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The Musical Soul of Scientific Creativity

Rebecca Dirichlet's Development of the Complex Domain

by David Shavin

The famous American philosopher Yogi Berra, whose day job was as a catcher for the New York Yankees, once analyzed the key to the intricacies of hitting a baseball: ``It's 90% half-mental." Surprisingly enough, it is a complex domain that combines the visual mapping of the incoming baseball with the required inverse, curved arc of the bat's trajectory. Whether or not Yogi had in mind the drawing at the end of Carl Gauss's 1799 ``Fundamental Theorem of Algebra," Yogi's maxim holds. Gauss re-organized his own mind, along the lines of the non-visible geometry of the complex domain at the core of causality expressed in the material world. It was, to say the least, 90% half-mental!

Gauss's most distinguished followers, Lejeune Dirichlet and his student Bernhard Riemann, further developed this power of the mind, to embody the causal features of the non-visible complex domain. Rigorous and fruitful analysis proceeded, but not as dictated by numbers. The reality of the so-called subjective processes of the mind (and not so-called hard particles of reality), conveying a rigorous causality, was now primary: Mathematics had been taught how to sing....

In-Depth articles from EIR, Vol. 37, No. 23

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This Week's Cover

- **The Musical Soul of Scientific Creativity:**
Rebecca Dirichlet's Development of the Complex Domain

Rebecca Mendelssohn Dirichlet's 1855-58 musikabends in Göttingen attracted the most creative minds of the time: the Classical musicians Robert and Clara Schumann, Joseph Joachim, and Johannes Brahms, the scientists Lejeune Dirichlet and Carl Gauss, and the painter Wilhelm Hensel, among others. They also attracted the hatred of those enemies of the renaissance begun by Moses Mendelssohn, notably Felix Klein, Richard Wagner, and Franz Liszt.

- **Richard Wagner's 'Mendelssohn Obsession'**
- **Wagner's Ring(worm):**
L.A.'s Gotterdamerung?

Strategy

- **LPAC Weekly Report:**
LaRouche Offers a Vision for the Post-Obama Era

Lyndon LaRouche addressed LaRouche PAC's weekly video report June 4, to raise the level of discussion from the 'issues' that consume most people, and instead, posed the problems that must be addressed to reverse course from the deepening dark age, and elaborated on

the organizing process required.

World News

- **An Appeal for a Two-Tier Banking System:
Europe Will Go Under Without Global Glass-Steagall
by Helga Zepp-LaRouche.**

If Europe's nations follow the recommendations of the European Central Bank, contained in its recently published annual financial stability report, then Europe will plunge into economic, political, and social chaos. The ECB warns politicians and banking supervisors against forbidding local banks from trading with hedge funds and private equity firms—i.e.: Keep the casino economy going! Only a Global Glass-Steagall will rescue Europe from utter disaster.

- **What Is Synarchism?**

- **Netanyahu Must Go Now, If Israel Is To Survive Latest Gaza Atrocity**

A review of Israeli and other media coverage prior to the May 31 pre-dawn Israeli commando assault on the Gaza aid flotilla, confirms, beyond a doubt, that the operation was not a bungled mistake, but a carefully planned military operation. Some U.S. intelligence veterans have warned that Netanyahu and company could take the weak-kneed response of the Obama Administration as a green light for an Israeli attack against Iran.

- **LaRouche Supports Russian Drive for Afghanistan Opium Eradication
by Lyndon H. LaRouche, Jr.**

LaRouche sent this memorandum to Victor P. Ivanov, head of Russia's Federal Narcotics Control Service, who is leading a vigorous effort to secure international cooperation against the plague of heroin flowing out of Afghanistan. LaRouche writes, 'I am in full agreement with your stated intent for the specified, immediate measures to eradicate the opium production and trafficking within and from Afghanistan.'

Editorial

- **Obama Is the Problem**

This Week's News

U.S. Economic/Financial News

May Employment Report a Harbinger of Further Collapse

Cities, States Not Paying Bills as Collapse Worsens

May Employment Report a Harbinger of Further Collapse

June 5 (EIRNS)—President Obama went to a small Baltimore factory on June 5 to celebrate the government's employment report for May—which turned out to be terrible, with the jobs "gains" of March and April going into reverse in May. His decision to celebrate it anyway ("It shows our economy is getting stronger every day") will contribute to the odium of his coming downfall.

Despite large Federal government temp hiring for the 2010 Census, the May report was ominously bad. Overall, the reported increase of 431,000 in the Bureau of Labor Statistics (BLS) survey of establishments was a good deal less than "expected" by the usual economic suspects. It was made up of three parts, all actually or implicitly negative. There were 411,000 Census hires (these temp jobs will be lost in coming months as the decennial Census is completed); a net loss of 21,000 government jobs from state and local layoffs and budget disasters; and a claim of a paltry 41,000 net new private-sector jobs, *none* of which the Bureau of Labor Statistics actually found in its survey. *All of them* were produced by computer projections by the BLS which have been proven consistently false for the past two years. These notorious projections have come to be called "virtual jobs," and the Bureau spins out about 100,000 of them every month, which later have to be subtracted.

And, according to the Bureau's simultaneous May survey of households, where things are not so virtual, total employment fell by 35,000; total unemployment rose by 287,000; the U.S. labor force shrank by 322,000, while the number of Americans who've left the labor force rose by 493,000. Long-term unemployment (over six months) kept rising to 6.8 million, nearly half of the 15 million "officially unemployed."

