

EIR

Executive Intelligence Review

July 5, 2002 Vol. 29 No. 26

www.larouche.com \$10.00

LaRouche: Denuclearize Mideast, Stop Sharon Threat
California Budget Blowout Is the Biggest of Many
Ashcroft's Detentions Ring Constitutional Alarms

**It's the Economy—
Bush and Dems Fiddle**

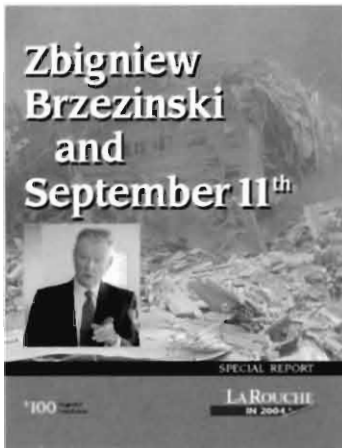


LA ROUCHE
IN 2004 *

www.larouchein2004.com

In the Midst of This National Crisis

Must-read Special Reports from Lyndon LaRouche's Presidential campaign committee



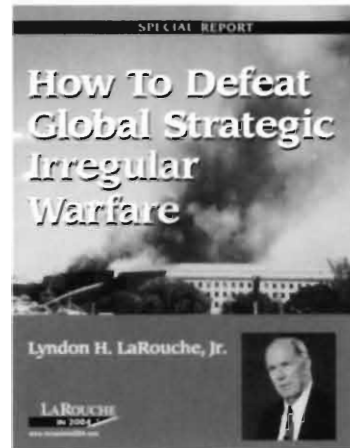
Zbigniew Brzezinski and September 11th

Suggested contribution: **\$100**



To Stop Terrorism— Shut Down 'DOPE, INC.'

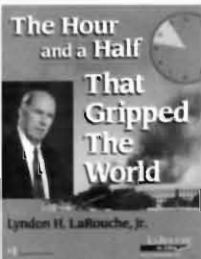
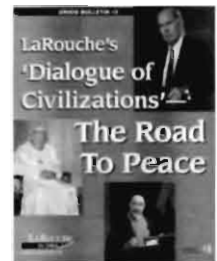
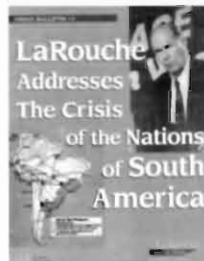
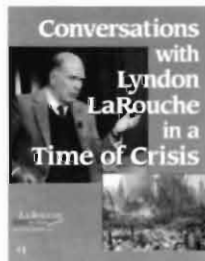
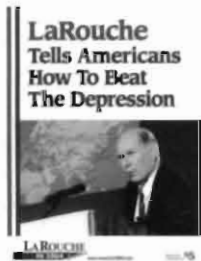
Suggested contribution: **\$75**



How To Defeat Global Strategic Irregular Warfare

Suggested contribution: **\$75**

**READ AND CIRCULATE these Crisis Bulletins
issued by Lyndon LaRouche's Presidential campaign committee**



- * **LaRouche Tells Americans How To Beat the Depression**
- * **Crisis Bulletin 1. The Hour and a Half That Gripped the World**
- * **Crisis Bulletin 2. Conversations with Lyndon LaRouche in a Time of Crisis**
- * **Crisis Bulletin 3. LaRouche Addresses the Crisis of the Nations of South America**
- * **Crisis Bulletin 4. Our Republic's Historic Mission**
- * **Crisis Bulletin 5. LaRouche's 'Dialogue of Civilizations': The Road to Peace**
- * **Crisis Bulletin 6. LaRouche Campaigns Worldwide for a New Bretton Woods**
- * **Crisis Bulletin 7. LaRouche: Continue the American Revolution!**

Suggested contribution: **\$1** per pamphlet



CALL toll free: **1-800-929-7566**

SEND YOUR CONTRIBUTION TO: **LaRouche in 2004** P.O. Box 730 Leesburg, VA 20178

For more information, call:

Toll-free 1-800-929-7566

Leesburg, VA 703-777-9451

or, toll-free, 1-888-347-3258

Northern Virginia 703-779-2150

Washington, D.C. 202-396-0398

Philadelphia, PA 610-734-7080

Pittsburgh, PA 412-884-3590

Baltimore, MD 410-247-4200

Norfolk, VA 757-531-2295

Houston, TX 713-541-2907

Chicago, IL 312-335-6100

Bloomington, IN 812-857-7056

Flint, MI 810-232-2449

Minneapolis, MN 612-591-9329

Lincoln, NE 402-946-3981

Mt. Vernon, SD 605-996-7022

Phoenix AZ 602-992-3276

Los Angeles, CA 323-259-1860

San Leandro, CA 510-352-3970

Seattle, WA 425-488-1045

Ridgefield Park, NJ 201-641-8858

Boston, MA 781-380-4000

Buffalo, NY 716-873-0651

Montreal, Canada 514-855-1699

Paid for by LaRouche in 2004. Contributions are not tax deductible.

Founder and Contributing Editor:

Lyndon H. LaRouche, Jr.

Editorial Board: *Lyndon H. LaRouche, Jr.,
Muriel Mirak-Weissbach, Antony Papert, Gerald
Rose, Dennis Small, Edward Spannaus, Nancy
Spannaus, Jeffrey Steinberg, William Wertz*
Editor: *Paul Gallagher*

Associate Editors: *Ronald Kokinda, Susan Welsh*
Managing Editor: *John Sigerson*
Science Editor: *Marjorie Mazel Hecht*
Special Projects: *Mark Burdman*
Book Editor: *Katherine Notley*
Photo Editor: *Stuart Lewis*
Circulation Manager: *Stanley Ezrol*

INTELLIGENCE DIRECTORS:

Counterintelligence: *Jeffrey Steinberg,
Michele Steinberg*

Economics: *Marcia Merry Baker,
Lothar Komp*

History: *Anton Chaitkin*

Ibero-America: *Dennis Small*

Law: *Edward Spannaus*

Russia and Eastern Europe:

Rachel Douglas

United States: *Debra Freeman, Suzanne Rose*

INTERNATIONAL BUREAUS:

Bogotá: *Javier Almaro*

Berlin: *Rainer Apel*

Buenos Aires: *Gerardo Terán*

Caracas: *David Ramonet*

Copenhagen: *Poul Rasmussen*

Houston: *Harley Schlanger*

Lima: *Sara Madueño*

Melbourne: *Robert Barwick*

Mexico City: *Marivilia Carrasco, Rubén Cota
Meza*

Milan: *Leonardo Servadio*

New Delhi: *Ramtanu Maitra*

Paris: *Christine Bierre*

Rio de Janeiro: *Silvia Palacios*

Stockholm: *Michael Ericson*

United Nations, N.Y.C.: *Leni Rubinstein*

Washington, D.C.: *William Jones*

Wiesbaden: *Göran Haglund*

*EIR (ISSN 0273-6314) is published weekly (50 issues)
except for the second week of July and the last week of
December, by EIR News Service Inc., 317 Pennsylvania
Ave., S.E., 3rd Floor, Washington, DC 20003. (202)
396-0398. For subscriptions: (703) 777-9451, or toll-
free, 888-EIR-3258.*

*World Wide Web site: <http://www.larouchepub.com>
e-mail: eirms@larouchepub.com*

*European Headquarters: Executive Intelligence Review
Nachrichtenagentur GmbH, Postfach 2308,
D-65013 Wiesbaden, Bahnstrasse 9-A, D-65205,
Wiesbaden, Federal Republic of Germany
Tel: 49-611-73650. Homepage: <http://www.eirma.com>
E-mail: eirma@eirma.com Executive Directors: Anno
Hellenbroich, Michael Liebig*

*In Denmark: EIR, Post Box 2613, 2100 Copenhagen ØE,
Tel. 35-43 60 40*

*In Mexico: EIR, Serapio Rendón No. 70 Int. 28, Col. San
Rafael, Del. Cuauhtémoc, México, DF 06470. Tels: 55-66-
0963, 55-46-2597, 55-46-0931, 55-46-0933 y 55-46-2400.*

*Japan subscription sales: O.T.O. Research Corporation,
Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo
160. Tel: (03) 3208-7821.*

*Copyright © 2002 EIR News Service. All rights reserved.
Reproduction in whole or in part without permission strictly
prohibited. Periodicals postage paid at Washington D.C.,
and at an additional mailing offices.*

*Domestic subscriptions: 3 months—\$125, 6 months—\$225,
1 year—\$396, Single issue—\$10*

Postmaster: Send all address changes to *EIR*, P.O. Box
17390, Washington, D.C. 20041-0390.

From the Associate Editor

The very best thing that could happen in the current strategic situation, is that the financial collapse should worsen to the point that it shatters people's delusions.

That's a hard idea to accept, but it is the only thing that will allow Lyndon LaRouche's campaign for a New Bretton Woods system—as he uniquely defines it—to succeed. Without that, there is no way to prevent a descent into a Dark Age.

Exactly one year ago, *EIR* published a report on LaRouche's trip to Moscow, where he addressed hearings of the State Duma. In a Moscow webcast press conference, he explained: "Now, contrary to some people, a monetary crisis is not the worst thing that could happen for the world—it could be the best. It's like going to a doctor to have a cancer removed: It could be the best thing that can happen to you. The reason the system is collapsing, is that it should never have existed. Decisions made in 1971 to change the international monetary system, followed by decisions made in 1979-1991, have created the present mess."

Too many people who heard or read LaRouche's words chose to stick with their delusions. A year later, the "mess" is much, much worse.

Now, we feature a report on LaRouche's visit to Brazil, where he received a warm welcome from a people who have shed their delusions, and are earnestly seeking solutions. Our continuing coverage of this historic trip includes the ceremony at which he was awarded honorary citizenship in the city of São Paulo.

Elsewhere in this issue, the grim picture of how messy the mess has become, is conveyed in our coverage of the U.S. debt explosion (in *Economics*), the Ibero-American blowout (*Feature*), and the collapse of the U.S. telecom sector and the almighty dollar (*National*). Each of these situations is being met by denial by those who are supposedly in charge of solving them.

The result is the accelerating drive toward war, as we document in *International*, with reports on the insane Israeli government's brandishing of nuclear-tipped ICBMs; President Bush's "green light" for an Israeli assassination of Arafat; and the drive to expel Palestinians into Jordan.

Note: Following our usual schedule, *EIR* will not be produced next week. Issue number 27 will be dated July 19.

Susan Welsh

EIR Contents

Cover This Week

*American forests
and the American
economic house are
both burning.*



4 Rollover of U.S. Debt Will Yield Weimar Hyperinflation

America's annual combined debt service has grown to a whopping 72% of the nation's already-inflated Gross Domestic Product. And you wonder why each week brings a new wave of bankruptcies of major U.S. corporations? Don't blame the accountants: This has been the result of the systematic take-down of the U.S. economy since August 1971.

60 U.S. Economic House Burning, All But LaRouche Deny it

The speed of the dollar's collapse is only somewhat slower than the collapse of the Brazilian real and the Mexican peso. And yet some fools in the Democratic Party are advising against even mentioning the economy as an election issue!

Photo and graphics credits: Page 20, EIRNS/Maria Schmitz. Page 27, Page 45, EIRNS/Carlos Pérez Galindo. Pages 31-39, EIRNS/Steven Meyer. Page 45, White House Photo/Paul Morse. Page 47, Bundesbildstelle. Page 49, Palestinian Authority website. Page 56, EIRNS/Stuart Lewis. Page 61, White House Photo. Page 63, Department of Health and Human Services. Page 65, EIRNS/Bonnie James.

Economics

8 Food Shortfalls Leave 800 Million Hungry

The industrial nations in effect boycotted the World Food Summit of the UN Food and Agricultural Organization in Rome, guaranteeing that nothing effective would come out of it, to deal with a crisis of stupendous proportions.

9 Demise of Maastricht Is on the Horizon

11 Repatriation of Russian Capital: Investment, or More Looting?

12 False Axioms Blow Out California's Budget

17 Indonesia Searches for a Mission

19 Lessons of the Lautenbach Plan: A Reconstruction Program for Germany in a Time of Global Systemic Crisis

By Helga Zepp-LaRouche, Chancellor candidate of the Civil Rights Movement Solidarity party (BüSo) in Germany.

Documentation: Dr. Wilhelm Lautenbach's plan for saving the economy.

24 Business Briefs

Correction: In our last issue, Argentina's Maj. Adrián Romero Mundani was misidentified as a colonel. And he spent eight, not four years, in prison.

Feature

26 Ibero-American Blowout Is Systemic, Not 'Contagion'

Just as LaRouche forecast during his recent visit to São Paulo, Brazil's economy has begun to implode as quickly as its southern neighbor Argentina began to do a year ago. The International Monetary fund blames the Argentine "contagion," but the only real contagion is the IMF itself, and its lunatic policies.

29 LaRouche on 'O'Neill's Hooverville Trolley'



30 LaRouche's Crisis Leadership Backed: Honored by World's Third-Largest City

31 São Paulo City Council Discussions on Cooperation for Economic Recovery

Presentations by Dr. Havanir Oliveira Nimtz, Helga Zepp-LaRouche, Dr. Enéas Carneiro, and Lyndon H. LaRouche, Jr.

39 Helga Zepp-LaRouche: Stop the 'New Violence,' Create a New Renaissance

Address to the São Paulo State Appellate Criminal Court.

International

44 Bush's Folly May Launch Sharon's New Middle East War

Calling for the overthrow of Palestinian Authority President Yasser Arafat, President George Bush's June 24 Middle East Policy speech has set the stage for a war that could include the deployment of nuclear weapons.

46 Denuclearize Mideast To Stop War Threat: LaRouche

48 Nabil Shaath: Does Stopping Vaccines For Children Help Israeli Security?

From a June 21 address by the Palestinian Authority Minister of Planning and International Cooperation.

50 Bush's Perpetual War Doctrine Scares Even the Reaganites

52 French Elections: Chirac's Landslide, or Premature Burial?

55 French Book Slanders LaRouche and Cheminade

56 Remembering Carlos Cota Meza: A Touch of the Sublime

By Lyndon H. LaRouche, Jr.

58 International Intelligence

National

62 DOJ's Arguments Ring Constitutional Alarms

Can the U.S. government suddenly declare that a U.S. citizen has *no rights* under the Constitution? Tearing a page from the courts of Nazi Germany, that's precisely what the Justice Department is arguing before the U.S. Fourth Circuit Court.

64 Ashcroft Eroding U.S. Constitutional Rights

Testimony to the House Judiciary Committee by *EIR*.

65 Warner Again Says, Revise 'Posse Comitatus'

66 Supreme Court Reverses Itself on the Death Penalty

67 Violent Video Games Rated 'for Everyone'

69 The Wertham Campaign Against Violent Comics

70 Congressional Closeup

Book Reviews

53 Gore Vidal Attacks LaRouche Over Sept. 11

Perpetual War for Perpetual Peace: How We Got To Be So Hated, by Gore Vidal.

Departments

72 Editorial

The End of an Era.

Rollover of U.S. Debt Will Yield Weimar Hyperinflation

by Richard Freeman and John Hoefle

The spiralling growth in U.S. debt, and thus the requirement to service or roll over the debt, is creating the conditions, in the United States and globally, for the eruption of a hyperinflation of the type that ravaged Weimar Germany from March through November 1923. By the end of 2001, total U.S. debt had reached \$31.12 trillion. On average, over the last four years, U.S. debt has surged at the rate of \$2.2 trillion per year, or almost \$200 billion per month.

The debt pyramid has grown so large, that it is unsustainable, and all attempts to service it will not work. Moreover, every such attempt further destroys both the underlying U.S. physical economy, and its bankrupt financial system. *EIR*'s economics staff has determined, preliminarily, that by the end of 2001, on this outstanding debt, America's annual debt service—the interest payment, plus re-payment of a portion of the principal—had reached an unprecedented \$7.36 trillion. This is equivalent to a staggering 72.1% of Gross Domestic Product.

The United States had gotten itself into such a situation, by being guided by a “post-industrial society” policy for the past 30 years.

On June 13, Presidential pre-candidate Lyndon LaRouche addressed the São Paulo Commercial Association in Brazil (see last week's issue). He focussed on the three major crises of Argentina, Brazil, and the United States, “each of which has the same problem, but with different specific characteristics.” While “Argentina is in the most advanced stage of explosion,” the U.S. problem could ultimately have the biggest harmful impact. All three countries are taking extraordinary measures to pay the debt, by undermining their national existence, a process that cannot be continued.

LaRouche presents the decisive solution, with his pro-

posal to put the world financial system through bankruptcy reorganization—in order to write off tens of trillions of dollars of this debt and other obligations—and replace the bankrupt system with a growth-vectored New Bretton Woods monetary-financial system.

Post-Industrial Society Policy

The U.S. debt bubble stems from the City of London-Wall Street financiers' imposition of a post-industrial society policy upon the United States in the mid-1960s. This policy collapsed production in manufacturing, agriculture, and infrastructure, and fostered speculation, which built up a gigantic speculative bubble. This bubble sucked the physical economy dry, contracting it and real living standards, by 1-2% per annum.

Three nodal policy changes of the post-industrial society policy are noteworthy.

First, President Richard Nixon severed the dollar from the gold reserve standard on Aug. 15, 1971, which severed financial flows from physical goods flows.

Second, Federal Reserve Board Chairman Paul Volcker moved in October 1979 to apply the New York Council on Foreign Relations' explicit policy of “controlled disintegration” of the economy. Volcker sent interest rates into the stratosphere, so that the prime lending rate charged by commercial banks reached 21.5% by December 1980, which razed basic manufacturing and agriculture to the ground.

Third, Wall Street steered the leveraged buy-out movement mania, starting in the 1970s, with heavy doses of laundered drug money, to take over and then asset-strip companies.

Taken as a sweep, the more than three-decade post-indus-

trial process fostered the leap in debt, in a two-fold way. To understand this two-fold nature, it is necessary to make a distinction between productive and non-productive activity. Productive activity is man's activity engaging in manufacturing, agriculture, construction, transportation, mining, and infrastructure-building, which alters nature and manufactured goods for the purpose of man's advancement. This activity is raised to a higher level by man's discovery and transmission of scientific discoveries of fundamental physical principle. Non-productive activity consists of both necessary social services, and those activities which are a deduction from, and destructive to the economy, such as the growth of speculation; of non-productive, non-useful services; etc.

The post-industrial society policy built up debt in a two-fold way, for the non-productive side, and the productive side of the economy.

First, the non-productive side of the economy built a significant amount of debt. For example, many of the highly speculative leveraged buy-outs/acquisitions of companies, cited above, were financed with debt. In the 1990s, the foolish expansion of the dot-com and telecommunications sectors, and the "New Economy" as a whole, involved a mountain of debt. Many households in the upper 20% of households by income class, acquired loads of mortgage debt to purchase \$400,000 to \$1 million "McMansions," etc.

Second, the post-industrial society policy meant that many institutions and households had to compensate for the collapse of the productive side of the economy. In order to offset falling living standards, millions of households have built up debt to pay for housing, clothing, medical bills, furniture, and even food. To offset a contracting economy, many manufacturing firms and farms have had to borrow money to keep from going under, and to pay for new equipment, raw material supplies, and even to pay payroll.

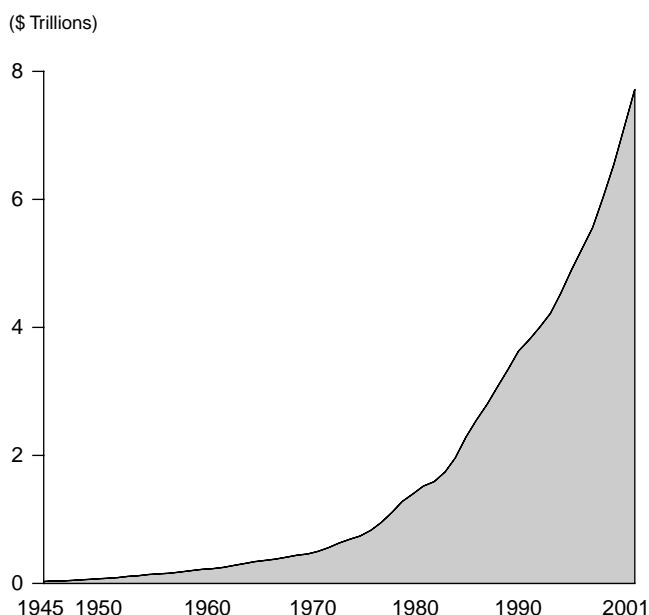
Hence, the post-industrial society policy fostered both types of debt, for different but complementary reasons; the two types of debt merged, sending total debt spiralling upward.

The Surge in Household Debt

The total U.S. debt consists of three parts: 1) consumer debt, which includes mortgage debt for purchasing homes; consumer installment debt (furniture and car purchases); and credit card debt; 2) business debt; and 3) total government debt, Federal, state, and local.

The household debt has functioned to prevent living standards, and the U.S. economy, from plunging at a faster rate than they already are. **Figure 1** depicts total U.S. household debt growth from 1945 through the end of 2001. Notice that in the period from 1945-70, it was relatively small, and it did not exceed the level of \$1 trillion until 1978. Then, under the force of Volcker's high-interest-rate regime to enforce "controlled disintegration," it shot upward. By 1990, it was \$3.63 trillion, and today, it stands at \$7.72 trillion.

FIGURE 1
U.S. Household Debt



Sources: U.S. Federal Reserve Board of Governors, "Flow of Funds Accounts"; Office of Management and Budget, "Budget of the United States"; *EIR*.

The increase in total U.S. household debt of \$4.09 trillion during the last 11 years, financed the purchase of many consumer goods, as well as over-priced homes. It also left the population more burdened with debt than at any time in its history.

Figure 2 shows that the debt of all levels of government—more than 80% of which is the debt of the Federal government—has continued to grow, and at the end of 2001, had reached \$7.16 trillion. However, the rate of growth of combined government debt had decreased, and it has now been overtaken, in size, by the level of household debt. Still, the Federal budget deficit is sharply growing again.

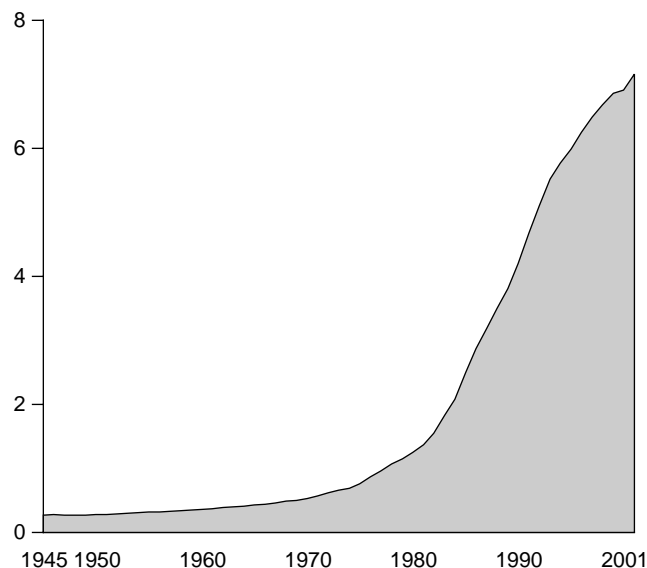
Figure 3 shows the growth of business debt, which is the fastest-growing debt of all. This consists of the debt of two types of business entities: *non-financial companies*, including corporations such as GM, GE, energy, and telecom companies, non-incorporated entities, and farms; and *financial companies*, such as banks, insurance companies, and the Federal National Mortgage Association (Fannie Mae). Financial company debt has shot upward. Between 1995 and 2001, total business debt rose from \$8.37 trillion, to \$16.30 trillion, doubling in only six years.

Figure 4 demonstrates that by the end of 2001, U.S. total domestic debt reached \$31.12 trillion. When one adds in America's foreign debt—which is approximately \$2 trillion, and which has been used to finance America's gaping current

FIGURE 2

All Government Debt (Federal, State and Local Gov't)

(\$ Trillions)

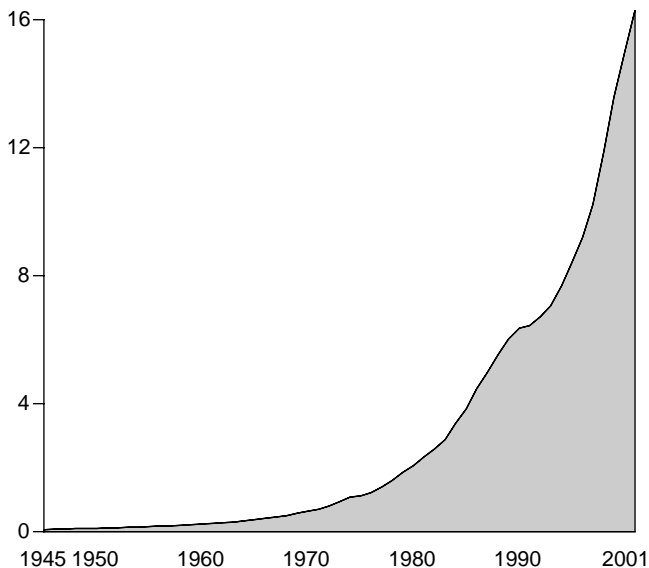


Sources: U.S. Federal Reserve Board of Governors, "Flow of Funds Accounts"; Office of Management and Budget, "Budget of the United States"; *EIR*.

FIGURE 3

U.S. Business Debt (Non-Financial and Financial Businesses)

(\$ Trillions)



Sources: U.S. Federal Reserve Board of Governors, "Flow of Funds Accounts"; Office of Management and Budget, "Budget of the United States"; *EIR*.

account deficit—then total U.S. debt is above \$33 trillion. Brazil has approximately \$550 billion in debt and outstanding dollar obligations, which is, relative to Brazil, a huge sum, and large enough to blow out the world financial system. But America's \$33 trillion is the "grandmother" of all debt.

The Rate of Increase

EIR's economics staff has looked at ways to show the increase in the growth of U.S. debt, and its destructive effect upon the economy and financial system.

Figure 5 shows the ratio of the increment in the dollar volume of U.S. debt, to the increment in the dollar size of Gross Domestic Product, for each year. In the case of a decade like the 1970s, it is the average of all the years in that decade.

Throughout the 1970s, for every dollar of increase in GDP, there was \$1.75 increase in debt; throughout the 1990s, for every dollar of increase in GDP, there was \$3.60 increase in debt. In the 2000-01, this average jumped to \$4.91.

Buttressing this point, *EIR* also determined that the annual debt service on America's debt is approximately \$7.36 trillion. The annual debt service consists of the sum of the interest payment, plus the part of the principal that must be repaid each year. In determining this debt service, *EIR* consulted and cross-checked with more than a dozen economists and experts from U.S. government agencies and private institutions.

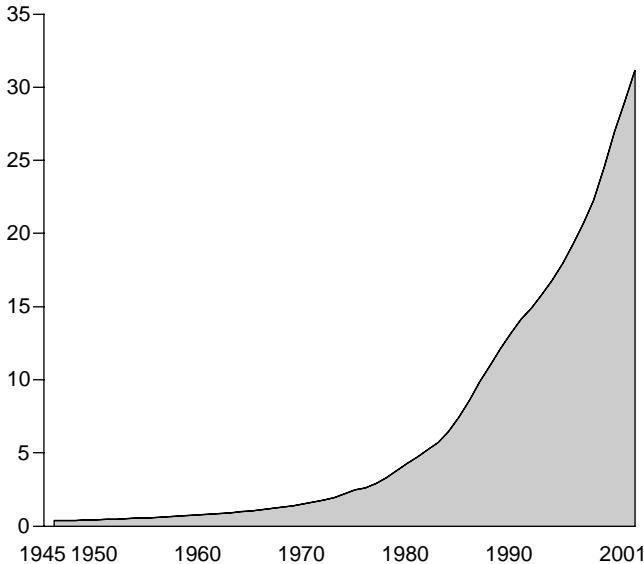
Most of the \$31.12 trillion in U.S. domestic debt, is in the form of either a bond or a bank loan. Bonds have a maturity, and the maturity varies, depending on the kind of bond. For example, a corporate bond has a longer maturity than a U.S. government bond. But what is revelatory, is the change in the maturity of bonds. For instance, in 1980, the average maturity for a corporate bond was 19.4 years. However, since a corporation—or any institution—pays a lower interest rate on a bond that it issues with a shorter maturity, than on a bond with a longer maturity, corporations started reducing the maturity of the bonds that they issued. By 2001, the average maturity for a corporate bond was 6.6 years.

But this also increased the principal amount, and thus debt service, that has to be paid back every year. For example, if a \$1,000 bond has a 19.4-year maturity, that means that the bond's \$1,000 principal must be paid back over 19.4 years, or 1/19.4 of the principal amount—\$52—must be paid back each year.¹ However, for the same \$1,000 bond that has a 6.6 year maturity, effectively, 1/6.6 of the principal amount—

1. For most bonds, the principal is paid back, not each year, but at the point when the bond matures, in one lump sum. However, if the average maturity of all corporate bonds were 19.4 years, that means that, on average, roughly 1/19.4 of the total value of the bonds, comes due, and must be paid back each year.

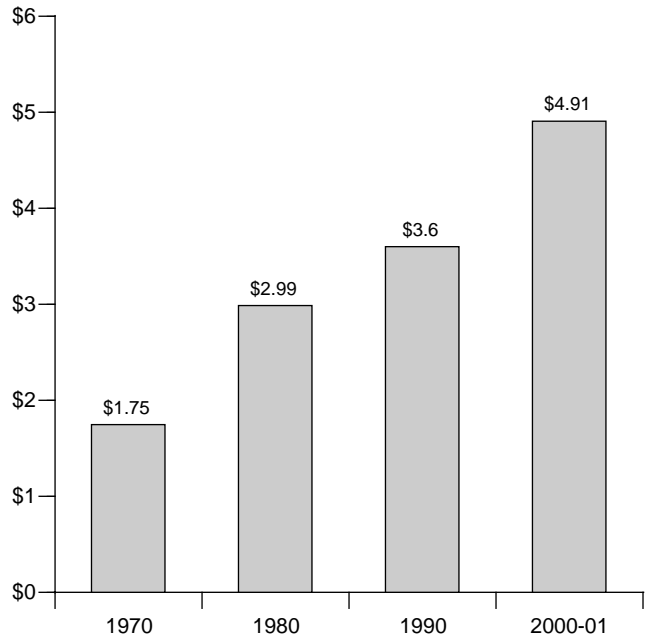
FIGURE 4
Total U.S. Debt

(\$ Trillions)



Sources: U.S. Federal Reserve Board of Governors, "Flow of Funds Accounts"; Office of Management and Budget, "Budget of the United States"; *EIR*.

FIGURE 5
\$ Rise in Debt for Each \$1 Increase in GDP



Sources: U.S. Federal Reserve Board of Governors, "Flow of Funds Accounts"; Office of Management and Budget, "Budget of the United States"; U.S. Department of Commerce; *EIR*.

\$152—must be paid back each year. This increases the amount of annual principal repayment required.

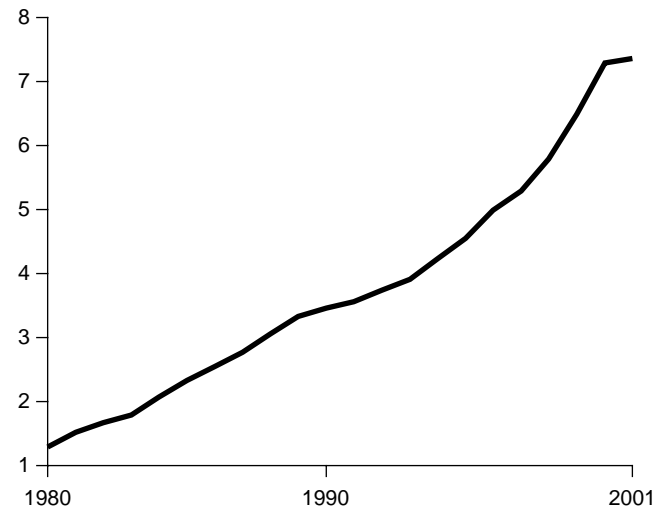
Plus, an even more powerful element increasing the amount of principal that has to be repaid each year, and also the debt service, is the growth in the dimension of the bonded debt outstanding. Assume that the maturity of the bond remains the same; on \$3 trillion in bonded debt, three times as much principal must be repaid each year, as on \$1 trillion in bonded debt.

The more deeply America fell into debt, the more its annual debt service grew. **Figure 6** demonstrates that in 1980, the annual debt service was \$1.29 trillion; by 2001, it had reached \$7.36 trillion, a nearly six-fold increase. (Of the \$7.36 trillion in debt service in 2001, the interest portion was \$2.07 trillion.)

The debt service is of crushing proportions. **Figure 7** compares annual debt service to America's annual GDP (although GDP is an inaccurate measure of the economy, it can be used for purposes of comparison). In 1960, not shown on the graph, annual debt service was roughly equivalent to 31% of GDP; in 1980, this rose to 46.3% of GDP; and by 2001, it had leapt to 72.1% of GDP, which is more than double the 1960 level. To pay the annual debt service would require siphoning off three-quarters of GDP: a physical impossibility. Debt-service payment cannot co-exist within the same universe as continuation of the economy and human life.

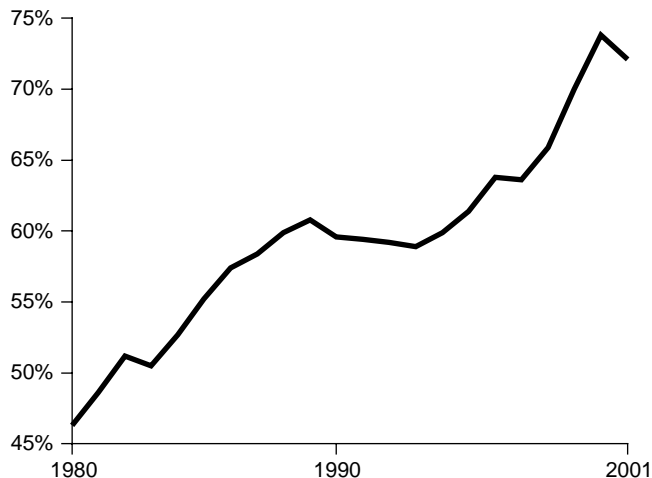
FIGURE 6
**U.S. Debt Service, Per Year
 (Principal Repayment, plus Interest)**

(\$ Trillions)



Sources: U.S. Federal Reserve Board of Governors, "Flow of Funds Accounts"; Office of Management and Budget, "Budget of the United States"; Mortgage Bankers Association; Thomson Financial Services; *EIR*.

FIGURE 7

U.S. Debt Service as a Percent of U.S. GDP

Sources: U.S. Federal Reserve Board of Governors, "Flow of Funds Accounts"; Office of Management and Budget, "Budget of the United States"; Mortgage Bankers Association; Thomson Financial Services; *EIR*.

How Can It Be Paid?

This presents a paradox. How does the United States pay \$7.36 trillion in debt service annually? The Wall Street financiers can, and do, take measures to collect the debt service through extraction: They loot the population through fierce austerity; they do not replace run-down plant and equipment, etc. This is destroying the underlying physical economy upon which life depends, and ends up in fascist looting. But it will not produce \$7.36 trillion per year.

In addition, there are measures to roll over a significant portion of the debt service, through re-financing it with new debt and other similar mechanisms. Some of the new U.S. Federal debt will be directly monetized: that is, new monetary emissions will be issued against it; but ultimately, just as in Weimar Germany, there will be a large increase in money supply to facilitate the debt financing.

However, the annual increase in the debt and debt service is so huge, that this process cannot be continued in a fixed mode. LaRouche has forcefully characterized the process in his discussion of the "Typical Collapse Function" ("Triple Curve"), and its transformation during a breakdown crisis (see Lyndon H. LaRouche, Jr., "Regional Organization Under a New Bretton Woods," *EIR*, June 9, 2000). Every attempt to hold up the values of the financial aggregates, which are the mass of debts, derivatives, and other financial paper which constitute the upper curve of the "Triple Curve" function, crosses a boundary condition, and produces a hyperinflationary shock front that gathers force. In turn, it will rip apart the world monetary system, more surely than the Weimar hyperinflation ripped apart the German monetary system in 1923.

Food Shortfalls Leave 800 Million Hungry

by Rosa Tennenbaum

The World Food Summit of the Food and Agricultural Organization (FAO) of the United Nations, which occurred at the beginning of June in Rome, was supposed to assemble the world's heads of state, to inaugurate the struggle against hunger with common efforts. The industrial nations made this demand impossible from the beginning, since they de facto boycotted the summit. Only Italy and Spain were represented by their heads of state; all other nations merely delegated second-level officials to Rome. Great Britain sent none of its cabinet ministers, but a mere government civil servant.

Eight hundred million people are exposed to continuous hunger; every four seconds, a person dies from hunger, because the most elementary thing which a human needs for bare existence—food—is withheld, according to the complaint of FAO General Director Jacques Diouf at the Rome meeting. As recently as 1996, the governments of the world committed themselves, at the World Hunger Summit, to do everything possible to cut the number of hungry people in half by the year 2015. Since then, however, assistance to the developing sector has been sharply *decreased*, to say nothing of initiatives which are aimed at development; technology transfer, for example.

Hunger and Poverty Have Increased

"The promises that were made in 1996 have not been kept," charged Diouf. "Worse yet, no actions followed the speeches." There is a lack of human solidarity with the poor; the political will to relieve the suffering is lacking. Support for development of agriculture in the developing sector has been drastically reduced. Between 1990 and 2000, both assistance for the development of agriculture from industrial nations, and credits from the international financial institutions, were cut by about 50%.

Yet agriculture is the basis for life for 70% of the world's poor. Hunger reduces the economic growth of a nation by about 1% a year, through lower productivity and nutritional diseases, Diouf estimated for the participants. He challenged the nations to support the "Anti-Hunger Program" which the FAO had prepared.

In order to decrease the number of those hungry, from 800 million to 400 million by the year 2015, an additional \$24 billion a year would have to be invested in the developing sector. The industrial nations and the international financial institutions were called on at Rome to supply half of this

amount, which is merely equivalent to the level of their aid in 1990. The developing nations were supposed to contribute the other half, increasing their budgets for rural areas about 20%.

