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## From the Associate Editor

Any global recovery plan, Lyndon LaRouche told *EIR*'s Berlin seminar on June 28-29, must start from the leadership role of the United States. The reasons why, are a basic constitutional question: Only our Constitution's most fundamental doctrine of law, its Preamble, places the promotion of the general welfare above all other considerations. The European nations, for example, although some place a laudable emphasis upon the government's role in securing the general welfare, are too much infected with the virus of "independent" central-banking systems, derived from the Venetian financier-oligarchical model.

Therefore, LaRouche devotes his Fourth of July statement, "It Happened in Berlin Last Week," to reviewing the relevant background in natural law for the economic-financial recovery proposals that he presented at in Berlin. "I have taken the occasion of this Fourth of July," he writes, "to summarize the specific measures which I am proposing that we take, to lead the world to safety and out from under the effects of the presently inevitable collapse of the existing form of world monetary-financial system."

In our continuing coverage of the Berlin seminar itself, we publish the speeches by the two sitting Members of Parliament who participated, Mario Lettieri of Italy and Sergei Glazyev of Russia, as well as that of Helga Zepp-LaRouche, the soon-to-be Chancellor of Germany. From their discussion, you will get a vivid sense of how world leaders are grappling with the ideas he is putting forward.

Our *Feature* is a battlefield report from Washington on the fast-moving progress toward impeachment of both President Bush and Vice President Cheney. Jeffrey and Michele Steinberg survey the overwhelming evidence of the impeachable crimes of the Bush-Cheney White House. But beyond the crimes as such, there is the fact that, in the words of the 25th Amendment to the Constitution, this President is "unable to discharge the powers and duties of his office." His incompetence is increasingly manifest each passing day.

Our news reports on the fight over the Pentagon's base-closings, and on the Ohio election fundraising scandal, highlight the charges against the Administration that are now coming into public view, as well as the bipartisan moves that can reverse the situation, with LaRouche's leadership.

*Susan Welsh*

# EIRContents

## Cover This Week

Lyndon H.  
LaRouche, Jr.



EIRNS

### 4 LaRouche's Fourth of July Address: It Happened in Berlin Last Week

LaRouche warned at *EIR*'s June 28-29 Berlin seminar that the coming collapse of the world monetary-financial system will be far more devastating than anything that occurred during the recent two centuries. But there is a way out, and LaRouche puts forward the conceptual requirements for a recovery plan. "The continuation of a civilized existence of all the nations of this planet, for generations to come," he writes, "will depend upon the courage and wisdom which must be shown now by the government of our United States, in providing the needed initiative for halting the presently onrushing collapse, and conducting a general economic recovery throughout the planet."

## National

### 19 Conyers Turns Up Heat in Ohio Funding Scandal

Rep. John Conyers (D-Mich.) wrote to Gregory White, the U.S. Attorney of the Northern District of Ohio, expressing "very serious concerns" about the the Federal government's handling of the case of Republican Party fundraiser Tom Noe.

## Feature

### 20 The Plame Affair: Rove and Cheney Are Guilty As Charged

As the United States and the world move into the most deadly systemic financial and economic crisis in modern times, can the nation survive a continuation of the Bush-Cheney Presidency?

### 22 Anatomy of a Crime: A Timeline of the Wilson-Plame Affair

### 24 Will Stolen Iraq Oil Funds and Deals For Cronies Force Cheney Impeachment?

**Documentation:** Excerpts from "Rebuilding Iraq: U.S. Mismanagement of Iraqi Funds," a report issued by the Minority Staff of the House Government Reform Committee's Subcommittee on National Security.

## Berlin Seminar

### 30 Germany Needs a Vision for Eurasian Development

Helga Zepp-LaRouche, who recently announced her candidacy for Chancellor of Germany, addressed *EIR*'s Berlin seminar on her campaign against free-market fascism, and for the Eurasian development programs which must be adopted so that global economic growth can get Germany—and the rest of the world—out of the deepening crisis.

### 36 Parliaments Should Act on These Issues

A speech to the seminar by Mario Lettieri, a member of the Italian Chamber of Deputies, who introduced a resolution for a New Bretton Woods conference to the Italian Parliament.

### 38 LaRouche Responds on the Question of Freedom

### 41 We Need a New World Financial Architecture

Dr. Sergei Glazyev, an economist and a member of Russia's State Duma (parliament), addressed the Berlin seminar on June 28.

### 43 Money Is a Question of Physical Economy

In Lyndon LaRouche's closing remarks to the seminar, he insisted that the value of money should be determined by a *scientific* principle, not an accounting principle.

## Economics

### 44 Armed Services Chairman Warner Blasts Rumsfeld's BRAC Folly

Senator John Warner (R-Va.), an author of the May 23 bipartisan Senate agreement that stopped Vice President Dick Cheney's "nuclear option," is charging that the Pentagon's base-closing recommendations "deviate substantially" from the criteria established by the Legislative branch.

### 47 A Whistle Without an Engine

St. Petersburg correspondent Roman Bessonov analyzes the June 16-17 summit of the European Union, and the disillusion felt by many Eastern Europeans after they joined the EU.

## Interviews

### 61 Gian Guido Folloni

Former Italian Senator Folloni was also Italy's Minister for Relations with the Parliament. He is now responsible for relations with Far Eastern and Arab countries in the Foreign Affairs Department of the "La Margherita" party, which is the second most important party in the opposition coalition.

## International

### 52 Iran's Policy Open-Ended in Wake of Election Surprise

The landslide election of Tehran Mayor Mahmood Ahmadinejad as President of Iran has the neo-con spin-masters in the West churning out propaganda about his aggressive designs, but the reality is much more complex.

### 56 'Democracy' NGO Targets China Through Nepal

### 58 Germany: A Crucial Candidacy at a Crucial Moment

### 59 SCO Summit Takes Up Security Challenge, But Needs Economic Vision

The Shanghai Cooperation Organization met in Kazakstan on July 4-5.

### 61 Italy Can Contribute to a New, More Just World Economic System

An interview with Gian Guido Folloni.

### 65 The Immortal Contribution of Jewish Culture: Heine, Schiller, and Shakespeare

A 1982 speech by the late Mark Burdman, *EIR*'s long-time Special Projects editor, who died one year ago. The address was delivered at a conference in New York City titled, "Heinrich Heine, A Birthday Tribute," held in celebration of the 185th birthday of the poet.

## Editorial

### 72 The 'Dirt-Bike' Terror Incident

## LAROCHE'S FOURTH OF JULY ADDRESS!

# It Happened in Berlin Last Week

by Lyndon H. LaRouche, Jr.

July 4, 2005

As I said in Berlin last week: suddenly, very soon, the entirety of the present world monetary-financial system will collapse. It will come like a Summer thunderstorm, far more devastating than anything we have experienced during the recent two centuries. If I told you all that I know about this onrushing collapse, it would stagger your imagination. So, rather than telling you how bad the situation actually is, I shall do as I did in the closed door seminar held in Berlin last week. I shall tell you just enough about the origins and outcome of this presently onrushing crisis, that you might understand the way in which the presently onrushing collapse of the world economy can be overcome, hopefully in the nick of time.

As this collapse of the present world monetary-financial system hits, soon, the continuation of a civilized existence of all the nations of this planet, for generations to come, will depend upon the courage and wisdom which must be shown now by the government of our United States, in providing the needed initiative for halting the presently onrushing collapse, and conducting a general economic recovery throughout the planet.

So, this Fourth of July has presented itself as the appropriate occasion on which I should now summarize that needed set of decisions. If we have the wisdom and will to make that timely decision, future generations of humanity, world-wide, will praise us for what we have done. Therefore, I, personally, can assure you now, as I respond to what President Franklin Roosevelt did on an appropriate occasion, that we must be at peace with ourselves as we face this oncoming storm, knowing that we have nothing to fear as much as that fear itself.

The solution for this crisis is clear to me; for me, the principal questions which remain unanswered are: whether the U.S. government will adopt that solution, and whether the leading nations of Eurasia will accept that remedy, if or when we introduce it.

The role of the United States in this matter will be presented and conducted among nations in a fraternal spirit; nonetheless, it must be clearly understood, that that will require reliance upon a unique capability of our constitutional system. What might be regarded as “the secret” of this unique capability and responsibility of our United States, is to be discovered in the economic implications of the underlying constitutional principles set forth successively in our Declaration of Independence and our Federal Constitution.

Those principles implicitly define a system of national economy which is neither capitalist nor socialist, but, rather, nothing other than what our republic's first Secretary of the Treasury, Alexander Hamilton, and others have repeatedly identified as *the American System of political-economy*. It is those principles of our American System, which provide the unique foundation for the kind of decision we must make, for the sake of ourselves and all mankind, during the ominous moment of crisis now rapidly, even suddenly descending upon the entire world of today.

The historical fact we must emphasize here, is that no *modern* economy in the strict meaning of that term, existed prior to the Fifteenth-Century emergence of the two model nation-states, called *commonwealths*, which were established in King Louis XI's France and Henry VII's England. This line of separation in European history, between “medieval” and “modern,” is defined with the exactness of a universal



Library of Congress

*What might be regarded as “the secret” of the unique capability and responsibility of the United States, LaRouche writes, lies in “the economic implications of the underlying constitutional principles set forth successively in our Declaration of Independence and our Federal Constitution.” Here, John Trumbull’s painting of the signing of the Declaration of Independence, July 4, 1776.*

scientific principle. That principle is illustrated by the crucial fact, that under these Renaissance republics, the existence of the state was premised upon the responsibility of the nation to promote the general welfare of *all* of its people, present and future.

That principle of constitutional law, the ecumenical principle of the general welfare, was already known to the founders of our Federal Constitution, from study of the ancient Greece of Solon of Athens, the Pythagoreans, and Plato. In ancient Greek, that principle was identified by the term *agapē*, the same principle of Christianity which the Apostle Paul emphasizes in such famous locations as *I Corinthians* 13. However, it was not until the Fifteenth Century, that actual societies based on that universal principle of natural law came into existence. Hence, there is a clear principle which, with scientific precision, separates the modern from medieval history of European culture. This is a principle which has changed the shape of history since the appearance of a form of nation-states which embody the universality of modern European culture.

That is the essential historical background for understanding the causes and cure for the currently onrushing, economic breakdown-crisis of the world’s present monetary-financial system. The presently onrushing blow-out of the U.S.A.’s presently doomed real-estate-mortgage bubbles, is only one crucial aspect of this reality.

During the concluding session of a two-day, closed-door meeting of notable figures from the U.S.A. and elsewhere, which was held in Berlin, Germany on June 28th and 29th, I interpolated a summary description of what is the only durable and feasible mode of economic-recovery program for the

world today. That recovery is premised on the principle underlying the separation of modern from medieval society, the principle upon which the successful periods of progress of modern European civilization have depended. That declaration is now being excerpted from the record of those Berlin proceedings, for wide circulation among relevant circles internationally. Here, in this July 4th utterance, I outline the relevant background in natural law for that proposal which I summarized in the June 29th session of the Berlin event.

The particular point to be emphasized on this occasion, is the unique qualifications of the U.S.A. for instigating the series of actions required for a durable rescue of the world economy from the present onrush of a planetary general breakdown-crisis of the present world monetary-financial system. For that needed wisdom for today, we must look to the origins of our U.S. republic, as we do here and now.

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## 1. How Our Republic Was Conceived

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In service of the Fifteenth Century’s affirmation of that same universal principle of law which subsumes our Constitution as a whole, Nicholas of Cusa directed future generations to conduct voyages of exploration, to find allies for that cause in even distant locations of the planet. Christopher Columbus’s voyage of discovery to the Americas, was based upon Columbus’s discovery of this facet of Cusa’s work, and upon that famous navigator’s subsequent study of the relevant plans which had been made at Cusa’s prompting, by Italy’s scientist

Paolo del Pozzo Toscanelli, who crafted the map actually used by Columbus.

Unfortunately, Columbus's voyages coincided with the launching of religious and related warfare by the surviving remnants of the earlier, medieval world, as by the Grand Inquisitor Tomás de Torquemada, whose brutish acts of terror echoed a medieval time when Venice's financier oligarchy had been formerly allied with the Norman chivalry in a peculiar kind of imperial system, a system known as the *ultramontane* order. This was the medieval root of the religious warfare which began in 1492, with Spain's brutish expulsion of the Jews. This religious warfare continued from 1492 until the signing of that 1648 Treaty of Westphalia which affirmed the principle of law of the promotion of the general welfare among nations, a law defined, up to the present day, as the indispensable precondition for religious and related peace, despite the contrary impulses of Zbigniew Brzezinski's accomplice Samuel P. Huntington, Henry A. Kissinger, Bernard Lewis, et al.

Already, while the Thirty Years War of 1618-1648 was still raging, two voyages of colonization, that of the Plymouth Colony and the Massachusetts Bay Colony, set the precedents, in conception of law, for creating a new nation in North America, a nation to become a place of refuge and development in expression of the best principles of modern European culture. However, with the rise of the predatory Dutch and English India companies during the late Seventeenth Century, the Westphalian peace of Europe was thus imperilled in a new way. This threat increased the importance of the successful development of civilization within the Americas.

The decision to seek our independence from the British monarchy, was forced upon us by the February 1763 Treaty of Paris, a treaty which ended the mutually ruinous "Seven Years War" which Britain had foisted upon the continent of Europe, a treaty which established the British East India Company as an empire in fact. This imperialist Britain's sudden and cruel suppression of the liberties of the North American economies, obliged us to resist, and, in July 1776, when we could postpone that decision no longer, we declared our national independence. The best minds of Europe understood that our successful establishment of a republic in North America, could be, and should be, the spark which would ignite the cause of political freedom from Anglo-Dutch Liberal imperialism and Habsburg oppression in Europe itself. For them, our cause expressed their hope.

Unfortunately, soon after we had crafted our Federal Constitution, we were to discover that our republic was not only a uniquely good, but also a lonely design for self-government. Today, we should have learned from centuries of experience, that ours is a constitution of society which Europe has never enjoyed for any extended period of time, to the present day. That same uniqueness, by means of which we later supplied the margin of difference to save the planet from a world-wide Nazi dictatorship, comes back to haunt us again today, when we must now prepare to lead this planet to safety once again,

this time in defense against the storm of an economic collapse like nothing experienced during the recent centuries. Fortunately, the needed knowledge of the means to conquer this present threat exists, if we but choose to employ it.

So, to continue the account of the historical essentials behind this present crisis, when we had just crafted our Constitution, we had assumed, mistakenly, that our friends in Europe would continue to be our friends; but, suddenly, on July 14, 1789, France was plunged into a bloody orgy which would grip it until the fall of Napoleon Bonaparte's empire. The enemies of our Benjamin Franklin, the assets of imperial Britain's Lord Shelburne, Philippe Egalité and Jacques Necker, started the France which had been our chief ally on its road into Hell. It became a road paved with the corpses left in the wake of Britain's spies Danton and Marat, and, in the wake of the Jacobin Terror led by Benjamin Franklin's old freemasonic adversary Robespierre.

Then came the monster, our enemy Napoleon Bonaparte, the prototype on which the later Adolf Hitler dictatorship would be modeled.<sup>1</sup> The fall of Napoleon left our young nation alone and imperilled in the world of two hateful monsters, the rivals and partners which were the British Empire and Prince Metternich's Holy Alliance. While that British puppet, the Spanish Restoration monarchy, dumped boatloads of slaves into our country, the principal European imperial powers, Britain and the Habsburgs, remained overtly our mortal enemies until the time that President Lincoln's leadership in the defeat of the London-backed Confederacy, established us as a leading nation-state in both economic power and rate of development.

Thus, in the wake of our 1876 Philadelphia Centennial celebration, Bismarck's Germany, Japan, France, and other Eurasian rivals of the British Empire, adopted crucial features of our own American System of political-economy. But, in response to precisely that happy development of the 1870s, the British Empire of that Prince of Wales who became Edward VII, struck back with his Fabians' liberal-imperialist, grand-strategic scheme, thus launching what became known as World War I, echoing the Eighteenth-Century "Seven Years War" through which Britain's East India Company manipulated and largely ruined continental Europe to London's imperial advantage. Out of the World War I designed by

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1. The intended destruction of the U.S. allies Spain and France was launched by Shelburne personally, during the relatively short time, during 1782-1783, he was Britain's Prime Minister. First, Shelburne orchestrated the peace negotiations with the U.S.A., France, and Spain to occur separately, and with aid of his satanic imp-like Jeremy Bentham, choreographed what became the ruin of all three former allies. The principal instruments of subversion which Shelburne, Bentham, et al., used for this campaign of subversion, was an organization built up from among the followers of Voltaire in France, Switzerland, and Savoy, the Martinist freemasonic order, steered from London, which orchestrated the principal horrors of the French Revolution and the remolding of the Jacobin Napoleon Bonaparte into becoming the imperial forerunner of the neo-Venetian Synarchist International's creation Adolf Hitler.



EIRNS/Stuart Lewis

*Lyndon H. LaRouche, Jr. takes the occasion of the Fourth of July "to summarize the specific measures which I am proposing that we take, to lead the world to safety and out from under the effects of the presently inevitable collapse of the existing form of world monetary-financial system."*

Edward VII, and out of the political and economic pestilences which followed it, came the Great Depression and World War II. Yet, once again, in the footsteps of Abraham Lincoln, came President Franklin Roosevelt, an advocate of the American System of political-economy, leading a U.S. which was to become the greatest, most successful economic power the world had ever known.

Later, after the retirement of our President Dwight Eisenhower, the same European forces which had launched two World Wars, the forces which Eisenhower had labeled a "military-industrial complex," struck back against us, this time with the "military-industrial complex's" plunging our nation into its prolonged, and ruinous war in Indo-China, and brought us what have proven to have been the catastrophic reigns of William Yandell Elliott-trained National Security Advisors Henry A. Kissinger and Zbigniew Brzezinski during the 1968-1981 interval.

So, soon after the assassination of President John F. Kennedy, once again, as under Presidents Coolidge and Hoover, and as now, our economy was ruined, this time from the mid-1960s onward, chiefly by the same forces which Eisenhower had labeled a "military industrial complex." This time, the ruin has been continued over a much longer period than under Coolidge and Hoover, and with much worse effects than we knew from the earlier Great Depression period of the 1930s. We are now gripped by something far worse than a mere world economic depression; we are gripped by an onrushing breakdown-crisis of the world's present monetary-financial system. Despite that ugly present reality, as Franklin Roosevelt led us to safety from deep world depression and war,

now, despite the ugly follies of the George W. Bush Administration, the historic legacy of our republic defines us once again, today, as the nation whose heritage equips us to lead the world, once more, into forms of cooperative action which could bring the planet to safety: provided we effect the urgently needed measures for reintroducing competence into the mental life in the office of the President.

Therefore, I have taken the occasion of this Fourth of July to summarize the specific measures which I am proposing that we take, to lead the world to safety and out from under the effects of the presently inevitable collapse of the existing form of world monetary-financial system. I now present, first, the diagnosis of the causes for the accelerating, global economic collapse which was set into motion under the circles of Kissinger and Brzezinski, and, second, the cure which must be prescribed for that disease.

## 2. Two Kinds of Financial Systems

The great mistake which many among our citizens have made, in adopting their recently popular, misguided opinions about economy, is that they take their own recent experience as something like the toothpaste they insist could not be "put back into the tube." They have assumed, out of nothing so much as superstition, that there is some awesome quality of self-evident "rightness" in today's widely taught and popular opinions about the nature of the economy as their recently shortened memories have experienced our economy in recent times. In effect, they are like those passengers on a ship who consider the ship unsinkable, and therefore think of nothing so much as being moved, perhaps miraculously, hopefully free of charge, into a more opulent stateroom. The lemming-like panic which so many despairing citizens have shown in their wild-eyed flight into legalized and other gambling, reflects the kind of mass-insanity into which many have fled from what has been for them a flight from the despair caused by an increasingly wretched state of our national economic and cultural decline.

Since, especially, August 1971, the great majority of our citizens have been losing the health care, private pensions, and quality of education formerly available to them. The physical standard of living of the lower eighty percentile of our nation's income-brackets, has been collapsing, while remaining opportunities for skilled, productive employment are going off the map. Many of our citizens work two jobs now, if they can find them, to maintain an income which is less than what they could have had from a single employment a decade or two earlier. Therefore, they may complain of many things, but many of our citizens, so far, usually find it comforting to overlook the most important fact: that conditions of life in the U.S.A., in particular, have been becoming worse, and worse, and worse, over the recent four decades, since the second half of the 1960s. Our nation and its economy have been decaying consistently over about four decades, especially the recent

quarter-century. Instead of recognizing that the quality of government has changed for the worse, our citizens react, mainly, by dreaming of the lucky day they come to occupy a better stateroom on this sinking ship of national-economic state. Hence, the wild-eyed flight of so many into the nightmare world of stock-market and similar gambling manias.

The intellectual and moral collapse of our educational systems, and popular culture, over recent decades, have deprived even people who considered themselves relatively well-educated, of nearly all relevant knowledge of the history of the European civilization we of European cultures inhabit today. Truthful knowledge of our culture would require essential knowledge of more than 2,700 years of European history, as this was launched by Egypt in places such as ancient Athens. Without knowing the principled features of that history, we are incapable of accounting for the way in which our culture of the U.S.A. today was developed, and also ruined. Having little or no knowledge of the way in which our culture was developed in successive phases over these millennia, our typical citizen tends to the view that he, or she, must regard events and situations as little more than experiences which have, simply happened, perhaps miraculously, as if a fortune determined by some devil's throw of the dice.

The frequently included result of that increasing ignorance of actual history among our citizens, is the typical American's or European's ignorance of the way in which today's fraudulent popular and academic opinion about the idea of "money" came into being. The most pathetic of these people are those who preach the alleged virtues of an actually clinically insane, but currently popular version of "monetary theory." This is the monetary theory practiced, with increasingly worse effects, by successive U.S. governments during most of the recent forty years. So, even the typical citizen, educated or not, proffers his or her idea of what each imagines to be the way in which money determines economic value, clinging thus to ideas about money which are, like those of the current Bush Administration, frankly absurd, sometimes even dangerously insane.

"Yes, but, how is the market doing today?" is the common expression of a mind which has fled from a reality it has found too fearful to face, into a wild-eyed, tinsel-tinted world of compulsive gamblers' childish dreams. Today's recent crops of home-owners are typical of what is becoming a virtually suicidal compulsion to own property in the vain hope of never actually paying for it.

Sometimes we might think of such people as standing in the equivalent of used-car lots, where people, instead of used autos, are on display. Each such person in that silent display stands, eyes fixed, like unlit headlights, staring straight ahead, while sporting a sign around each neck, which reads "For Sale." That image which each citizen so self-displayed is actually thinking, represents the way in which his essential worth, his imputable "shareholder value," is to be measured. Meanwhile, the relevant director of this modernist's Greek tragedy has put the figure of Associate Justice Antonin Scalia standing



Roosevelt Library

*President Franklin Roosevelt walked in the footsteps of Abraham Lincoln, as an advocate of the American System of political-economy.*

almost off-stage, where he seems to be nodding in contextual agreement with the message of those signs.<sup>2</sup>

Deluded states of mind such as those which the image of those citizens portrays, are products of the relative success of the spread of the cult of "post-industrial society" beginning the second half of the 1960s. Among the mass of the adult population coming out of the experience of World War II, sanity was expressed by emphasis on the benefits secured through technological progress in physical goods and services expressing professional progress in physical sciences such as the practice of medicine. The overthrow of the successful Hill-Burton law by the Richard Nixon Administration, already reflected the influence of a certain kind of mass-insanity expressed in the replacement of Hill-Burton by HMO scheming.

In place of the idea of producing wealth, such confused citizens as those think of wealth as the benefit of something irrational, as today's most popular forms of mass-entertainment express the recent decades' change in choice of a mid-

2. Clinically typical of this deranged state of mind spread through much of our population today, are such fantasies as the sheer lunacy with which many formerly sane persons plunged into hysterically blind faith in the assumed miracle of the "IT" bubble. Even as that bubble was crashing, during 2000, some wild-eyed "true believers" were saying, hysterically, "Lyn," referring to me, "is wrong. There are some troubles, but the money will always be there for those smart enough to find it." The case of the U.S. and British mortgage-based securities bubbles is a far more extreme expression of the spread of the same quality of mass-lunacy than the "IT" bubble before it, a far worse expression of the same mass-insanity phenomena as the Ponzi-scheme-like John Law bubbles of the early Eighteenth Century. The worst lunacy of them all, is the mind of the wild-eyed citizen who argues, "But, how is the market doing today?" The religious frenzies associated with Karl Rove's campaigns, are more an expression of wild-eyed worship of popularized financial delusions than any actually Christian or related concerns, like the back-alley crap-shooter shouting, "Baby needs shoes!"



dle-class system of values, from actually producing physical benefits, into creating fantasies intended to proffer the individual's escape from perception of our increasing national physical ruin, into the personal convictions of faddish Enron style in fantasy-life. As in clinically similar cases taken from known parts of ancient and medieval societies, we should recognize great economic calamities, such as that striking us now, as examples of the way in which nature itself acts, still today, to destroy a civilization which has degenerated in the way the United States and Europe have manifestly degenerated physically, as morally, through the cultural paradigm down-shift which enveloped so many among the minds of those 1960s and later young adults who had been born during the immediate post-World War II decades. Nature itself is now telling us, "Change your ways, or nature itself will lawfully remove you as a way of purging the planet from the disease of popular practice and opinion which you have come to represent."

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### 3. The History Every Citizen Should Know

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Today's potential capacity of the U.S.A. to provide the germ-cell of a general recovery of the world economy, lies within the fundamental distinction in philosophy of practice of the constitutionally-based American System of political-economy, as contrasted with the extremely decadent varieties of Anglo-Dutch Liberal monetarist systems which imprison the nations of Europe today.

The first fact which every citizen must know, to be freed of such currently popular delusions, is that the present world system of political-economy, under the leadership of the Anglo-Dutch Liberal ideology, is a fraud, an attempted imitation of the medieval system which was created as an alliance of the Venetian financier oligarchy with the Norman Chivalry. This was then the system of the Crusades, a system which dominated Europe from the time of such slaughters as the Albigensian crusade, and the crusade known as the Norman Conquest, and all of those later crusades preceding the mid-Fourteenth-Century collapse into a so-called "New Dark Age," of the so-called "Lombard" system of international usury.

Unfortunately, that medieval Venetian system of usury came back to power even within modern Europe, a Venetian pestilence now called "globalization," or, more traditionally, Anglo-Dutch Liberalism. That system of Liberalism is what has ruined us, both culturally and economically, during the recent four decades, especially since the 1971-1972 sabotage of the fixed-exchange-rate, Bretton Woods monetary system.

Thus, since the Fifteenth-Century Renaissance which gave birth to modern European civilization, the world has been dominated by a conflict between two principal forces. On the one side, we have had the modern nation-state other-

wise known as a commonwealth, in which the nation's overriding responsibilities include the promotion of the general welfare of all of the population and its descendants. On the opposing side, we have the modern continuation of a medieval system of usury, the Anglo-Dutch Liberal system of the late Seventeenth Century's brutish William of Orange and John Locke. That Liberal system largely inherited its principal characteristics of today from its Venetian oligarchical predecessors. In fact, that Liberal system was known during the Eighteenth Century not only as "The Enlightenment," but, more appropriately, as "The Venetian Party" whose neo-medieval, imperial style of ultramontane financier-oligarchical usury is more popularly known as "liberalism" and "globalization" today.

So, today, the post-1971, floating-exchange-rate form of International Monetary Fund (IMF) and World Bank, are governed by that Venetian oligarchical tradition of usury which is associated with the doctrines of John Locke; whereas the Declaration of Independence and Federal Constitution which the United States adopted, expressed the anti-Locke policies of Leibniz and his followers.

In Europe today, for example, governments are under the overlordship of so-called "independent central banking systems," which are each creatures of a consort of private financier interests. In other words, Europe today is thus ruled, as the IMF and World Bank are ruled, by that law of predatory usury which the British East India Company and its student Karl Marx have preferred to identify by the mysticism-ridden name of "capitalism."

The return to sanity from such Venetian-style delusions, is expressed typically by the U.S. Constitution. The concert of principles set forth in the Preamble, identify the supremacy of the principle of the general welfare over all other law, including the other provisions of the Constitution itself.

This Constitution's approach to defining the use, and control of the circulation of money, is traced from the eminently successful pre-1689 use of paper money by the Massachusetts Bay Colony. This use of paper money, as advocated by Cotton Mather and Benjamin Franklin, was incorporated in the way in which the U.S. Federal Constitution defines the difference between "capitalism," as the Anglo-Dutch Liberals and France's neo-feudalist Physiocrats defined "capitalism," and our American System of political-economy. Our republic's constitutional principle of promotion of the general welfare, is the crucial, generative, continuing distinction of the American System of political-economy from the Anglo-Dutch Liberal system of international usury.

Nonetheless, despite the Liberal tradition still corrupting Europe top-down, as it has also corrupted our United States, we of the U.S.A. today are a reflection of that current in European civilization which recognizes the universal supremacy of the principle of the general welfare. Although persons of Asian origins are an increasingly significant portion of our population and its heritage, the U.S.A. can not be understood unless we emphasize that it was created chiefly by Europeans,

chiefly those who found our land a place where better opportunities awaited their families and their posterity. This was clearly the case in the original New England colonies, and has been the general case since the 1861-1876 struggle to free our nation from the earlier grip of the inhuman systems of African slavery and Hispanic peonage which European powers such as, chiefly, Britain, Netherlands, Portugal, and Spain had forced upon the nations of the Americas.

The other, non-European entrants into the U.S. citizenry have largely adopted the culture which was created by the common efforts of people of many European language-cultures. The common features of the history of the European civilization founded in ancient Greece under, predominantly, preceding millennia of accumulated Egyptian knowledge, have been an evolving cultural tissue, in which the imprint of rich achievements and also large chunks of sheer decadence, exist as if in a simultaneity of eternity, a simultaneity of ideas. Modern European civilization was created by the interaction of many relevant languages, a process in which the memory of purging of grave errors serves a positive purpose of as much importance as the shining new discoveries of great principle. The rises and falls within ancient Greek civilization, are clinically typical of European civilization taken as a whole, when conceived as it should be recognized, as a single, integral idea over the recent 2,500 and more years of the existence of the distinctive historical core of European culture as a whole.

The emergence of the U.S.A. as the proposed alternative to the continued decadence polluting modern Europe from its past, is a crucial quality of example of the way in which the mixture of new discoveries of universal principle is blended with the legacies of the past within globally extended European culture, up to the present time.

We must consider, in that way, the actual superiority of the system of government we adopted here, over those of Europe, which enabled us to build what became the greatest economic power on Earth under President Franklin Roosevelt's rescue of us from the ruinous grip of the Coolidge and Hoover Administrations. For example, a German farmer migrating into the late-Nineteenth-Century U.S.A., could find a farm to enrich both himself and our nation, within the territories of our once great American grain-belt. It was the greater opportunity which our republic afforded to the immigrant, relative to the poorer political conditions of Nineteenth-Century Europe, which enabled us to transform the continental territory we occupied into the most powerful economy of the planet, the economy feared and hated by Britain's Edward VII, and admired and emulated in the France of Thiers and President Carnot, in Bismarck's Germany, in Alexander II's and Mendeleyev's Russia, in Meiji Restoration Japan, and, in Sun Yat-sen's China.

We are the most typical expression of European culture taken as a whole. The difference is, that the development leading into the Benjamin Franklin-led design of our Leibniz-

ian Declaration of Independence and our Federal Constitution, freed us from the relatively worst characteristics of the traditions and governments of Europe.

The positive influence which we exerted in Europe, as through our struggle for freedom against George III's and Lord Shelburne's England, as also in the aftermath of President Lincoln's victory over the British puppet known as the slaveholders' Confederacy, and also through the impact of President Franklin Roosevelt's great achievements, was rooted in our Constitutional system, as defined both by the Declaration of Independence and the Federal Constitution. This freed us, at least in constitutional principle, from that lingering liberal's legacy of medieval culture which still cripples the parliamentary governments of Europe today. That crippling of those European governments must be recognized as being the legacy of the subordination of governments to the higher authority of so-called "independent" central-banking systems derived from the Venetian financier-oligarchical model. Although the principle of the promotion of the general welfare, is a commendable characteristic of some European constitutions, only our Constitution's most fundamental doctrine of law, its Preamble, places the promotion of the general welfare above all other considerations.

### **The Economic Role of the U.S. Constitution**

The American System of political-economy, which provides the only existing basis in precedent for organizing a general economic recovery from the presently onrushing type of general breakdown-crisis, is a derivative of the principles which informed the crafting of both the 1776 Declaration of U.S. Independence and the 1789 Federal Constitution. Any effort to judge the principles of economy as they might apply to the U.S.A., or to the U.S. development's impact on the world at large today, must start with the natural-law implications of the crafting of the U.S. Declaration of Independence and Federal Constitution. There is a universal science of physical economy, of course, but all actually adducible economic systems exist only in the form of political economies. To understand any economy, we must adduce those natural-law principles which it either expresses or violates politically.

The importance of governmental and related regulation of money-systems, is demonstrated by tracing the way in which the reforms of France's Louis XI and Henry VII functioned to promote net physical growth per capita and per square kilometer. The work of France's Jean-Baptiste Colbert, summed up the progress in an attempted science of economic policy-shaping, until the discovery of the founding principles of the science of physical-economy, by Gottfried Leibniz. It was Leibniz's discoveries in the field of an actual physical science of economy, which informed that development within the North American English-speaking populations, which led to the distinctively specific qualities later expressed in the U.S. constitutional commitment to what is known as the American System of political-economy.

In direct contrast to the American System, the worst of all influential kinds of systematic schemes in the name of the practice of modern economy, is typified by the lunatic “Robinson Crusoe” scheme for which Bertrand Russell fanatic John von Neumann joined Oskar Morgenstern in concocting their *Theory of Games and Economic Behavior*.

The general principle of both the original two U.S. constitutional documents, is located in the phrase from Leibniz’s attack on John Locke, “the pursuit of happiness,” which is systemically central to any competent natural-law reading of the Declaration of Independence. It is also located in the composition of the Preamble of the Federal Constitution around the distinguishing clause, “promote the general welfare.” The way in which this constitutional principle functions in defining the “fair trade” principle of a regulated national economy, or fixed-exchange-rate monetary system, is conveniently illustrated in U.S. Treasury Secretary Alexander Hamilton’s reports to the U.S. Congress, his report *On the Subject of Manufactures* most notably.

The contrast between President Lincoln’s principles of defense of the U.S. Federal Constitution, and the Constitution of the London-sponsored slaveholders’ confederation, the C.S.A., is the most illuminating demonstration, still today, of the efficient differences between the Anglo-Dutch Liberal and American systems methods of determination of the systemic character of economic relations.

This distinction of our U.S. Constitution is thus underlined by a comparison of that Constitution with the disgusting parody of it by London’s asset, the Confederate States of America (C.S.A.). The most notable difference lies in the respective Preambles of the two documents. The U.S. Constitution is governed by the explicitly anti-Locke, Leibnizian principle of “promote the general welfare,” thus rejecting the proposed, explicitly Lockean C.S.A.’s Preamble. It is a difference of fundamental principle of constitutional law, a difference paralleling the difference between the constitutions of Lyscurgan Sparta and Solon’s Athens, precisely as the principal architects of our Declaration of Independence and Federal Constitution recognized that quality of distinction.

The differences between the U.S.A.’s and C.S.A.’s constitutions are the indispensable key for pin-pointing the determinants of the relative superiority of the U.S. economy after the defeat of the Confederacy. This assessment must take into account the victory over the U.S.A.’s subjection to the blackmail of the pro-slavery faction in the United States of Presidents such as Martin van Buren’s Andrew Jackson, land-bank swindler van Buren himself, and wretches such as Polk, Pierce, and Buchanan.