When a candidate for President, Obama claimed considerable support among the younger generation, who now know better. Unemployment of young workers, ages 16-24, hit one-fifth (officially, 19.9%) in May. Already in April, at 19.6%, it was the highest unemployment rate for this age group since at least 1947. This age group now represents 3.8 million, or one-quarter of all official unemployment. And something like 2.5 million more of this young generation of workers has never entered the workforce at all due to the economic collapse—part of an unofficial, but true total of unemployed and underemployed, which stands at about 31 million Americans.

Cities, States Not Paying Bills as Collapse Worsens

June 2 (EIRNS)—While "recovery" propaganda comes from the White House in Washington, cities and states around the country are hitting the "second wall" of the financial hurricane, government bankruptcy; they are becoming unable to pay some of the unpostponable bills they haven't been able to cut.

More than half a dozen U.S. states have delayed paying income tax refunds to their residents, a move certain to draw citizen outrage. These include New York, which postponed payments into its next fiscal year, and has delayed an additional \$2.5 billion in school district and other payments, and still lacks about \$600 million to pay its June 1 bills, according to its Budget Director Robert Megna. They also include Rhode Island, which is delaying refunds in order to try to pay its debts due in June; Iowa, which couldn't hire temporary workers to send out the refund checks; and others. And other states, which already had delayed paying refunds on time in 2009, such as California, Alabama, Missouri, and Georgia, got such angry reactions that they are under strong pressure to pay on time this year, having to go into emergency fund reserves to do so.

Seven cities have newly fallen into junk-bond territory this week, including Harrisburg, the capital of Pennsylvania. While Obama flew into Pittsburgh to make insane "carbon tax" promises, Harrisburg defaulted on \$3.6 million in debt payments amid a debate as to whether it should declare bankruptcy.

Global Economic News

Hedge Fund Post Their Biggest Losses Since Lehman Collapse

China: Economic Collapse Continues; Postpones Implementing CDSs

Chinese Workers in Coastal Export Zones Win Big Raises

Hedge Fund Post Their Biggest Losses Since Lehman Collapse

June 1 (EIRNS)—Hedge funds have posted their biggest monthly losses since the Lehman Brothers collapse in the Fall of 2008. Funds lost an average 2.7%, and some, like Paulson's Advantage Fund, have lost as much as 6.9% or even, in the case of Bacon's Moore Global, 7.7%. This, compared with the 3% average loss during the Lehman collapse. Bloomberg reported that "almost every strategy lost money in May, according to Hedge Fund Research Inc."

Meanwhile a study done by Guillermo Baquero, of the Berlin-based European School of Management and Technology, showed that hedge funds "pose a serious risk to investors and the financial system." Baquero noted that hedge funds never reveal the level of risk that they take, which they call investment "styles," but only reveal their performance. (You trust them, right?)

"We have a twofold issue here: whether investors' naivety is leaving them overly exposed to risk they are not properly evaluating, and whether the growth of the hedge fund industry, combined with that naivety means the sector poses a threat to financial stability," Baquero is quoted as saying in today's London *Daily Telegraph*. "We should not be scared to tighten the regulatory screw on the hedge fund industry and for considerably great disclosure. Now is the time to discuss deep, substantial and effective regulation."

China: Economic Collapse Continues; Postpones Implementing CDSs

May 31 (EIRNS)—Chinese Premier Wen Jiabao warned today that the world must stay alert to the risk of relapsing into economic crisis as Europe's problems continue. "Some people argue that the global economy has already recovered and that we can now take stimulus exit measures, but I think that judgment is too early," Wen said in a speech to business leaders in Tokyo. "We need to prepare for (future) difficulty. The debt crisis in some European countries may impede Europe's economic recovery and bring change to European markets," he said. "China will make sure it maintains a sense of crisis," he added.

In line with this thinking, China has postponed a plan to introduce credit default swaps (CDSs) to its domestic market, after regulators objected and senior officials vetoed the proposal.

The plan to launch a CDS pilot project in China had initially gained support from the central bank. But other regulators opposed the plan amid growing international concerns about the impact of derivatives after Germany banned naked short selling in some securities.

Chinese Workers in Coastal Export Zones Win Big Raises

June 2 (EIRNS)—The discontent in China's Coastal Export manufacturing and assembly zones became clear early this year when many migrant workers who had gone to their native villages over Spring Festival (Chinese New Year) did not return to take up their old jobs or similar positions, even though the worst of the 2008-09 production slowdown in China was over. This year there were jobs, the same old jobs with low wages and working conditions, but at the same time, the government's massive push for infrastructure investment, especially in the country's interior, meant there were alternatives.

Now, a season later, a string of suicides at Foxconn, the Taiwanese contractor on the mainland for Apple's iPad and other name electronic gadgets, and a strike against Honda that closed all of the carmaker's China production, has started some

big changes.

Honda, which had been unable to settle the strike with a 20% wage increase, announced on June 2 that it had resolved the strike by agreeing to give 1,900 Chinese workers a 24% pay raise. Then Foxconn said on the same day that it would immediately raise the salaries of many of its Chinese workers by 33%, only to raise it a further 66% on June 7—a total raise of 122%.

Local governments in the region are also responding to demands to deal with the low wage rates, as Guangzhou increased its minimum wage by 20%, and Shenzhen by 10%. The official news agency Xinhua reported today, "Analysts at the All-China Federation of Labor in Beijing said recent labor disputes indicated that it was vital to increase wages and adopt better working conditions for laborers."