The industrial nations met this call with chilly silence—some even with furious attacks: The developing nations are themselves responsible for their suffering, it was claimed; first and foremost, they should have ensured “good government”; and they were ordered not to take part in wars and civil wars. Thus, Poul Nielson, the European Union Commissioner for Development Assistance, called it “senseless, to throw huge amounts of money after the hunger problem.” Together with British Development Minister Clare Short, he threw in Diouf’s face, the charge that the FAO only wanted to posture with this summit, and called it a “pure waste of time.”

Appeal to ‘A Market of 800 Million People’

“In a world of abundance, the end of hunger is in reach,” urged United Nations Secretary General Kofi Annan. “To fail to meet this goal, ought to fill each of us with shame. The time for promises is gone.” He appealed to the industrial nations—to no avail, as the “abundance” Annan wishes to see is nowhere to be found among them.

The industrial nations were in the trial dock in Rome, and they responded with counterattacks: The FAO, under Diouf, had more and more meddled in things, that were none of its concern; it should not be the FAO’s business, to interfere in questions of development; these should be in the jurisdiction of the World Bank and other international organizations. Diouf rejoined that it still would be directly in the interest of the Group of 8 nations themselves, to fight hunger. After all, 800 million hungry people would be an enormous market.

So it is. And when one considers fully, that about two-thirds of mankind, after all, are undersupplied with all the goods necessary for existence, the dimension of stupidity of these governments becomes clear. An example from the domain of agriculture should make that obvious: Only one-third of humanity is well-nourished. Every second person is classified by the FAO in the category “sufficiently nourished”; that is, they are able to obtain for themselves exactly enough calories to be able to perform normal work; however, they are malnourished, because the nutritional quality of those calories is so poor. Every seventh person is hungry.

To merely be able to raise these more than 800 million citizens of the world to the level of “sufficiently nourished,” we need to produce an additional 350 million tons of grain every year. If we allow absolutely all 6.2 billion human beings who today inhabit the Earth, to be able to nourish themselves well and with variety, as has been self-evident for us, we require 4.96 billion tons of grain. However, the world agricultural economy in the past year has harvested only 1.86 billion tons (and consumed 1.913 billion tons in the same time period). Thus, world agriculture would have to immediately increase its harvest output around 2.5 times.

Analogously, this applies to all other areas of the economy.

Gigantic tasks await nations which would take this offensive, which would lead the world economy into a new, sustained, actual economic wonder. But wouldn’t it mean subsidizing? Not at all. The developing nations are poor because they are underdeveloped. At the moment when investment goes into the development of their natural resources, that suddenly changes.

To stick with the example of agriculture: We do not find the highest-yielding soils in the industrial nations, but rather in the tropical nations, where 45% of the high-yield soils are, while the industrial nations control just over 17%. Here a gigantic potential lies fallow, which would be relatively easy to develop and which must be developed, if hunger is to disappear from the Earth. If farmers everywhere in the world were able to cultivate their land, and breed and maintain their livestock, with the technical standard of an American or a European farmer, then the Earth could feed 50 million people. The struggle against world hunger requires no biotechnology, no apportionment measures and no ominous efforts. One merely needs the political will to do it.

Demise of Maastricht Is on the Horizon

by Rainer Apel

At least in election years, governments cannot avoid paying some attention to what the voters think, and this is what is happening in France, Germany, and Italy, the three leading economies of continental Europe. France and Italy just recently had elections; Germany will have them in September. What these governments, and the others in Europe, are faced with, is growing, massive discontent of their populations with the catastrophic turn economies and living standards have taken in recent months—contrary to government propaganda about “upswings” and other pies in the sky.

The dense pattern of labor protests and strikes so far in 2002, points to the depth of the discontent, the more so because labor unions have been relatively moderate in the last few years, showing loyalty to the budget cuts imposed by their governments.

In Italy, labor protests were first to make the voice of the population heard, and a preliminary peak of protests was reached with a one-day general strike on April 16. Since then, not only Italy, but also other European countries, have seen repeated labor strikes in one sector after another. As of June, waves of strikes were occurring at the same time in several countries at once.

During the last two weeks of June alone:

- In Germany, the first nationwide strike of construction workers in 50 years escalated with temporary road blockades

in several cities on June 20 and 21, and led to a resumption of wage talks on June 24 which ended with a surprise settlement that same day—after weeks that had brought no progress at all. In addition, warning strikes of banking and insurance employees in Frankfurt, Germany’s banking center, were staged, with a special emphasis on a one-day strike action at 450 banking offices in North Rhine-Westphalia on June 19. On June 25, workers in the collapsing German telecom sector began staging strikes across the country.

- France saw a pattern of local and regional public transport workers striking.
- In Italy, employees of the judicial sector went on a one-day strike on June 20, followed by urban and other local public transport workers two days later; and on June 26, air flight control staffs caused Alitalia to cancel 106 flights.
- Spain had its first general labor strike in ten years, with several million workers of all labor unions taking part on June 20.
- In Greece, seamen were on strike for most of the last weeks of June; the ferry workers in particular caused a paralysis for the tourists, because they broke off the crucial communication by sea between the mainland and the many Aegean islands.
- Throughout Europe, air flight controllers went on strike on June 20, forcing airlines to cancel most of their flights right at the start of the Summer tourism season.

Pressure To Break Maastricht

These very disciplined strikes signal that much more is to come during the Autumn, after the Summer recess, when the economic and labor market situation is now admitted to be likely to worsen. It is worth noting that in all cases, labor unions have shown they are ready to launch weeks-long strikes to force their demands through.

In the case of public sector workers and employees, demands for salary increases instantly threaten the budget austerity which their governments have agreed to with the European Union’s Commission in Brussels and the European Central Bank in Frankfurt.

The pressure on governments is visibly increasing, to declare aspects of the EU’s Maastricht Treaty budgeting control system as void, and to think of state programs for the creation of jobs to bring down high unemployment across Europe. This is pushing the governments towards a cross-roads: they either continue their budget austerity at the risk of explosive, large-scale conflict with the labor movement, or they begin to campaign for at least relief from the Maastricht system, in order to regain some flexibility on the state financial front.

The process has started in France, where in an effort to buy off labor protests during the recent Presidential and National Assembly elections, the government promised tax cuts in the range of 30 billion euros over the next five years. It stated a commitment to get some of the Maastricht criteria, at least, “suspended,” for a few years, if real changes in the system as a whole were not possible.

Faced with the French “problem,” the EU Commission and the other governments had no alternative to granting France financial flexibility from the Maastricht criteria, in exchange for a vague French promise to keep in mind the agreed 2004 target year for reaching a balanced budget. French Finance Minister François Mer made even such a “promise” conditional on holding the annual growth of France’s GDP to 3%—which is illusory, in view of the hard reality of the worsening global economic depression. The in-depth financial review which the French government has announced for June 27, may alter the “generally agreed” agenda of the EU even more.

In addition to France, Portugal and Italy were also granted exemptions from the Maastricht budget rules by the EU Commission and Central Bank, on the eve of the June 21 EU Summit in the Spanish city of Seville. In the case of Italy, that exemption was explicitly made to allow the state to fund public infrastructure development projects that can create jobs; originally, the Maastricht rules had banned exactly such state-funded projects.

Move To Exempt Infrastructure and Defense

Remarks made by Italian Finance Minister Giulio Tremonti on June 24 documented that the EU governments are still afraid of doing what Lyndon LaRouche has advised them to do, most recently in a nationally circulated interview with *Affari Italiani* in May—to admit that the Maastricht system has been completely flawed from the start and urgently needs to be abolished. But they also showed the rapid erosion of loyalty to that system. Tremonti said that all of Europe had to “now look at how we can make a more substantial change for the European economy as a whole,” and that this would be possible if, by special regulation, government expenditures for infrastructure, defense, developing sector aid, and structural economic reform programs were all exempted from the Maastricht rules.

Tremonti said that in his view, the Maastricht criteria were useful as long as the EU was preparing for the final stage of the euro introduction; but now, after what he called the “successful launch of the euro”—this really refers to the euro’s recent 15% rise against the falling dollar—it was time to “move to another phase, one which maintains stability but also puts the emphasis on growth and flexibility.”

All of this is still far from what LaRouche recommended. A formulated alternate design for a national banking approach to state funding of projects is still missing. But what Tremonti mentioned is a step in the right direction—if the Italian government and other EU governments continue to put the Maastricht system into question. At present, Italy, where 50 members of the Senate have already signed on to a resolution for a New Bretton Woods system as proposed by LaRouche, is marching in the forefront of this debate. But as in the case of France, where the public interest in modifying the Maastricht system grew as elections came, so Germany is certain to feature similar developments, as Sept. 22 approaches.

Repatriation of Russian Capital: Investment, Or More Looting?

by Rachel Douglas

It sounds like a great idea. Entice the past decade's (conservatively estimated) \$300 billion in Russian flight capital back into the country to jump-start investment in the real sector of the economy. How could such a concept not be attractive to President Vladimir Putin, worried as he is about post-1998-crisis growth sputtering and wage arrears beginning to mount again? And Putin did announce a scheme in the works for the repatriation of offshore funds, when he addressed the Russian Chamber of Commerce and Industry on June 19.

Yevgeni Primakov, the former Prime Minister who now heads the Chamber, likewise endorsed "some form of amnesty" for capital exported abroad.

But, it is impossible to insulate a sound policy from an insane world financial system—especially if major players from the latter are involved. Russia's decisions on capital flows are intermeshed, first of all, with the pell-mell flight of international funds out of the crashing U.S. dollar. The chaos unleashed by that crash will swamp any national-sector initiatives, absent decisive action by several major nations to create a new, growth-oriented monetary system. Second, the promoters of large-scale repatriation of capital just now, overlap the promoters of the dubious scheme to make Russia the world's gas station, by directing foreign investment and repatriated flight capital, chiefly into the build-up of its oil sector for export. (See "What Did 'Energy Dialogue' at Bush-Putin Summit Mean?," *EIR*, June 7, 2002.)

Putin urged the Chamber of Commerce members and the government "to think about creating favorable conditions for investing Russian resources, including those placed in the West, in the Russian economy." His deputy chief of staff, Aleksei Violin, announced that the government would draft an amnesty law, under which Russian citizens could declare, repatriate, and pay taxes (at Russia's vaunted 13% flat income tax rate) on the funds they hold offshore, without facing prosecution. They would be allowed to leave 75% of their money abroad in its offshore havens.

Funds Abroad: Legal and Criminal

Putin's announcement was preceded by a campaign by domestic and foreign-based interests, with the theme that now is the time to make money in Russia. Economics Ministry official A. Ulyukayev, a member of the original liberal reform team around Yegor Gaidar in 1992, announced on June 13

that Russia had now shifted from net capital flight (of approximately \$20 billion annually), to net capital inflow. Cyprus, a preferred offshore location for Russian banks and businesses, has become the top source of foreign investment in Russia. On June 15, Itar-TASS reported from Halifax, Canada that "halting of the exodus of capital from Russia was the main positive news" at Finance Minister Aleksei Kudrin's meeting with his Group of Eight counterparts. Kudrin, the report said, "stressed the importance of this news for the development of the Russian economy and its integration into the world economy."

Also in early June, the notoriously politicized international rating agencies in unison upgraded Russia's credit rating, or issued improved forecasts on the Russian economy. A World Bank report suggested that Russian economic growth could be predicated on large-scale repatriation of capital.

In 1996, *EIR* estimated that some 10% of the then approximately \$1 trillion annual cash volume of "Dope, Inc." (half of it the proceeds of the narcotics trade, the rest from other types of illegal business, including weapons sales) was routed through Russia, the other former Soviet republics, and Eastern Europe. There are indications that some of these shadowy money flows are to be legitimized, through the partial Russian amnesty on flight capital, but also as a spinoff effect of crack-downs on money-laundering, stepped up in Western Europe in the name of "greater transparency" after Sept. 11.

Directly after his Chamber of Commerce address, Putin met for two hours with Sergei Pugachov, formerly president of Mezkhombank and now the representative of Tuva in the Russian Federation Council (the upper house of Parliament), who has been associated with Putin since they were both based in St. Petersburg. *Izvestiya* reported that their talk focused on the nuts and bolts of repatriating capital from offshore companies, but speculated that another item was also likely on the agenda. It so happened that on the previous day, June 18, the Paris daily *Le Monde* wrote about an investigation of Pugachov by prosecutors in Nice, France, for suspicious cash transfers between his bank accounts in Monaco and his Star Limousine company in France.

At the beginning of June, Italian authorities coordinated 50 arrests in seven countries, of the Russian kingpins and their partners in a money-laundering operation involving as much as \$9 billion. Analyst Leonid Bershidsky, writing on June 24 in *Vedomosti*, raised the question of how these "Operation Spiderweb" arrests tied in with the new policy on flight capital: like the plot of a spy story, in which a President with good intelligence community connections would demonstrate to key businessmen that their money-laundering can be caught and punished, while simultaneously offering them amnesty for returning funds to Russia.

The Oil Scenario

Quick to welcome Putin's announcement was Anatoli Chubais, a key figure in the ransacking of Russia through privatization and asset-stripping during the 1990s. Now head

of United Energy Systems, the national electricity company, Chubais said that for too long the attitude toward illegal capital flows had been “ban and interdict.” Now there would be a “more professional” approach to offshore accounts.

On June 21, Mikhail Khodorkovsky’s Yukos oil company became the first big Russian firm to publicize its ownership structure of nested offshore holding companies, based in Gibraltar and the Isle of Man. Formally, the action by Yukos was preparation for being listed on the New York Stock Exchange, but Russian media were quick to call it a sign that “our offshore capital is ready to come home.” Khodorkovsky himself continues his vociferous campaign to boost Russia to the status of the world’s top oil supplier, announcing that his first tanker of oil for sale in the United States is already at sea.

The *Times* of London puffed Khodorkovsky in a June 23 profile, as having “gone from being a shadowy figure associated with the alleged plunder of Russia, to the country’s richest and most famous business leader.” His “unusual disclosure” of Yukos ownership, the *Times* wrote, “could set a trend that would make Russia far more attractive to investors.”

In case these maneuvers did not attract enough foreign investment for Russian raw materials exporters’ needs, another Russian-born intimate of London financial circles has a wilder idea. Earlier this year, Mark Garber, formerly a Russian psychiatrist and now a partner in the exclusive British investment house Fleming Family & Partners (and a person who was named, then cleared in yet another Italian investigation of the illegal arms trade), presented in the weekly *Ekspert* his “five-year plan” for Russian firms to raise capital through international acquisitions. Russian companies should “become transnational not by selling themselves, but by merging with others,” analogous to how Flemings shepherded the South African mining company Glencore (now BHP Billiton) to its eventual acquisition of Australia’s largest mining company, BHP. The first step was to raise \$8 billion through stock issues, after getting listed on the London exchange. Garber proposed that Russia’s giant natural gas company, Gazprom, “not sell stocks to [the German gas company] Ruhrgas. On the contrary, Gazprom should purchase Ruhrgas. Then, Gazprom would become a transnational company, which would be traded quite differently.”

On a smaller scale, the Russian oil company TNK, owned by Alpha Group, is trying to wiggle out of a serious debt crisis by “transnationalizing.” Last September, it created TNK International, subsuming almost all of TNK’s industrial assets. Its chairman, American citizen Simon Kukes, announced on June 13 that TNK International now has a board of trustees with two members: Sir Peter Walters, former chairman of British Petroleum, and Sir William Purvis, head of Hongkong and Shanghai Banking Corp., the famous “Dope, Inc.” bank. Kukes told the Russian press that by inviting such “highly respected persons,” the company will become more efficient and transparent for investors, which will “increase our capitalization.”

False Axioms Blow Out California’s Budget

by Mary Jane Freeman

If you build your house upon quicksand, you can be sure it will sink. Yet, this is exactly what nearly two-thirds of the states and the District of Columbia did since the mid-1990s in building their budgets on revenue streams from the speculative high-tech, Internet, housing, and stock market bubble economy. The recently declared, enormous California budget shortfall of \$23.6 billion, epitomizes just how wrong the deluded assumption of relying on the bubble has been.

State budgets across the country, built on quicksand revenue from the “New Economy” and the stock market, now find “the outlook is painful, with serious problems likely ahead,” as one state budget official put it. But the “problems ahead” loom larger than any leading figure, with the exception of Lyndon LaRouche, is willing to admit.

Rather than address the 30-year-long false premise embedded in the post-industrial paradigm-shift which led policymakers to assume they could take their revenues from speculation, governors and legislators across the nation are instead frantically fine-tuning budget cuts, going deeper into debt, and using accounting tricks now denounced when used on Wall Street, to survive until a “recovery” appears. They deny the underlying reason for their sudden larger revenue shortfalls, with deadly consequences for their citizens, as basic health, education, and welfare programs begin to vanish and infrastructure crumbles.

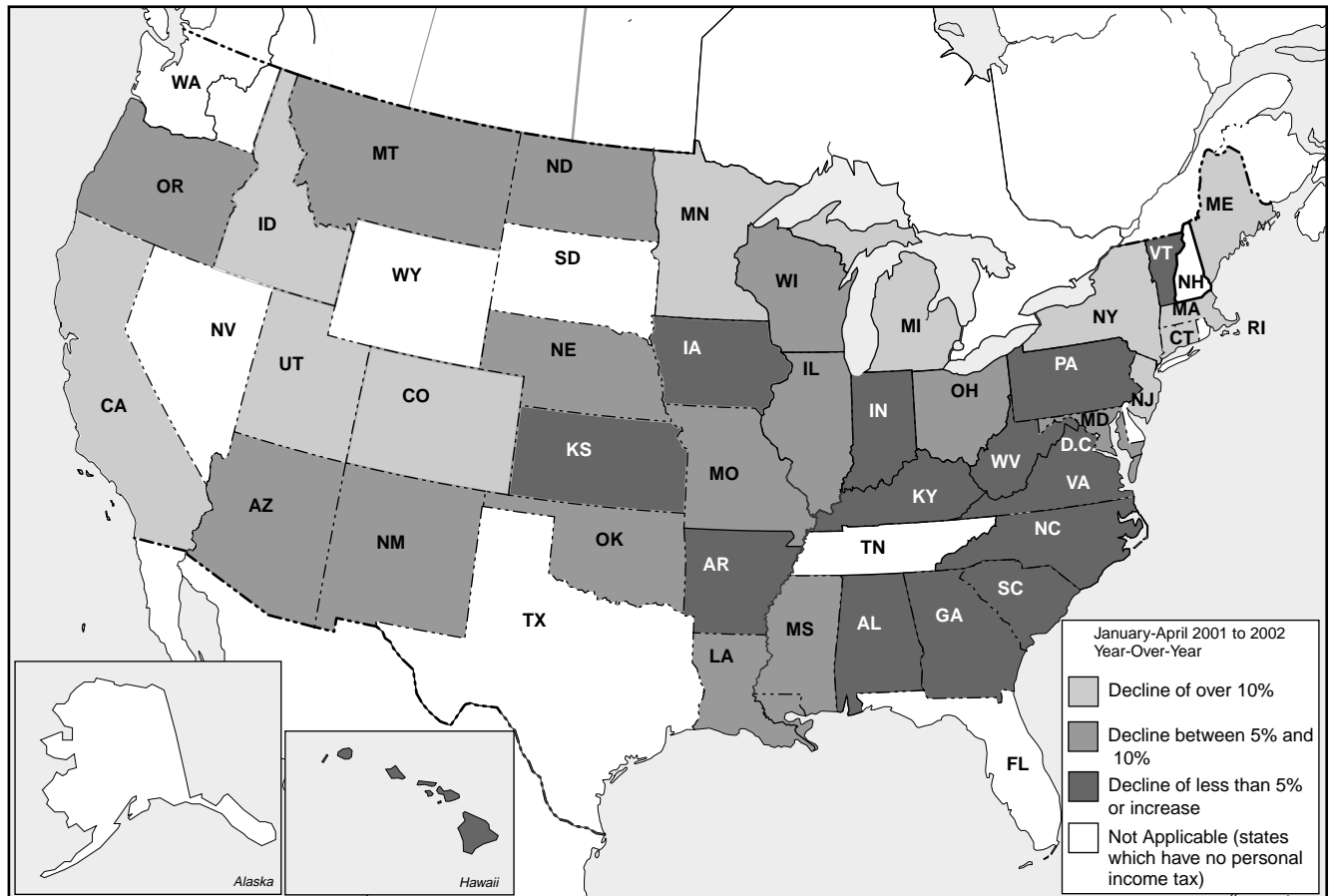
Tax Cuts Plus Depression Really Hurt

While California—the nation’s most populous state with nearly 34 million people, biggest U.S. state economy, and world’s fifth-largest economy—has a budget crisis of the largest magnitude, a recent national survey shows that out of 41 states and the District of Columbia responding, 32 have rapidly sinking revenues and attribute a big part of this collapse to a “drop-off in capital-gains- and stock-options-related income.”

The survey, conducted by the Rockefeller Institute, the National Governors Association, the National Conference of State Legislatures, the Federation of Tax Administrators, and the National Association of State Budget Officers, also shows that April—tax month—personal income tax (PIT) revenues for all states, fell 21.4% from the April 2001 level. For the four months of January–April, PIT collections “were down an average of 14% nationwide” from the same period of 2001. Although the first quarter PIT decline averaged 14%, the sur-

FIGURE 1

States' Personal Income Tax Collections Decline



Source: National Conference of State Legislatures' State Fiscal Update, June 2002, Table 4.

vey shows “five states—California, New York, Connecticut, Massachusetts, and Idaho”—had declines “ranging from 19.1% to 28.9%.”

Plotting this PIT decline on a map of the United States brings into high relief that while California’s revenue shortfall is by far the biggest, there is no corner of the nation untouched by unfolding depression conditions (**Figure 1**). Even of the unshaded states on the map, which have no personal income tax, all except Texas and Wyoming face shortfalls from other revenue sources. This decline was already the “third—and largest—year-over-year drop in a row,” when all state revenue sources had declined by 8% for the January-March period. This was reported in mid-May before April collections were tallied by the Rockefeller Institute (**Figure 2**).

California Dreamin’—LaRouche was Right

As revenues plummeted below the direst predictions, California Gov. Gray Davis’ “May Revision” budget announced

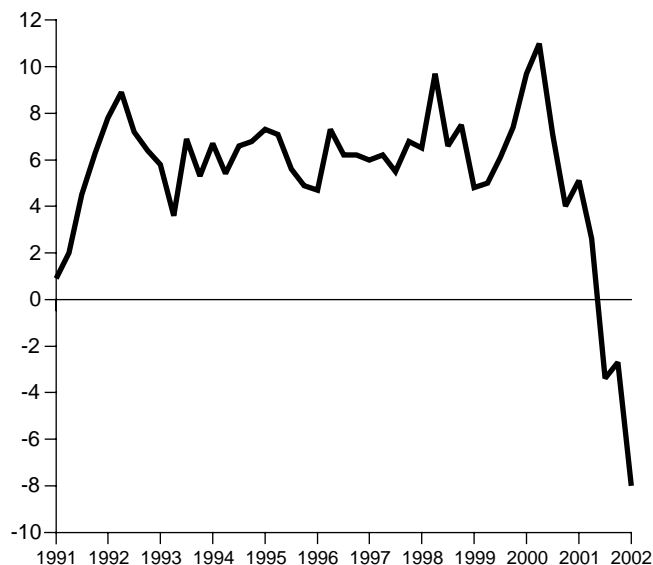
that the state’s two-year revenue shortfall had doubled from \$12.5 billion in January, to a whopping \$23.6 billion by May. This gap between expenditures and revenues is a “30% of General Fund” shortfall, according to Davis’ Revision. In March 2001, Lyndon LaRouche forecast precisely this in a campaign webcast. He warned, states would experience “a probable 30% collapse across the board in the real economy” should they persist in reliance upon “the bubble economy” and fail to adopt his own Rooseveltian New Bretton Woods proposal.

The single most dramatic decline in California has been the loss of revenue derived from capital gains and stock options. It’s no wonder, as these revenue sources almost quintupled from 5.6% to 24.7% of the state’s General Revenue Fund between fiscal years 1995-96 and 2000-01, and nearly doubled between 1998-99 and 2000-01 (**Figure 3**). Such dependence on these bubble revenues is plain in **Table 1**, which shows that even with the \$5 billion growth in

FIGURE 2

Change in Total State Tax Revenues, 1991-1Q, 2002

(% Change, Year-Over-Year)



Source: Data compiled by the Fiscal Studies Program of the Nelson A. Rockefeller Institute, issued May 16, 2002.

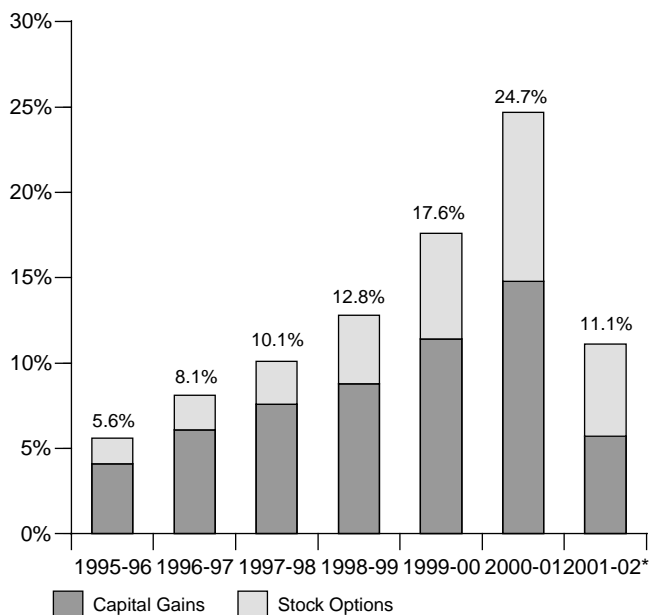
capital gains and stock option taxes, overall revenues fell from \$71.9 billion in fiscal year 1999-2000 to \$71.4 billion in 2000-01. Thus the speculative revenues masked the underlying demise of the real economy. When these speculative revenues evaporated by more than half between FY 2000-01 and 2001-02, down to an estimated 11.1% of the budget, its foundation sank.

Nowhere else do these myopic, greed-driven fantasies of a “New Economy” nirvana so clash with human need, as in California. In the 1990s, the state’s industrial base, from aerospace to basic manufacturing, contracted, while the new Internet “high-tech”-driven companies mushroomed. Hand-in-glove with the dot.com revolution came the stock market and housing bubble revenues. Yet this transformation to a speculative revenue base widened the gap between rich and poor. According to U.S. Census data, average wages across the state barely grew in the 1990s. The average household income in Los Angeles County dropped from \$40,300 in 1989 to \$36,700 in 1999.

The labor force in California dramatically changed in composition: From 1990 to May 2002, a net gain of 2.2 million non-agricultural jobs occurred; but 75%, or 1,654,000, of the gain came from the non-productive sectors, retail and services! The manufacturing sector was decimated with a net loss of 245,000 jobs (Figure 4).

FIGURE 3

California: Capital Gains and Stock Options Taxes as Percent of General Fund Revenue



*Estimate

Source: California Department of Finance.

TABLE 1

California: Capital Gains and Stock Options Taxes as Percent of General Fund Revenue

(\$ Billions)

	Revenue From Tax on		Total	General Fund Revenue
	Capital Gains	Stock Options		
1995-96	\$1.9	\$0.7	\$2.6	\$46.3
1996-97	3.0	1.0	4.0	49.2
1997-98	4.2	1.4	5.6	54.9
1998-99	5.2	2.3	7.5	58.6
1999-00	8.2	4.5	12.7	71.9
2000-01	10.6	7.1	17.7	71.4
2001-02*	4.2	4.0	8.2	73.8

*Estimate

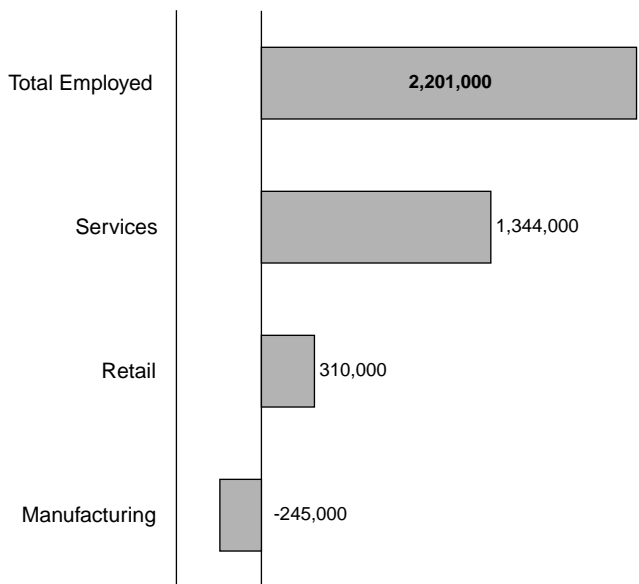
Source: California Department of Finance data.

California Cuts

Hoping to close the growing gap, Governor Davis has proposed \$7.59 billion in program cuts over two years’ budgets—FY 2001-02, which ended June 30, and FY 2002-03

FIGURE 4

California Employment Net Gain or Loss, Total and by Category, 1990-May 2002



Source: California Department of Finance, Statistical Abstract 2001.

(Figure 5). On the revenue side, Davis proposed a \$16 billion package of new loans, shifting special funds, securitization of tobacco settlement revenues, and tax increases. Pinning down exactly the amount to be cut in each primary category of the budget was extremely difficult. But based on one set of recent data from the California Department of Finance, about \$2.45 billion in program cuts have already been made in the current fiscal year, leaving \$5.14 billion to be axed in the next. Using this data, 45%, or \$2.354 billion, of the new budget year's cuts will target Health and Human Services (HHS) programs. For the two-year budget, HHS cuts are 35% of all General Fund cuts.

These cuts will decimate the already-weakened safety net. Some 24%, or \$1.255 billion, is slated to come out of kindergarten through 12th grade, and higher education programs. Other programs to be hit in varying amounts are youth and adult corrections, housing, local government, resources/environment, and capital outlay projects, among others.

There is no question but that the 45% hit against HHS will severely disadvantage the state's most vulnerable citizens. The California Healthcare Foundation's Medi-Cal Policy Institute released a report discussing the impact of the cuts on the state's health-care delivery system. It reports that "more than half of the General Fund" cuts to HHS programs target Medi-Cal. Almost \$800 million in cuts are planned for this

Medicaid program servicing low-income, elderly, and disabled citizens. "California already spends less per Medi-Cal enrollee than any other state Medicaid program," says the foundation's report. "The proposed cuts are a blow to counties, hospitals, physicians, dentists, and others who serve this vulnerable population."

Davis' budget calls for a rollback of an eligibility expansion program, and to reinstate a quarterly reporting requirement, which combined are estimated by medical professionals would "reduce the number of low-income adults and children enrolled in Medi-Cal by nearly 400,000." The California Medical Association (CMA) points out, if one adds to this the "7 million uninsured Californians . . . this impact will push the ER [emergency room] crisis to a dangerous new level." CMA asserts that "both cuts [eligibility and provider payments] mean more patients will be turning up in overcrowded emergency rooms, which are on the brink of bankruptcy."

EIR has previously reported that from 1990 to 1999, 50 emergency rooms closed outright in California, while emergency room visits shot up from 8.4 million to 9.4 million. Davis' cuts would reduce payments to Medi-Cal providers by 16.7%, putting rates back to the 1985 level. This would cause many doctor-providers to stop taking Medi-Cal patients or stop practicing in the state.

Cuts directed at public hospitals will hit low-income families directly. To reduce General Fund outlays, hospitals would be required to pay higher fees to participate in the Disproportionate Share Hospital program, a Federal-state reimbursement program for hospitals that accept Medicaid patients. Another big cut is a 20% reduction in Medi-Cal funds to counties for their coordinating program caseloads; 2,000 layoffs will result.

The combined impact of low reimbursement levels, the growing uninsured, and unfunded mandates, such as retrofitting hospitals to meet earthquake standards or maintaining nurse-patient ratios, compounded by Davis' proposed cuts and a \$184 million loss in Federal monies due to the Balanced Budget Act of 1997, means the California healthcare system is "converging on an overall financial meltdown," said Jan Emerson, a vice president of the California Healthcare Association. The proposed cuts will trigger loss of Medi-Cal's matching Federal dollars, and force "hospitals to pare down programs and services," the CHA spokeswoman noted.

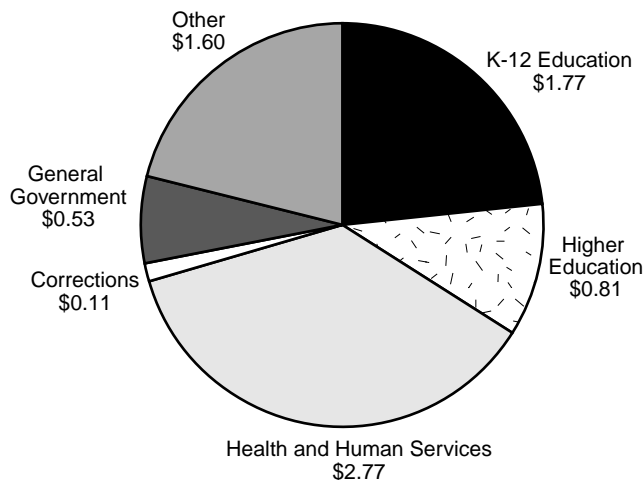
Imitating Wall Street's Accountants?

The state's budget blowout will strike much further than health care. In the education area, it is higher education programs which will carry the brunt of the cuts. The University of California will lose \$162.4 million from various programs; California State University will lose \$50.4 million; and \$103.7 million will come out of the Student Aid, Post-Secondary Education Commissions, and Scholarshare Investment

FIGURE 5

California's Proposed \$7.6 Billion in Budget Cuts

(\$ Billions, FY 2001-02 and 2002-03)



Source: California Department of Finance, and Gov. Davis' "May Revision" Budget Document.

Board combined.

Social Service programs to get reduced funding include CalWorks, Foster Care, and Food Stamps, as well as some cost-of-living adjustments for SSI/SSP Social Security programs. Three Public Safety programs (Gang, Crime, and Violence Prevention; Spousal Abuser Prosecution; and Department of Justice Programs) are to be cut \$12.3 million. Housing aid for farmworkers and indigents is to lose \$14.5 million. Other local government cuts, in some cases impacting fire and police services, total about \$1.34 billion.

Governor Davis' \$16 billion mish-mash funding schemes combine "creative" accounting tricks with new taxes. The state's indebtedness will grow by more than \$8.5 billion in various ways. For example, it will issue \$4.5 billion in bonds backed by the state's tobacco settlement funds (TSF). As the interest and principal on these bonds must be paid back, the loan will reduce TSF available for their intended original purpose—health-care costs—for years to come. Ironically, Davis also proposed a cigarette tax increase, hoping to raise \$475 million; but this tax could diminish TSF if it results in less smoking!

Another \$1.3 billion is designated as "fund shifts." Translated, this means, in almost all cases, that monies will be loaned from designated special funds to the General Fund. The largest such shift/loan, \$1.1 billion, is from the Traffic Congestion Relief Fund, and must be repaid over three to four years. Some \$277 million is to be shifted out of Infrastructure and Economic Development; and other loan/shifts total over

\$300 million more.

A proposed car tax increase, from \$64 to \$148 per car per year, is planned to raise \$1.2 billion, and a two-year delay in net-operating-loss write-offs, to "save" \$1.2 billion.

There are some potentially fatal assumptions underlying this budget. First and foremost is the "imminent economic recovery" assumption, which says that revenues will rise again, along with business spending in the high-tech sectors. Another is that by September or October, agreement will finally be reached to allow the state to issue \$12 billion in bonds to aid in repaying a \$7 billion-plus outlay made to buy power at the height of the 2000-01 energy crisis. These bonds have been stalled for over a year, and now a short-term \$7.5 billion revenue anticipation warrant will be sought, to avoid default on the state's obligation to repay the General Fund for the "loan" it made to buy the power for its citizens. Although this is nowhere mentioned in the budget documents, it is a factor.

The California Legislative Analyst's Office also argues that a \$600 million overstatement of the General Fund's reserves is factored into the May Revision due to an accrual issue involving bank and corporate refunds. (A small pittance of the multibillion-dollar accounting errors of the World-Coms, Enrons, etc., but a \$600 million hole nonetheless.) These are but a few.

Budget Brawl Is Still Ahead

The likelihood of an approved budget by July 1 was slim to nil, as this went to press. Since the May Revision was announced, legislative review, redrafting, and revised budget plans have been worked on. A joint Senate/Assembly budget conference committee agreed to restore many of Davis' cuts, but failed to find new revenues to cover the restorations! In this election year, disagreement over Davis' proposed new taxes, has provoked typical ideological bickering over the best way to spread the pain. Democrats propose higher taxes on high-end income earners, while Republicans demand *quid pro quo* deals on the education funds.

A two-thirds vote by each house is required to pass a new budget. By June 14, negotiations had halted. The Democrat-dominated Senate pressed ahead with a vote on June 25 on their version of a budget which included the hike to high-end taxpayers. This failed by one vote. The Assembly will vote on their version on June 27, but they need four Republicans in order to have a two-thirds vote, a highly unlikely occurrence. The entire proceeding of this huge state whose economy is one-sixth of the nation's, eerily mirrors the Federal paralysis on the same front in Washington, D.C.

Even with a budget, the underlying reality will continue to maul California, as no one is talking about jump-starting the physical economy to generate real wealth and jobs. As the state budget official quoted at the outset noted, "The unsustainable bubble that formed in the late '90s/early 2000s . . . was larger than expected. Bigger bubble equals bigger pop."

Indonesia Searches For a Mission

by Michael Billington

A public debate is raging in Indonesia over the nation's relations with the International Monetary Fund (IMF). The Cabinet of President Megawati Sukarnoputri is divided, having heard calls for a complete break with the Fund, which drove Indonesia, from 1998 on, into effective default. The Parliament has summoned a group of economists to present their views on the matter. The press reflects a broad argument over the IMF among both elected officials and academics.

Nonetheless, the IMF on June 21 approved the Letter of Intent submitted by the Indonesian government on June 11, and released a \$358 million tranche of the \$5 billion credit line extended to the country in January 2000.

