

# EIR

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Brazil Sends U.S. Message: Go With LaRouche!  
Wall Street's Magicians and Their Tricks  
Pentagon/Justice Take Police-State Moves

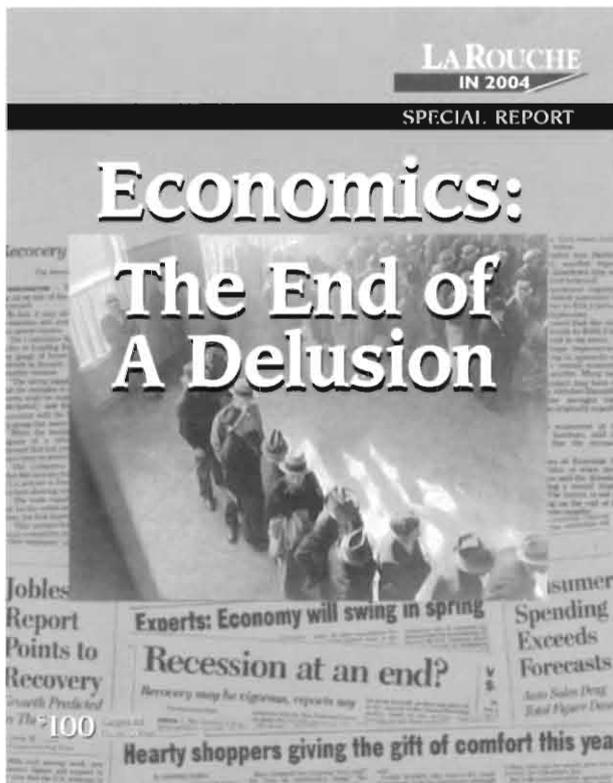
**Danger! U.S. Housing Bubble  
May Blow Up the Markets**



# Economy in Crisis:

## Are You Ready Yet

## To Listen to Lyndon LaRouche?



"On the time-scale of history, the terminal moment of our nation's recent follies has now arrived. Now, if our nation is to survive, we must acknowledge, that the leading trends in policy-influencing opinion, over the recent thirty-odd years, have been cumulatively disastrous in their net effect."  
—Lyndon H. LaRouche, Jr.

This Special Report features LaRouche's overview of the principles of a "science-driven" economic recovery strategy from the current global depression; the "Triple Curve" collapse function of the U.S. and world economies, and why it is qualitatively worse than that of 1929-33; and what must be learned from President Franklin D. Roosevelt's 1933-45 recovery strategy.

Suggested contribution **\$100**

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## From the Associate Editor

**T**he Anglo-American financier oligarchy is running out of tricks to “manage” the bankrupt financial system, and it is unlikely that they can keep the bubble afloat much further than late August, September, or, at most, into October. Therefore, they are likely to go for some kind of horrible military adventure before that time, to force the U.S. and allied governments to “close ranks,” and to get citizens to accept dictatorial measures. This forecast was issued by Lyndon H. LaRouche, Jr. on June 10. We are facing a period of even greater turbulence than the past nine months—a period in which the demands for inspired statesmanship and leadership have never been greater.

This week’s issue features LaRouche’s polemical attack on the mind-set that allowed this crisis to come about: “Wall Street’s Magicians and Their Tricks: Once Again, They Have Fooled You!” And once again, LaRouche shows you the way out: the American intellectual tradition, all but suppressed now in this country, yet brilliantly embodied in LaRouche himself.

Richard Freeman’s study of the U.S. real estate bubble, “Fannie and Freddie Were Lenders,” is very helpful to understand what underlies LaRouche’s above-cited forecast. A very large number of fools, tricked by Wall Street magicians, believe that rising home prices is *good news*—because it means they can take out home equity loans and get lots of cash to pay off their credit cards. Add to this, the foolishness of a Congress that repealed the regulatory mechanisms of the Franklin D. Roosevelt era that were supposed to prevent mortgage-lending institutions from creating a speculative bubble in the first place. The result is the current situation, in which the cumulative value (*on paper*) of all homes in America is an astounding \$12.04 trillion, which is only \$3 trillion less than the hyperinflated value of all the stocks traded in America.