The system of slavery, as reenforced by Britain’s protection of the continuing African slave-trade by London’s restored and utterly contemptible, Nineteenth-Century Spanish monarchy, was documented precisely by the leading world economist of the mid-Nineteenth Century, the same Henry C. Carey who played a leading role in the modernization of the

economies of Germany, Japan, and elsewhere. It was the suppression of that institution of slavery known as the Confederacy, by President Lincoln, which unleashed the superior power for physical-economic growth per capita of the American System of political-economy, once that economy was freed from the grip of the London-directed “free trade” faction whose political base inside the U.S. was the combination of the system of chattel slavery with the corruption of financial affairs by bankers such as Aaron Burr, Martin van Buren, and August Belmont. Thus the alliance of the Confederacy’s slaveholders and the London-steered bankers, expressed an alien, implicitly imperialistic political doctrine which was not only an echo of that of the Emperor Napoleon, but largely a witting copy of the system of the two actual emperors Napoleon: Joseph de Maistre’s original Emperor Napoleon and the Napoleon III created by Britain’s Lord Palmerston.

The use of paper currency, as prescribed by the U.S. Federal Constitution, and as understood by Alexander Hamilton, was a proper continuation of the paper-money policies of the pre-1689 Massachusetts Bay Colony, Cotton Mather’s proposal, and of the echo of Mather’s paper composed by Benjamin Franklin. Instead of basing the national economy on a monetary basis in those principles of usury sometimes known as “shareholder value,” as the Anglo-Dutch Liberals and kindred monetarists do, still today, the American System of political-economy uses the sundry instrumentalities, such as the Federal issue and regulation of currency, sundry forms of regulation, taxation, and tariffs, to induce price relations which are consistent with the goals of promotion of the general welfare. In former times, prior to the shifts to radical monetarism over the course of the late 1960s and beyond, the popular slogan often employed to describe this effect was a “fair trade” policy, as contrasted to today’s popularized “free trade” policy.

Thus, it was the undermining of the regulated value of the U.S. Bretton Woods dollar by Britain’s first Harold Wilson government, as this was followed by the Nixon Administration’s destruction of the regulated system of international credit, and the barbarism of the Brzezinski Trilateral Commission’s wrecking of the protectionist system on which our earlier economic health had depended, which has led in ruining our own nation, as also many others today.

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## 4. Economics As Physical Science

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What had been said here thus far, now brings us to the crucial issue posed by the present world crisis. How shall the relative value of a currency be defined in world trade; therefore, how shall the measurement of relative economic value be defined?

For example, over the recent four decades, since the early days of the official U.S. war in Indo-China, the U.S. economy which had been a leader in physical economic growth during

the first two decades following World War II, suddenly shifted into an accelerating rate of net physical decline. As our use of computerized, county-by-county animations has demonstrated, if we measure the collapse of physical economic values per capita, and per square kilometer, for each and all of the counties of the U.S.A. as a whole, the fact of that physical collapse of the U.S. economy's net performance during most of the recent four decades, is beyond reasonable doubt. Yet, the data concocted by government and by the usual private accounting practice, has insisted that the economy has been growing overall during the decades it has been actually collapsing.

In short, what is measured in today's fashionable monetary units, using generally accepted financial-accounting methods as a standard, has consistently given us a false picture of the performance of the U.S. economy (and also the economies of western Europe) over a period of no less than thirty-five years, and probably about forty years. Clearly, the estimated relative values calculated on the basis of a "free-trade" dogma, have been wrong; decisions based on what have been treated as approximately free-trade values have played an important part in misleading our own, and other nations, over an interval of decades, into the self-inflicted ruin which menaces us today, in the U.S.A. and world-wide.

What this contrast of physical and monetary trends shows us most clearly on this account, is the combined physical effects to be seen as the collapse of basic economic infrastructure and collapse, a collapse through shutdowns and attrition of the essential medium- to long-term physical capital assets upon which higher levels of physical productivity and standards of living had depended prior to the changes which were imposed over the span of the recent forty years. Worse: of what has survived today, of such earlier long-term investment in basic economic infrastructure and agro-industrial productive capital, a great part of that nominally surviving former capital is presently nearing, or has already reached the end of its physical life. Consequently, the situation is, that without a sudden, large-scale boost in renewal of that physical capital, the U.S.A. were about to plunge into the agro-industrial status of a "third world" economy.

Given the fact that the world has grown weary of carrying the burden of a bankrupt U.S. dollar, the impending withdrawal of foreign subsidies of our national current account deficit, and our stock and bond markets, could transform the U.S.A. into a "third-world, failed-state" nation, in matter of fact; unless recent decades' policy-trends in employment and capital formation were suddenly reversed on a scale comparable to the best periods of Franklin Roosevelt's Presidency.

Throughout the history of modern European civilization itself, the evidence to date is, that money is a very poor indicator of the actual relative value expressed by an economy's performance. On this account, free trade, so-called, produces the relatively wildest falsehoods and performance-outcomes

for economies. The net result of reflection on this history is that, while the issue and circulation of money is an essential feature of modern economy, money as such is not an efficient measure of economic value.

*The ultimate value of a nation's economy and currency, is actually determined by the perception of the nation's efficient and reliable increase in long-term physical economic power.* The problem of defining economic value was understood by the relatively best modern governments and scientific thinkers in approximately such terms. However, the method by which the value should be calculated for purposes of medium- to long-term investment, remained essentially unsolved until the relevant original discoveries by Leibniz.

For example: Treasury Secretary Hamilton's reports, especially his 1791 report *On the Subject of Manufactures*, stand up still today, as providing an excellent insight into the way in which the successful functioning of the American System of political-economy works in respect to such matters as the functional relationship of basic economic infrastructure to rise in productivity, and the desirable relations among progress in agriculture, manufacturing, and investment in basic economic infrastructure.

Given the context of my present report, it is important to point out here, the importance of the direct influence on American Eighteenth-Century thinking of Gottfried Leibniz's writings on the subject of a science of physical economy. This includes the notable influence of Leibniz's work on the education of Hamilton himself, in addition to other members of Benjamin Franklin's circles. In fact, the bitter, often savage conflict between the empiricists of the so-called "Enlightenment" and scientists in the tradition of Cusa, Kepler, Fermat, Leibniz, Gauss, and Riemann, usually played a large part in the shaping of the pro-American versus Anglo-Dutch Liberal currents in economic thought and practice, on both sides of the Atlantic.

However, the importance of the way in which this conflict has affected the shaping and performance of economic and related theory on both sides of the Atlantic, is rarely recognized today. Looking back to the early period of development of the modern form of sovereign nation-state economy, prior to Leibniz's work, we are confronted with the great difficulty which even the best thinkers of that period had in attempting to deal with the challenge of defining a reliable standard of measurement of performance of national economies. Some people, such as, most notably, France's Jean-Baptiste Colbert, had brilliant insights into making successful choices in long-term national economic development; but, the challenge of defining a principle of measurement of economic value, did not begin to be clarified until the revolutionary work of Leibniz in defining physical economy as a branch of physical science.

For example, the first of the two original, modern nation-states founded during the late Fifteenth Century, was Louis

XI's France. Louis's principal enemies were the British Norman chivalry, and the Venetian oligarchy then recovering its power through exploiting the effects of the fall of Constantinople. These enemies, most notably the Normans, loudly lamented the fact that Louis XI had defeated France's sundry enemies by the use of his superior business-management methods as a frequent substitute for actually fighting wars. In effect, adversaries of Louis XI complained, that he submitted to extortion by France's enemies, but managed to defeat them and enrich France greatly by his generosity in his apparent submissions.<sup>3</sup>

In the notable second case, Richmond, later known as England's King Henry VII, studied Louis XI's genius at close range, from inside the French royal court circles, and then went on to overthrow the brutish Norman tyrant of England, Richard III, and enrich the newly founded English commonwealth by heavy emphasis on technical innovations, including modes of naval warfare which were correlated with the development of the per-capita productive powers of economy generally.

In all cases, the Renaissance centers of Europe of the Fifteenth and Sixteenth Century were characterized by the spirit of science expressed by the founder of modern experimental science, Nicholas of Cusa, and such explicit followers of Cusa in science as Luca Pacioli, Leonardo da Vinci, and Johannes Kepler. After Kepler, but before the crucially relevant original discoveries by Fermat and Gottfried Leibniz, the connection among innovations in basic economic infrastructure, agriculture, and manufacturing technologies, and increase of national wealth, per capita and per square kilometer, were evident to all relevant leaders in these departments of technological progress. However, as I have just emphasized, above, the discovery of economics as systemically a branch of physical science, was due entirely to the work of Leibniz, who defined his work in this domain as *a science of physical economy*, which is also my principal field of work as an economist.

The central feature of this aspect of all the work by Leibniz was coincidental with his devastating exposure of the incompetence which is inherent in the empiricist method employed by both the empiricist "ivory tower" philosopher René Descartes and Descartes' followers such as the "Newtonians" D'Alembert, Euler, Lagrange, et al. This is key for understanding the central achievement of the American System of political-economy, the secret, so to speak, of the superiority of that American System over the so-called "capitalist" and "socialist" systems as defined by the influence of Jeremy Ben-

tham's British East India Company's Haileybury School, from whose products Karl Marx derived the foundations of his methods for study of economy. Essentially, the British Haileybury school, and its follower Karl Marx, despite their differing conclusions otherwise, commonly represent the work-product of a reductionist method consistent with the Liberalism of the empiricists Descartes and John Locke; whereas, as the crucial internal evidence of the U.S. Declaration of Independence's reference to "the pursuit of happiness" attests, the American System of political-economy reflects the Platonic tradition of Gottfried Leibniz's science of physical economy.

As I emphasized in the referenced Berlin seminar, the importance of managing the environment defined by our expanding, manned exploration of the Solar system, means that the world's affairs have reached the level of development at which the development of the conceptions of Biosphere and Noosphere introduced by Russia's V.I. Vernadsky must be given the further development they deserve and require, if we are to develop competent standards of policy-shaping for the present physical challenge of sustaining needed rates of physical-economic growth in the world today, as I have summarized the point in my recent "Vernadsky & Dirichlet's Principle."

Given what I have outlined in this July Fourth Statement up to this point, we may now concentrate our attention on three topical points:

4.1.) That whereas most teaching of political-economy and related subjects is based on the kind of mechanistic outlook typified by the influence of René Descartes, the science of physical economy, as founded by Gottfried Leibniz, rejects the Cartesian and related, "Enlightenment" methods of *mechanistic* analysis, and chooses, instead, the modern European revival of the Classical Greek concept of *dynamics* (Gr.: *dynamis*), a conception which is typical of the major work of Leibniz in physical science generally, and economics specifically.<sup>4</sup> Rejection of *mechanistic* thinking, in favor of the

3. As the history of the repeated follies of Britain's frequent victim, continental Europe, attests, really smart governments, of which the Bush-Cheney government clearly is not one, prefer to let their own rivals in other countries fight wars among themselves, avoiding the temptations of so-called "patriotic passions" from luring them into entanglement in needless warfare.

4. I chose Carl F. Gauss's 1799 doctoral dissertation, refuting the reductionist ideologues D'Alembert, Euler, Lagrange, et al., as the starting-point for comprehension of modern physical science among the LaRouche Youth Movement (LYM). By turning from that starting-point in their reenacting the work of Gauss, to go directly to the relevant original work of Archytas, Plato, et al., numbers of young adults participating in this program have now progressed to an actual comprehension of such matters as Leibniz's catenary-cued principle of universal physical least action, Gauss's general work on principles of curvature, and Riemann's Theory of Abelian Functions. Such redesigns of relevant curricula of secondary and higher education, which turn away from textbook and related modes of "learning," are essential for developed new generations of young adults capable of efficiently meeting the physical-scientific challenges of today. The same educational methods also work in the domain of Classical artistic composition, thus overcoming what Britain's C.P. Snow outlined as a "two cultures" paradox in modern higher learning. See Lyndon H. LaRouche, Jr., "Vernadsky & Dirichlet's Principle," *Executive Intelligence Review*, June 3, 2005. For his exposure of the incompetence permeating the mathematical physics of Descartes, as

mathematical physics of *dynamic* systems, is the basis for Leibniz's solution for the problem of defining economic value. This is also the characteristic distinction of the mathematical-physical methods employed by Carl Gauss, Bernard Riemann, and their leading associates. The leading new problems of economy world-wide today, boldly require us to adopt Vernadsky's adoption of those methods of dynamic systems used by him in defining the qualitative distinctions among the interacting domains of the abiotic domain, the Biosphere, and the Noösphere.

It is important to emphasize here, that the method which underlies Leibniz's development of the notion of power (*Kraft*) in the science of physical economy, is the same anti-Cartesian (anti-mechanistic) premise for Leibniz's exposure of the incompetence of Descartes' notion of momentum, with the notion of *vis viva*, which, in turn, underlies the more fully developed, catenary-cued concept of the infinitesimal calculus, the universal principle of physical least action which was savagely attacked by those fanatical followers of Descartes, the empiricist ideologues Voltaire, D'Alembert, Maupertuis, Euler, and Lagrange.

4.2.) The indispensable function of the concept of *dynamic*, rather than *mechanical* organization of processes, for defining the relative value among systems of respectively sovereign national-economic systems. This is crucial for the design of a global recovery program suited to the challenge represented by the onrushing collapse of the present world monetary-financial system.

4.3.) The relevant manner in which relative values of currencies of a new fixed-exchange-rate monetary system may be set for the purpose of organizing a long-term economic recovery of our planet.

## 4.1 Dynamics Versus Mechanics

My recent acquisition of a copy of the authorized English translation of V.I. Vernadsky's 1935 programmatic presentation of work on the Biosphere, provided me with clear and conclusive proof of what I had long guessed to have been his method, that the scientific method employed in the development of the concepts of both the Biosphere and Noösphere were reflections of his application of the concept of dynamic, rather than mechanical systems, to his principled definitions of both the Biosphere and Noösphere.<sup>5</sup>

As I have stated the case in various published locations,

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also in his introduction of the concept of power (*Kraft*) into the science of physical economy, Leibniz revived the Greek term, *dynamis*, from the writings of the Pythagoreans and of Plato. This term represented the central concept of the Egyptian, astronomy-based practice of *Sphaerics* central to the work of both the Pythagoreans and Plato. Leibniz's and Riemann's emphasis on *dynamics*, as opposed to the reductionist's blundering mechanics, is the basis in method for Vernadsky's rigorous definition of both the Biosphere and Noösphere.

5. LaRouche, op. cit.

such as *Earth's Next Fifty Years*,<sup>6</sup> the currently increasing rate of consumption of essential raw materials, and related developments, has brought the planet to the verge of a new requirement in the practice of economics: the factor of required scientific management of the raw materials resources of the Biosphere and Noösphere. We must go beyond the mechanics of extraction and processing of extracted materials, to assume responsibility for regenerating, and expanding qualitatively, the natural mineral and other resources which we extract, chiefly, from the fossil regions of the Earth's Biosphere.

As a result of the growth of both population and the consequently accelerated need for scientific and technological progress, we face qualitatively, as much as quantitatively increased requirements for such "fossils of the Noösphere," as increasingly intensive development of basic economic infrastructure and heavier investment in more advanced technology in agro-industrial capital goods must be a built-in characteristic of what must be redefined as national public and private budgets and cost-accounting. As a result of such and related considerations, we can no longer tolerate the kinds of thinking and practice about economy associated with practice of governments and private enterprises up to the present time. The legacy of Cartesian and other expressions of mechanistic thinking must be buried with cat-like precaution, once and for all.

This pattern should compel us to change our way of thinking about national and world economies, moving away from mechanical (e.g., Cartesian) thinking, into the direction typified by Vernadsky's Riemannian approach to defining the interaction of the abiotic, biospherical, and noöspherical processes as modern, anti-mechanistic, *dynamic* systems coherent with the notion of the principle of *Sphaerics* which the Pythagoreans and Plato trace to the astrophysical origins conveyed in ancient Egyptian scientific development. This does not mean that we should not have taken this approach much earlier, but that, now, the urgency of such a change is no longer ignorable among any persons with a penchant for competence.

This means the urgent scrapping of the use of currently fashionable practices of national product and income accounting, and also of ordinary corporate financial and tax accounting. It signals the urgency of turning to new methods coherent with the reality of the dynamic characteristics which Vernadsky associated with the Biosphere and Noösphere as interacting, but distinct systems. This is the concept of dynamic systems which Leibniz presented in exposing the incompetence of Descartes' method for physical mechanics, the concept of the dynamic system underlying Leibniz's original discovery of the general principles of physical economy, as also Leibniz's original catenary-cued discoveries of the prin-

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6. (Leesburg, Va.: LaRouche PAC, March 2005)



EIRNS/Sylvia Spaniolo

*Members of the LaRouche Youth Movement in Los Angeles work on Gauss's conformal mapping. The work of the LYM illustrates that such concepts are "within the reach of intelligent and dedicated young adults of university-eligible age, and are therefore concepts which should be included as benchmarks of professional competence in all professions during the lifetime of presently emerging adult generations."*

ciple of universal physical least action and of natural logarithmic functions. These are systems coherent with Gauss's 1799 attack on the incompetence of D'Alembert, Euler, and Lagrange, and his notion of the general principles of curvature and of the magnetic field, as also Riemann's emphasis on Dirichlet's Principle. As the recent several years' work of the LaRouche Youth Movement (LYM) illustrates the point, these are all concepts within the reach of intelligent and dedicated young adults of university-eligible age, and are therefore concepts which should be included as benchmarks of professional competence in all professions during the lifetime of presently emerging adult generations.

This involves more than a radical change in systems and procedures. It compels us to adopt a qualitatively improved conception of the principled nature of man's situation in the universe, to the following leading effects.

Vernadsky's adopted scientific method leads him to an extremely important clarification of the practice of the experimental scientific method traced from such origins as Nicholas of Cusa's founding of modern physical science, in his *De Docta Ignorantia*. Instead of falling into the commonplace reductionists' error of defining the sensed object as such, Vernadsky divides the physically experienced universe among three general categories defined not as objects, but as subjects of the relevant, appropriate categories of methods of experimental physics: the *abiotic*, the living (*Biosphere*), and the cognitive (*Noösphere*). The abiotic is simply the domain defined by those experimental methods which make no assumption of a principle distinguishing *the products* (e.g., fossils) of living from *the products* (i.e., fossils) of specifically non-living processes. It is the existence of anomalies which do not fit the characteristics of the experimental abiotic domain,

which betray the presence of the realm of living processes as the Biosphere. The Noösphere is the experimental domain of effects (e.g., fossils) which are not generated from within the bounds of products of a generality of living processes.

In other words, only life can produce life, and only the cognitive powers of the human mind can generate fossils which lie outside the capabilities of the generality of living processes (e.g., efficient discoveries of universal physical principles: creative mental activity). The latter distinction, which is, functionally, a crucial distinction of the science of physical economy, is demonstrated by the way in which discoveries of universal physical principle, in particular, are transmitted across generations, even over intervals of thousands of years. Focus for a moment on this latter phenomenon.

Take the case of the known discoveries of the Pythagorean Archytas, and of Archytas' friend Plato, which date from approximately 2,500 years ago. These discoveries are learned today by one of two methods. They are merely "learned" as from textbooks, or, actually known, not by textbook methods, but by the student's replicating the original act of discovery of a solution for the relevant statement of a paradox.

A typical example of this distinction, for purposes of illustration, is the case of the student's replication of the actual act of discovery of the principle of universal gravitation. In Aristotelean method, such as that of Claudius Ptolemy and his imitators, only repeated patterns of action in accord with a principle of circular action, are recognized. In the case of Kepler, the discovery of the existence of an efficient universal principle of gravitation, rests upon the recognition of a singularity which is associated with the fact that the orbit of Mars, for example, is elliptical, rather than circular. So, similarly, Archytas' solution for the construction of a doubling of the

cube, solely by geometrical construction, appears in the experience of the Eighteenth Century as the crucial issue of principle dividing the science of Carl Gauss et al. from the empiricist blunders of the reductionists Euler, Lagrange, et al.

By such methods of the anti-reductionists, the original act of discovery of a universal physical principle, can be the replicated act which occurs within the mind of a person living today. *Just as only life can produce life, so, only cognition can replicate the discovery of principle by one individual mind in another individual mind, even across the intervening distance of thousands of years. Such is the principle of personal immortality of the human individual, as contrasted with the mortality of the lower living species.*

It is similar with the case of life in general. No one has ever discovered a principle of life as an object of sense-perception. Rather, we experience the presence or absence of life of individual beings which have the apparent biochemical characteristics of living processes, but are lacking the continued presence of an active principle of life. The apparent paradox so posed by the experimental method of scientific work, is not paradoxical on principle. The universe is composed of three respectively distinct, but interacting known universal principles, the abiotic, the living, and the cognitive, such that, from the standpoint of the study of the relevant categories of fossils, the superior lies outside, and above the domain of the experimental subject-matter which the relevant principle commands: in which the principle of cognition is ultimately superior to that of life, as life is superior, in the domain of fossils, to that of the merely abiotic domain.

Yet, while each of the three domains is functionally distinct from the others, all three interact in shared effects. This illustrates the importance of viewing all aspects of the universe from the vantage-point of dynamic, rather than the intellectual mediocrity and relatively intellectual sterility, which is the mechanistic viewpoint of the reductionists. This fact is less obvious for the case of abiotic processes as presently defined in relevant classrooms and textbooks, but is a systemic distinction of crucial primary importance in the domains of living processes and human behavior. In the former domain, the reductionist standpoint is a barrier to otherwise potential scientific progress; in the latter two, respectively higher domains, the reductionist standpoint, as reflected in today's customary accounting and related practice, is always manifestly incompetent.

The most notable of the implications of this investigation of life, is the way in which this view of society implicitly defines the notion of the immortality of the individual mind. From the standpoint of the principle of dynamics, the human mind is imposed upon appropriate living processes, and interacts efficiently with those processes, but it is the body which dies, a distinction which is demonstrated experimentally by the way in which the discoveries of physical scientific and Classical artistic principle are transmitted across successive generations. It is cognition, as expressed rather uniquely by

discoveries in physical science and Classical artistic composition, which is the substance of the human individual's existence, a substance which lives on as the continued living imprint of the human individuality when the animal-like aspects of the body used by the creative personality have ceased to perform their assigned function. The scientist must see this distinction in that way, as the immortality of the human individual personality, and the basis for the universal principle of natural law called *agapē*, as Plato presents that case for such immortality of the soul in his dialogues, as Moses Mendelssohn later.

## 4.2 The Dynamics of Economy

All three phase-spaces—the abiotic, the Biosphere, and the Noösphere—interact as one in any viable economy. Thus, the productivity of labor depends upon the simultaneous impact of all three, to determine the relative productivity of the labor acting upon his or her point in the larger process of society as a whole.

For example, if we might assume that the same quality of labor is operating in different locations, the level of development of man-made infrastructure of production, will be a variable factor in determining the actual productivity of labor of relatively identical skill. Similarly, if the man-made infrastructure in which that labor occurs, is equal in two localities, the relative quality of the local aspect of the Biosphere will be the variable determinant of the relative productivity of labor.

Furthermore, production is not competently measurable in terms of equivalence of the quality of the object considered to be a product for consumption. The value of consumption for society, depends upon the variable quality of the place and circumstance in which the consumption occurs. In general, higher degrees of skill, as ascertainable from the standpoint of physical-scientific potentialities of the employed person, are a good, but the benefit from that good will vary with both the circumstances in which the production occurs, and with the quality of the part of the society into which that product is introduced for consumption.

It is all of these and related considerations of production and consumption taken into account, which interact to define a *dynamic*, rather than *mechanistic* conception of an actual economic function within society in general.

So, for example, the transfer of production from places in the U.S.A. or Europe, where the development of basic economic infrastructure and education of the population in general is relatively high, to places where labor is cheaper because of lack of development of infrastructure and of the dynamic potentials of the entire social process makes labor cheaper, as through “globalization,” has caused a collapse of the level of productivity of the world as a whole. This dramatic form of actual ruin of the world economy during, emphatically, the recent quarter-century, has been motivated by a lustful expression of individual greed's indifference to the



effect of its behavior on the future of the nation and planet as a whole. The result of this mechanistic disregard for the actual, dynamic costs of production, has been the principal determining factor in bringing about the presently onrushing rate of increase of the collapse of the productive powers of the human species as a whole.

The interrelationships within the process I have just summarized, are a relationship among the functions of what Leibniz identified as the powers (dynamic, *Kraft*) represented. This is a notion as old as the famous aphorism of Heraclitus, that constant change is the primary ontological condition of the universe, of the processes of which the universe is composed. It is the introduction of either newly discovered universal physical principles, or, in the alternative, new principled kinds of applications of previously discovered principles, which are the relevant quality of action which defines the types of sets of relations to which I have just referred here.

The determining set of relations of the quality associated with those notions of discovered universal physical principles, can not be reflected competently in annual economic reports on the performance of firms, nations, or the planet as a whole. The circumstances of production of the conditions of continued life and progress of the planet depend upon long-term processes so defined, including a large portion concentrated within the bounds of a relatively long-term usefulness. Typical of this factor in the set of functional relations which I have described above, is necessary capital investments, in both basic economic infrastructure and means of production which, as improvements, have life-cycles of between a quarter- and half-century. Long-term improvements in the biosphere, have a comparable significance.

Therefore, the value of current production, and investments in improvement of the economy and labor-force, must be premised on efficiently reliable foreknowledge of the effects of current investments on potential productivity, per capita and per square kilometer of the planet's surface in the range of a quarter- to half-century ahead. Thus, the future, more or less as the past, determines the value of the economic performance of the current year of the economy's activity. This brings us to the matter of the role of credit, especially long-term credit, in determining the actual, effective value of a particular economy during any year referenced.

Accounting which does not take such long-term future impacts of current activities into account, is a manifestation of miserable incompetence typified at its relative worst.

The configuration which I have just described, albeit summarily, in the preceding fashion, conforms to the role of Riemann's notion of Abelian functions, as defined in accord with Riemann's enhanced insight into the implications of what he terms Dirichlet's Principle, as I have indicated these functional configurations and their significance in my "Vernadsky & Dirichlet's Principle." Such are the principled characteris-

tics of the global economic system of dynamics which I have identified here.

### 4.3 A Fixed-Exchange-Rate System

If we are to reverse the currently accelerating trend of general physical-economic collapse of the economy of our planet, we must apply discovered universal physical principles to raise the level of development, per capita and per square kilometer, of the relevant aspects of the Biosphere and Noösphere.

These applications are chiefly expressed as long-term capital improvements which have "life expectancies" of between two generations, or even longer, beyond which those investments must be either replaced or merely improved in accord with principles discovered since the original installations and their interim improvements were made. Experience indicates that the tolerable charge against the outlay of capital to provide such physical-capital investments is, usually, approximately 1-2%, and not more than 3% simple-interest charge per annum. This means that a fixed exchange-rate among relevant currencies must prevail over most of the duration of the long-term investment. The rate of profit on private investments in improvements in production capital must not be significantly higher. This must be within a system of fixed exchange-rates, since significant fluctuations in values of currencies over the life of these investments will raise the imputable interest-rate to functionally unacceptable levels.

In certain crucial respects, the setting of fixed exchange-rates is a much simpler, but also far more interesting challenge than ordinary opinion on this subject would imagine. To illustrate that vitally important point, consider the following aspects of the challenge facing a concert among leading nations at the present moment.

Currently, the nations of Europe are ostensibly bankrupt. The case for Germany merely illustrates the prevalent trend of affairs in Europe as a whole. The U.S.A. itself, under the past five years of the George W. Bush Administration, is also bankrupt, hopelessly so under a continuation of the characteristic features of the Administration's stubbornly economically-suicidal policies, even far worse than Herbert Hoover's, thus far.

It would be sufficient to raise the level of productive employment through state-generated, and related forms of long-term credit. This credit must be used, in all of these cases, in particular, to increase the ration of physically productive employment in overall capital-intensive, technologically progressive modes. The most significant ration of such investments at the beginning would be in basic economic infrastructure. The initial objective would be to lower the rates of unemployment of the population as a whole, while shifting the composition of employment from so-called services, into building of basic economic infrastructure and increasing the ration of the total labor-force from non-professional services, into dedication to physical production of goods.

In general, such reforms would be sufficient to bring the indicated economies quickly above break-even levels.

However, to keep the system functioning, existing debt overhangs must be reorganized. The general objective is to shift the composition of legitimate debt (with no consideration for financial derivatives) into a generally long-term life of combined current debt and new debt launched, chiefly by governments, for recovery, expansion, and technological growth.

A relevant concert of governments has a reasonably wide latitude in choosing the relative values of a package of fixed rates. There is negotiable latitude in choosing the relevant parities for this purpose, but not much time available for making that decision. The principled question the governments must ask one another in this connection, is, "Will these values we choose today hold up for the long term of twenty-five to fifty coming years?"

On these accounts, the U.S.A. has great historically determined advantages. advantages derived from what I have already referenced here as the history of our constitutional system, as compared with the constitutions of Europe, for example. Moreover, the presently imperilled world monetary system is based on both the denomination of the U.S. dollar and the huge overhang of dollar-denominated debt in the international system. That debt overhang itself is not the most crucial problem to be addressed; the crucial issue is, can that

debt be rolled over successfully through a process of expanded global investment? Over a period of a quarter to half century of upward development of the global economy? The primary questions are: a.) What is the nation in question prepared to pledge itself to do, as relevant long-term investments; and, b.) Is the reasonably expected performance of that nation in meeting that adopted obligation, a reasonable expectation in the considered opinion of the partners?

The necessary precondition for such long-term agreements, is an immediate shift from a "free trade," to a "fair trade" system of pricing. This means an immediate shift, away from a practice of "globalization," into the protectionist system needed to match the nested sets of commitments of sovereign governments over lapsed times of a coming generation or more, before significant adjustments might be worked into the system.

In summation, I add the following most relevant concluding observations to what I said in my relevant, previously stated outline from the referenced Berlin closed-door meeting.

The conditions for reorganization of a global return to a fixed-exchange-rate system akin to that of the original Bretton Woods agreement, are generally those which I have interwoven into the preceding pages of this report. There are certain summary conditions to be added at this point.

The principle of world economy which is implicit in my outlined perspective for reform, is not only a reflection of the American System of political-economy. It is premised on the notion of power (dynamic) presented by Leibniz in founding the branch of physical science known as physical economy, the system on which the U.S. constitutional republic was established. In crafting an acceptable agreement for global economic recovery and stability through a new, fixed-exchange-rate system, the notion of power of the long-term effort for progress of a national economy which is partner to the new system, is a notion of credible power expressed by the individual nation-state, the credibility of its stated will to perform what it would promise to do. It is this subjective factor in the realization of future intended results, on which relations of states within the new world system must depend. As the value of an investment is based on the reasonably expected performance over the medium to long term, so it is among nations.

Perceived power—perceived relative value—is the credibility of the determination and ability to perform, on what our own Cotton Mather identified as the commitment to do good. That subjective power, on which the objective power of a nation depends, is, as Leibniz rebuked John Locke, the commitment of a people "to the pursuit of happiness," to the promotion of a mortal individual's sense of immortality through a credible performance in service of the general welfare of both present generations and future generations to come. Without that commitment there could be no durably efficient government, nor relations among governments.

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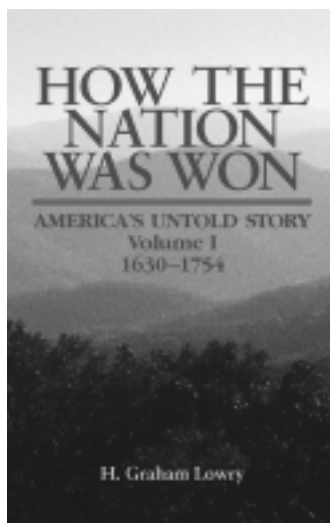
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# Conyers Turns Up Heat In Ohio Funding Scandal

by Richard Freeman

In an escalation of the Ohio Bureau of Workers' Compensation funding scandal that could land at the doorstep of Karl Rove and Dick Cheney, U.S. Rep. John Conyers (D-Mich.) wrote a letter on July 5 to Gregory White, the U.S. Attorney of the Northern District of Ohio, asking for information about the timing and progress of the Federal government's handling of its case concerning rare coin dealer and top Republican Party fundraiser, Tom Noe. Noe, who is viewed as Karl's man in Ohio, is the subject of multiple Federal-state probes.

In 1998, the Bureau of Workers' Compensation entrusted Noe and his company Vintage Coins and Collectibles with \$50 million of its funds to manage. Now, Noe has informed authorities that \$10-12 million of these state funds are "unaccounted for." The Lucas and Franklin County Ohio prosecutors' offices are investigating Noe on this matter.

In 2004, Lucas County prosecutor Julia Bates came into possession of information that Noe may have violated Federal campaign finance laws, a criminal offense. This involved Noe's alleged illegal conduiting of funds to individuals in order for them to contribute to the Bush-Cheney campaign, at an October 2003 fundraising dinner in Columbus, Ohio that netted the Bush campaign \$1.4 million.

On Oct. 13, 2004, Prosecutor Bates informed U.S. Attorney White of these very serious violations by Noe. White did not open grand jury proceedings until June 1, 2005. Representative Conyers states in his letter to White—who works for the Bush Justice Department—"I am concerned that your office delayed investigating this very serious matter until after the 2004 presidential election, and as a result prejudiced the government's ability to pursue justice in this case." Conyers also pointedly asks: "Did the U.S. Attorney's Office and other officials in the Bush administration . . . communicate with each other about this case of Mr. Noe?"

Conyers played a leading role during and after the November 2004 elections in gathering massive evidence of voter suppression directed by the Cheney-Rove forces which stole the election in Ohio—an election which was vital to securing the Bush-Cheney victory in the Electoral College. Key sections of the Conyers letter follow.

## 'Very Serious Concerns'

Dear Mr. White,

I write to you because of my very serious concerns regarding the manner in which your office has handled the investiga-

tion into alleged federal campaign finance violations involving the 2004 Bush-Cheney campaign and other Republican candidates. In particular, I am concerned that your office delayed investigating this very serious matter until after the 2004 presidential election and as a result prejudiced the government's ability to pursue justice in the case.

It is my understanding that on October 13, 2004, the U.S. Attorney's Office for the Northern District of Ohio was provided evidence from Lucas County grand jury proceedings suggesting extensive federal campaign finance violations took place involving Tom Noe, the leading Bush-Cheney campaign official in the region for the 2004 campaign. On the same day, it was reported that your office shared this information with the Justice Department's Public Integrity Section, and that later that day, the Section e-mailed to the U.S. Attorney's Office authorization to investigate the matter. Two days later, on October 15, it was reported that the local prosecutor's office gave their evidence to the FBI.

It has been further reported by the *Toledo Blade* that you began your investigation into the case around early March 2005. Subsequent news reports stated that federal grand jury proceedings occurred on June 1, 2005, well after the presidential election and approximately seven-and-one half months after the Department was notified of the potential violations.

If this series of events is accurate, the delay may have violated federal guidelines as well as bar rules of professional conduct requiring impartiality and promptness in criminal investigations. First, federal law directs that each United States Attorney "shall prosecute for all offenses against the United States." The U.S. Attorneys' Manual reiterates this requirement and further explains that "their professional abilities and the need for their impartiality in administering justice directly affect the public's perception of federal law enforcement." While I am well aware that the principle of prosecutorial discretion grants your office latitude in determining which cases warrant prosecution, that doctrine in no way permits political considerations—including the fact of a high profile and closely contested election—to intrude on the prosecutorial process. . . .

. . . Given that considerable evidence had already been collected by the Lucas County grand jury investigation, it is troubling that your office delayed this investigation by four-and-one-half months. In addition, a full seven-and-one-half months passed before federal grand jury proceedings began on June 1. Postponing the case for so long may have jeopardized the success of any investigation as the recollections of witnesses are likely to have diminished over time and evidence may have disappeared. . . .

We would appreciate your prompt response to this request. . .

Sincerely, John Conyers, Jr.