But there is a huge elephant squatting in the middle of the debating chamber, which no one dares mention, for fear of challenging the *terms* of the debate. That elephant is the collapsing U.S. economy, and with the dollar now falling, that elephant is starting to stink in a way which is harder to ignore. Several Indonesian leaders cling to the delusion that a U.S. recovery is going to drive a recovery in Asia. Others claim that the increasing value of the rupiah, Indonesia's currency, reflects the strength of a "recovery" of Indonesia's economy—whereas it is primarily a result of the fall of the dollar in international currency markets. The debate is not unique to Indonesia, but Indonesia's large population, and the huge debt imposed upon the country by the speculative assault on the Asian economies in 1997-98 and the subsequent dictates of the IMF, make Indonesia the most likely and most vulnerable target of Argentina-style destruction in Asia.

For reasons not yet clear, the IMF-centered financial institutions in the United States and the British Commonwealth countries have not yet cracked down as brutally in imposing austerity on Asian nations as they have against Ibero-American nations. But, the crisis that Asian nations face is growing. And, U.S. 2004 Presidential pre-candidate Lyndon LaRouche has warned that the dollar collapse can not be put off beyond October. To prepare for that breakdown crisis requires, first, that the truth be publicly presented and necessary protective measures implemented, and, second, that Indonesia act to assert its influence internationally to effect the necessary solution: the creation of a new world economic system.

Dump the IMF

Indonesian Planning Minister Kwik Kian Gie, who is also deputy chairman of President Megawati's political party, the

Democratic Party of Indonesia-Struggle (PDI-P), reopened the debate on the IMF in a June 1 speech at a celebration in honor of the national "*pancasila*" doctrine of ecumenical unity and the promotion of the general welfare, initiated by Indonesia's Founding Father Sukarno, President Megawati's father. Kwik said that continued subservience to IMF conditionalities would lead the country to further economic bankruptcy and disorder. He called for a national movement to regain the country's greatness, asking if the nation were not capable of rebuilding its national integrity and regaining the sovereignty and honor of the nation.

Kwik's call for severing ties with the IMF at the end of the current contract, at the end of this year, was supported by Vice President Hamzah Haz and Speaker of Parliament Amien Rais. Coordinating Minister for the Economy Dorodjatun Kuntjoro-Jakti, who is responsible for negotiations with the IMF and other international financial institutions, defended cooperation with the IMF, but President Megawati has not spoken out on the debate. Although there are rumors of a Cabinet shift to deal with the "split," it is also possible that the government prefers that both, contradictory positions, remain on the table.

There is some truth being told. President Megawati attended the UN World Food Summit in Rome in June, where she hit directly on the reality that the cause of the vast starvation sweeping the globe is the unpayable debt burden. "Without an effective solution to the debt problem and flexibility by financing governments and institutions for debt rescheduling, I am afraid the efforts to fight poverty and to bring about food security will only become even more difficult," she said.

Former Finance Minister Rizal Ramli, one of the most astute economists in Indonesia, in an op-ed in the *Jakarta Post*, warned that economic policy is dominated by "an excessive euphoria," which may keep consumer confidence up, but "can be dangerous, as it creates conditions for a sudden shock or surprise that is disadvantageous to all of us." He reviewed the facts of the Indonesian economy: The budget deficit for the first quarter of 2002 more than doubled the target of \$300 million; growth in the first quarter fell to 2.15%, from 3.4% in 2001 and 4.8% in 2000; growth forecasts for 2002 of 3-4%, if reached, would not even absorb the growth in the workforce, adding to the already horrendous unemployment rates; foreign direct investment has fallen by 60% in the first four months of 2002, despite substantial speculative portfolio investments in the stock market; domestic investment also fell by 30%; and non-oil exports fell by 9.6% in the first quarter. Even the rate of increase in consumption, rising from the depths following the crash of 1998, has fallen by half this year.

The Debt Weapon

However, the deal signed with the IMF does not signify that the government has capitulated to all the IMF demands and conditionalities. In fact, Indonesia has, to some extent, used the "debt weapon" in its negotiations with the interna-

tional lenders, telling them that, since Indonesia cannot pay the debt service anyway, they must grant the nation a moratorium. Minister Dorodjatun negotiated a moratorium on both principal and interest payments on the foreign debt during talks with the Paris Club of lender nations and the London Club of private lenders in April and May.

Other measures out of keeping with IMF demands have also been grudgingly tolerated, such as the refusal to carry through with an agreement to sell Bank Niaga (one of the many banks taken over by the government during the 1998 crisis), when the bids received were but a small fraction of the market value of the institution. The IMF sent Minister Dorodjatun a letter insisting that the country proceed with the sale, and several others scheduled for this year, regardless of the price offered. Nonetheless, the government scrapped the sale, and announced that it would offer 20% of the company through stock offerings, and only then proceed with offers to (mostly foreign) strategic investors, and only at an acceptable price. A similar policy will be followed in subsequent bank sales.

The Legacy of the IMF

The moratorium on the foreign debt service will not even solve the short-term debt problem, however, because the problem of the domestic debt is equally as serious as that of the foreign debt. In an interview with *EIR* on June 19, Indonesian economist Sri Mulyani Indrawati, an adviser to the previous government and a professor at the University of Indonesia, explained that the government had no significant domestic debt before the 1998 crisis. After the speculative attack on the currency, which devalued the rupiah more than threefold, the IMF, she said, demanded that 16 of the most troubled banks be shut down. “That created what you would call an ‘unexpected response’ from the people. The people saw the banks not only as banks, but, because the banks were owned mostly by people connected to President Suharto at that time, the trust of the people in the whole banking system was destroyed. It was a very messy process, of course, because then the government had no option. . . . The situation was creating a systemic panic among the depositors in Indonesia, which would collapse the whole banking system. So that was the beginning of why the government imposed the blanket guarantee and the subsequent policy [of government takeover and recapitalization of the banks] which created the domestic debt.”

The result was that more than \$73 billion in government bonds was provided to domestic banks to recapitalize and meet Bank for International Settlements’ standards. The government must now make interest payments to the banks holding the bonds, amounting to about \$7 billion per year. Of course, these payments do go into the Indonesian economy and stimulate growth—unless the banks are sold off to foreign bidders, which is exactly what the IMF demands, no matter how low the price. In fact, Planning Minister Kwik strongly

opposed the sale of Bank Central Asia (BCA) to a U.S. speculative outfit called Farralon, precisely because the sale price was less than the \$480 million in interest payments that the government must pay out to the bank *every year* on the bonds held by the bank, bonds which were loaned to the bank by the government in the first place! In fact, the government payout to a foreign owner on the BCA bonds alone is greater than the annual loans received from the IMF.

Sri Mulyani believes that servicing the combined foreign and domestic debt of Indonesia is simply unsustainable, and the temporary moratorium does nothing to solve the problem. “I think, definitely, that the international financial architecture needs to be improved or redesigned,” she told *EIR*. “There has to be room to create an opportunity for a developing country like Brazil, Argentina, Indonesia, or China (which is not suffering yet, but nobody knows how long they can continue growing like this), when they have to make adjustments. That should be done in a situation that does not create unfair punishment, because usually the crisis comes together with political change. . . . In that kind of situation, to force the country to go through an adjustment process is very difficult, and, predictably, almost every country will fail.”

Most important, Sri Mulyani, who received her PhD at the University of Illinois, and is now a Visiting Professor at Georgia State University, recognizes that the United States is facing a crisis not dissimilar from that facing Indonesia. Asked about *EIR* Founder LaRouche’s view of the “delusion” of a recovery, she said: “The confidence crisis [in the U.S. economy] is actually quite serious. It depends on how strong the authorities—and especially with the U.S. being the so-called policeman of the global system—can work to correct the weaknesses, including the accounting and the CEO behavior. It involves a lot of significant companies that are symbols for the system itself. A government that tries to influence the economy by putting more money through fiscal or monetary policies, can rescue the economy in the short run, yes, but in the long run, the sustainability of any recovery will depend on the fundamentals. . . . The attitude in judging the price of stock can create a bubble, and can burst in a very short time. If what happened in Indonesia in 1998, where everyone lost confidence in the system, not just due to economic factors, but also political factors—that can happen, even in the U.S., if you have a leadership problem. *If you have a very severe political problem, it may happen, like a doomsday scenario.*”

**To reach us on the Web:
www.larouchepub.com**

A Reconstruction Program for Germany In a Time of Global Systemic Crisis

by Helga Zepp-LaRouche

Helga Zepp-LaRouche, Chancellor candidate of Germany's Civil Rights Movement Solidarity party (BüSo), issued this campaign statement in late May. It was published in the weekly Neue Solidarität (No. 22), and has been translated from the German.

"Mice are dancing on the table," is an expression that comes to mind upon examining the current situation in Germany. They've really danced up a storm in Berlin. To be precise, the city has thrice the per-capita debt as Argentina, and its municipal functionaries are no longer able to deliver legally mandated social services and obligations; but this isn't stopping them from enjoying themselves as party boys and girls. The problem is not just in Berlin, but in the entirety of Germany, that no one has any concern for the general welfare: not for the creation of jobs; not for small and medium-sized industries and agriculture; not for the education of our youth; not for the health system; nor for maintaining the dignity and welfare of the elderly; not for the national defense—this list could go on and on. What is it that the politicians of the established parties worry about? Their own self-interest.

Yet everyone sees the handwriting on the wall. The dramatic collapse of Deutsche Telekom only reflects the general problem: Germany is confronted with a systemic crisis which has both global-strategic and existential implications. And the crux of the matter hinges precisely on the fact that none of the parties represented in the Bundestag [lower house of parliament] is capable of recognizing the systemic character of the crisis. On the contrary, the dogma that the "free-market forces" will always somehow or other certainly regenerate, is part of the political credo of them all. But, whoever hysterically refuses to recognize the systemic character of the crisis will, of course, not find a solution for it either.

In certain historical situations, the established institutions all too obstinately cling to their ordinary habits of thinking, even when these habits increasingly come into collision with reality. In such cases, the initiative of a new way of looking at the world, a new theoretical grasp of the problem, and a correction of the axiomatic assumptions can only come from outside of the established party landscape. Such an historical situation is what we have today in Germany.

The Causes of the Crisis

We find ourselves today in the concluding phase of a systemic collapse of the world financial system. The un-governability of Argentina, the banking crisis and depression in Japan, are therefore only mild forbodings of that which is about to threaten the entire world economy in a short time, with the possible exceptions of China and India. There will be many "Enrons" and, with them the *Mittelstand* [Germany's small and medium-sized productive sector], which more than anything is the centerpiece of German industry, threatens to break down. The inevitable collapse of the dollar will bring the entire architecture of the global financial and trade system crashing down.

Exactly as in the 1930s, a dynamic toward world war is threatening to develop out of this crisis. Just as it was at that time, there are forces who think in terms of geopolitical categories and who are attempting to ward off the crisis through re-armament programs. Therefore, it is urgently necessary to point out the present parallels, but also the differences of the situation of 1929-33, and above all to emphasize the profoundly pressing importance of the proposals put forth by the economist and adviser to the national Economics Ministry Dr. Wilhelm Lautenbach, at a secret 1931 conference of the Friedrich List Society.

However, before we turn to the possibilities for solution of the crisis, we must consider its causes, which are not some kind of errors of the last one or two years, but rather the result of a paradigm shift which was been in progress for about the past 35 years.

It began sometime in the middle of the 1960s with the Wilson government in Great Britain and the Johnson Administration in the United States systematically transforming economic policy from a production orientation to a consumer orientation—a change which finally seized hold in continental Europe, too.

Further neo-liberal steps followed, such as the decoupling of the dollar from gold and the introduction of a floating currency exchange rate in 1971; the artificial oil price rise of 1974-75; as well as, between 1977 and 1981, a whole series of measures toward "controlled disintegration of the world economy" under Carter and Brzezinski. As part of this trans-



Helga Zepp-LaRouche (right), Chancellor candidate for the Civil Rights Movement Solidarity party (BüSo): “The BüSo must become a determining agency in shaping German policy, and it must accordingly be elected to the Bundestag, even though this would be a great shift.”

formation were comprehensive deregulation measures which radically shifted the character of society on both sides of the Atlantic, from the economic paradigms which had represented the basis for the successful reconstruction of Europe after 1945.

Over a long period of time, these changes undermined the spirit of reconciliation and cooperation among nations, such as, for example, were characteristic of the collaboration in the European Coal and Steel Union of Jean Monnet, or between Konrad Adenauer and Charles de Gaulle. John F. Kennedy’s famous Berlin speech was likewise an expression of this friendship between peoples. Shortly after the murder of Kennedy, and above all the “utopian” war of the United States in Indochina, tensions developed in relations between continental Europe and the English-speaking countries, tensions which reached a temporary high-point during the Carter/Brzezinski Administration.

Instead of using the golden opportunity of the fall of Communism in Eastern Europe in 1989 for a completely new definition of East-West relations, the earlier Bush Administration saw a chance, in the beginning of the breakup of the Soviet Union, to consolidate the status of the United States as the single remaining superpower, and to build up a new world empire, a trend that would be only temporarily toned down during the intervening Clinton years. The Thatcher-Mitterrand-Bush combination forcefully blocked the reunification of Germany, through imposing the Maastricht Treaty and the introduction of the euro. Since the breakup of the Soviet

Union after 1991, the economic situation in Europe greatly worsened, not least through the implementation of the neoliberal “reform policies” in the states of the former Comecon [Soviet-era trade bloc], exactly as in the newly admitted German Federal states.

Avowed Atlanticists in Europe during this period had to go on record and complain about a clear change in transatlantic relations, that many of the younger Senators and Representatives in the U.S. Congress had certainly moved considerably away from the common values that once bound together the Atlantic Alliance. From the European side, the fear increased, the policy of the United States was openly criticized, and there was simultaneously a rejection and resistance against these policies on many points. The unclear circumstances of the most recent election in the United States, and the increasing disregard for human rights since then, have without a doubt heightened these tensions.

As already mentioned, the present sharpening of the global systemic crisis is the result of an “experiment” that has been ongoing for around 35 years. If the governments of the Group of Seven actually declare the trends underlying this experiment to be irreversible, then it will unquestionably lead to a general collapse, and indeed to a further deterioration, just as occurred during the 1929-33 interval.

What will take its toll, is the result of 35 years of preference for speculation to the detriment of production: a society in which all too many people no longer base their identity on their professional performance and the quality of this work—

what they produce—but rather in the unbridled enjoyment of the here and now, in the leisure society. Important areas of basic infrastructure are criminally neglected, from transportation to power generation, and above all in the educational and health systems. Many agricultural enterprises see themselves as done for. Branches of industry that are vitally important are facing destruction, and above all, the *Mittelstand*, the small and medium-sized industrial enterprises, are being mowed down. The psychological effect of all these developments upon a large portion of our youth, who look around and see only an uncertain future for themselves without significant hope, is very grave.

Even if one considers the deficiencies and injustices which certainly existed in the years of rebuilding after the Second World War, and the “economic miracle” years, still this period from 1945 to 1965 was a resounding success, if one compares it to the disaster of the last 35 years.

Lessons of History

In fact, the present situation points to similarities to the one in which Dr. Lautenbach presented his policy, at his forum of the List Society in 1931.

First of all, however, one potentially positive aspect of the specific strategic situation of Germany in the world today, ought to be emphasized. Germany’s success depends upon its ability to export 30-40% of its production to an expanding market—above all in the form of high technology and capital goods—and this has been the case since the end of the 1870s, as a consequence of the industrial promotion policies of Bismarck. The obvious partners for Germany today are above all Russia, China, and India, all of which are the kind of developing markets which are in great need of expanded technology.

Such a role as an “export locomotive” is not just decisive for Germany alone, but is the basis of the intertwining of the German with the continental European economy, even for the other European states. During the last decade, very much of this potential has been destroyed. One only has to think of the many long-standing, traditional firms which no longer exist, not only from the former West Germany, but above all, ironically, even from the new German states. Without a doubt, the best way to stop the collapse of the real economy in Germany continues to be one in which Germany were to place itself at the apex of Europe, within the context of long-term economic development of Central Asia, China, and India.

How is such an export initiative to be brought about? The solution lies completely apart from the austerity policies of Finance Minister Hans Eichel, who, with each new round of budget cuts, destroys more and more industrial capacities and jobs, and thus, each time, the hole in the tax-collection kitty grows larger and larger. It was precisely against such austerity policies of Brüning and von Papen in the 1930s, that Dr. Lautenberg counterposed his plan.

He propounded in principle the same reconstruction program as that with which Franklin D. Roosevelt successfully led the U.S. economy out of the Depression after 1933. Lautenbach turned away from the typical foolishness of monetarist policy, which deems it to be necessary under crisis conditions to balance the budget through cuts in government expenditures. Through such a policy, it ought to be really clear that one saves neither an industrial enterprise nor an economy from bankruptcy, if one drives production so far down, that current costs can no longer be covered. But since the monetarist ideologues only look at things and figure through the lens of a bookkeeper, by being able to cut costs to increase “profit,” they are blind to the productive economy as such. Austerity policies in a crisis situation are the medicine that takes away the patient’s life.

Precisely because, under the simultaneous conditions of depression and world financial crisis, purchasing power collapses and the ordinary market mechanisms no longer work, Dr. Lautenbach argued that the exact opposite were required. That likewise today the market mechanisms are no longer functioning, one could already see in 2001, when even the lowering of interest rates 11 times in the United States didn’t even have the slightest positive effect on the real economy. Overcoming the depression, per Dr. Lautenbach, were only possible if the state were to provide stimulus financing to those areas of the economy which one would also invest in if the economy were going well, and through which genuine capital formation results. The obvious area for such state credits is the reactivation of unemployed labor power and idled industrial capacities for the construction of economic infrastructure, which then represents the engine for a general economic expansion and a surge of productivity.

Since each increase in the per-capita productivity of labor power depends upon the application of scientific and technological progress in capital-intensive investments, it is obvious where the pathway out of the economic crisis for Germany and Europe has to be.

The BüSo’s Vision

Thus, since the fall of the [Berlin] Wall in 1989, and with greater intensity since the 1991 collapse of the Soviet Union, I have propounded a twofold reconstruction program for continental Europe and its partners in East, Central, and South Asia: the program of the Paris-Berlin-Vienna Productive Triangle and the Eurasian Land-Bridge.

First, we will need a general reorganization of the present world financial system, a New Bretton Woods that corrects all of the errors of the last 35 years, such as the introduction of floating exchange rates; this necessitates also cancelling the majority of the debt, or transforming it into long-term credits at low interest, and cancelling derivatives contracts without compensation.

Second, we must unlock the economic potential of Eurasia

through a coherent system of so-called “development corridors.” These involve the construction of integrated high-speed railways and highways, and the waterways growing from these traffic arteries, as well as energy production and distribution, communications, and water-supply projects that create the preconditions for the establishment of agriculture, industry, and new cities. Through these corridors, the previously land-locked areas of Eurasia will be able to obtain the same advantages of location as have areas with access to the sea and to rivers.

Contrary to those conditions found under colonialism, these transport routes are not for the purpose of facilitating the export of these countries’ raw materials, but rather they are intended to create the preconditions for uplifting the productivity at the frontier, in order to raise local living standards and purchasing power. In the face of the enormous expanses and the great population of the Eurasian continent, this means that a great demand for importing advanced technologies will continue to be felt there for quite a long time to come.

Provided that we in Germany and Europe want to achieve productive full employment again—and this alone signifies for us the creation of around 8 million new jobs—we must create long-term, cheap credits for exports into the Eurasian countries that have urgently called for our technological assistance. If this policy is projected for at least two decades, then we would turn back to those healthy economic strategies which were the basis for the reconstruction of Europe after 1945.

China is obviously the greatest expanding market for our exports, though India represents a similar potential. If one merely pictures within one’s mind the vast scale of Eurasia and the various climatic conditions, such as the Russian North—a region of immense potential wealth—then it becomes clear that the task of the century ahead, Eurasia’s development, can only be accomplished if the scientific potential of Russia, Ukraine, and East Europe are universally mobilized.

The realization of the Eurasian Land-Bridge is a vision, granted. Without a vision, however, we will not get out of this crisis, for the pragmatism of the established parties has brought us directly into the plight that we are now in. If Jean Monnet were still alive today, he would be the first to mobilize for this perspective.

The economic development of Eurasia, which at the same time represents an actual policy of peace, naturally means that the federal government’s policies must change. The BüSo must therefore become a determining agency in shaping German policy, and it must accordingly be elected to the Bundestag, even though this would be a great shift. Therefore, I entreat your support and active collaboration.

It may be argued that, within the present-day reality of Germany, this is not possible, that the leap is too big, the obstacles too many, the proposed measures too drastic. To this I can only answer that a sudden drastic collapse of the economy and the social conditions of society is unavoidable

if the current policies are continued. Without drastic measures which lead us back toward the social paradigms of the period from 1945 to 1965, Argentine conditions were a mild description of that which awaits us.

Documentation

The Lautenbach Plan

Had the policies of economist Dr. Wilhelm Lautenbach been implemented in Weimar Germany, the economic crisis would have been overcome, and Adolf Hitler would never have risen to power. But Anglo-American financier backing for Hitler and Hjalmar Schacht blocked the realization of Lautenbach’s program.

Lautenbach (1891-1948) was a high-level official in the Reich Economics Ministry, and a member of the Friedrich List Society. List (1789-1846), a German-American, was a theoretician of the American System of political-economy, whose work has been nearly erased from history by the British free-trade zealots who support List’s arch-enemy, Adam Smith. It is only the work of the LaRouche movement internationally, that has restored him to his deserved place in history.

The following discussion of Lautenbach’s plan is abridged from a speech by EIR European Executive Director Michael Liebig, to a conference of the Schiller Institute in Reston, Virginia, on Feb. 14, 1999. The full text of the speech, which was titled “Von Schleicher, the Schröder-Schacht Plot, and Hitler’s ‘Legal Coup,’ ” was in EIR, March 5, 1999.

On Sept. 16-17, 1931, a secret conference was held of the Friedrich List Society in Berlin. The theme of the conference was the possibility and consequences of expanding the issue of credit, in order to boost German economic activity under conditions of the world economic crisis. In addition to Reichsbank President Dr. Hans Luther, some 30 leading economists, bankers, industrialists, and economic politicians participated. The keynote speech was delivered by Dr. Wilhelm Lautenbach. . . . His memorandum was titled “The Possibilities of Boosting Economic Activity by Means of Investments and Expansion of Credit.” He wrote there, “The natural course for overcoming an economic and financial emergency” is “not to limit economic activity, but to increase it.” . . .

With respect to an economic emergency characterized by depression and/or the collapse of the financial system, he called it a “paradoxical condition,” since “despite curtailed production, demand is less than supply and thus leads to the tendency to decrease production further.” Under conditions of depression, there are normally two economic policy reactions. The first is a policy of deflation: The budget deficit is

reduced by cutting state expenditures, and prices and wages are lowered. At the same time, credit is restricted. If credits are not curtailed, low interest rates would lead to an outflow of foreign capital, which endangers the exchange rate and produces still greater scarcity of available capital for the domestic economy. Lautenbach thought it was practically impossible to reduce taxes in a depression, because the tax base had already contracted and public budgets were already strained for resources. All of these measures, according to Lautenbach, produce “new and large losses of capital for the individual entrepreneur in commerce and industry,” making them “uncompetitive and insolvent,” compelling a “reduction of production and large-scale layoffs of the workforce,” and also leading to “a deterioration of the status of the banks.”

The reduction of public expenditures is doubly counter-productive, since public contracts and mass purchasing power are further reduced. The reduction of wages has an initially favorable effect upon exports, but it causes a far greater reduction in demand in the domestic economy. “The adjustment to reduced demand by correspondingly reducing prices causes losses . . . and draws additional reductions of production in its wake.” The thus additionally growing unemployment, effects an acceleration of the downward spiral of the economy. Thus, Lautenbach argued, the deflationary policy will “inevitably lead to complete economic and political catastrophe.” But, in a depression, there are “surpluses of commodities, unused production capacities, and unemployed labor.” The use of this “largely unused latitude for production” is “the actual and most urgent task of economic policy and it is simple to solve, in principle.” The state must “produce a new national economic demand,” which, however—and this is the condition—“represents a national investment for the economy. One should think of tasks like . . . public or publicly supported works which signify a value-increase for the economy and would have to be done under normal conditions in any case.”

Then Lautenbach poses the question: “Since long-term capital is neither available to us on the foreign, nor on the domestic market, how are such projects to be financed?” And he adds, that “reasonable public works are already neglected due to the empty treasury in times of deep depression.” If there is no possibility to finance the projects through the (empty) state treasury, or through the capital markets, “the consequence to be drawn, ought not to be, that it is not possible to realize projects of this sort.”

But how is it possible? Lautenbach makes the initial observation, that “liquidity is chiefly a technical organizational issue. Banks are liquid when they are sufficiently supported by the Reichsbank.” Lautenbach proposes that the Reichsbank give the banks a “rediscount guarantee” for the bonds for financing “economically reasonable and necessary projects.” Once a firm had a contract from a state agency for the realization of a project, it would get a credit line from its bank, to pay for newly employed workers. While first using existing

machinery and inventories, the firm soon would also buy new and additional raw materials, and also capital goods. As the project’s realization progresses, the state agency will issue promissory notes to the contracting firm, for which the firm will get cash from its bank. The bank, in turn, will receive cash from the central bank, due to the rediscount guarantee. The central bank will prolong the promissory notes, until the general economic recovery has sufficiently improved tax revenues, so that the state can redeem the notes.

Short-term credit financing, by means of discountable, prolongable bonds for creating jobs and investments, has a direct and an indirect effect. The realization of the projects, financed by credits, signified an increase of production, with the productive utilization of machines, raw materials, and operating materials. The financial situation of the businesses would relax, and thus also, the situation of their banks, and the demand for capital goods would increase. The realization of the projects on credit, would entail payment of wages to newly engaged labor, which would have the effect of generating additional demand for consumption goods.

Lautenbach proceeded on the assumption, that “the stimulating effect of the primary credit expansion” for financing infrastructure projects, would effect “a stimulating movement in total production” in the economy. The initial boost of infrastructure and investment projects would lead to the “upward conjuncture” of the entire economy. The utilization of unused capacities of production would have the effect of increasing economic productivity. The improvement of tax revenue would enable the state to shift to a long-term management of the original liquidity provided to pre-finance the projects. . . .

In summary, Lautenbach says, “By means of such an investment and credit policy, the disproportion of supply and demand on the domestic market will be alleviated and thus total production once more provided with a direction and a goal. If we neglect to undertake such a policy, we will inevitably be heading in the direction of continuing economic disintegration, and a complete disruption of our national economy, into a condition in which, then, in order to avoid domestic political catastrophe, one will be compelled to undertake a strong increase of new short-term public debt for purely consumptive purposes, while today we have the instruments, by means of utilizing this credit for productive tasks, to bring both our economy and our public finances into balance once more.”

★ LAROUCHE IN 2004 ★

www.larouchein2004.com

Paid for by LaRouche in 2004.

Business Briefs

Public Health

Los Angeles County Slashes Medical Care

Los Angeles County, in a scramble to cut costs, is planning to close 11 of 18 health clinics, the six clinics in Los Angeles schools, and is carrying out significant cuts in inpatient services at the High Desert Hospital, the *Los Angeles Times* reported on June 18. The county also plans to reduce its contracts with private clinics by 25%. In all, the proposed cuts are in facilities which handle 350,000 patient visits annually; they will entail the loss of at least 4,600 jobs.

The cuts are part of a plan presented to the County Board of Supervisors by the Health Department, and are based on the expectation of an \$800 million deficit by 2005. A similar plan was presented in 1995, but the cuts were prevented by a \$1 billion bailout by the Clinton Administration. With both Federal and state deficits growing, there is no possibility of another bailout this time around.

According to Dr. Thomas Garthwaite, the new health director for the county, "The exercise we're going through here is to try and balance a budget, not meet the health care needs that exist in Los Angeles County. . . . It's not like we're meeting those already."

Globalization

Export Collapse Hits Singapore Job Market

Singapore's exports declined by 6.8% in May, compared to a year ago, the Singapore *Straits Times* reported on June 18. Exports of Singapore-made goods, excluding oil, fell to \$7.99 billion for the month—much worse than the 1.5% drop analysts expected.

Exports to the United States were down 3.8%, to the European Union down 33%, to Malaysia down 2%, and to Japan down 21%. The only bright spot was a 47% jump in goods to China.

As a result of the declining global economy, Singapore has lost 42,464 jobs in the

last five years, many from the disk-drive, home electronics, and computer sectors, with no expectation of a comeback. The total population in the city-state is only about 3 million. The National Trade Union Congress issued a report, which says the higher cost of labor and land has led to those jobs going elsewhere in the region, with China as the top destination, followed by Indonesia, Malaysia, and Thailand.

The report collated information from unions at 18 companies that had conducted large retrenchments between Jan. 1, 1997, and May 31, 2002. Half the companies had closed their Singapore operations; the others had relocated all or part of their production facilities to other countries.

Hardest hit was the disk-drive sector, which accounted for 9,000 lost jobs, or 21% of jobs lost in the five-year period.

Corporate Reform

Lying Lizards! Rohatyn Offers Plan

Former Lazard Frères Managing Director Felix Rohatyn added his voice to the call for "corporate reform," in an op-ed in the *Wall Street Journal* on June 24. Asserting the need for "independent" corporate directors, Rohatyn calls for the establishment of "a cadre of truly independent directors—selected from a list of qualified former executives and academics." Major institutional investors, he says, should insist that corporations put at least one member of the pool on each board.

Rohatyn also calls for prohibiting public accountants from doing consulting work. While saying "we have gone too far in a deregulatory direction," Rohatyn asserts that "re-enacting Glass-Steagall is a non-starter," and settles instead for the policing of investment banks and their securities analysts to prevent abuses. Finally, Rohatyn calls for the reform of the stock-option process, suggesting that stock grants replace stock options, so that the recipients' "interests would be aligned with the shareholders" from the day of the grant.

Implicit in Rohatyn's proposal is the assertion that the current scandals are the result of failures in "corporate governance," which

require more professionalism and a tweaking of the rules to protect shareholder values. In fact, as *EIR* has shown, it is the looting which occurs under the euphemism of "shareholder values" that is the problem. The problem is not bad management, but the Dope, Inc. takeover and bust-out of the U.S. economy, something well known to Felix and his "fixer" friends. (See Lyndon H. LaRouche, Jr., "Rohatyn Must Not Duck the Issue," *EIR*, Aug. 31, 2001.)

National Economy

Winds of Change Blowing In Kenya?

"Abandoned by Donors, Kenya Learns To Think," was the title of an article in the Nairobi *East African* on June 17, reporting on Finance Minister Chris Obure's budget, which did not assume any donor funds from the "international community." It is being acknowledged to be a "survival budget." Included in the budget is the highest deficit since Independence (\$405 million) "to plug the giant hole in the budget left by the donors."

Kenyan Vice President George Saitoti, a former Finance Minister, joined Members of Parliament in praising the move, and said that the "historic" move was in the right direction, "that donor dependency will not help us."

In parliamentary discussion of the budget, Water Development Minister Kipn'geno arap Ngeny called for the government to emulate the United States and the European Union, by protecting domestic industries. He insisted that opening up the markets to multinational companies had proven disastrous to local industries. When he was challenged to explain why, as a minister, he was challenging government policy, he said, "I am giving advice, not criticizing."

The Kenyan government announced on June 19 that it is committed to saving the textile industry from collapse. Trade and Industry Minister Nicholas Biwott called for a halt to the import of cheap materials that are depriving local producers of a market for their goods.

There is also strong ferment from local

RUSSIAN SCIENTISTS marched on Moscow to protest “the desperate state of affairs in Russian science,” the BBC reported on June 24. Some 150 people set off on a three-day trip on foot, from a research center 62 miles to the south of Moscow, and held a rally at the Russian government on June 27. “Russia’s budgetary spending on science has decreased twofold in the past six years, and is now less than a budget of a single major Western university, the organizers of the scientists’ protest say,” according to BBC.

IBERO-AMERICA will have zero growth for 2002, according to the Economic Commission of Latin America and the Caribbean, an agency of the United Nations. ECLAC’s Secretary General José Antonio Ocampo warned of the “contagion” of the Argentine crisis. His agency places Brazil’s 2002 growth at 1.8%, and Chile’s at 2.5% to 3%, but mistakenly portrays Mexico’s economy as being on a more “optimistic” track.

ENERGY PIRATES walk the plank: AES Corp. announced on June 19 that co-founder Dennis Bakke, 55, has resigned. AES lost \$313 million in the first quarter. On the same day, Dynegy, Inc. announced the resignation of Chief Financial Officer Rob Doty. This is the second top departure at Dynegy, as former CEO Chuck Watson left the firm in May.

WAL-MART is facing lawsuits for forcing employees to work off the clock, without pay, the *New York Times* reported on June 25. Class-action and individual lawsuits have been filed by current and former workers in 28 states.

THE ELECTRIC Power Research Institute (EPRI), the R&D center of the U.S. electric utility industry, says in a report that the country’s nuclear plants are safe from any terrorist attack involving the crash of a large commercial transport plane. They say the aircraft could not penetrate the concrete containment structure.

players in the Kenyan shipping industry for immediate government action to protect that industry. The Association of Clearing, Warehousing, and Freight Forwarders of Kenya and the Kenya Ship Contractors Association are among the bodies up in arms over the fact that in recent months there has been a complete takeover by international shipping companies operating at the port of Mombasa. KSCA Chairman Zakayo Cheruiyot accused executives representing international shipping lines at the Mombasa port, of forming cartels aimed at controlling shipping activities.

A column in the daily Kenyan paper *The Nation* on June 18, by Noelina Nabwire, notes that “President [Daniel arap] Moi’s Madaraka Day statement that Kenyans should go back to the drawing board and re-think liberalization policies could not have come at a better time.” In this June 3 speech, Moi said it was clear that Western countries and their multinational corporations are incapable of discerning the plight of the poor countries, and that it is essential that there be independent discussion among African countries on how to develop their economies. In light of the fact that the “agricultural sector remains the backbone of most of our economy, and the majority of our people depend on it for our livelihood,” President Moi said, “we need to go back to the drawing board, and come up with ways and means of salvaging our agricultural sector; it may be necessary for us to take a few steps backwards to protect our agricultural sector.”

Energy

Italy Suffers Result of Nuclear Power Ban

With an unusually hot Spring and Summer putting a high demand on electricity for air-conditioning, Italy faces the possibility of power blackouts, due to its foolish political rejection of nuclear energy. On June 18, electricity consumption reached a peak of more than 50,000 megawatts. During the World Cup soccer championship game that day, an increase of 4,000 MW consumption was recorded, requiring the national supplier to deploy the full power available.

Italy depends heavily on oil and gas imports to produce its electricity, since it renounced nuclear power in 1987 through a popular referendum. This results in a heavy load on the balance of trade (50% of Italy’s import bill is oil and gas). But Italy’s production capacity is also insufficient, and therefore, ironically, the country is forced to import 20% of its electricity from its neighbors, including nuclear-produced electricity from France.

The Italian government has sped up procedures to build new conventional power stations to avoid a blackout crisis in the near future, and some sections of the coalition government are boldly suggesting a review of the anti-nuclear decision. Industry Minister Antonio Marzano, however, said recently that public opinion has not yet matured, and it would take another ten years for people to accept nuclear energy.

Argentina

It’s Not ‘Contagion,’ Says Finance Minister

Argentine Finance Minister Roberto Lavagna said that the crisis now ripping apart most of Ibero-America’s economies is mischaracterized as “contagion,” since the real problem is a global systemic one. Speaking before 200 businessmen from the Grupo Brasil, the influential group of Brazilian companies operating in Argentina, he said that what it is really due to, is the “non-functioning of the international financial system, which, since the decade of the 1990s, has provoked a series of crises, including in developed countries.” So, “to speak of contagion [from the Argentine crisis], is the wrong way to describe the situation.”

Lavagna explained that “the problem generating this crisis, is that there has been no differentiation between fixed or direct foreign investment, and speculative investment, which enters a country for the purpose of making quick profits.” Lavagna, who was about to depart for Washington for negotiations with the International Monetary Fund, said that “bubbles at the country, sector, and company level . . . lead to big destruction of economic value.”

Ibero-American Blowout Is Systemic, Not ‘Contagion’

by Cynthia R. Rush

Less than one week after Lyndon and Helga LaRouche completed their mid-June historic visit to economic giant Brazil, where the Democratic Presidential pre-candidate was made an honorary citizen of the industrial city of São Paulo, and welcomed with the respect and affection he deserves, Brazil’s debt bomb began to explode—just as LaRouche forecast it would. The reverberations were felt throughout Ibero-America and internationally, as panicked investors, analysts, and policy-makers debated not *whether* Brazil would default on its \$500 billion in foreign obligations, but *when*.

First came the plummeting of the currency, the real; next the São Paulo stock market (Bovespa) and the country’s most widely traded bonds on June 20 and 21, which trend continued into the following week, bringing the real to a near-record low of 2.8885 to the dollar; and then Brazil was classified as the second riskiest country in the world after Argentina, and on a par with Nigeria. Both Fitch and Moody’s rating agencies downgraded Brazil’s debt on June 20, and as *EIR* goes to press, its “country risk” rate, the percentage it must pay over comparable U.S. Treasury notes when it borrows abroad, is over 17%. A J.P. Morgan report explains that the country risk rate is so high because “there is a fear of default in six months,” while former Central Bank President Alfonso Celso Pastore argued that that time frame is too long. “The default could occur in two months,” he told Argentina’s daily *Clarín*.

The implications of a default by Brazil, the Third World’s largest debtor, have escaped no one. Given the fact that the financial unraveling occurred only days after LaRouche’s numerous meetings with São Paulo’s elites, the Bush Administration almost certainly feels compelled to assess, and counter, the effects of LaRouche’s visit. *Folha de São Paulo* reported on June 18 that U.S. Assistant Secretary of State Otto Reich, who is not exactly respected by the Ibero-American diplomatic corps, will be traveling to the region in the second week of July, visiting Brazil, Uruguay, and Argentina. Reich will purportedly be scoping out Brazil’s electoral process,



A demonstration in Buenos Aires, as Argentina becomes more and more ungovernable. As Lyndon LaRouche has insisted for two years, so Argentine Finance Minister Lavagna stated June 22: The financial collapse is global, not a “contagion” from Argentina.

but will undoubtedly try to measure the impact of LaRouche’s forceful intervention, which contrasted so sharply with the foolish and dangerous blunders that typify U.S. foreign policy under Bush.