United States News Digest

LaRouche: 'Kagan's Record Will Kill Her'

Obama: Still Covering for BP's Crimes

States Plunge Toward Anarchy as Revenues Fall and Fed Money Is Withdrawn

Not Just Specter: Obama Sinking Black Candidacies, Too

Republicans Vow To Fight Anglophile Berwick's Nomination

LaRouche: 'Kagan's Record Will Kill Her'

June 6 (EIRNS)—Lyndon LaRouche today called Supreme Court nominee Elena Kagan, the Obama regime's Solicitor General, a "doubtful case" whose "record will kill her." She's "not of sterling quality," said LaRouche. Among her other proclivities that should raise red flags, is Kagan's strong advocacy for the unconstitutional unitary executive policies which the Obama Administration has continued from the Bush Administration.

Most Americans seem to share LaRouche's assessment. A *USA Today*/Gallup Poll has found that just 46% would "like to see the Senate vote in favor" of Kagan's nomination. That's lower than the ratings for the previous five successful court nominees.

Obama: Still Covering for BP's Crimes

June 5 (EIRNS)—As oil from the blown-out well in the Gulf of Mexico washes up on beaches as far away as Florida, President Obama can still do no more than defend himself. In his Saturday radio address, today, Obama declared, "We are prepared for the worst, even as we hope that BP's efforts bring better news than we've received before." He then reeled off reams of statistics to "demonstrate" how much the government has done in response to the ever-growing disaster. Not everyone is impressed with the President's latest efforts to show that he cares. When Obama arrived in Grand Isle, La., yesterday, he was greeted by one of his old campaign posters. Except instead of saying "Hope," it said, "What now?"

For its part, BP continues to be as concerned, if not more so, about its public image than the impact of the disaster. CEO

Tony Hayward announced, yesterday, that BP has hired American business executive Robert Dudley to guide the company's response to the disaster. Hayward said, in a conference call, that Dudley's job will be, among other things, to "help manage" the impact of the disaster on BP's reputation, and "restore trust and confidence of BP in America."

In point of fact, recent polling conducted at the behest of the Obama White House, reveals that, as the result of the BP disaster, a large majority of Americans hate the British with a passion. How effective Dudley will be in deflecting that hatred is questionable. In 2008 he was booted out of Russia, while over there running a joint venture between BP and a Russian oil company, and he has been declared *persona non grata* by Moscow.

Meanwhile, Obama's six-month moratorium on deep-water drilling in the Gulf of Mexico further compounds an already bad economic crisis in the Gulf Coast region. The Louisiana Mid-Continent Oil and Gas Association estimates that each exploration and production job represents four supporting jobs in the region, and each drilling rig supports 800-1,400 jobs, meaning that the shutdown could be affecting as many as 40,000 jobs. LMOGA estimated, in a May 28 press release, that lost wages could amount to \$165 million to \$330 million per month, total, for all 33 rigs affected by the moratorium.

States Plunge Toward Anarchy as Revenues Fall and Fed Money Is Withdrawn

June 4 (EIRNS)—Thirty-four of 49 states reporting had lower tax revenues in the first quarter of 2010 than that of 2009, the Rockefeller Institute of Government reported yesterday. The same 34 states also had lower personal income-tax collections during the same period, a major component of total tax revenue for most states. Hard-hit Louisiana had the worst overall decline at 33%, and Montana the second worst at 25%.

Despite the falling tax revenues in most states, total state tax revenues appeared to increase because of extraordinarily sharp tax increases in the two biggest states of California and New York. Thus, total tax revenues appeared to increase by 2.4%—but actually fell by 2.2% if California and New York are excluded. Even including California and New York, total state tax revenues were down 10.9% compared to the same period two years ago, unadjusted for inflation.

All that for the first quarter of 2010.

Thereafter, in the second quarter, a preliminary look at April 2010 state personal income-tax receipts, indicates an accelerating tumble downwards. April is the biggest month for personal income-tax (PIT) collection, which is a major part of most states' revenues. April 2010 PIT collections were 7.6%, or \$2.3 billion, below those of April 2009 for the 36 states reporting. For all of January through April 2010, PIT collections for these 36 states were 27.5%, or \$29.1 billion, below those for the same months in 2008. Rockefeller Institute researcher Lucy Dadayan reports that these collapsing April PIT collections will play special havoc with what remains of state budgets, since they were unanticipated and fall within the fiscal year.

At the same time, most states will have exhausted their Federal "stimulus" money, which is not being replaced, by July. And the House of Representatives just decided, as it left for recess, to cut \$24 billion in Federal help with state Medicaid costs, which states had been assured of, and for which they had budgeted.

Not Just Specter: Obama Sinking Black Candidacies, Too

June 3 (EIRNS)—The great expectations aroused by the success of the 2008 Obama Presidential campaign—that Obama's victory heralded a new era of electoral success by black politicians—has not been sustained. As with similar expectations by the liberal wing of the Democratic Party, those hopes are increasingly dashed by the electorate's anger at the Obama Administration's servility toward the Wall Street and the Administration's willingness to sell out its 2008 constituency.

Rep. Artur Davis, an African-American, lost his bid in the Alabama Democratic primary for governor on June 1, to an opponent who tagged him as being like Obama—Harvard-educated, arrogant, distant from the people—and, in fact, a friend of Obama's. But that's only the most recent shoe to drop on the heads of African-American members of America's political class, as *Politico* laid out in an article today.