Ranking Member, House Judiciary Committee

## The Plame Affair: Rove and Cheney Are Guilty As Charged

by Jeffrey Steinberg

Within the next days or weeks, it is anticipated that Independent Counsel Patrick Fitzgerald will ask a Federal grand jury to hand down indictments against one or more senior White House officials, for obstruction of justice, perjury, and, perhaps, violation of national security laws banning the public disclosure of the identities of American undercover agents. The two names that have surfaced most prominently in the two-year old probe are White House Deputy Chief of Staff Karl Rove and Vice Presidential Chief of Staff I. Lewis “Scooter” Libby. The scandal unavoidably tars Vice President Dick Cheney and President George W. Bush.

While White House spin-meisters have attempted, for two years, to create a fog of confusion and disinformation about the exposure of the wife of former U.S. Ambassador Joseph Wilson, Valerie Plame, as a CIA officer, in a syndicated column by Robert Novak, the essential facts of the case are straightforward and undisputed.

1. In February 2002, former Ambassador Wilson was dispatched to Niger by the CIA, to assess raw intelligence reports, received by the Bush Administration from Italian government sources, that in the 1990s, Saddam Hussein had attempted to purchase large quantities of “yellowcake” uranium compound, for the purpose of building nuclear bombs. The Wilson mission was provoked by a request from Vice President Cheney, who was keen to have the information corroborated, as it would bolster the case for war on Iraq. Cheney directed his CIA briefer to seek confirmation of the information, and the CIA then decided to send someone to Niger to pursue the story.

Wilson had served as a diplomat in Niger, and later as the head of African Affairs at the National Security Council; and was the last American chargé d’affaires in Baghdad, just prior to Operation Desert Storm in 1991.

At the conclusion of his eight-day fact-finding mission, Wilson reported back to both the State Department and the

CIA that, based on a dozen interviews with current and former Niger government officials and businessmen involved in the country’s tightly regulated uranium industry, he concluded that the story was false.

2. Despite his findings—which were buttressed by similar reports from the U.S. Ambassador in Niger and from a Marine general who had been dispatched on a parallel mission by the Pentagon—in September 2002, the Bush Administration and the British government of Tony Blair claimed publicly that Saddam had attempted to purchase large quantities of uranium from Africa.

On Dec. 19, 2002, in response to Iraqi government written disclosures about their weapons programs, the U.S. State Department issued a fact sheet, asserting that Saddam had covered up efforts to obtain 500 tons of yellowcake from Niger, in his UN disclosures.

In his January 2003 State of the Union address, President Bush, citing British intelligence reports, claimed that Iraq had attempted to obtain uranium from Africa.

3. On the eve of the U.S. invasion of Iraq, on March 7, 2003, Dr. Mohammed ElBaradei, the head of the International Atomic Energy Agency (IAEA), testified before the United Nations Security Council. Dr. ElBaradei not only reported that his inspectors in Iraq had found no evidence of any illegal nuclear weapons program; his staff had also determined that the alleged Niger government “yellowcake” documents were shoddy forgeries.

4. The next day, March 8, 2003, Joseph Wilson appeared on CNN, and stated, “I think it’s safe to say that the U.S. government should have or did know that this report was a fake before Dr. ElBaradei mentioned it in his report at the UN yesterday.” Wilson made no mention of his Niger fact-finding mission.

5. According to well-placed U.S. government sources, within days of Wilson’s appearance on CNN, a meeting took

place in the Office of Dick Cheney, to review the Wilson statements, and work up a dossier on the former Ambassador.

6. On May 6, 2003, Nicholas Kristof wrote a *New York Times* column, "Missing In Action: Truth," which revealed the existence of the CIA fact-finding mission to Niger in February 2002, without mentioning Wilson's name.

7. On July 6, 2003, Wilson wrote an op-ed, "What I Didn't Find in Africa," which was published in the *New York Times*, detailing his mission to Niger, and identifying Cheney as the source of the query to the CIA that led to his mission. Wilson asked: "Did the Bush Administration manipulate intelligence about Saddam Hussein's weapons program to justify an invasion of Iraq?"

8. On July 14, 2003, *Chicago Sun-Times* syndicated columnist Robert Novak wrote a widely published article, exposing Ambassador Wilson's wife, Valerie Plame, as a CIA officer, involved in tracking weapons of mass destruction. The Novak column aimed to discredit Wilson, by charging that he was sent to Niger only because his wife recommended him for the assignment. Novak quoted several "senior Administration officials" as his sources.

According to a report in the *Washington Post* on Sept. 28, 2003, when Novak called a CIA official, to alert him in advance that he planned to "out" Valerie Plame as a CIA officer, the official urged him not to print it "for security reasons." In the *Post* article, Novak acknowledged that the CIA had specifically asked him not to name her. "They said it's doubtful she'll ever again have a foreign assignment," he admitted.

Under the Intelligence Identity Protection Act of 1982, it is a Federal crime, punishable by a fine and up to ten years in prison, to knowingly disclose the identity of a U.S. undercover operative. Under other far broader Federal statutes, it is a crime to disclose classified information, damaging to the national security.

9. Presidential Advisor Karl Rove was deeply implicated from the outset. While there is no public evidence to date that Rove personally contacted Novak to specifically reveal Plame's identity, several journalists have reported that they were contacted by Rove, soon after the publication of the Novak leak, and were told that "Joe Wilson's wife is fair game." At least six journalists, including Novak, were contacted by Rove and encouraged to target Wilson and Plame.

10. Independent Counsel Fitzgerald has also identified "Scooter" Libby as another "senior Administration official" who contacted journalists and discussed the Wilson/Plame issue, both before and after the appearance of the Novak column.

## **Worse Than Watergate**

John Dean, Richard Nixon's White House General Counsel, has denounced the Wilson-Plame affair as "worse than Watergate." He is right. Not only did the Novak column, orchestrated from the White House, end Valerie Plame's 20-year career as a CIA "non-official cover" officer. The leak also

exposed a longstanding CIA proprietary company, Brewster Jennings & Associates, where Plame worked. The Boston- and Washington-based front company had, since 1994, been tracking weapons of mass destruction, through a network of agents and correspondents in such dangerous places as Iran, North Korea, Belarus, Israel, Pakistan, Libya, Serbia and Taiwan.

It is not known whether the CIA or one of the Congressional intelligence oversight panels has done a full damage assessment of the consequences of the Plame leak. But they are no doubt extensive. It is one thing for a spy, like Aldrich Ames, Robert Hanssen, or Jonathan Jay Pollard, to steal secrets jeopardizing the national security of the United States on behalf of a foreign power. It is another thing altogether, for top officials of the White House to willfully leak the identity of an undercover CIA officer, as an act of revenge or damage control, against a U.S. official who came forward to reveal government chicanery in a matter as serious as the Iraq War.

## **The Chickens Are Coming Home to Roost**

The pivotal role of Lewis Libby sets the stage for the impeachment or forced resignation of the Vice President. This, Lyndon LaRouche has emphasized, is a precondition for any effective U.S. government response to the onrushing global financial meltdown. The reason to force Cheney's resignation is not just the Plame leak, which emanated from his office; however, the involvement of Libby, along with other Cheney staffers, including John Hannah, in the orchestrated destruction of Wilson, Plame, and the Brewster Jennings proprietary, affords a sufficient cause for Cheney's impeachment.

Cheney's departure, and replacement by a qualified, experienced figure, such as several leading Republican Senators, would create the safe conditions for the removal of President George W. Bush, for the good of the nation.

Procedures for the removal of Bush from office are contained in the 25th Amendment to the Constitution, which spells out the procedures for the removal of the President from office if he is determined to be "unable to discharge the powers and duties of his office." The Constitution itself demands that the President meet the standard of competence. And that is where Bush fails, miserably.

Bush has demonstrated, with increasing frequency in recent weeks, that he is unable to discharge the powers and duties of his office. LaRouche has pointed to the President's oft-repeated declarations that the U.S. Treasury bonds on deposit in the Social Security Trust Fund are "useless IOUs," as evidence that he is no longer qualified to discharge his duties as President. Such cavalier declarations of a sovereign default on the full faith and credit of the U.S. government, alone, constitute an act of political insanity and incompetence, that prove his incompetence to serve. As the United States and the world move into the most deadly systemic financial and economic crisis in modern times—as early as this Summer—the question must be asked: Can the nation survive a continuation of the Bush-Cheney Presidency?

# Anatomy of a Crime: A Timeline of the Wilson-Plame Affair

## 2001

**December:** U.S., British, French, and Israeli intelligence services receive reports from the Italian intelligence agency SISMI that Niger government documents show that agents of Saddam Hussein regime sought to purchase tons of yellowcake from the African state.

## 2002

**February:** In response to a query from Vice President Dick Cheney about the alleged Niger-Iraq yellowcake deal, the CIA dispatches former Ambassador Joseph Wilson IV to Niger. In the same approximate time frame, the Pentagon dispatches an active-duty Marine General to Niger to probe the same allegations. Both Wilson and the Marine General conclude that the story is untrue.

## 2003

**March 7:** International Atomic Energy Agency head Dr. Mohammed ElBaradei testifies before the United Nations Security Council that IAEA inspectors in Iraq have found no evidence of a nuclear weapons program. ElBaradei also reveals publicly, for the first time, that the Niger documents alleging the Iraqi attempts to purchase yellowcake, are shoddy forgeries.

**March 8:** Joseph Wilson appears on CNN television and says that Bush Administration officials had evidence in their possession, prior to the ElBaradei testimony, showing that the Niger documents were false.

**Mid-March:** A meeting takes place in the Office of Vice President Dick Cheney, involving senior staff, to discuss the Wilson TV appearance. A background probe is ordered, and subsequently, information against Wilson is shared with neo-conservative members of the Defense Policy Board, according to several U.S. intelligence sources.

**July 2:** In Lyndon LaRouche's Washington, D.C. international webcast, "A Real President for the USA," he declares, get rid of Cheney for the good of the nation.

**July 6:** Sunday *New York Times* publishes Joe Wilson op-ed criticizing Bush's remarks on Iraq yellowcake purchase in Niger, for relying on forged documents. He states that the CIA provided this intelligence to the White House prior to Bush's State of the Union Address in January 2003.

**July 14:** Syndicated columnist Robert Novak publicly "outs" Valerie Plame as a CIA operative, saying: "Wilson never worked for the CIA, but his wife, Valerie Plame, is

an Agency operative on weapons of mass destruction. Two senior Administration officials told me Wilson's wife suggested sending him to Niger to investigate the Italian report."

**July 21:** Wilson receives a telephone call, about a week after his wife's "outing," from TV talk-show host Chris Matthews of "Hardball," who told Wilson that Karl Rove, President Bush's top political advisor just had told him, "Wilson's wife is fair game."

**July 22:** *Newsday* is even more specific, saying that Plame "works at the agency [CIA] on weapons of mass destruction issues in an undercover capacity."

**July 22:** White House spokesman Scott McClellan says there is no truth to the suggestion that someone in the White House leaked the Plame information.

**July 24:** Sen. Charles Schumer (D-N.Y.) calls on the FBI to investigate whether a crime has been committed in the Plame leak.

**Late July:** The CIA files a "crime report" with the U.S. Department of Justice (DOJ) suggesting that the leak of Wilson's wife's name and covert status might entail criminal acts.

**Sept. 23:** The CIA files papers with DOJ as part of preliminary investigation.

**Sept. 26:** John Dion, Director of the DOJ's Counterespionage section, decides to pursue a criminal investigation.

**Sept. 28:** A source in the Administration confirms to the *Washington Post* that two senior Administration officials contacted at least six reporters about the identity and occupation of Wilson's wife. The source claims, "Clearly, it was meant purely and simply for revenge." He stated that he was sharing the information because the disclosure was "wrong and a huge miscalculation, because they were irrelevant and did nothing to diminish Wilson's credibility."

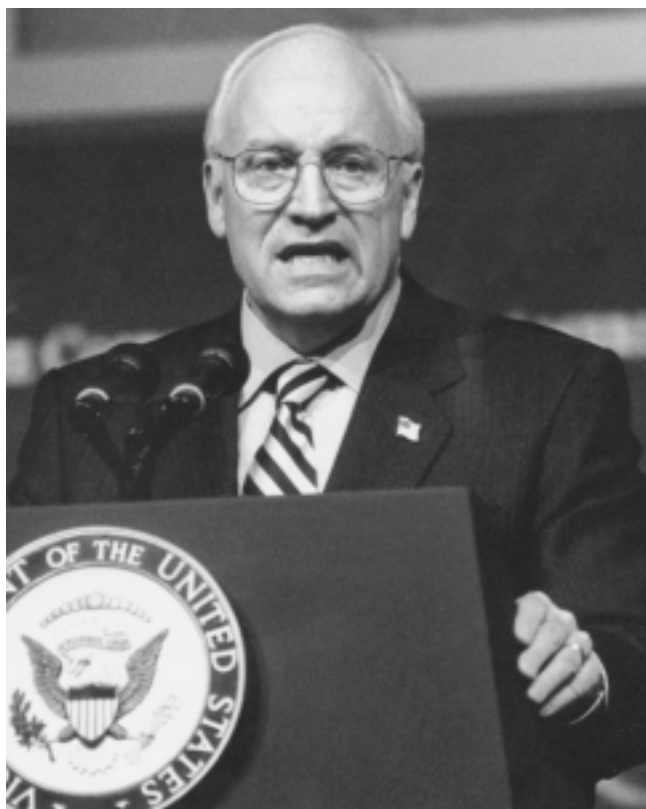
**Sept. 29:** The *Washington Post* reports that, although President Bush says he will cooperate with the Plame leak probe, "Bush has no plans to ask his staff members whether they played a role."

**Sept. 29:** At a White House press briefing, Cheney's name is raised three times, forcing White House spokesman Scott McClellan to issue a categorical denial of Cheney's involvement. "There's been nothing, absolutely nothing brought to our attention to suggest any White House involvement, and that includes the Vice President's Office as well," McClellan said.

**Sept. 29-30:** DOJ notified the White House of its decision to move ahead with full investigation on Monday evening, Sept. 29. Bush was informed Tuesday morning, Sept. 30, by White House General Counsel Alberto Gonzales.

**Sept 30:** Eleven hours pass between the time that the White House is notified of the investigation and the time that Administration officials asked staff to preserve records.

**Oct. 1:** Senator Chuck Hagel (R-Neb.) says that Bush needs to be proactive: "He has that main responsibility to see this through and see it through quickly, and that would include, if I was President, sitting down with my Vice President and asking what he knows about it"



EIRNS/Stuart Lewis

*Dick Cheney's responsibility in the Plame leak, and in Halliburton's "free pass" to fraud with billions of dollars in Iraq, is now under scrutiny—and could lead to his impeachment.*

**Oct. 2:** Attorney General Ashcroft is under pressure to recuse himself from the investigation because of his ties to Karl Rove. Sen. Arlen Specter (R-Penn.) says "recusal is something Ashcroft ought to consider."

**Oct. 7:** Before an internal investigation is conducted, the White House rules out Karl Rove, Vice Presidential chief of staff Lewis Libby, and National Security Council senior director Elliott Abrams as possible sources for the news leak.

**Oct. 8:** Bush told reporters that the leaker is not likely to be found, because reporters won't reveal the source. Besides, "this is a large Administration, and there's a lot of senior officials," the U.S. President said.

**Oct. 9:** Democratic Minority Leader Thomas Daschle (S.D.) and Democratic Senators Joseph Biden, (Del.), Carl Levin (Mich.), and Charles Schumer (N.Y.), send a letter to President George W. Bush pointing to "five missteps" in the investigation of the blown cover of CIA agent Valerie Plame Wilson.

1) Decision of then White House Counsel Alberto Gonzales to screen documents of White House employees submitted in response to the DOJ request, and his possible claim of "Executive Privilege" to withhold some; 2) The DOJ began its investigation on Sept. 26, but did not ask the White House to order employees to preserve relevant evidence until Sept. 29; 3) The DOJ did not ask the Pentagon and State Department

to preserve possible evidence until late on Oct. 1, after news reports that such a request was coming; 4) White House Press Secretary Scott McClellan has said that he determined that three senior officials who were the subject of speculation in news accounts were not involved in leaking classified information, and the Senators believe that this displayed rank incompetence; and, 5) Attorney General Ashcroft remains responsible for the probe, despite his close political and personal relationships with Bush and his top aides.

**Dec. 22:** Senators Levin and Daschle demand a special prosecutor.

**Dec. 30:** Attorney General Ashcroft recuses himself from the leak investigation. James Comey, Deputy Attorney General, appoints Patrick Fitzgerald, the U.S. Attorney in Chicago, as "special counsel" to conduct the investigation.

## 2004

**April 1:** Fitzgerald is reported to have expanded his probe into the issue of White House officials lying to investigators, and mishandling classified information.

**May 21:** Fitzgerald is reported to have issued subpoenas to journalists who discussed the matter with the White House between July 6 and 13, including *Time's* Matt Cooper.

**June 6:** The *Washington Post* reports that representatives of special prosecutor Fitzgerald have interviewed Vice President Dick Cheney.

**June 16:** White House Counsel Alberto Gonzales testifies before the grand jury.

**June 24:** President Bush is questioned by Fitzgerald. The interview lasted more than an hour, and a White House spokesman confirmed that the President has retained private counsel.

**July 20:** Matt Cooper is held in contempt for not responding to Fitzgerald subpoena.

**Aug. 12:** Fitzgerald subpoenas *New York Times* reporter Judith Miller on her discussions with the White House.

**Aug. 13:** Former Ambassador Wilson comments on the pending actions against the reporters, saying that the President could easily solve the problem: "The question is, who could get to the bottom of this very quickly? The President of the United States. There has to be an internal investigation into who's betraying the country—an investigation with sworn affidavits from everybody on his staff—and the President ought to insist everybody who talked to any reporter about this subject sign a waiver."

**Oct. 16:** Karl Rove testifies before grand jury.

## 2005

**Feb. 15:** D.C. Circuit Court of Appeals upholds contempt ruling against Cooper and Miller.

**July 6:** *New York Times* reporter Judith Miller goes to jail, whereas Cooper agrees to testify, after receiving a call and a waiver from his White House source.

*Prepared by Mark Bender, Ed Spannaus and Nancy Spannaus.*

# Will Stolen Iraq Oil Funds and Deals For Cronies Force Cheney Impeachment?

by Michele Steinberg

On June 27, a scandal large enough to lead to the impeachment of Vice President Richard Cheney, emerged when it was revealed at a hearing called by the Senate Democratic Policy Committee, that the latest figures in questionable and unsupported charges to the Department of Defense by the Halliburton Corporation, had reached over \$1.4 billion. There are already two criminal investigations by the Justice Department into Halliburton for fraudulent billings related to Iraq war contracts—each of them potentially as explosive as the case of the Valerie Plame CIA leak.

However, another element was added on June 27: The amount of funds that Halliburton has looted from the DoD is nearly equivalent to the \$1.5 billion in funds that the Bush Administration had denied the Veterans Administration for vitally needed medical services to the sick and wounded veterans and troops. The public anger over the White House short-changing the VA was so huge, that the Republicans subsequently signed on to a Democratic amendment to pass legislation giving an additional \$1.5 billion to the VA.

The \$1.4 billion in “questioned and unsupported” monies to Halliburton, was the second bombshell about Iraq-war-related fraud in less than one week. On June 21, the Subcommittee on National Security of the House Committee on Government Reform, released a Minority Staff report, prepared at the request of ranking Democrat Rep. Henry Waxman of California, which showed that *billions* of dollars of money from the “Development Fund for Iraq,” was unaccounted for, or stolen, after the frenzy of cash delivery to the U.S. occupation authority, run by Amb. Jerry Bremer in June 2004. (See report excerpts in *Documentation*). Bremer did not appear at the June 21 hearing to answer questions about the lack of control over \$19.6 billion in Iraqi funds, noted Rep. Waxman. But the missing money has already had devastating consequences.

On July 6, an article in the London *Financial Times* gave the first major hint that the U.S. occupation’s looting of reconstruction funds belonging to the Iraqi people is being called “corruption.” “Iraq’s financial difficulties, and U.S. concerns over corruption and uncontrolled spending on reconstruction, are adding to tensions between the two governments,” wrote the *Financial Times*. Although the economy is seen as a “vital pillar of the . . . strategy to stabilize Iraq,” the Iraqi government is already in big trouble. Under U.S. auspices, the gov-

ernment of Iraq had signed a “pre-agreed deficit” agreement with the International Monetary Fund, to limit its budget deficit to \$6.7 billion, or 28% of its gross domestic product, but Iraq cannot come near that goal, and is seeking to go far beyond that deficit limit.

The news of Iraq’s financial crisis could not come at a worse time for the Bush Administration—because the responsibility for the “corruption” in misuse of the funds, leads right to Cheney’s office through the Halliburton corporation.

According to evidence presented on June 21 at the House Subcommittee on National Security hearing, and on June 27, by the Senate Democratic Policy Committee, the following has been established:

- There is more than \$1.4 billion in “questioned” and “unsupported” charges paid to Halliburton, according to Defense Department audit reports.
- There are *billions* of dollars unaccounted for, taken in cash from the \$19.6 billion Development Fund for Iraq account, created by UN Security Council resolution 1483 in May 2003, and administered solely by the U.S. occupation authority. According to the 25-page official report by the Minority Staff of the Committee on Government Reform, these funds are unaccounted for, have disappeared, or have been misappropriated.
- Halliburton is documented to be the largest recipient of the Development Fund for Iraq funds (about \$1.2 billion) and of all Defense Department contracts in Iraq (more than \$15 billion).
- Halliburton’s contracts were handled *outside* of the professional, competitive bidding process that is standard procedure in the Defense Department. Instead, according to Bunatine Greenhouse, the top civilian contracting official at the U.S. Army Corps of Engineers, the Halliburton contracts were given special handling directly from “the OSD,” the Office of the Secretary of Defense. Greenhouse was forced to step down or face demotion after objecting, in writing, to the special treatment granted to Halliburton; instead, she chose to file a whistleblower lawsuit.
- Two executives from Lloyd-Owen International (LOI), a security and management firm with contracts from the Iraqi government, which began after the U.S. occupation handed over power to Iraqis, gave evidence that Halliburton’s overcharges for fuel transportation from Kuwait to Iraq are even



greater than previously believed, and that KBR, a Halliburton subsidiary, has not completed crucial fuel distribution work, despite its claim to have done so. In addition, Halliburton “has abused its relationship with the U.S. Army,” by attempting to close the Iraq-Kuwait border so that LOI (a competitor of KBR) could not efficiently deliver fuel to the Iraq government.

The two LOI executives, Alan Waller and Gary Butters, gave dramatic testimony to the Senate that KBR managers had ordered their staff to *deny assistance* to LOI personnel, who had been attacked by insurgents en route to a base managed by KBR, near Fallujah. Four contract employees of LOI had been killed in the attack, and several others were wounded, but a KBR e-mail message presented to the Senators, showed that LOI was not to be helped. Fortunately, the U.S. Marines at the base came to the assistance of LOI.

- KBR threatened personnel in Iraq, who were working under its food service contract, if they talked to U.S. government auditors who had been sent to look into KBR’s practice of overcharging for dining hall services. Rory Mayberry, Food Production Manager at Camp Anaconda in Iraq, testified that he was warned, and then transferred to a much more dangerous base near Fallujah in order to keep him from talking further to auditors.

## Obstruction of Justice?

There is no question that Cheney’s office was *directly* involved in the special treatment given to Halliburton. A further question is whether Cheney’s pressure to prevent the Senate and House committees from investigating constitutes obstruction of justice.

More than a year ago, on June 8, 2004, a DoD political appointee, neo-conservative insider Michael Mobbs, who worked directly at the Office of the Secretary of Defense, briefed the House Government Reform Committee that Cheney’s Chief of Staff and National Security advisor, I. Lewis “Scooter” Libby, had been consulted and informed by Mobbs about a secret Iraq war contract being awarded to Halliburton, on March 8, 2002, *before* the contract had been awarded, and before the Iraq war had begun.

Mobbs acknowledged that the decision to award the contract to Halliburton, by extending a previous contract, was not made by career civil servants, but by political appointees, in particular by himself and an “Energy Infrastructure Planning Group,” in the DoD which he headed. Mobbs determined that other longstanding DoD contractors—Bechtel and Fluor—were not qualified for the job, and were not even allowed to submit bids for the oil infrastructure contract. Mobbs, who was also acting as a special assistant to Assistant Secretary of Defense for Policy, Doug Feith, had been a member of Feith’s law firm. Other special operations set up by Feith in 2002, such as the Office of Special Policy, functioned as a secret, parallel intelligence service, reporting to Cheney’s office. Like the Iran-Contra operation of the 1980s, the Cheney-OSD-Feith network was a “government

within a government.”

A year later, the evidence presented at the June 27, 2005 hearing shows that the Halliburton disease has just grown larger and larger through the special relationship with the Vice President. The reason is simple: The appropriate Senate and House committees—under Republican control—have refused to fulfill the Senate’s Constitutional responsibility to look into the evidence of massive fraud and “bilking” of the American taxpayers, in the Iraq war. By this, Congress has also jeopardized the well-being of the troops in Iraq.

The four Democratic Senators at the podium June 27 were Byron Dorgan of North Dakota (who chaired the hearing), Harry Reid of Nevada, Frank Lautenberg of New Jersey, and Mark Dayton of Minnesota; they were joined by Rep. Henry Waxman of California, who has led a relentless battle to unearth Pentagon documents about Halliburton’s activities since Spring 2003. They made clear they want official, *bipartisan* hearings.

Dorgan, the head of the Senate Democratic Policy Committee investigative committee, used strong language about the American taxpayers being “bilked,” “cheated,” and “defrauded” in order “to let a few special big companies wallow like hogs in a trough.” Dorgan pointed to the Senate hearings in 1941, when the U.S. was about to enter World War II, and Harry Truman began investigations into reports of waste, and he also referenced the manner in which Donald Rumsfeld, as a Congressman in 1966, demanded a “vigorous investigation” into a Vietnam War contractor—Brown & Root! (The same Rumsfeld today who won’t allow hearings.)

Lautenberg put the emphasis on Cheney: “[T]he bottom line is that the Republican leadership in the Congress is giving Halliburton a free pass. And I don’t know whether that’s because Vice President Cheney still receives a paycheck from Halliburton. That goes on through 2007. On that payroll was stock options.”

But the Cheney/Halliburton relationship is much deeper. In 1991, when Cheney was Secretary of Defense, he rescued the faltering Halliburton from disaster, by putting it on the gravy train of the Defense Department, at the very outset of the process of replacing in-house logistics capabilities with outsourcing.

The DoD contracts breathed new life into Halliburton, which then took on Cheney as its Chief Executive Officer in 1995. In 2000, after he had selected himself to be George W. Bush’s Vice Presidential candidate (the Bush family had put Cheney in charge of the search committee), Cheney resigned from Halliburton, with a \$20 million retirement package, including six-figure salaries through 2007, and 433,333 shares of unexercised stock options.

Nobody knows the full extent of the Cheney relationship to Halliburton after 2001, since the records of the discussions that Cheney held with Halliburton while heading the “Energy Task Force,” are still top secret. Only a series of Congressional investigations, backed by mass public support can answer those questions.

# House Committee Reports Mismangement of Iraq Funds

*On June 21, 2005, the first official investigation of massive fraud, waste, and abuse in the U.S. handling of the "Development Fund for Iraq," took place in the House of Representatives under the auspices of the Government Reform Committee's Subcommittee on National Security. The report excerpted here, prepared by the Committee's Special Investigations Division Minority Staff, was released that day. It was requested by Rep. Henry A. Waxman (D-Calif.), who is the ranking member of the Committee. The report is titled "Rebuilding Iraq: U.S. Mismanagement of Iraqi Funds." Footnotes are not included. The full report can be found at [www.democrats.reform.house.gov](http://www.democrats.reform.house.gov).*

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## Executive Summary

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Between March 19, 2003, when U.S. forces invaded Iraq, and June 28, 2004, when the U.S.-run Coalition Provisional Authority [CPA] turned power over to the interim Iraqi government, U.S. officials disbursed or obligated over \$19.6 billion in Iraqi funds. The vast majority of these funds were withdrawn from the Development Fund for Iraq, the successor to the UN Oil for Food Program, while others came from frozen and seized Iraqi assets. Yet despite the magnitude of the sums involved, there has been little scrutiny of how U.S. officials managed the Iraqi assets entrusted to their care.

At the request of Rep. Henry Waxman, this report examines U.S. management of these Iraqi funds. It is based on a review of over 14,000 pages of financial records and other documents from the Federal Reserve; over 15,000 pages of documents from the Department of Defense; audit reports from the Special Inspector General for Iraq Reconstruction, the Defense Contract Audit Agency, the Government Accountability Office, and other auditors; and interviews with auditors, federal officials involved in the management or disbursement of the Iraqi funds, and Iraqi officials.

The report has three principal findings: (1) unprecedented sums of cash were withdrawn from Iraqi accounts at the Federal Reserve Bank in New York and transferred to U.S. officials at the CPA; (2) CPA officials used virtually no financial controls to account for these enormous cash withdrawals once they arrived in Iraq; and (3) there is evidence of substantial waste, fraud, and abuse in the actual spending and disbursement of the Iraqi funds.

## Billions in Cash Withdrawals

The documents from the Federal Reserve indicate that the United States shipped nearly \$12 billion in U.S. currency to Iraq between May 2003 and June 2004, an international currency transfer of unprecedented scale. The cash was drawn from accounts containing revenues from sales of Iraqi oil and frozen and seized assets of the former regime.

Nearly half of the currency shipped into Iraq under U.S. direction—more than \$5 billion—flowed into the country in the final six weeks before control of Iraqi funds was returned to the interim Iraqi government on June 28, 2004. In the week before the transition, CPA officials ordered the urgent delivery of more than \$4 billion in U.S. currency from the Federal Reserve, including one shipment of \$2.4 billion—the largest shipment of cash in the bank's history.

In total, more than 281 million individual bills—including more than 107 million \$100 bills—weighing 363 tons were shipped to Iraq.

## Lack of Financial Controls

Once the cash from the Federal Reserve arrived in Iraq and came under the control of U.S. officials at the Coalition Provisional Authority, the cash was spent and disbursed with virtually no appropriate financial controls.

Under the terms of the UN resolution creating the Development Fund for Iraq [DFI], the fund was to be used "in a transparent manner to meet the humanitarian needs of the Iraqi people . . . and for other purposes benefitting the people of Iraq. But no certified public accounting firm was hired to audit disbursements, and hundreds of millions of dollars in overcharges were withheld from international auditors. According to the Special Inspector General for Iraq Reconstruction, U.S. officials cannot account for the spending of billions of dollars in cash.

An official involved in the spending and disbursement of the Iraqi proceeds described an environment awash in \$100 bills. One contractor received a \$2 million payment in a duffel bag stuffed with shrink-wrapped bundles of currency. Auditors discovered that the key to a vault was kept in an unsecured backpack. They also found that \$774,300 in cash had been stolen from a vault. Cash payments were made from the back of a pickup truck, and cash was stored in unguarded sacks in Iraqi ministry offices. One official was given \$6.75 million in cash and ordered to spend it in one week, before the interim Iraqi government took control of Iraqi funds.

## Evidence of Waste, Fraud, and Abuse

Because of the lack of proper financial controls, there is no reliable accounting of how the Iraqi funds under U.S. control were spent or disbursed. There is, however, evidence that the expenditure and disbursement of these funds was characterized by significant waste, fraud, and abuse.

Examples of wasteful and potentially corrupt spending include the following:

- The largest single recipient of Iraqi funds is Halliburton, which received \$1.6 billion in Iraqi oil proceeds under a contract to import fuel and repair oil fields. According to DCAA [Defense Contract Audit Agency] auditors, Halliburton's overcharges under this contract are more than \$218 million.

- An inexperienced but politically connected security firm, Custer Battles, received over \$11 million in Iraqi funds, including over \$4 million in cash. The company has been barred from receiving federal contracts and faces a False Claims Act lawsuit for multiple fraudulent billings.

- Over \$600 million in cash was shipped from Baghdad to four regions in Iraq to allow commanders flexibility to fund local reconstruction projects. An audit of one of the four regions found more than 80% of the funds could not be properly accounted for and that over \$7 million in cash was simply missing. . . .

### Need for Further Investigation

The findings in this report underscore the need for a comprehensive investigation into how the United States spent and disbursed billions of dollars in Iraqi funds. There is substantial evidence of widespread mismanagement, waste, and corruption in the spending and disbursement of over \$19.6 billion in Iraqi funds during the period of U.S. control. The full extent of the waste, fraud, and abuse will not be known without additional investigation. . . .

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## III. Findings

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### A. The Federal Reserve Shipped Nearly \$12 Billion in U.S. Currency to Iraq

The Federal Reserve shipped \$11,981,531,000 in U.S. currency to Iraq between May 2003 and June 2004, according to documents from the Federal Reserve Bank of New York. The cash was drawn from the DFI and TSPA accounts containing revenues from sales of Iraqi oil and frozen and seized assets of the former regime. The CPA also controlled \$926,700,000 in U.S. currency seized within Iraq, mainly from the vaults of the former regime.

This currency was shipped to Iraq on pallets loaded into C-130 cargo planes. A standard pallet of U.S. currency contains 40 cashpaks of 16,000 bills each and weighs 1,500 pounds. In the 13 months that the United States administered the DFI and TSPA, 484 pallets containing 19,360 cashpaks were shipped from New York to Iraq. These pallets held more than 281 million individual bills, weighing 363 tons. In total, the U.S. shipped to Iraq more than 107 million \$100 bills.

According to internal Federal Reserve Bank records, CPA officials who controlled the DFI and TSPA ordered an initial shipment of currency to Iraq in April 2003, comprising



House Committee on Government Reform

*More than 281 million bills, including more than 107 million \$100 bills, were shipped to Iraq—weighing 363 tons, and without much disbursement control.*

\$20,008,000 in \$1, \$5, and \$10 bills. Over the next two months, the shipments became larger: \$179,340,000 in May 2003 and \$465,920,000 in June 2003. Cash shipments from New York into Iraq continued at an average rate of once or twice a month for the rest of the year: \$391,200,000 in July, \$808,200,000 in August, \$400,000,000 in September, \$463,975,000 in October, and \$500,000,000 in November.

The Dec. 12, 2003, shipment was markedly larger—\$1.5 billion—and was described by a Federal Reserve official in an e-mail message as “the largest pay out of U.S. currency in Fed history.”

In 2004, the shipments became more regular. The records show shipments of \$750,400,000 in February, March, and April. As the CPA prepared to transfer authority to the interim Iraqi government, however, the scale of shipments increased suddenly and sharply: \$1 billion was shipped in May 2004, followed by two massive shipments totalling more than \$4 billion in the week before the transfer of sovereignty.

In the words of one Federal Reserve official, “Just when you think you’ve seen it all . . . the CPA is ordering \$2,401,600,000 in currency to be shipped out on Friday June 18th.” While the Federal Reserve was preparing this shipment, the CPA pushed back the delivery date, and requested an additional shipment:

“The new date is 22 June departure with arrival/delivery on 23 June. *It is important that we make these dates as we have little flex. HEADS UP!* We are going to request a second mission for a 28 June delivery” [emphasis in original].

A Federal Reserve official confirmed the delivery: “I

checked the dates with Col. Davis and yes, they want delivery to Baghdad on Monday [June 28]. However, a Monday delivery to Baghdad would have required the Federal Reserve to take the unusual step of opening its vaults on a Sunday. The Federal Reserve and CPA sought to avoid that problem:

“[T]he CPA is now asking if INSTEAD OF doing the Sunday 6/27 shipment, we can ADD \$1 bn to the already-scheduled Tuesday 6/22 shipment. If that is do-able, it avoids the whole Sunday accounting problem. . . but also makes it a \$3 bn shipment . . . if the USAF [U.S. Air Force] agrees to do it, I would like to give the CPA an answer today on our ability to put another \$1 bn in \$100’s on the plane.”