Nowhere is that contrast more evident, and the respect and love felt for LaRouche expressed so movingly, than in the June 10 ceremony at the Saõ Paulo City Council, in which LaRouche was named an honorary citizen of the Saõ Paulo, with its 18 million inhabitants the world’s third-largest city. The speeches by Dr. Enéas Carneiro, founder of PRONA (Party for Rebuilding National Order), and PRONA councilwoman Dr. Havanir Nimtz, published in this package, were a fitting and eloquent tribute to LaRouche’s lifelong commitment to the betterment of humanity, and as someone who, in Dr. Havanir’s words, “is no spectator of history. He has already become part of history.”

It’s the System

As chaos erupted in the third week of June, analysts in London and on Wall Street, as well as Washington policymakers, scrambled to explain the Brazilian debacle as the result of “contagion” from Argentina’s crisis. The International Monetary Fund failed in its attempts to isolate Argentina from the rest of the region, they despaired, and now not only Brazil, but also Uruguay, Paraguay, Chile, Peru and Venezuela had caught the disease. On June 20-21, and then leading into the fourth week of June, currencies in all those countries fell dramatically, as a number of governments tried

to stem growing popular resistance to IMF demands for austerity and privatization policies purportedly intended to “stabilize” their economies.

In a brief moment of truthfulness, Argentine Finance Minister Roberto Lavagna told a group of Brazilian businessmen in Buenos Aires on June 22, that it’s wrong to say that “contagion” caused the crisis. It’s actually due to the “non-functioning of the international financial system, which, since the 1990s, has provoked a series of crises, including in developed countries.” But then Lavagna returned to lead his government’s tortured efforts to convince the IMF to roll over its debt, which is not likely to happen.

Mexican Finance Minister Francisco Gil Díaz added to the panic when he announced on June 20, “We are facing a problem similar to that of Argentina,” just before it crashed. Tax revenues are low, budgetary expenses are high, and assets to sell to generate additional revenue are limited. His solution was to demand passage of a brutal tax reform package, not unlike that put through in Argentina last year by Finance Minister Domingo Cavallo.

Typically in a class of his own, U.S. Treasury Secretary Paul O’Neill boisterously announced on June 21 that Brazil’s problems had absolutely nothing to do with economics. “The situation there is driven by politics. It’s not driven by economic conditions,” he said, adding that people are worried about the possible election next October of Workers’ Party (PT) candidate Inacio “Lula” da Silva, supposedly because he threatens not to pay Brazil’s foreign debt. So, “throwing

U.S. taxpayers' money at a political uncertainty in Brazil doesn't seem brilliant to me." It's "intellectual fiction" to say there's an economic problem in Brazil, he argued, concluding that sending IMF money would be a waste.

In his meetings in São Paulo, LaRouche tore this line to shreds. The cause of Brazil's financial meltdown, he said, lies in the systemic *global* crisis, which is hitting that country as it also hit Argentina, and is bringing down all other Ibero-American economies. There is no "Argentine crisis," or "Brazil crisis," just as there was no "Asia crisis" in 1997, or "Russian crisis" in 1998. LaRouche repeatedly pointed out that the events of the latter part of June are the lawful result of the insane "wall of money" strategy which the IMF, together with narco-legalizer and speculator George Soros and his friends, erected around Brazil in the Fall of 1998 and early 1999, following a financial crisis and currency devaluation which threatened to bring down the world financial system.

In the wake of the August 1998 Russian debt moratorium and GKO bond crisis, speculators and hedge funds pulled their money out of all emerging markets, causing a huge drain on Brazil's reserves. The IMF and Group of Seven put together a hyperinflationary \$42 billion bailout package for Brazil, whose real intention was to bail out the hedge funds and speculators, while imposing draconian austerity measures—higher interest rates, gouging wages and labor benefits, privatization of state assets, and fiscal austerity—to gut the country's productive capabilities and living standards.

It is this "rope," which Brazil was handed in 1998-99 (including naming as Central Bank president, Soros's former employee Arminio Fraga), with which it is now hanging itself, LaRouche said. And this is precisely the way the Anglo-American financial oligarchy intended it to be. Brazil is more vulnerable today because the Cardoso government's continuous application of the austerity and privatization policies imposed as part of the 1998-99 bailout package, has encouraged speculation and foreign looting. Its June 13 announcement that it will increase the primary budget surplus from 3.5 to 3.75% of GDP, will only exacerbate the crisis.

Just 'Politics?'

In a June 22 statement, "O'Neill's Hooverville Trolley" (see box), LaRouche warned that the Treasury Secretary's statement that Brazil's current crisis is "an intellectual fiction," is "cooking that [U.S.] administration in the same pot as Herbert Hoover's 'chicken in every pot.'"

The assertion that PT Presidential candidate Lula is the cause of Brazil's instability is equally ridiculous, LaRouche said. Lula is a fraud, whose Jacobin "anti-globalization" movement is part of the Anglo-Americans' own strategy for smashing the sovereign nation-state. Moreover, over the weekend of June 22-23, at the PT national convention, Lula opened the gathering by reading a "Letter to the Brazilian People," in which he promised that the PT will be as "fiscally responsible" as required, in order to honor all of the current government's debts and contracts, and maintain all the essen-

tial elements of President Fernando Henrique Cardoso's disastrous IMF-dictated policy.

This includes maintaining a primary budget surplus by cutting expenditures to ensure that a revenue surplus is available for debt service; keeping inflation within a certain band; and continuing the floating exchange rate. Lula now says that while it would be nice to change Brazil's economic policy, it can't be done until the markets are calmed down. "Although I may not like it, we cannot avoid the IMF," he told *Clarín*.

Were it true that politics are driving the financial meltdown, the markets might have rebounded in response to Lula's reassurances. They didn't—because there are more important things to worry about, such as Brazil's public debt. Several factors combine to make this the country's real vulnerability. For example, in just 30 days, short-term bonded debt that comes due over the next 12 months has increased by an incredible 40%. In mid-May, debt that matured between July 2002 and June 2003 totalled 110 billion reals, but by mid-June, it had increased to 154.4 billion reals. Even more dangerous is the fact that a large percentage of this debt bubble is indexed either to dollars or to short-term interest rates, both highly unstable reference points. Indexing debt to dollars is the same insane policy which blew out the Mexican peso in 1994, and for Brazil, is a short fuse to a similar explosion.

Where Are the Courageous Leaders?

O'Neill's "it's all politics" statement enraged the Brazilian government, provoking President Cardoso to immediately call George Bush, to protest that the Treasury Secretary's loose lips had roiled the markets. But for unexplained reasons, Bush didn't take the phone call, and Cardoso had to let off steam instead to National Security Adviser Condoleezza Rice. Finance Minister Pedro Malán and Arminio Fraga got through to contacts at the Treasury Department, and shortly afterward, O'Neill issued a "clarification," praising Brazil for implementing "the right economic policies to address the current difficulties," calling it a "critical regional and global partner of the United States," whose "economic fundamentals are strong."

But this didn't undo the damage to U.S.-Brazilian relations, which have deteriorated due to several past displays of the Bush Administration's imperial foreign policy. On June 24, in a series of previously scheduled meetings in São Paulo, U.S. Ambassador to Brazil Donna Hrinak had to deal with the fallout from O'Neill's remarks, although she almost certainly was also trying to counteract the effect of LaRouche's visit to the city. Hrinak, who is only an ambassador, told a luncheon address to the Council of Latin American Businessmen, that O'Neill was only speaking for himself when he made his dismissive remarks, and not the Bush Administration!

The United States doesn't have a monopoly on foolish behavior, however. Ibero-American Presidents are whistling past the graveyard, ignoring what LaRouche said in Brazil about the systemic global crisis, and insisting that *their* crises are somehow different from Argentina's.

Argentina's President Eduardo Duhalde, whose tenure is now in doubt, came up with a desperate scheme to form a united front between Mexico and Mercosur countries (Common Market of the South: Brazil, Argentina, Uruguay, and Paraguay, plus associate members Chile and Bolivia), and to have them invite Mexican President Vicente Fox to act as their interlocutor with the United States. For what? To use the negotiating power that comes from the fact that Argentina, Brazil, and Mexico together have about \$1 trillion in foreign obligations, and demand an end to IMF genocide? No! Duhalde's proposal is to unite in order to convince the Bush Administration to have the IMF immediately grant yet another bailout package to both Brazil and Argentina!

Fox, who will attend the July 3-4 summit of Mercosur in Buenos Aires, was chosen because he supposedly has great influence with Bush, even though Fox's own government and the Mexican economy are crumbling, along with the North American Free Trade Agreement (NAFTA), and all his campaign promises of "special treatment" by the United States.

Duhalde had hoped to have a private meeting with Cardoso, prior to the Mercosur Presidents' meeting, to present

a unified stance to creditors. He erroneously assumes that Brazil wields great power in Washington, and that if he sticks to Brazil like glue, this will benefit Argentina's cause.

But Cardoso is avoiding Argentina like the plague. He told reporters on June 25 that in recent phone conversations with Duhalde, he had never discussed any idea of devising a common Ibero-American strategy. Brazil's economic problems are "different" from Argentina's, Cardoso insisted, and then went on to reference O'Neill's clarification, as well as statements by Federal Reserve Board Chairman Alan Greenspan, as proof that "Brazil's economic situation is very solid. We don't have the same problem which other countries have." Recent economic turbulence was fed by people who don't know Brazil, he added. "Everyone who has an effective notion of what's happening in Brazil, knows that the financial situation is under control."

A joint debt renegotiation by Argentina, Brazil and Mexico could function, but only if it were organized around LaRouche's policy of putting the entire world financial system into bankruptcy reorganization. That is the issue now on the table, and pressingly so.

LaRouche on 'O'Neill's Hooverville Trolley'

This statement by Lyndon H. LaRouche, Jr. was issued by the LaRouche in 2004 Presidential campaign committee on June 22.

Those old enough to remember, may recall the famous cartoon series, "The Toonerville Trolley." Treasury Secretary Paul O'Neill should remember how President Herbert Hoover went down to disgrace in the matter of the continuing Great Depression of 1929-1933. Hoover was, personally, a nice guy. I am informed that O'Neill is, too. The fact remains, that he is a lousy economist and apparently has a poor memory for crucial facts of U.S. history.

Just so you don't forget the connections, think of the Bush Administration as "Paul O'Neill's Hooverville Trolley."

It was not the 1929 crash that ruined Hoover's Presidency; it was his repeatedly making exactly the same politically fatal mistake which the Bush Administration's O'Neill and others are making right now. The people blamed Hoover's predecessors, Calvin Coolidge and Andrew Mellon, for the 1929 crash; the suffering citizenry came to hate Hoover bitterly for the latter's promises of a non-existent recovery.

O'Neill's statement, that the present financial crisis of Brazil is "an intellectual fiction," is cooking that adminis-

tration in the same pot as Herbert Hoover's "chicken in every pot." The difference between the early 1930s and now, is that the Democratic Party, so far, refuses to play "Franklin Roosevelt" to Secretary O'Neill's replay of "Hoover."

In fact, I am the only notable leading figure in the world today, who is addressing the need for steps to bring about an actual economic recovery in the world today. There is a growing number of persons who are interested in hearing what I have to say, but no leading figure outside my immediate circles who is presently prepared to tell the plain truth about the presently onrushing, global economic breakdown crisis of the present world monetary-financial system.

To understand why more and more leading and other figures, such as Secretary O'Neill, repeatedly say the silliest things about the great issues of this time, is that, despite the fact that they now know of the proof of my strategic assessments, they are unwilling to face the reality which I represent. In fact, the most frequent excuse for pessimism uttered, to my face, by leading circles in various parts of the world, is that no one in the U.S. government or U.S. party leaderships has the brains to support my proposals.

Anyone who thinks that the U.S. population is "not ready to deal with LaRouche," is being no less stupid in their behavior than poor old Paul "I'm in a state of denial" O'Neill. For Democrats, that goes double. The only truthful ones are those who say, "I would rather go straight to Hell tonight, than be caught saying anything truthful about LaRouche."

LaRouche's Crisis Leadership Backed: Honored by World's Third-Largest City

On June 12, the São Paulo City Council, in full session, heard a motion introducing Lyndon LaRouche, for honorary citizenship, and for the longer strategic policy discussions which followed in the Council chamber. Here are the brief introductory remarks, begun by a member of the Council.

Dr. Havanir Oliveira Nimitz: Today has, for me, a very special significance.

For the first time in my term, I have the satisfaction and the honor of seeing here, in this place, my president, the national president of PRONA [the Party to Rebuild National Order], Dr. Enéas Ferreira Carneiro, who is known to everyone, to all Brazilians, and who is a leader in my party, the person for whom I am a legitimate representative, de facto and de jure, in this legislative body.

My guest—who will receive, after 7 p.m. in the Council's Noble Chamber, the title of Citizen of São Paulo—was a candidate for the President of the Republic of the United States of America. He is a very respected economist in impor-

tant circles of power in all countries, not only for the depth of his analysis of macroeconomic questions, but also for his general vision of the world, as a statesman who moves with absolute confidence in the fields of Science and Art, having an enviable background in practically all spheres of human knowledge.

I would like to advise the journalists present, that Mr. LaRouche will be available to any of you, in my chambers, where an interpreter will also be present.

It is an honor, Mr. LaRouche, for me, for Dr. Enéas, for PRONA, for São Paulo, and for Brazil, to have you here as our guest, in the City Council of São Paulo.

Thank you.

Dr. Enéas Ferreira Carneiro: Mr. LaRouche, I would like to tell you and the distinguished councilmen here today, that it is an honor for Brazil that a statesman of your intellectual stature is here to speak to all of us present here today, and transmitting to us the hope for a better world, in which we can all live as human beings, and not to have children begging in the streets, women being driven into prostitution, and suffering everywhere.

As a politician, and through your international magazine, *Executive Intelligence Review*, you have promoted a new economic agreement among sovereign nations, a New Bretton Woods, to bring this about.

Mr. LaRouche, it is an honor to have you with us, in São Paulo, Brazil, and I wish to express our deep respect to you, as a symbol against human suffering.

Thank you very much.

Lyndon H. LaRouche, Jr.: I shall also speak in English, very briefly.

We are living in very difficult times, very dangerous times, as you know. It is necessary, above all, in the Americas, that we reestablish the kind of collaboration between the United States and the states of the Americas which was sought by President Franklin Roosevelt, and by Secretary of State John Quincy Adams and Monroe before.

And Brazil is an extremely important country, the largest country of the Americas, with which the United States has to deal. Sometimes understanding between the nations is difficult, sometimes because of leadership. But a dialogue among our nations is essential, and it can not do anything but good to have it.

And I thank you very much.



São Paulo City Councilwoman Dr. Havanir Nimitz presents Lyndon LaRouche with a certificate naming him an honorary citizen of São Paulo.

São Paulo City Council Discussions On Cooperation for Economic Recovery

City Council members, leaders of Brazil's Party for Rebuilding National Order (PRONA), and other leaders made presentations to an audience of over 300 in the São Paulo, Brazil City Council chambers on June 12, as South America's leading industrial city made Lyndon LaRouche an honorary citizen.

Dr. Havanir Oliveira Nimtz

'Crucial Moment in Brazil's History'

Brazil is currently living through a crucial—perhaps the worst—moment in her history as a nation, if the analysis is made in terms of parameters such as economy, education, and health. The country is wracked by internal crisis, in which political uncertainty and the absence of authority at all levels clearly stand out.

If, in the decades of the 1960s and '70s, there existed a centralized operation which crushed free thought and silenced the voices of opposition, in a dialectical process, [today] we have arrived at its antithesis, of non-authority, non-decision, non-achievement, inaction—a quasi-anarchy.

The country is on the brink of chaos.

As if in Civil War

Accepting the statistics provided by the government, in some instances, the frightening figure of an assassination an hour has been reached in the Rio-São Paulo axis, with more youths dying by premediated homicide in these two megalopolises, than in any other place in the rest of the world.

Truly, it's as if we were already in a civil war. The drug trade has such great power, that already, in some corners of the country, it is the real power—not legally, but *de facto*. The drug trade can order stores and supermarkets to close, and even declare holidays.

The truth is that we no longer live in an organized society. We have become a disorganized band, where everyone, desperately, decides to fight for their own interests, in an uncontrolled race of every man for himself, each fighting against the

other, with no hope, with nothing discernable on the horizon, since everything points in one direction only: of greater disorder.

Here is the crux of the matter.

As our guest of honor today, Mr. LaRouche, has said in his statements, it is fundamental that Classical education be restored. It is necessary that our children learn, as was taught in the past, to respect civic values, the nation, the flag, the national anthem, our elders—in other words, to develop respect for everything which is the work of the Creator, and, in particular, human life, which, of all that appears to us in the world, is Creation's most beautiful work.

Since we emerged as a political structure in 1989, we in PRONA have been fighting against the destruction of all the values of Brazilian society, struggling against this diabolical process which is subjecting our people to physical slavery, moral degradation, concupiscence, and despair over any future as a nation.

The founder of PRONA is Dr. Enéas Ferreira Carneiro—medical doctor, mathematician, physicist—who has dedicated his life to the search for knowledge.

A student of science, he has made incursions into the fields of Paleontology, Linguistics, Sociology, Psychology, Philosophy, Macroeconomics, Theory of State, and Constitutional Law.

Dr. Enéas is a unique, illustrious, eminent figure, a very respected doctor and professor of unsurpassable merit. He was my teacher, when I was still a medical student, who showed me the importance of knowledge for the liberator of man, and the possibility of embarking upon a struggle for the liberation of our Fatherland, giving us hope for a future for our children and for our grandchildren.

Thanks to him, I advanced through a process which brought me to the point of being the City Council representative who received the second-largest number of votes in the city of São Paulo—87,000.

When he first read the works of Mr. LaRouche, Dr. Enéas was struck by the clarity, depth, and breadth of knowledge of our honored guest, which amaze anyone of us when we also start to read his writings.

Against a Global Financial Disintegration

We associate ourselves with the wave of ideas which flow from Mr. LaRouche's prodigious mind. And all of us go on to travel in the same boat, a boat which, we hope, will one day allow us to navigate in calm waters, when we have quelled

the tidal wave which today shakes the nations of the planet, slaves that they are to a repugnant, obscene, fetid, filthy financial system, which is already in the process of full global disintegration.

Yes, because as Mr. LaRouche forecast many years ago, there is no Asian problem, nor a Russian problem, nor an Argentine problem, nor a Brazil problem. The crisis is systemic. The crisis is planet-wide. All of civilization is heading toward a new dark age.

It is for all these reasons that today, in this chamber, Mr. LaRouche is honored, the legitimate representative of the worldwide struggle against ruinous speculation, which is dragging the world into the abyss.

Thank you.

Helga Zepp-LaRouche

‘A Powerful Message To the Whole World’

Ladies and gentlemen, dear Dr. Havanir, dear Dr. Enéas:

I want to thank you for giving this great honor to my husband in this way. And if you permit me, let me say something personal about my husband, with whom I have been married almost 25 years this year. And I hope you will forgive me that I praise him; if you think it’s too much, I’m his wife.

From my own life which I have spent with Mr. LaRouche, I can tell you that he is one of the rare individuals which mankind, when it is lucky, produces sometimes once in a century. And I think we really should all be extremely happy to have such an extraordinary man at such an outstanding moment of crisis that the world is faced with right now.

Mr. LaRouche has, like nobody else I know, revived the best treasures of universal history. In the current period, when true human knowledge is almost lost, he has revived the best pearls of European civilization, the cradle of European civilization; with the ideas of Plato, the contributions of Christianity, of the great Renaissance, of the German Classical period, and the ideas of all the great thinkers of European history. But he has also not neglected the other cradles of mankind, from China, to India, to Mesopotamia, Sumer, and Egypt.

He has made the world conscious about the two traditions: the fight between the oligarchs, who are only interested in the privileges of a few, versus the fight of the true republicans, who are concerned about the well-being of the people—the

fight which goes back almost 2,000 to 3,000 years.

Mr. LaRouche has taken the whole world into his heart. In the 1970s, he wrote development programs for Africa, which is the reason why many poor people, who are dying right now in Africa, regard him as the only hope. In collaboration with Indira Gandhi, he wrote *A 40-Year Development Program for India*, which is still the hope for many people in India, and which is why he is regarded as a legendary figure in the Indian Subcontinent. The ideas he developed, together with [Mexico’s] President López Portillo in 1982, about the integration of Latin America, in *Operation Juárez*, still represent the hope and the vision for the Latin American continent to come out of its present crisis.

There Are Two Americas

Concerning the United States, there are two Americas: one is the beautiful “beacon of hope and temple of liberty” of the Founding Fathers, of Lincoln, of Martin Luther King—the U.S. tradition Mr. LaRouche today stands for. The other one, is the tradition of the British Empire, of the Confederacy, of slavery, and of the idea of dominating the world through world empire.

By giving Mr. LaRouche the honor of being an honorary citizen of São Paulo, you all have contributed to sending a powerful message to the whole world, as to which America the world really wants.

As a wife, I can only tell you, that if there is hope for all the poor countries of this world, for a dying African continent, for a terrible situation in the Middle East, for a very dangerous situation in Central Asia and the Indian Subcontinent, and many other places, it is the ideas of Mr. LaRouche.

So, I want to thank you, because you all have contributed to do the single most important thing to contribute to bring the world out of this crisis.

Thank you very much.

Dr. Enéas Carneiro

‘Who Is Mr. LaRouche?’

Who is Mr. LaRouche?

Until 1994, I knew of him only as a great political leader. I could also see the convergence of our thinking, but I had no idea at all of his immense and extraordinary culture in almost every field of human knowledge.

During one of my appearances on a TV talk show, on the occasion of my second run for the Presidency of Brazil, I referred to the national credit policy implemented in the



Dr. Enéas Carneiro, founder of Brazil's Party for the Rebuilding of National Order (PRONA).

United States by Alexander Hamilton, which prompted a comment in the newspaper of the Ibero-American Solidarity Movement.

Mr. Lorenzo Carrasco sought me out, and I became a subscriber to *Executive Intelligence Review*. It is impossible to resist Mr. Carrasco's appeals, when he decides to sell you a subscription to the magazine.

Reading Mr. LaRouche's articles in *EIR* and, later on, in *Fidelio* and *21st Century* magazines, I became increasingly astonished and deeply curious to know more and more about that man.

Who really is he?

Recently, reading an article appearing in the May 10, 2002 issue of *EIR*, I was struck by Mr. LaRouche's deep philosophical and technical analysis of the catenary, and I recalled my classes as a university physics student, 40 years ago, with my dear friend Dr. Osório—who is here today—when we were being introduced to transcendental trigonometric functions, analytic geometry, and hyperbolic functions.

The catenary is the curve describing the form taken by a uniform chain when it is suspended from its endpoints. Any

freely hanging cable or rope assumes this shape.

The catenary represents the constant search of nature for a state of order, with a minimum expenditure of energy. That is a universal principle, which, like many others, Mr. LaRouche explains magnificently in his writings.

But, let's stop for a moment and think: What Presidential candidate in Brazil, or in the United States, for that matter, has ever heard of a catenary?

Imagine someone showing Mr. Bush in the United States, or Mr. Lula [Luís Inácio Da Silva] or Mr. [Antonio] Garotinho in Brazil, an hyperbolic function or an integral. Any one of them, at the sight of an integral, would immediately think of a rattlesnake ready to bite him. None of them, in their absolute ignorance of the scientific principles governing nature, has the slightest idea of the importance of scientific knowledge to the statesman who would lead a nation.

Besides being a mathematical philosopher, Mr. LaRouche has a keen intelligence and exceptional fluency in matters of the physical world, speaking with intimacy and profundity about the ideas of Gauss, Ampère, Oersted, and Kepler, and many other mainstays of physics.

Regarding philosophy as such, Mr. LaRouche is really a scholar. From Plato to Leibniz, from St. Augustine to St. Thomas Aquinas, or Descartes, Spinoza, and many others, the depth of his reasoning and wise analysis is, for me, breathtaking.

He speaks about ancient history as if he were there, at the same table, on the same sofa, at Plato's *Symposium*, the "Banquet of Love." He who reads Mr. LaRouche's articles receives a refreshing shower of science, fine arts, and philosophy.

The Fight for the General Welfare

But, beyond such incontestable knowledge, what most impresses me about Mr. LaRouche is his concern for social questions, poverty, and the destiny of humanity.

Mr. LaRouche defends, in the United States and the world, the same ideas which we, of PRONA, defend here in Brazil.

He fights for the existence and presence of the sovereign nation-state. In one of his speeches, he said: "We want no empire. We want no hegemony. We want the general welfare. We want to protect and to promote national sovereignty. That is the cornerstone."

He condemns economic globalization, so dear to the rotten press, the corrupted media which do not allow ordinary people to know what is the reality hidden behind those sweet words, such as "privatization," "the minimal state," "economic globalization," and so forth and so on. In reality, all of this is a lie; what exists, in fact, is neo-colonialism.

I became aware in 1989—but Mr. LaRouche had seen it much earlier than I—that a diabolical plan of destruction was under way, and accelerating with incredible velocity, to destroy our moral values—all that was handed down to us by



At the dais of the award ceremony in the São Paulo City Council chambers.

our forefathers, and which makes us a sovereign nation.

With the establishment of the free-market empire, with the neo-liberal wind blowing in almost every quarter of the planet, it followed naturally that our country would also be engulfed by this wave of destruction.

The floodgates of our economy were intentionally opened. Our nation was flooded with junk and trash from around the world. The barriers against imports of all industrial products were taken down, in such a disastrous manner that our national industry was almost destroyed.

But, the whole process did not stop there. With no subsidies, with almost no lending by the Banco do Brasil to small and medium-sized farmers, bankruptcy also struck the countryside. Thus, they destroyed agriculture, too.

Millions of unemployed were thrown onto the streets. Today, a shocking 20% of the economically active population is unemployed. They wander hopelessly, hungry, desperate, joining those already in the informal economy, selling imported products at traffic stops on the streets, doing anything to survive, and a considerable number of those unfortunate

people finally end up in criminal marginality.

Criminality, in turn, is reaching terrifying levels, reaching as high as one murder every hour in the Rio-São Paulo region, as stated quite correctly by Dr. Havanir, president of PRONA in São Paulo.

They destroyed the fundamentals of Classical education. They destroyed respect for the nation, for religion, for the family, as well as respect for life. And, with that, death became just a banality. They transformed human beings into machines.

The Empire of Money

With complete freedom for speculation, with capital flowing from one point of the planet to another, without any restrictions, it was natural that the big monied interests wished to increase—doubling, tripling, quadrupling their fortunes—simply by speculation in the financial market.

The world economy became a no-man's-land, with no relationship between real wealth and the amount of money in circulation.

Money is no longer a symbol of wealth. It has become wealth itself. I say that, because there is no correspondence between the money that circulates and the real wealth of nations, as Mr. LaRouche has so brilliantly proven in his analyses, repeatedly presented in the four corners of the planet.

We have come to live under the Empire of Money, the Empire of Fake Money, the Empire of Painted Paper.

Brazil, in 2001, paid the fabulous amount of some \$60 billion in service on the public debt alone, including the interest on domestic and foreign public debts.

And the domestic debt jumped from \$50 billion in 1994 (at a dollar-to-real ratio of 1:1), to about \$240 billion, the equivalent of a stunning 600 billion reals at today's exchange rate.

We should remember that this enormous debt rose after the big Brazilian state companies were handed over, such as the National Steel Company (CSN), Usiminas, and Vale do Rio Doce—the biggest mining company in the world, control over which was sold for the ridiculous sum of \$3.338 billion, which is less than what is paid, in one month, in interest on the public debt. That is, close to 10 billion reals, or almost \$4 billion, are paid per month in interest alone.

Fortunately, this model is exhausting itself, because it is self-destructive. It carries within itself, the germ of its own destruction.

Look back to the Russia crisis: The world press, the servant of world power, said this was a local problem. There was an Asian crisis, and they repeated: This is a regional problem. Now, it is the Argentina crisis, and they keep saying: It is their crisis; it's an Argentina problem that won't affect us. Brazil is different.

But the reality is, that there is no difference. As Mr.



To open the ceremony, a military band plays the national anthem of Brazil. Afterwards, a tenor sang the American national anthem, a capella.

LaRouche has been insisting for decades, and I have been repeating here in Brazil since 1989, the crisis is systemic.

There is no saving this model, unless there is a joint statement, issued by the governments of the major countries of the world, that the current international financial system is insolvent; and calling for the establishment of a new accord between nations, with the creation of a New Bretton Woods agreement.

The Way Out for Brazil: ‘Rupture, Now!’

But, unfortunately, here in Brazil, Mr. LaRouche, we don’t have the power to impose such an agreement upon the world. Therefore, there is only one way out for us, and that is a rupture, a formal and final rupture with the international financial system.

We are one of the biggest countries in the world, with about 8.4 million square kilometers of land area, 21% of the world’s freshwater supply, and the biggest rain forest in the world. One sunny day over Brazil’s territory is equivalent to the energy produced during 24 hours of operation by 120,000 hydroelectric plants of the size of Itaipú Dam, presently the world biggest hydroelectric complex.

Thanks to this fantastic solar energy, which is only possible in the tropics, the Brazilian continent has unequalled wealth of vegetation, with vegetable oils, cellulose, sugar, starch, etc., capable of generating forms of energy which can advantageously replace all petroleum products. In this way, we would be able to provide practically all of the world’s requirements for solid, liquid, and gaseous fuels, for an unlim-

ited time to come.

This means the use of a clean, renewable energy source, the energy accumulated in the molecules of the carbon hydrates, which exist in amounts many times larger than the energy obtained through fossil fuels, which are running out on this planet.

We are the richest country in the world, but we find more than half of our people condemned to live in poverty and misery.

Rupture, now!

Stop importing everything while exporting raw materials. Nowadays, even potato chips are imported, as if the glorious people of Brazil were not capable of doing anything, not even manufacturing potato chips.

Let us sit at the negotiating table and say: *That is enough!*

Pay us a fair price, or not one milligram will be taken from this land—no iron, no aluminum, no titanium, no quartz, no niobium, etc.

They need us much more than we need them.

But, in order to achieve that, we will need in the government, at all levels, honest men, wise, diligent patriots, and not that weak, fallacious, deceptive, inept, and mad mob that is leading our country into the abyss of chaos, and our people into slavery. In other words, as Mr. LaRouche says, into a New Dark Age.

Only in this way will we be able to proclaim the economic independence of Brazil.

Thank you very much, Mr. LaRouche, for your presence here in Brazil, and for all that you represent for all mankind.

‘We Shall All Sail, Or All Sink, Together’

Considering the circumstances and the state of the world’s affairs, the world is now in one of the most perilous periods of modern history, in which, in most nations, we will be required to look deeply into ourselves, for the resources—emotional, intellectual, and other [resources]—to solve the great problems which now confront us.

Therefore, under these circumstances, because of the significance of both the United States and Brazil, as leading influences in the Western Hemisphere, in the Americas, it is important to reflect upon the possibilities of the collaboration between the two nations at this time. And therefore, I shall tell you something about myself, as a figure of the United States, and what can be learned about the future relations between the two countries, and others, from examining that aspect of U.S. history.

Formally, the history of the United States began, as a nation-state, in 1763. At that time, the English colonies in North America had been allied with the British monarchy, in combatting the French Empire in the Americas. It came as no surprise to the patriots of those colonies, that the British Empire would immediately turn upon them, and attempt to destroy the liberties of the colonies, once the French had been defeated.

At that point, the history and the population of what became the United States, was divided between two factions—two factions, which have fought a see-saw battle for control of the United States, from that time to the present day: One, led by Benjamin Franklin, defines my tradition in the United States, the tradition of patriots such as Franklin, such as Hamilton, Washington, such as President Monroe, Secretary of State John Quincy Adams, President John Quincy Adams, Abraham Lincoln, and others; and Franklin Roosevelt. The other side, which was formed also as a faction in 1763, were called, then, and now, “the American Tories.” Their loyalties, then, and now, are to the British monarchy.

In the 20th Century, in 1901, with the assassination of President McKinley, the American Tories took power around President Theodore Roosevelt. The power returned to the American patriots, at least significantly, with the Great Depression and the election of a patriot, Franklin Roosevelt, as President. With the death of Franklin Roosevelt, the United States slipped again, into the hands of the American Tories, not completely, but as a dominant force.

U.S. Consumer-Nation Becoming Empire

Now, it was difficult for the American Tories to carry out their policy, in that period. Many of us had been involved in a great war. Many had served overseas, as I did, during that war; just as a simple soldier, but nonetheless, overseas. We were not disposed to give up everything we had won under Roosevelt. Even under President Eisenhower, we were not willing to give up the American military tradition, which we had experienced, in particular, during the Second World War.

In 1961, we plunged into Hell, at about the time Eisenhower retired. President Kennedy, who intended to revive the tradition of Franklin Roosevelt, was assassinated. An ally of President Kennedy, President Charles de Gaulle of France, was nearly assassinated in 1962, in the first of a series of attacks. In 1964-65, the United States went into an insane war in Indochina. Most of the American military tradition would not survive that war.

In the period beginning 1966, we began to degenerate: We were transformed from a nation which had been based on production, to a nation oriented toward consumption. We began, like the British United Kingdom, to assume, more and more, an imitation, or a parody, of the ancient Roman Empire. As you know, at the end of the Second Punic War, Rome had degenerated into what became, some decades later, an empire. It ceased to be a productive society, as slavery progressed; it lived by looting nations around it. It ruled by a method of terror called the Roman Legions. It ruled by a reign of terror, and then it died of the rot it built into itself.

We have begun to die, in the United States, in a similar way, over the period from 1967 through and beyond 1971. With the events of August 1971, and afterward, we became a *predator* nation, a consumer nation, living more and more at the expense of people around the world, and less on our own productive resources.

The system that has dominated the world increasingly, for the past 35 years, is now come to an end. We are now in an unavoidable, international, general, total collapse of the existing monetary-financial system. And therefore, it is important for many of you, who would wish to believe that is not true, to warn you of this, so that you may be prepared to act appropriately, at the time that the crisis becomes apparent.

As you know, from your own experience in Brazil, during the postwar period we went through a number of successive improvements in the conditions of life internationally. This came almost to an end, with the 1971 developments. With the crushing of Mexico in 1982, every nation of Central and South America was implicitly doomed to be crushed, sooner or later. Today, Brazil is one of the only nations in South America which is capable of doing anything about it.

We Can Call Forth Legacy of Patriotism

Now, go back to Roosevelt in 1932-33. In the 1920s, the American people were extremely decadent. I *lived* then; I *know* it. I could give you many clinical examples of the degen-



Lyndon LaRouche: “The system that has dominated the world increasingly, for the past 35 years, is now come to an end.”

eracy of my neighbors and other acquaintances. But we were struck by a great crisis, and we had a great tradition—a great patriotic tradition. We had a leadership in the form of Franklin Roosevelt, which summoned the United States to come back to its true self. In the course of time, by the end of the war in 1945, the United States was not only the greatest power on this planet, but was the *only* power on this planet. There were many injustices perpetrated by the United States and others, during the period of 1945 to 1965. But in net effect, the Roosevelt legacy lived on.

The economic recovery organized by Roosevelt, the great mobilization for World War II, organized and led by Roosevelt, these legacies continued into the middle of the 1960s. The Americas benefitted from this; other parts of the world, like Western Europe under the Monnet Plan, benefitted from this; Japan was rebuilt on this basis. So, despite the injustices, the world was better, as a result of Roosevelt’s having lived and led.

Now we’ve come to another great crisis, a crisis as terrifying, or more terrifying, as that which struck the world in 1929-33. The United States is a piece of wreckage, compared to what it was in 1929. But, nonetheless, in our people, in the United States, there is still embedded the legacy of the patriotism which was set into motion in 1763, on which our independence was premised. We can call that forth.

There is another aspect of that tradition which is important. In the period following the War with Britain of 1812-1815, the United States was isolated. The entire world, virtually, was against us. We had, on the one side, the British Empire was our enemy, determined to destroy us. On the other side, you had the Holy Alliance, led by Metternich, of the

Habsburg empire. At that point, the British went to the Americans, and said: “Come, join us, to fight the Hapsburgs in Central and South America!” The Secretary of State of the United States, John Quincy Adams, later President, said to President Monroe, “No. Reject the British treaty.”

Adams said two things that are notable right now, for the present circumstances. “The United States must not become a cockboat, in the wake of a British man o’ war, against the nations struggling for independence in the Americas.” And also, Adams secured the support of President Monroe, with the support of two other former Presidents, to enact the so-called “Monroe Doctrine.” Quincy Adams explained it: The United States did not then have the power to defend the sovereign states emerging in the Americas. But as soon as we did, we would kick both the Haps-

burgs and the British out of the Americas, in defense of the liberties of those emerging nations.

The Real Monroe Doctrine

That promise was kept by Abraham Lincoln, at the close of the Civil War in the United States. The United States kicked the Spanish, the French, Maximilian, and British influence, temporarily, out of Mexico and other locations, and enabled the Mexican President and patriots to resume control of their own country. Under Teddy Roosevelt and Wilson, that promise was betrayed. Franklin Roosevelt restored the promise with his Good Neighbor Policy. John Kennedy proposed to revive Roosevelt’s policy, with the Alliance for Progress.

Now, that remains appropriate, today. While the United States has an obligation, as we all do, to find cooperation with Eurasia and Africa, in saving the world from this horrible situation which now menaces us, the *primary security* of the United States has been, since the time of Secretary of State John Quincy Adams, the issue of the security of the sovereign states of the Americas. And what Adams defined was a community of principle among what were each *perfectly sovereign nation-states*.

And so it must be today. We, in the United States, are in a mess—a terrible mess. We have great power still, but it’s a sham. Without the revival of the economies of South and Central America, the United States can not work its way out of its own, onrushing depression. Either we shall *sail* together, or we shall *sink* together.

And, what I can hope to contribute, most of all, apart from what I do inside the United States and elsewhere, is to try to provoke among us, as nations, a dialogue on these great issues.

