shut down efforts by Sen. Robert Byrd (D-W.Va.) to derail the war drive in the Senate. Majority Leader Tom Daschle (D-S.D.) filed a cloture motion on Oct. 8 to limit debate, a motion which is usually made to end a filibuster. Because no filibuster was under way, Daschle's motion can only be seen as a pre-emptive action against Byrd's threat to stretch out debate on the resolution as long as possible. The move to limit debate was attacked even by some Republicans who were much more supportive of the war resolution. Sen. Arlen Specter (R-Pa.) complained that many senators, including himself, "who sought time to come over and discuss important issues, have found that there is no time to do so."

On Oct. 10, Byrd, in one of many spirited speeches he made during the

debate, invoked the examples of Revolutionary War heroes John Paul Jones and Nathan Hale. "Nathan Hale gave his one life," Byrd said. "It was all he had. Can we give one vote for our country, today?" He demanded to know of the senators in the chamber, "Are we defending the role of the Senate, as set forth in this Constitution which says Congress shall declare war?" Then, on the matter of the cloture motion, he said, "We are denying the American people their right to be heard." He warned the Senate, "The American people out there are going to render judgment. They are going to render judgment on every senator in this body before it is over."

Opposition to Iraq War Greater Than Expected

The 133 votes in the House on Oct. 10 against the Iraq War resolution—126 of them Democrats—were hailed by Rep. Dennis Kucinich (D-Ohio) as a "very strong message" that "Americans are insisting on a peaceful resolution of matters in Iraq." Additionally, "people are looking for America to deal with its economic problems and to focus on those, and not to get distracted by a war with Iraq." As noted by Reps. Hilda Solis (D-Calif.) and John Conyers (D-Mich.), the entire Hispanic Caucus and all but four members of the Black Caucus voted against the resolution. "There is little question," Conyers said, "that most Americans are not in support of giving the President of the United States additional war powers."

Rep. Bob Filner (D-Calif.) reported that his mail was running ten to one against a war. Rep. Jan Schakowsky (D-Ill.) said "my stack of mail and e-mails against this war is now exceeding three feet, and of that, 18 let-

ters say we should go to war.” Rep. Lloyd Doggett (D-Tex.) added that the war resolution “bears a lot of resemblance to the [1964] Gulf of Tonkin Resolution, except in one very significant way, and that is lack of opposition; because there’s plenty of opposition.” Opponents of the resolution seemed to be surprised at the degree of opposition. House Minority Leader Dick Gephardt (D-Mo.), who supported the resolution, refused to comment, beforehand, on how many Democrats might break with the leadership on it, saying only that everyone had a right to vote their conscience.

Budget Impasse Drags On

Gridlock continues to be the order of the day on Capitol Hill on a great deal of legislation, and the budget process is no exception. The House passed, on Oct. 10, another one-week continuing resolution (CR) to fund activities of the government, but came no closer to resolving the impasse. The vote was 272 to 144, in contrast to the near unanimous votes on the two previous CRs. As before, however, finger-pointing and acrimony continued to characterize the debate.

The House GOP leadership had originally intended to extend the CR until Nov. 22, after the mid-term elections. However, they apparently could not get support from within their own caucus on such a measure, and had to cut it back to Oct. 18. This caused Rep. Martin Frost (D-Tex.) to declare, “The Republican leadership is in a total and utter state of disarray and denial.”

Otherwise, the debate went on much the same way as for the earlier resolutions. The Democrats continued to attack the GOP for not letting the

House do its work, and the Republicans blamed the Senate for not having passed a budget resolution. Rep. David Obey (D-Wisc.) pointed out that there was, in fact, nothing standing in the way of the House acting on the remaining eight appropriations bills and going to conference with the Senate. He argued that this was proven by the fact that the House had just passed, by very large majorities, the just-completed conference reports on the defense appropriations bill and the military construction bill.

Meanwhile, over in the Senate, Majority Leader Tom Daschle (D-S.D.) and Minority Leader Trent Lott (R-Miss.) have both discussed the need to restore the budget enforcement mechanisms that expired at the end of fiscal 2002. A bill has been worked out by Senate Budget Committee Chairman Kent Conrad (D-N.D.) and Sen. Pete Domenici (R-N.M.) that would restore points of order against tax cut or spending legislation not provided for in the most recent budget resolution, and the so-called “pay as you go” rule, requiring 60 votes to pass legislation that would tap further into Social Security funds. The bill does not include discretionary spending caps, even though the Democrats support imposing such a cap. Daschle said on Oct. 15, that they decided to go ahead without the caps, because “Republican objections . . . led us to believe that we might be more successful by taking it out.”