In the May 18 Pennsylvania Democratic gubernatorial primary, state senator Hardy Williams finished third. Williams says that race was not an issue, but Obama was: "...the question I got was, 'Are you an Obama Democrat' in regard to spending and bailing out Wall Street, but not in regard to race?" Attorney Ken Lewis also finished third, in North Carolina's May 4 Democratic primary for U.S. Senate. Cheryle Jackson, a black Chicago businesswoman and civic activist in the mold of Valerie Jarrett and Desiree Rogers, and former head of the Chicago Urban League, came in third in the Feb. 2 Illinois Democratic primary for U.S. Senate.

Politico cites as African-American current candidates considered to be in trouble:

- * Georgia Attorney General Thurbert Baker, trailing the front-runner in the governor's primary by 60%, according to a recent poll;

- * Georgia State Labor Commissioner Michael Thurmond, likely to win the Democratic nomination in the state's Senate race, is polling behind his Republican opponent by a wide margin;

- * Rep. Kendrick Meek (D-Fla.) likewise is the likely Democratic candidate to run for a U.S. Senate seat, is polling a distant third for the general election;

- * Massachusetts Gov. Deval Patrick, running for re-election in a three-way race, is still well under 50% in the polls.

Finally, New York Gov. David Paterson, and U.S. Senator Roland Burris (D-Ill.) both decided not to run for a full term in the offices to which they'd been appointed to fill vacancies.

Republicans Vow To Fight Anglophile Berwick's Nomination

June 1 (EIRNS)—Senate Republicans are vowing to fight Obama's pick to run the Centers for Medicare and Medicaid Services, Anglophile Donald Berwick, as reported today by *Politico*, and previously by *EIR*. In doing so, they hope to resurrect in the public's mind, the brutal year-long battle over health-care reform, in the weeks ahead of the midterm elections. Republicans are now poring over Berwick's extensive writings, which have provided ample ammunition for the fight. Last week, Berwick met with Senate Minority Leader Mitch McConnell, but did little to allay any Republican concerns, according to a source. The past two administrators for CMMS were confirmed by voice votes, but at this point, "Berwick appears unlikely to receive the same treatment."

Politico also notes (as had *EIR*) that for his efforts on behalf of the Crown, Berwick was granted an honorary Knight Commander of the British Empire—the highest honor given to non-subjects—in 2005, joining the ranks of Alan Greenspan, Henry Kissinger, and Rudy Giuliani. "He [Berwick] is, as far as I am concerned, bad news," said Texas Sen. John Cornyn, chairman of the National Republican Senatorial Committee. "If he wants to turn America into the National Health Service in England—he thinks that is the model—he is going to find a lot of pushback."

Ibero-American News Digest

'How Many Haitians Need To Die Before Obama Is Impeached?'

A Tale of Argentina and Glass-Steagall

Argentina Celebrates 60th Anniversary of Nuclear Energy Program

'How Many Haitians Need To Die Before Obama Is Impeached?'

June 3 (EIRNS)—Opening a United States Institute of Peace forum on Haiti this morning, Lt. Gen. P.K. Keen, the deputy commander of the U.S. Southern Command, stated that it will not take a hurricane to create a new disaster in Haiti. All it will take, he said, is five inches of rain falling in one 12-hour period.

At this moment, in Haiti, there are more, not fewer, people living in camps for displaced persons, as we enter the hurricane season, Keen said, with estimates running from 1.5 to 2 million people. He reported that he had walked through three of the larger camps in Port au Prince on his visit there this week, because he finds that it is in those camps where you get the "best feel" for the challenges still facing this nation. His assessment? Haiti is still in a very risky position.

The U.S. military's post-earthquake deployment into Haiti was ended on June 1, the first day of the official hurricane season. Only some 500 Louisiana National Guardsmen are left to help prepare for the hurricanes to come. We're not even a week into the hurricane season, and the U.S. Southern Command has already been called upon to help Guatemala with relief efforts after Tropical Storm Agatha, Keen said. The U.S. military is preparing, already, to return to help Haiti when needed to provide life-saving support, he reported, because that support will be needed.

"Disaster," in Haiti's case, means mass death, again. Needless mass death.

Lyndon LaRouche issued an urgent call on Feb. 22 for the U.S. Army Corps of Engineers to help the Haitian government relocate the (at that time) 1 million homeless Haitians to secure sites, to be built outside coastal flood plains. LaRouche proposed that this be done under a proposed 25-year treaty agreement for national reconstruction by which Haiti could become a modern, industrialized nation. Around that time, a similar proposal was presented directly to the White House by other senior U.S. political figures. Like Nero turning his thumb down at the Roman Circus, Obama's White House rejected it out of hand, condemning hundreds of thousands of black Haitians to probable death.

LaRouche responded, that by refusing to permit the actions needed to save lives, Obama is imposing a policy of intentional British-dictated Malthusian genocide, for which he must be impeached, or forced to resign. And he posed the question still pending: "How many Haitians are going to have to die before it becomes obvious that Obama has to be impeached?"

A Tale of Argentina and Glass-Steagall

June 4 (EIRNS)—*EIR* overturned the chessboard at a roundtable discussion this morning on the Argentine economy, at the U.S. Chamber of Commerce in Washington, D.C. The presenters were three Argentine Mont Pelerinites from the "FIEL Foundation" in Buenos Aires (short for "FIEL to the British Crown"—*fiel* meaning faithful or loyal in Spanish). FIEL is one of the big think-tanks of the British-run opposition in Argentina, and these three droned on with statistical presentations on how the policies of the Fernández de Kirchner government are "unsustainable," and the good old days of unbridled neoliberalism must inevitably return.

The audience was made up of State, Treasury, and other U.S. government officials, as well as Argentine Embassy officials,

and other policy wonks.