We must not have a hegemonic system. A slave is a poor worker. If you can not evoke the will power and creative mentality of a nation's people, you cannot get much good out of them. Some may be more powerful, some smaller and weaker. But all must be treated as personalities, with *equal rights*. From each, we must demand the same thing: that they muster their creative power to help solve problems. We need, above all, a community of ideas, a community of principle. We want to eliminate all kinds of supranational control over any nation among us.

And finally, look at Brazil: this wonderfully large, virtually untouched wilderness, with some concentrations of development, but vast, undeveloped areas, symbolized by the sheer *might* of the Amazon River. If you look at the Amazon region from the standpoint of the great Russian scientist, Vernadsky, who devised the terms "Biosphere" and "Noösphere," you have a sense of the great power for the future, implicit in the development of that, in a scientifically sound and rational way.

That is one of the greatest projects of development for the planet as a whole. And it should be a source of inspiration, to all Brazil, about what this nation can do. And the United States should be very happy to have such a partner.

Dr. Havanir Oliveira Nimtz

'Mr. LaRouche Is No Spectator of History'

Today has, for me, a very special significance.

For the first time in my term, I have the satisfaction, and the honor of seeing here, in this place, in this solemn session, the national president of PRONA, an illustrious, unique, eminent figure, Dr. Enéas Ferreira Carneiro, who is known by everyone, by all Brazilians, and who is a natural leader—educated, nationalist, courageous, convinced of his ideas, with an exceptional mind, a central figure in my party, the person for whom I am a legitimate representative, *de facto* and *de jure*, in this legislative body.

It is an honor, Mr. LaRouche, for me, for Dr. Enéas, for the PRONA family, for São Paulo, and for Brazil, to have you here as our guest, and to give you this deserved honor, in the City Council of São Paulo.

The history of humanity is made by a few men who, in



Dr. Havanir and Dr. Eneas embrace, as Helga Zepp-LaRouche looks on.

one way or another, made their mark on their eras.

There are some individuals, some lesser, some greater, belonging to the human species, who stood out so noticeably in their time, that it is impossible for any one of us to allude to those eras without mentioning those individuals, who became immortal landmarks of the era in which they lived.

Thus, it is impossible to study the Fifth Century before Christ, in Greece, without paying heed to the figure of Pericles. In the person of Leonardo da Vinci, the Renaissance had the greatest example of the unity of science and art which nature could condense into a single human mind.

Acting for good or for evil, some men make history, while the majority of humanity is made up of individuals who are, barely, spectators upon a stage where the drama of human history unfolds.

Mr. LaRouche is no spectator of history. He has already become part of history. Some centuries from now, when none of us will be here any longer, his name will be remembered, with admiration and respect by all those, like those of us present here, who know how to treasure intelligence, knowledge, and love of the human species.

Thanks to all of you. May God bless us. This session is closed.

★ LAROUCHE IN 2004 ★
www.larouchein2004.com

Paid for by LaRouche in 2004.

Stop the ‘New Violence,’ Create a New Renaissance

Helga Zepp-LaRouche gave this speech at the São Paulo State Appellate Criminal Court, on June 13. Subheads have been added.

Mr. President, dear ladies and gentlemen:

It is a great honor for me to be able to speak to you on the subject of the New Violence today. Actually, this is a phenomenon which threatens human civilization in the same way as a new global epidemic, and I have launched an international campaign for the banning and outlawing of this media violence and of media products which glorify violence. This will be the first aspect of my talk, and the second one is the equally urgent need to have a Classical-humanist education.

You may have read in the newspaper, or seen on TV, the renewed discussion about this problem, after, about four weeks ago, in Erfurt, east Germany, a 19-year-old pupil went into his school, and shot 14 teachers, 2 pupils, and then himself. As the police found out afterwards, this person, with the name of Steinhäuser, had trained for this horror-show one full year before. He trained on the video game, “CounterStrike,” and among his favorite movies belonged the Schwarzenegger movie “The Terminator.” And, on his home page—his personal web page—he even had written, months before, that one day, he wanted to go to his school and kill everybody, like “Arnie,” meaning Arnold Schwarzenegger.

After this occurred, which sent all of Germany into a big shock, I did an interview with an expert on “killology”—or on killing—the American Col. Dave Grossman (ret.), who has written many books on “killology.”¹ I asked him, how is it possible that *nobody*—not his parents, not his friends, not his teachers—noticed anything for one year? And, he said, because it’s normal: Millions of youth worldwide do exactly the same thing. The video game, CounterStrike, which you can download (I’m not suggesting it) on the Internet, is being watched, at any moment, at any hour of the day, by an average of 500,000 people. CounterStrike is only one of many, many such games.

Path to Violence: Like the Law of Gravity

Already, in 1972, the American Medical Association, the American Association of Psychologists, the U.S. Surgeon

General, the Red Cross, and many others, had done studies, which all proved, that there is a direct connection between media violence and the increase of violence in society, ranging from the so-called “school youth violence,” to street violence, and the barbaric acts in war.

The counter-argument made by the industry promoting these media products, is that there is no such connection, that only those children and youth who are predisposed will react this way. In 1992, the American Psychological Society said, the scientific debate over this question is beside the point: There is no doubt. In 1999, the same society said, to deny this connection is as if one denied the law of gravity.

So, when you hear that there is no such connection, these are massive lies. The main reason is twofold: One, it is naturally a gigantic profit; between Hollywood and the producers of these video games; it is a billions and billions business. So, therefore, the denial of the industry is much worse, than that



Helga Zepp-LaRouche in São Paulo. “I want to ask you to join my campaign, to stop this media violence, and help to build a humanist future.”

1. *EIR*, May 24, 2002.

of the tobacco industry.

The second reason for the lies, has to do with the military-strategic dimension. In the Second World War, it was recognized that only 15% of all soldiers were willing to kill the enemy, because to kill another human being is not normal. So, there is a biological and psychological barrier to kill somebody from your own species. . . . In such a situation in which you have to kill, to kill somebody else, the person freezes in horror; medically, the veins contract, and in the moment of heightened fear, the brain literally stops functioning in a normal way. At that point, reflexes take over. And normally, what happens is, that this more unconscious reflex—not wanting to kill somebody of your species—takes over; that even applies for most animal species.

So, in looking at the result of this unwillingness to kill in the Second World War, the military came to the conclusion that the training was not adequate. Since people only were trained to shoot at targets, whereas real persons were killed, this training had failed. So they developed a program to train for killing. In a similar way, that you don't put a pilot into a plane after he's read the flight manual and tell him, "Fly"—nowadays, you put him in a flight simulator, where he trains for many, many, many hours. The same happened with the army: The soldiers were put in killing simulators. First, the bull's-eyes there were replaced with humanly shaped targets. In the past, real ammunition was used for this training, but that turned out to be very expensive. Since they developed video simulators, they put humanly shaped bodies on the screen, told people to shoot in quick sequence at these targets. The U.S. Marine Corps actually bought the rights to the computer game "Doom," and they used it as a tactical exercise.

With this kind of training, they could increase the so-called "killed-to-injured ratio" (I will come to this in a second). Now, if you shoot in quick sequence, it becomes a habit. Now, for the military and the police, one could argue—I'm not doing this, but one could argue—that this is part of the army, or part of the war. But, as everybody knows, the military and the police have a very rigorous drill, discipline, and command structure, and they're in a body, which is very disciplined. If you give the exact same video games to children and youth, there is no such discipline.

And even for the police, it doesn't function. In the United States, there were many cases, like the famous [Amadou] Diallo case, in New York, where four police in plainclothes fired 41 shots at an unarmed man. It was a typical overreaction, which comes from this training.

Simulators of Murder

There is one game, for example, which is called "Time Crisis," where the person has a pistol, and if he hits the target, the target falls down. Then he feels the recoil of the pistol. If he misses the target, the target fires at the person: Now, this is a murder simulator, nothing else. It has been made available

for children, only for one purpose: to teach the children the ability and the will, to kill.

Again, under stress, we operate on the basis of trained reflexes. There is the example of the policemen, who trained at the time when the police were trained with revolvers; and they were trained, that after they emptied the pistol with six shots, they would put the shells in their pockets—so that they would not have to clean up the firing range after the training. In many cases, when these police fired in a real situation, they automatically put the empty shells into their pockets, because what you train, you repeat in real life under stress. That happens when children play video games, day after day, hour after hour—sometimes six, eight, ten hours a day. They lose completely the feeling for the difference between virtual reality, and reality. There was the case of a shooting, in Paducah, Kentucky: A 14-year-old boy, who had never had a real weapon in his hand, went to a school, and he fired eight shots; he hit eight people, and three of them were dead with a head-shot.

The video game trains the killing reflex, and in the game, the good shot is rewarded: For example, a head-shot gets a point. This is why we call this phenomenon, "New Violence." Violence has been there for eternity, since mankind existed, but there is a qualitatively new dimension. In Michigan, a six-year-old boy, after watching TV and playing video games, went and shot a six-year-old girl, and he had zero awareness of what he had done.

Another aspect is, that these kinds of virtual shootings pervert the sense of joy. In Japan, in the Second World War, they taught the soldiers to laugh about atrocities, and some of the Asian history, like relations between Japan and China, Japan and Korea, still suffer from the atrocities committed in this period. These are Pavlovian methods. In Littleton, Colorado, where there was the other major shooting, when a teacher went to another school in Littleton, called the Chatham School, and they announced over the loudspeaker what had just happened in the Columbine School, the pupils applauded. So, they teach kids to feel pleasure about the death and the suffering of other creatures.

Now, in 1996, there was a case in Port Arthur, Australia, where 35 people were killed and 22 injured. This was a killed-to-injured ratio of 1:1.6. In the Erfurt case, it was a killed-to-injured ratio of 1:1.25—16 killed and 19 hurt. Now, this has been noted, because, even if special forces train for years, they hardly come to these kinds of figures, because, in normal war, if you shoot a target, it is normal, for your self-survival instinct, that you shoot at this one target, until this target goes down. But what the video game does, is, it teaches you to shoot, and to continue to shoot, quickly, quickly, quickly. If you make a head-shot, you get an extra point.

A World of Youth Violence

Now, one reason why I got involved with this whole subject, is the following: I met a six-year-old boy some years



The macabre world of video games as seen in advertising in Computer Gaming World. Endless playing of video games gives children and adolescents the skill and the will to kill—as has been demonstrated in one “schoolyard massacre” after another.

ago, who asked me what I know about Pokémon. I said, “I don’t know. What is Pokémon?” And, he said, “What? You don’t know what Pokémon is? All children in the whole world play Pokémon!” I said, “I doubt it. I know that the children in India, for example, most of them are much too poor to have Pokémon.” And he said, “If they’re poor, we should shoot them, because if we don’t kill them now, they will kill us.” And I looked at this six-year-old boy!

So I started to investigate this: And, I assure you, Pokémon is the introduction drug to the harder video games, if only ugly fighting, fighting, killing, fighting.

In Japan, they had to take Pokémon off the TV, because

the kids watching it had epileptic seizures. Because what the producers of these things do, is they use short sequences and short intervals of the pictures. They consciously *want* to cause an addiction in the brain of the kids. And they count on the fact, that violence, as such, already causes addiction. With the quickly changing images, it destroys the normal function of the brain. The same is, by the way, the case for MTV. You all know these pop videos, which have these psychedelic effects. And I compared the coverage in the U.S. media about Sept. 11 with these pop videos, and they have the same method. They want to cause psychedelic effects and manipulate the audience. So, if children watch this stuff, violence

and killing on the TV, it causes what nowadays is called “concentration deficiency disorder,” and, among other things, it causes a reading disorder.

In Germany, which, if you remember, was once called “the people of the poets and thinkers,” a recent study has shown that 42% of all pupils never read a book—of 15-year-olds. So, the children who watch this TV, they go to school, and then the poor teacher tries to teach them grammar, and mathematics, and other such things, and the child is not used to this; he is used to these people changing pictures. So, it is likely, he tries to switch the channel—get the teacher to say something different. But, if you have a stubborn, old-fashioned teacher, and he still wants to teach mathematics, then the child becomes hyper, and in many countries, they give them Ritalin. And, then the brain is finally destroyed for sure.

Now, it is a fact, that we have an explosion of violence worldwide. In Canada, the per-capita ratio of severe assaults, increased five times in the last 30 years. In Norway and Greece, it increased five times in the last 15 years. In Japan, youth violence increased in one year, 30%. In Brazil, Mexico, and India, there’s an explosion of violence since TV was introduced. And I just learned that much of the organized crime, in the *favelas* and such ghetto situations, are using these video games as a control mechanism.

Now, anybody who does not see, that, on a world scale, we have a gigantic brutalization of society, is blind. Those who protest are not remembering what they have lost; it’s like the drug addict, who cannot remember the brain cells he has destroyed.

Already, in 1948, Fredric Wertham, a German-born psychiatrist, launched a campaign against comics. These were not movies, they were little booklets. And he said of these comics and the images out of them, “The fundamental problem of the 20th Century, is violence.” He wrote a book, called *The Seduction of the Innocent*, and in there, he quoted a certain Robert Southey, who said, “Young reader, would you know whether the tendency of a book is good or evil? Examine in what state of mind you lay it down. Has it attempted to abate your admiration and reverence for what is great and good? And to diminish in you, your love for your country, and your fellow-citizens? Has it addressed itself to your pride, your vanity, your selfishness, or any of your evil propensities? Has it defied the imagination with what is loathesome, and shocked the heart with that is monstrous? Has it disturbed the sense of right and wrong, which the Creator has implanted in the human soul?” [See article p. 69.]

And then Wertham says that what comics—already in 1942—did, was just to cause the feeling for violence, cruelty, sadism, crime, beating, promiscuity, sexual perversion, race hatred, contempt for human beings. He quotes the first modern psychologist, St. Augustine, who already was aware of this, who warned of the effects of mass seduction by public spectacles, like, for example, the Roman circus. Because, even in

people who think they can resist this, it causes an unconscious fascination with sadism and violence.

The ‘Utopian’ Military, and the New Violence

Now, this was studied by what we call “the oligarchical elite,” for the last two millennia. Look, for example, at certain Hollywood movies, like “The Gladiator.” When this movie came out, the British media openly wrote, “Violence is necessary to control the population. Why? Because it causes the taste for the cheap, the vulgar, the violent, the immoral.” Now, if Wertham could write this in 1948 about simple comic books, now just think about the actual explosion in modern Hollywood movies and video games, with three-dimensional reality. This is this old problem, which was recognized already by Plato. In *The Republic*, Plato wrote, that, even the great tragedians, like Aeschylus, Sophocles, and so forth, he did not approve of, because they only wrote tragedies with a tragic end; and, what was lacking was the sublime, nothing which animates the people. And, he said, this is very devastating and bad for children.

Now, then, a lot of this was established here, in 1973, by the American institutions. Why was nothing done about it?

Recently, it became totally clear, that there is a tendency in the U.S. military, which we call the “utopian faction.” If you go back to the American Revolution, the British Empire never forgave America for becoming independent. And they have worked for more than 200 years, to get the American establishment to adopt this model of the British Empire. One professor, called William Yandell Elliott, taught this theory since the ’30s: that the United States should become the new, global empire. This professor was the mentor of such people as Kissinger, Brzezinski, and Samuel Huntington, who wrote, among other things, a book about the *Clash of Civilizations*. Huntington also wrote another book, called *The Soldier and the State*, which argues, there should not be a draft army, but a professional army. This conception of the army, fits the idea of the new, global Anglo-American empire, where the military is supposed to be the mindless legions who control this empire, worldwide.

After Sept. 11, and especially after the bombing of Afghanistan, this Huntington policy of the Clash of Civilizations is already operating U.S. policy. There is a gigantic effort to build up Islam as the new enemy. And, obviously, if you want to have a lot of colonial wars—Bush spoke recently about 60 countries against which this war has to be fought, eventually—we need recruits. And, you can’t have people who are educated for 18 years in a humanist way, then turn them into killers. So, it’s much better to have people, who have the predisposition for this killing.

If you think that what I’m saying is too wild, I can only assure you, the U.S. Army, about four weeks ago, put out a video game, which simulated shooting and fighting in real war, and they made an explicit appeal to youth who like to

play video games, to come and join the Army to have the real thing! Now, for me, this discloses their intention.

For a Ban, and Classical Education

So therefore, what we are looking at, is really a gigantic problem. And what do we do about it? I have made a call to have an international ban on media violence. The argument, that you can't blame this for violence, is absolutely fraudulent. For the Internet, you have modern processes, with which you can eliminate access to such things. You can impose punishment: You know, those people who produce those things, should have serious fines, jail, monetary sanctions. And, I think that, if the world public and the different nations recognized what is really the threat of losing civilization by these means, I can see the possibility that the United Nations would adopt a protocol to this effect. The key is to ban it, to make it despicable, to make conscious that this is ugly, that we don't want this!

But let me briefly speak about the second aspect: the absolute, urgent need to go to a humanist education. In particular, Wilhelm von Humboldt's conception—the brother of Alexander von Humboldt, who I think is more famous in Ibero-America. One of the founders of the German Classic was called Moses Mendelssohn. And he wrote, in the 18th Century, why the study of Classical drama is so important: Because, when you put the great issues of mankind on the stage, where the audience can see that the future of mankind is being discussed, then the average person identifies for the period of the drama with the person on the stage, and he can learn that the action of the hero determines the doom and decay, or a positive outcome for society. Mendelssohn says this is necessary, because ordinary people in real life, don't have the time to think about these big issues. Therefore, when you rehearse it, in the drama, and then in real life, you are hit with an important question, then you have trained for it.

So, you see, it is exactly the opposite of what the video game does. The video game trains the reflex for the ugly and the killing, and the Classical drama trains how to be better people, how to be elevated, how to improve your humanity.

Wilhelm von Humboldt developed, in my view, the best and most famous educational reform in the world. He argued against the pragmatic tendency of his time, saying that the aim of education must not be for a utilitarian purpose, but the aim of education must be the beauty of the character of the pupils. Wilhelm von Humboldt wrote, "For this purpose, it is essential to eliminate everything mechanical. It is the main principle of this method, that the child must always have a full and clear conscience, in what he says and hears and acts in this way, in each moment; that he can account for even the smallest matter, at each moment; that he learns in this way to think clearly, to want explicitly, and to speak precisely." So, you see, this method is exactly the opposite: It's supposed to make the pupil conscious and clear in each moment; not a trained, mechanical reflex.

Humboldt said that there are certain subject matters which are more suited than others, to developing all the potentialities of the child to an harmonic unity. One is the command of one's own high language—why you have to study great drama, beautiful poems of the best poets of your own language and other languages. You have to study universal history, because only if you know what you owe previous generations, will you have a noble wish to contribute to future generations. And you have to study art and science, so you can replicate the creative minds of the past.

Facing a Crisis of Civilization

Schiller wrote in the *Aesthetical Letters*, that the role of Classical art is *the* necessary means for the moral education. Schiller's highest ideal was a beautiful soul: man, when he has educated his emotions to the highest level, so that he can blindly trust his emotions, because they're never in contrast to reason. A beautiful soul is a person for whom fear and necessity, passion and duty are the same.

Schiller wrote, already in the 1780s, that human development has reached a point, that only the perfection and ennoblement of the individual can bring society to a higher level. What is most damaging, is when people are deprived of their individuality, by herding them into masses. This was in 1780: Now, what is herding people more into mindless masses, than pop concerts? You can turn the TV on in Germany, Brazil, China, and India, and you turn on MTV, and every time, what pops out? Britney Spears. And she has a vocabulary of exactly 80 words. And then you see the dionysian masses. And, what makes the people more into masses, than playing the same, stupid video game, in China, in South Africa, in India? There is no clear future in the world.

Now, we are right now in the end phase of a systemic collapse of the financial system. This is not my subject, today. But, if you think about the combination of what happened with Argentina, the much worse crisis in Japan, the beginning of the collapse of the dollar, which would bring the whole system down—you know we are at a crucial branching point of history. When I say that we are faced with a systemic collapse, I don't just speak about the financial system: I'm talking about the crisis of civilization. The biggest problem is, that we are in danger of losing our humanity, of which the video violence is just the worst cancer and the AIDS virus. It is up to us: What should the future be? Do we want to have a collapse into barbarism, where the youth are regarded to be the most dangerous part of society? Or, do we want a new Renaissance?

I suggest that we go the way of the Dialogue of Cultures, in the best traditions of each. And, I'm optimistic, that the view of this great horror is evoking something good in more people, and that we *can* make a new Renaissance. Therefore, I want to ask you to join my campaign, to stop this media violence, and help to build a humanist future.

Thank you.

Bush's Folly May Launch Sharon's New Middle East War

by Dean Andromidas

Calling for the overthrow of Palestinian Authority President Yasser Arafat, President George Bush's June 24 Middle East Policy speech has set the stage for a new Middle East war, a war that could include the deployment of nuclear weapons. U.S. Presidential precandidate Lyndon H. LaRouche, Jr. said that the speech immediately threatened the physical elimination of Arafat by Prime Minister Ariel Sharon's military, by means of which, Israel would put Hamas in control in Palestine. LaRouche identified the causal backdrop to Bush's endorsement of Sharon's drive for war, as the administration's fear of the unfolding economic and financial collapse. With the Rose Garden speech, Bush has unleashed a process that the administration will not be able to control, possibly leading to general war, including Israel's deployment of the nuclear missiles, of which it has lately been boasting, against Iran or Iraq.

Sharon and the rest of the Likud party found it hard to conceal their glee with Bush's presentation. Communications Minister Ruben Rivlin invited Bush to join the Likud's Central Committee, while Avidgor Lieberman of the extreme-right Yisrael Beitenu party, told the London *Financial Times* (June 26), that Bush "has made clear . . . Arafat must be replaced, even if by force."

But in Europe and the Middle East generally, including in the peace camp and among more sober policymakers in Israel itself, Bush's speech was received with shock and disbelief. Foreign Minister Shimon Peres, of the Labor Party, for example, after auditing the Rose Garden speech, reportedly said it was a "fatal mistake" and warned: "A bloodbath can be expected."

Veteran Israeli peace activist and editor of the *Israel & Palestine Strategic Update*, Maxim Ghilan, told *EIR* to "prepare for a new *Nqba*," the Arabic term for forcible mass trans-

fer. Ghilan said, "With this speech the Americans have adopted the Sharon line. . . . This is very bad, a worst beginning possible for a new era of wars in the region." It is a clear signal, Ghilan warned, that a war against Iraq is on, even if it includes only the United States and Israel. With this speech the Bush Administration signalled it does not care about the concerns of Arab countries.

Another leading Israeli journalist commented that the problematic nature of the speech was seen in the immediate and aggressive reaction by extremists on both the Israeli and Palestinian sides.

Europe: Dismay Behind Diplomatic Niceties

Behind diplomatic comments, Western Europe is horrified by Bush's speech, because it clearly demonstrates that the Bush Administration, running away from financial and economic problems, is prepared to lead the West into a catastrophic Middle East war. A British figure active in Atlantic Alliance affairs for years, called the Bush speech "disappointing, hardly even-handed. After all, if he is demanding a change in the Palestinian leadership, why not in the Israeli leadership as well? Meanwhile, there is no real timetable for a solution, and the occupation by the Israeli Army will continue. As for Arafat, if there is an election now, he will win it massively. The real danger now, in my view, is that somebody will kill Arafat; the Bush speech will be seen as a license to kill." The short-term likelihood of a U.S. attack on Iraq is also increased; again, "the White House wants to get this war going, before there is a mood-change on the economy." This source reported that "private briefings . . . have begun, from the British government, to Labour parliamentarians, that war against Iraq is on the agenda."

Another British Middle East analyst warned that with



President Bush giving his June 24 Rose Garden speech on the Mideast, flanked by Condoleezza Rice, Colin Powell, and Donald Rumsfeld. Bush's demand to get rid of Yasser Arafat "unleashed a process the administration will not be able to control."

Bush's new tack, "Sharon is now really in the driver's seat, facing no pressure from the Bush Administration. Whatever may be his conscious thoughts, the logic of the situation is leading to Palestinian transfer, and he won't be unhappy, if and when it happens. . . . Israeli transfer of the Palestinians will create colossal problems for European governments, and will force these governments, once and for all, to decide between what their own populations think, and the United States. . . . I can assure you, European governments are now very scared about all this."

Mass Expulsion and Nuclear War

Both the mass expulsion of the Palestinian population, and region-wide war, are now very near-term threats; and Sharon is prepared to use Israel's nuclear arsenal to blackmail the West, and to strike at Iran, Iraq, Syria, or any other potential adversary.

In the June 25 issue of *Israel & Palestine Strategic Update*, Ghilan writes, "We are being thrown back, by Bush and his administration, to direct, bloody and total confrontation between the Palestinians and the Israelis, indeed between all Arabs and the United States, and possibly all the West. . . . Hamas and Islamic Jihad are now reaching out, and Sharon helps them." Ghilan warns that Sharon will move to expel three and a half million Palestinians and Israeli Arabs, while Hamas will hope to lead Muslims worldwide in a "global war against the Jews and the Americans."

"Sharon and Israel's . . . government like this," Ghilan says. "They hope they can drag the West into a worldwide crusade against Islam, one in which Arafat is considered in Washington as equal to bin Laden."

Within 36 hours of Bush's speech, Israeli media began an

open discussion of Israel's nuclear strike capabilities and the need to use them, to force Iran, Iraq, and other countries away from acquiring nuclear weapons. On June 26, the lead article in the Israeli daily *Ha'aretz* was headlined, "Israel Can Now Launch Missiles to Any Location on Earth." The piece reports the strategic significance of Israel's recent launching of its Ofek 5 spy satellite, (see *EIR*, June 28, 2002). Prof. Moshe Gelman, the director of the Asher Institute at Technion-Israel Institute of Technology is quoted: "From the moment the State of Israel has the capability to launch a satellite into orbit around the Earth at a height of hundreds of kilometers, it established capability to launch, by means of missile, a payload to any location on the face of the Earth." Avi Har-Even, the director of the Israel Space Agency, confirmed that

the launching of the Ofek 5 has two strategic aspects: the ability to monitor activities in hostile states; and Israel's launch capabilities for missile strikes.

These two organizations are government-backed, making these statements a warning from the Sharon government to the rest of the world.

Gelman explains, "There is no difference between the path of a ballistic missile and a rocket used to launch a satellite into orbit. The only difference is the target." He cited the example of the 1957 launching of Sputnik 1 by the Soviet Union. Gelman says that the United States became "frantic" because "the White House and the Pentagon realized the U.S.S.R. had the ability to launch a warhead at any location in America or any point on the face of the planet."

As *EIR* reported on June 28, the Shavit rocket, which launched Ofek 5 into orbit, is a derivative of the Israeli ballistic missiles Jericho II and III, and can reach a range of at least 7,200 kilometers (4,500 miles) when carrying a warhead.

Target Iran and Iraq

The Foreign Report, a sister publication of the British *Jane's Defence Weekly*, published a claim that on June 24, Israeli authorities had arrested six Palestinians who were en route to a suicide attack against the military facilities where Israel's nuclear bombs and Jericho surface-to-surface missiles are stored. Although Israeli Army Radio reported that Israeli defense officials were "denying this morning that security information of this nature was indeed received," the report feeds into a campaign by the Israeli security establishment warning of a "mega" terrorist attack, perpetrated by Palestinians backed by Iran or Iraq, which would force a draconian military response—and all-out war.

On June 25, speaking before the Board of Governors of the Jewish Agency, Defense Minister Binyamin Ben-Eliezer, while praising Bush's speech, lashed out at Iran as posing an existential threat to Israel. "The whole world is sleeping while Iran builds a core nuclear infrastructure that is going to do something bad to the interests of the world."

Ha'aretz reported on June 27 that Ben-Eliezer's comment reflects the intensifying debate within Israel's security establishment on how to respond to Iran's attempts to acquire nuclear weapons. Senior political correspondent Aluf Benn wrote, "A nuclear-empowered Iran is perceived as the main strategic risk to Israel, because it would end [Israel's] presumed [nuclear weapons] monopoly in the region. Most elements in Israel believe that everything should be done, including, if necessary, using force, to prevent Tehran from achieving nuclear weapon capabilities." Benn revealed that Israel's National Security Council is drafting a study on the country's policy toward Iran.

This same threat was further elaborated by Mossad director Ephraim Halevy, who on June 26 briefed a closed-door session of NATO's North Atlantic Council in Brussels, attacking Iran, Iraq, Syria, and Libya, alleging they are conspiring to acquire nuclear, chemical, and biological weapons. Among the participants were NATO's highest officials, including Secretary General Lord George Robertson and the chairman of NATO's Military Committee, Italian Adm. Guido Venturi. U.S. Ambassador to NATO Nicholas Burns was at Halevy's side, and made comments in which he quoted extensively from Bush's speech.

Halevy charged that Iran is developing "weapon-grade nuclear capabilities" and missile systems for their delivery. He said Iran's adherence to the Chemical Weapons Convention is nothing more than "a cover for construction of a dual-purpose civilian infrastructure which could be converted very speedily into production capabilities of large quantities of VX gas." He also attacked Iraq, claiming it is now doing everything possible to produce weapons of mass destruction. "We have clear indications that this has been and is their unswerving desire. . . . We have partial evidence that they have renewed their production of VX and anthrax."

Halevy then lashed out at Syria—also singled out in President Bush's June 24 speech, thus tightening the trigger for an Israeli military attack—for its possession of Scud missiles and capabilities to produce sarin nerve gas agents.

Halevy threatened that the international community "will have no option but to force" all these countries "to be accountable."

Commenting on this series of leaked reports on Israel nuclear capabilities and intentions, a senior Israeli political analyst told *EIR* that after Bush's speech, the Israeli government feels that it can "defy the whole world." It will all lead, the analyst said, to a disaster: "It is like a Greek drama: You know disaster awaits, but you can't do anything about it."

Denuclearize Mideast To Stop War Threat: LaRouche

by Jeffrey Steinberg

If there is a nation on the planet that deserves to be described and dealt with as a rogue state, armed with weapons of mass destruction and intent on using them, it is Israel under the terror reign of war criminal Prime Minister Ariel Sharon. If this was a matter of assertion or conjecture in the past, statements coming out of top Israeli officials in the past days have eliminated any cause for hesitation.

On June 26, the Israeli daily *Ha'aretz* cited top Israeli space scientists declaring publicly that Israel—which has long possessed an arsenal of nuclear weapons—now has the capacity to fire intercontinental ballistic missiles (ICBMs) at targets "anywhere on Earth." The scientists were Prof. Moshe Gelman, head of the Asher Institute at Technion-Israel Institute of Technology; and Avi Har-Even, the director-general of the Israeli Space Agency (ISA), which recently launched the Ofek 5 satellite (see preceding article).

Democratic Party Presidential pre-candidate Lyndon LaRouche reacted strongly to this Israeli announcement of an ICBM capability. He characterized it as a direct threat by Ariel Sharon against any nation that attempts to interfere with Israel's mad drive for its "Greater Israel" permanent annexation of the West Bank and Gaza and the mass expulsion of the 3.5 million Palestinians living in those territories. "Israel is threatening global thermonuclear war," LaRouche warned, and this is unacceptable. He called upon the international community to immediately make the entire Mideast a "denuclearized zone," by forcing Israel to dismantle its nuclear weapons arsenal. LaRouche characterized the announcement of the Israeli ICBM capability as a "phase-change" in a global strategic situation, already driven to the brink of war by the onrushing financial collapse and the June 24 speech by President George W. Bush, which gave Sharon a de facto American "green light" to take any action against the Palestinians which he deems necessary.

Pushing a New Regional War

The Israeli intent to use nuclear weapons was a topic of, at minimum, implicit discussion involving the United States and other NATO nations, at a June 26 Brussels behind-closed-doors meeting of NATO's North Atlantic Council, which was addressed by the current head of the Israeli Mossad intelligence service, Ephraim Halevy.

According to Israeli military historian Martin Van Creveld, who wrote that “Sharon’s plan is to drive Palestinians across the Jordan,” the intent of the present Israeli government is to seize upon either a U.S. military attack on Iraq, aimed at overthrowing Saddam Hussein, or a serious terrorist incident inside Israel, to launch a “mass transfer” of more than 2 million Palestinians living in the West Bank and Gaza, across the river into Jordan.

“Should such circumstances arise,” Van Creveld wrote in the April 28 issue of Conrad Black’s London *Sunday Telegraph*, “then Israel would mobilise with lightning speed—even now, much of its male population is on standby.”

He spelled out a precise order of battle for the “mass transfer,” although noting his personal opposition to the Sharon scheme: “First, the country’s three ultra-modern submarines would take up firing positions out at sea. Borders would be closed, a news blackout imposed, and all foreign journalists rounded up and confined to a hotel as guests of the government. A force of 12 divisions, 11 of them armoured, plus various territorial units suitable for occupation duties, would be deployed: five against Egypt, three against Syria, and one opposite Lebanon. This would leave three to face east as well as enough forces to put a tank inside every Arab-Israeli village just in case their populations get any funny ideas. The expulsion of the Palestinians would require only a few brigades. They would not drag people out of their houses but use heavy artillery to drive them out; the damage caused to Jenin would look like a pinprick in comparison.”

Van Creveld estimated that none of the Arab states would respond militarily, adding, “Should Saddam be mad enough to resort to weapons of mass destruction, then Israel’s response would be so ‘awesome and terrible’ (as Yitzhak Shamir, the former Prime Minister once said) as to defy the imagination.” This is unquestionably a direct reference to an Israeli use of nuclear weapons against Iraq. He concluded, “Israeli military experts estimate that such a war could be over in just eight days.”

Van Creveld concluded that only the United States could stop such an Israeli doomsday scenario from playing out, and right now, chances are slim to nil that America will step in to stop Israel, which is seen by Bush as a major ally in the “war on terrorism.” After Bush’s June 24 speech, copies of Van Creveld’s article were taken from the files and studied intensively, by many Arab military and intelligence commanders, according to a well-informed Egyptian source.

Deadly Arsenal

The scale of the Israeli nuclear weapons program is vast, and has now been qualitatively transformed, by Israel’s acquisition of three German-made diesel-powered submarines, which, according to a recent study by the Carnegie Endowment for International Peace, are armed with nuclear warheads on cruise missiles. Carnegie published a report early in June, detailing the Israeli nuclear weapons program. That



While President Bush and other heads of state posed in Canada on June 26, Israel’s sudden boasting of its worldwide nuclear-strike capability triggered a phase-shift for the worse in the strategic situation. World leaders have to confront Israel’s threat to use nukes, Lyndon LaRouche insisted on June 27.

book-length report on global nuclear weapons proliferation, *Deadly Arsenals—Tracking Weapons of Mass Destruction*, included a chapter on Israel’s nuclear, chemical, and biological weapons program.

The authors wrote: “Probably the most important nuclear-related development in Israel is the formation of its sea-based nuclear arm. By July 2000 Israel completed taking delivery of all three of the Dolphin-class submarines it had ordered at the Thyssen-Nordseewerke shipyard in Kiel, Germany. In doing so, it is widely believed, Israel moved significantly toward acquiring a survivable second-strike nuclear capability. All indications are that Israel is on the way to finalizing a restructuring of its nuclear forces into a triad, like the United States.

“Since the early 1980s (and probably even earlier) the Israeli navy (jointly with other governmental agencies) lobbied hard for the notion that Israel should build a small fleet of modern diesel submarines for ‘strategic purposes,’ an Israeli euphemism for a sea-launched nuclear capability. . . . It is also believed (but not confirmed) that the most sensitive aspect of the project, the cruise-missile technology that renders the diesel submarines nuclear-capable launching platforms, was developed and built in Israel. . . . According to one report in the London *Sunday Times*, by early 2000 Israel had carried out the first launching tests of its cruise missiles.”

The Carnegie study concluded, “A fleet of three submarines is believed to be the minimum that Israel needs to have a deployment at sea of one nuclear-armed submarine at all times.”

The fact that Israel has achieved a deployable nuclear triad was advertised in a June 15 report in the *Washington Post*, under the headline, “Israel Has Submarine-Based Atomic Arms Capability.”

Nabil Shaath: Does Stopping Vaccines For Children Help Israeli Security?

Palestinian Authority Minister of Planning and International Cooperation Dr. Nabil Shaath spoke before the Center for Policy Analysis on Palestine, on June 21. His account today confirms reports that the Sharon government in Israel has created conditions—without international protest—far worse than those that existed prior to the Oslo Accords.

Dr. Shaath is also a member of the Palestinian Legislative Assembly, to which he was elected in 1996, representing the town of Khan Younis in Gaza. He was a member of the Palestinian delegation to the peace talks in Madrid, in Oslo, and in Washington. He headed the first delegation of the Palestine Liberation Organization (PLO) to the UN in 1974.

His speech, excerpted below, was given in the midst of his talks with Bush Administration officials, including Secretary of State Colin Powell and National Security Adviser Condoleezza Rice, prior to President Bush's June 24 speech on Mideast policy. It was a moral challenge Bush wouldn't hear.

Subheads have been added.

It has been a very difficult conflict, . . . one of the three remaining conflicts of settler colonialism with ethnic religious factors built into them—South Africa, Ireland, and Palestine. Many times we thought that [peace in] Palestine would come first. In fact, I was invited several times to lecture in Ireland about the success of the Palestinian peace process. . . .

Palestine remains a major problem for settler colonialism . . . and the Palestinian people remain a people occupied, their country occupied and the majority of their people in exile, refugees all around the world. And, whatever the Palestinians have achieved so far, is being vitiated by reoccupation of the Palestinian territories. As you probably know, the Israelis declared they are going to reoccupy, and *remain* in reoccupation for up to six months, and they will follow what their Shin Beth director Avi Dichter has been telling them for the last three to four months, that they should remain in full occupation until they build that infamous fence, to fence in the Palestinians in the West Bank, as they think they have already fenced in the Palestinians inside Gaza.

The occupation is now almost total and complete, and the Israelis, on top of that, have divided the West Bank into *eight bantustans*, eight cantons, eight regions which are totally boxed in and surrounded. . . . A truck moving from Hebron to Nablus would probably have to unload and make transshipment two or three times to carry a load from Hebron to Nablus,

going through international-like checkpoints between every zone and the other.