Globally, the costs of rolling over the debt now exceed the value of the debt itself: the classic recipe for hyperinflation.

In this politically supercharged situation, LaRouche and his wife, Helga, arrived in Brazil, a nation that is scheduled to be next on the chopping block, after Argentina. See *International* for a first report, with more to come next week.



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*This town house unit in Ashburn, Virginia blew over in a strong wind, March 17, 2001.*



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"Neither the government, nor Wall Street, nor the mass media, could ever have fooled you as they customarily do, if you did not virtually beg to be fooled, exactly as most of you today beg to be fooled into believing, still, even now, in a non-existent economic 'recovery.' "

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**Correction:** In last week's cover picture, the person to the right of Lyndon LaRouche in the photo was misidentified. The person was Mohamed Jalifa al Marar, Director of the Zayed Centre for Coordination and Follow-Up.

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## WALL STREET'S MAGICIANS AND THEIR TRICKS

# Once Again, They Have Fooled You!

by Lyndon H. LaRouche, Jr.

*The following statement was issued by the LaRouche in 2004  
Presidential campaign committee.*

June 7, 2002

Do you remember the story about “The Emperor’s New Suit of Clothes”? It is a story about the kind of thing which could happen to you, and did happen to most of you living in the U.S.A. today.

If you learned the lesson of that story, many among you should stop being so perversely self-righteous in your complaints against the U.S. intelligence services. Neither the government, nor Wall Street, nor the mass media, could ever have fooled you as they customarily do, if you did not virtually beg to be fooled, exactly as most of you today beg to be fooled into believing, still, even now, in a non-existent economic “recovery.”

For example: Do you remember the origin of the term “magician”?

Do I hear some among you mutter, “Are you trying to explain something to us, again? We wish to be fooled, leave us alone. Don’t try to take our games away; let us be as happily fooled as we wish to be”? If you had cared enough to discover how magicians, now, as then, play their tricks, you would not have voted as foolishly as most of our voters, or non-voters, alike, have done recently. When your giddy neighbor’s hyper-inflated mortgage will be foreclosed, you may then wish you had cared enough to pay more careful attention to the warnings of such things which I had written for you.

If you still believe in “going along, to get along” with

“popular opinion,” you may not win the prize for being the biggest fool on this planet, but, at the least, you are in the running. I explain the fraudulent tricks of “free trade,” which so many of you, have paid the Enron accountants, Fed Chairman Greenspan, or other magicians, to play upon your senses, to fool you as successfully as they have done so far.

First, before looking into the common frauds of today’s accounting practices, I explain the general principles of how the people who fool you, learned how to lead you around by the nose, most of the time, and make you come back for more of the same. And I shall explain, in the course of this report, the essential feature of the trickery by means of which most of you are fooled. That is the trick of inducing the intended victim to believe that he actually knows some nonsense which he, the victim, has been induced merely to learn, as, perhaps, from “looking it up” on the Internet, or “following the news.”

I throw these things at you, not to hurt you, but to call your attention to the life-raft you now need, very much, if you are to survive the *Titanic* shipwreck the economy has become.

---

### 1. Who Are the Magicians?

---

According to the best official sources, that famous fooler known as the cult of Apollo at Delphi, began its operations at that location, as the satanic, snake-worshipper’s religion of Gaea and Python. In the course of time, a strange fellow, named Apollo, is alleged to have wandered in from Asia, chopped the phallic god Python (the snake) into pieces, and then buried the evidence. A bit later, this same Apollo, alleg-



William Hogarth, "A Midnight Modern Conversation."

edly, was seized by a fit of remorse, or, perhaps, triumphalism, and established the temple of snake-worship called the cult of the Pythian Apollo at that gravesite.