EIR asked the third question, stating that the speakers were describing a world which has ceased to exist, both internationally and domestically, since the "economy" which is unsustainable is the international financial system. The question became a several-minute briefing, including the fight over the euro and the global battle for a return to Glass-Steagall, and wiping out the financial debt. As for Argentina's domestic situation, *EIR* noted that LaRouche representatives in Buenos Aires had reported that the recent Bicentennial celebrations marked a change in the domestic dynamic, reviving the country's historic nationalist, scientific, and production-oriented outlook, and rejecting "the British monetarist axioms which underlie everything you just said."

A back-and-forth ensued with the technocrats, who were furious, but had no choice but to take the question seriously, insisting it is too late for Glass-Steagall. "It won't work," one said, repeating the British liberal mantra that FDR's New Deal didn't work either ("MIT says so"), etc.

Argentina Celebrates 60th Anniversary of Nuclear Energy Program

June 1 (EIRNS)—Speaking May 31 before an enthusiastic audience at the 60th anniversary celebration of the founding of Argentina's National Atomic Energy Commission (CNEA), President Cristina Fernández de Kirchner expressed the nation's pride in CNEA's enormous scientific achievements, which have placed Argentina in the vanguard of nations which today produce nuclear energy for peaceful purposes.

The Argentine President said that while people tend to think of nuclear energy as having "an aura of precision, or antiseptic science," it's important to remember that the production of "high technology and precise scientific products also require passion, and the heart to move forward—the same passion and heart that you all had to sustain [CNEA's] life."

It is fitting, she said, that in Argentina's Bicentennial year, "we are celebrating [CNEA's] 60 years," and have an opportunity to thank the dedicated scientists and engineers, who, in the dark days of 1990s neoliberalism, resisted, when financier interests wanted to privatize and dismember the program.

Speaking after the President, CNEA director Norma Boero confirmed that the continued development of nuclear energy and related technologies is today a policy of State. The current government has guaranteed the investments necessary to "consolidate the development of nuclear activity in Argentina," she said.

Over the next several years, Boero reported, CNEA's activities will include completion of the Atucha II reactor (2011), following by construction of a fourth and fifth reactor, in addition to extending the operational life of the existing Embalse reactor; ramping up production of uranium and heavy water, and completing the prototype CAREM reactor, built of entirely Argentine technology, which will be installed in Formosa province.

Indicative of Argentina's commitment to advancing its high-technology and scientific tradition, Defense Minister Nilda Garré announced June 3 that the government is planning to build a nuclear submarine, and is also considering installing small nuclear reactors on some ships. The nation has to "recover the capabilities that the country had in the scientific, technological, and industrial sectors, because Argentina cannot be left on the sidelines of that technology," she stated. Argentina has, for years, had plans to build nuclear subs, but the British had managed to sabotage them after the Malvinas War.

Western European News Digest

Hungary Is Next To Follow Greece, Spain...

Germany Plans Expanded Ban on Short-Selling

Swedish EAP Interviewed by Financial Daily

German Economist Calls for Glass-Steagall-Like Bank Separation

European Central Bank Attacks Glass-Steagall

More Support for Ban of Naked Short Sales

French Departments in Critical Condition

'We Are All Greeks': German Unions To Hold Demonstrations

Hungary Is Next To Follow Greece, Spain...

June 4 (EIRNS)—Five days after taking office on May 29, Hungary's new Prime Minister announced that the outgoing Socialist government had lied about the extent of the budget deficit, and that the country was facing a "very grave situation." A spokesman for Prime Minister Viktor Orban even raised the specter of a sovereign debt default, saying such a possibility is "not an exaggeration."

The markets responded with predictable hysteria, driving the Hungarian forint through the floor; raising spreads on Hungarian, Greek, Spanish, and other bonds; and wondering nervously, as Deutsche Bank put it in a letter to its customers: "Are we on the brink of something more serious?"

Is the sky blue?

So what has been foolishly referred to as the "Greek" sovereign debt crisis—Lyndon LaRouche said all along it was a meltdown of London's entire Eurozone banking system—has now become the Greece-Spain-Portugal-U.K.-Italy-France-and—last-but-not-least-Hungary crisis.

It's time to put the whole mess through Glass-Steagall bankruptcy reorganization.

Germany Plans Expanded Ban on Short-Selling

June 3 (EIRNS)—The German government today decided to widen a ban on speculative trades, expanding restrictions on naked short-selling to include all shares. The planned legislation, which must pass both houses of Parliament, adds to regulations set up May 15. Finance Minister Wolfgang Schäuble, speaking at a news conference, said he expected the new ban to pass both the Bundestag and Bundesrat by early July.

Some proposed rules included in the bill came up against stiff resistance, and were watered down at the last minute: for example, an outright ban on euro currency derivatives was dropped. The Finance Ministry will instead be authorized to

ban euro currency derivatives by decree if it would serve to "avoid or dispel serious drawbacks to the stability of the financial markets, or faith in [their] operational capability."

Swedish EAP Interviewed by Financial Daily

STOCKHOLM, June 4 (EIRNS)—Provoked by the article about Inter-Alpha Group in the LaRouche Movement in Sweden-EAP's new election pamphlet, the daily *Realtid.se* decided to interview the movement's Hussein Askary. The Internet daily, which covers mostly financial affairs, with a policy to break some of the media control, started the interview with the Scandinavian Inter-Alpha bank Nordea, but went from there into the collapse of the euro, the destructive role of derivatives, naked short selling, fixed currencies, and more.