Dems Blast GOP On Drought Relief

On Oct. 9, Senate Majority Leader Tom Daschle (D-S.D.) demanded that the House act on drought relief legislation before it adjourns for the year. He said that the Democrats have been saying that farmers and ranchers cannot

survive another year without drought assistance, and that the Senate has voted three times, by large bipartisan majorities, in support of drought relief. Senate Agriculture Committee Chairman Tom Harkin (D-Ia.) accused the Republican Party and the Bush Administration of wanting to pay for drought relief by taking the money out of food assistance programs that serve poor people and children. Instead, he said, there is \$6 billion in savings from loan deficiency programs that can be used for drought assistance. “We passed this with 79 votes in the Senate,” he said. “We know there’s a majority in the House. It’s up to the Administration to give the green light to the House leadership.”

The Democrats also disposed of the notion that the farm bill, passed earlier this year, could be used to help farmers affected by the drought. Senate Budget Committee Chairman Kent Conrad (D-N.D.) said that not only is there no provision in the farm bill for disaster relief, but it was House Speaker Dennis Hastert (R-Ill.), backed by the White House, who blocked efforts to include it. “Nothing could be more clear,” he said, “than who has supported disaster assistance and who has opposed it.”

The Associated Press noted that three of the six senators accompanying Daschle—Harkin, Tim Johnson (D-S.D.), and Paul Wellstone (D-Minn.)—are in the midst of tough reelection battles. The AP was not alone in its view that the press conference was little more than a pre-election ploy. Sen. Conrad Burns (R-Mont.), whose home state has been hit hard by the drought, pointed out in a statement that the drought relief that the Senate passed on Sept. 10 is attached to a bill on forest management that Daschle will not allow a vote on. “Daschle’s press conference, today,” he said, “is a lot of chaff and no wheat.”

A Great Friend and Preacher of Peace

Father Richard McSorley, S.J., who died on Oct. 17 at Georgetown University, where he was the director of the Center for Peace Studies, once said of his good friend Lyndon LaRouche, “he evangelizes Providence.” Like any great priest, who learns to “preach what you know,” Dick McSorley recognized in LaRouche’s character, elements essential to his own.

Father McSorley’s life included many milestones. He was a religious adviser and friend of the Kennedy family, and taught former President Clinton at Georgetown University, enjoying a lifelong friendship with him. He took up the cause of civil rights in 1948, when he was assigned to a parish in rural Maryland, and was shocked to find that black and white parishioners were segregated at the communion rail. He was a leader in the movement against the Vietnam War and a Pax Christi Ambassador of Peace. He founded, and lived in, the Catholic Worker House of Hospitality in Washington, D.C., the city’s first homeless shelter.

But these things, some of which “climbers,” as he called them, would have schemed their way into, Father McSorley said he “fell into through Providence.”

He “fell into” his mission as what he called “peacemaker,” when, after a happy childhood in a Philadelphia family of 15 children, he entered a Jesuit seminary at the age of 18. After some years of study, he was sent to the Philippines to teach. There, a week after the attack on Pearl Harbor, he and other Jesuits were captured by Japanese soldiers and interned under starvation conditions in a 2,500-prisoner concentration camp, and released only when the camp was liberated in 1945.

Father McSorley had a loving, sweet soul. In an interview in *Fidelio* magazine, he told of visiting Jackie Kennedy in New York, soon after the assassination of her husband. “One evening following supper together, I visited with Jackie and the children. As it grew late

Jackie told John, ‘You get ready for bed, and maybe Father will come in to say goodnight.’ When John was ready for bed, she said softly, ‘Do you know Danny Boy? His father used to sing it to him, just before he went to sleep. He used Johnny, instead of Danny.’ I said I’d try it. John stared at me with fixed attention as I sang: ‘O Johnny Boy, the pipes, the pipes are playing. . .’