In an e-mail with the subject “RE: Pocket Change,” a CPA official again emphasized the need to push the schedule ahead: “We need to work the second mission as originally planned to arrive on 26th if at all possible. The 27th at latest. I am not sure we can get anything in here from the 28th through the 5 July. We have been ordered to limit travel out of the green zone between 28 June and 5 July. I am just hoping we don’t have to back this date up.”

Ultimately, the last-minute cash was sent to Iraq in two separate shipments: \$2,401,600,000 on June 22, 2004, and \$1,600,000,000 on June 25, 2004. The \$2.4 billion delivered on these days replaced the December 2004 shipment as the largest pay out of U.S. currency in Fed history.

In total, nearly \$12 billion in cash flowed into Iraq. Of this amount, nearly half—more than \$5 billion—was shipped into the country in the month before the transition. . . .

The last-minute rush to spend Iraqi funds was halted by the Federal Reserve when the CPA transferred sovereignty to the interim Iraqi government on June 28, 2004, two days earlier than had been scheduled. After the transfer on the morning of June 28, CPA officials twice sought additional withdrawals from the Federal Reserve accounts, but these were rebuffed. The documents show that the Federal Reserve took:

“a strong view that effective as of the time AMB Bremer transferred authority (which is being reported in the press as 10:26 a.m. in Baghdad), the CPA no longer had control over Iraq’s assets. . . . [S]ubsequent to transfer of sovereignty, COL Davis of the CPA sent us \$200 million in payment orders to be executed today in New York. We have informed the Colonel that we are not in a position to honor these instructions. Second, also subsequent to the transfer of sovereignty, COL Davis sent us an instruction to transfer \$800 million from the DFI main account into the new DFI subaccount, which we understand informally was created by AMB Bremer to hold funds that are earmarked internally within Iraq for payments connected to existing contracts. We have also informed COL Davis that we are not in a position to honor this instruction either (especially since it would require liquidating \$1 billion worth of the CBI’s [Central Bank of Iraq] holdings of USG [U.S. Government] securities.”

## **B. The CPA Failed to Provide Adequate Financial or Physical Controls**

Once the nearly \$12 billion in cash arrived in Iraq, the cash was placed under the control of U.S. officials at the Coalition Provisional Authority. *Contrary to the requirements of the UN Security Council resolution and its own regulations, however, the CPA spent and disbursed the cash without appropriate financial or security controls. According to the Special Inspector General for Iraq Reconstruction, the result is that literally billions of dollars cannot be properly accounted for [emphasis added].*

In June 2003, the CPA issued a regulation requiring that an independent, certified public accounting firm oversee the expenditures of the Iraqi funds. The regulation directed:

“The CPA shall obtain the services of an independent, certified public accounting firm to support the objective of ensuring that the Fund is administered and used in a transparent manner for the benefit of the people of Iraq, and is operated consistent with Resolution 1483.”

On April 20, 2004, however, CPA officials reported that the “CPA did not obtain the services of a certified public accounting firm as it was determined that these services were not those required.” Instead, the CPA hired an obscure consulting firm called North Star Consultants, Inc., “to promote the effective administration of DFI Funds in a transparent manner for the benefit of the Iraqi people.” The firm is so small that it reportedly operates out of a private home near San Diego.

When the Special Inspector General for Iraq Reconstruction audited North Stars work, the Special Inspector General found that North Star did not perform any review of the CPAs internal controls:

“In October 2003, a \$1.4 million contract was awarded to North Star Consultants, Inc. that required the contractor to perform a review of internal controls and provide the CPA a written report of their evaluation. The North Star Consultants did not perform a review of internal controls as required by the contract. Consequently, internal controls over DFI disbursements were not evaluated. In addition, the Comptroller verbally modified the contract and employed the contractor to primarily perform accounting tasks in the Comptrollers office.”

The CPA also provided inadequate physical controls to safeguard the billions of dollars of U.S. currency shipped to Iraq, according to the Special Inspector General. In an audit report, the Special Inspector General described “several physical safeguard violations” observed during the audit. . . .

The IAMB found similar problems. One audit by KPMG reported that \$774,300 in cash had been stolen from one division’s vault.

Frank Willis, a former CPA official, provided a first-hand account of the vast amounts of cash flowing through Iraq and the lack of financial and physical controls over the funds. During the second half of 2003, Mr. Willis served in Iraq as

Deputy Senior Advisor to the Ministry of Transportation and Communications and as the CPA's senior aviation official. Mr. Willis explained that under CPA control, a "wild west" atmosphere prevailed and the country was awash in brand new \$100 bills.

According to Mr. Willis, when contractors needed to be paid by the CPA, they were told to "bring a big bag" for a cash payment. Mr. Willis personally witnessed a \$2 million payment to contractor Custer Battles in shrink-wrapped stacks of \$100 bills retrieved from a vault. . . .

The Special Inspector General for Iraq Reconstruction reported that cash payments to Iraqi contractors and Iraqi ministries similarly lacked physical security. According to the Special Inspector General, cash payments to contractors were made from the back of a pickup truck, and cash was stored in unsecured gunnysacks in Iraqi ministry offices.

Controls appeared to break down completely in the final days of CPA authority, just as billions of dollars in cash were being rushed into the country. A Special Inspector General audit found that CPA staff members were encouraged to spend cash quickly in its last days before the interim Iraqi government took control of the funds. In the South-Central region of Iraq, one disbursing official was given \$6.75 million in cash on June 21, 2004, "with the expectation of disbursing the entire amount before the transfer of sovereignty" on June 28, 2004.

The end result is that billions in Iraqi funds spent or disbursed by the CPA cannot be accounted for. The Special Inspector General concluded that "the CPA did not establish or implement sufficient managerial, financial, and contractual controls to ensure DFI funds were used in a transparent manner" and that funds were "susceptible to waste, fraud, and abuse." . . .

### ***C. There Is Mounting Evidence of Extensive Waste, Fraud, and Abuse***

Due to the lack of proper controls, there is no reliable accounting of how the \$19.6 billion in Iraqi funds was spent and disbursed during the period of U.S. control. There is, however, growing evidence that there was significant waste, fraud, and abuse of these Iraqi funds. Multiple audits of specific expenditures have found mismanagement, wasteful spending, and fraud.

#### **1. Overcharges by Halliburton**

The largest single recipient of DFI funds is Halliburton. Under a no-bid, monopoly contract with the U.S. Army Corps of Engineers, a Halliburton subsidiary, KBR, was paid approximately \$2.5 billion for the importation of fuel for the Iraqi people, the preparation of oil field damage assessments, and the repair of oil facilities. Of the \$2.5 billion Halliburton received, \$1.6 billion came from Iraqi funds from the DFI.

Halliburton's work in Iraq has been plagued by overcharges. According to audits prepared by the Defense Con-

tract Audit Agency (DCAA), the company's overcharges under the oil contract exceed \$218 million. Of this amount, \$177 million in overcharges were paid from funds in the DFI. . . .

DCAA also detailed numerous specific problems with Halliburton's charges. The agency found that Halliburton had failed to demonstrate that its prices for Kuwaiti fuel were "fair and reasonable" and had failed to negotiate better prices with its Kuwaiti subcontractor. In addition, Halliburton repeatedly refused to provide information requested by DCAA auditors, including its actual costs for fuel from Turkey and Jordan and the process it used to choose its Kuwaiti subcontractor.

Although Security Council Resolution 1483 requires "transparency," U.S. officials affirmatively sought to withhold information about Halliburton's overcharges from the IAMB. After failing for months to respond to repeated requests by the IAMB for DCAA's audits, U.S. officials finally provided the IAMB with "redacted copies of the DCAA audit reports on sole sourced contracts, at its meeting in October 2004." These audits were so heavily redacted, however, as to be nearly meaningless. Every reference to every overcharge in every audit submitted to the IAMB was blacked out. In total, references to overcharges and other questioned costs were redacted 463 times by Halliburton and U.S. officials.

#### **2. Fraud by Custer Battles**

In July 2003, a newly formed U.S. security firm with political connections, Custer Battles, was awarded a \$16.8 million sole-source contract to provide security at Baghdad International Airport. In August 2003, the company also received a \$21.3 million contract to provide security for the exchange of Iraqi currency. One of the principals in the company, Michael Battles, was a Republican candidate for Congress in Rhode Island in 2002 with White House ties. In addition to receiving millions of dollars in wire transfer payments from the DFI, Custer Battles also received over \$4 million in cash from the CPA's vault in Baghdad. . . .

The performance of Custer Battles appears to be rife with waste, fraud, and abuse. In just one example, Custer Battles allegedly seized forklifts from Baghdad airport abandoned by Iraqi Airways, repainted them to cover the Iraqi Airways markings, claimed the forklifts were owned by a Cayman Islands shell company created by Custer Battles, and billed the government to lease the same forklifts under the currency exchange contract.

At a meeting between U.S. officials and Custer and Battles, a Custer Battles representative accidentally left behind a spreadsheet detailing the amounts that Custer Battles had overcharged the government. Government investigators subsequently verified that Custer Battles "fraudulently increased profits by inflating its claimed costs."

The company has been barred from receiving federal contracts, and it is now facing a federal lawsuit under the False Claims Act. . . .

## Germany Needs a Vision For Eurasian Development

by Helga Zepp-LaRouche

*Here is the presentation of Mrs. Zepp-LaRouche to EIR's Berlin seminar, on June 28. Her speech followed an hour of discussion, sparked by the keynote speech Lyndon LaRouche gave in the morning (see last week's EIR). Mrs. Zepp-LaRouche had recently announced her candidacy for Chancellor of Germany, as head of her party's slate, the Civil Rights Movement Solidarity, or BüSo.*

### Existential Crisis Facing Germany

I am very happy about the discussion erupting in this way, because I think now we can get into the kind of dialogue, on which obstacles need to be overcome, to actually find a solution out of this crisis. Given the fact that we are here, sitting in Berlin, the capital of Germany, and in three days from now, the question of confidence will be asked by Chancellor Schröder, and then the President will make a decision if there are early elections or not; given the role of Germany in this present world configuration, I wish to address the German situation in particular, both the crisis in Germany, and my view on how to overcome this crisis in German politics.

The problem we face in Germany right now, since unfortunately what Lyn is saying [about impeaching Bush and Cheney] has not yet happened—Cheney and Bush are still there—and therefore, we are faced with the absence of leadership from the United States, on the one side; and, we are faced with the very breathtakingly fast disintegration of Europe, at least in the form of the European Union. And therefore, given the fact that all of this is taking place, in the context of the financial collapse, and the economic collapse, there is a real tendency toward ungovernability in Germany. The German economy is already functioning below breakeven, at least from the standpoint of physical economy. We have officially 5 million, but in reality 9 million, unemployed. That is 3

million more unemployed than in 1933. And we have the annual collapse of more than 40,000 *Mittelstand*, middle-level industries, for the last several years in a row.

This would have been much worse, if we had not compensated the dramatic collapse of the domestic economy by a rather successful increase in the export ratios. Otherwise, the impact would have been much worse.

The big problem is, that the Red-Green coalition is inherently unable to cope with this crisis. The problem started, basically, when the Social Democratic Party went out of government in 1982, with [Helmut] Schmidt going out of government, and when the SPD developed the idea that they had to go into the opposition to retool themselves, basically into a “green” orientation. And that green orientation within the SPD itself, became then also the basis for the Red-Green coalition.

Now, I personally think that Chancellor Schröder has the potential of making abrupt policy changes. He did so in the Federal election in 2002; when he realized in August that he was looking bad in the polls, he very quickly dumped the situation with the Iraq War, and turned the election situation around within four weeks. So, I think he personally does have the leadership quality to make these kinds of policy moves. But, basically, this cannot be done with the present coalition partner, the Greens, because the Greens are blocking any kind of reform which the SPD would need. And, as I said, the other problem is that the SPD itself is so loaded with green ideology, that, with the exception of such people as Dr. [Claus] Noé, whose greetings we heard this morning, the SPD is inherently very badly situated to address the reasons for the economic collapse.

Well, without that green contamination of the SPD, which is a severe problem, the neo-liberal policy of the Agenda 2010

and Hartz IV—which are *complete* atrocities and mean the destruction of the social state as it has developed in Germany since the Bismarck reforms, which Lyn already mentioned—without such green contamination, this would have been completely impossible.

Now, that internal weakness of the SPD, was also the reason why they have not been able to buck the insane Stability Pact of the Maastricht Treaty, and the inability to distinguish between the question of an operational government budget, and capital investment budgets for basic infrastructure and other areas of the common good, and the creation of the framework conditions for productive investment. If that distinction had been made, the current catastrophic collapse of employment could have been avoided.

The real problem, however, is that the opposition parties, the CDU, CSU, and FDP, are far, far worse than anything in the SPD, even if the SPD is pretty rotten. If the SPD has moved away from the Kurt Schumacher/Bad Godesberger tradition, which constituted the Social Democracy as a pro-working-class, pro-social market party, this is even *much* more true for the CDU [Christian Democratic Union], which has completely abandoned the philosophy of Konrad Adenauer, and its Christian social market orientation. The CDU/CSU right now is completely dominated with neo-liberal neo-conservative orientations of the Mont Pelerin Society, and the few proponents of the old social market philosophy have been driven out of the party, or into isolation within the party.

Therefore, the prospect of a Merkel Chancellorship with possibly Stoiber as Foreign Minister, who regards Mr. Sarkozy [new French Interior Minister] as his very dear friend; and a Chancellor Merkel who thinks that the very same Kissinger—who was just characterized by Lyn as a genocidalist, because of his memorandum NSSM 200,<sup>1</sup> from 1974—this would really mean doom and disaster for Germany. For the rest of the parties, the FDP is also a complete disaster, a Mont Pelerin disaster, to be more precise. The Greens are probably politically as good as dead. And the so-called New Left Party, the WASGPDS, or whatever their name will be, has *zero* program to address the economic-financial crisis. The problem with the PDS, is that there are no intellectual thinkers. There is *nobody* approximating the economic competence of a Lenin, or a Rosa Luxemburg, or anything like that, but they have turned into complete pragmatics! I looked for thinkers, and I couldn't find one.

So therefore, if you look at this picture, we face, really, an existential crisis in Germany—a crisis which is not caused by Germany, but which, in the present constellation, Germany is completely unable to deal with from a national sovereign standpoint.

1. National Security Study Memorandum 200, commissioned by Henry Kissinger, said that population growth in selected developing-sector countries constituted a “national security threat” to the United States, which needed their natural resources.



*Helga Zepp-LaRouche at the Berlin seminar: “We need people who represent this idea of a just new world economic order, with a passionate love for the idea of an international community of peoples. . . .”*

EIRNS/Wolfgang Lillge

## The Circumstances of Reunification

Another factor of the situation, is the circumstances of German unification from 1989-90, which happened 16 years ago: that German unification was allowed only by forcing Germany to swallow a poison pill. In 1989-90, I made many speeches in first west and east Germany, and then eastern Europe, then the former Soviet Union—CIS countries—in which I warned, that if they would make the mistake, to impose on a completely bankrupt Communist system, an equally bankrupt free-market-economy system, then this, in a couple years, would lead to a much more dramatic financial collapse—which is exactly what happened. And please remember the Encyclical by Pope John Paul II, *Sollicitudo Rei Socialis*, which he published in 1987, in which he said, that the fact that the Communist system had collapsed should not lead to arrogance on the part of people on the side of the free-market economy, because there were “structures of sin” both in the East and in the West, and one only had to look at the condition of the so-called Third World to see how evil the structures of sin of the Western system were. And if you look at the world today, this Pope has proven to be absolutely on the mark.

Now, this poison pill which Germany was forced to swallow as a price for unification: One poison in it was the forced early European Monetary Union, the fact that the euro replaced the d-mark.

The radical reform policy for the new states in the east was another component of the poison, because it led to complete deindustrialization. And today, in the so-called new states in the east, you have towns and cities where the average age is over 60 years! No young people! Because there are absolutely no job opportunities for the youth.

So, if you look at all of these aspects, with the absolutely astounding economic incompetence of a possible CDU government, if we would go ahead with the present configuration of political forces, we will have, for sure, a social explosion



Bundesbildstelle

*The Reichstag in Berlin, during the celebration of German reunification, Oct. 3, 1990. Germany was forced to swallow a “poison pill” as the price for reunification: the policies of globalization and deindustrialization.*

in this country of unprecedented dimensions, and therefore, chaos, dictatorship, would be the perspective.

### **Destruction of Russia and Eastern Europe**

Now, another part of the poison pill which Germany was forced to swallow, was the geopolitical destruction of the former Soviet Union and Eastern Europe. The imposition of the unbridled free-market economy, which had various sophisticated names—“reforms,” “Polish model” of Jeffrey Sachs, “shock therapy”—all of these are just euphemisms for the destruction of the economy. And in the case of Russia, these so-called reforms, in a few years, led to the destruction of the Russian economy, leaving Russia with only 30% of its industrial capacity, as compared to what it was in 1991.

The reality was, the economies of the Comecon [Soviet-dominated Council for Mutual Economic Assistance] were not obsolete, at least not from the standpoint of physical economy. Because, if you had taken the economies of the Comecon countries and given them to African countries, they would have been happy to have these economies. They were only obsolete from the standpoint of the competitiveness on the world market.

And therefore, we proposed at the time the so-called “Productive Triangle Paris-Vienna-Berlin” [Figure 1], which was a program to build a network of infrastructure corridors into the east, using the existing industries of Eastern Europe, to build infrastructure—which was the main thing which was neglected by the Communist system of the Soviet Union and

the Comecon—and basically, only after these industries would have been used up, so to speak, by building infrastructure, and then replacing them with Western technologies, then you would have had a real reconstruction program for the East.

Now, as you know, this was not done. Instead, there was a geopolitical attack: Herrhausen was killed; Rohwedder was killed<sup>2</sup>; there was a complete blackmail against Germany with Margaret Thatcher’s “Fourth Reich” campaign; with [French President François] Mitterrand demanding the destruction of the d-mark; with the older Bush Administration, the New American Century doctrine, which was at least pronounced by Rumsfeld, Cheney, and such people—all of this was not done.

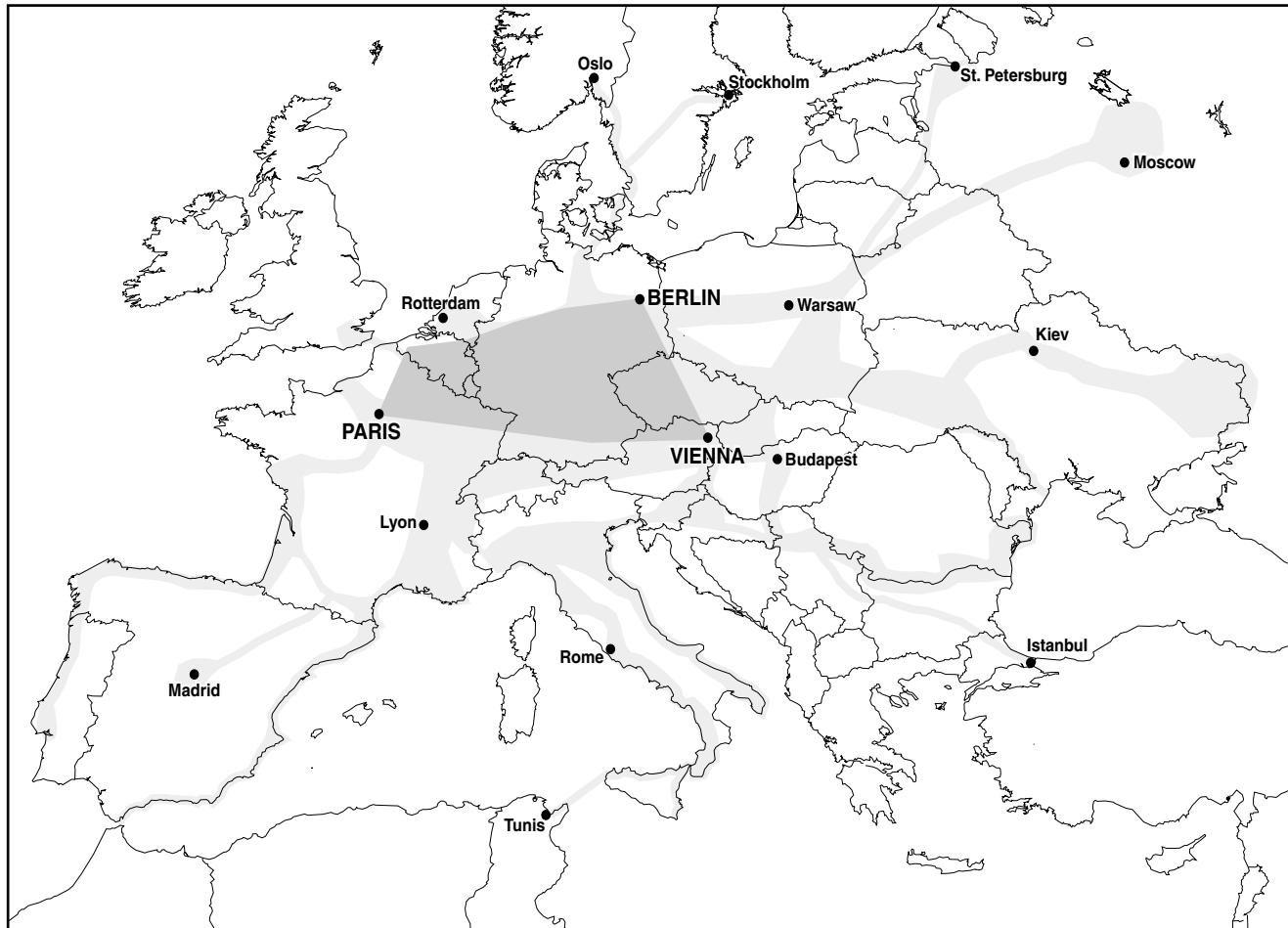
Nevertheless, when the Soviet Union finally disintegrated in ’91, we enlarged this idea for all of Eurasia, and proposed the Eurasian Land-Bridge, which is the idea of an integrated, high-speed railway system: maglev, highways, waterways, computer stations, and 100 km-wide infrastructure corridors, basically as a single integrated Eurasian *Verkehrswegenetz*, total infrastructure network, to basically

2. Alfred Herrhausen, the chairman of Deutsche Bank, was assassinated on Nov. 30, 1989, as the Berlin Wall was falling. He had advocated a German role in developing Eastern Europe and the Soviet Union. Detlev Rohwedder, the chairman of the Treuhand agency, which was tasked with converting former East Germany’s state-sector industries after the collapse of Communism, had a similar perspective, and was assassinated in 1991. He was replaced with rabid free-market ideologues.



FIGURE 1

## The Paris-Berlin-Vienna Productive Triangle



EIRNS

*When the East German Communist system collapsed, Helga Zepp-LaRouche, in collaboration with her husband, Lyndon, advanced the concept of the European “Productive Triangle,” to create a core of high-technology development which would revive the economy of Europe, and then radiate through “spiral arms” into Asia, Africa, and the Mideast.*

bring the land-locked areas of Eurasia out of their being land-locked, and give them the same economic significance as the coastal areas of Eurasia would have.

Basically, the idea was, to continue where World War I had interrupted the process of Eurasian integration, with the Trans-Siberian Railway, with the Berlin-Baghdad Railway, and so forth.

If this had been done, instead of the neo-liberal so-called “reforms” (which is better called neo-liberal destruction), the former Comecon countries would have become significant partners, not only for Germany, but for all of Western Europe, and Germany would not face the economic problems it has right now.

For Germany, this is still the key. Why? Why does Germany need Eurasian economic cooperation, to come out of its present crisis? Since Bismarck’s industrial and social reforms, Germany achieved an outstanding living standard. It could afford an excellent health system, an excellent social system. Why? Because, despite the fact that Germany had no significant raw materials, we had basically always a very high ratio of science and technology, and therefore an increase in the productivity of production—and, producing excellent products on a world-class level, 40% of exports; and these two components meant that Germany could be one of the leading economic nations in the world. The source of Germany’s wealth was always this: the focus on infra-

structure, industry, agriculture, as drivers of the economy; and the high export rate of up to 40%.

But through this unbelievable geopolitical stupidity, the great historical chance of 1989 was missed. And instead of putting the East-West relation in Eurasia on a completely new basis of cooperation, and to establish a real peace order for the 21st Century, this was not done. As I said, in the first Bush Administration, they wanted to become a world empire at a moment when there was no normal adversary any more. You had Thatcher's own geopolitical designs; Mitterrand wanted the destruction of the German economy, even if that meant the destruction of France itself!—if you look at the entanglement of these two economies. And there was a common denominator between those European oligarchical tendencies and the U.S. oligarchical tendency, to turn Russia into a Third World country, a raw material producer, to eliminate a competitor on the world market forever.

But by destroying the countries of Eastern Europe and the former Soviet Union, they destroyed the very markets on which the long-term success of German and West European economies would have depended.

### The Current Global Context

Okay, we have made this mistake. Now, we are facing exactly the large crash we were warning about in '89-90, and therefore, there is only one opportunity and that is, to put the Eurasian Land-Bridge back on the agenda [Figure 2]. Despite the problems we have heard, I agree with Mr. [Chandrajit] Yadav [of India], that despite the difficulties, there is a very strong motion to put the strategic partnership, Russia-China-India, on the table, and that is a desire which has been accelerated by the occurrence of Sept. 11 and the understanding of many forces in these countries to oppose the idea of a world U.S. empire. And therefore, this Strategic Triangle, even if it's weak and too slow, is becoming a center of gravity for other Asian countries: such as Southeast Asia, South Korea, and potentially even Japan. (Japan is in a very mixed situation: On the one side, they are gripped by the control of the "Washington Consensus." On the other side, Japan is in the same situation as Germany, having no raw materials, and being in absolute dependency on long-term developing markets in Asia.)

The same is true for Germany and Western Europe in general. Europe needs long-term, expanding markets, long-term raw materials supplies, and long-term multi-level trade cooperation. Therefore, unless the Eurasian Land-Bridge is put on the table, as a total infrastructure network *at once*—and what I mean by "at once," is that, rather than building a railway from South Korea to North Korea, building the Messina Bridge, building another bridge from Denmark to Germany; what I think is needed, is the vision of governments to put the Eurasian Land-Bridge on the agenda as one integrated (I only know this word in German) *Eurasia Verkehrswege*

*Plan*, which has the entire development plan for the next 50 years as a plan!

### A Vision for the Future

So that then, each country can start building its part, and that a vision which elevates everybody above the regional conflicts—and, admittedly, Central Asia and all of these regional conflicts, I'm fully aware of. But, what is the problem? It's a lack of economic development! It's poverty! And once people have the vision that there is a perspective of improvement, that there is a level of reason which is higher and more compelling, than all the historical difficulties among the different countries, I'm absolutely certain that the way out can be found.

Therefore, what we need is a vision: to combine the industrial and population centers of Europe with the industrial and population centers of Asia. Because if that is not put on the agenda, there is no recovery for Germany! And I'm a German patriot, and I want to see German recovery.

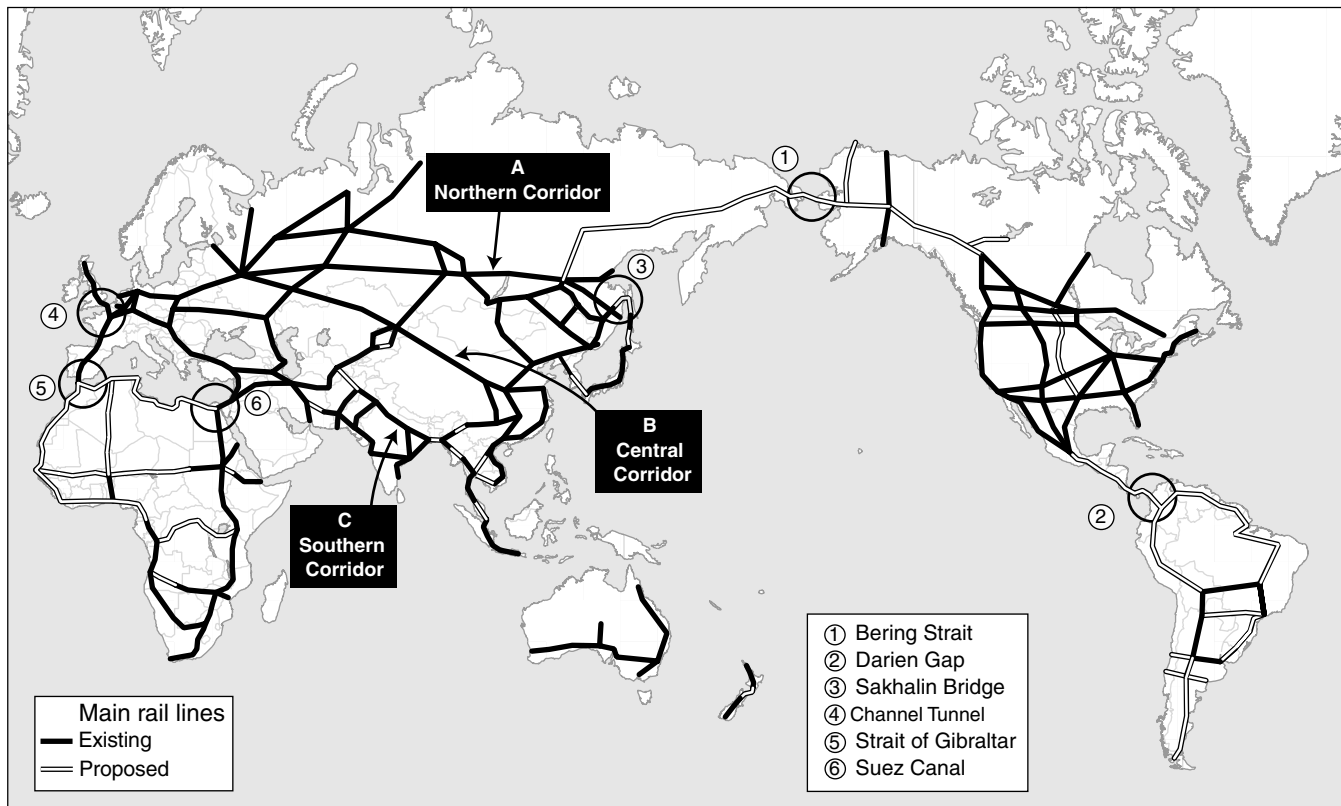
So therefore, what I want to propose is—and I want to put it on the table to all the participants of this seminar—the conducting of an international conference on the Eurasian Land-Bridge involving all Eurasian countries, essentially, on a larger scale, like the big conference which took place in 1996 in Beijing; where we had suggested this to the Chinese government and it took two years until it finally matured, because Sir Leon Brittan didn't like this idea very much. But eventually, in '96, thirty-four countries met in a conference in Beijing and discussed—the title of the conference was, "The Economic Development of the Regions Along the Eurasian Land-Bridge." At that point, the Chinese government declared the realization of the Eurasian Land-Bridge to be its strategic long-term perspective until the year 2010. Now we are in 2005, and there were a lot of obstacles: the Asia crisis of '97, the election of Bush and Cheney, and other such unfortunate developments.

But now, I think, is the time to really use the fact that a lot of people are freaked out—not only people in the United States, but in high levels in banking circles and government circles. They are freaked out! They know this system is finished!

Therefore, I think now is the time to put such a perspective really on the table in a big way. And I mean a *big* way. I don't mean a little conference, a little seminar, but a government-level conference, with live TV transmission in all channels in all participating countries, and the world would change! The world needs nothing more than a vision how to get out of this misery, and we can make a real revolution in the thinking of people.

The fact that the GM crisis, and for the cognoscenti the consequences of the attack of the auto sector crisis on the hedge funds, the *Klumpen-Risiko* [cluster of risks] involving now the mortgage bubble in the United States: This is a golden opportunity, if we don't miss it! Crisis is a chance for—the

FIGURE 2

**Proposed World Land-Bridge**

Chinese have this character for “crisis” which is the same as the character for “chance.” And I think this is what we have to understand.

Now therefore, I propose the convening of such a conference for a comprehensive Eurasian development program, still to be conducted this year. Now normally, people say, such conferences need years and years for preparation, but I think we should make a real crash program, and say, “No. We will not accept that the world is crashing towards the wall, and all this ends in a big disaster.” But if there would be war, the Bundeswehr could build a bridge over the Rhine in 45 minutes. And I think if you take that approach to build such a conference, it can be done in the Fall.

### My Election Campaign

As some of you know, I recently announced my campaign for the Chancellor’s office in the upcoming German election, if there actually will be such elections. And this I will do exactly on this program for a New Bretton Woods conference and the Eurasian Land-Bridge. Now nobody in their right mind should ridicule my campaign as being that of a represen-

tative of a so-called minor party, because I do represent a real alternative for this country, for the survival of Germany, and all other major parties mean major catastrophes, and nobody should prefer that over a real alternative.

I recognize that the initiative for the solution of such a change has to come from the United States, as it already has been stated by my direct connection to this country. But, a United States which has returned to the tradition of Franklin D. Roosevelt, such a United States still needs partners from among its allies, and I think the partnership with Germany, therefore, will be key. If the United States will have successfully freed itself from the doomed Bush-Cheney policies, even before the next elections, then Europe and Eurasia must develop the orientation of cooperating with the United States and gaining U.S. support, not only for the development of the Eurasian Land-Bridge, but for the expansion of that Eurasian Land-Bridge into Africa and the Americas. Because, what the world really needs is a global reconstruction of the world economy, based on the cooperation among perfectly sovereign nation-states, united through the common aim of a just new world economic order.

My campaign for Chancellor has the purpose to catalyze the combination of forces in Germany, and by implication in all of Europe, to represent German and European participation in such a Eurasian-based new world economic order.

### The Cultural Dimension of Change

And I want to bring in, shortly, one other aspect, and that is, the cultural dimension of this perspective: Because I think globalization, which is just another word for Anglo-American world empire, has led to a situation where maybe 5%, but maybe only 1%, of the people are stinking rich. They have all the privileges they want. But, 80% or more of the world population, in the so-called Third World, but also in countries like the United States, Germany, or others, is collapsing into poverty and being deprived of the most fundamental human rights. Privatization is a new word for feudalism.

Therefore, the new world economic order must be based on the idea, to bring the political order in cohesion with, as our friends in India would say, “the cosmic order,” or as we in Europe would say, “the order of creation.” And we must bring in more fundamental metaphysical conceptions in these discussions, which is why I like to refer to my good friend Nicolaus of Cusa, who had the idea that each human being, and each nation, is actually a microcosm, and that concordance in the macrocosm can only exist if you have the maximum development of all microcosms. And Lyn already spoke about that, that the development of the other microcosm, the other nation, must be the self-interest of each microcosm and vice versa, of each nation and vice versa.

And we must develop a world order based on a new Peace of Westphalia Treaty with a division of labor, in which we will have a human world order, hopefully even for us to see. Because, I think the present condition of the world is just not acceptable. What we need for that, is—and I appeal to all of you sitting in this room: We need people who represent this idea of a just new world economic order, with a *passionate love* for the idea of an international community of peoples—which is what Nicolaus of Cusa had already in the 15th Century, which Leibniz had, and I think which was expressed by John Quincy Adams, and the idea that the world must become a community of principles based on the common idea of mankind.

We not only have to correct the economic errors of the last 40 years, and the last 16 years since German unification, but in 1990, we produced a special edition of our cultural magazine in Germany, *Ibykus*, for the occasion of the German unification. And there, we emphatically made the point that the perspective of economic development has to be combined with a cultural and moral Renaissance. For Germany, that means we must evoke a Renaissance of the humanist spirit of the German Classics, especially because we have moved so far away in the last years from these high ideals, this historical chance had to be used, if one wanted to have the construction of Germany based on the highest principles of statecraft and

republican virtues.

We wrote at that point: “History has given us a *Sternstunde der Menschheit*, a golden opportunity that comes once in a century if you are lucky. But the great moment could only find a great people, if one could positively turn the peaceful revolution into a cultural and moral renaissance, and that, in all of Germany.”