Hussein detailed the Glass-Steagall policy, the American System of economy, and what type of investments a real economy needs.

The interview, below the fold on the front page, is run in Q&A format, giving, a first extensive picture in the Swedish mass media of the policy of the LaRouche Movement in the 2010 election campaign.

German Economist Calls for Glass-Steagall-Like Bank Separation

June 5 (EIRNS)—In an exclusive interview yesterday with the *Frankfurter Rundschau* news daily, Hans Joachim Voth, formerly at the Frankfurt stock exchange, now professor of economics at the Pompeu Fabra University in Barcelona, called for state intervention to "put an end to speculation with deposits," to return banks to their traditional role as administrators of savings accounts and lenders to industry and other private clients.

"This was the lesson drawn by the U.S.A. from the banking crash of the 1930s. Until 1999, the Glass-Steagall Act made sure that investment banks could not have deals with deposits. That is where we have to get back to. The business of the investment banks is not in the interest of the common good, that is why they should be banned from taking deposits and refinance themselves via the central bank." Bankers should be personally liable for what they are doing, Voth said, "That is how private bankers got along for centuries without causing systemic crises."

European Central Bank Attacks Glass-Steagall

June 1 (EIRNS)—Following the major international mobilization led by Lyndon LaRouche for a global Glass-Steagall policy, the European Central Bank has attacked the Glass-Steagall separation of investment and commercial banking. Its latest Financial Stability Review devotes a two-page explanation as background to a one paragraph attack on the Volcker Rule, which it purposefully and lyingly confuses with the strict Glass-Steagall principle.

Entitled "Separating Banking and Securities Business: Glass-Steagall Revisited," the ECB writes that the "Volcker Rule" initiative "brings back to the regulatory landscape a modified version of the Glass-Steagall restrictions on banks' securities business." As background to the discussion, it presents an "overview of the main arguments and analytical results—including its limitations—surrounding the original Glass-Steagall Act in the light of the recent crisis from a European perspective." It goes so far as to present a study claiming that there was no need to introduce Glass-Steagall in the first place. Blurring the difference between Glass-Steagall and the Volcker Rule, it writes that the Volcker Rule style of regulation "runs counter to the European established model of universal banking" and would "hamper further financial integration of the Single Market."

More Support for Ban of Naked Short Sales

June 4 (EIRNS)—Austrian Deputy Finance Minister Andreas Schieder said this morning that his country should follow the German example of an expanded ban on naked short sales, and prepare legislation for that. Austria already has a select ban in effect, pending a review in November.

Support also came from Luxembourg's Prime Minister Jean-Claude Juncker, present chairman of the Eurogroup of Eurozone member countries, who, in a panel discussion with former French Presidential advisor Jacques Attali in Luxembourg, yesterday, said that a ban on short sales of the kind that Germany made into law, should be on the agenda of the June 26-27 G20 summit in Canada, and of the EU Commission. Juncker also called for a total ban on highly speculative banking operations, saying, banks that operate this way should not have business in the G20 countries. He issued a call for banks to return to traditional lending.

Juncker's remarks are the more surprising, as Luxembourg is one of the leading inland "offshore" fiscal paradises.

French Departments in Critical Condition

June 3 (EIRNS)—On the evening of June 1, French Prime Minister François Fillon called an emergency meeting at the Prime Minister's Office on the dangerous indebtedness of the French departments, as France's 100 local administrative units are called. Fillon and four other ministers met for two hours with a delegation from the Association of French Departments (ADF).

ADF president Claudy Lebreton (Socialist), said that the situation is very bad for 11 of the departments, but that in total, it is "some 30 departments" that are on the verge of suffocating. "Their situation is dramatic," he said, adding that "they could find it impossible to disburse their social allocations by the end of the year." A report was transmitted to the government in April, showing that 11 departments have undergone "a very brutal degradation of their financial situation" since 2008. This situation further deteriorated in 2009, and "the end of the first semester 2010 will be crucial."

'We Are All Greeks': German Unions To Hold Demonstrations

June 2 (EIRNS)—Mass-strike ferment against the bankers' dictatorship and its austerity policy is being expressed through trade union actions across Europe. The ferment has prompted the leading European trade union federations to call for a mass demonstration in Brussels.

In Germany, the multi-services trade union, VER.DI, has taken a lesson from Percy Bysshe Shelley's famous line, from his Classical tragedy *Hellas*: "We are all Greeks...." The union called for a mass rally in support of the Greek population, against the brutal EU austerity policy, in Stuttgart on June 12, under the slogan "We Are [All] Greeks."

The resolution for the rally states that Greece is the poor-house of Europe already, with minimum wages and pensions 50% below the European Union's average. With average wages at EU750, there is not much to cut in living standards. The bankers are trying to cover up their worst failure since the financial market collapse of 1929, and they should carry the burden, not the workers—"Not on our backs," the resolution proclaims.

Russia and the CIS News Digest

V. Ivanov Kicks Off Forum Against Afghan Heroin

LaRouche Welcomes Ivanov Initiative

V. Ivanov Kicks Off Forum Against Afghan Heroin

June 7 (EIRNS)—The International Forum on Afghan Drug Production: Challenge to the World Community, with its main sessions scheduled for June 9-10 in Moscow, got an early start today with a Berlin-Moscow telebridge, addressed by Russian Federal Narcotics Control Service chief Victor Ivanov. He took part from Berlin, where he was attending a related event on Central Asia and Afghanistan.