From that time, past the time the famous Apollo priest, Plutarch, operated from that site, a silly babbler, called the oracle, produced the symbols, or virtually meaningless jabber, which the attending priests of Apollo, like stock-brokers, would interpret, for the visitors, for a price. This cult of Apollo became the leading private banker of the Mediterranean region in their time, and the model imitated by most among the teachers, professors, financial accountants, and mass media columnists and Sunday morning talk-show hosts of today.

These priests of Apollo were the chief architects of nearly every known bit of major foolishness which the Greeks and others afflicted upon themselves during the relevant times. That same foolishness has been passed down, through the times of ancient Rome, to those modern imitators of the priests of Apollo, who are controlling most of the universities and mass media, and also our government institutions, to the present day. So, the Nasdaq hoax called "the new economy" was

crafted, in the same fashion as the legendary "Emperor's New Suit of Clothes."

If you doubt that, those many of you who have been the sorry victims of the "information theory" hoax, and the like, should know, by now, that my warnings were true. Therefore, you should have understood how the magicians work, and should never be fooled like that again. If you are fooled again, it will probably be that you are like the man who seeks love from a prostitute (and, then, perhaps, afterwards, beats her for pleasure). Or, perhaps, the person who seeks such something-for-nothing as love from a lottery, or a gambling casino, or all such combined. He is fooled, simply, because each such fool wishes to be deceived into any illusion, which, for even a mere moment, "makes him or her feel good." You may be familiar with that feeling.

Among the principal models for those methods of mass manipulation, was a priest-caste which played an important role in the history of ancient Greece, a caste associated with Mesopotamian empires, known as the magi, or magicians. The modern English use of the term "magician" has that ori-

gin. The techniques of the modern entertainer, known as the stage magician, employ principles of trickery which are essentially identical with those employed to empty the pockets, and take the souls, of the majority of U.S. citizens living today. I must emphasize, that this is exactly the same swindle, exposed as a fraud by Carl Gauss, back in 1799, but used, to this day, by the dupes of the hoaxster Joseph-Louis Lagrange, to pretend to reduce physical science to the mere shadowy forms of ivory-tower mathematics.

Take, as an example, the often referenced image of a faker who lures a credulous population into believing that he has, in some way, caused an eclipse to occur. Consider, similarly, the case of the superstitious fool in the U.S. Congress, who seeks riches for his re-election campaign funds, even if it bankrupts his constituents, if he does something which makes the Wall Street magicians happy.

### The Secret of Sense-Uncertainty

The most effective way in which magicians and others succeed in causing people to fool themselves, is to say to the intended victims: "Seeing is believing." Or, for example: "See, the market is up today." Or, "I measure success by what I read on the bottom line!" Or, "All the eyewitnesses agreed." Or, "But he had such an honest face!" So, direct the victims' attention to what you wish them to focus upon, give them the sense-experience they wish to believe, and, often, they are easily fooled.

There is a deeper principle of physical science behind the way many people are fooled. It is the principle which separates merely learning from actually knowing. In today's modern world, the simplest way to illustrate that point, is by referring to modern microphysics. No one can actually see, hear, touch, or smell a microphysical reality, such as nuclear radiation, but we can know that radiation exists. It is not merely a matter of objects too small to be seen, even with a microscope. The universal gravitation which controls the Solar orbits, is scarcely too small to be seen, but its efficient existence can not be denied, even by Wall Street.

The secret of the magicians' frauds, ancient and modern alike, was exposed about 2,500 years ago, by Plato, in his dialogues. Typical is Plato's use of what is best known as his parable of The Cave. The argument of that parable is fairly described in modern terms, as the statement, that what our senses show us, is not reality as such, but, rather, something analogous to shadows cast on the irregular surface of the walls of a dimly firelit cave. What we *learn* to perceive, is those shadows; what we should desire *to know*, is the unseen objects which cast those shadows, objects such as universal gravitation, or nuclear fission.