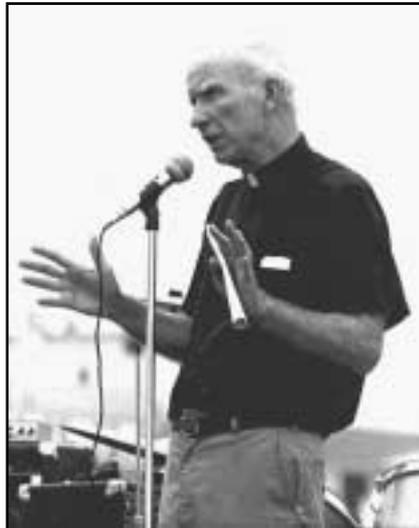
Jackie stood silently in the doorway looking at us. I was in tears as I left the room. The heavy burden of their loss pressed in on me as never before. . . . It didn’t even begin to compare to their loss, but I missed John Kennedy.”

Many refused to detect his sweetness because he was so unnervingly honest. At the June 2000 Ad Hoc Democratic Party Platform Hearings in Washington, convened by LaRouche’s Committee for a New Bretton Woods, Father McSorley, in his testimony against the death penalty, asked, “Why don’t people who preach the Scripture follow it? And the answer to that is that they want advantages the state

gives them. From the time that Christians were first let out of the catacombs, and given Roman citizenship by the Emperor Constantine . . . they want that tax exemption.”

Father McSorley carried out many public and private missions on behalf of his friend Lyndon LaRouche’s exoneration, and New Bretton Woods policy, amid all his untiring work for peace and justice. In his last weeks, when he was already informing his friends of his impending death, he dictated the following message to LaRouche: “I give you my blessing on your eightieth birthday. May you continue, with love and courage, to act on the prayers of the faithful. May you continue to teach, in your own unique way, those words of Christ, ‘Thou shalt not kill.’ Your friend, Dick.”

Yes, a great priest teaches what he knows.



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Mon-Fri: 9 am-4 pm
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Adelphia Ch. 55
Tuesdays—6:30 pm
- CLAYTON/CONCORD
AT&T-Comcast Ch. 25
2nd Fri.—9 pm
- CONTRA COSTA
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Wednesdays—6:30 pm
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Wednesdays—7 pm
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Thursdays—3 pm

• OXNARD

- Adelphia Ch. 19
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Adelphia Ch. 65
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Tuesdays—6:30 pm
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Fridays—5 pm
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Mon & Fri—10 am
- WALNUT CREEK
AT&T Ch. 6
2nd Fridays—9 pm
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Thursdays—4:30 pm
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Time Warner Ch. 34
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- COLORADO SPGS.
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Thursdays—5 pm
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Cablevision Ch. 21
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Thursdays—11:30 am

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- WASHINGTON
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- ESCAMBIA COUNTY
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AT&T Ch. 21
Monday - Thursday
8 am - 12 Noon

IOWA

- QUAD CITIES
Mediacom Ch. 19
Thursdays—11 pm
- KENTUCKY
• BOONE/KENTON
Insight Ch. 21
Mon: 4 pm; Sat: 5 pm
- JEFFERSON Ch. 98
Fridays—2 pm

LOUISIANA

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Cox Ch. 78
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4 am & 4 pm

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Milleneum Ch. 99
Sat & Sun: 12:30 am
- MONTGOMERY Ch. 19
Fridays—7 pm
- PG. COUNTY Ch. 76
Mondays—10:30 pm

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- AMHERST—Ch. 12
Mondays—Midnight
- CAMBRIDGE
MediaOne Ch. 10
Mondays—4 pm
- WORCESTER—Ch. 13
Tue.—8:30 pm

MICHIGAN

- CALHOON
ATT Ch. 11
Mondays—4 pm
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Comcast Ch. 18
Zajak Presents
Mondays: 6-8 pm
- DEARBORN
Comcast Ch. 16
Zajak Presents
Mondays: 6-8 pm
- DEARBORN HTS.
Comcast Ch. 18
Zajak Presents
Mondays: 6-8 pm
- KALAMAZOO
Thu-11 pm (Ch. 22)
Sat-10 pm (Ch. 22)
- LAKE ORION
Comcast Ch. 65
Mondays & Tuesdays
2 pm & 9 pm
- KENT COUNTY
AT&T Ch. 25
Fridays—1:30 pm
- LIVONIA
T/W Ch. 12
Thursdays—5 pm
(Occ. 4:30 pm)
- MT. PLEASANT
Charter Ch. 3
Tuesdays—5:30 pm
Wednesdays—7 am
- PLYMOUTH
Comcast Ch. 18
Zajak Presents
Mondays: 6-8 pm