In the teleconference, and in TV interviews for TV Center and NTV, Ivanov hammered at the need for Afghanistan-origin narcotics to be declared an international security threat. Afghanistan today produces double the amount of opium which the entire world produced ten years ago, said Ivanov. These drugs, he said, have become a destabilizing factor for Russia and Europe. Ivanov warned that Europe, with narcotics consumption of 711 tons opium-equivalent annually, is in the same boat as Russia, which consumes 549 tons. He underscored the death toll: 1 million people in the past decade, one-third of them Russians.

The teleconference was chaired by RIA Novosti senior editor Svetlana Mironyuk, who announced it as the kick-off of the International Forum. RIA Novosti is conducting the forum, for which Ivanov chairs the organizing committee. Presenting the concept of the conference, Mironyuk said she agreed with Ivanov that "the solution lies in the system of international relations, in the position different nations take."

The German conference was co-sponsored by the German Council on Foreign Relations (DGAP) and the Russian Foreign and Defense Policy Council (SVOP). Officials of the two organizations, Alexander Rahr and Sergei Karaganov, respectively, were among the speakers in Potsdam, followed by Ivanov today in Berlin.

Another Russian government official, Deputy Prime Minister Sergei Ivanov, yesterday took the Afghanistan dope campaign to the Shangri-la Dialogue in Singapore, a conference sponsored by the British International Institute for Strategic Studies (IISS), as well. In the presence of U.S. Secretary of Defense Robert Gates and officials from around Asia, Sergei Ivanov called narcotics production and trafficking in and from Afghanistan "a threat to world peace and security," and stated that international forces present in the country "ought to deal with this directly, and move to actively fighting this threat."

LaRouche Welcomes Ivanov Initiative

See In-Depth for **"LaRouche Supports Russian Drive for Afghanistan Opium Eradication,"** Lyndon LaRouche's greeting and memorandum for the Moscow International Forum.

Southwest Asia News Digest

Cordesman: Israel Cannot Be a Strategic Liability for the U.S.

PKK Terrorists Attack Turkish Naval Base

Cordesman: Israel Cannot Be a Strategic Liability for the U.S.

June 3 (EIRNS)—In a column released on June 2, strategic analyst Anthony Cordesman of the Center for Strategic and International Studies, hits hard at Israeli behavior vis-à-vis the United States. America's commitment to Israel is one that will not be abandoned, writes Cordesman; however, the depth of that moral commitment "does not justify or excuse actions by Israel that unnecessarily make Israel a strategic liability when it should remain an asset." It does not mean that the U.S. should extend support to a long list of actions noted by Cordesman, including the expansion of settlements, its attacks on Gaza "or sending commandos to seize a Turkish ship in a horribly mismanaged effort to halt the 'peace flotilla' going to Gaza."

Israel needs to realize it has obligations to the U.S. as well, and needs to be far more careful in testing the limits of U.S. patience and its exploitation of American Jews. "Israel's government should act on the understanding that the long-term nature of the U.S.-Israel strategic relationship will depend on Israel clearly and actively seeking peace with the Palestinians," writes Cordesman. "This Israeli government in particular needs to realize that as strong as U.S.-Israel ties may be, it is time to return to the kind of strategic realism exemplified by leaders like Yitzhak Rabin."

PKK Terrorists Attack Turkish Naval Base

June 1 (EIRNS)—The Kurdistan Worker's Party (PKK) once again showed its British stripes on May 31, when it carried out the bloodiest terrorist attack inside Turkey in more than a year, killing six Turkish troops at a naval base in southern Turkey. The PKK's attack, using sophisticated rockets, took place on the same day that Israeli commandos assaulted a Turkish-flag ship leading a humanitarian flotilla to Gaza, on the high seas, killing at least nine people (eight of them Turkish, and the other Turkish-American). Turkish government spokesmen said that another seven soldiers were wounded, with three of them in critical condition.

On May 29, five Turkish security officials were killed by the PKK, in a series of smaller terrorist attacks. On May 31, the PKK's jailed leader, Apo Ocalan, announced that he was ending ceasefire talks with the Turkish government. PKK's threatened internal war is timed to coincide with Anglo-Israeli criticisms of Turkey because of its relations with Iran, and for its criticisms of the December 2008 Israeli attacks on Gaza where 5,000 people—most of them civilians—were killed.

There is no doubt about the PKK's pure British pedigree. In 2008, it was declared a narco-terrorist and "drug kingpin" group by the U.S. government, because of its key role in trafficking the Afghanistan opium being grown under British occupation. In 1995, the PKK held its founding "parliament in exile" in Belgium, and three members of the British House of Lords either attended or sent personal telegrams of endorsement. The three were Lord Hylton, Lord Avebury, and Baroness Gould. The case of the PKK is one of many documented by *EIR* in its call to "Put Britain on the list of terrorist sponsors."

Asia News Digest

[Did North Korea Really Sink the South's Naval Vessel?](#)

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Did North Korea Really Sink the South's Naval Vessel?

June 3 (EIRNS)—Lyndon LaRouche today reported that credible sources, drawing on a Chinese investigation into the

evidence surrounding the sinking of the South Korean naval frigate *Cheonan*, suggest that the conclusion of the "international investigation," which blamed North Korea, based on circumstantial evidence, is false. LaRouche has repeatedly challenged the accusations against North Korea as lacking any coherent reason, while they are totally coherent with British efforts to create chaos across Eurasia in the face of the global financial collapse and the threat of Eurasian unity against the London/New York bailout of banks at the expense of nations and peoples.