Under these eight zones of exclusion—Jerusalem is another one, with another Berlin Wall around it—there are four in Gaza, making a total of 13 between the West Bank and Gaza. But in the West Bank alone, inside these eight cantons, there are 262 sub-exclusion areas, that are totally boxed in, with checkpoints, tanks, artillery, heavy Israeli army presence, that have almost ended mobility of Palestinians between towns and made life absolutely impossible.

Israelis today are not only keeping people in, but they are going in with their tanks as they did in the Jenin market, where six kids, all under the age of 12, were killed by Israeli tanks. The Israelis once again come up with this horrible euphemism of “collateral damage.” . . . When the Israelis kill Palestinians it is “self-defense.” . . . It is “collateral damage” . . . when they kill Palestinian civilians. It may be by “mistake,” but mistakes in the Israeli army are never corrected, and never taken to court. The famous killing of three Bedouin women in Gaza. . . : the perpetrators were never even taken to disciplinary court. The killing of the five children [of one family] in Khan Younis, with mines that were planted on their road to school *just the night before*, again went totally unpunished. And so on, and so on, and so on. What happened in Jenin in the first invasion in March, again, the Israelis kept everybody out, as you know, and refused a board of inquiry from the United Nations.

‘An Economy That Is Shattered’

This is really part of the lot of Palestinians at this time. . . . We lost at least 55% of our GDP; 70% of our people are unemployed, and are under the poverty line of \$2 per day, per family, using Israeli prices; this is not Yemen or Bangladesh; this is Palestinian territory that lives on products that are [at] Israeli prices, Israeli taxes, and Israeli standards of living; and therefore \$2 per day per family is—devastation, actually. An economy that is shattered and destroyed.

A police force—in the West Bank at least—that has been totally destroyed. . . . 8,000 Palestinian policemen were arrested and kept in Israeli custody, and kept in Israeli military camps; . . . 2,000 Palestinian policemen in the West Bank were decommissioned, sent back under the Israeli army to their villages, and told, if you ever go back to join the police force, you will be considered terrorists and you will be shot on sight.



*Palestinian Authority
Planning Minister Dr. Nabil
Shaath.*

Every single Palestinian barracks, police station, prison, vehicle, communications equipment—*totally* destroyed by the Israeli army on the West Bank. And most of the physical structures were destroyed in Gaza also by F16s and Apache helicopter gunships. . . . That also includes the medical hospitals of the Palestinian security forces in Gaza and the West Bank.

One cannot but ask. . . : How could you destroy . . . the very police force you are urging to come forth and take action to protect Israelis? . . .

Extra-Judicial Murders

[Shaath described in detail how, in 1996, after three “suicide bombings,” Palestinian Authority President Yasser Arafat and the Palestinian police forces completely stopped bombings for three and a half years, based on the optimism engendered by the Israeli Defense Forces (IDF) withdrawing from 40% of the occupied territories, by the successful first local, legislative, and Presidential elections. However, today, the Palestinians experience constant “Israeli occupations, and reoccupations, and sieges, and curfews, and killings, and assassinations,” which *engender* violence. He stressed the travesty of the assassinations policy.]

Israeli has no capital punishment. . . . Even if the court establishes your guilt, you get at most prison for life. To assassinate 300 Palestinians during the last two years, [and] the world euphemistically calls this extra-judicial killing. In other words, these are assassinations made without any rule of law, or order, of people whom the Israeli security agencies deem a security risk to Israel. *They get assassinated, in a country that claims it has no capital punishment.*

Why Camp David Failed

This is the situation as we stand. . . . We want to have two states side by side. We spent at least ten years negotiating. . . . The fact that [peace] failed at the nick, at the beginning of the permanent settlement negotiations at Camp David and Taba, is not unusual. We have seen this happen in Ireland . . . [and] in South Africa. When you come so close to the conclusion, every party thinks that, if I sign now, that is end of all my

effort to achieve what I want. . . . And the Palestinians could not have possibly signed on to Camp David, with 79% of the West Bank; with nothing in Jerusalem; nothing on the refugees; with no sovereignty for their skies, or their underground water, or sea. With Israeli Zionists occupying all their borders. . . . What kind of sovereignty is this? A country without borders, without capital, without rights even in its own water and skies? Camp David would have *never* been accepted by Palestinians. . . .

Camp David would have been an excellent opportunity, had it been considered the first round in negotiations, leading eventually to a peace process. . . .

And so, with Mr. Sharon, we went into the abyss, and the confrontation went into cycle of violence after cycle of violence. Horrible. Devastating, in every way. And instead of exchanging land for peace, we have now more occupation, and deeper occupation of that land, and of course a very dim view of the possibility of peace. . . .

The settlements are also the problem with security. When the Israelis talk about walls, they want to snake around the settlements . . . but they cannot, so they have to have, besides the walls, very heavy physical and military presence in order to protect the settlements inside. When the Israelis talk about security, they are thinking about the 200 settlements and the 400,000 settlers. The settlements *doubled* during the Oslo agreements. How can you possibly make an agreement on the basis of exchange of land for peace, and ending occupation, and yet, during that period, deepen your occupation by 200,000 more settlers. . . . ?

Choking the Palestinian people with sieges in the name of security. How, for example, is security enhanced for Israel when you prevent child vaccinations. . . . ? Up till this year, Palestine had 94% of the children vaccinated every year, and we got 4.5 million worth of vaccines from Japan every year. This year the Israelis prevented polio vaccine and other vaccines from being distributed. How does this protect their security? The Israelis in the last four days destroyed the only medical oxygen factories in Gaza and the West Bank, so Gaza today is without any oxygen for its hospitals. And since the Israelis prevent any oxygen tanks from getting into Gaza across any borders, what does this mean—you mean, killing any patients who need oxygen, in intensive care, or in an operation. . . . It’s this *pretext* of security . . . expanded with the presence of 200 settlements. Because, then you don’t know where the borders are. . . . They are wherever an Israeli is. And that is a situation that cannot be protected, except with a mad mind of reoccupying and destroying everything the Palestinians have built.

‘Go Back To Hope’

Well, go back to hope. I want to conclude with hope, because I don’t see, really, any solution based on more violence. . . . Any more Israeli violence is a pretext for more Palestinian violence. There is no way, and this cannot be stopped until you utterly do what the lunatics in Israel say:

Transfer the whole Palestinian people outside—it *won't* happen; it won't happen.

But some Israeli lunatics think so, that if you can't beat the Palestinians into submission, drive them into the sea. How ironic.

Therefore, you have to look for peace. I came with a paper [which I gave to Colin Powell and Condoleezza Rice]. I started talking about three requirements.

One, was the necessity of positing 1967 borders as the borders of a future Palestinian state; as the borders that would set the territorial terms of reference for all this peace process.

Number two, timetable. We cannot go on forever without a fixed time. . . . We suggested a year for finishing negotiations, and a year for implementing them. . . . Please take it from me: A year is quite sufficient, if there is the political will.

And thirdly, a serious involvement by the United States and the international community, with the will to pressure and persuade, and the presence on the ground to protect and safeguard . . . international troops on the ground. . . . It has happened and it has worked, at least temporarily . . . until there are agreements. . . .

Despite all, I remain hopeful, and I think it still can be done. *It has to be done, because the alternative is utter disaster.*

Bush's Perpetual War Doctrine Scares Even the Reaganites

by Michele Steinberg

President George W. Bush is making less sense every day, in his speeches about the “war against terrorism” and a need for “pre-emptive warfare.” Bush says the global enemy—terrorism—operates in the “shadows,” which supposedly explains why his speeches flail in every direction, one day against Iraqi President Saddam Hussein, another day warning of more al-Qaeda threats, and on June 24, against the Palestinian Authority and its beleaguered President, Yasser Arafat. When he is in a “take the offensive” mode, Bush announces “victory” in the war on terrorism, unable to then answer why al-Qaeda forces are still launching successful operations against U.S. and allied combatants in Afghanistan, as occurred on June 26 when al-Qaeda killed ten Pakistani soldiers.

Most leading U.S. figures have been afraid of being called “un-patriotic,” if they criticize Bush’s war-whooping. But in recent weeks, the “war on terror doctrine” itself has been challenged internationally as a fraud. In some cases the criticism has come from unexpected quarters, ranging from the neo-conservative American Enterprise Institute (AEI) to the Russian military’s newspaper *Red Star*.


On June 21, in the London *Financial Times*, Reagan-era U.S. Ambassador to the United Nations Jeane Kirkpatrick, who is now with AEI, delivered a “dutch uncle” admonition against “pre-emptive action” to Bush, who loves to cloak himself in the policies of Ronald Reagan.

That wasn’t Reagan’s policy, according to the *Financial Times*, which writes that “when the last pre-emptive military strike was launched to destroy Iraq’s nuclear ambitions, the U.S. had no hesitation in condemning the Israelis for bombing the Osirak reactor in 1981. Jeane Kirkpatrick, then U.S. representative to the United Nations, said, ‘I don’t think anybody in the whole cabinet believes in the use of pre-emptive force and that is why we condemned Israel.’ ”

Kirkpatrick says that a pre-emptive hit on Iraq today “involves a real shift of course for American military strategy and tactics, and I do have some questions about whether it is a prudent shift of tactics. The question is whether the consequences would be to win recruits for the most radical Islamists, and create more problems for Hosni Mubarak of Egypt, or Jordan’s King Abdullah. Iraq has been a secular government, and I think we don’t want to participate in driving those secular governments into something more violent and Is-

ON THE WEB

EIR'S STORE



Quick, easy, and secure credit-card purchase of:

- Single issues of *EIR*
- Videotapes
- Special Reports
- Books

www.larouchepub.com
Visa and MasterCard accepted.

See the website for a complete listing of available titles.

lamist.”

U.S. Presidential pre-candidate Lyndon LaRouche commented that Bush’s anti-terrorism policy amounts to “Fire! Aim! Load!,” and others are also warning Bush not to “shoot first and ask questions later.”

On June 17, former U.S. Ambassador Edward Peck, who served as U.S. Chief of Mission to Iraq (1977-80), told National Public Radio that the Presidential order to remove Saddam Hussein, exposed in the June 16 *Washington Post* by Bob Woodward, would unleash a flood of opposition throughout the Middle East. Peck denounced the idea that the CIA could be used for this purpose, and warned that such an action by the United States would “create an implosion” inside Iraq, and do the most damage to the Iraqi people, who have borne the brunt of 11 years of sanctions. “Who gave the U.S.A. the right to determine who governs Iraq?” asked Peck, pointing out that the decade of targetting Saddam Hussein, with military and economic warfare, has actually made him stronger. Peck says that the United States has absolutely no concern, and no strategy, for what happens in Iraq “the day after.”

Russians Give Warning

On June 11, a few days after the downing of a U.S. C-130 plane in which three more U.S. soldiers were killed, Russia’s military newspaper *Red Star* asked pointed questions about the war in Afghanistan. After more than half a year of large-scale U.S. military operations, can we say it was a success? Were the al-Qaeda really defeated? it asked. Its answer: No. In fact, there may very probably be a new civil war.

Up to January 2002, the United States made 25,000 flights, dropped 18,000 bombs, including 10,000 armed with high-precision warheads, reports *Red Star*. In Tora Bora, the high-power bombs BLU-82 were also used, and Special Forces were deployed. But today, despite such huge operations, experts agree that the operation was by no means so successful as originally thought: There was no success in destroying the Taliban and al-Qaeda forces.

One reason for that failure, says *Red Star*, is that the Pentagon failed to close the border with Pakistan in time. As a result, the majority of the Taliban/al-Qaeda fighters escaped, fleeing across the border or being safehoused by the local population. For political reasons, a U.S. operation to pursue them into Pakistan was ruled out.

But, *Red Star* adds, experts consider the chief reason for the failure of the operation to be the poor preparation by the Pentagon itself. As U.S. experts admit, there was inadequate preparation for operations in the mountains at high altitudes. U.S. forces suffered headaches, weakness, fainting, and were not prepared for the tactics of the mountain fighters. Another failure was the lack of understanding of the Afghan culture and habits, lack of comprehension of the mentality of the population. The propaganda war, including mass distribution of leaflets from the air, was a fiasco. Events such as the bombing of an Afghan religious school, and repeated incidents in

which American forces mistakenly fired upon friendly Afghan forces, led to intense hatred among the population. While it is not mentioned in this article, other experts, including in the United States, despair that the Bush Administration ideologues refuse to recognize the Soviet quagmire in Afghanistan as a lesson to be heeded.

The Worst Is Yet To Come

As of June 24, with his speech on the Middle East, Bush went further toward disaster, adopting Israeli Prime Minister Ariel Sharon’s path against the Palestinians, one which has led to more terror and destruction. Ironically, it was exactly this alliance against which Malaysian Prime Minister Dr. Mahathir bin Mohamad, who recently returned from meetings with Bush in Washington, warned on June 20. In a speech to the annual conference of United Malays National Organization, the government party, Mahathir lashed out at Sharon, and the United States, for their failures in stopping terrorism, linking it to policy failure on the global financial front.

“Faced with this unprecedented threat [Sept. 11],” said Mahathir, “the big powers appear to have panicked and lost their direction. Unused to handling attacks by terrorists, they resorted to conventional warfare. Although the Sept. 11 terrorists were not Afghans, but [since] Afghanistan had been used as a base by the al-Qaeda . . . this country was attacked with weapons which recognize no one. Many innocent people—civilians, old and young women, children, the sick—were killed or wounded and millions of the people of this unfortunate country fled to neighboring countries where they live in miserable conditions, without adequate shelter, without food or medical facilities. . . .

“But terrorism has not been stopped. . . . Defeating Afghanistan has not given any effect in the fight against terrorism. Actually the possibility of terror attacks has increased because Israel, which oppresses Palestine, used the war against terrorism to upgrade its terror attacks against the Palestinians. Ariel Sharon . . . believes that terror can be stopped by more terror against those whom he claims are sponsors of terrorists. . . . But the Israeli action not only fails to reduce terror attacks, it actually causes much greater anger among Muslims, which can cause even more terrorism. . . . Until when does it expect to counter terror with more terror? Even if the Israelis kill all the 6 million Palestinians there is no guarantee that other Muslims and Arabs from the surrounding countries will not terrorize like the Palestinian suicide bombers. . . . Israel should understand the futility of its methods.

“The only thing that will stop their terrorism is the removal of the cause. . . . The truth is that the economic recession in these countries were caused by the rogue currency traders dumping so much of the currencies of these countries and the stock market players short-selling their shares. Although it is clear that this caused the economic disaster, the relevant authorities still refuse to change the international financial regime.”

Chirac's Landslide, Or Premature Burial?

by Christine Bierre

As was to be expected, the second round of the French National Assembly elections, on June 16, confirmed the landslide victory of President Jacques Chirac's UMP party coalition in the first round a week earlier. The results of the two rounds of the Presidential elections in March, followed by these legislative contests in June, are so paradoxical that it cries out for some clinical analysis of what French citizens are thinking.

The elections took place over several months in which the French economy—recently hyped as “the strongest in Europe”—was “going south,” especially with unemployment rising. Now, just as President Chirac is forming his government, the U.S. dollar has gone into a sharp fall, and with it, the U.S. economy heads into a “second dip” after the plunge of 2000-01. This crisis will put into question whether Chirac can carry out his extremely contradictory electoral program, which called for both large tax reductions, and big increases in spending on security and social infrastructure.

‘Abstention’ Did Extremely Well

With 358 seats out of 577 total, Chirac's coalition has the absolute majority in the new National Assembly. The Socialists, whose chairman, then-Prime Minister Lionel Jospin, lost the Presidential race, also suffered major legislative losses, going from 248 seats to 140. Altogether the conservative parties, including the centrist UDF, have a total of 399 seats, while the Socialists and other left parties have 175.

Among the major vote-getters, so to speak, was “abstention,” which hit a record high of over 39% of the eligible voters.

A close analysis of these results indicates a severe “Cartesian” problem in the population: that is, when a deductive system hits its limits, people who believe in it go into a fit of rage. This happened during the first of the two rounds of the Presidential elections, when the electorate sent Prime Minister Jospin into oblivion, gave President Chirac a cold shoulder, and qualified the anti-immigration, extreme rightist candidate Jean-Marie Le Pen for the second round of the Presidential polling.

But, what if the citizens who have just lashed out at the leaders of the system which has failed them, are themselves unable to create or to choose leaders of a higher quality, beset

as they are by fears, slanders against serious leadership, and lack of intellectual courage? Then, the voters fall back on the rules of the very game they had just rejected.

Thus, in the June elections, the French decided to vote for the same forces they had just repudiated in March. In even higher proportion than in the first Presidential round, voters stayed away from the polls in disgust.

Those who decided to cast ballots did so pragmatically: They voted against any more “cohabitation” at the government's top, with a conservative President and a Socialist Prime Minister. They gave Chirac whatever he needs to carry out his policies, without thinking about whether his policies could be carried out in the midst of economic breakdown. They drastically reduced the votes of the smaller, more radical parties, including the Communists and Greens. Big losers were the extreme left movements, brought down to less than 3%, after reaching 10% in the Presidentials; and Le Pen, whose candidates dropped to 11%, from his high of 17% in the Presidentials.

The candidates run by Jacques Cheminade's Solidarity and Progress party were also pushed down to 0.3% as part of this “normalization.” Cheminade had been wildly slandered during the Presidential race by rightist candidates who ran solely to stop him from getting the required public backing of 500 elected officials, to qualify for the Presidential ballot. Cheminade, the leading associate of Lyndon LaRouche in France, was the only Presidential candidate who told the truth about the global financial-economic crisis.

Raffarin Government Looks Different

One reason for the landslide of Chirac's UMP, was the composition of the carefully chosen new government of Prime Minister Claude Raffarin. Chirac avoided the old “right-wing” look of his 1986 or 1993 governments, which were strongly marked by “law and order” profiles of the likes of Charles Pasqua—really an organized crime figure himself—or by financiers, such as Edouard Balladur.

The new government sports less mediocre personalities, such as Research Minister Claudie Haigneret, the first Frenchwoman to go into space, who brings special qualifications to her office; Luc Ferry, the Education Minister, a philosopher who became well known for his attacks on the Malthusian ideology of the Green Party; Jean François Mattei, the Health Minister, a doctor who recently organized opposition to a Supreme Court decision which upheld the “right” of handicapped children to sue for malpractice the physicians who had kept them alive at birth; and Roselyne Bachelot, the Environment Minister, who defends nuclear power and announced the government's decision to continue France's long-term, highly successful reliance on nuclear technology.

Despite improvements in the government he has assembled, however, the economic crisis will demand qualities of statesmanship which have not yet been seen in Jacques Chirac.

Book Review

Gore Vidal Attacks LaRouche Over Sept. 11

by Mark Burdman

Perpetual War for Perpetual Peace: How We Got To Be So Hated

by Gore Vidal

New York: Thunder's Mouth Press/Nation Books, 2002

160 pages, paperbound, \$10

It was inevitable that, as the official “bin Laden did it” cover-up story of what happened on Sept. 11 became increasingly challenged, the Anglo-American financial oligarchy would adopt extreme measures of “damage control” and deflection. And it is not surprising that American essayist and novelist Gore Vidal would take a key role in this damage control. Vidal is a member of the same influential family that spawned former U.S. President Al Gore, and very influential himself as a chief proponent of what might be called the “treason school” of American history—with regard to the assassination of the character and accomplishments of President Abraham Lincoln, for example. Vidal has often been the literary hired gun for those oligarchical interests undermining the American republican tradition.

Given his pedigree, one could also have expected that Vidal might launch a lurid attack, apparently out of the blue, on Lyndon LaRouche—the man who has definitively characterized the events of Sept. 11 as the inside job of powerful rogue elements within the U.S. military-intelligence structure. LaRouche’s view of Sept. 11 has received massive attention and support throughout the Middle East, and is well-known in the United States since LaRouche first expounded that view, in an interview with Salt Lake City radio host Jack Stockwell that was conducted just as the horrific attacks were unfolding.

Truths and Untruths

Perpetual War for Perpetual Peace has become an international bestseller. It has been heralded, particularly, by those left-liberal and related elements, in the United States and abroad, who smell a rat in what has been officially said about

Sept. 11.

In the book, the sly Vidal does, in fact, touch upon certain unpleasant truths, to give his arguments credibility. For example, his characterization of the strategic worldview dominating Washington at this point as that of “perpetual war,” is correct, and one that LaRouche himself has stressed.

However, whereas LaRouche and collaborators have traced the origins of that strategy rigorously, through a school of geopoliticians in Britain and the United States during the past century, ending up with types like former U.S. National Security Adviser Zbigniew Brzezinski and Harvard’s Samuel “Clash of Civilizations” Huntington, Vidal takes a much more dubious tack. Vidal’s source for his book title, is a 1945 quote from the late revisionist historian Charles Beard. Beard held that the American Founding Fathers’ battle against the British monarchy was only carried out in pursuit of crass, narrowly defined class interests. Vidal takes this 1945 quote and derives from it the conclusion, that all conflicts in which the United States has been involved since the 1948-49 Berlin airlift, have been in pursuit of that class interest. He never differentiates between saner impulses in U.S. policy in the post-war period under Presidents Eisenhower and Kennedy, and those disgraceful times under “Presidents” Kissinger and Brzezinski.

No fewer than 20 pages go simply to listing every conflict the United States has been involved in since Berlin in 1948, to supposedly document this point. This is the kind of cheap-shot anti-Americanism which garners Vidal plaudits from certain circles, but which has nothing to do with the complexities and realities of American history and strategy.

Vidal also describes, with some accuracy, the recent years’ descent of political-judicial life in the United States toward police-state conditions, particularly in the the latter three-quarters of the book, in which he raises a number of questions about what really happened in the April 19, 1995 terror bombing of the Murrah Federal Building in Oklahoma City. But here too, there are oddities. For one, Vidal’s main culprit in these alleged 1990s moves toward a police-state is Bill Clinton—perhaps not surprising for a relative of the Clinton-hating Al Gore, who escaped any responsibility for anything, although he was a most noxious influence on Clinton, particularly from 1996 onward. And Vidal repeatedly insists that one of the main causes for the police-state trend, is the “war on drugs.” He advocates the full legalization of all drugs, and praises the initiatives of the top funder of drug-legalization projects in the United States and worldwide, mega-speculator George Soros.

Most egregious, but understandable as we will see shortly, Vidal omits mention of the most glaring case of judicial atrocity, the unjust prosecution, conviction, and five-year imprisonment of Lyndon LaRouche.

Clinical Schizophrenia

The smell of dishonesty otherwise comes through in the way “iconoclast” Vidal reaffirms, rather than scoffs at, the

“bin Laden did it” cover story on Sept. 11—even though it is manifest, that he doesn’t really swallow it. He uses phrases like the “awesome physical damage Osama and company did to us,” or “Osama struck at us from abroad in the name of 1 billion Muslims whom we have encouraged, through our own pre-emptive acts of war as well as relentless demonization of them through media.” He builds up Osama bin Laden into an “anti-American freedom fighter,” a modern-day Saladin fighting the American “Crusaders,” and driven by rage at the “imperial disdain for the lesser breeds” that American governments express in foreign policy and military actions. Bin Laden, for Vidal, is a combined hero/anti-hero.

But Vidal likens the Sept. 11 events, and their consequences, to the Nazis’ use, in 1933, of the Reichstag Fire—which is known to have been a staged fraud—to institutionalize police-state measures. In his short opening section dealing with Sept. 11, Vidal emits, in his typical style, other teasers which suggest that he believes that something more insidious, and internal to the United States, was involved in Sept. 11. Yet, he sticks loudly to the bin Laden story.

The sense that Vidal does suspect an “internal conspiracy,” while promoting the opposite, is reinforced, by his devoting the last 120 pages of the book to the Oklahoma City bombing, and to his view that the executed Timothy McVeigh did not act alone, but was probably caught up in the web of some murky Federal government conspiracy. Here is not the location, to get into the details of the McVeigh story, and/or whether the questions Vidal raises are legitimate. The point is that this manner of dealing with McVeigh/Oklahoma City, after dealing with Sept. 11 as identified, gives *Perpetual War for Perpetual Peace*, overall, a dishonest and schizophrenic quality.

Thus Vidal cannot contain himself on the “LaRouche question,” especially as LaRouche has told the truth on Sept. 11 from the top—his immediate recognition that bin Laden could not have pulled off the terrible operation for which LaRouche knew, from the first hour on that national radio interview, bin Laden would be blamed.

Vidal writes: “Conspiracy theories now blossom in the wilderness like nightblooming *dementia praecox*, and those in thrall to them are mocked invariably . . . by the actual conspirators.” There are, indeed, “very real conspiracies out there,” Vidal adds, “but the conspirators are old hands at deflecting attention from themselves.”

Who is their instrument? Lyndon LaRouche! Vidal continues: “Into drugs? Well, didn’t you know Queen Elizabeth II is overall director of the world drug trade (if only poor Lillibet had had the foresight in these republican times!). They tell us that the Trilateral Commission is a world-Communist conspiracy headed by the Rockefellers. Actually, the Commission is excellent shorthand to show how the Rockefellers draw together politicians and academics-on-the-make to serve their business interests in government and out. Whoever it was who got somebody like Lyndon LaRouche to say that this Rockefeller Cosa Nostra is really a Communist front was

truly inspired.” (Punctuation as in original.)

Of course, LaRouche never called the Trilateral Commission a “Communist front,” nor did he say that “Queen Elizabeth II is overall director of the world drug trade.” These are concoctions which various media—those which Vidal claims to disdain, such as the *New York Times*—have repeated thousands of times over the past years. A psychiatrist might say, that Vidal is simply projecting onto LaRouche, his own role as a tool of deflection for “the conspirators.” He has made a crude and rude attempt to neutralize LaRouche’s growing influence concerning “the policies of Sept. 11,” by attributing to him outlandish utterings he never made.

A Tory Defend the American Republic?

This Vidal venture, with its outburst against LaRouche, is fully in line with a career devoted to obfuscating American history. He writes of himself, that for almost six decades, first as an enlisted soldier in World War II and then as “a narrator of our imperial history, I think I’ve always had an up-close view of the death-struggle between the American republic, whose defender I am, and the American Global Empire, our old republic’s enemy.”

Gore Vidal a “defender of the American republic”? Hardly. Vidal has repeatedly expressed views antithetical to those of an American republican: He is a vicious Malthusian, who has gone on record calling for reducing the world population to the 1-2 billion level; he has, just like his relative Al Gore, blamed the 15th-Century Golden Renaissance for causing a “population explosion”; he has expressed an unabashed antagonism toward the great monotheistic religions.

More directly on the United States as such, those familiar with his historical novels will recall, that his main hero is one of the worst imperial sycophants in American history, Aaron Burr. One of his *Narratives of Empire* series of historical novels, written in 1973, is titled *Burr*; one of the novel series is dedicated to his nephew, whose name is Burr. Among the episodes he “fictionally” and sympathetically recounted in that novel was a description of Aaron Burr making a deal with the diplomatic and intelligence-agency minions of His Majesty’s Government in Great Britain—to dismember and destroy the American republic!

In the course of upending all the realities of American history to put Burr on a pedestal, Vidal engaged in unspeakable tirades against George Washington, John Quincy Adams, and other leading lights of the American Intellectual Tradition, of which Lyndon LaRouche is the current embodiment.

Vidal’s 1976 book, *1876*, is a hate-filled diatribe against such Lincoln-allied patriots as James G. Blaine, and an effort to throw sewage on that year’s famous Centennial Exhibition in Philadelphia. His 1984 novel, *Lincoln*, on the greatest of American Presidents, is filled with base gossip and insinuations. His most recent book, prior to *Perpetual War for Perpetual Peace*, was the historical novel *The Golden Age*, reviewed by this author last year (*EIR*, May 4, 2001). The great

bulk of it is a fantastical attack on President Franklin D. Roosevelt, whom Gore tried to indict for allegedly having conspired to cause the Japanese to attack Pearl Harbor, in pursuit of his policy, as the “Emperor Augustus of the American Empire,” to forward American imperial ambitions.

Now in *Perpetual War*, Vidal contrasts what he purports to be the non-plot of Sept. 11, 2001, with the alleged plot of Dec. 7, 1941: “President Roosevelt provoked the Japanese to attack us at Pearl Harbor. I describe the various steps he took in a book, *The Golden Age*. We now know what was on his

mind: coming to England’s aid against Japan’s ally, Hitler, a virtuous plot that ended triumphantly for the human race. But what was—is—on bin Laden’s mind?”

Thus to fill out his attack on LaRouche, Vidal invokes an “FDR plot” that may be widely believed by populists and others, but which never in fact occurred, while attributing to bin Laden, virtually superhuman powers of planning and implementation that he never possessed. The frauds Gore Vidal lends his reputation to, become more dangerous as does the situation of the world.

French Book Slanders LaRouche and Cheminade

Two French “investigative journalists,” Guillaume Dasquie of Intelligence Online and Jean Guisnel of Le Point, have rushed to print with what purports to be a refutation of a jumbled exposé of Sept. 11, *L’Effroyable Imposture* (The Terrible Deception), by Thierry Meyssan, of the French think-tank Réseau Voltaire. The “refutation,” *L’Effroyable Mensonge* (The Terrible Lie), involves an attack on the only competent analysis of Sept. 11, that of Lyndon LaRouche, as well as his leading ally in France, former Presidential candidate Jacques Cheminade.

And, while Meyssan’s book has received coverage in the U.S. and British press, like the purported refutation, the media take aim at LaRouche, by a terrible fallacy of composition: Since LaRouche was, within an hour of the attacks, able to debunk the “bin Laden dunnit” lie, and since Meyssan’s book also departs from the “bin Laden dunnit” story, ergo, the analysis of the two are the same.

Here are excerpts of Cheminade’s June 25 statement.

Guillaume Dasquie and Jean Guisnel have just published the book *L’Effroyable Mensonge*, as an attack on the earlier book, *L’Effroyable Imposture*, written by Thierry Meyssan. In the June 12 issue of *Libération*, Jean-Dominique Merchet says that the collaboration of these two authors “will remain a model investigation.” In fact, it is a hastily thrown together amalgamation which would not deserve comment, if Lyndon LaRouche and myself were not seriously challenged in it. . . .

1. Mr. Dasquie and Mr. Guisnel state that Lyndon LaRouche “inspired” Thierry Meyssan’s “conspiracy theory,” an accusation repeated by Mr. Merchet. One subhead in Chapter 5 of *The Terrible Lie* goes so far as to read, “LaRouche/Cheminade/Meyssan, One and the Same Battle.” Thus, with no intellectual scruples, the authors adopt exactly the “conspiracy theory” they are quick to denounce from anyone else.

The height of their ridiculousness is when they use mere initials (mine—J.C.) to support their point about my collaboration with Thierry Meyssan, although neither Mr. LaRouche nor I has ever met him. Moreover, for reasons unknown to me, Mr. Meyssan came out some years ago with hostile concoctions against me.

2. Of course, Mr. LaRouche and myself do not believe the fable which holds that the Sept. 11 attacks were exclusively organized by bin Laden and the al-Qaeda network, with no domestic American complicity. Thierry Meyssan, for his own reasons, does not believe it either. . . .

However, whereas Mr. Meyssan highlights certain spectacular “facts” in his book—such as his refusal to believe a plane crashed into the Pentagon—Mr. LaRouche and myself have formulated an overall evaluation. . . . We especially made the connection between what is now happening in the United States and the international monetary and financial crisis. As the system collapses, the “financial cancer” manifests its political, military, and ideological metastases. . . .

3. Mr. Dasquie and Mr. Guisnel write that Lyndon LaRouche is “known to everyone in the United States because of his anti-Semitic ravings” and that he is “often accused of neo-Nazism and anti-Semitism.” . . . In fact, the U.S. circles that so accuse Lyndon LaRouche, are the same ones who claim that France has become an anti-Semitic, undesirable country. . . .

5. A recurring theme in *L’Effroyable Mensonge* is the “weaknesses of our democracies.” Would the authors like to see something else? . . . After all, doesn’t the author of *The Clash of Civilizations*, Samuel Huntington, whom Mr. Dasquie and Mr. Guisnel have cleared of any involvement, even intellectual, in Sept. 11 and in what is now unfolding, think there “are also limits to be desired . . . in political democracy” (*Trilateral Commission Report on the Governability of Democracies*, 1975)?

(In any case, there is “terrible confusion” in leading French political layers and the media, and the fear of accepting the obvious conclusions . . . has them abundantly spewing out ink in all directions, like a cuttlefish when it feels threatened.)

A Touch of the Sublime

by Lyndon H. LaRouche, Jr.

The Ibero-American Solidarity Movement (MSIA) on June 13 held a memorial celebration of the life and works of the late Carlos Cota Meza, an Executive Committee member of the MSIA and of the International Caucus of Labor Committees (ICLC) until his death on March 21. (See obituary in EIR, April 5.) Cali, as he was known, worked in the international movement associated with Lyndon LaRouche for nearly three decades, and is known to readers of EIR through his incisive economic analyses, particularly his studies of the Mexican economy.

The Mexico City commemorative event included a concert by the Schola Cantorum children's choir, directed by Maestro Alfredo Mendoza, as well as other musical performances. A special "Homage to the Life and Works of Carlos Cota Meza" was presented, containing selections of Cali's economic and historical articles, photographs, an essay written by his brother and fellow ICLC Executive member Rubén Cota Meza, and an introduction by Lyndon LaRouche.

The following is LaRouche's introduction.

May 20, 2002

True leadership is a quality expressed by those relatively rare individuals, like the Rev. Martin Luther King, or such modern saints as Jeanne d'Arc and Sir Thomas More, who efficiently address the challenge of that quality of great tragedy which a nation's, or people's ruling body of popular opinion may inflict upon itself. I mean tragedy as depicted by the great playwright-historian, such as Friedrich Schiller, on the Classical stage, as in the real life of nations and cultures. The technical term for this needed quality of leadership is "the sublime."

Jeanne d'Arc played a crucial role in bringing into being the existence of the first modern nation-state, that France of Louis XI, which gave the world a nation, like England under Henry VII, or the United States of Benjamin Franklin, in which the legitimacy of government depended upon that government's efficient devotion to what has been known since by the terms general welfare, or common good. Without Jeanne d'Arc's devotion to her mission, even in face of her tortured death at the hands of those who betrayed her into the hands of the evil English inquisition, the first modern nation-state would not have come into existence.

This attribute of "the sublime," does not always require that a hero die as Jeanne and Sir Thomas More did, but those deaths, viewed as Thomas à Kempis viewed a life in the imita-



Carlos Cota Meza speaking at an EIR press conference in Washington, Jan. 18, 1994, on the release of a Special Report on the Chiapas insurgency against the Mexican nation-state.

tion of Christ, are of special importance for us today, because they show us most clearly, how human life may efficiently transcend death, even as if before our eyes, when death comes of old age, or a life struck down early by disease. Such lives by the exceptionally good individuals, produce the great acts upon which the progress of the human condition often pivots. Such lives also teach every person what the meaning of life must be, as Cotton Mather and Benjamin Franklin taught, to live, above all, to do good, to promote the common good as Jeanne and Thomas did.

Today, we are assembled here, in this fashion, to reflect upon the life of a man among us who served the common good of both his nation, Mexico, and us all, serving that cause with a devotion which transcended the calumnies and dangers he endured in the course of that mission. Today, when his life has been struck down by a cruel disease, his devotion and services to his mission stand out as an example of that principle of the sublime which must be the source of inspired strength of us all, at this moment, a moment when the continued existence of a civilized form of life is imperilled, not only in Mexico, and this hemisphere, but world-wide. So, the higher, sublime meaning of individual human, mortal life, is impressed upon the conscience of us all.

The quality of the sublime is typified in its simplest, most elementary expression, by experimentally valid discoveries of universal physical principles, as the dialogues of Plato and

the development of the methods of physical science by his school typify this, from Plato through Archimedes and Eratosthenes, or by the work of Nicholas of Cusa and such of his followers as Luca Pacioli, Leonardo da Vinci, and Johannes Kepler, in both ancient and modern times.

Such individual acts of universal discovery could not further the implicit mission of mankind, except through their social expression as revolutionary changes in the culture of society as a whole. These changes in culture are, in a crucial degree, the socialized fruits of universal scientific progress, but they are, more immediately, transformations in social relations typified by the greatest Classical principles of artistic composition. The application of such artistic composition, and its complement, Classical humanist modes of education, are the great instruments of statecraft, without which physical science were not fruitful, and, indeed, could not long exist. Such acts of statecraft and great Classical artistic composition, are therefore the epitome of the sublime.

The highest standard of statecraft, and all related artistic and other leadership of society, is the standard of the sublime, as the great historian and Classical artist Friedrich Schiller discussed the contrast between the profane (the tragic) and sublime, on the Classical stage, as in the real history whose essence is captured on Schiller's stage.

The essential corruption of nations and cultures, is that lure of the sensual gratifications of mortal life, which seduces the morally weak and ignorant, into the corruption of substituting the littleness of the temporary gratifications of personal, family, and community interest, for service to those immortal interests which set the human individual apart from, and above the beasts.

What are we, but as mere beasts, if we are not persons of ideas, as valid original discoveries of universal physical principles merely typify ideas? What are we, if we do not relive, and keep in trust, such original discoveries transmitted to us from earlier generations? What are we, if we, like mere followers of Kant, do not recognize that process of discovery, the non-deductive enactment, and re-enactment of such discoveries, as a standard for definition of truth? What are we, if we lack the strength and sense of honor, to discover such truth, and to live by the standard of truth commonly expressed by valid universal discoveries of universal physical principle, as typified by the method of Cusa and discoveries of Kepler? What are we, if we do not apply that standard of truthfulness to matters of artistic composition, and statecraft?

It has been the known history of mankind, as the famous poem of the aging Solon to his decadent contemporaries attests, that no society today has yet achieved that generalized intellectual and moral maturity, where it could put truth above habituated popular opinion in more than rare moments, and could put the interests of mankind generally, or the future of its own nation, above the smallness of mind of perceived immediate personal, family, and community interests. In that fault, lies the essential corruption of society throughout this tragic planet of ours today. Nations thus wear their moral

mediocrity with insolent pride; that is the essence of their tragic folly, now, as it has always been with the awful tragedies of societies of the past.

"What of your immortal soul?" It is asked.

To which the reply might be, "But, I go to church."