• WYOMING

- AT&T Ch. 25
Wednesdays—10 am
- MINNESOTA
- ANOKA
AT&T Ch. 15
Mon.—4 pm & 11 pm
- BURNSVILLE/EGAN
ATT Ch. 14, 57, 96
Tuesdays—5:30 pm
Saturdays—9 pm
Sundays—10 pm
- CAMBRIDGE
U.S. Cable Ch. 10
Wednesdays—2 pm
- COLD SPRING
U.S. Cable Ch. 3
Nightly after PSAs
- COLUMBIA HTS.
MediaOne Ch. 15
Wednesdays—8 pm
- DULUTH
Charter Ch. 20
Mondays—9 pm
Wednesdays—12 pm
Fridays 1 pm
- FRIDLEY
Time Warner Ch. 5
Thursdays—5:30 pm
Saturdays—8:30 pm
- MINNEAPOLIS
PARAGON Ch. 67
Saturdays—7 pm
- NEW ULM—Ch. 14
Fridays—5 pm
- PROCTOR
HERMANTOWN—Ch. 12
Tue. btw. 5 pm-1 am
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Valley Access Ch. 14
Thursdays—4 & 10 pm
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Wed., Thu., Fri.
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AT&T Ch. 14
Thu—6 pm & Midnite
Fri—6 am & Noon
- ST. PAUL (NE burbs)*
Suburban Ch. 15
- ST. PAUL (S&W burbs)
AT&T-Comcast Ch. 15
Tue & Fri—8 pm
Wednesdays—10:30 pm
- SOUTH WASHINGTON
ATT Ch. 14—1:30 pm
Mon, Tue, Wed, Thu

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- WYOMING
- HADDON TOWNSHIP
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Sundays 11 am
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Comcast*
TRENTON Ch. 81
WINDSORS Ch. 27
- MONTVALE/MAHWAH
Time Warner Ch. 27
Wednesdays—4 pm
- NORTHERN NJ
Comcast Comm. Access
Channel 57*
- PISCATAWAY
Cablevision Ch. 71
Wed—11:30 pm
- PLAINSBORO
Comcast Ch. 3*

• COLD SPRING

- LOS ALAMOS
Comcast Ch. 8
Mondays—10 pm
- SANTA FE
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NEW YORK

- AMSTERDAM
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Wednesdays—6 pm
- BROOKLYN
T/W Ch. 34
Cablevision Ch. 67
Tuesdays
3:30 pm, 11:30 pm
- BUFFALO
Adelphia Ch. 18
Wed.—12:30 pm
- CHEMUNG/ST. EUBEN
Time Warner—Ch. 1
Mon., Fri.—4:30 pm
- ERIE COUNTY
Adelphia Intl. Ch. 20
Thursdays—10:35 pm
- ILION—Ch. 10
Mon. & Wed.—11 am
Saturdays—11:30 pm
- IRONDEQUOIT Ch. 15
Mondays—7:30 pm
Thursdays—7 pm
- JEFFERSON/LEWIS
Time Warner—Ch. 2
Unscheduled pop-ins
- JOHNSTOWN—Ch. 16
Tuesdays—5 pm
- MANHATTAN—MNN
T/W Ch. 34; RCN Ch. 109
Alt. Sundays—9 am
- NIAGARA COUNTY
Adelphia Ch. 20
Thursdays—10:35 pm
- ONEIDA—Ch. 10
Thu—8 or 9 pm
- PENFIELD—Ch. 15
Penfield Comm. TV*
- QUEENSBURY Ch. 71
Thursdays—7 pm

NEW JERSEY

- RIVERHEAD Ch. 70
Thurs.—12 Midnight
- ROCHESTER—Ch. 15
Sundays—3 pm
- MONDAY—10 pm
- ROCKLAND—Ch. 71
Mondays—6 pm
- SCHENECTADY Ch. 16
Mondays—3 pm
Wednesdays—8 am
- STATEN ISL.
Time Warner Cable
Thu.—11 pm (Ch. 35)
Sat.—8 am (Ch. 34)
- TOMPKINS COUNTY
Cablevision Ch. 71
Sun.—9 pm (Ch. 78)
Thu.—5 pm (Ch. 13)
Sat.—9 pm (Ch. 78)

NEW MEXICO

- ALBUQUERQUE
Comcast Ch. 27
Mondays—3 pm
- ANTHONY/SUNLAND
T/W Ch. 15
Wednesdays 5:05 pm
4 am & 4 pm
- LOS ALAMOS
Comcast Ch. 8
Mondays—10 pm
- SANTA FE
Comcast—Ch. 6
Saturdays—6:30 pm
- TAOS—Ch. 2
Thursdays—7 pm