Now, it was already mentioned by Lyn, that the opposite was done, that, rather than reviving the Classical tradition of Germany, the evil influence of the Congress for Cultural Freedom of the West, was superimposed on the East, and has led to an even more socially explosive situation there. But we have the opportunity in Germany, as in all other countries of the Eurasian Land-Bridge, to remember our great thinkers and poets, and look at ourselves as if in the mirror of those minds, where we stand today before the greatness of their thinking.

Now, Schiller wrote in his famous short poems, the *Xenien*, that only in a beautiful mind, the totality is reflected. And when the individual is not developed, then the state can’t be either. But, if the individual progresses, the state will do the same.

So therefore, I make an impassioned appeal to combine this with the idea of a Dialogue of Cultures, to evoke the best traditions of all our nations, and I think we will have a very bright future. And I think that the fact that we have a growing youth movement of young people who are not leaving this world to the values of the old generations which caused this crisis, is the biggest hope for optimism. And that’s what I wanted to say.

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Mario Lettieri

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## Parliaments Should Act on These Issues

*Hon. Mario Lettieri is a member of the Italian Chamber of Deputies. He delivered these remarks to the Berlin seminar on the morning of June 28, after Lyndon LaRouche’s keynote (published in last week’s EIR), and the questions and discussion that followed it. Lettieri spoke in Italian, with consecutive translation. The moderator was Michael Liebig.*

First of all, I’d like to thank you for the invitation to take part in this very important meeting.

Following the very wide-ranging and profound presentation by Professor LaRouche, I’ve had to change my plans for

my intervention, and shift in a different direction. The themes that have been introduced are extremely relevant, and they require of intellectuals and professionals in every part of the world—but particularly in the United States—a particular commitment, in order to solve the problems that have been identified.

As a Member of Parliament, and on the invitation of Paolo Raimondi, whom I'd like to greet here, as you probably know, I proposed to the Parliament of my country, Italy, a proposal for the reform of the financial and monetary system. The Parliament in Rome, on April 6, approved the proposal that I had presented, and it committed itself as well, to appeal to the government to become active internationally, in order to build a new financial architecture, in order to prevent future speculative bubbles, and also to prevent future financial crash scenarios. This proposal also called on the government to sustain the real economy, as Mr. LaRouche developed the idea today, and therefore to take all necessary initiatives to convoke an international conference at the level of the heads of state and governments, in order to define a new, and more just, world economic and monetary system.

My initiative was actually prompted by the scandals in Italy of Parmalat and Cirio, which you've heard about, as well as the very big scandal in the United States over Enron, and of course the Argentine bond issue, where, for the first time, a sovereign state was defaulting. I believe that these things are merely the tip of the iceberg, of a much greater, much graver, and larger phenomenon, which of course Mr. LaRouche has developed today, but which is not taken into consideration adequately, generally. In every country, particularly in the developed countries, we see more and more, every day, the negative effects of the financialization of the economy, the transformation of economic processes into financial processes; the concentration of power in very few hands; the lack of equality in single countries, and among various countries, and of course, even the lack of equality among continents—here, I'm thinking of the case of Africa, which was also cited.

I won't speak of the situation in Africa. However, I must say, I live the crisis of Africa as a great drama, a great personal drama. But, I will not speak of the disease, the war, and social dislocation.

### Disastrous Effects of Outsourcing

What I do want to do, is to stress one aspect that was raised by Mr. LaRouche: And that is, the outsourcing of production out of the United States and Europe, because this is also hitting Italy quite hard, right now. It has led to the impoverishment of the social structures, and unemployment, as well as a chain-effect of the following type: Instead of having investment going from northern Italy, which is relatively developed, into southern Italy, where it is greatly required, investment is going from northern Italy to Romania, to Poland, to Slovenia, to Tunisia, and to Turkey. And I can already anticipate that



EIRNS/Wolfgang Lillge

*Lyndon LaRouche (left) and Hon. Mario Lettieri at the Berlin seminar. Lettieri made an impassioned appeal to the audience and to other parliamentarians: "I want to emphasize the dramatic situation. If we do not address these issues at the required level, there's the risk that the new generations will find themselves in a dark age."*

tomorrow, when the conditions are improved in these various countries where investment is being made, there will be the tendency to look for other areas where one can outsource production, where the wage levels will be even lower.

As is known, many negative effects have been seen in the countries of the West, deriving from the imports of cheap products, from China for example, where wage levels are much lower and therefore products can be produced and sold at much lower prices. Entire economic sectors are being hit by these cheap imports—for example, the textile sector. In Italy, the textile sector used to be a very prominent one, very productive. But now, it has fallen into a serious crisis, not only in Tuscany, but also in the southern part of the country. So the problems are not at all local, and do not just affect a single country, but they are much more complex, and affect the entire globe.

From what I've heard, it's very clear that the international institutions, thus far, like the World Bank, the IMF, the World Trade Organization, as well as the G-8, have not demonstrated an adequate understanding of the complexity of the problems. And as Mr. LaRouche presented it, it also appears to be the case that these governments themselves are either unaware of this fact, or are influenced by the fact of this so-called "bestial capitalism," and the big financial banking systems that actually are controlling the economies. These are not the great industrial systems that we had in the past, which were extremely productive. But, we're dealing here with banking systems, financial systems which are based on purely speculative activities, whereby huge masses of money, of funds, are transferred from one place to another within a few minutes,

bringing great profits to those who invest them, but impoverishing entire countries.

### Parameters for a New Bretton Woods

Therefore, we absolutely have to review the entire financial and economic system, and the policy of development. I hope that the United Nations and the EU will play a role in this concern. Mr. LaRouche has displayed a not positive predisposition to the European Union, and here I must dissent: Because, I believe that the EU—which was recently hit very hard by the “No” vote in France and the Netherlands on the Constitution—I believe that the EU still can play a role as if a single state, in the process of creating a new and more just monetary and financial system internationally.

There are several new facts that must be registered worldwide, which are positive. For example, I see a process of democratization in countries of Latin America, and also in those Eastern European countries or those in the former sphere of the Soviet Union, and I would like to greet the representatives of these countries here, today. Another important fact to note, is the new role of Asian countries, like China, India, and Korea, in the world economy. The United States is also apparently beginning to note their presence, at least on the market, and these countries will have to be given a larger political weight in world politics. And also, in my view, they must be brought into the process of creation of a new monetary and financial system worldwide.

Well, it's very obvious, that when we're talking about building a new international financial-monetary system, a New Bretton Woods, we cannot exclude great countries like China, India, and others which have an extremely important demographic weight, as well as an economic function in the world economy. This also goes for the countries which were formerly in the sphere of the Soviet Union.

### Freedom and the Role of the State

Now, there are just a couple of problems I would like to raise, in conclusion. You have stressed the role of the state in your remarks, which has raised a couple of problems—in fact, I saw, in some of the questions asked here, that this issue can be problematic. These questions have stimulated my question now: How can you link the freedom of the economy, the freedom of a company to move as it will, economically, in order to return to a productive economy, where it produces tangible wealth, not speculation, and also generates employment—how can you link this freedom of the economy, free economy, to the role of the state? Because I have seen how an excessive role of the state, for example in Eastern Europe, can lead to a degeneration of the economy. And I think we have to identify a third way, in which we can guarantee that a free economy can coexist with a strong state.

In practice, we have many weak governments, which are incapable of generating investments for productive activities. But, on the other hand, we also have governments which are

subjected to the control of powerful international financial institutions, and they have acted in such a way as to produce the scandalous cases that I mentioned before—Parmalat, Cirio, Enron. These are brutes, which managed to escape the rules of the game. They managed to avert the regulations that are established in any one country. And there are too many big financial processes, and groups, which are able to evade any kind of regulation. What we need is regulation on a worldwide scale. However, we have not even been able to reach agreement at the level of the European Union. And even within Italy, there is disagreement still on the question of the reform of the savings system. At the EU level, we need, absolutely, regulation, in order to prevent further scandals, and I have spoken about the possibility of introducing a tax, something like the Tobin tax, which would be a way of regulating and at least identifying speculative flows.

Now, before I finish—and thank you for your patience, listening to these disconnected thoughts—I want to make an appeal: And that is, that everyone has to make a very serious effort, at the level of every parliament, as well, to deal with these issues. It has to be said that the individual parliamentarian often doesn't have the time, or is not able for other reasons, to reflect on this *very dramatic* situation we are living through—and I want to emphasize the *dramatic situation*. If we do not address these issues at the required level, there's the risk that the new generations will find themselves in a dark age. So, I am calling for a common commitment, which right now is not there at the level of most institutions. We must call on all, to fight for the common good, and also with a good dose of utopian outlook for a better world.

Thank you.

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## LaRouche Responds on the Question of Freedom

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**Liebig:** Once again, thank you Dr. Lettieri. And, as you raised a number of very significant questions to Mr. LaRouche directly, I would propose, in concluding this morning's session, that Lyn directly responds.

**LaRouche:** Let me start with one thing, an observation on this question of freedom, as he referred to it in a number of points in the report.

Some years ago, I saw the opportunity of, or the challenge of meeting the potential of a youth movement inside the United States and elsewhere. Now, the need for the youth movement comes largely from what happened in Western Europe and the United States under Harry Truman and Co.—or, under Henry B. Luce and Co.—in the creation of a fascist organization called the Congress for Cultural Freedom, which I've called the Congress for Cultural Fornication.

This institution, which presumably was to educate people in the United States, in particular, Western Europe, and to

penetrate Eastern Europe, on behalf of democracy, actually was one of the greatest insults to freedom ever concocted. It was based on ideas typified by those of Bertholt Brecht, a very evil person, a reputed leftist, who imposed a kind of fascism, which was called “liberalism,” in the effort to try to destroy those elements of European culture, including in the United States, which had been responsible for what these people objected to—people like Theodor Adorno, Horkheimer, Arendt, who were close friends of that Nazi Martin Heidegger.

And therefore, what’s happened is, there was a curse on creativity, actual creativity, which I observed. I came out of World War II, you know, as some people did. And I came back to the United States which I’d left when it was under Roosevelt, to a United States under Truman. And I found that the people who were actually responsible for putting Hitler into power, originally—some of whom objected to him when he turned westward in his attacks, rather than eastward—had gone back, at Roosevelt’s death, to try to take German troops out of prison camps and send them against the Soviet Union, then. And these people, under Churchill and under Truman, had taken over. And these were the people who had dropped the two bombs, unnecessarily, on Hiroshima and Nagasaki, for no good purpose. To simply terrify the world, and get a nuclear war going.

### The Post-War Cultural Paradigm-Shift

Now, what had happened is, the generation which was born during the war or immediately afterward, was educated under the impact, in the United States, and Europe, of the Congress for Cultural Freedom, or the Congress for Cultural Degeneration. Now, these young people had to prove they were anti-communist. They were the perfect sophists—they had no morality whatsoever. This was true in Western Europe; this was especially true in France. You see the cultural effects of the Congress for Cultural Freedom.

So, we produced a generation which became known as the ’68ers, which, under the stress of the Missile Crisis of 1962, under the stress of the opening of the war in Indo-China by the United States, went crazy, and became known as the ’68ers. And they were associated with what was called a cultural paradigm-shift. The essential feature, the destructive feature of this, was the *denial of the existence of rational creativity*. The epitome of this degeneration is the Greenie phenomenon in Germany today, the anti-nuclear phenomenon. So, the emphasis on irrationality, of this particular type, is what has been responsible, culturally, for a transformation of the economies of the United States, Western Europe, and elsewhere, from economies, which with all their defects, political defects, were net producers and net growers, up into the middle of the 1960s, and somewhat beyond; into societies which were self-inflicted processes of degeneration, of economic and moral degeneration, which is what we have today.

Now, in 1989, at the time that the so-called Berlin Wall

fell, my generation was still in a leading position in governmental and related power, typified by the Alfred Herrhausen who was murdered in that year, by people who didn’t want Germany to survive, at least in a progressive form. And what we’ve had since then, is the emergence of a generation, the so-called Baby-Boomer generation, which took over the United States and Europe. These were the people who by and large, were corrupted by the pure, systemic sophistry of the Congress for Cultural Freedom.

You can not get a decent performance of any Classical drama in Germany or in Austria today. You can’t do it! The actors don’t exist. The Classical European culture has been destroyed. In scientific education, scientific education has been virtually destroyed, reduced to *textbook* education. The process of discovery of ideas, is gone. It is not in the educational system. If I want an intelligent person in science, I look for someone who is in their late 70s, or 80s, as in the former Soviet Union today.

So, the past 15 years, since the fall of the Wall, has been period of accelerated cultural degeneration, as the Baby-Boomer generation took over from the preceding generation.

### A Challenge to the Young Generation

The result is, that the young people today—young adults 18 to 25—do not hate their parents, except in some cases, but the healthy ones don’t hate their parents; they have contempt for them. They have contempt for them because they look at them as people who are waiting to die, without being aware of it; who are living out lifestyles, not pursuing goals; who are hostile to creativity; who are interested in protecting their prejudices, their acquired habits; not open.

Now, what I found, about 1999, this development within the United States became obvious, and also was reflected in Europe, at about the same time. We began to get a Youth Movement in the United States. And I, understanding these things, I kept the Youth Movement separate from the adult part of the organization, the older adult part of the organization; because the older adults hated what the youth represented, because they represented a threat to the lifestyle culture of the Baby-Boomer generation, which is a product of demoralization—this process.

Now, what we’ve got, is the following: I set two standards for the self-education—and it’s largely self-education—of these youth. Standard number one: Gauss. Gauss’s 1799 attack on d’Alembert, Euler, and Lagrange. So this worked. This meant going back to Classical Greece, to understand the origin of these ideas of science which were modern ideas of modern science. This meant going to Classical culture. And we used things like the Bach *Jesu, meine Freude*, and also things like the Mozart *Ave Verum Corpus*, as programs which are used by the youth, in a self-education program.

Now, as a result, we have a young generation, which, after several years of this, have actually become proficient in understanding concepts such as some of those of Riemann,

and similar people, which are incomprehensible to people with professorships in science, in many universities today.

## Freedom and Creativity

The difference is very simple: These young people have concentrated on the creative processes of mind. The creative processes of mind are the definition of freedom. The ability of a human being to distinguish himself from a monkey, which some Baby-Boomers have trouble doing, is the problem. And therefore, the Baby-Boomer generation tends to be oppressive toward the younger generation, because they're trying to cling to the lifestyle, which is their reaction formation to the impact of the Congress for Cultural Freedom on the culture of Western Europe, of Central Europe, and the Americas.

What has happened, is you have some of us, who come from a somewhat younger Baby-Boomer generation, who are distinct, who have not shared this corruption. This includes a significant number of people who, by a selective process, have risen to positions of importance in the U.S. government—especially in the Senate and some of the professions of the Executive branch. They still cling to a knowledgeable understanding of the cultural heritage of the United States, and are responsive to it.

So, the question of freedom, today, must not be—as the Professor just indicated—must not be looked at as a problem of a system of government, inherently. It's a problem of the way in which a system of government *has been used*. Because, if we have a society which is oriented to promoting, in educational systems, in forms of employment, to laughing at the Greenies as being a disease, and laughing at them so we won't kill them; ridiculing them, because we don't want to kill them, because they are hateful people—. They have been destroying our culture. They have been destroying our civilization. The denial of nuclear energy, in Europe and other parts of the world, *is a crime against humanity!* The denial of technological progress, *is a crime against humanity*. These ideas which were spread under the influence of the Congress for Cultural Freedom, have been the oppression.

If we get rid of that, and if we go back to the ideas of promoting individual creativity, and the right of all individual young people—children and others—to be educated in a way which *promotes* their creativity, which gives freedom to the expression of their creativity, then, you will not have an oppressive society. The oppression in society, is not a systemic one. The problem does not lie with the systems of government, or the systems of the state: it lies with the way the systems of the government and the state have been *abused*, under the influence of this process, which was set into motion by those such as Churchill, Bertrand Russell, Truman, and so forth, who launched the Cold War, as it came to be known. And this kind of cultural sophistry, the sophistry which has destroyed cultures in the past, *has corrupted the people themselves*. And the only correction for corruption of the people, is to inspire them to discover the true humanity in themselves.

And I find that the work of these young people does that. I find that, when people are inspired by hope, that their tendency for freedom is increased; their respect for freedom is increased. When you try to find a solution in *making the rules*—always *making the rules*—the making of the rules by those who make the rules becomes a form of oppression. And therefore, what the Professor said, is extremely important.

But you have to understand the source of the disease, and the cure. The cure of the disease, is to promote creativity among our young people, so that people in the 18 to 25 age-group, which is the transition from juvenile ages into adult ages, adulthood, *this is the crucial period*: If we produce, *en masse*, young people who are inspired to be creative, who like creativity, who enjoy Classical culture and what it represents; who enjoy scientific discovery and what it represents—not learning from a textbook! but *re-enacting the act of discovery*: If we do that, then we create a people who are characteristic of freedom.

We have an example, right here in Germany. You had a terrible situation in Germany, or an oppressive situation, in the middle of the 18th Century. Into this, came people such as Lessing, and Moses Mendelssohn. And they started a Classical revolution in Germany, which spread from Germany, back into England. Shakespeare didn't exist in England in the 18th Century, until Lessing discovered him—in Germany—and revived him for the world.

And thus we found, that Classical periods, periods of Classical revolution, periods of florescence of creative thinking, such as the 15th-Century Renaissance, centered on Florence, these kinds of periods are the periods which produce the idea of freedom, and induce the *practice* of freedom. And the problem is, not so much the imposition of forms of society which are unfree, but the allowing of ourselves to become subjugated to the stultifying effect of dead ideology, of a hatred and estrangement from creativity. Whenever people become creative, and are inspired by their own creativity, they tend to revolt, as they have in all periods of Classical culture in European history. And other parts of history: Take for example, the great Arab Renaissance, which occurred in what is called today Iraq, under people like al-Farabi and so forth, others. This Classical Renaissance inspired a culture!

The same thing as happened in the European Renaissance. It happened in Greece: When Greece was in its bad state, the Pythagoreans and Solon and people of that type, and in a bad period, people like Plato, inspired a Classical revolution which reverberates in the world, still today, in echoes.

So, the key thing, here, on these questions: If we organize society around the idea of scientific and cultural creativity, if we inspire ourselves by a devotion, not to competition, a Hobbesian competition, but inspire ourselves by a commitment to find the advantage of the other nation, the other people—"What do they need, from us?" If we all concentrate on what the other nation needs from us, we shall get along quite nicely.



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Sergei Glazyev

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## We Need a New World Financial Architecture

*Dr. Sergei Glazyev, an economist and a member of Russia's State Duma (parliament), addressed the second panel of the Berlin seminar on June 28. Glazyev has authored many books on economics, including *Genocide: Russia and the New World Order*, which was published by EIR in 2000.*

First of all, I'd like to thank Mr. LaRouche for this initiative, which is very important, and to my mind has a crucial sense.

A few years ago, when he wrote a lot of articles about the collapse of the present financial system, very few people were thinking about that. Now this collapse is taking place. Each year, the crisis is going deeper and deeper, and now it's time to think about the new architecture of the world financial system. And this initiative, which was launched by Mr. LaRouche, is just in time. And nowadays, when unfortunately, heads of state, the heads of the central banks, and the heads of the largest financial corporations are trying to close their eyes to the growing problems, and imitate a good policy, we have a chance to sit here to discuss the future—which inevitably is coming in the nearest years—the future with a new, I am sure, financial architecture, which will emerge in any case, after the collapse of the present one.

I don't think that this collapse could be prevented. What we should think about, first of all, is how to—not to avoid the crisis, but how to minimize the costs of transition; and what could be the new, optimal, and sustainable system, financial system, which will give mankind an opportunity to continue economic development.

We really need a new architecture of the world financial system, because those which exist couldn't be improved. I don't think that the present dollar-based speculative financial system could be improved. It is going to collapse anyway, and the question is only, what will be the shortcomings of this collapse, and how we can minimize the costs.

I agree, that this financial crisis and collapse of the financial system is a disaster for the whole of mankind. And of course, all nations are trying to maintain the stability of the present financial system, and to avoid new risks. But the problem is that the risks are embodied in this system, and they are growing higher and higher.

What could we do, to save this system, which is based on injustice, on fraud, on unequal and imbalanced exchange in the world, and this imbalance is going higher and higher? In fact, the dollar-based financial system now, is what we call a "financial pyramid." It's just being maintained, due to the growth of financial speculations; and financial speculations determine the demand for the dollar; and the supply of dollars couldn't be really limited, because of the internal nature of the American financial system. They have to print more and more dollars to service the growing debts. And this is the endless process which finally leads to the collapse, as we see in the history of mankind: a lot of cases like that—of course, of much less scale—of the collapse of the financial pyramids.

Nowadays, this financial pyramid is supported by various



EIRNS/Wolfgang Lilge

*Left to right: Maj. Gen. Assir Karim (ret.) of India, Dr. Sergei Glazyev of Russia, Lyndon LaRouche, and moderator Michael Liebig. Dr. Glazyev told the meeting that he doesn't think a global financial collapse can be prevented. What we should think about, is "what could be the new, optimal, and sustainable system, financial system, which will give mankind an opportunity to continue economic development."*

financial speculations, including the speculations with raw materials, which we see in the growing oil prices, which are purely speculative. And the United States is trying to maintain the demand for dollars also with the help of wars, and trying to pressure various nations to keep their currency reserves in dollars. But this couldn't go on endlessly. Nowadays, the American Federal Reserve doesn't control dollar circulation: About 60% of the dollars which were created by the Federal Reserve System are circulated abroad, and they are out of the American jurisdiction entirely. At the same time, if you will look at the present structure of the dollar-based financial system, we shall see that the amount of dollars in circulation, together with Treasury bonds, is 25 times higher than the amount of the American gold and currency reserves. It means that there is nothing under the dollar, except the demand which is generated by growing speculative activity.

I don't think that somebody will push the American financial system into deep restructuring, which will balance this. How can we balance the reserves and the monetary base of the dollar, if the scale of difference is 25 times? It is completely impossible to decrease the amount of dollars by a factor of 25, except through massive devaluation.

### **We Need To Declare Bankruptcy**

So, in order to improve the dollar-based system, trying to introduce some kind of New Bretton Woods principles, including fixed exchange rates, we need to, in fact, declare the bankruptcy of the Federal Reserve and bankruptcy of the dollar financial system. This is the only way to get rid of this surplus of 25 times, in comparison with the monetary base. But, if somebody does that, of course, it will create a huge panic in the world market, and everybody will run away from the dollar, which will inevitably lead to the devaluation of the dollar, not by 15 or 30%, but I think maybe by a factor of 10 or 30.

So, I don't think that anybody on Capitol Hill will have enough courage to take responsibility for restructuring on such a scale.

And it means, to my mind, that collapse will take place in spontaneous ways, and we should be ready for that. But, what could we do in this situation? At least I think we can try to elaborate some principles of the new world financial architecture. And, to my mind, at least we can discuss the following principles: First of all, no one country could privatize the creation of the world reserve currency. The weak point of the present financial system, is precisely that the United States privatized the function of the world reserve currency. In 1971, they pushed Western countries to take dollars instead of gold, and, in fact, privatized the right to creation of the world currency, and used this right for their own purposes, to finance the budget deficit and to finance the balance of payments deficits. So, America used its right to create the world currency, as a worldwide tax: Because those countries which used this currency as a reserve cur-

rency, in fact, paid a tax in the form of zero-interest-rate loans to the United States, in growing and growing quantities.

So, I think the first principle, from this lesson, should be that no one country could privatize the right to create the world currency.

The second principle is, that all countries which agree to participate in this new world financial architecture, should agree to keep a certain financial discipline in money creation and the structure of currency reserves. Maybe they should keep, also, some rules of determining interest rates and budget deficits. But at least, they should agree concerning the principles of money creation, the structure of currency reserves, and come to agreement concerning the basket of currencies which participate in this new financial architecture.

The third, I think quite elegant principle, is that in order to maintain stability in international exchange, you need some kind of international reserve: like, maybe, the IMF could play the role of this international reserve fund, which will work to stabilize currencies, which will come out of an agreement concerning the fixed rates, or some other proportions of world exchange. But we need to maintain stability, some kind of international reserve fund, which will work under multinational supervision.

To finance this international reserve fund, we can propose both financial contributions, in national currencies of

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countries which participate in this scheme, or—maybe, and—an additional source: the worldwide taxation of financial speculation, which was already mentioned today.

### Who Will Create a New Financial System?

What countries could participate in this new financial architecture? I don't think that we can come to an agreement on the worldwide scale—under the United Nations, or some other international organizations. Perhaps only those countries which are ready to make steps in this direction, can take on the burden of the creation of the new financial architecture, not waiting for others. Because the time is limited, and the main players, namely the United States and Japan, in fact are not ready to limit their opportunities to create the world currency.

Both Japan and the United States create their currencies, not on the basis of their reserves, but on the basis of growing national debt. And these currencies, in fact, are pure national debts. And in order to go to the new financial architecture, the financial authorities of the United States and Japan should declare bankruptcy (I'm not sure about Europe), but this, to my mind, is quite evident, and, of course, these countries are not ready to do that.

What countries are ready, to my mind? Those countries who still keep control over their currency creation, money creation, and have enough reserves to protect their currencies from devaluation. Russia, for instance, has now currency reserves twice [the size] of the monetary base. So, each ruble has reserves—each ruble in circulation, which was created by the Central Bank, has reserves equal to two rubles. Of course, it is a crazy policy—I shouldn't comment on that now. But, at least it will give enough room for maneuver, for Russia to participate in *any kind* of new financial architecture based on fixed exchange, or other rules of currency exchange.

China and India are countries which are also ready to participate in the new financial architecture, because they are keeping control over their monetary system. And as you know, they were not affected by the financial crisis of 1997-98, exactly because they kept control over their monetary systems, and didn't liberalize them. For these reasons, having enough currency reserves and keeping control over money creation, these countries could easily participate in the new financial architecture.

The Arab countries could do the same, because of the large currency reserves which they have. I mean the Arab countries trading with oil.

So, at least we have a couple of countries, which are dominant, together, in the Eurasian continent. If the European Union joined this, it means that the whole Eurasian continent would be the platform to establish the new financial architecture.

I don't think the United States could participate in this new system, because their currency simply has no reserves. They have no reserves, and they have to limit their currency

creation several-fold—and they're not ready to do that. And if you wait for the United States, I'm afraid that we shall go into collapse altogether.

So, my suggestion is, perhaps, we can elaborate some recommendations, at least for those countries which have opportunities, to start to think and negotiate about the new financial architecture.

Of course, it is not an easy question. And, for instance, I can tell you, that when I proposed to the Russian Central Bank and to the Russian President, to launch an initiative to switch to a new financial architecture, I didn't get any real answer. Because such steps, of course, will have immediate results. If at least two or three superpowers, in the Eurasian continent, will try to discuss together the new financial architecture, it could be a trigger for the financial crisis. So, it is a very delicate issue, but at least, I think we should think about that, and there is no other way than to push those who will be ready to make a first step—not wait for when the whole system will go into collapse.

## Money Is a Question Of Physical Economy

*Here are Lyndon LaRouche's closing remarks to the seminar.*

The most important thing is, that we're dealing with a world in which there's a conception of money, which is the popular conception of money *by* governments, and by leading institutions, which, from my knowledge, is insane, by the standard of the effect of the concept, the way it's applied. That the value of money should not be determined based on some current accounting value. That accounting should be banned as a method for determining the value of money.

The value of money should be determined by a *scientific* principle, *not* an accounting principle. And the scientific principle is: What is a physically defensible determination of the will of governments and the ability of governments to perform in creating credit, over the long term, for the development of their economies and their productivities? And therefore, we among nations, should recognize this process, *use* this process, and set *values* in terms of credit, and exchange, on the basis of those determinations, which must be *physical, scientific determinations*. Because, the crucial thing is, what is the physical life of the investment? How is it going to be maintained? And how long is it, and what's its quality? Those are the bases on which you should issue credit: on knowledge of the determination and competence of the government *to create value*, to create wealth, and to have sufficient wealth, *to repay the debt you are creating, in a timely fashion*.

This is a *physical* question, *not* an accounting question.

## Armed Services Chairman Warner Blasts Rumsfeld's BRAC Folly

by Carl Osgood

The growing weight of evidence after 13 public regional hearings conducted by the Defense Base Closure and Realignment Commission (BRAC), suggests that in its plan to close 33 major bases, Donald Rumsfeld's Pentagon willfully—or incompetently—ignored the BRAC law in favor of its own agenda. This should not surprise qualified, honest observers of the George W. Bush Administration and its Secretary of Defense. This is the same gang that brought us the disastrous war in Iraq in March of 2003, claiming that it would be a “cakewalk,” and that Saddam Hussein's weapons of mass destruction had to be eliminated immediately. To this day, Rumsfeld angrily denounces anyone who characterizes the war as a “quagmire,” despite the fact that the Administration appears to have no plan for solving the problem that it has created in Iraq.

Senate Armed Services Committee chairman John Warner (R-Va.), a leading author of the May 23 bipartisan Senate agreement that stopped Vice President Dick Cheney's “nuclear option,” and who sees himself as a defender of the American military, is charging that the Pentagon's BRAC recommendations “deviate substantially” from the criteria established in the law. In testimony to the BRAC Commission in Arlington, Va. on July 7, Warner emphasized that he himself had written the BRAC legislation, and therefore is intimately familiar with the intent of Congress, and has been involved in the BRAC process for 17 years. Warner quoted Benjamin Franklin's remark after the 1789 Constitutional Convention: “We have given you a republic, if you can keep it.” He denounced the way the Pentagon made its determinations, and said that he is prepared to take the issue to Federal court, having already written a 37-page legal brief.

Warner stood out in a phalanx of a dozen Senators and Congressmen—most of them Republicans—who mobilized

thousands of citizens to Boston, Baltimore, Washington, D.C., and Arlington on June 6-8, to fight the Rumsfeld Pentagon's shocking moves to shut down some of the most important military/economic and medical logistical bases in America's history as a nation.

Warner called the commission's attention to a Nov. 15, 2002 policy memorandum, in which Rumsfeld directed the Pentagon's internal BRAC teams to “produce BRAC recommendations that will advance transformation, combat effectiveness, and the efficient use of taxpayers' money.” Military transformation is not one of the goals specified in the law. In fact, the Pentagon's own “Red Team” advised, on March 22, 2005, that “since transformation is not one of the final selection criteria, transformational justifications have no legal basis and should be removed.” By that time, of course, the train had already left the station, as military transformation had been one of the guiding forces behind the entire process for more than two years.

### Pentagon Gags an Admiral

The Boston regional BRAC hearing, on July 6, provided more evidence that the Pentagon is pursuing its own agenda, including apparently using the BRAC process to shrink the Navy's submarine fleet, by restricting the infrastructure available to support it. The most dramatic moment in Boston came, however, when Sen. Judd Gregg (R-N.H.) told the commissioners that one witness scheduled to testify on behalf of the Portsmouth Naval Shipyard, Rear Admiral William Klemm, had been blocked from appearing by the Pentagon. Klemm, who retired as Deputy Commander for Logistics, Maintenance, and Industrial Operations of the Naval Sea Systems Command, a couple of months ago, had been the chairman of the subgroup within the Pentagon's Industrial Joint Cross



EIRNS/Stuart Lewis

*Sen. John Warner (R-Va.) at the July 7 BRAC regional hearings in Arlington, Virginia.. Having written the BRAC legislation himself, he declared that the Pentagon is not following the law as Congress passed it, and that he is prepared to go to court if necessary to force compliance.*

Service Group (IJCSG) that decided that the Portsmouth shipyard should be closed. Gregg said that Klemm's testimony would have been "devastating to the Navy case, because of his expertise and because of the fact that his points went to all the criteria . . . and, refuted, basically, the Navy position on all these criteria points, and showed substantial deviation [from the criteria]."

Klemm's prepared statement did become available, however, two days later, when it was posted on the website of the *Portsmouth Herald* newspaper. Although not commenting on his involvement in the BRAC process, Klemm warned that Portsmouth's closure would eliminate surge capacity in the Navy shipyards, because of the loss of skilled workers. He also described how Portsmouth is the lead shipyard in the improvement of submarine maintenance processes, improvements which are then propagated to the Navy's other three shipyards. These improvements are, in part, a product of the culture of the workforce. "That culture cannot be exported or replicated, it is imbedded in the generations of people who work at this facility. Therefore, the loss of Portsmouth Naval Shipyard equates to an irreplaceable loss of the culture and skill sets of innovation and efficiency."

Klemm further warned that the Navy's three remaining shipyards—in Norfolk, Va.; Puget Sound, Wash.; and Pearl Harbor—do not have the capacity or the resources needed to perform submarine maintenance activities within the prescribed periods of the service lives of the submarines in the fleet. "Faced with the inability to accomplish this work, the Navy will have to keep submarines pierside in non-operational status until skilled artisans and drydocks become available or schedule them for inactivation." He warned that this will result in a reduction of the size of the submarine

fleet "through a backlog of maintenance actions over the next five years."

Klemm, in fact, had warned of the problems inherent on closing Portsmouth, during the BRAC process itself. According to the minutes of the Nov. 18, 2004 meeting of the IJCSG, Klemm said that closing Portsmouth would leave 1.4 million labor hours of workload that could not be absorbed by the other three shipyards. He stated that these calculations, based on the 2005 20-year force structure plan, "preclude the closure of Portsmouth, unless its three drydocks are replicated at another shipyard."

The chairman of the IJCSG, Michael Wynn, then-Acting Undersecretary of Defense for Acquisition, Technology, and Logistics, asked Klemm's subgroup to perform additional analysis to see if it was possible to replicate Portsmouth's workload at other shipyards, before making a final decision on the merits of closing it. But there is no evidence that the additional analysis was ever completed and submitted to the IJCSG; nor that the Pentagon ever figured out how to include Portsmouth's efficiency in its "military value calculations," an issue that Klemm raised in another IJCSG meeting on Jan. 6, 2005. Yet, the IJCSG decided to close Portsmouth, without any proposal to replicate its three drydocks at the remaining shipyards. Thus, it will be the "justifying" plan to cut the Navy's nuclear submarine fleet in the future.

Asked by reporters why Klemm was not allowed to testify in Boston, Senator Gregg reported that the Navy invoked internal rules, but suggested, only half in jest, that "if you were a conspiracy theorist you might conclude that maybe they thought his case was so strong that they didn't want him to testify."

Retired Vice Adm. Albert Konetzni, who commanded the submarine force for the Pacific Fleet before he retired, issued his own warning that the Pentagon was seeking to reduce the submarine force by restricting its budget and its infrastructure, which includes the proposed closure of Submarine Base New London, in Connecticut. He charged that recent studies, that show the submarine fleet dropping to 37-41 boats by the 2020s, are budget-driven. "I think it's inappropriate for the national defense of this nation, to delete the infrastructure of our great submarine force, prior to truly understanding the national security requirements," Konetzni said. He warned that shutting down that infrastructure "will make sure that this force is minimal, and is minimized as an instrument of national defense."