Seeing, hearing, touching, and smelling, are usually the results, registered by our mind, of some form of excitement, called sense-perception, which is induced within the relevant aspects of our biological apparatus. Our senses do not tell us what lies *outside* our skins; by themselves, our senses can do

no better than alert us to sensations experienced *within* our skins. We can learn from such experience; but, we can not actually know what lies outside our skin, except by a different quality of the mind than mere sense-perception. That different quality of the mind is called knowing, or, it were better to use the more precise technical term: *cognition*, a quality of mental life which does not occur in any known living species but individual human beings.

Recognizing the significance of this distinction, between merely *learning*, and the act of cognition called *knowing*, is your only real protection against being fooled in the ways today's U.S. voters, for example, usually are. The essential trick played by the crooked or simply mean-spirited magician, involves getting the victim to become so obsessed with the desire to learn the solution to a problem posed as a distraction, that that victim, at least for that moment, forgets about actually knowing.

The fellow who says: "Don't ask me to work out the solution! Just give me the bottom line! What is the answer? Cut out that long-winded part; I just need the answer!" The fellow peeking in the back of the book for the answer to the problem, is the kind of fool a magician is waiting for. Think of that magician as the spider waiting for the next fly.

For example. A man falls dead after a shotgun blast is heard on the street. The policemen on the case, trying to keep everything neat and simple, arrest the man carrying the shotgun in its case, but, back at the station, are mystified by the lack of any evidence that that shotgun had been recently fired. Then, some wise guy upsets everyone by asking: "What about the plumber, carrying the two pieces of pipe, who disappeared shortly after the incident?" In the interest of keeping things simple, no one had thought to suspect anyone but the man carrying the shotgun. The yelling broke out when the wise guy from the prosecutor's office asked: "Was the man with the shotgun totally innocent of that crime, or was he the decoy, covering for what you thought was the plumber?" In other words: Were the police on the scene set up?

One wonders if the Justice Department, in today's Washington, D.C., would have stuck to its presumption, that the man carrying the shotgun must have been the shooter in the case? In any case, would the man carrying the shotgun have known in advance about the shooting itself, even if he had been deployed by someone behind the killing?

The same blunder was made by the U.S. Justice Department, and others, in the case of the attacks which occurred on the morning of Sept. 11, 2001.

In a plot as sophisticated as Sept. 11, 2001, the blunderers led themselves down a false trail laid for them by the perpetrators. Why did the plotters behind Sept. 11th elect to hit New York first, when they could have hit Washington, D.C. targets, such as the White House itself, first? Remember the trial in the case of the earlier case of the bombing at that location. Was hitting New York in that way, intended to create a trail that would lead simple-minded investigators to the door of

Osama bin Laden, all for the sake of that Brzezinski-Huntington-Bernard Lewis “Clash of Civilizations” war-plan, which has been set in motion in response to Sept. 11th?

Any careful reflection on the known facts of Sept. 11, 2001, suffices to show a degree of sophistication in the operation far, far beyond anything within the reach of the mind of former Anglo-American terrorist asset Osama bin Laden. The word from the top was, that no one wished to hear about such facts. Their minds were made up. They were going to bomb Afghanistan, and wished no facts which might lead to a different suspect. They believed what they wished to believe, and the relevant magician’s sleight-of-hand tricks with the facts, did the rest.

Such is the modern practice of magic.

Back to Plato’s Cave. How can you know not to be fooled?

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## 2. What Accountants Don’t Know

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For example, were mankind merely some higher form of ape, the living population of this planet would have never exceeded a bit more than several millions individuals, under the conditions prevalent during the recent two millions years.

Notably, as we can show most readily from study of the factors of technology chiefly responsible for the progressive aspects of demographic changes, during the recent six centuries of globally extended European civilization, this absolute superiority of man over all lower forms of life is the result of two classes of increase of practiced knowledge during those centuries.