NEW YORK

- AMSTERDAM
Time Warner Ch. 16
Wednesdays—6 pm
- BROOKLYN
T/W Ch. 34
Cablevision Ch. 67
Tuesdays
3:30 pm, 11:30 pm
- BUFFALO
Adelphia Ch. 18
Wed.—12:30 pm
- CHEMUNG/ST. EUBEN
Time Warner—Ch. 1
Mon., Fri.—4:30 pm
- ERIE COUNTY
Adelphia Intl. Ch. 20
Thursdays—10:35 pm
- ILION—Ch. 10
Mon. & Wed.—11 am
Saturdays—11:30 pm
- IRONDEQUOIT Ch. 15
Mondays—7:30 pm
Thursdays—7 pm
- JEFFERSON/LEWIS
Time Warner—Ch. 2
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- JOHNSTOWN—Ch. 16
Tuesdays—5 pm
- MANHATTAN—MNN
T/W Ch. 34; RCN Ch. 109
Alt. Sundays—9 am
- NIAGARA COUNTY
Adelphia Ch. 20
Thursdays—10:35 pm
- ONEIDA—Ch. 10
Thu—8 or 9 pm
- PENFIELD—Ch. 15
Penfield Comm. TV*
- QUEENSBURY Ch. 71
Thursdays—7 pm

MISSISSIPPI

- MARSHALL COUNTY
Galaxy Ch. 2
Mondays—7 pm
- MISSOURI
• ST. LOUIS
AT&T Ch. 22
Wednesdays—5 pm
Thursdays—12 Noon
- NEBRASKA
• LINCOLN
T/W Ch. 80
Citizen Watchdog
Tuesdays—7 pm
Wednesdays—10 pm

NEVADA

- CARSON—Ch. 10
Wednesdays—7 pm
Saturdays—3 pm

NEW JERSEY

- RIVERHEAD Ch. 70
Thurs.—12 Midnight
- ROCHESTER—Ch. 15
Sundays—3 pm
- MONDAY—10 pm
- ROCKLAND—Ch. 71
Mondays—6 pm
- SCHENECTADY Ch. 16
Mondays—3 pm
Wednesdays—8 am
- STATEN ISL.
Time Warner Cable
Thu.—11 pm (Ch. 35)
Sat.—8 am (Ch. 34)
- TOMPKINS COUNTY
Cablevision Ch. 71
Sun.—9 pm (Ch. 78)
Thu.—5 pm (Ch. 13)
Sat.—9 pm (Ch. 78)

NEW MEXICO

- ALBUQUERQUE
Comcast Ch. 27
Mondays—3 pm
- ANTHONY/SUNLAND
T/W Ch. 15
Wednesdays 5:05 pm
4 am & 4 pm
- LOS ALAMOS
Comcast Ch. 8
Mondays—10 pm
- SANTA FE
Comcast—Ch. 6
Saturdays—6:30 pm
- TAOS—Ch. 2
Thursdays—7 pm

NEW YORK

- AMSTERDAM
Time Warner Ch. 16
Wednesdays—6 pm
- BROOKLYN
T/W Ch. 34
Cablevision Ch. 67
Tuesdays
3:30 pm, 11:30 pm
- BUFFALO
Adelphia Ch. 18
Wed.—12:30 pm
- CHEMUNG/ST. EUBEN
Time Warner—Ch. 1
Mon., Fri.—4:30 pm
- ERIE COUNTY
Adelphia Intl. Ch. 20
Thursdays—10:35 pm
- ILION—Ch. 10
Mon. & Wed.—11 am
Saturdays—11:30 pm
- IRONDEQUOIT Ch. 15
Mondays—7:30 pm
Thursdays—7 pm
- JEFFERSON/LEWIS
Time Warner—Ch. 2
Unscheduled pop-ins
- JOHNSTOWN—Ch. 16
Tuesdays—5 pm
- MANHATTAN—MNN
T/W Ch. 34; RCN Ch. 109
Alt. Sundays—9 am
- NIAGARA COUNTY
Adelphia Ch. 20
Thursdays—10:35 pm
- ONEIDA—Ch. 10
Thu—8 or 9 pm
- PENFIELD—Ch. 15
Penfield Comm. TV*
- QUEENSBURY Ch. 71
Thursdays—7 pm

NEW JERSEY

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