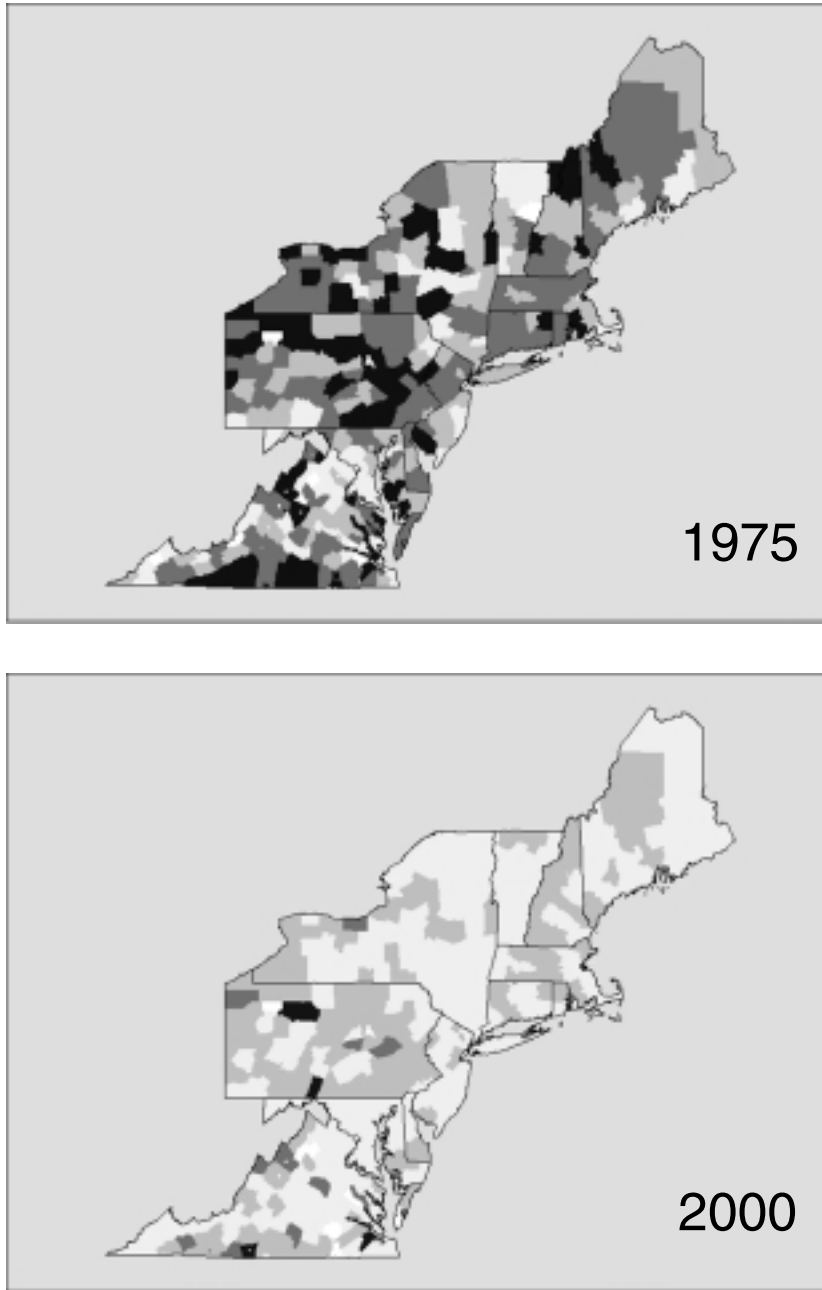
### **'New England De-Militarized'**

In the case of New London, that infrastructure includes the Submarine School where every submariner in the Navy is trained, and supporting institutions that do research, operational, and doctrinal development—institutional capabilities that, like the workforce culture at Portsmouth, would be difficult, if not impossible, to replicate elsewhere.

Warner is not the only member of the Senate chal-

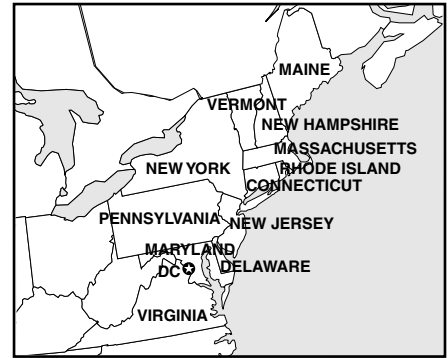
FIGURE 1

### Northeast States: Decline in Manufacturing Workers as Percent of Workforce, by County, 1975-2000



Source: Bureau of Labor Statistics. Map produced by MapInfo.  
See [www.larouchepub.com/animations](http://www.larouchepub.com/animations).

Darker tones show greater share of manufacturing workers in the workforce of each county, ranging from black (45% or more) down to lightest gray (less than 15%). The 12-state region from New England through the Mid-Atlantic has undergone severe de-industrialization; since 2000, the process has accelerated. In the Massachusetts and New Hampshire region in the 1960s, machine-tool activity supported textile and shoe manufacturing. Instead of phasing in new, high-skilled manufacturing—e.g. computer and medical equipment components—the era of globalization “out-sourced” New England’s manufacturing economy. The high-technology military shipyards, bases, and air infrastructure are invaluable national and regional assets.



lenging the Pentagon’s BRAC process. Sen. Chris Dodd (D-Conn.), following Connecticut’s presentation on the New London submarine base, charged that the entire process is fundamentally unfair. He noted that if Senate Homeland Security and Governmental Affairs Committee chairman Susan Collins (R-Me.), and ranking Democrat Joe Lieberman (Conn.) had not had subpoena power, many of the documents used by opponents of the BRAC would not have been available for the hearing. Like Klemm and other witnesses, Dodd protested that the BRAC commission is being asked to make a policy decision on the future size of the submarine fleet, which should be made by the Bush Administration with the participation of Congress. Dodd said that decisions about force structure “ought to be a national debate.”

Another aspect of the unfairness of the Pentagon’s determinations is the total impact on New England. With the closures of the Portsmouth shipyard and the New London submarine base, and the realignment of the Brunswick, Me. Naval Air Station, the Naval presence in New England would be reduced, as Lieberman noted, to “a naval air station with no planes and a naval station [Newport, R.I.] with no ships. The region’s only remaining commissioned Naval ships would be two museums: the venerable *USS Constitution*, moored in Boston, and the world’s first nuclear submarine, the *USS Nautilus*. Lieberman, Dodd and Rep. Rob Simmons (R-Conn.), whose district includes New London, all warned that such a demilitarization of New England will disconnect the civilian population from the military, with consequent negative effects on recruitment and retention.

# A Whistle Without an Engine

*St. Petersburg correspondent Roman Bessonov looks at the June 16-17 summit of the European Union, from a Russian viewpoint.*

There was a sad story, told in the Soviet Union in the time of Mikhail Gorbachov in the 1980s. Asked why the train of Communism had come to a halt, the engineer replied, "Because all of the engine's steam was spent on the whistle."

The whistling around Europe's integration into a confederation of states with a common financial, legislative, and defense system, has definitely absorbed a lot of spending—not only to maintain a huge bureaucratic apparatus, but even just for propaganda. On the eve of Poland's entry into the European Union, the PR people used "agitation trains," just like in 1920s Soviet Russia.

The Communist whistle, however, shook the world for more than seven decades, attracting many people on the basis of a simple but convincing understanding of the world, which mobilized enormous energies in a way that amazed the Western community of that time: the notion that quite different peoples were faced with a common task, which was presented as a common good, and the basis for benefits to their common posterity. Along with this ideological basis of the U.S.S.R.'s creation in December 1922, came programs of industrialization and universal education, which served as an engine that allowed the Soviet Union to live through the ferocious brutality of its own leaders, and then the Nazi invasion. The whistle worked for two generations, providing a physical basis for survival that is still in use today amid the ruins of the Soviet Union.

The enthusiasm fanned by the European Union's blue velvet banners around May Day 2004, when new member countries from Eastern Europe joined the EU, was also supposed to serve as a kind of engine. But the spark from this unification has been insufficient to melt the desperate hearts of the broad population in those ex-Soviet satellite countries.

## **'Paradise' and 'Parasites'**

By the time their nations made their long-awaited entry into the community of privileged states, huge layers of the East European population had already been alienated from the benefits they were supposed to enjoy. The freedom to travel, for many of them, encountered unexpected obstacles, while the freedom to engage in private business, associated in their minds with democracy, was undermined by licensing restrictions. The new character of their eastern borders—which now became the border between the EU and Russia—

deprived the Poles, Hungarians, and the others of vast traditional markets for their goods, while the markets of the West were in no hurry to open up to East European products. The very fact that they have joined not an industrial, but a post-industrial society, where windmills have replaced engines, was difficult to grasp right away. Still, months after the official entry, this recognition dawned on them, as mounting everyday problems unveiled the picture of a whistle without an engine, like the Cheshire cat's smile when the cat is gone.

The results of voting for the European Parliament, months after the new members' much-heralded entry into the European family, were a more than serious warning to the newcomers and the EU's founding members alike. In Poland, where the ruling party, generally trusted by the population only three years earlier, collected only 9% support, the alarm bell tolled the loudest. But the Eurobureaucracy was deaf to this clear warning.

A second bell was the debate around financial benefits for the new EU members, which split the would-be confederation before it could acquire its common budget and common legislation. This warning, too, was ignored, though it would still then have been possible to stop and raise the question with a semblance of sincerity: What is Europe? What are the immediate motives for us to unify; what are the common goals of our near future; what are the values we are able to present to our peoples, the continent and the world, what we share and what we reject, what we need; and how will these needs fit with the interests and values of the rest of the world?

Those questions were as important for the heartland of old Europe, as for its underdeveloped periphery. If the core and the edges were to have proceeded with a common idea of improvements for the entire community, understood from the standpoint of its historical religious and cultural heritage, that could have worked, producing qualitative changes in neighboring regions and in the minds of their populations, who have still other religious and cultural backgrounds.

This did not happen. Such ideas were ignored, while interests were too diverse, especially within the socially fragmented post-Comecon countries, which, during 13 years of waiting at the gates of the promised European paradise, had experienced the same kind of social stratification, cultural disappointment, and criminalization of the economy that struck the former U.S.S.R. during the 1990s. The effects were



European Council

*The European Union summit meeting on June 16-17. A number of Russian experts, concerned about the fate of Europe, expressed their honest opinion that the summit had better be postponed—but the Eurobureaucracy didn't listen, and the result was a disaster.*

magnified by constant mass-media brainwashing of especially the younger generation, which was supposed to absorb and to implement the best universal values of the desired democratic community—but was fed a Coca-Cola surrogate instead.

In old Russia, a popular saying described someone's careless attitude toward his own future: "A Russian *muzhik* (peasant) won't cross himself until a fried rooster pecks him." The "fried rooster" stood for a fire in the village—too terrible a disaster to be mentioned by name, according to superstition. Today's culture, in which political campaigns are run with marketing techniques from commercial advertising and the heavy-brainwashing rock-music scene, or feature imported innovations like the notion that a candidate's sexual preference may serve as his electoral platform, is a culture without even superstition, never mind faith. It is a culture infected by the devastating mental diseases of consumerism and the rock-drug-sex counterculture, promoted through the Congress for Cultural Freedom and related entities, which brings nothing but misfortune as it spreads.

Subconsciously, this well-packaged consumerism's lack of a common goal or confidence in an underlying set of values was evident to some of the European elites. Thus, for the past decade, the political establishment in Europe went looking for an enemy image to use as a surrogate unifying force. This subconscious self-protective effort doomed the bureaucracy at the moment when it had to convince the people of the

necessary rules for their common existence.

These elites had failed to notice their own transformation. Two decades ago, the anti-immigrant remarks of Jean-Marie Le Pen in France sounded like an affront to morality. Today, a Eurobureaucrat, interviewed by Russian TV Channel 1, does not even bother to hide his contempt, as he talks about those lazy and poor neighbors, whom the original proprietors of the EU have invited to live at their place, and now have to pay for. For the Russian listener, this official made the EU sound something like a communal apartment in Petrograd in the 1920s, when gangs of newcomers would be let into a large flat, previously occupied by well-to-do people, and would embarrass them with their misbehavior and criminal impulses.

The remark sounded especially arrogant, considering the fact that these notorious "new neighbors," the parasites, were so assiduously courted to join the European paradise, by the selfsame bureaucracy, not to mention the EU summit of June 16-17 of this year, when the newcomers exhibited far greater responsibility for unified Europe than did the ever-so-respectable older owners.

## A Reconstruction of Waterloo

Russia's ORT TV ironically combined its review of the EU summit, with a report from a reenactment of the Battle of Waterloo on its 190th anniversary. This irony by the state-owned channel obviously alluded to the failed political ambitions of French President Jacques Chirac, before the French "No" vote of May 29, to become "the winner of the European Constitution," and hence the informal leader of Europe as a whole.

In his efforts to establish himself as a central and indispensable figure for European unification, Chirac had made a series of advertising gestures, including a summit of three European leaders, plus Russia's Vladimir Putin. That event, interpreted by political experts as a demonstration of force in the face of haughty Washington, did not bring any palpable results.

Mr. Chirac's friendly gestures toward Russia were perceived in the Kremlin with a certain naiveté, which faded away when the French political and business community embraced Ukraine's "democratic revolutionary" Prime Minister Yulia Tymoshenko—a person still wanted by Russian law enforcement in connection with financial swindles surrounding a Ukrainian contract with the Russian Defense Ministry, back when Tymoshenko and now-President Victor Yushchenko were Deputy Prime Minister and Prime Minister, respectively, in the regime of then-President Leonid Kuchma.

The meeting between top figures from Gas de France and Tymoshenko was interpreted in Moscow as an anti-Russian intrigue, and an assault on relations between Russia and Germany, would-be co-founders of a trilateral natural-gas consortium, discussed among President Putin, Chancellor Ger-



hard Schröder, and Kuchma, at St. Petersburg's 300th anniversary gala back in 2003. These long-developed economic-diplomatic efforts appeared to be destroyed in a single day, by the party—France—that was supposedly establishing itself as the motor of European unity. An accompanying Romantic chorus of propaganda from Kiev boosted the notion that Ukraine will soon be exporting oil to Russia.

In Tbilisi, Georgia, meanwhile, the outcome of sensitive negotiations over when Russian troops based in Georgia must quit Georgian territory, as pledged in principle in 1999, appeared to depend chiefly on a French woman: Salome Zurbishvili (Zourabichvili), the French diplomat of Georgian extraction, plucked by “democratic revolutionary” President Michael Saakashvili to become the Foreign Minister of Georgia. Just days before the unfortunate Eurosummit, a number of Georgian parliamentarians raised the question: How can a Georgian state official receive one salary in Tbilisi and another in Paris, as they put it, under the alter ego of a ranking European diplomat?

These unfriendly gestures by Paris, painfully affecting Russian diplomacy, went almost unnoticed by the public. The broader Russia audience was much more impressed by two other episodes in Russian-European diplomacy this year. First came the dissatisfaction of the EU bureaucracy with Russia's decision to repay its Paris Club debts ahead of schedule. The Russian public was amazed to find out that this dissatisfaction was based on the desire of European financiers to continue to extract profits from trading the Russian bonds!

Almost immediately after the episode of the debt, which was broadly covered in the Russian media, came the unveiling of the EU-approved program of cooperation with Russia in four spheres, identified as *road maps*. In any more-or-less educated Russian's mind, this term is associated with U.S. political manipulations in the Middle East. An average Russian educated person asked himself: “Is my country going to be treated like unrecognized Palestine? Is the border of the expanded Europe the same as the wall, by which Ariel Sharon arbitrarily cuts Arab districts into parts? Is the U.S. policy in Ukraine, Georgia, and Central Asia, unanimously approved by European institutions, part of this new iron-curtain construction effort?”

Beyond this semantic misunderstanding, the doubt emerging in the mind of a Russian educated person towards the policymakers of the EU ran deeper: does this community of nations have any kind of language except the language of double standards we hear from George Bush's Washington? If not, what is the basis of the relations our country should develop with unified Europe? What is the meaning of this unification for us, except the re-implementation of Iron Curtain-era plans for our isolation and containment, a modern continuation of Churchill's 1946 Fulton, Missouri speech, treating us as nothing but trouble or a disease? If they are treating us in this way, do we really need these relations?

## Hopscotch

On the eve of its most decisive meeting of the year, the Eurobureaucracy managed to undermine its relations not only with Russia, but also with China, this time on the subject of textile exports. The duties imposed by the EU were interpreted by China as discrimination against its status as a WTO member. Removing, in return, export duties on textiles, China must have seriously upset the Brussels *nomenklatura*, which hardly expected such arrogance from a country commonly regarded as a cheap producer and thus an outsourcing destination for European companies.

In a recent interview, Vladimir Putin complained of difficulties in Russia's dialogue with Europe, resulting from the “too frequent” rotation of the EU leadership, and, therefore, the absence of continuity in policy. From the standpoint of Beijing, where long-term industrial projects are still included in five-year plans, this problem must appear even more troublesome. Yet continuity is not a matter of personalities, but rather of what idea is put at the base of the supposed European confederation of states and economies. A vacuum of ideas is easily filled by anti-ideas. A vacuum of policies based on common values for the supposedly unified community, is filled by the dogmas of formal democracy, formal human rights, formal anti-terrorism which never touches real terrorist masterminds, and formal anti-money-laundering which is never supposed to affect the major global shadow economy networks. And the cultural vacuum in the very cradle of literature, music, and art, is filled by soap-opera and rock-drug surrogates, intoxicating the generations for whose sake the issue of a unified Europe was raised.

On the very eve of the summit, the traditional Summer economic forum held in Russia's St. Petersburg was attended by the leader of exactly one European country: Macedonia. Other European political influentials did not find it expedient to visit Russia on the eve of a summit that would focus on key issues of finance and law. Nonetheless, just days before the event, the presence of Moscow on the map of Eurasia was noticed by the next occupant of the EU chair, Britain.

Working to make sure that, under his supervision, Europe will not be reindustrialized, Tony Blair, on a short visit to Moscow, and in more detailed (and less pleasant) discussions in Berlin, raised global warming as the central point of today's agenda. Replying to a Russian journalist's skeptical question, Blair made clear that his major concern was China—which has got too many people, and therefore needs too much energy. Though no calculation of the corresponding number of windmills was provided by Blair, a number of Russian experts, concerned about the fate of Europe, expressed their honest opinion that the EU summit had better be postponed.

The cunning Blair, by that time, already cancelled any moves toward an EU constitutional referendum in Britain, thus finding himself in better political shape than the unfortunate Chirac. Moscow intellectuals and experts in the subcom-

munity of Russian sympathizers of Europe, in dozens of articles, warned that the summit would turn into a disaster. But the Eurobureaucracy would hardly pay attention to some opinion from the unrespectable Eastern wilderness.

### A Clockwork Despair

The Waterloo week contained one more event, one very painful to a particular bidder for a place in Euro-“paradise,” namely Ukraine. Despite recent demonstrations of consideration for private-property owners and despite President Yushchenko’s earlier indications that the state should be no more

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*A vacuum of ideas is easily filled by anti-ideas. A vacuum of policies based on common values for the supposedly unified community, is filled by the dogmas of formal democracy, formal human rights, formal anti-terrorism which never touches real terrorist masterminds, and formal anti-money-laundering which is never supposed to affect the major global shadow economy networks. And the cultural vacuum is filled by soap-opera and rock-drug surrogates, intoxicating the generations for whose sake the issue of a unified Europe was raised.*

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than a doorkeeper for foreign investors, the EU did not designate Ukraine as a market economy. This misfortune was accompanied in Britain by the *Financial Times*’ scathing denunciation of corruption in Ukraine, while the BBC echoed that Ukraine just “stinks.”

An outside observer, carefully reading the *Financial Times*’ diatribe, would discern amid the pathos over Ukraine’s future, that what really stinks are the ambitions of some private foreign interests, who would like to take over Ukraine’s (comparatively modest) oil industry as cheaply as possible. The German media’s campaign about Ukrainian organized crime, freely flowing across European borders due to alleged carelessness by Germany’s Green Party Foreign Minister Joschka Fischer, stinks even more, since it is addressed to broad layers of the population, who are obsessed with the

problem of immigrants, including those from Ukraine, who are allegedly stealing the bread and compromising the personal security of citizens of respectable countries (as opposed to dirty Ukraine).

The new Ukrainian government is desperately trying to prove to the population—whose mistrust may rebound not with a protest vote, but with a really bloody riot—that their rule is better than the oft-maligned “criminal dictatorship” of their predecessors. When estimates came out that the Ukrainian economy would grow by no more than 4% this year, even by generally accepted non-productive criteria, government propaganda specialists hurried to concoct research, showing that the previous two years’ 11% growth was a “criminal dictatorial” forgery. The same propagandists also had to explain why oil prices are not declining, but steadily rising. The explanation is at hand: a conspiracy by Russian oil producers.

When the vicious Russian oligarchs were called on the carpet by Tymoshenko, however, where Ukraine’s “iron lady” demanded that they freeze gasoline prices, or face review of the transactions under which they acquired privatized companies in Ukraine, protests unexpectedly came from the Ukrainian “democratic revolution’s” recent ardent supporters. This time, the counsellors from respectable Old Europe, as well as the United States, demanded that Tymoshenko adhere to classical free-market price-formation, and not interfere.

Ukraine’s new leadership, caught between free-market dogmas and its own obligations to its people, which are closely associated with anticipated benefits from the West, is desperately seeking a solution to satisfy all sides, including Russia—especially insofar as public opinion includes the east Ukrainian Russian-speaking regions. If you chase two rabbits, you’ll catch none, says a Russian proverb. This is what has happened to Ukraine in the sensitive sphere of the natural-gas trade, which was the major reason for Tymoshenko’s flirt with Paris.

A week before the European summit, the Russian government raised the issue that a large portion of the Russian gas transported across Ukraine has never reached its purchasers in Western Europe. Kiev accepted blame, interrogating some responsible figures and again trying to refer to the former “autocratic” establishment, providing a sophisticated explanation that the gas has not actually evaporated, but cannot physically be delivered anywhere, as it is kept as “buffer gas” in Ukraine’s huge, Soviet-built underground storage chambers. This explanation not being accepted, rumors spread during June that Russia would switch to world market prices on its gas deliveries to Ukraine, beginning July 1. Under these circumstances, Kiev’s “orange” (“democratic revolutionary”) political leadership, ironically, turned for succor to the not quite democratic, but very rich in natural gas, country of Turkmenistan. Here too, however, Yushchenko was reminded in Ashgabat of Ukraine’s record of mismanagement,

as Turkmenistan officials brought up the fact that during the hot days of last year's Ukrainian regime-change, a portion of its payments for gas from Turkmenistan vanished into somebody's campaign coffers, never reaching Ashgabat.

These economic scandals were immediately exploited by top U.S. and British corporations, which expressed interest in the gas-transport networks. Royal Dutch Shell representatives, attending a World Economic Forum roundtable meeting in Kiev, resumed their bid for the pipelines, previously rejected by Kuchma because of the miserably low price offered. Today's threat of insolvency and resulting public unrest may force Kiev to make far more humiliating compromises.

## The Ephemera

The self-styled teachers of emerging "democracies," including particularly the EU's ardent "expansion commissioner" Günther Verheugen, appeared to be—surprisingly for the Moscow pro-European intellectuals—the most active enthusiasts of the EU Constitution at a moment when modest considerations of common sense, shyly raised by Luxembourg's Prime Minister Jean-Claude Juncker, suggested that haste in the expansion strategy may only undermine both the integrity of Europe as such, and its international authority. This haste was especially irrational on the backdrop of the French and Dutch "No" votes, and other EU members' postponement of national referenda on the Euroconstitution. The fanatics of expansion, however, clung to principle.

There is a Russian saying, that haste is useful only for catching flies. The battle between Blair and Chirac over agro-industrial benefits—certainly very important for their two nations and beyond, but at the summit serving only to create a snafu—occupied most of the agenda, leaving no room for any productive solution. The whole debate turned a petty bargain of interest for a single day, with no consideration, no responsibility, and no care for the common future.

Such one-day thinking is very convenient, the way *Drosophila* flies are useful for making genetic observations. You don't even need sophisticated traps; these creatures fall in of their own accord.

The Eurobureaucracy, with all of its experience in intrigues, stumbled upon a primitive divide-and-conquer game. In several days of buzzing, it did manage to catch one single fly. That was the accord on criticism against Iran—yet another vitally necessary political and economic partner for Europe, with which relations have now been sacrificed. For what reason? Jean-Claude Juncker, coming out to the public to confirm what was already understood—a comprehensive failure—reminded them with a sardonic smile that the Europeans now needed to travel to Washington and report on their political achievements.

The sentence on the failed community of one-day interest, the bureaucracy that betrays the population, and the society that allows such a bureaucracy to operate, was pronounced in a new book, *Values in a Time of Upheaval*, by Pope Benedict



wind-energie.de

*A windmill near the Bremen Steelworks in Germany. It has been hard for the Eastern Europeans to grasp the fact that, in joining the European Union, they have joined "not an industrial, but a post-industrial society, where windmills have replaced engines," due to the preponderant influence of "green" ideology in the West.*

XVI, even before the oblique smile of Jean-Claude Juncker announced the most serious European failure of the new century. The Pope, as a universally educated European who hails from Germany, the country that is supposed to serve as the EU's driving force, showed the same kind of courage as the poet Heinrich Heine did two centuries ago: "*Ein Fluch dem falschen Vaterlande, wo nur gedeihen Schmach and Schande*—"\* Unlike Heine, the Pope will unlikely be suspected of lacking patriotism, since the very idea of patriotism has been buried so deep.

The Pope's judgments on his native culture may not be heard by the public in its present frame of mind, at the deepest point of Europe's degeneration. But they will resurface, like Heine's verses, at the next turn of history, when the unique mission and historical commitment of Europe will finally be formulated anew, and the continent's future, finally, finds itself at the disposal of better hands and better souls—not necessarily through a perfect formal democratic procedure.

\* A curse on a false Fatherland, where only shame and disgrace thrive—

## Iran's Policy Open-Ended In Wake of Election Surprise

by Muriel Mirak-Weissbach

No sooner had the final results of the June 24 Presidential runoff elections been announced, giving Tehran mayor Mahmood Ahmadinejad a 61.6% landslide victory over former President Akhbar Hashemi Rafsanjani, than the word was out: The new self-styled fundamentalist President would seek a confrontationist course with the West, and especially the U.S. government. He was characterized as a die-hard conservative, committed to building the bomb, and much else (all unconfirmed, or later denied by those making the charge). It seemed as if those Anglo-American circles looking for their war, would have their excuse.

But reality is often more complex—and more interesting—than such spin. *EIR*'s preliminary assessment, from various sources, is that the new President is seeking to establish continuity with the previous government, and make peace with Iran's neighbors. There has been no escalation of rhetoric in response to the verbal provocations from certain U.S. spokesmen.

As *EIR* reported in mid-June, after the first election round, Lyndon LaRouche had hypothesized that the U.S. neo-cons tried to thwart Rafsanjani's bid for re-establishing relations with the United States. This was confirmed in press accounts: Ahmadinejad was indeed the favorite of the U.S. neo-cons, from Vice President Dick Cheney and Defense Secretary Donald Rumsfeld, on down. Their reasoning was that such an ultra-conservative political leader would torpedo talks with the European Union over Iran's nuclear program, as well as the rapprochement with the United States, both of which Rafsanjani would have pursued. Furthermore, it was argued, Ahmadinejad's allegedly hard-line posture on domestic policy issues—like the separation of the sexes and dress code—would spark a popular revolt, leading to the

regime change the neo-cons have been dreaming of.

President George W. Bush responded according to this profile, seizing on the reports that Ahmadinejad had been among the students who took American hostages in the embassy in 1979. Five former hostages claimed they recognized him, from photos published, whereas others denied that he was the man in those pictures. Bush said that the questions raised in this regard, had to be answered. (So far, they have been answered in the negative.) Bush also urged the European Union to send a strong message to "the new person there" regarding the veto on Iran's uranium enrichment capabilities.

Secretary of State Condi Rice, echoing previous statements of Vice President Dick Cheney, added fuel to the fire, by declaring that Iran must cease *all* its nuclear programs. And in Congress, neo-con Rep. Ileana Ros-Lehtinen (R-Fla.) used the occasion to renew the campaign for her Iran sanctions legislation. We must make "Ahmadinejad and the Iranian regime pay for their despicable behavior," she railed on June 30, as her bill gathered 50 more Congressional supporters, bringing the number of Congressional backers to 300. "Election of a leader with Ahmadinejad's past is par for the course by Iran, a rogue nation whose unsavory behavior. . . renders it one of the United States' greatest security threats."

### The Institutional Question

The key power behind Ahmadinejad's victory, was the support lent by the Guardian Council, the 12-man group which vets candidates and legislation, and the Supreme Leader of the Islamic Revolution, Ayatollah Ali Khamenei. The new President is considered to be Khamenei's pupil.

Thus, to ask what Ahmadinejad will do, or what he is like,

is, in a sense, the wrong question, because it ignores the main fact of the Iranian political system: The supreme power lies in the man who is appropriately named the Supreme Leader, currently Khamenei. The President, as was painfully demonstrated in the Khatami period, does not have the power to effect radical change, as his office is checked by the Parliament and the Guardian Council. What is new in the present situation, is that all institutions today are firmly in the hands of the conservatives: Khamenei, the Guardian Council, the Judiciary, the Parliament, and the new President.

When it comes to naming negotiators for talks on the nuclear issue with Paris, London, and Berlin, it is Khamenei who decides. It was he who named Hassan Rowhani to lead the nuclear team. The selection of the cabinet will reflect his preferences, as will the government's policy outlook. Thus, the question is: What will Khamenei do?

Iranian sources, including pro-Rafsanjani and pro-reform voters, appreciate the extremely sensitive nature of the moment, and hope that the new constellation in Tehran will respond to the demands of the electorate, for fundamental economic progress. It is significant that, in his talks with the senior clergy in Qom, Ahmadinejad discussed "poverty, inflation, and unemployment," as the key challenges he must meet.

How the rest of the world responds is still an open question. In contrast to the immediately negative tones issuing from Washington, other governments have been more cautious. British Foreign Secretary Jack Straw and his German counterpart, Joschka Fischer, announced on July 5, that they remained committed to presenting a concrete proposal to Iran by late July or early August on the nuclear program, and would proceed with negotiations.

### Who Voted for Whom, and Why

The main issues determining the results in the first round, were the economy, and the rage against perceived American interference in the internal affairs of Iran. As mayor of the capital city Tehran over the past two years, Ahmadinejad had made good on promises to represent the poor, by financing low-income housing, promoting the expansion of religious institutions and schools, and building transportation infrastructure, particularly roads and bridges to alleviate the city's massive traffic problems.

As for U.S. interference, not only had Bush and Secretary of State Condi Rice repeatedly issued public statements characterizing the Iranian elections as undemocratic, but Indian intelligence sources reported that illegal radio and television broadcasts were beamed into the country from Prague, via the United Arab Emirates, Pakistan, and Iraq, with the message that Iranians should boycott the elections. In addition, bombings which had occurred prior to the elections in an attempt to destabilize the situation in Arab areas near the Iraqi border in Khuzestan, were attributed to U.S. secret agencies. Thus, as was widely reported, many Iranians were energized by the

U.S. interference, to go to the polls, and "send a message to Bush" by backing Ahmadinejad.

Other important factors must be taken into consideration. In the first round, there were five candidates, including Rafsanjani and Ahmadinejad, representing different shades and degrees of conservatism, whereas only two candidates, Mostafa Moin and Mehdi Karroubi (former Parliamentary speaker), came from the reform camp. Iranian sources point out that, had Rafsanjani and Ahmadinejad faced off in the first round, the former could have won, if he had had reform votes behind him. In the second round, Rafsanjani would have had a chance, only if there had been an extraordinary turnout of reformist voters, which was not the case. Considered by reformists as the lesser of two evils, Rafsanjani was not liked.

The broad base of support for Ahmadinejad came predominantly from the poor, both urban and rural, and from the powerful military and paramilitary organizations of the Revolutionary Guards and Basiji. As spelled out in his official curriculum vitae, "With the start of the Iraqi-imposed war in 1980, Ahmadinejad rushed to the western fronts to fight against the enemy and voluntarily joined special forces of the Islamic Revolution's Guards Corps (IRGC) in 1986," where he became a commander. The Basiji are a largely voluntary force of Iranians who enrolled to fight in the Iran-Iraq war. After the cessation of hostilities in 1988, the Basiji went back to the universities, factories, farms, and so on. Now some younger Iranians have joined their ranks, as a way of paying homage to their parents who fought in the war. The paramilitary Basiji are considered a force which "keeps the ideals of the revolution alive," something Ahmadinejad has pledged to do. They have been deployed to quell student demonstrations which were demanding reforms.

In the first round of the election, these two forces were accused of tipping the scales in favor of Ahmadinejad, not only with their votes, but with their physical presence at the polls, which was considered to be intimidating to voters. Iranian sources estimate that, if such voter intimidation and/or manipulation took place, it would still not account for the huge margin of victory Ahmadinejad received.

### Profile and Policies

According to official Iranian press sources, including Ahmadinejad's own Farsi home page, he comes from a humble family. The son of a blacksmith, he entered political life after having completed university graduate studies in engineering. The official state press agency *IRNA* wrote: "[Ahmadinejad] got his diploma and was admitted to the university of science and technology in the field of civil engineering after he ranked 130th in the nationwide university entrance exams in 1975. He was accepted as a master of science student at the same university in 1986 and got his Ph.D. in 1987 in the field of engineering and traffic transportation planning."

Ahmadinejad's political career included serving as "gov-

ernor of Maku and Khoy cities in the northwestern West Azerbaijan province for four years in the 1980s, and as an advisor to the governor general of the western province of Kurdistan for two years." In 1993, when he was the cultural advisor to the Ministry of Culture and Higher Education, "he was appointed as governor general of the newly established northwestern province of Ardebil." After leaving his post in Ardebil in 1997, he became a "member of the scientific board of the civil engineering college of university of science and technology." In 2003, he was elected mayor of Tehran, replacing a man who was prosecuted for corruption.

During his campaign, Ahmadinejad focussed on economic and social issues, accusing his main rival, Rafsanjani, of being the candidate of the wealthy, who reaped huge profits through the oil industry, and was enmired in corruption. In contrast, Ahmadinejad cast himself as the "street sweeper," the candidate of the poor and disinherited.

The most interesting aspects of Ahmadinejad's official policy stances, is his resolute opposition to anything that smells of globalization. He has gone on record denouncing privatization (which Rafsanjani had promised to accelerate), as well as the International Monetary Fund, the World Bank, and the World Trade Organization. He charged that privatization had been carried out for selected bidders, thus stacking the deck. On his website, Ahmadinejad has criticized private banking, saying that he would prevent such banks from making millions overnight, and he has asserted the need to establish a national bank, one which would "serve the people."

In the same vein, Ahmadinejad has emphasized the importance of keeping natural resources under government control, in order to serve the needs of the population. Thus far, however, he has not elaborated on his declared plans for a "national reconstruction program." But, in one of his rare interviews prior to election, Ahmadinejad presented the outlines of his foreign policy. Speaking to the Islamic Republic of Iran Broadcasting (IRIB) on June 26, he said:

"The foreign policy of the Islamic Republic of Iran is in principle based on the establishment of peace and justice worldwide. For this reason, the expansion of relations with all countries is on the agenda of the Islamic Republic of Iran. I mean balanced relationships, based on mutual respect and observation of each other's rights. There are very few countries that fall outside this scope. If they do, it is due to their [il]legitimacy or their blind approach to the Islamic Republic. Of course, there are hierarchies in the diplomacy. In these echelons, we give priority to the establishment of relations with our immediate neighbors, then with countries that once fell within the zone of Iran's civilization, then with Muslim states, and finally, with all countries that are not hostile towards the Islamic Republic of Iran."

Addressing the issue of the United Nations, Ahmadinejad called for greater participation and power for the Muslim nations.

## **Nuclear Energy a Central Policy**

A central plank in his political platform is the commitment to developing nuclear energy. "Another point of our foreign policy is nuclear energy," he said. "Recently, the subject has been given a tremendous amount of publicity. It is a critical subject." Asserting that "the progress of a nation can not be obstructed," he said that "scientific, medical, and technical development of our nation is necessary." He made the case for Iran's right to such technology, saying: "Industry is intertwined with the nature of an individual. Technical knowledge has now become an integral aspect of the Iranian psyche. You can not say that the Iranian nation should not use math, should not have physicians, should not build large dams, or should not be able to build a refinery or a plane. This is an illogical claim; no one accepts it."