"Then, why are you, sitting, small-minded, in church, complicit in sending your society to Hell? How can you be true to your soul, if you do not recognize the true meaning of your mortal life, as reposing in that which you contribute to the development of souls born after yours?"

So far, in history, most people may touch that sense of an immortal interest, as Jeanne d'Arc did, only in exceptional moments of great personal, or national inspiration; but, soon, they slide back into old habits of pettier obsessions, as I witnessed this as our veterans returned from World War II. Such is the essential nature of the tragedies of all nations and peoples. Such is the need of every people, for some rare persons who, by rising above tragic mediocrity of the commonplace, may lead a nation to safety through a practical conception of the true, higher nature of mankind. It will continue so, until mankind at large achieves that dedication to the sublime which has occurred, so far, only in the exceptional individual, of which our Cali was one.

Thus, in a time of global tragedy, such a good soldier has fallen, in sickness, from our ranks. Who shall now step forward in his place?

Electronic Intelligence Weekly

EIW

An online almanac from the publishers of **EIR**

Electronic Intelligence Weekly

gives subscribers online the same economic analysis that has made *EIR* one of the most valued publications for policymakers, and established LaRouche as the most authoritative economic forecaster in the world.



EIR Contributing Editor,
Lyndon H. LaRouche, Jr.

Issued every Monday, *EIW* includes:

- Lyndon LaRouche's economic and strategic analyses;
- Charting of the world economic crisis;
- Critical developments ignored by "mainstream" media.

\$360 per year Two-month trial, **\$60**

For more information:

Call **1-888-347-3258** (toll-free)

VISIT ONLINE:

www.larouchepub.com/eiw

International Intelligence

Dr. Mahathir: Sharon 'Assures Terrorism'

Speaking to the annual conference of United Malays National Organization (UMNO), Malaysia's Prime Minister Mahathir bin Mohamad hit the U.S. "war on terrorism" and Israel's policies as immoral failures in stopping terrorism, and linked this to the failure of the world to implement a new financial architecture since the 1997-98 breakdown crisis.

"Faced with this unprecedented threat" of Sept. 11, Mahathir said, "the big powers appear to have panicked and lost their direction. Unused to handling attacks by terrorists, they resorted to conventional warfare. . . . Afghanistan . . . was attacked with weapons which recognize no one. Many innocent people, civilians, old and young women, children, the sick, were killed or wounded and millions of the people of this unfortunate country fled to neighboring countries where they live in miserable conditions. . . . But terrorism has not been stopped. . . . Defeating Afghanistan has not given any effect in the fight against terrorism. Actually the possibility of terror attacks has increased, because Israel, which oppresses Palestine, used the war against terrorism to upgrade its terror attacks against the Palestinians. Ariel Sharon, the Prime Minister of Israel, believes that terror can be stopped by more terror, against those whom he claims are sponsors of terrorists. . . . But the Israeli action not only fails to reduce terror attacks, it actually causes much greater anger among Muslims, which can cause even more terrorism. Israel must realize that it is surrounded by Arab and Muslim countries. Until when does it expect to counter terror with more terror against the Palestinians? Even if the Israelis kill all the 6 million Palestinians, there is no guarantee that other Muslims and Arabs from the surrounding countries will not terrorize like the Palestinian suicide bombers. . . . Israel should understand the futility of its methods.

"The only thing that will stop their terrorism is the removal of the cause or causes of their struggle.

"The truth is that the economic recession in these countries was caused by the rogue currency traders dumping so much of the

currencies of these countries and the stock market players short-selling their shares. Although it is clear that this caused the economic disaster, the relevant authorities still refuse to change the international financial regime. They wish to perpetuate this regime in order to continue to rake in profits for themselves."

Russian Nationalist 'Ready for Battle'

Leading Russian economist and Duma (lower house of parliament) member Sergei Glazyev announced his campaign for Governor of Krasnoyarsk region in Siberia, on June 19, declaring himself "ready for battle" against free-trade oligarchs dominating Russia's current economic policies. In a strategic assessment published in May in the newspaper *Zavtra*, in reaction to the latest yearly address to the Duma by President Vladimir Putin, Glazyev had called for a reorientation of "national-patriotic forces" away from narrow focus on the center in Moscow, toward building up their in-depth political and economic base in the Russian regions. This reorientation, he said, was necessary in a situation where, due to the evidently unbroken grip of Russia's so-called "oligarchs" on national decision-making, no positive changes in economic policy could be expected from the side of President Putin. Earlier this year, Glazyev was removed as chairman of the Economic Commission of the Duma, which had last year invited Lyndon LaRouche as the keynote speaker in a hearing on the global financial crisis.

The governorship of Krasnoyarsk, considered the richest of all Russian regions in terms of accessible natural resources, was left vacant by the sudden death of Gen. Alexander Lebed—with whom Glazyev had once worked very closely—in a helicopter crash on April 28. The election of Lebed's successor is scheduled for Sept. 8.

"Right now the wealth of the Krasnoyarsk region is neither benefitting the population, nor Russia as a whole, but is enriching criminal structures," Glazyev said in his announcement. "This is absurd: The richest region of Russia has the lowest rate of growth of average income."

Beijing Internet Café Fire Shows Social Problem

To the shock of the nation of China, two boys, aged 14 and 13, set the fire in a Beijing "Internet café," which killed 25 people and injured another 12 on June 14. The two boys confessed to police that they used gasoline to set the Lanjisu Internet Café on fire, because the manager would not allow them to use the computers.

The unlicensed "café" also violated fire regulations, with blocked windows and doors, contributing to the high death toll. Beijing has now shut down all its 24,000 Internet cafés, of which only 10% are licensed.

According to the Beijing city government quoted in *China Daily*, both boys had "admitted they often went to play in the Internet café. Two weeks ago, they had a disagreement with the owner of the Lanjisu Café and in revenge they bought gasoline and set it on fire." Only the 14-year-old can be tried. One boy was wearing a "punk"-style dyed hairdo.

There were shocked responses on Chinese Internet chatrooms, which pointed to the "problem in the education of our youth."

On June 19, Beijing's Vice Mayor Liu Zihua condemned Internet cafés as an "opium" for China's youth, while state media have criticized the cafés as a bad influence on young people.

Africa Can't Grow Food, Because of Wars

Large tracts of arable land in Africa cannot grow food because of wars and free market economics, writes John Mbaria in the Kenyan publication *The East African* on June 24. The Democratic Republic of Congo, "a country that holds more than a quarter of the freshwater resources of Africa," he says, can no longer grow any food because of the on-going war. Sierra Leone, Liberia, Sudan, and Somalia have similar conflicts.

Where there are lesser conflicts, food production is confined to arable land that is watered either by natural means or by irrigation. Unfortunately, such soils comprise

only 22% of Africa's total land surface. Of the rest, 66% has hostile climatic conditions, while 21% is covered by forests.

"As if to compound the problem, the contemporary African farmer may have lost his ability to determine what use to put his land to. Such decisions are increasingly dictated by the whims of the market—the international market—and by the rising tyranny of Western capital, through so-called globalization," Mbaria writes.

"In addition, a disproportionate share of land in Africa is held not by the hungry poor but by well-fed rich people to whom food production is not a priority."

Peasant farmers are left to engage in season-after-season cultivation of the same types of crops on envelope-sized pieces of land; such farmers constitute the biggest proportion of hungry people in Africa.

Film Triggers Teen Murders in France

Teen-aged addicts of the cult-film "Scream" have committed a number of multiple murders and attempted murders in France in recent months. Youth who have become "immersed" in the film have donned capes and masks like those worn by killers in "Scream," and killed or tried to kill their parents or friends, with no warning.

"Scream" is a three-part series by Wes Craven. The plot, according to *Le Monde's* June 23 report, is about a group of killers who hide behind the same mask. In this role-playing game, anyone wearing the mask can be a false killer or a real one.

One 15-year-old who killed his parents on Sept. 25, 2000, by stabbing them 30 times in their sleep, said he received messages from the movie and heard voices telling him to eliminate his parents.

In the most recent case, on June 3, a 17-year-old "Scream" follower watched the movie to prepare himself to kill one of his girlfriends, while wearing the cult-film's cape and mask. He told his lawyer he wanted to "kill a maximum of people and then die or be killed" himself, as in the movie. After killing his victim, he calmly waited at home, and when arrested, asked to be allowed to "rewind his acts" like a video player. He has

since not mentioned the victim or the murder, as if having erased them from his memory.

This latest death has sparked a debate in France over banning or restricting such movies and video games. The parents of the young girl have launched their own initiative against killer movies and video games.

FARC Threatens To Kill All Elected Officials

The narco-terrorist Revolutionary Armed Forces of Colombia (FARC) has dramatically escalated its offensive against the Colombian nation as a political entity. Flush with success at using death threats to force out of office, or into hiding, at least 100 mayors or other officials in 12 political departments (provinces), the FARC has now issued a general warning to the mayors, city councilmen, inspectors, judges, and prosecutors of cities in nine other departments, including Cundinamarca, whose capital city is Bogotá. "Those who do not comply with this order, can be captured or executed," says the FARC statement, which adds that its intent "is to not allow a single state representative to function in any municipality."

The mayors and other threatened officials are between a rock and a hard place, as there is insufficient security to defend them if they choose to stay in office, but the governors of their respective provinces are refusing to accept their resignations under pressure of death threats. Further, in southern provinces such as Arauca and Caqueta, the paramilitaries are reportedly threatening mayors who yield to FARC death threats and resign!

Large numbers of these pressured mayors are planning to meet with the FARC, despite warnings from Defense Minister Gustavo Bell that they may be taken hostage and used to pressure for an exchange with imprisoned FARC terrorists.

Nonetheless, the Green Party of Germany recently invited FARC leader Raúl Reyes to Germany for meetings—ostensibly on the subject of releasing kidnapped Colombian Green Party leader Ingrid Betancourt.

UNCTAD reported on June 18 that poverty is on the rise in 34 Sub-Saharan African countries, a trend that the UN agency blames squarely on World Bank and International Monetary Fund policies. The report says poverty has doubled in many countries over the last decade, and that 800 million people—nearly 20% of the region's population—live in poverty now.

PHILIPPINES President Gloria Macapagal Arroyo's poll ratings have collapsed in the national fight over electricity privatization and price-gouging. With a national movement against privatization growing daily, the Philippine Social Weather Station polling service found on June 20 that Arroyo's support has fallen dramatically since the end of last year. Arroyo identified the "public dismay over the electricity rates" as the cause, and said, "These are difficult times for our country; and they are difficult times for me as a leader."

INDIAN Prime Minister Atal Behari Vajpayee said on June 24 that there has been no change in Pakistan's policy so far as cross-border infiltration into Kashmir from Pakistan is concerned. "Every day we are getting reports that infiltration continues unabated," Vajpayee reportedly told *Newsweek*. The statement contradicted his Defense Minister, George Fernandes, who had said on June 20 in Srinagar that the infiltration of rebels and terrorists had nearly ended.

THE MONTENEGRO Parliament has abolished the death penalty, clearing the way for Yugoslavia's admittance to the Council of Europe. Yugoslavia, made up of Montenegro and Serbia, had previously applied for admission to the Council, but abolition of capital punishment is a condition for acceptance. Both the Yugoslav federal parliament and the Serb parliament had already banned the death penalty.

U.S. Economic House Burning, All But LaRouche Deny It

by Paul Gallagher

In the high-level, bipartisan “WorldCom flap” of the week of June 24, American elected leaders from President Bush on expressed their concern to do something about *newspaper headlines*, while showing an equal bipartisan lack of concern to do anything to save the U.S. economy and U.S. dollar from their collapse.

One might almost suspect that WorldCom—which was already a penny-stock telecom conglomerate on its way to bankruptcy along with many others—was put up to announcing its multibillion-dollar fraud, in order to give President Bush and Senators Tom Daschle and Joe Lieberman something to make noise about while denying any problem with the economy. Debate over the spectacular accounting fraud, relegated to the back pages the news that between WorldCom and Alcatel Corp., 25,000 immediate new layoffs were being added to the toll in the telecom sector.

The United States economy is falling into the “second dip” of its 2000-01 slide into depression with its political leadership—except for Presidential candidate Lyndon LaRouche—in complete “recovery” denial. The accelerating collapse of the dollar and of dollar-centered debt, which LaRouche warns will gather explosive force by Fall at the latest, is more and more evident to all thinking and feeling Americans. This wildfire, burning up debt and stock markets, must haunt the minds of those watching the enormous actual fires burning in the nation’s West. But it is publicly ignored by all American leaders other than LaRouche, even as it drives the White House to flee from the economic danger into more terror/anti-terror war hysteria.

The vacuum of economic leadership is noted clearly from abroad. The June 25 London *Times*, for example, in its “Foreign Editor’s Briefing” section, commented on President Bush’s unfortunate Mideast speech the day before: “Which

is the bigger threat to Bush’s own political future, the dollar, or another terrorist attack on the United States? The fall in the dollar must win that competition—along with the plunge in the stock markets—compounded by Bush’s lack of a credible economic team.”

Dollar Slide Is Accelerating

The magnitude of the linked U.S. and Ibero-American debt crisis shows in the fact that the major Ibero-American currencies—the Brazilian real and Mexican peso—are devaluing rapidly against a dollar which is itself falling faster and faster against the euro and yen. By the end of June, the dollar had fallen 15% against the euro in two months, and 17% against the yen, despite the renewed sinking of Japan’s economy.

This in turn represents the drying up of the huge net capital flows into the United States economy from the rest of the world, which have been sustaining its enormous current accounts deficit for years. The latest, May, reports on the U.S. trade and current-accounts balances, indicate that these deficits are again at the pace of \$400 billion annually for physical trade, and nearly \$500 billion for the current-accounts balance. But the net inflow of capital investment to the United States—particularly stock market investments—which fell abruptly in 2001, has fallen further in the first months of 2002, to a prospective yearly level which is much less than half of the current-account deficit (see *EIR*, June 14, 2002). The “net loot” which the U.S. economy has been collecting at half a trillion dollars or more per year since the 1990s, is simply drying up.

This is the deadly development which is driving down the dollar. Worse, the dollar’s fall will intensify it, making the decline self-feeding. Nothing else but this “net loot” of the

dollar, combined with Fed Chairman Alan Greenspan's pumping of the money supply and bank credit, has been building up the vast bubbles of stock valuation and debt which are now collapsing.

The only measures available to stop the debt-collapse process, are not changes in accounting procedures—they are sweeping measures of national bankruptcy reorganization of unpayable debt, which LaRouche would carry out, and national investments in great projects of infrastructure renewal.

Denying and Denying Thrice

Yet only the week before the WorldCom brouhaha, leading Democrats in Washington had told *EIR* that the party leadership was being advised, by its top election consultants, not to talk about the economy at all during the 2002 Congressional elections. Treasury Secretary and national loudmouth Paul O'Neill had made ridiculous statements denying the existence of the current devastating debt crisis in the Ibero-American nations—a U.S.-centered crisis which is bringing down corporate titans like AES Corp. and threatening the biggest U.S. banks. These same banks—J.P. Morgan Chase and Bank of America—are massively exposed to the collapsing debt of WorldCom and of the telecom sector as a whole (see *EIR*, April 12, 2002).

Congress had to raise the Federal debt ceiling by nearly \$450 billion on June 28 to avoid default on U.S. debt, because of the deepening collapse of government revenues at both the Federal and state levels throughout the country. A combined Federal-states budget deficit of well over \$200 billion rose “as from nowhere” in fiscal year 2002 just ending, and neither party's leading representatives wish to talk about that, or about what may happen next. The same Congressional leaders stood by and would make no move to invest in Amtrak, the national passenger railroad system which was about to shut down. The resulting deal between Amtrak and the Department of Transportation keeps it running only a few months more, while demanding that it sell off its stations and lines to private companies. Combined with the growing bankruptcy of the commercial airline sector, this is tearing down vital U.S. economic infrastructure; yet all of last year's post-Sept. 11 talk in Washington about “ensuring economic security” by Federal investments in infrastructure, has died away without any result.

There is no question that the one still-expanding credit bubble in the U.S. economy is that in real estate and housing. Median home “values” (i.e., prices) have been growing at a fantastic 20-25% annually across the country. *EIR* has consistently tracked the development of the skyrocketing real estate values as the substitute for Americans' savings and pensions—lost in the stock market and in corporate bankruptcies—and the sole major prop of continued “consumer spending.” *EIR*'s most recent report—“U.S. Real Estate Bubble



The President inspects one kind of wildfire, tries to ignore the other, more dangerous kind.

Nears Its End,” *EIR*, June 21 by Richard Freeman—showed a sudden lurch upwards in the past two years, of the indebtedness *and the debt and derivatives exposure* of the huge national mortgage finance companies known as Fannie Mae and Freddie Mac. In addition, increased unemployment has caused mortgage default rates to rise sharply. The giant Federal mortgage companies which have been pumping up the household debt and “worth” of households and real estate interests alike at an astonishing rate, were now themselves becoming the dangerous likely detonators for a crash of that debt, Freeman showed.

Notably, that the leading establishment daily, the *Washington Post*, on June 24 published on its front page a major Harvard University study attempting to deny and refute the documented warnings of *EIR*'s reports. “No Housing Bubble,” said the *Post*'s headline. “There is no housing bubble. I'm as sure of that as I can be of anything,” the National Association of Realtors' chief economist was quoted. Fannie Mae “is very bullish on the housing market unless there is a terrorist attack,” said the agency's economist in a statement timed with the release of the Harvard study.

The Harvard study had, in fact, been funded by the very same national mortgage companies, Fannie Mae and Freddie Mac. Aside from a hymn of praise of the increase of American homeownership, its purpose was to claim that “rock-solid home prices” and low-interest mortgage credit expansion had stifled the 2001 “recession,” and would now ensure economic “recovery.”

A study which calls “rock-solid,” home prices which are rising at 25% per year nationally, epitomizes the denial of the coming break. The whole Harvard enterprise was obviously backed and promoted by a Washington establishment desperate to hide reality from Americans, “unless there is a terrorist attack,” as the mantra goes.

DOJ's Arguments Ring Constitutional Alarms

by Edward Spannaus

In an argument made to the U.S. Fourth Circuit Court of Appeals, John Ashcroft's Justice Department has made the extraordinary claim that once someone—even a U.S. citizen—is declared an “enemy combatant” by the President, he has no rights. The Justice Department's brief making that outrageous argument was filed on June 19; the Department has since made the identical claim in at least two other court proceedings.

This signifies that the Justice Department is now attempting to obtain a rubber-stamp from the Federal courts, for Ashcroft's escalating series of police-state measures, which began with the round-up and detention incommunicado of over a thousand mostly Muslim and Arab men after Sept. 11, and has now resulted in the placement of two U.S. citizens in military custody.

Just as the administration's creation of the U.S. Northern Command threatens to eradicate the line between the military and domestic law enforcement from the Pentagon side—known as *posse comitatus*, the doctrine that prohibits the military from taking on law enforcement functions—Ashcroft is likewise crossing the same line from the civilian side, by putting suspects who are U.S. citizens in military custody, in order to avoid trials and other proceedings in the civilian courts.

In the June 21 *EIR*, we reported on the Justice Department's unilateral suspension of the rights of an American citizen—José Padilla, a.k.a. Abdullah al-Muhajir—who was arrested inside the United States, and then transferred to military custody to avoid a hearing in Federal court.

Ashcroft's latest atrocity took the form of a legal brief filed in *habeas corpus* proceedings regarding Yaser Esam Hamdi, who was captured fighting with the Taliban forces in Afghanistan. Hamdi was transported by the U.S. military to the detention facility at Guantanamo Bay, Cuba. But once it was determined that Hamdi, at first called a Saudi national, had actually been born in the United States, and was therefore eligible for all the constitutional rights available to a United States citizen, he was whisked from Guantanamo Bay to the military brig at Norfolk, Virginia, where he has been held incommunicado ever since.

The Federal district court had ordered that Hamdi be permitted to meet with a lawyer, which was vigorously opposed by the Departments of Justice and Defense.

The Justice Department brief argues that, once the Presi-

dent or the military have designated a prisoner as an “enemy combatant,” that the prisoner has no right to counsel, and that he can be held indefinitely without any charges even being brought against him. Further, the Justice Department contends that the Federal courts' inquiry “should come to an end once the military has shown . . . that it has determined that the detainee is an enemy combatant,” and moreover, that the courts cannot “second guess” the military's decision.

Moreover, the Justice Department also asserted that the district court's order, that Hamdi was entitled to meet with a lawyer, “jeopardizes compelling national security interests.” Among the national security interests cited, is the government's ability to interrogate Hamdi without any interference. As the government put it, giving Hamdi access to a lawyer “would directly interfere with—and likely thwart—ongoing efforts of the United States military to gather and evaluate intelligence about the enemy, its assets, and its plans, and its supporters.”

Frank Dunham, the Federal public defender appointed by the district court, said of the Justice Department's argument: “It's scarier than the dirty bomb. Now the government can label somebody something and then throw away the key forever. . . . The idea that the court can't inquire into these detention situations, to determine whether they are reasonable or not, is downright scary to me.”

David Cole, a Georgetown University law professor, said: “This is really an astounding assertion of authority. It's not just that you have no right to a lawyer, it's that you have no right to a hearing. . . . If that is true, then there really is no limit to the President's power to label U.S. citizens as bad people and then have them held in military custody indefinitely.”

On June 26, the Justice Department made the same arguments in the case of José Padilla; in a brief filed in Federal court in Manhattan, Ashcroft asked the court to dismiss a *habeas corpus* petition filed on Padilla's behalf, again arguing that there is no basis for the courts to interject themselves “into the President's conduct of ongoing hostilities.”

Fourth Circuit Denies Lawyer Access

On June 26, the Fourth Circuit ruled that Federal public defender Dunham cannot represent Yaser Hamdi; the ruling was made on the narrow grounds that Dunham has no legal “standing” to be designated as a “next friend” to act on Hamdi's behalf, because Dunham admittedly has no official relationship to Hamdi. The court did not address the larger issue of whether Hamdi is even entitled to a lawyer.

The Federal district court had previously granted the public defender “next friend” status (a device often used in *habeas* cases), and ordered that he be permitted by military authorities to consult with Hamdi.

However, Dunham has been barred by military authorities from meeting with his presumed client, and the Appeals Court said that Dunham didn't have sufficient personal stake in the



Attorney General John Ashcroft is fulfilling, in detail, the warning made during his confirmation hearings by Lyndon LaRouche, that Ashcroft would seize “emergencies” as the pretexts to tear up fundamental constitutional rights. An “embarrassed” White House will nonetheless not check him.

case to represent Hamdi. However, the court indicated a number of times that Hamdi’s father might be granted “next friend” status, which would allow him to act on Hamdi’s behalf.

The Justice Department opposes the designation of Hamdi’s father as a “next friend” also, and it made the cynical argument in its June 19 brief, that Hamdi “himself has not sought relief in this case,” and therefore his father cannot maintain an action on his behalf because there is no showing “that the detainee is *unable* to seek relief on his own behalf”—even though Hamdi is being held incommunicado and is unable to speak to anyone except his interrogators and guards.

At a hearing the previous day, June 25, the current Chief Judge of the Fourth Circuit, J. Harvie Wilkinson III, was reported to have appeared incredulous at the idea that Hamdi, who was captured in Afghanistan and declared an “enemy combatant,” is entitled to any constitutional rights. “What is unconstitutional about the government detaining that person and getting from that individual all the intelligence that might later save American lives?” Wilkinson asked. When the public defender said that the Constitution prohibits the indefinite detention of an American citizen, Wilkinson challenged him, asking if he was suggesting that the government could not detain a citizen, “who has taken up arms against America?”

By contrast, a Federal judge considering a *habeas* petition in Washington D.C., filed on behalf of 14 detainees being held at Guantanamo Navy Base, said in a June 27 hearing, that she is troubled by the idea that the government can hold detainees indefinitely. “Is it your contention that this detention doesn’t have an end?” she asked the government attorney. “There will be an end to the detention,” Justice Department

lawyer Paul Clement said, “but it’s the government’s contention that that decision is for the Executive Branch to make.”

On the President’s Say-So

A number of commentators and editorial writers are beginning to recognize the profound implications of Ashcroft’s actions and arguments in the Hamdi and Padilla cases. A *Washington Post* editorial on June 20 warned that, “Any American could be locked up indefinitely, without a lawyer, on the President’s say-so,” if the Justice Department’s argument in the Hamdi case were upheld. The *Post* cited the government’s claim that the court’s inquiry should end once the military has determined the detainee is an enemy combatant, and said: “These words were not written by some petty dictator whose kangaroo courts rubber-stamp his every whim and whose whims may include locking up citizens he regards as enemies. They were filed yesterday by the U.S. Department of Justice. . . .”

The question of whether Attorney General Ashcroft is violating the *posse comitatus* law was raised Gary Solis, a former Marine who now teaches on the law of war at Georgetown University Law Center, in a *Post* op-ed on June 25, “Even a ‘Bad Man’ Has Rights.” Solis said that José Padilla’s confinement in a Navy brig without charges and without a lawyer, and his being foisted on the military by the Justice Department, should raise alarms—as should also the case of Yaser Esam Hamdi.

Solis pointed out that, until now, the term “enemy combatant” used by Ashcroft, “appeared nowhere in U.S. criminal law, international law, or the law of war.” He suggested that the term was taken from the Supreme Court’s opinion in the 1942 case of the Nazi saboteurs—but the description there scarcely fits Padilla: “He didn’t come to the United States secretly, he passed through no lines, and as a U.S. citizen he is not within a military tribunal’s jurisdiction.” Solis said the term is simply being applied to Padilla and Hamdi “because it makes them sound like they *ought* to be held incommunicado, without charges and without representation.”

Solis then raised the question of whether Ashcroft has violated *posse comitatus* by putting Padilla in military custody, noting that the military did not investigate or seek Padilla, and that Padilla is outside the scope of the Uniform Code of Military Justice. Saying that the Justice Department’s action will tarnish the image of military justice, Solis castigated Ashcroft’s Justice Department as follows: “Justice has done the military no favors by saddling it with Padilla. Nor do the Justice Department’s actions serve the Constitution.”

Ashcroft Eroding U.S. Constitutional Rights

The testimony of EIR to the House Judiciary Committee Oversight Hearing on the Revisions to the Attorney General's Investigative Guidelines, June 27, 2002. The testimony was given by Dr. Debra H. Freeman, as a national spokesperson for Lyndon H. LaRouche, Jr., EIR Founder and Contributing Editor.

Under the guise of freeing FBI agents from “bureaucratic” restrictions and structures which “had hindered them from doing their jobs effectively,” Attorney General John Ashcroft announced, on May 30, a sweeping revision of the Attorney General’s Guidelines governing FBI investigations. Those Guidelines were originally drafted in the mid-1970s, following revelations of widespread abuses by U.S. law enforcement agencies, and by civilian and military intelligence agencies, of the Constitutional rights of American citizens.

Step-by-step—be it the revision of the Guidelines, the policy of dragnets, detentions, and secret hearings for foreign nationals, or the transfer of a U.S. citizen to military custody to circumvent the civilian courts—such actions constitute a fundamental erosion of the civil and Constitutional rights of American citizens, as well as the destruction of principles of justice and fairness with respect to foreign nationals who are present in the United States.

These measures represent a “crossing of the Rubicon,” toward a police-state dictatorship, and further, in a number of instances, toward the elimination of the constitutional and legal distinction between the military and law enforcement, which is enshrined in the doctrine of *posse comitatus*. Whether one takes a legion, or one soldier, across the Rubicon, or whether one just drifts across the Rubicon occasionally, one has breached the barrier. More important than the degree is the precedent thus set, which opens the way to yet-undetermined amounts of intrusion under this policy. The idea that there can be justice without law, or law without justice, is intolerable to the entire American tradition. It is a subversion of everything on which this nation is built.

Constitution Valid in War and Peace

The fundamental fallacy of the actions taken by Attorney General Ashcroft, and other officials under his direction, is the idea that somehow, the Federal Constitution, and the rights and privileges granted thereunder, must yield during times of crisis or war. Our Constitution—born in the crucible of a conflict on American soil . . . —was clearly designed for

times of war as well as peace, and the notion that the laws must bend, that constitutional protections must be reduced, and that justice must be suspended, in times of conflict or crisis, is alien to the letter and spirit of our fundamental law.

To those who argue that this is a “new kind of war,” which requires new kinds of legal and military strategies—largely of the “preventive” nature—we suggest that perhaps we shouldn’t be waging this “new kind of war.” “Preventive” action—whether of the sort envisioned against so-called “rogue nations,” or that which is supposed to define the new mission of the FBI, to prevent and disrupt, rather than to prosecute crimes—tends toward the practice of shooting first, and asking questions later. The authorization of FBI infiltration of organizations, and of the surveillance and monitoring (and disruption) of individuals and organizations without any evidence that a crime is being planned or prepared, is of this character.

Where is the standard of truth? Can anyone be labelled a terrorist, or a potential terrorist, to be investigated and subject to FBI disruption, without any evidence or proof? Can anyone—even a U.S. citizen—be labelled an “enemy combatant” and then detained indefinitely without charges and without access to a lawyer, or access to the courts? . . .

If the authorities have substantial evidence that an individual is in the process of planning or committing a crime, then it is clearly appropriate to take steps to prevent the commission of that crime. But there must be a reasonable standard of evidence, not simply a hunch or a suspicion—particularly one based heavily on ethnicity, religion, or national origin.

Regarding the secret detentions of foreign nationals, it is critical to remember that we demand that foreign countries treat U.S. citizens with respect, and protect their rights according to certain standards of justice. Other countries have a right to expect the same from the United States. The United States has, and properly does, protest vigorously if a U.S. citizen is detained abroad and held incommunicado, without access to legal counsel and U.S. diplomatic representatives—yet has detained hundreds of foreign nationals under those conditions. Nations have mutual obligations with respect to the treatment of each other’s nationals; if we start breaching that, we turn the whole planet into a lawless jungle.

Overall, the character of many of the actions taken, and practices adopted, since Sept. 11, is that of ill-conceived measures which are the product of the heightened passions of the time, rather than reason. In the face of an hysterical reaction to what is presented as a threat of international terrorism, an ill-considered, irrational impulse has taken over, and has replaced the function of reason in the administration of justice. Among the great objects of our Federal Constitution—as embodied in its Preamble—are to “establish Justice, ensure domestic Tranquility, provide for the common defense,” and to “promote the General Welfare.” The idea that somehow that great document is not equal to the challenges of the pres-

ent day, is an abomination which has no place in our government. It is under conditions of crisis, that it is most important to respect the principles of our Constitution—not to scrap them, as some are inclined to do under the fears and passions of the moment.

Warner Again Says, Revise ‘Posse Comitatus’

by Carl Osgood

Even though the military is distancing itself from the Department of Justice’s drive to “drag the military across the Rubicon,” or, in this case, the Potomac, Sen. John Warner (R-Va.), the ranking member on the Senate Armed Services Committee, again raised the issue—as he had, last October—of revising the 1878 Posse Comitatus Act, the statute that outlaws use of the military in executing the laws of the United States. Warner’s latest call came on June 20, during the confirmation hearing for Gen. Ralph Eberhart, the current commander of U.S. Space Command and NORAD, to head the soon-to-be-established U.S. Northern Command. The Northern Command (Northcom), set to go into effect on Oct. 1, will have as part of its responsibilities the provision of military assistance to civilian authorities at the direction of the President.

Before he took up the *posse comitatus* issue, however,



Sen. John Warner (here announcing his re-election campaign in Alexandria, Virginia) has continued to call for the overriding of the nation’s Posse Comitatus Law, in order to allow the new U.S. Northern Command to carry out “law enforcement” in the United States.

Warner raised another equally ominous proposition. He demanded to know from Eberhart, whether he had any intention of setting up an organic intelligence-gathering capability within Northcom. In Warner’s view, because Northcom would have to respond to a terrorist threat that emanated from an individual within the United States, he asked Eberhart if he was “going to have some of your own people who could maybe go into court and file a writ to obtain . . . eavesdropping or whatever you think might be necessary,” as opposed to depending on the FBI or other agencies for the intelligence it needs. The question raised the specter of domestic spying by the military.

Eberhart replied that he was considering, instead, a more “classical” military intelligence organization that would depend on information sharing, no matter the source of that information. He noted that currently, in the case of the Space Command and NORAD, he has liaison with both the Central Intelligence Agency and the National Security Agency. “In this new command,” he said, “we’ll have additional liaison that will make sure we get the threat information, that we get the intelligence information we need to conduct that mission.”

On the *posse comitatus* doctrine, Warner said that “it was a good doctrine for those years in which here at home we were safely protected by our oceans and our neighbors. No longer does that exist.” He admitted that there are already exceptions to the Posse Comitatus law that allow the military to be deployed in “unexpected contingencies,” but added that the issue “needs to be clarified” before a major incident involving weapons of mass destruction occurs on U.S. soil.

He expressed concern that, in the case of such an event, the local military commander might be constrained from bringing his assets to bear on the situation, including in a law enforcement role, because of that lack of clarity. He told Eberhart, “If you think that has to be modified, I would hope you’d come back on your own to this committee and so state.” Warner promised that the next time Eberhart appears before the committee, that will be his first question.

During the hearing, Eberhart did not address the *posse comitatus* issue. However, in written answers to questions submitted to him prior to the hearing, Eberhart told the committee that Northcom’s “mission of military support to civil authorities does not require any changes in the law. While the Command may provide military forces under Title 10 [of the U.S. Code] to assist civilian agencies, these forces will not be directly involved in civilian law enforcement, unless authorized by law to engage in law enforcement activities.”

Supreme Court Reverses Itself

by Edward Spannaus

As it nears the end of its current term, the U.S. Supreme Court has issued two major decisions scaling back the use of the death penalty, which continue its trend of reversing the atrocious death-penalty rulings which were dictated a decade ago, when Chief Justice William Rehnquist and Associate Justice Antonin Scalia commanded a solid majority on the nation's highest court.

The first of these two rulings, issued on June 20, prohibited the execution of mentally retarded inmates. The second, issued on June 24, held that a defendant is entitled to a jury determination of any factual issue which would result in an increase of the severity of a sentence; in other words, a judge cannot issue a harsher sentence (i.e., a death sentence) than a jury would have, if the death sentence is based on evidence heard by the judge, but which the jury did not consider during trial.

The court also issued a third ruling in the same vein, on June 27, which also marks a reversal of its 1990s rulings; that case involved abuse of prison inmates, specifically the chaining of prisoners in Alabama prisons to a "hitching post," which the court declared to be "cruel and unusual punishment." This ruling ends a long series of Supreme Court rulings which have protected prison officials from lawsuits by inmates.

The 1992 Low Point

To understand the significance of these decisions, it is crucial to recall the state of affairs ten years ago. After many rulings over previous years, narrowing the ability of prisoners on death row in state prisons to obtain review of their sentences in the Federal courts, things got to the point that a number of pro-death-penalty Supreme Court justices attacked the reasoning of the Rehnquist-Scalia majority (see *EIR*, July 17, 1992). This came as the result of a string of rulings in which procedure was exalted over substance, and a constitutional violation was considered of no significance, if the court regarded the prisoner to be guilty anyway. Executing a prisoner, whose conviction had been obtained in violation of a constitutional right, was no problem for the bloodthirsty Rehnquist-Scalia duo, slavishly joined by Clarence Thomas, and generally some other justices.

In a concurring opinion in the June 1992 case *Sawyer v. Whitley*, Associate Justice Harry Blackmun said, that although he had always reluctantly supported the death penalty,

he now doubted that it could be applied fairly, because of the Supreme Court's destruction of the procedural safeguards that were supposed to ensure fairness. He pointed to the court's restrictions on "the Federal judiciary's power to reach and correct claims of constitutional error on Federal *habeas* review," and he charged that the court's recent rulings—that the court would not act upon constitutional violations unless a prisoner could prove "actual innocence" to the court's satisfaction—as a doctrine that "undermines the very legitimacy of capital punishment itself."

Another concurring opinion in the *Sawyer* case came from Justice John Paul Stevens, another supporter of the death penalty, who said that Rehnquist's reasoning "creates a perverse double standard," which requires a more stringent standard of proof in a capital case (i.e., by putting the burden of proof on the prisoner to prove his innocence), than in a non-capital case.

Reversing the Trend

The court's recent ruling barring the execution of the mentally retarded, reversed a 1989 ruling. As is generally the case in rulings involving the Eighth Amendment's prohibition of "cruel and unusual punishment," the court attempts to determine what the current "national consensus" is on such matters—a practice which verges on deferring to the *vox populi*, which Scalia is particularly inclined to do, especially where he sees popular (mob) opinion favoring the death penalty.

But in this case, *Atkins v. Virginia*, the court's majority led by Justice Stevens, reviewed the practice and legislation of the states, and found that, of those states that permit capital punishment, 18 had passed legislation barring execution of the mentally retarded in the time period since the court's 1989 decision; Congress has also written such a prohibition into the Federal death-penalty law.

The majority opinion also took into account international practice and opinion, as well as the views of church leaders. The latter point drew a scornful reaction from nominally Catholic Scalia, who fumed in his dissent, that the views of the U.S. Catholic Bishops "are so far from being representative" of the views of Catholics (omitting to mention Pope John Paul II, who has passionately spoken out against the death penalty).

In the case pertaining to jury-versus-judge sentencing, *Ring v. Arizona*, the Supreme Court said that it is a violation of the Sixth Amendment right to a jury trial, to have a judge impose a harsher sentence than a jury would have, when the judge determines the presence of aggravating factors based on evidence which the jury did not consider. The ruling has been widely misreported in the news media, which mischaracterized it as saying that only a jury, not a judge, could impose a death sentence.

Both rulings could affect hundreds of inmates. The Death Penalty Information Center estimates that there are 200-300 retarded inmates on death rows, and that nearly 800 of the nation's 3,700 death-row inmates were sentenced without the protections specified in the *Ring* case.

Violent Video Games Rated for ‘Everyone’

by Donald Phau

In the wake of the April 26 massacre of 17 students and teachers by a student at a high school in Erfurt, Germany, Schiller Institute Chairwoman Helga Zepp-LaRouche has called for an international United Nations protocol to ban violent video games. Her call followed by two years her February 2000 speech showing that mass slayings like that at Columbine High School in 1999 were a “new violence” encouraged and “trained” by violent movies, videos, and computer games. Unlike in the United States, the national debate in Germany has resulted in initial steps against the “new violence” game market.