Yoichi Shimatsu, the former editor of *Japan Times*, asked "Did an American Mine Sink South Korean Ship?" in the New American Media website on May 27. Shimatsu refers to a "technical assessment by the Chinese military, according to a Beijing-based military affairs consultant to the People's Liberation Army," which dismisses the scanty evidence provided by the five-nation investigation (including, in addition to South Korea, a group of old "Cold War" nations, the U.S., Britain, Australia, and Sweden).

Shimatsu notes that a joint U.S./South Korea naval exercise called "Foal Eagle" took place the week preceding the March 26 sinking of the *Cheonan*. Both the exercise and the sinking took place in the vicinity of Byeongnyeong Island, where a U.S./South Korean anti-submarine warfare base is located. The exercise consisted of anti-submarine maneuvers by five missile ships and a mine-laying ship, the *USNS Salvor*, with a crew of 12 Navy divers.

Shimatsu does not say that the Chinese accuse the U.S. of an intentional attack, but point to the possibility of an "inadvertent release" of a "rising mine" planted on the seabed and released to hit a ship dead center, breaking the ship in half, as happened to the *Cheonan*. He notes that a torpedo, in contrast to a rising mine, puts a hole in the hull and tilts the vessel.

He also notes that the first reports indicated gunpowder, which may have come from crude North Korean weapons, but later reports discovered "chemical residues similar to German advanced explosives," as used by NATO forces.

"This is what I thought all along," said LaRouche. "It's not credible to me that it was a North Korean-based operation. It sounds more like a NATO-based operation, an incident created and exploited to destabilize the area of China, Russia, and Japan—and also Vladivostok."

The British Are Setting Up Myanmar for Invasion

June 4 (EIRNS)—Sen. Jim Webb (D-Va.), who has played an important part in the U.S. engagement effort in Myanmar, cancelled a trip to Myanmar, just hours ahead of his scheduled arrival in Yangon on June 4, giving as reason for the cancellation, reports claiming that Myanmar was building a nuclear weapon with aid from North Korea. Webb admitted, however, that he did not know whether or not "these allegations have substantive merit."

The latest anti-Myanmar report, titled "Expert Analysis: Nuclear Related Activities in Burma," was released by the Democratic Voice of Burma (DVB), an operation based in Norway and funded by George Soros, London's leading drug pusher, and the National Endowment for Democracy (NED), the American branch of British intelligence responsible for running subversion against targeted regimes in the developing world.

The author of the report, Robert E. Kelley, is a former investigator for the IAEA, who left that agency to work for the Institute for Science and International Security (ISIS), set up and run by David Albright, the author of wild accusations against targeted nations of covert nuclear weapons development programs, which accusations are then used to justify colonial military operations by British, Israeli, and NATO forces.

The Kelley report argues that a Burmese machinist named Sai Thien Win had defected with stories and pictures of the

factories and machines he worked on in Myanmar. Kelley admits that Sai knew nothing about nuclear power or nuclear physics, had worked on machine tools, producing parts which could be used in missiles, nuclear power plants, or "potentially" for nuclear weapons, and therefore, the Burmese "intention" to produce nuclear weapons is proven.

He also admits knowledge that Russia is planning to build a 10 MW test reactor in Myanmar, and that the IAEA itself is helping to train nuclear scientists and engineers in Myanmar, as is their sovereign right and duty to their people.

Kelley admits that the machine tools used by the defector, which came from Germany and Singapore, "were sold without all of the accessories to make the very precise parts required for many missile and nuclear applications," and that the demonstrations the defector had seen "are quite crude," that the "quality of the parts they are machining is poor," that "nothing we have seen suggests Burma will be successful with the materials and components we have seen."

Nonetheless, with no evidence of any sort, he concludes that there needs to be "thorough investigation of well-founded reporting," and sanctions against "equipment for any weapons of mass destruction"—i.e., ban machine tools for Myanmar and drive it back to the stone age.

'Solidarity for Sovereignty' To Counter Subversion in the Philippines

June 3 (EIRNS)—Butch Valdes, the head of the Philippine LaRouche Society and a well-known nationalist economist in his country, spearheaded the founding of a movement this week called Solidarity for Sovereignty, aimed at uniting the various opposition forces to deal with the massive fraud in the Presidential and Congressional elections held in May. The movement drew about 1,000 people to its first meeting today in Manila, with representatives of nearly all the Presidential candidates in those elections, where they signed a Declaration of Sovereignty, calling for nullification of the election, pending an investigation into the multiple layers of fraud.

The Declaration references the multiple reports of fraud, and the refusal to allow inspection of the machines used by the national election agency and the U.S.-based Smartmatic computer voting machine company that ran the elections.

The Declaration also blasts the new U.S. Ambassador to the Philippines, Harry K. Thomas, for making a grandstand visit to the home of the supposed winner of the Presidential election, Noynoy Aquino (son of Cory, who was placed in power when the Marcos regime was overthrown in 1986 by George Shultz and his boys), even before the official tally of votes took place in the Congress.

The Declaration also points to a dirty deal between Aquino and outgoing President Gloria Arroyo, reported to have been brokered by Thomas, to allow the election to go forward, despite the breakdown of the machines in the days preceding the vote, in exchange for a pledge by Aquino not to prosecute Arroyo (as Aquino had promised to do as part of his campaign) for her many crimes in office.

Speaking at the event, in addition to Valdes, were a leading businessman, Ramon Pedrosa, who co-chairs the Philippines Atoms for Peace Organization, and leading political activist Linda Montayre, among others. A report on drug money in the campaign was a major issue, as a provincial governor who was about to reveal drug money payoffs to top officials was killed last week when his helicopter blew up.

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