Ahmadinejad charged that there were "certain individuals" seeking to portray a crisis situation around the atomic energy issue, where there is none. To solve the crisis, he opted for negotiations: "I believe the problem can be solved with prudence and wisdom, by utilizing opportunity and relying on the endless power of the Iranian nation, through our self-confidence."

After his victory, Ahmadinejad was quoted saying that he would continue to pursue talks with the European Union on Iran's nuclear program, and that he would maintain the current negotiating team.

## **Iranian Institutional Life**

Although Ahmadinejad enjoys the backing of powerful institutions, as noted, he is a young man, 49, without a visible, large political machine of experienced people. He may have to draw on other resources. Soon after this election, he conducted a number of meetings with leading institutions and personalities, first to show his gratitude for those who engineered his victory, and second, to extend a hand to those in the reform camp and other political factions, whose cooperation could lead to a form of national unity.

In a meeting with Guardian Council leaders after the election, Ahmadinejad praised the body as "one of the most important and effective organs of the system whose members are indirectly elected by the people in order to safeguard their rights and freedom." The Guardian Council, he said, was a "guarantor of the people's rights and the country's independence," as well as a safeguard against corruption. As reported by Iranian press outlets, "He expressed confidence that with the cooperation between the executive bodies, Majlis [Parliament], Judiciary, and Guardian Council more and more steps will be taken for serving the people and developing the country."

Ahmadinejad also met with senior army commanders, and on the occasion, he praised the armed forces as defenders of the nation's sovereignty. Prior to his remarks, Army Commander Major General Mohammad Salimi announced the army's readiness to cooperate with the new government, under

the Commander-in-Chief of the Armed Forces, Ayatollah Khamenei. Days later, on July 6, Brigadier General Rahim Safavi, head of the Revolutionary Guards, declared the loyalty of his force of 200,000 to the new President. The Revolutionary Guards are independent of the regular armed forces, and mandated to deal with external and internal threats. They also serve directly under the Supreme Leader Khamenei.

Finally, Ahmadinejad paid a courtesy visit to the top clerical leadership, visiting Qom, the theological center of Iran.

At the same time, he reached out to his opponents, in an attempt to overcome the polarization of the country that was evident in the elections. In their first meeting, June 29, incumbent President Mohammad Khatami and Ahmadinejad emphasized the importance of utilizing the experience of the outgoing government in the new cabinet. Khatami told the press that the executive branch of government was not a one-man job.

In response, the President-elect stated his willingness to make the best use of Khatami's experience. During their meeting, he said, the two had agreed that all leading officials of the outgoing government would share their experiences with the new administration. The two are to hold a joint press conference at a later date. Other meetings have taken place with leading ministers of the outgoing government.

Separately, the defeated Akhbar Hashemi Rafsanjani expressed his support for the new President during Friday prayers in Tehran on July 1. For his part, the speaker of the Majlis (Parliament), Haddad Adel (a conservative), pledged that foreign policy would not change.

Reform politicians had expressed the fear that, given Ahmadienjad's backing by the Guardian Council, Revolutionary Guards, and Basiji, his election would lead to a "militarization" of public life. But judging from Ahmadinejad's interventions since June 24, it appears that he will attempt to calm down the situation, and seek to assuage fears that a dramatic turn for the worse is coming.

## Iran-Iraq Rapprochement

What has been registered from Washington thus far is not encouraging, as indicated in the cited interventions by Bush and Rice. If U.S.-based source reports to *EIR* were accurate—that the neo-cons were backing Ahmadinejad in order to trigger a confrontation and perhaps justify a military or political intervention—it can be expected that the neo-cons will begin to react loudly to a series of extremely significant developments between Iran and its neighbor Iraq, since the elections.

As reported widely on July 7, Iraqi Defense Minister Saadoun al-Dulaimi arrived in Tehran for a three-day visit with the Iraqi chief of staff, and the heads of the army, air force, and navy. During their stay, the Iraqi officials were to meet with political and military leaders, first and foremost, Defense Minister Ali Shamkhani, and visit a number of military and industrial sites.

The two Defense Ministers said they would sign a military

cooperation agreement, whereby Iran would help to train Iraqi troops. In a joint press conference, Iranian Defense Minister Shamkhani said, "It's a new chapter in our relations with Iraq. We will start wide defense cooperation. We are going to form some committees which will be involved in mine clearance, identifying those missing from the war and also . . . to help train, rebuild, and modernize the Iraq army." Asked whether the U.S. might object to such cooperation—since Defense Secretary Rumsfeld, and Rice, Bush, and others have repeatedly accused Iran of "meddling" in Iraq—Iranian Defense Minister Shamkhani replied, "No one can prevent us from reaching an agreement." And Iraqi Defense Minister al-Dulaimi added, "Nobody can dictate to Iraq its relations with other countries."

Shamkhani went further, to propose that Iraq reject the construction of U.S. or other foreign military bases in the country. He said that Tehran "opposes that, and asks the Iraqi government to exercise its authority in the matter."

This development has wide-ranging implications: Not only does it lead to rapprochement and political reconciliation between the two countries, which had been manipulated into a Kissinger-style population war from 1980-88, which left over a million dead; but it also lays the basis for a security arrangement in the Persian Gulf as a whole, something for which Iran has been campaigning and negotiating (with Saudi Arabia, for example) in recent years. In addition, Kuwait's Defense Minister Sheikh Jabar al-Mubarak al-Sabah is now praising the "deep ties" between his country and Iran. This news came in the wake of a highly successful trip by Hassan Rowhani, who is secretary of the National Security Council, to the region last month. Iran's concept of a security pact stipulates that the nations in the region should make security arrangements among themselves, and that all foreign military presence should be terminated. This should be considered in the context of the recent resolution passed by the Shanghai Cooperation Organization (see page 59).

If Iran is left to its own devices, the new government, to be sworn in Aug. 4, may prove capable of effecting positive social and economic change, as demanded by the electorate. The gravest danger is that, whatever the Ahmadinejad government turns out to be, the neo-con crazies in Washington, and/or Israel, will exploit the hard-line profile of the new leader as a pretext for military aggression or political destabilization.

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# 'Democracy' NGO Targets China Through Nepal

by Ramtanu Maitra

Fresh from orchestrating the anti-Chinese riots in the Kyrgyz capital, Bishkek, the American non-governmental organization National Endowment for Democracy (NED) is now planning to take up the cudgels against the autocratic Nepalese King Gyanendra. This was reportedly disclosed to Nepalese politicians by U.S. Assistant Secretary of State for South Asia Christina Rocca, during her recent visit to Nepal.

In all likelihood, Nepal is a pretext for the NED to situate itself in a very sensitive area between two Asian giants—India and China—which are trying to work out a process of peaceful cohabitation for maintaining their fast-growing economies. The divisive role used in the past by the NED, under the pretext of establishing democracy in nations who were not “friendly” to the United States, has got both New Delhi’s and Beijing’s attention.

While New Delhi is concerned about its unstable north-east region and its developing relations with Myanmar, which is under sanctions from the United States, nonetheless it is Beijing that should be more worried about NED’s new moves. NED’s presence in Nepal next door to sensitive Tibet has not been overlooked in China. The NED makes no bones of its concerns about Uyghur Chinese, and has funded generously anti-China forces in Tibet.

There is no question that there exist within India some strong promoters of the NED. During the year 2000 visit to India by President Clinton, a proposal was made to set up an Asian center for democracy jointly by the two countries. The center, to be based in New Delhi, is named the Asian Center for Democratic Governance, jointly set up by the Confederation of Indian Industry and the NED. The point man for this outfit is Gautam Adhikari, a former Washington correspondent of the *Times of India* and a member of the NED.

The development worries India’s security and military officers. One reason is that at various times in its two-decade history, the NED has been accused of being a covert CIA front, although it openly receives special appropriations from the U.S. Congress. What no one can doubt is the influence that the NED presently wields in the corridors of power in Washington. Formed during the Reagan era in the 1980s, the NED is also a favorite of the Bush Administration. In his Jan. 22, 2004 State of the Union message, President Bush vowed to double the NED budget.

## The NED’s Money Power

One particularly disturbing aspect of the NED is its recent role in the “color-coded revolutions” around Central Asia and in the backwaters of Russia. Those “democratic revolutions” were designed to help Washington, and antagonize Moscow and Beijing. The most notable of the NED’s “conquests” in recent months was Kyrgyzstan. In a March 30, 2005 article, “U.S. Helped to Prepare the Way for Kyrgyzstan’s Uprising,” *New York Times* correspondent Craig S. Smith pointed out that most of the money for the operations there came from the United States, which maintains the largest bilateral pro-democracy program in Kyrgyzstan. The money earmarked for democracy programs in Kyrgyzstan totalled about \$12 million last year. Hundreds of thousands more filters into pro-democracy programs in the country from other U.S. government-financed institutions like the NED. That does not include the money for the Freedom House printing press or Kyrgyz-language service of Radio Free Europe/Radio Liberty, a pro-democracy broadcaster, Smith wrote.

The NED’s attention was drawn towards Nepal not only after King Gyanendra’s unilateral assumption of power on Feb. 1, 2005, when he dismantled the democratic institutions and began a brutal repression of the Nepalese Maoists. In fact, almost 16 months after his assumption of power, Peter M. Manikas, Director of Asia Programs, National Democratic Institute for International Affairs, in his testimony before the U.S. Congressional Human Rights Caucus, had pointedly criticized the Nepalese King for his anti-democratic activities.

Based on the figures available for 2003, NED doles out over 300 grants per year, with the average grant amount topping \$50,000, and it has four principal initial recipients of funds: the International Republican Institute (IRI); the National Democratic Institute for International Affairs (NDI); an affiliate of the AFL-CIO (such as the American Center for International Labor Solidarity); and an affiliate of the Chamber of Commerce (such as the Center for International Private Enterprise). According to NED tax returns, these four groups each received \$4,606,250 in 2001, which they in turn handed out to pro-democracy groups as they saw fit. The idea behind funneling equal amounts to these four groups is to stress the “non-partisan” nature of the NED. Along the same lines, the NED’s board consists of bigwigs from both the Democratic and Republican parties, including 2004 Democratic Presidential hopeful Gen. Wesley Clark (ret.) and Sen. Jon Kyl (R-Ariz.).

## China’s Concerns

There is little doubt that China is a target of the NED. Reports have confirmed the identification, looting, and arson of Chinese and Turkish properties in Bishkek, the evening the “Tulip Revolution” took to the streets and drove out Kyrgyzstan President Askar Akayev.



China wanted Bishkek to clamp down on the Uyghur diaspora inside Kyrgyzstan. Hitherto China had been very successful in persuading Akayev to repress any Uyghur agitation. In return, Akayev was seeking Chinese investment, foreign aid, and military-political support. If the NED-driven new regime, which professes to be more “democratic,” comes to rule the roost, Beijing fears it might be inclined to support Uyghurs across the border.

The NED has long been promoting the anti-Beijing Uyghur rebels’ cause. They hold regular meetings with the Uyghur American Association in the suburbs of Washington, D.C., and had been in the forefront in demanding the release of a rebel Uyghur leader, Rebiya Kadeer. She was released from prison by the Chinese authorities just prior to Secretary of State Condoleezza Rice’s trip to Beijing in March.

In the United States, one of the most vocal supporters of the Uyghur independence is the Jamestown Foundation, which has on its board of directors such powerful and anti-China geopoliticians as R. James Woolsey and Zbigniew Brzezinski. Vice President Dick Cheney and Marcia Carlucci, wife of Frank Carlucci, are former board members. The Foundation charges that China has followed a dangerous path of prioritizing economic reform, whereas it should have followed the Russian model of first “introducing freedom and democracy.” (Of course, in the Russia case, the result was the ruthless looting of the economy by a gang of get-rich-quick oligarchs, leaving the population at large in abject poverty.) The Foundation wants the United States to keep China in check if it “misbehaves” with regard to Taiwan, and implies that China is a terrorism-enabling country, because it has failed to exert sufficient pressure on North Korea.

NED’s operations indicate that it is in absolute harmony with the Jamestown Foundation when it comes to China. For instance, Nury Turkel, president of the Uyghur American Association, in a statement issued recently, said: “There are a few glimmers of hope for Uyghurs. In early 2004, the National Endowment for Democracy, the American lifeline for dissidents worldwide, gave my organization, the Uyghur American Association, a grant to begin human-rights research to document human-rights abuses against Uyghurs.

“In November 2004, Rebiya Kadeer, a Uyghur businesswoman, was awarded the Rafto prize, a prestigious human-rights award. Kadeer was arrested in 1997 while on her way to brief a U.S. congressional delegation on Uyghur human rights. She was finally released by the Chinese authorities on March 17, 2005, on ‘medical parole,’ but it was the continued pressure exerted on the Chinese government by the United States and international human-rights organizations—culminating in Secretary of State Rice’s visit to Beijing—that truly led to Kadeer’s release.”

Nury Turkel also pointed out that President Bush, in October 2001, just a month after 9/11, “specifically warned China not to use the fight against terrorism as an excuse to persecute its minorities.”

According to Beijing, the presence of the NED, backed by the Bush Administration, in Nepal raises the specter of aggressive U.S. involvement on the Tibet issue. Over the last ten years, Nepal had rounded up nearly 6,000 Tibetans who were entering Nepal without proper travel documents, but none could be prosecuted because of the country’s flexible immigration laws. The age-old traditions valid in Nepal, as well as in Tibet, do not allow Buddhists to be prosecuted in the kingdom for petty offenses.

China has asked Nepal to cancel the residential permits of Tibetans and make Tibetan tourists register with the authorities each time they visit the country, but especially if they are coming from bordering India and Bhutan. The pressure on the Tibetan issue came to the fore because the Chinese Prime Minister, Wen Jiabao, reportedly cancelled his Nepal visit during a recent South Asia tour, since King Gyanendra could not satisfy the Chinese demands.

One of the reasons that China is particularly anxious about the Tibetans in Nepal, is the British government’s reaction when Nepal in January closed down the Tibetan Welfare Centre and Tibetan Refugee Welfare Office, which have for nearly five decades worked for the welfare of Tibetan refugees. “We regret the government action,” said Mitra Pariyar, spokesman of the British Embassy in Kathmandu. The Embassy made a representation to the Nepalese Foreign Affairs Ministry. Obviously, London saw the closure as a move by the Nepal government to placate its neighbor China.

Subsequently, Brad Adams, Asia director for the New York-based Human Rights Watch, issued a statement saying the Refugee Welfare Office has been a critical safety net for tens of thousands of persecuted Tibetans. The HRW’s statement has been interpreted in Beijing as representing official Washington’s voice on the subject.

The NED had long been funding the anti-China elements seeking independence for Tibet. Writing for an Indian daily, *The Asian Age*, on Feb. 13, 2001, journalist Seema Mustafa pointed out that the NED has campaigned tirelessly against the “Chinese occupation of Tibet” and the military regime in Myanmar. “It has used India-based organizations to siphon at least \$400,000 in 1999 alone to groups in Tibet and Burma (Myanmar),” she wrote.

She detailed the NED disbursement of funds, including \$150,000 to the Democratic Voice of Burma; \$55,000 to the National Coalition for Democracy to enable the exiled government of Burma to operate centers in New Delhi and Bangkok; \$50,000 to Non-Violence International to support the India-based Committee for Non-violent Action in Burma; \$20,000 for *Tibet Times* newspaper, published in Dharamsala; \$30,000 for the Tibet Multimedia Centre, producing propaganda material for distribution in India, Nepal, and Tibet; \$15,000 for the Tibetan Centre for Human Rights and Democracy; and \$25,000 for the publication of the *Tibetan Review*, based in New Delhi. It is interesting to note that these figures remained uncontested.

## A Crucial Candidacy At a Crucial Moment

by Rainer Apel

The German social-market economy model and its civil rights are threatened by the fifth column in Germany of global monetarism, a fifth column that plans to take over the government after early elections in September. It is the firm commitment of this cabal to dismantle all the achievements of social security which the postwar German republic has made, and to replace all of that by budget-cutting free-market fundamentalism. The fundamentalists have gained control over the three opposition parties, the Christian Democratic Union (CDU), Christian Social Union (CSU), and Free Democratic Party (FDP), as well as most of the media.

The leadership group around Angela Merkel, the national chairwoman of the CDU, is expected to pass a campaign platform going in this direction, on July 11. The demands in this platform range from breaking up labor rights, privatizing the pension and health-care systems, implementing work-for-welfare programs, and enforcing deregulation in financial and other services. Merkel is also the Chancellor candidate of the CDU and of their autonomous Bavarian state section, the CSU, and she will run against incumbent Chancellor Gerhard Schröder of the Social Democrats (SPD).

### Helga Zepp-LaRouche Intervenes

The main battle line will however, not be between Merkel and Schröder, but between Merkel and Helga Zepp-LaRouche, national chairwoman of the Civil Rights Movement Solidarity party (BüSo), who so far has been the only one to openly challenge monetarism and its fundamentalist variant. Schröder has made some tentative steps in the right direction, such as his recent initiatives to impose a degree of transparency on the highly speculative hedge funds, and to control oil price speculation; but in terms of economic policy in general, he and his SPD prefer to stay in hysterical denial of the hard realities of the onrushing global economic depression, and the repercussions these have on Germany.

Schröder, who arranged a loss of his own majority in a parliamentary no-confidence vote on July 1, wants to have national elections, one year before those scheduled in September 2006, with a platform that primarily defends the failed budget-cutting policies that have caused defeats for the SPD in every election since the last national one in September 2002. With that campaign platform, presented to the public on July 4, the SPD will also lose the early elections.

Assessing the blatant absence of any mention of global economic realities from the parliamentary address that Schröder gave on July 1, introducing the procedure for the no-confidence vote, Zepp-LaRouche reaffirmed her candidacy for Chancellor in a statement issued the same day (see last week's *EIR*). The statement reflects the sentiment among the German electorate that much more important than a change of government, would be a positive change of economic-financial policies, so that the unemployment of 9-10 million Germans can be rapidly reduced by concentrated state investments in productive projects of infrastructure and industry.

The German electorate is increasingly fed up with the 25-year sabotage of jobs and production by the ecologists, whose Green Party has been the minor coalition party of Schröder's government since October 1998. If the SPD finally drew a clear line and said farewell to the pro-ecologist nonsense that has been policy of the government since 1998, the Social Democrats could again win elections; the party's refusal to do so, as illustrated in the SPD's insistence, in its campaign platform, that it is committed to uphold Germany's suicidal "exit" from nuclear technology, means that it will not be able to win elections. And because of its continued loyalty to budget-cutting policies, the SPD will never be able to pose a real challenge and alternative to Merkel's monetarists. That alone is reason enough for Zepp-LaRouche's candidacy.

There is another reason: So far, none of the establishment politicians has dared use the "L-word," LaRouche, and publicly endorse his proposal for a New Bretton Woods. Germany is still very different from Italy, whose parliament has passed several LaRouche-inspired resolutions for the creation of a new global financial-monetary system, with explicit mention of that proposal's author during the parliamentary debates. In Germany, the establishment politicians talk about LaRouche and his ideas behind closed doors, but they are cowards, and do not mention his name in public. For three decades, his name has been tarred by the German media, run during the postwar period by the Anglo-American networks of the misnamed Congress for Cultural Freedom.

But the German electorate has a right to be told about the New Bretton Woods proposal, and that is the mission of the BüSo and its candidate, Helga Zepp-LaRouche.

Due to the short time frame set for the envisaged early elections, the BüSo will run in 7 out of Germany's 16 states, but these include the 2 most-populous states of North Rhine-Westphalia and Bavaria, as well as in the states of Hesse, Lower Saxony, Baden-Württemberg, Saxony, and Berlin. By doing so, the BüSo will be on the ballot for more than two thirds of the national electorate, or 40 out of 60 million voters. And Saxony, where during last Autumn's state parliament elections, the BüSo gained 2-6% of the votes in numerous districts, the LaRouche recognition factor is very high; this will also be the main battleground of the LaRouche Youth Movement. Zepp-LaRouche will run as a direct candidate for the national parliament in Leipzig, the biggest city in Saxony.

# SCO Summit Takes Up Security Challenge, But Needs Economic Vision

by Mary Burdman

The July 4-5 summit of the Shanghai Cooperation Organization (SCO) nations—Russia, China, Kyrgyzstan, Kazakhstan, and Uzbekistan—took place in the Kazakhstan capital of Astana, amid a highly charged situation in Eurasia. Although the world financial meltdown crisis was not publicly addressed at the summit, the big security strains in Eurasia were. Terrorism, extremism, and separatism have been key concerns of the SCO since it was founded in June 2001, and were previously addressed in broad terms; this time, the SCO leaders were direct. In a declaration on July 5, the five Presidents said that the United States and other NATO troops fighting in Afghanistan, should set a deadline to leave their military bases in SCO member states. These are the U.S. bases in Uzbekistan and Kyrgyzstan, set up after Sept. 11, 2001.

“We support the efforts of the international coalition conducting the anti-terrorist operation in Afghanistan, and we have taken note of the progress made in the effort to stabilize the situation,” the declaration said. “As the active military phase in the anti-terror operation in Afghanistan is nearing completion, the SCO would like the coalition’s members to decide on the deadline for the use of the temporary infrastructure and for their military contingents’ presence in those countries.”

This is no naive statement about the situation in Afghanistan, which has long been a concern of its Eurasian neighbors. The SCO leaders know full well that fighting there has intensified and that militant-linked drug-trafficking has increased many times since the Taliban was driven from Kabul. Rather, the SCO Presidents were pointing to other problems: the unending U.S.-led war in Iraq and the past months’ political upheavals in Kyrgyzstan, Uzbekistan, and Kazakhstan, after the “soft revolutions” in Georgia and Ukraine. The new government of Kyrgyzstan was welcomed at the summit, but so was President Islam Karimov of Uzbekistan, who had visited Moscow June 28-29. There, Karimov said, “The script-writers and stage managers [of the events in Andizhan, scene of the upheavals] used the same religious, extremist, and radical forces . . . which they had battled so ‘successfully’ in Afghanistan and are now fighting in Iraq.”

A member of the Russian delegation in Astana, Novosti news service reported July 5, said that the SCO wants a clear

time frame for the withdrawal. “This is not an ultimatum. We just need to know how long the countries within the coalition will use the relevant infrastructure in SCO countries to conduct the anti-terrorist campaign in Afghanistan. This is an issue of practical importance to Russia, as well as the countries where the contingents are deployed. We need a clear answer to the question.”

The SCO was founded to reduce tensions along former Soviet borders, but its members have rapidly expanded its scope, to meet the fast-moving challenges in the region. This time, South Asia was also represented, as India, Pakistan, and Iran all attended as official observers, joining Mongolia, which became an observer last year. Afghanistan had been invited to the summit last year, but no one from Kabul attended.

The language of the summit was more pointed than at previous meetings. In the final declaration issued July 5, the Presidents affirmed that “a rational and just world order should be based on strengthening mutual trust and good-neighborliness, on establishing genuine partnership relations without claims to supremacy and domination in international affairs,” and this should be based on the UN Charter. Chinese President Hu Jintao stressed in his speech on July 5, that “without stability, there can be no talk of any development.”

The Chinese *People’s Daily* noted on July 6 that the SCO was already committed to ending terrorism, as a “serious threat to social stability,” before George Bush had launched his crusade. The editorial explicitly accused the United States and other Western powers of going from their direct military actions in Afghanistan and Iraq, to starting “‘color revolutions’ one after another,” which have “posed great challenges” to SCO nations. Having “tided over” the first transfer of power from the former Soviet Union, now “Central Asian countries need a steady and harmonious regional environment,” *People’s Daily* wrote. The Bush-Cheney-Blair agenda in Eurasia will not allow that.

Moscow is also putting a lot of weight on the SCO discussions. Prior to the summit, on July 4, President Vladimir Putin’s aide Sergei Prikhodho told Novosti in Moscow that the Kremlin considers the SCO as one of the most effective regional organizations, because SCO leaders elaborate posi-

tions themselves, without mediators. All countries in the region faced “similar challenges—terrorism and drug trafficking,” Prikhodko said: “Every country is in favor of increasing economic cooperation, and real interaction rather than single protective measures, subsidies, and bonuses.”

Prikhodko said that the United States was interested in getting observer status, but that will not be considered. “This is a regional forum. . . . SCO members are not bound by obligations to take into account the interests of other, non-regional, powers.”

Although India is an observer, represented on the Foreign Ministry-level, it pledged to contribute “significantly” to the SCO effort against terrorism and for increased economic cooperation. The SCO will “help revive the intense interflow of ideas and commerce that marked the heyday of the famous Silk Route era,” External Affairs Minister K. Natwar Singh said July 4. “Political, economic, social, and cultural linkages that Asian countries are vigorously developing today, both individually and through organizations like the SCO, will play a significant role in reiterating our common Asian identity, and in making this century the Asian Century.”

### The Necessary Vision

The Astana summit followed directly on Chinese President Hu Jintao’s state visit to Russia, where he and President Putin signed a joint statement on the new world order for the 21st Century. This calls for a “new security framework” and efforts to end the “development gap” between rich and poor nations. Security should be based on mutual trust and benefit, equality, and cooperation, and be founded on “the universally recognized norms of international relations.” All nations should have equal security rights, and conflicts should be solved through equal dialogue, consultation, and negotiation.

Yet, something profound was lacking in the Chinese-Russian summit: a concept for really expanding economic cooperation. On one level, this was demonstrated by Russia’s continued stonewalling on the oil pipeline it has been proposing to build from Siberia to the Pacific for at least a decade. The Hu-Putin joint communiqué said only that the two sides will “facilitate Russian-Chinese hydrocarbon projects, including the construction of an oil pipeline from Russia to China,” but this is nothing more than has been said for years. Late last year, Moscow said it would build the main pipeline to the Russian Pacific coast, rather than directly to China, which will facilitate exports to Japan. A branch of the pipeline is to go to China, but the timetable was not made clear. China is proposing next year to increase its oil imports from Russia by half, to some 100 million barrels, but everything has to be shipped by rail.

Meanwhile, Kazakhstan is already building an oil pipeline to China, scheduled to be completed by the end of the year. When Hu Jintao arrived in Astana July 3, he and Kazakhstan President Nursultan Nazarbayev also discussed building a

gas pipeline, and, according to the Pakistani agency Jang, Nazarbayev said that the two leaders “have signed a feasibility study memorandum to start work on a trans-Kazakhstan narrow-gauge railway to connect western China and the Caspian Sea.”

On a more comprehensive level, the Chinese and Russian Presidents did discuss the potential for mutual benefit in regional economic cooperation. China is committed to developing its huge western region, and reviving the “old” industrial base in the northeast, which borders Siberia and the Far East region of Russia. But there are severe problems. Khabarovsk Territory Governor Viktor Ishayev warned during a visit to Moscow July 4, of potential conflicts between Russia and China because of Moscow’s failure to do anything about the abysmal conditions in Far Eastern Russia. Moscow has allocated only what Ishayev called a “meager” \$1,400,000 to develop the area during the next 10 years.

The region has suffered massive disinvestment and population loss since 1990. The population of Russia’s Pacific Primorsky Krai is barely 2.3 million people, and that is half the population of the entire Far East—with a territory of some 6 million square kilometers. Eastern Siberia has some 9 million people in 4 million square kilometers. In contrast, China’s Heilongjiang has about 37 million people. Ishayev called for the whole development strategy for the Far East to be revised. “The idea is to make the most of China’s proximity and its human resources.”

After leaving Moscow, Hu Jintao went to Novosibirsk, the most important city in Siberia, where he addressed a seminar on regional cooperation with the governors of the Siberian Federal District and Novosibirskaya Region. Hu said that regional cooperation between China and Russia has “historic opportunities,” and that China’s decisions to develop its western regions and rebuild its industrial northeast are important opportunities for eastern Russia.

But these discussions lacked the vision of the speech made by former Chinese President Jiang Zemin in Novosibirsk’s Science City, Akademgorodok, during his November 1998 visit. There, speaking Russian, Jiang Zemin told the scientists that the progress of human civilization has proven the importance of science and technology as a “driving force for economic development and social progress. . . . Human wisdom is inexhaustible. Science and technology are a shining beacon of this wisdom.” Jiang stressed Russia’s role as a world scientific and technological power: “Even today,” he said, “Russia leads the world in many key scientific and technological areas.”

It is exactly this unique Russian scientific tradition, particularly that of Vladimir Vernadsky, which Lyndon LaRouche has emphasized as the central, most important factor for the development of the great Eurasian landmass. It has to be on such a level—economic cooperation using the most advanced technologies—that the SCO nations find their real stability.

# Italy Can Contribute to a New, More Just World Economic System

*Sen. Gian Guido Folloni was Italy's Minister for Relations with the Parliament in the first government of Massimo D'Alema (1998-99). From 1994 to 2000 he served several legislative terms as a Senator. From 1982 to 1990 he was the editor of the Catholic daily Avvenire. His background is rooted in the Christian Democracy party of Aldo Moro and Giulio Andreotti. In 1998, he was vice president of the Parliamentary Association for Euro-Arab Cooperation. Folloni is now responsible for relations with Far Eastern and Arab countries in the Foreign Affairs Department of the "La Margherita" party, which is the second most important party in the Italian opposition coalition. He is vice president of the Institute for Asia in Rome, and has signed the call for an Ad Hoc Committee for a New Bretton Woods initiated by Helga Zepp-LaRouche. Senator Folloni gave this interview to Paolo Raimondi in Rome in the middle of June. It has been translated from Italian.*



**EIR:** You recently visited China and several Arab countries, and you made an assessment of the international geopolitical situation, from a European and Italian standpoint. Can you give us your evaluation of current Europe-China and U.S.-China relations under Bush II?

**Folloni:** I believe that the current situation in international relations often leads people to risk forgetting about the underlying dynamics of change. Thus while a war, trade conflicts, and a financial crisis appear to be isolated events, in reality, the system is rapidly evolving toward a new set of international relations. The true change under way is a change in the checks and balances in this system, from an economic, political, and military standpoint. There are new actors on the scene, and their presence, which is very relevant in terms of population and new economic and political effects, tends to call the old equilibria into question. . . .

I have personally experienced how Asia—China and India in particular, but also other areas—will be players of pri-

mary importance in the international system within a few years. This is certainly true from an economic standpoint, as emerging markets, but also as areas of investment—not only for medium-level technology, but also for high technology. Not only for available labor, but also for financial resources and their mobility. As happened many centuries ago, this new presence moves the center of gravity of international relations, which for the past two centuries has been the Atlantic, back to the Eurasian region.

In this context, the Mediterranean becomes a sort of navel of international relations. It is no coincidence that major crises and conflicts—which until 15 years ago were more in South America, for example—are now in this more dense area of international relations, the Mediterranean and Middle East.

This policy is affected by two other factors: the position taken by the U.S. Administration vis-à-vis these changes, and second, Europe's difficulty in taking on a political role in this international situation; that is, the European Union as a whole, not as single countries. The first and second [G.W.] Bush Administrations, with only minor differences, considered it useful for America to play the role of the sole superpower, with the consequence that the new equilibria are discussed from this standpoint, requiring a role for the United States outside of all international agreements. This is proved by the American tendency to avoid all international gatherings where the U.S. could be asked to provide explanations for its decisions and actions, such as the rejection of the International Criminal Court, or the decision to stay out of the environmental agreements, leaving the U.S. free to decide the nature and degree of environmental protection, and also to avoid—in the name of national interest—any legitimization of the UN system.

For example, this is the origin of the Iraq conflict. America demands the right not to discuss such issues with other nations, not even with the countries on the UN Security Council; it considers certain issues as questions of national interest. At the same time, at the UN Security Council, America demands that all other countries behave according to standards fixed by the Council itself. Saddam Hussein was asked to obey the demands of the Security Council, but then the U.S. decided to proceed with the war even without the Council's consensus.



The Strait of Messina, Inc.

*Senator Folloni underlines that the Mediterranean has become a zone of crisis, due to the policy failures of both the United States and Europe. Here, an artist's conception of the proposed bridge over the Strait of Messina, linking Sicily to the Italian mainland—a great infrastructure project that could help transform the situation. The bridge, with the longest span in the world (3,300 meters) will extend Europe into the heart of the Mediterranean, linking Europe to Africa. Construction is scheduled to begin in 2006, and it will be open to traffic in 2012.*

Europe has not equipped itself with political weight in correspondence with its market of 25 nations and 500 million people which are moving toward the same currency. The euro is a de facto currency of reference on the international markets—not de jure, but de facto. Together with the currency, a united Europe should develop political, security, and diplomatic instruments. A debate has begun on security, which does not imply a re-evaluation of old military alliances, but gives Europe a larger responsibility and autonomy, particularly on its own continent and in relations with the rest of the world. The Galileo Project is very important; this is an autonomous communications network which will also provide a non-unilateral perspective in international relations. A unified communications system implies a unique international point of reference. If there is another option, then the system can become multipolar.

So far, Europe has given little weight to positive relations with Asia, China, and also the Russian Federation. I believe that, even in the context of differences and even critical aspects in Europe's relations with these entities, it is important to create a forum for discussion with these areas, which represent points of reference in a multipolar system, in order to have a process of dialogue and work on the contributions which these entities can provide to a redefinition of the international system. This weakness manifests itself in the European Union's inability to express a unified and important position in the ongoing debate over the reform of the UN system; this system has been called into question by the United States,

not only with the alternative alliance of the so-called "coalition of the willing" in the Iraqi conflict, but also in the Bush Administration's demands for reforms that serve its unipolar interests.

I know that this position is not shared by all Americans, and that there is a vigorous debate which I think should be followed more carefully in European capitals; but this situation is blocking the construction of international instruments required at the present time. The idea that a new UN system can become a forum where cultures and emerging societies formulate proposals for cooperation and government at the international level, instead of a club of superpowers, has gained too little support and credibility. It should become a sort of government of a new international system.

**EIR:** In the framework of the international system you just spoke of, we must mention that we are in a systemic financial crisis. In this context, LaRouche, *EIR*, and our movement have documented this crisis and launched a campaign to create a new monetary system, a New Bretton Woods, which has also been discussed in the Italian Chamber of Deputies. This strategy is crucial for defining new relations among China, Europe, the United States, and the rest of the world.

**Folloni:** Yes, in recent years, it has become evident that after the end of the Bretton Woods agreements, the international economic system has come to such a critical point that the countries that benefitted from the old Bretton Woods system have to decide, for example, to forgive the foreign debt of other countries. This decision was intended to keep these countries as part of the international market, otherwise everyone would have been negatively affected, including the developed countries; and to redress an unbalanced situation in international economic relations. The end of the old Bretton Woods system is also forcing the stronger economies to again define, for example, the [currency] exchange parameters between developed and developing countries. I believe that just forgiving these debts every once in a while is not the solution; rather, it is urgent to sit down and define, among nations, the rules for a more balanced economic system.

My hope is that the awareness of a need for a New Bretton Woods will lead, as soon as possible, to the implementation of a more adequate policy toward the countries of the developing sector in particular, and to a willingness to face the conflicts

manifested in more aggressive market policies. We are accusing China of working too much and thus undermining our productive systems on the international markets. China produces what we also want to produce, but at a lower cost. At the same time though, we are not willing to discuss a new equilibrium among different economies which would allow China to have economic growth without engaging in economic warfare.

During my visits to Asia and the Middle East, I have tried to understand all of this, by taking the part of one who looks at the West and monitors Western policies and decisions. From that standpoint, you get the impression that the West has a double standard in its economic policy: In the West there is the will, including through diplomacy and military and security interventions, to protect their own economies by slowing down the growth and development of less-developed countries. A few years ago, I was struck by reading a report of a leading U.S. think-tank on the level of consumption of the planet's resources. The report emphasized the impoverishment of the Earth due to a situation in which the planet is unable to regenerate itself, based on the current level of consumption and development. The report admitted that there was a great imbalance in consumption, and concluded that if China wanted to provide 1 billion peasants with a high level of development, then the planet's environment would collapse, unless there were some sort of reshaping of the system of consumption and a redistribution of technologies. China should be given the chance to develop itself with modern technologies which do not harm the planet. . . .