On Aug. 1, 2001, the *Journal of the American Medical Association (JAMA)* had printed a study entitled “Violence of E-Rated Video Games,” confirming Mrs. Zepp-LaRouche’s warnings. The study was conducted by Prof. Kimberley M. Thompson of the Harvard School of Public Health. To be assigned an “E” rating by the Entertainment Software Rating Board (ESRB) championed by Sen. Joseph Lieberman (D-Conn.), means the video game is claimed to be suitable for “everyone” six years old and up. The Harvard study showed that 35 games, out of a sample of 55 E-rated video games, “involved intentional violence, and that injuring or killing characters is rewarded or required for advancement.” “Violence” was defined “as acts in which the aggressor causes or attempts to cause physical injury or death to another character.”

That such “ratings” have made video-game regulation more lax in America, during the years that several high-school and middle-school slaughters were committed by youths hooked on violent games, contrasts directly with the case in Germany. In May, the Bundestag (parliament) approved a new amendment to its Youth Protection Law, which put violent video games on an index, which forbids any public promotion and advertisement, as well as sales to Germans under age 18. The German Federal Agency for the Control of Youth-Endangering Material will also be provided with extended powers, staff, and funding, under the amendment. The Erfurt student killer, Robert Steinhäuser, was addicted to violent video games and regularly participated in Internet competitions of the game Counter-Strike, where the player gets points and can win money by either hunting down and killing terrorists, or by playing the

role of a terrorist himself. In the United States, by contrast, the ESRB gave an “E” rating to the video game *Rat Attack*, which Professor Thompson’s study showed to have an average of 8.4 deaths per minute.

Professor Thompson spoke with Don Phau on June 17. An interview with Lt. Col. David Grossman, to whom she refers as an expert, appeared in *EIR*, May 24, 2002.

Interview: Kimberley Thompson

EIR: I found your study startling. I thought that when you buy or rent a E-rated video, it isn’t violent; but your study showed that they can be quite violent. What reactions have you gotten? Many people, for example, Sen. Joe Lieberman, in Congress, say that “ratings” is how we solve the problem with violent video games.

Thompson: The first thing I want to tell you about our study is that we actually quantify the violence, which no one has ever done before; it was unique in the method we set up. We’re going to define violence and then we are going to quantify it. Let’s give people, then, a more informed awareness and actually pay attention to what your kids are actually seeing, playing, and experiencing in the games. Previously, people have only looked at content by subjectively assessing it and not quantifying things the way we did. We quantified the use of weapons, the number of characters that were killed. That’s a very different way of looking at it. I think it’s very important to look at this. Let people have a more informed awareness of what kids are seeing and experiencing in the games.

A lot of times, entertainment just comes in right under the radar screen; parents are not paying any attention to what’s coming in. They make assumptions about it being OK: “It’s fun.” “It’s entertaining.” They make a dichotomy between entertainment and education, which the young kids don’t make. For them, everything they are experiencing is educational and entertaining at the same time. . . .

The reactions that we have gotten span the whole spectrum. You get people saying, “Oh my gosh! We had no idea there’s so much violence.” That’s one group; and then there are other people who say, “This is just fun, it’s entertainment. Why are you looking at it like this? People are just having fun.” We get this whole range.

EIR: You said that *Rat Attack* had 8.4 deaths per minute?

Thompson: Yes. . . . In *Rat Attack*, what you’re trying to do is kill the rats. You’re using nuclear weapons. So, basically, you surround the rats, and then you blow them up. But you don’t know that, as a kid, if you’re just putting boxes around the rats, so maybe it’s not such a big deal. But, because we knew what the game says it’s doing, that

that was violent, and we counted them all. This is what we were doing, that was really different.

Some people said, "Well, there are differences between animals and humans." And we said, "Yes, you're right, but these were E games, rated for kids six and above." We don't know where children can distinguish, really well, between fantasy and reality, and what the impact of these messages are on them, so we're going to count it all. So you can react a lot of different ways, but the main thing was, it made people think, and that's what I hoped for. Is the long answer helpful?

EIR: Yes, but it raises questions. Before the ratings, if you were a concerned parent and wanted to know what your kid was watching, you would have to get the video game and watch it yourself. But, if you have a big "E" for "Everyone" on the video, wouldn't you say to yourself, "Well, I don't have to watch it. This prestigious Entertainment Software Rating Board has viewed all this stuff and they're saying this is good for everybody, so why would I have to watch it?"

Thompson: Right. There are certainly some people that would approach it that way, and they may do the same thing for movies; i.e., if it's "G" (for "General Audiences"), it's fine for everyone.

I think that people don't pay as much attention as they should. There is a lot of education that is happening, not just for kids, but from all media, to the extent that people read too much into the ratings, they need to definitely be more informed to what the ratings do or do not tell them. That's why we did the study, because we wanted to make sure that people took a different look at it.

EIR: How did the entertainment sector respond?

Thompson: They wrote a letter to *JAMA*. That was the one formal reaction that we got from them. They, in general, didn't have a problem with our study. We didn't say that video games are bad, that this is the worst thing for kids, ever. We're not saying that, and I would never say that. But what's important, is that, as the entertainment media take more and more of our children's time and attention, and if you compare that to the amount of time they actually spend interacting with real people, including their parents, and that ratio continues to become less and less favorable toward real people, we really need to think carefully about what's in the media. I think the best way to do that is to raise people's awareness to what they don't know and try to make them look. That's been the strategy that we tried.

EIR: I think it's very important that people should know this. At a conference two years ago, Helga Zepp-LaRouche presented Pokémon as being quite violent.

Thompson: But it's still very popular with, especially, very young kids.

EIR: I went out and got the game. I asked myself, "Okay, what is there about this thing?" Well, one character after another obliterates the other character. What's the difference between Pokémon and Mortal Combat? That you don't have blood flowing everywhere?

Thompson: Well, it's cartoon violence. The industry—and this is true of movies, too—they tend to think that cartoon violence is OK, because it's entertainment. That's the question that people should ask: "Is it OK? What is it doing? What kind of message is it giving to kids?" I'm not going to presume to answer that for everybody's kids, but I certainly think that one should ask.

Did you see the Pokémon movie? Because, the movie is all fighting, fighting, fighting, fighting, until you get to the very end. Then, they make this point at the end that fighting is not the answer. People were claiming, "It's a great movie, because it's got this great message." It's such an irony. Go rent it and see. It's the first one—not the second one—which is extremely violent. People were writing these reviews about this great message about not fighting. But you have to watch the whole movie just to get to that message. It's just fighting, fighting, fighting, fighting. I think a lot of people just don't see the world the way their kids do. I think it's important to really get the dialogue going.

EIR: A kid named Robert Steinhäuser just murdered 17 students and teachers in Erfurt, Germany. He was totally immersed in the video game, "Counter-Strike." The Germans are taking this very seriously, and they just passed a law banning advertising and promotion of these type of games.

Thompson: I know, I saw it. I saw their statement, I've been getting e-mails about this. But it's not isolated. Columbine set off the whole Federal Trade Commission investigation of the media, under Clinton. The problem is, we don't know how many incidents, where video games have had an impact or not. We just don't know that, because no one is studying that in a quantitative way. There are some very strong advocates. You might want to talk to Lt. Col. David Grossman.

EIR: I have. The problem in the United States, is that the entertainment business has such a tremendously powerful lobby, Hollywood, with a lot of money. Look at the effect of the rating system that Senator Lieberman set up, right after Columbine. After Columbine video-game sales were continuing, each year, to fall; but after Lieberman's rating system was set up, sales shot up again, sales doubled.

Thompson: Mmmm!

EIR: With Lieberman's rating system, it put the stamp of approval that these video games are OK, and we can get them for our kids. If you look at where Lieberman got the funding for his campaign, the big money from Hollywood came, after he set the rating system up.

The Wertham Campaign Against Violent Comics

by Richard Welsh

The following is adapted from a longer article in EIR, Nov. 18, 1994. See this week's Feature, for a speech by Helga Zepp-LaRouche that discusses this campaign during the 1940s and '50s against the marketing of media violence to children.

The German-American psychiatrist Frederic Wertham (1905-81) was the moral and intellectual leader of a campaign, which began in 1948, to eliminate what he called “the curse of the comic books.” To this day, publishers and devotees of crime, horror, and superhero comics—the predecessors of today’s violent video-game culture—are still screeching at their long-deceased nemesis.

Wertham’s battle was unique in postwar history. Outraged by the violence, sexual perversity, crime glorification, and sadism of children’s comic books—which are more like today’s video games “Mortal Kombat” and “Night Attack” than the comics those under 50 grew up with—parents and others rallied to a grassroots boycott campaign that cut crime and horror comic sales by 40%; scores of states, counties, and municipalities banned the display and sale of these atrocities to minors; and in 1954, a Senate subcommittee on juvenile delinquency, following in the wake of the mass-publicized Kefauver crime committee hearings, heard testimony by Wertham and by comic industry defenders on the subject. The comics industry was forced into a temporary retreat.

Sex, Blood, and Gore

The comic book had emerged in 1934, featuring crime and detective storylines. The publishers and distributors of the comics were largely those who produced pulp novels and pornography: organized crime. The same tactics were used as well, strong-arming corner newsstands and drug stores. The Nietzschean “Superman” appeared in 1938, a fitting counterpoint to Hitler’s march across Europe. By 1939, scores of imitators had appeared, including the Gestapo-like Batman. By 1941 there were over 30 publishers, and the first psychologist-designed superhero made her debut, William Moulton Marston’s lesbian dominatrix Wonder Woman.

Opposition to comics grew into 1942, but the debate was swept away by the U.S. Army’s policy of shipping vast numbers to the troops abroad. Still, by 1946, the opposition was sufficient to induce the formation of a “code” in the industry—

which was ignored. The return of the veterans to civilian life did collapse the superhero market, but other genres soon took up the slack; by 1948, crime comics ruled the racks. That March, Wertham convened a symposium on the subject, and began the fight that culminated in the 1954 Senate hearings.

A Passionate Commitment

Wertham was born in Munich, and immigrated to the United States in 1922. He held positions of responsibility at several New York City hospitals, and was often called on for expert testimony in court. If the accused were African-American, he was often the only psychiatrist willing to testify. Working with the National Association for the Advancement of Colored People’s Thurgood Marshall, his clinical studies and testimony played a key role in a school desegregation suit in Wilmington, Delaware, which became one of the four cases consolidated into the 1954 landmark U.S. Supreme Court case of *Brown v. Board of Education*.

In “The Curse of the Comic Books” (published in 1954 in the journal *Religious Education*), Wertham ridiculed the idea that an industry “code” would solve the problem of violence. “You do not need a code to leave out harmful ingredients from comic books. All you need is to do it. No new principle is needed so that children will not be shown pictures where a girl is about to be raped with a red-hot poker,” he wrote. Refuting the claim, made then as now, that suppressing sale of violent comics is a violation of the First Amendment, he said, “Free speech does not mean—and has never meant—that you can tell and sell anything you please to a child.”

The publishers’ first response to Wertham’s campaign was to shift out of crime into “love” (soft porn) comics, in 1949-50; but by the end of that year, a “new” genre was introduced, the “weird” comics of supernatural, gothic, and science-fiction horror. It was the same old sadism and grisly retribution. The industry also formed its “Comics Code Authority,” which proscribed a few narrowly defined themes, such as vampirism, while leaving the superstructure intact.

Though Wertham and his associates kept up the fight, the public largely lost interest, assured that things had been brought under control. The Senate committee punted, buying the industry line—still repeated today—that only psychologically “predisposed” children were harmed by comics. The code did eliminate the worst of the gore and overt sadism, and from the late 1950s into the 1960s, the heroes were tamer and the crime less graphically brutal. However, the fundamental problems had not been solved.

With the “post-industrial society” in the late 1960s and early 1970s, the comics industry was deregulated, the code was loosened, and beginning in the 1980s, a new wave of comics surged, fueled by a booming “collection” industry financed by both children and nostalgic baby-boomers, and serving as an evil complement to the larger video-game and rock music culture. The LaRouche movement’s campaign today against this, takes up where Wertham left off.

House Sets Up Homeland Security Bill Panel

On June 19, the House passed a resolution creating a nine-member panel to handle the proposed Department of Homeland Security legislation which the Bush Administration had sent up to Capitol Hill the day before. The resolution, passed by voice vote, provides that the bill will be referred to the relevant committees of jurisdiction, and those committees will forward their recommendations to the new panel, which will hold hearings and mark up the legislation. House Rules Committee Chairman David Dreier (R-Calif.) told the House, "The resolution provides a clearinghouse for ideas, an ad hoc body with the expertise to resolve jurisdictional disputes, and the authority to compile a final package."

House Majority Leader Dick Armey (R-Tex.), who will chair the select committee, emphasized that the bill should be rammed through at lightning speed. He told the House that the standing committees with jurisdictional claim will have until July 12 to make their recommendations to the select committee, and that he plans to bring the legislation to the floor by July 21. This is in keeping with the stated goal of having the final bill on the President's desk by Sept. 11, 2002.

Rep. Steny Hoyer (D-Md.) expressed some concern about the schedule. With the House planning to be out of session for about ten days during the July Fourth recess, that leaves only nine legislative days to consider a bill that consolidates agencies that have a combined budget of almost \$39 billion, and 170,000 employees. "I have great reservations," he said, "about what I perceive to be a rush to judgment on this issue." He does not disagree with the need to reorganize Fed-

eral agencies "to confront those who would undermine our country," adding that "reinventing and reassessing" operations of government may be necessary. "Do I believe, however, that in the face of threats, that we ought to do something that we might not otherwise have done? The answer to that is an emphatic no."

Defense Authorization Bill Headed for Cloture

Senate consideration of the fiscal 2003 defense authorization bill began on June 18, but was proceeding much too slowly for Senate Majority Leader Tom Daschle (D-S.D.). One week later, he filed a cloture motion to bring debate to a close before the July Fourth recess. He complained that, in spite of a bipartisan agreement on amendments, the Senate had reached a "legislative impasse" with cloture the only way out. Minority Leader Trent Lott (R-Miss.) agreed.

The bone of contention is missile defense. The bill passed out of the Armed Services Committee with \$814 million less for missile defense than the Bush Administration had asked for. That money, instead, was transferred to "more immediate and pressing needs," in the words of Sen. Jack Reed (R-R.I.), including shipbuilding, which gets \$690 million. Sen. John Warner (R-Va.) proposed an amendment to restore the cut to missile defense, but to use assumptions about inflation as an offset, rather than taking the money away from the programs that it was transferred to. Warner told the Senate that he hoped his amendment would address a problem in the bill that was causing many Republicans to consider voting it down.

Democrats responded as much on

the implications of Warner's offset provision, as they did on missile defense itself. Mary Landrieu (D-La.) warned that the amendment "basically taps into revenues that do not exist." She said that while there is a "claim of an offset" in the amendment, "it is going to be very difficult, if not impossible, to materialize that offset." In addition, she noted that even without Warner's amendment, the amount in the bill for missile defense is 25% more than two years ago. Rather than weakening the program, as the GOP claimed, Landrieu argued that the bill actually strengthens it. The Senate had not, as of this writing, come to a resolution on the Warner amendment, however, because he had only read it into the record from the floor.

Trade Bill Conference Delayed by House GOP

An unusual procedure to put the trade promotion authority (TPA) bill back through the House Rules Committee faltered on June 20, when Republican leaders decided they did not have the votes to go to conference. Under the procedure, the committee adopted a rule, the day before, combining the TPA bill, with the Andean Trade Preference Act plus other legislation, and adding provisions on U.S.-made fabrics made shipped to Caribbean countries to be cut and sewn into clothing, and slight increases in trade adjustment assistance provisions. The original underlying bill had passed by a 215-214 margin in December, compared to the 66-30 margin that trade legislation passed the Senate in May. House Ways and Means Committee Chairman Bill Thomas (R-Calif.) reportedly claimed that he needed the changes in order to strengthen his hand

with the Senate negotiators.

However, the GOP leadership pulled back when it became clear that they not only lacked the support of the handful of Democrats who previously supported the bill, but had also managed to anger some Republicans from textile-producing states. The textile provision is similar to one incorporated in the supplemental appropriations bill, and is designed to ensure that fabric cut and sewn into clothing in the Caribbean, is woven, dyed, printed and finished in the United States before getting preferential trade treatment. Rep. Jim Demint (R-S.C.) complained that Thomas' language is full of loopholes.

Democrats, not surprisingly, were livid at the GOP procedure, which would have denied them the rights they normally have in offering motions when conferees are appointed. House Minority Leader Dick Gephardt (D-Mo.) called it "the end of democracy in the House." He complained that the GOP was trying to ram through a new bill that nobody had seen, using a rule that would only leave one hour for debate. House Speaker Dennis Hastert (R-Ill.), during a June 22 appearance on CNN, said that Gephardt was "a little over-agitated." He said that he will not bring a bill to the floor "unless I know we have the votes to pass it," and that the trade bill was not "ready to move, yet."

Budget Amendment Fails in Senate

Yet another attempt to add a budget enforcement mechanism to legislation on the floor of the Senate failed on June 20. Budget Committee Chairman Kent Conrad (D-N.D.) and Sen. Russell Feingold (D-Wisc.) proposed an

amendment to the fiscal 2003 defense authorization bill that would have set spending caps for 2003 and 2004 and retained a 60-vote point of order to enforce those caps. It would also have set a limit of \$768.1 billion in discretionary spending for 2003. The current caps and enforcement mechanisms expire on Sept. 30, which has become an issue because Senate Majority Leader Tom Daschle (D-S.D.) has still not brought to the floor the fiscal 2003 budget resolution passed on a party-line vote in the Budget Committee last April.

The Democrats, rather than bring their resolution to the floor, have continued to blame Republicans for the impasse. Conrad told the Senate that the Bush Administration's 2003 budget "needs to be adjusted in a number of ways." He complained that the budget proposal cuts highway spending by \$9 billion, law enforcement by \$1 billion, and that it proposes less money for education than Bush supported in his education bill. Furthermore, it continues the deficits that began as a result of the 2002 budget being hit by what Conrad described as the "triple whammy": the tax cut, Sept. 11, and the so-called economic slowdown. He called on the Senate to commit itself to "getting back on track towards a course of reducing the debt of the United States."

Instead, the Conrad-Feingold amendment was defeated on a point of order, falling one vote short of the required 60. Phil Gramm (R-Tex.), who made the point of order, argued that it was out of order, because "we are going outside the budget process and dealing with an amendment that was not reported by the Budget Committee." He also complained that the discretionary limit set in Conrad's amendment was \$9 billion higher than Bush requested, and done in such a

way, that it would actually allow spending \$25 billion above the budget request.

Tauzin, Bingaman Agree On Energy Conference

On June 19, House Energy and Commerce Committee Chairman Billy Tauzin (R-La.) and Senate Energy and Natural Resources Committee Chairman Jeff Bingaman (D-N.M.) announced that they had come to an agreement that Tauzin would chair the conference committee on the energy bill. Tauzin told reporters that he intends "to consult very closely" with Bingaman in "scheduling and strategies of the conference." Bingaman expressed optimism that the two sides could reach an agreement before the Congress adjourns in October.

However, deciding who would chair the conference is so far the only issue on which the two sides agree. There are significant differences between the House and Senate bills. Tauzin admitted, "It's going to take us quite a few weeks to get it all done," and neither he nor Bingaman would guess what would happen with issues such as drilling in the Alaska National Wildlife Refuge or with automobile fuel economy standards. They did both agree, however, that electricity, which is only addressed in the Senate bill, would figure in the conference. They also both agreed that the bill had to address the broad range of energy policy, despite the differences.

Senate Majority Leader Tom Daschle (D-S.D.) was less optimistic. On June 20, he suggested there will likely not be agreement on the Alaska Refuge and on fuel economy standards "so we might as well . . . deal with those issues for which there is real possibility for compromise."

The End of an Era

Since August 1971, when the Nixon Administration inaugurated the floating exchange rate system, the United States has been living with apparent impunity, at the expense of the rest of the world. Beside the United States' role in dictating currency rates, interest rates, and other terms of trade—through both raw power and its role with the International Monetary Fund—the major way in which the United States survived the take-down of its own economy, was through the maintenance of a trade deficit in physical goods, and the current account deficit, which has grown steadily in recent years, to the level of well over \$400 billion a year.

If any other nation had attempted to maintain such a deficit, the IMF would have been down their throat. Cut imports, cut budgets, and on, and on, and on. But this was the United States, the world's largest economy, and the world's largest debtor, and it was able to attract the capital inflow from all over the world to cover over the deficit, and to keep going.

The inflow required to sustain these deficits was truly staggering, reaching more than \$1.5 billion per day. That money went into the stock market, into U.S. Treasuries, and into agency and corporate bonds.

But, as of the first quarter of 2002, this situation has changed. Between the last quarter of 2001, and the end of March, 2002, foreign capital inflows into the United States dropped by a whopping 55 percent!

The figures coming from the U.S. Department of Commerce fill out the picture. Foreign purchases of stocks fell from \$33 billion to \$25 billion; foreign purchases of U.S. corporate and agency bonds fell from \$66.3 billion to \$45.4 billion; but the most rapid rate came in the area of U.S. Treasuries. Foreign buyers not only turned away from Treasury bonds, but a net \$5.7 billion worth of U.S. Treasuries were *dumped* between the fourth quarter of 2001, and the first quarter of 2002.

Going along with this process is the rapid collapse of the U.S. dollar, particularly against the European currency, the euro, and the yen.

Those who might console themselves that this shift might bring more “balance” to the world economy, as

the United States is cut down to size and capital begins to flow into other parts of the world, should think again. What is happening here is the collapse of the currency upon which the entire world economy has been based. It occurs amid a level of total world indebtedness, and a collapse of world production and trade, which threatens the physical existence of nations, and huge sections of mankind. No one is going to “benefit” from the implosion of this system, *unless* a totally new worldwide credit system, directed toward creating economic growth, is put in its place.

The creation of just such a credit system has been the proposal of U.S. statesman and economist Lyndon LaRouche, Jr. since 1975. More than 10 years before that, LaRouche had forecast that the U.S. economy would be headed into depression starting in the late 1960s, if the shift from a producer to a consumer society, which began in the 1950s, were continued. In 1971, LaRouche went further, and forecast the emergence of a global fascism, should the floating exchange system of looting, initiated in 1971, not be replaced with a new system of fixed exchange rates, and of new mechanism for long-term, low-interest loans for infrastructure projects and major economic development.

LaRouche has, of course, maintained his warnings, and renewed his proposals, culminating in his call for a New Bretton Woods System in 1997. LaRouche's forecasts of an ultimate collapse of the U.S. economy and currency—despite the lack of any other superpower to challenge the United States—has been often repeated. At this point, with the dollar poised for a collapse that could go as far as 40-50%, and the U.S. economy headed for a hyperinflationary shock, as prices on imports go through the ceiling, LaRouche is the only world leader with any credibility on the subject of the economy.

The post-1971 era is dying, but there is no reason to mourn it. It's time to forge a new monetary system based on cooperation among sovereign nations for *production*. That system will be in the interest of all nations, and put us on the path to progress once again.

SEE LAROUCHE ON CABLE TV

INTERNATIONAL

- ACCESSPHOENIX.COM
Click on *Live Webcast*
Sundays—11 am
(Pacific Time only)

ALABAMA

- BIRMINGHAM—Ch. 4
Thursdays—11 pm
- UNIONTOWN—Ch. 2
Mon-Fri every 4 hrs.
Sundays—Afternoons

ALASKA

- ANCHORAGE—Ch. 44
Thursdays—10:30 pm

ARIZONA

- PHOENIX
Cox Ch. 98
Sundays—11 am
- PHOENIX VALLEY
Quest Ch. 24
Sundays—11 am
- TUCSON—Ch. 74
Tuesdays—3 pm

ARKANSAS

- CABOT—Ch. 15
Daily—8 pm
- LITTLE ROCK
Comcast Ch. 18
Tue—1 am, or 6 am
Sat—1 am, or 6 am

CALIFORNIA

- BEVERLY HILLS
Adelphia Ch. 37
Thursdays—4:30 pm
- BREA—Ch. 17
Mon-Fri: 9 am-4 pm
- BUENA PARK
Adelphia Ch. 55
Tuesdays—6:30 pm
- CLAYTON/CONCORD
AT&T-Comcast Ch. 25
2nd Fri.—9 pm
- CONTRA COSTA
AT&T Ch. 26
2nd Fri.—9 pm
- COSTA MESA Ch. 61
Wednesdays—10 pm
- CULVER CITY
MediaOne Ch. 43
Wednesdays—7 pm
- E. LOS ANGELES
Adelphia Ch. 6
Mondays—2:30 pm
- FULLERTON
Adelphia Ch. 65
Tuesdays—6:30 pm
- HOLLYWOOD
AT&T—Ch. 3
Wednesdays—6:30 pm
- LANCASTER/PALM.
Adelphia Ch. 16
Sundays—9 pm
- LAVERNE—Ch. 3
2nd Mondays—8 pm
- LONG BEACH
Charter Ch. 65
Thursdays—1:30 pm
- MARINA DEL REY
Adelphia Ch. 3
Thursdays—4:30 pm
- MediaOne Ch. 43
Wednesdays—7 pm
- MID-WILSHIRE
MediaOne Ch. 43
Wednesdays—7 pm
- MODESTO—Ch. 8
Mon & Thu—2:30 pm
- OXNARD
Adelphia Ch. 19

Americast Ch. 8

- Tuesdays—7 pm
- PALOS VERDES
Cox Ch. 33
Saturdays—3 pm
- PLACENTIA
Adelphia Ch. 65
Tuesdays—6:30 pm
- SAN DIEGO Ch. 19
Fridays—5 pm
- SAN PEDRO
Cox Ch. 33
Saturdays—4 pm

SANTA ANA

- Adelphia Ch. 53
Tuesdays—6:30 pm
- STA. CLAR. VLY.
T/W & AT&T Ch. 20
Fridays—1:30 pm
- SANTA MONICA
Adelphia Ch. 77
Mondays—4:30 pm
- TUJUNGA—Ch. 19
Fridays—5 pm
- VENICE—Ch. 43
Wednesdays—7 pm
- WENTURA—Ch. 6
Adelphia/Avenue
Mon & Fri—10 am
- WALNUT CREEK
AT&T Ch. 6
2nd Fridays—9 pm
- W. HOLLYWOOD
Adelphia Ch. 37
Thursdays—4:30 pm
- W. SAN FDO. VLY.
Time Warner Ch. 34
Wed.—5:30 pm

COLORADO

- COLORADO SPGS.
Adelphia Ch. 4
Mondays—4 pm
- THURSDAY
Thursdays—11 am
- DENVER—Ch. 57
Saturdays—1 pm
- DENVER—Ch. 57
Wed.—5:30 pm

CONNECTICUT

- GROTON—Ch. 12
Mondays—10 pm
- MANCHESTER Ch. 15
Mondays—10 pm
- MIDDLETOWN—Ch. 3
Thursdays—5 pm
- NEW HAVEN—Ch. 29
Sundays—5 pm
- NEWTON/NEW MIL.
Cablevision Ch. 21
Mondays—9:30 pm
Thursdays—11:30 am

FLORIDA

- ESCAMBIA COUNTY
Cox Ch. 4
2nd Tue, 6:30 pm
- IDAHO
• MOSCOW—Ch. 11
Mondays—7 pm
- ILLINOIS
• CHICAGO
AT&T/RCN Ch. 21
Sat, 7/27: 11 am
- QUAD CITIES
MediaCom Ch. 19
Thursdays—11 pm
- PEORIA COUNTY
Insight Ch. 22
Sundays—7:30 pm
- SPRINGFIELD Ch. 4
Mon-Fri: 5-9 pm
Sat-Sun: 1-5 pm

All programs are *The LaRouche Connection* unless otherwise noted. (*) Call station for times.

INDIANA

- BLOOMINGTON
Insight Ch. 3
Tuesdays—8 pm
- DELAWARE COUNTY
Comcast Ch. 42
Mondays—11 pm
- GARY
AT&T Ch. 21
Monday - Thursday
8 am - 12 Noon

IOWA

- QUAD CITIES
MediaCom Ch. 19
Thursdays—11 pm

KENTUCKY

- BOONE/KENTON
Insight Ch. 21
Mon: 4 pm; Sat: 5 pm
- JEFFERSON Ch. 98
Fridays—2 pm

LOUISIANA

- ORLEANS PARISH
Cox Ch. 78
Tuesdays & Saturdays
4 am & 4 pm
- MARYLAND
• ANNE ARUNDEL
Annapolis Ch. 20
Milleneum Ch. 99
Sat & Sun: 12:30 am
- MONTGOMERY Ch. 19
Fridays—7 pm
- P.G. COUNTY Ch. 76
Mondays—10:30 pm

MASSACHUSETTS

- AMHERST—Ch. 12
Mondays—Midnight
- CAMBRIDGE
MediaOne Ch. 10
Mondays—4 pm
- WORCESTER—Ch. 13
Tue.—8:30 pm
- MICHIGAN
• CALHOON
ATT Ch. 11
Mondays—4 pm
- CANTON TNSHP.
Comcast Ch. 18
Zajak Presents
Mondays: 6-8 pm
- DEARBORN
Comcast Ch. 16
Zajak Presents
Mondays: 6-8 pm
- DEARBORN HTS.
Comcast Ch. 18
Zajak Presents
Mondays: 6-8 pm
- KALAMAZOO
Thu-11 pm (Ch. 20)
Sat-10 pm (Ch. 22)
- LAKE ORION
Comcast Ch. 65
Mondays & Tuesdays
2 pm & 9 pm
- KENT COUNTY
AT&T Ch. 25
Fridays—1:30 pm
- LIVONIA
T/W Ch. 12
Thursdays—5 pm
(Occ. 4:30 pm)
- MT. PLEASANT
Charter Ch. 3
Tuesdays—5:30 pm
Wednesdays—7 am
- PLYMOUTH
Comcast Ch. 18
Zajak Presents
Mondays: 6-8 pm

WYOMING

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

MISSISSIPPI

- MARSHALL COUNTY
Galaxy Ch. 2
Mondays—7 pm
- MISSOURI
• ST. LOUIS
AT&T Ch. 22
Wednesdays—5 pm
Thursdays—12 Noon
- NEBRASKA
• LINCOLN
T/W Ch. 80
Citizen Watchdog
Tuesdays—7 pm
Wednesdays—10 pm
- NEVADA
• CARSON—Ch. 10
Wed.—7 pm; Sat.—3 pm

NEW JERSEY

- HADDON TOWNSHIP
Comcast Ch. 19
Sundays 11 am
- MERCER COUNTY
Comcast*
TRENTON Ch. 81
WINDSOR Ch. 27
- MONTVALE/MAHWAH
Time Warner Cable
Thu.—11 pm (Ch. 35)
Sat.—8 am (Ch. 34)
- NORTHERN NJ
Comcast Comm. Access
Channel 57*
- PISCATAWAY
Cablevision Ch. 71
Wed.—11:30 pm
- TRI-LAKES
Adelphia Ch. 2
Sun: 7 am, 1 pm, 8 pm
- WESTER—Ch. 12
Wednesdays—9 pm

NEW MEXICO

- ALBUQUERQUE
Comcast Ch. 27
Mondays—3 pm
- ANTHONY/SUNLAND
T/W Ch. 15
Wednesdays 5:05 pm
- GRANT COUNTY
Comcast Ch. 17
Fri. & Sat.
7 pm or 8 pm
- LOS ALAMOS
Comcast Ch. 8
Mondays—10 pm
- SANTA FE
Comcast—Ch. 6
Saturdays—6:30 pm
- TADS—Ch. 2
Thursdays—7 pm

NEW YORK

- LINDSEYBENTON
AT&T Ch. 99
Tuesdays—1 pm
- PORTLAND
AT&T
Tue—6 pm (Ch. 22)
Thu—3 pm (Ch. 23)
- SALEM—Ch. 23
Tuesdays—12 Noon
Thursdays 8 pm
Saturdays 10 am
- SILVERTON
Charter Ch. 10
Mon, Tue, Thu, Fri
Betw. 5 pm-9 am
- WASHINGTON ATT
Ch. 9: Tualatin Valley
Ch. 23: Regional Area
Ch. 33: Unincorp. Towns
Wednesdays—8 pm
Sundays—9 pm
- RHODE ISLAND
• E. PROV.—Ch. 18
Tuesdays—6:30 pm
- STATEWIDE
R.I. Interconnect*
Cox Ch. 13
Full Ch. 49
- TEXAS
• DALLAS Ch. 13-B
Tuesdays—10:30 pm
- EL PASO COUNTY
Adelphia Ch. 4
Tuesdays—8 pm
Thursdays—11 am
- HOUSTON
Houston Media Source
Sat, 7/6: 9 am
Mon, 7/15: 7 pm
Tue, 7/16: 5:30 pm
Sat, 7/20: 10 am

ROCHESTER—Ch. 15

- Sundays—3 pm
- Mondays—10 pm
- ROCKLAND—Ch. 71
Mondays—6 pm
- SCHEMECTADY Ch. 16
Mondays—3 pm
Wednesdays—8 am
- STATEN ISL.
Time Warner Cable
Thu.—11 pm (Ch. 35)
Sat.—8 am (Ch. 34)
- TOMPKINS COUNTY
Time Warner
Sun.—9 pm (Ch. 78)
Thu.—5 pm (Ch. 13)
Sat.—9 pm (Ch. 78)
- TRI-LAKES
Adelphia Ch. 2
Sun: 7 am, 1 pm, 8 pm
- WESTER—Ch. 12
Wednesdays—9 pm

NORTH CAROLINA

- ANTHONY—Ch. 3
Tuesdays—10 pm
- MECKLENBURG
Time Warner Ch. 21
Sat—12 Noon & 1 pm
- OHIO
• FRANKLIN COUNTY
Ch. 21: Sun.—6 pm
- LORAIN COUNTY
Adelphia Ch. 30
Daily: 10 am; or
12 Noon; or 2 pm;
or 12 Midnight
- OBERLIN—Ch. 9
Tuesdays—7 pm
- REYNOLDSBURG
Ch. 6: Sun.—6 pm

OREGON

- LINDSEYBENTON
AT&T Ch. 99
Tuesdays—1 pm
- PORTLAND
AT&T
Tue—6 pm (Ch. 22)
Thu—3 pm (Ch. 23)
- SALEM—Ch. 23
Tuesdays—12 Noon
Thursdays 8 pm
Saturdays 10 am
- SILVERTON
Charter Ch. 10
Mon, Tue, Thu, Fri
Betw. 5 pm-9 am
- WASHINGTON ATT
Ch. 9: Tualatin Valley
Ch. 23: Regional Area
Ch. 33: Unincorp. Towns
Wednesdays—8 pm
Sundays—9 pm

WASHINGTON

- KING COUNTY
AT&T Ch. 29/77*
- KENNEWICK
Charter Ch. 12
Mondays—12 Noon
Thursdays—8:30 pm
- PASCO
Charter Ch. 12
Mondays—12 Noon
Thursdays—8:30 pm
- RICHLAND
Charter Ch. 12
Mondays—12 Noon
Thursdays—8:30 pm
- SPOKANE—Ch. 14
Wednesdays—6 pm
- WENATCHEE
Charter Ch. 12
Thu—10 am & 5 pm
- YAKIMA—Ch. 9
Sundays—4 pm
- WISCONSIN
• MADISON—Ch. 4
Wednesdays—3 PM
Wednesdays—12 Noon
- MARATHON COUNTY
Charter Ch. 10
Thursdays—9:30 pm
Fridays—12 Noon
- SUPERIOR
Charter Ch. 20
Mondays—7:30 pm
Wednesdays—11 pm
Fridays 1 pm
- WYOMING
• GILLETTE—Ch. 36
Thursdays—5 pm

If you would like to get *The LaRouche Connection* on your local cable TV station, please call Charles Notley at 703-777-9451, Ext. 322. For more information, visit our Internet HomePage at <http://www.larouchepub.com/tv>

Electronic Intelligence Weekly



An online almanac from the publishers of **EIR**

\$360 per year Two-month trial, **\$60**

Call **1-888-347-3258** (toll-free)

www.larouchepub.com/eiw

I would like to subscribe to **Electronic Intelligence Weekly** for

1 year \$360 2 months \$60

I enclose \$ _____ check or money order

Please charge my MasterCard Visa

Card Number _____

Expiration Date _____

Signature _____

Name _____

Company _____

Phone (_____) _____

Address _____

City _____ State _____ Zip _____

Make checks payable to

EIR News Service Inc.

P.O. Box 17390, Washington, D.C. 20041-0390

EIR

SPECIAL REPORT

THE 'NEW ECONOMY' IS DOOMED

The Fraud of the Information Society

While the suckers were still betting that the Nasdaq bubble would never burst, EIR said that a systemic breakdown was coming on fast.

We were right, and the suckers lost trillions.

How did we know?

This Special Report rips apart the fraud of the Information Society, and tells what must be done to restore economic health to nations whose energy, health-care, transport, and water infrastructure is collapsing.



Table of Contents

Part 1, The Information Society

- “The Information Society: A Doomed Empire of Evil,” by Lyndon H. LaRouche, Jr.
- “The Emperor’s New Clothes, American-Style: Nine Years of the U.S. Economic Boom”
- “What Is the Measure of Productivity?”
- “The Collapse of the Machine-Tool Design Principle”
- “The Rise and Fall of the Post-Industrial Society”

Part 2, Artificial Intelligence

- “John von Neumann’s ‘Artificial Intelligence’—‘Pattern Card’ of the 20th Century?”
- “Norbert Wiener: Cybernetics and Social Control in Cyberspace”
- “The Cult of Artificial Intelligence vs. the Creativity of the Human Mind”

Appendix

- “Systems Analysis as White Collar Genocide,” by Lyndon H. LaRouche, Jr. Reprint of a 1982 article.

\$100 ■ 179 pages ■ Order #EIRSP-2000-1

Order from...

EIR News Service, Inc.
P.O. Box 17390
Washington, D.C. 20041-0390

- Or toll-free phone 1-888-EIR-3258
- Or send e-mail with Visa or MasterCard number and expiration date to: eirns@larouchepub.com
Visa, MasterCard accepted