From the South, or from Asia, one gets the impression that in the West there is a tendency to create a club of rich countries that want to slow down the growth of the economies of developing countries. For example, oil resources: The West is trying to maintain control over oil reserves, while also limiting the potential energy of developing countries. Soon China and India together will have almost half the world's population, which poses a problem of democracy, because an international system which claims to be democratic cannot write off half of the world's population as having a limited voice, while other nations with much less population make decisions for everyone.

**EIR:** At the beginning of this year, *EIR* and LaRouche organized a seminar on these questions—and a second seminar will be held in Berlin at the end of June—where we discussed the necessity of a new, just agreement on raw materials in the context of a new global strategy of development, with international leaders and experts. On these issues, it is necessary to go beyond simple analyses, and wage a battle, a political campaign.

**Folloni:** Yes, I think that a battle on this front could involve viewing important developing countries, such as China and India, as primary actors that could have an authoritative voice regarding decisions on a balanced redistribution of raw mate-

rials. I'm also thinking of the Arab world, with its important oil and other types of resources. They could use their contribution to the world economy in order to have a stronger voice regarding energy and the resources of the planet.

The other important actor could be Europe, which has abandoned its colonial past and has so far not shown a neo-colonial tendency, while we see neo-colonial tendencies from the other side of the Atlantic. Europe could continue the policy initiated after World War II, of internal and external cooperation and development, and thus could have an important role in a new international economic system. Europe is thinking, after expanding to 25 members, to now build up a so-called "circle of friends" around Europe, and I think we must go beyond this too, toward the Asian continent and other continents, with a policy based on integrated cooperation.

**EIR:** In your discussions in Asia and the Arab world, what did you learn about how leaders there perceive the ongoing discussions on 1) the reform of the international monetary system, in the context of the present financial crisis, and 2) large-scale infrastructure development projects?

**Folloni:** In the Mediterranean region, countries are asking to be included in the process of the enlargement of Europe. Non-Europeans know they cannot get into the European Union, but they want to be part of the process of building infrastructure networks in their own region.

On the monetary level, non-Europeans perceived the beginning of the euro as an opportunity to redefine international equilibria. Everybody has decided to invest in euros instead of dollars. I was surprised when already three years ago, at the Amman airport, you could buy things with euros and get change in euros, too. The euro is considered an element that can be used to re-define the international economic system. Europe is seen as a chance to participate in redefining international relations. The Chinese have also transferred part of their monetary reserves to euros, and they got a good deal, because in a short period of time the euro has gained value compared to the dollar. Attention to the dynamics of the economic and financial crisis on the one side, and to the shift among the currencies that could lead us to a redefinition of equilibria, is very keen in all the countries I visited.

**EIR:** How do you see in this context the crisis of the Maastricht system?

**Folloni:** Maastricht was useful for European countries, in the sense that it introduced the idea that one has to be in shape and prepared for the new competition to which all countries are exposed in a globalized world. For Europe, Maastricht has been what a diet, or mental training, is for an athlete; but then the race still has to be run. In this respect, the Maastricht parameters are like a cast that blocks the dynamism that Europe is required to develop in the new international economic system. I believe that a reform of

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*My hope is that the awareness of a need for a New Bretton Woods will lead, as soon as possible, to the implementation of a more adequate policy toward the countries of the developing sector in particular, and to a willingness to face the conflicts manifested in more aggressive market policies.*

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Maastricht should be carried out, not so much to take care of some situations where the rules have been broken, but to redefine the necessary positive processes for a Europe that should become a global player in the new international economic system. Maastricht may have played a useful role up to a certain point, but now it should step aside and make room for a new agreement which will make Europe a real, unified political and economic subject.

**EIR:** You have been a very outspoken critic of the neo-conservative “Clash of Civilizations” theory and strategy. You have held a number of conferences on these matters and written a lot on this subject. How do you see the implications of the continuation of this policy today, and what can be done to help those in the United States who are fighting against this tendency of degeneration and war?

**Folloni:** There could be a clash of civilizations; I have always been against those who want to see a clash of civilizations as the way international relations are regulated; those people begin to wish for and participate in defining the parameters of a clash of civilizations, as the pivot of a new structure of international relations. I believe that Europe—and this is a long-term problem—has not been able to bring our American ally to recognize the profound differences existing on these matters. . . . I believe that we must carry out a dialogue with our allies more: There is a big debate in the U.S., and we should not only declare our loyalty to our American ally, but also begin a serious dialogue with the United States about what kind of equilibrium best guarantees peace and development in the world.

**EIR:** Indeed, we cannot forget the teachings of President Franklin Delano Roosevelt, with his visions and projects from which we also benefitted in the period of reconstruction after World War II. The fight over these ideas is very relevant now in American politics.

**Folloni:** I was really struck by the way in which Bush’s re-election showed a separation of the electorate of the East and West Coasts, from the electorate of most of the interior states. That is, the locomotives of the American economy voted one way, while rural America, the soft underbelly of the U.S., voted for George W. Bush. Why is this? Because the rough and simplistic alternative to Roosevelt’s policy brandished by the neo-cons and interpreted in a certain way by Bush,

responds to the idea of conserving privileges, with the fear of facing the question of whether you’ll have enough to eat or a car to drive every day. It’s blindness in facing the future. It has to do with the fact that when we speak of oil and scarcity of resources, we can either see it as a necessity that we should share with the rest of the world, or as a threat to the living standards one enjoys. It seems to me that the neo-cons and the Administration found votes and support from people who are afraid of losing something, and do not want to look at the future with the commitment to solve problems, which are not only American or Chinese or European, but belong to all of humanity.

**EIR:** The last question is on Italy. You are a leader of the Margherita party, and soon Italy is going to be in an election season, which will end with a vote next Spring, at the latest. . . . Also, how sensitive is [opposition coalition leader and former Prime Minister] Romano Prodi to these issues?

**Folloni:** Regarding the delay in building a stronger Europe, the position taken by the Italian government in the past few years has been particularly problematic. In all my trips to Mediterranean and Middle Eastern countries, I met many people who expressed their surprise that Italy has abandoned its historical policy of being a “bridge.” Italy should not only maintain this policy, but enlarge it. If it is true that the Mediterranean is at the center of international relations, Italy is in a strategic position to continue its historical policy of being a bridge, and taking on a prominent role in the European Union. I hope that Italy—this government and the next government—understand that this is an historical opportunity. We can then imagine the development of the Mezzogiorno [Italy’s South], not as if it were a welfare-recipient aided by the North, but as part of a territory which is a crossroads for the European and Mediterranean economies, and also the Asian economies, whose goods and products will pass through this area. We are going to have joint ventures to recover and develop the Mediterranean region. This enhances the policy of the European Union, and gives us opportunities which we did not have in the past. . . .

I believe that a Romano Prodi government would definitely see the old Eurasian road as an axis of growth in political and economic relations at the international level, and will dedicate a lot of attention to making sure that Italy promotes it.



# Heine, Schiller, and Shakespeare

by Mark Joseph Burdman

*My husband, Mark Burdman, for many years the Special Projects editor of EIR, died one year ago, on July 8, 2004. In his memory, EIR is publishing, for the first time, the speech he gave at a conference titled, "Heinrich Heine, A Birthday Tribute," held in New York City, on Dec. 11-12, 1982, in honor of the 185th birthday of the poet.*

*Mark was a native of Brooklyn, N.Y., who embodied all that is best about American Jewish culture. In 1980, he moved to Germany, where he lived for the rest of his life.*

—Mary Burdman

December 1982

Have we, as a people, become so obsessed with our own fixated delusions, that we have reached the point of no return into the dark age of witchcraft and irrationality advocated by the historian Barbara Tuchman, cousin of New York City District Attorney Robert Morgenthau, in her book *A Distant Mirror*? Maybe so: Leading magazines in Germany, Italy, and other parts of Europe have recently begun a craze that we are entering "the era of the witches." Are we the *meshuggenah* who are about to jump into grandmother's soup and drown?

Heinrich Heine (1797-1856) and Friedrich Schiller (1759-1805), the great lights of high German Classical culture, warned us what would become of us if we violated the lawful principles of continuing creation. Yet we have chosen not to listen. How could we listen, when we have tolerated an inquisition that has decreed that the German Classics be, for all intents and purposes, expunged from our curricula? The German Classical period produced the greatest density and quality of works of poetical, dramatic, and musical beauty known to mankind, and yet because of our own venality and obsessive cheapness, all of this may prove to have been in vain. Try to internalize that possibility the next time you listen to Beethoven's "Ode to Joy."

What has been lost? What must be revived if humanity is to survive?

## Statecraft and Beauty

The immortal message of German Classical culture, in my view, is that the art of statecraft and the pursuit of beauty, poetry, and laughter, are one and the same. The pragmatic view that politics and culture are different things, is a clinical

case of paranoid schizophrenia. Remember Schiller's injunction, that "world history is the world's court," a notion far truer than the absurdities of Marx about the class struggle as the motive force of history.

The essential battle in history is not between social classes, but between beauty and ugliness, between the belief on the one hand, that man is made in the image of the Divine and participates in the lawful process of continuing creation, as against the belief, personified and expressed today by Henry Kissinger, that man is bestial, irrational, and subject to eternal, fixed, insane delusions. Where ugliness triumphs, civilizations and states die. But, despite Toynbee, it is not inevitable that this happen.

Heine expresses a variant of this idea in a remarkable way in his "*Deutschland: Ein Wintermärchen*" ("Germany: A Winter's Tale"). In this poem, Heine returns to Germany after years of forced exile, and holds up to the German population a mirror of what the nation was becoming under the influence of the forces of the Inquisition, the forces that in today's terms of reference, could be called the "Pfaffen SS."<sup>1</sup> As he holds up this mirror, his poetry invites a new vision, a change of the rules of the game, to outflank the inquisition. It is still a manual of statescraft for today.

He crosses the border into Germany, with profound emotion:

And when I came to the border,  
Then I felt a strong pounding,  
in my breast, and I even think,  
that my eyes began to weep

And when I heard the German tongue,  
There was a curious gladness,  
I mean only, as if my heart  
were pleasantly hemorrhaging.

He then develops the image of the "little harp-girl" playing the harp, singing with a "false voice" and leading the population into delusion:

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1. The German word *Pfaffe* means "priest," hence the pun on the Inquisition.—ed.

She sang of love and lovers' woes,  
Sacrifice, and being reunited,  
but above, in a better world,  
where all sufferings fade.

She sang of the Earthly vale of tears,  
of joys that soon disappear,  
And of the beyond, where the souls revel,  
transfigured in eternal joy.

She sang the old song of resignation,  
The lullaby of Heaven  
With which they lull, the weeping  
people—the big louts!

I know the way, I know the text,  
I know also the men who wrote it,  
I know, at home they drink wine,  
and preach to the public, water.

He proclaims his own intention, to create a “new song, a better song,” based on the creation of a heavenly kingdom on Earth. Music, poetry, and statecraft have merged, and the foundation of all just constitutions has been laid.

On what will this “new song” be based? The marriage of genius and freedom, or, what could otherwise be understood as the necessary participation of all citizens in the joy of ongoing creation. To achieve this under conditions of the Jesuitical inquisitionary assault, Heine knew, would require the power of irony and laughter. He expressed this through a wonderful metaphor, based on the multiple meanings of the word “*Spitze*.” He is speaking to the Prussian customs guards, who are snuffing through his luggage, looking for “lace [*Spitze*], jewelry, and also for forbidden books.” But Heine’s “contraband” is not in his suitcase, but in his head:

Here, I have the points [*Spitzen*],  
that are finer than Brussels or Mecheln [lace],  
And were I to unpack my sharp jibes [*Spitzen*]  
They would prick and tease you.

All the arts that Heine here describes are those needed by the true statesman, the true philosopher-king, to create the good society and to free citizens from the bondage of inquisition.

### Caving In to the Inquisition

It can be said that the German population of Heine’s time did not heed his call: that they caved in to the Inquisition, the Inquisition that introduced the idea of the difference of German and Jewish blood, and in doing so, this German population ushered in the processes leading to the calamity of recent times.

But before we rush into our favorite national pastime of



EIRNS

*“The immortal message of German Classical culture, in my view, is that the art of statecraft and the pursuit of beauty, poetry, and laughter, are one and the same.” The author, Mark Burdman, speaks from the floor, to a Schiller Institute conference in Germany, in the early 1990s.*

anti-German mudslinging, a practice introduced by the British inquisitionaries into the U.S. long before Adolf Hitler, and today typified by “Hogan’s Heroes” and similar racist trash, let us look at ourselves in the mirror—if we can stand the sight, or pull ourselves away from the television set long enough to do so.

I have been away from the United States for nearly two years, and therefore I am uninformed about some of the latest developments on the scene. But before I left Europe, I read an exclamatory feature in the *Sunday Telegraph* of London about the American “cable TV craze.” The article quoted a certain psychopath from Warner Bros. named Pittman, who runs a 24-hour, non-stop rock n’ roll video station. This Pittman said, “Don’t worry about the 14-year-olds. We own them.” The article said there is a new American word called “vidiot,” and that the latest surveys indicate that Americans every day, watch on average 7.5 hours of television, and spend 12 minutes talking to fellow family members. I don’t know how much of this is British propaganda, but in any case, the thought has occurred to me: When Americans look into the mirror, do they think they are looking into a television screen? Do they imagine that that being looking back at them, is the tragic victim of the latest soap-opera series, or, in the worst-case scenario, the newest existentialist horror movie?

What is known in Europe today, perhaps more so in occupied Germany, as “American culture,” is an ersatz combination of 1950s rock n’ roll, the television show “Dallas,” and the American cowboy. The question of the cowboy is itself a remarkable operation against the American national identity. The etymological origin of the word “cowboy,” according to James Fenimore Cooper, is the following: During the Revolutionary War, both the Americans and British deployed thieves, brigands, behind each others’ lines. The American brigands were called “skinners,” the British, “cowboys.” The

“cowboy,” in origin, is a British cattle thief!

But there is more. It is literally the case that the same people, who under British direction, carried out a vitriolic witchhunt against the German Classics, invented the existentialist mythos of the “cowboy” as representing the American identity. One Emerson Hough, historian of the American Defense Society and the leading anti-German propagandist in the employ of British intelligence, was the author of the Zane Grey and other “cowboy classics.” He and Teddy Roosevelt sent Buffalo Bill Cody and Annie Oakley on a tour of Europe to represent “American culture.” In the same America that characteristically held festivals for Schiller during the earlier parts of the 19th Century, the Inquisition has since ruled culture.

We can better understand how the Inquisition works by using as a yardstick, a reference-point, the German Classical period’s knowledge of the unity of statecraft and the creation of beauty. Think of the Inquisition: It was launched in its modern form after the 1815 Treaty of Vienna, by Count Metternich. It was Metternich personally who had Heine banned in Germany and hounded out of the country. Today, there is a certain ogre parading around the world pretending to be the “new Metternich,” and claiming to represent the “sage expression” of American foreign policy. I have watched this ogre, Henry Kissinger, quite closely in recent weeks, as he represents the Ugly International.

Ugliness is a function of the soul, but it also expresses itself corporally. Kissinger’s so-called political philosophy, expressed before his real mother (not the one who lives in Washington Heights) at the London Royal Institute of International Affairs on May 10 of this year, is that the British have devised the best system of world order, since it is “Hobbesian,” premised on the belief that man is bestial, irrational, in eternal war of “all against all.” This is the Nietzschean view of universal fascism, and goes to the core of the current project for the creation of a “new Hitler” being devised by the British and their continental European allies.

Of utmost relevance, is that Kissinger, despite media hype to the contrary, is neither Jew nor German. He is a “Golem,” an artificial creation. Many people in Israel would understand this, and if they could so act to make Kissinger *persona non grata* in Israel, they would make a great contribution to universal culture. As the Golem was created, so shall it be uncreated! If Kissinger fades from the scene, we may recall what it is to be a German and a Jew.

### The Mission of Moses

In the German High Classical period, what was great about being German, in terms of the combination of patriot and world-citizen, was known to be the same as what was great in being Jewish. German culture and Jewish culture merged into one higher unity, expressing the higher development of universal culture. What was recognized as immortal

in “Jewish culture” as such, was, on the one hand, the historical role of the Jew as transmitter of universal culture, but even more importantly, the contribution to the world of the idea of statecraft, of natural law, of the constitutional republic.

Schiller expresses this in magnificently poetic form in his “Mission of Moses”:

“What was the real plan which Moses conceived in the Arabian desert?

“He wanted to lead the people of Israel out of Egypt and help them to possession of their independence and a national constitution in a land of their own. . . . [H]e knew the difficulties which stood in his way on this venture quite well; . . . for he foresaw that his eloquence would not take effect upon the soil of the oppressed, slavish minds of the Hebrews: And so he understood, that he must proclaim to them a higher, a supraterrrestrial protector, that he must likewise assemble his people under the flag of a divine general. . . . It is necessary that he hold their united forces together in a national body, and he must thus give them laws and a constitution.

“As a priest and a statesman, however, he knows, that the strongest and most indispensable pillar of all constitutions is religion. . . . For legislation, and for the foundations of the state, he requires the true God. . . . By means of the constitution which he has designed for them, he wants to make his Hebrews a happy, and a lastingly happy people, and this can only come to pass if he founds his legislation upon truth. . . .

“All other states of that time, and of times following, are founded upon fraud and error, polytheism, although there was a small circle which fostered correct conceptions of the Supreme Being. Moses . . . is the first who dares not only to proclaim aloud the results of the most secret mysteries, but even to make it the foundation of a state. He thus becomes, for the best for the world and posterity, a betrayer of the mysteries, and lets an entire nation partake of a truth, which until then had been the possession of only a few wise men.”

As far as I know, this piece does not exist in English,<sup>2</sup> and if it does, is known to only a few. This is proof that the inquisition against German Classical culture here implies that that culture is incipiently, if not actively anti-Semitic. If we want to combat anti-Semitism, we would have to revive Schiller, Lessing, and Heine in the schools, so that, once again, by high-school age, the student has had a thoroughgoing familiarity with these writings. If the Torquemadas over at the ADL Fact-Finding Division disagree with this idea, let them come out of the dark corners and debate it openly.

### Heine: Facing the Fury

Heine continued the tradition of Schiller and Lessing, but under more embattled conditions, since his entire creative life is shadowed by the fury of the Inquisition, the hatred for which

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2. It was later published by the Schiller Institute in *Friedrich Schiller, Poet of Freedom*, Vol. II (Washington, D.C., 1988)—ed.



EIRNS

*Mark Burdman was often asked to give classes to the LaRouche Youth Movement, whose members appreciated his piercing insight and sharp wit; this is a cadre school class on the American System, in Wiesbaden, Germany, in the Spring of 2003.*

is a constant theme in his writings, in his play *Al-Mansur*, in the poem “Donna Clara,” and in his letters.

Heine fought under enormously embattled conditions, different conditions than those that Schiller and Lessing faced, to maintain the notion of the immortal contribution of Jewish culture and Jewish science to the development of natural law and statecraft. In one letter, in which he takes to task certain Jewish-name inquisitionaries, he describes Moses as a jurist. The Inquisition hated both non-Jews and Jews. It showed an antipathy for Heine’s love of the unifying creative principles of universal culture.

In an 1826 letter, Heine writes that he has been reviled for seeing a coherence between the style of the Bible and the style of Shakespeare, as against a fundamentalist Old Testament reading. He writes: “There is only one author who reminds me of the immediate style of the Bible, and that is Shakespeare. Also with him, the word sometimes steps forward in that evident or very obvious nakedness, which frightens us and makes us shiver. It is in the works of Shakespeare that we sometimes see the truth as a body without any veil of art. But that only happens in single moments. The genius of art, perhaps feeling its impotence, has here left its office to nature, for a few moments, and thereafter claims all the more jealously its mastery in giving form and in witty inflections of the drama. Shakespeare is simultaneously Jew and Greek, or actually he is both, spiritualism and the art which have accomplished a rapprochement and unfolded into a higher whole.

“Is perhaps such a harmonious mixing of the two elements the task of the entirety of European civilization? We are still a long distance from such a result. The Greek Goethe, and with him the entire poetical party, has recently given expression to its antipathy, almost passionately, against Jerusalem. The counter-party, which has no big names at its head, but only

few whose throats scream, as for example, the Jew Postkucher, the Jew Wolfgang Mensel, the Jew Hengstenberg. They are raising their Pharisaic cry all the more raspingly against Athens and the great heathen.”

### ‘The Merchant of Venice’

Several years later, Heine was commissioned to write a series of essays to accompany a book of sketches on the subject of “Shakespeare’s Women.” For many of the plays, Heine did not seem to exert great passion, perhaps because of the nature of the overall assignment. One play, however, Heine treated differently. This was *The Merchant of Venice*. Beyond question, this play moved Heine profoundly. In his treatment of it, we find in the most powerful form the cry of alarm of what humanity would become if it didn’t transcend its narrow fixations. We also find the enunciation of the principle of beauty that provides us with a method to avoid tragedy. *The Merchant of Venice*, remember, is a “comedy”—and one that supersedes its own apparently tragic dimensions.

For Heine, only two characters in *The Merchant of Venice* represent high drama: Portia of Belmont and Shylock, the first representing poetic beauty, the second, with certain ambiguities and complexities, representing the obsessive fixed idea.

To quote Heine, in his essay on Portia:

“Portia is the real counterposition to Shylock. If the latter, in the usual interpretations, is representative of the fixed, serious, anti-artistic Jew, to the contrary Portia appears a representative of the Greek spirit, which spread into Italy in the 16th Century and we still love today and cherish as the Renaissance.

“Portia is the representative of that merry happiness, in opposition to the dark misfortune which Shylock represents. How flourishing, rosy, pure-ringing is all of her thought and speaking. Her words are warm with joy, her images are all

beautiful, most of them borrowed from mythology.

"How darkened and shrivelled and ugly are the speeches of Shylock, who also, contrary to Portia, only uses Old Testament images.

"His humor is cramped. He seeks his metaphors among the most disgusting objects, and even his words are dissonances compressed together, shrill and hissing. As the persons are, so are their houses.

"When we see how the servant of Jehovah, who is neither an image of God or of man, the created image of sod, resides in his 'honorable' house, where even the ears, the windows,

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are plugged shut, so that the sounds of the heathen dances cannot penetrate into his 'honorable' house, then we see the opposite precious and tasteful villa life in the palace at Belmont, where light and music under paintings, marble statues, all shine forth amidst the mastery of Signora Portia, who is like a goddess.

"It is by this contrast that the two figures become individualized, and are so seen to be reborn persons.

"They are even more vital than the normal creations of nature—in their veins, the most immortal poetry pulses."

### **Shylock and His Enemies**

In his essays on Jessica, Shylock's daughter, and Portia, Heine spends a predominant amount of time on elaborating the problem raised by Shylock, since it is not a simple one. He locates Shylock in the victimization of the Inquisition, the money-lender forced to become a money-lender by the Inquisition, and then targetted for having accumulated wealth. In this sense, Heine has no patience at all with Shylock's nominally Christian enemies, whom Heine regards as a bunch of moral louts, especially as they are not in fact Christians but Venetians, citizens of the hotbed of evil.

In creating the hateful, revenge-seeking Shylock, Heine indicates that the Venetians were really carrying out an attack on certain of the foundations of European civilization.

Heine writes:

"There is a remarkable relatedness between the Jews and the Germans in morality. This did not emerge historically, for example, in that the Bible served the German world as educator, nor was it that the Jews and Germans were bitter enemies of the Romans, and therefore natural allies. There are much deeper reasons; both originally are so similar, that one could almost see the former Palestine as Oriental Germany, Germany today as the center of the world, the city of pure spirituality.

"It is not only Germany which has the physiognomy of Palestine, but the rest of Europe elevated to the Jews. The Jews, since the beginning, carried the modern principle in themselves, which is only becoming visible today in the European.

"The Greeks and Romans clung to the Earth, to the fatherland; later the Nordic invaders into the Roman and Greek worlds clung to chiefs, and in place of ancient patriotism, there was the loyalty of vassals.

"Jews from time immemorial have represented law, abstract thought, just like today's cosmopolitical republican, who respects law as the highest.

"The cosmopolitical actually sprung from the earth of Judea, and Christ was a real Jew, and propagated and gave rise to the idea of world citizenship."

Then Heine cites Josephus on the "republicans" of Jerusalem, "who opposed the monarchical tendencies of Herod and were courageous warriors who hated Roman absolutism above everything. Freedom and equality was their religion."

For being cosmopolitical republicans in league with German culture and for fostering European culture, the Jew is targetted by Venice, which, after all, is where the word "ghetto" comes from. Shylock's reaction, or perhaps reaction-formation, is to want revenge at all costs. In this, Heine says Shylock may be understood and there may be compassion, but it is the understanding of the clinician looking at the insane.

Let us return to the essay "Portia," after Heine has counterposed Portia to Shylock. Heine describes a trip, which one assumes is true, to the stinking city of Venice.

"If you are at the corner of the Street of Saints, and see a snake carved in stone, and then a winged lion holding the skin of a snake in its jaws, then perhaps you will think of the proud Carmagnole, but only for a moment. More than upon such an historical person, when you are in Venice, you will think of Shakespeare's Shylock, while the historical person has dissolved.

"When you rise over the Rialto, you will seek him everywhere, you will think that there he is behind his Jewish gabardine, with his mistrustful calculating face and you almost think that you hear his creeping voice, '3,000 ducats, well!'



Heine (center), continued the tradition of Schiller (right), but under more embattled conditions; he proclaimed his intention "to create a 'new song, a better song,' based on the creation of a heavenly kingdom on Earth." Heine believed that Shakespeare (left) accomplished a "harmonious mixing" of Jewish and Greek civilizations.

"I at least, a wandering hunter of dreams as I am, I tried to find him in the Rialto. I had something to tell him. His father, Herr von Shylock, had become a powerful Baron of Christianity, and had received the Isabella Order from her most Catholic Majesty, instituted to celebrate the expulsion of the Jews and Moors from Spain.

"I didn't find him anywhere in the Rialto, among the Jews at the synagogue, on the day of repentance. They stood there, enveloped in white, with uncanny movements of the head, looking like an assembly of ghosts, poor Jews, fasting and praying.

"I made a discovery. On the same day, I had visited the insane asylum at San Carlo. Now, in the synagogue, it occurred to me that the face of the Jews had the same fatal, half-starving, half-arrogant shine of insanity, flickering, that which I had shortly before remarked among the insane at San Carlo. The mysterious glance did not attest to absentmindedness, but rather much more to the supremacy of a fixed idea.

"Has the belief in that extra-terrestrial God of thunder which Moses spoke of, become the fixed idea of an entire people, which, despite the fact that it had been put into a straitjacket for 2,000 years, and had been given a shower, still does not want to give up the fixed idea, just like that crazy lawyer I saw in San Carlo who also didn't want to allow himself to be talked out of the idea that the Sun is English cheese and that the beams of the Sun consist of red worms, and that one of these such worm-beams shot down upon him were eating his brain?

"I do not intend in any way to contest the value of that fixed idea, rather, I only want to say that the believers of this idea are too weak to rule it and are suppressed by it and become incurable. What a martyrdom they have suffered for

this fixed idea! What a martyrdom is yet to come! I shudder at this idea and infinite compassion pulses through my heart. Throughout the entire Middle Ages to the present day, the prevailing view of the world did not stand in direct contradiction to that idea which Moses burdened upon the Jews and cut into their flesh. Indeed, they distinguish themselves in no essential way from the Christians and Mohammedans. They did not differentiate themselves by the opposite synthesis, but only in interpretation and shibboleth.

"But once Satan is victorious, that sinful pantheism from which all saints of the Old and New Testaments and the Koran would like to preserve us, so then there draws over the heads of the poor Jews a thunder of persecution which will far outstrip previous sufferings."

It was Venice which created the Inquisition. In modern times, there are such institutions as the Cini Foundation. I had the dubious fortune of speaking to Giuseppe Volpe, the self-proclaimed Doge of Venice. It was his father, Volpe di Misurata, who masterminded Mussolini's rise to power. He is also a business partner of [Henry] Morgenthau, Sr. The world of evil is a small world. Today's Volpe incessantly repeats: "My only concern is Venice." including producing articles asserting that Venice intends to split from Italy and once more rule the world. He told me: "Yes, we did rule the world, until America was discovered. Since then, we have been in a decline!" Columbus has never been forgiven.

### Comedy: Transcending Tragedy

To transcend tragedy, comedy must intervene. Let us return to *The Merchant of Venice*.

Let us look at Portia, with the proviso added to Heine's description, that in representing the ideals of the Renaissance,

she represents not only the Greek spirit as such, but that mediated through Judeo-Christian civilization.

Portia's problem to be resolved in the middle of the play, is like ours today: She smells disaster, and she must intervene. Do not underestimate the gruesomeness of what is to happen. Shylock wants his pound of flesh and that existentialist venal merchant Antonio wants to give it to him, to preserve the "laws of Venice." What is about to happen is a man's heart cut out while he is alive!

What does Portia do? She conspires with her confidante Nerissa to dress up as men, and to march into the court of the Duke of Venice, and change the laws, to change the rules of the game. She tells Nerissa: "I have within my mind/A thousand raw tricks of these bragging Jacks,/ Which I will practise."

A translation for "bragging jack" could be "macho *schlemihl*."

The true Promethena, she marches into the court, for awhile, plays along with Shylock's insistence on "law," introducing the joke of making the law so literal that Shylock cannot fulfill it. A higher law, of mercy, intervenes. Shylock loses.

But the play cannot end here. What about all the punks from Venice? The scene shifts to Belmont.

The stage is set for the *scherzo* of the composition in a remarkable way. Lorenzo, whom Heine correctly sees as a petty thief for having stolen Shylock's daughter Jessica, has spent time at Belmont, and represents the process of development, of transfiguration, out of rotten Venice and into republican Belmont. He must transfigure Jessica.

It goes like this (*The Merchant of Venice*,  
Act 5, Scene 1):

**Lorenzo:**

How sweet the moonlight sleeps upon this bank!  
Here will we sit and let the sounds of music  
Creep in our ears: soft stillness and the night  
Become the touches of sweet harmony.  
Sit, Jessica. Look how the floor of heaven  
Is thick inlaid with patines of bright gold:  
There's not the smallest orb which thou behold'st  
But in his motion like an angel sings,  
Still quiring to the young-eyed cherubins;  
Such harmony is in immortal souls;  
But whilst this muddy vesture of decay  
Doth grossly close it in, we cannot hear it.

*Enter Musicians*

Come, ho! and wake Diana with a hymn!  
With sweetest touches pierce your mistress' ear,  
And draw her home with music.

*Music.*

**Jessica:**

I am never merry when I hear sweet music.

**Lorenzo:**

The reason is, your spirits are attentive:  
For do but note a wild and wanton herd,  
Or race of youthful and unhandled colts,  
Fetching mad bounds, bellowing and neighing loud,  
Which is the hot condition of their blood;  
If they but hear perchance a trumpet sound,  
Or any air of music touch their ears,  
You shall perceive them make a mutual stand,  
Their savage eyes turn'd to a modest gaze  
By the sweet power of music: therefore the poet  
Did feign that Orpheus drew trees, stones, and floods;  
Since naught so stockish, hard and full of rage,  
But music for the time doth change his nature.  
The man that hath no music in himself,  
Nor is not moved with concord of sweet sounds,  
Is fit for treasons, stratagems, and spoils;  
The motions of his spirit are dull as night  
And his affections dark as Erebus:  
Let no such man be trusted. Mark the music.

In the method of transformation employed by Portia, we find the basis for "positive culture," where the genius of statescraft, poetry, and music are merged. With this in mind, I think we should launch what I would call an "International Portia Project," to foster the development of heroes and heroines who can use the Promethean method of intervention to stop the plunge into Hell.

In the Middle East, this would be most appropriate, especially the need for heroines, potent women. Israel would need this, to reverse trends of macho and Mother Earth unleashed since 1967. But no positive Israeli culture can exist without a renaissance in the Arab world; to believe otherwise is a psychotic delusion. Imagine the terror of the heads of the Exotic Erotic International in the British Arab Bureau, were Portias to emerge in the Arab world and put an end to the mustachioed macho circus that rules the Arab world under conditions of fixed relations between man and woman, and the woman relegated to the identity of the witch behind the mask. If it is too late in the Middle East, let's intervene from the outside.

But the principle is universal. Let Belmont triumph over Venice! In terms of reference more familiar to New Yorkers, let Belmont prevail over Bellevue—which I assume has not been closed down by recent budget cuts.

Let us all, like Portia, have within our minds "a thousand raw tricks of these bragging jacks," in London, Venice, and elsewhere who are trying to destroy all that is good and beautiful and to plunge humanity into an irreversible nightmare. If we dedicate ourselves to that purpose, Heinrich Heine will not have lived in vain.

### The 'Dirt-Bike' Terror Incident

Approximately one month ago, Lyndon LaRouche forecast that, due to the gathering storm on the world financial markets, as evident in the collapse of General Motors and the hedge funds, and the stunning lack of leadership among the world's major governments, the world would undergo a dramatic phase shift in the early part of July. The desperation of the Synarchist international bankers and their political tools, would bring about some nonlinear developments, for which patriotic statesmen internationally must be prepared.

From this standpoint, the London bombing of July 7 should represent no surprise. LaRouche and *EIR* don't know who did it, or how they did, but the context for this terrorism gives you a very good idea why. In a short memo issued July 9, LaRouche outlined the salient features:

1. The terror incident and its most strategically relevant sequelae occurred in the setting of a.) The immediacy of the ripe threat of a general, chain-reaction collapse of the world monetary-financial system. b.) The period of that Gleneagles "summit" confab during which U.S. President George Bush reportedly inflicted injuries on a Scottish policeman, through an assault by the bicycle which the desperate "lame duck" President was operating at that time. The terrorist incident occurred within the time-frame of the concluding portion of that "summit." c.) The soaring focus on the matter of the indicated role of the Bush White House, Vice President Cheney's office, and the Republican National Committee machine, respecting the criminal act of exposing CIA operative Valerie Plame.

2. The leading consequences of the terrorist incidents, included: a.) A flood of liquidity into international financial markets sufficient to postpone the chain-reaction collapse of the international monetary-financial collapse to some point beyond the conclusion of the "summit." b.) The utterly and maliciously incompetent, "sexed-up" set of allegations by the British Prime Minister and his Jack Straw. c.) The clear denunciation of the Prime Minister's and Straw's propaganda hoax by relevant British law-enforcement offi-

- cials. d.) An hysterically and copiously incompetent coverage of the London incident by the *Washington Post*, among others, in the following day's edition. e.) A wild-eyed propaganda-hoax, claiming an upturn in the U.S. economy.

3. Where was the ghost of Hermann Göring during the early evening preceding the panic which struck on the following morning?

All fallacies of composition which ignore that set of correlated facts respecting the global context of this global set of events, should be ignored, LaRouche argued. He also captioned the further investigation of the incident as "The 'Dirt-Bike' Terror Incident," as an incisive reference to the circumstances which also led to President Bush's most anomalous incident on his bike in Gleneagles.

In addition to investigation, of course, it is incumbent upon world policymakers to devise an approach to stopping such terror incidents. This cannot be done by military measures, LaRouche emphasized, as he did after the 9/11 attacks. The only wave to solve the problem is by eliminating the *motive* of those who are behind such terrorism—that is, by competently resolving the international financial crisis, by adopting LaRouche's policies.

There is only one way to isolate and cripple the capabilities of those Synarchist bankers who put terrorism of all sorts into operation, and that is to strategically isolate them by putting a new rational world economic and financial system into place. A New Bretton Woods arrangement, reached by sovereign governments who are committed to cooperating for long-term economic development worldwide, represents the only alternative now on the table.

So, the worst possible thing is to let the string-pullers behind international terrorism change the subject. It's the collapse of the rotten, bankrupt world financial system that has brought us into this period of instability, and it is that reality that must be addressed in order to put the world back on track. The place to start is with Lyndon LaRouche's Fourth of July address, featured in this issue.