The first, is the Fifteenth-Century Renaissance’s rebirth of physical science, after about 1,600 years of decadence under the rising power of Rome throughout the Mediterranean and adjoining regions. The second, related factor, was the parallel rebirth of the principles of Classical artistic composition after 1,600 years of domination of European culture by Romanticism. These two sets of positive changes in the course of European civilization are typified by the work of the Fifteenth-Century Renaissance, as typified by such names as Filippo Brunelleschi, Nicholas of Cusa, Leonardo da Vinci, and Raphael Sanzio.

The evidence is made clearer, by the efforts of the Romantic reactionaries to turn back the clock of history, as under the Habsburg and related Venetian influences expressed during the 1511-1648 interval of horrible religious warfare. The rebirth of the Renaissance, centered around the anti-Romanticism circles of Mazarin, Colbert, Leibniz, and J.S. Bach, and the resurgence of the Classicism of Cusa, Kepler, Leibniz, and Bach with the late-Eighteenth-Century rise of the Classical opposition to the decadence of the British and French Enlightenment, illustrate a crucial point.

For reason of a number of political-cultural and natural causes, the civilization of the Mediterranean region entered a dark age of catastrophic cultural decline, during a period of

centuries preceding and following a point about 1,000 years before the birth of Christ. After a few hundred years, the maritime cultures of what we call ancient Homeric Greece, Cyrenaica, and the Etruscans, prospered under the influence of a revived culture of Egypt. From the time of Thales, Pythagoras, and Solon, there were centuries of net progress in the leading edges of scientific and artistic discovery and practice, up to about the time, 212 B.C., the Romans murdered Archimedes.

The rise of Roman power, during and following the period of the Second Punic War, marked a long wave of persisting cultural degeneration in European and adjoining cultures. European civilization did not reach the cultural level of thought of the science and art of ancient Classical Greek and Hellenistic civilization, until the Fifteenth-Century, Italy-centered Renaissance.

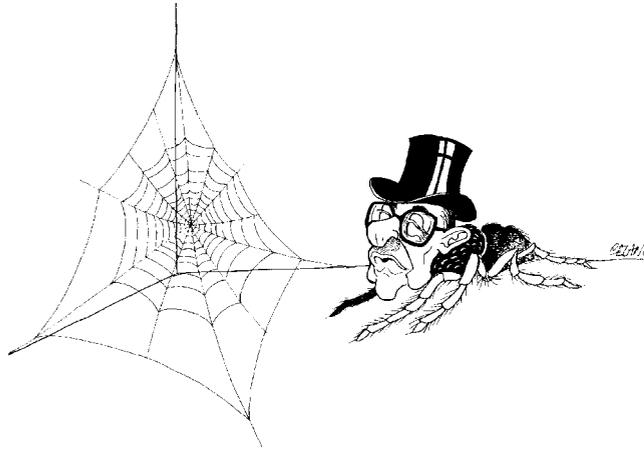
Thereafter, as I have indicated above, although the benefits of the Renaissance persisted somewhat, the period 1511-1648 was a relative dark age of Venice- and Habsburg-dominated, anti-Renaissance evil in European civilization, until the renewed Renaissance centered around Leibniz and Bach, in the aftermath of the 1648 Treaty of Westphalia.

And, so on, and on, the ebb and flow of civilization has proceeded, until now.

To restate and summarize the point so illustrated: There are periods of well-defined ebbs and flows in the progress of the human condition, ebbs and flows which are expressed, notably, in periods of improvements, or stagnation, or even brutal regression in the demographic characteristics of both particular cultures and mankind more broadly. The markers which are associated with such changes, correlate chiefly with two typical, determining factors. These two are, first, the discovery and persistence of forms of scientific and artistic knowledge consistent with discoveries of efficient kinds of universal principles, and, second, the variable degree to which that knowledge either shapes the internal practice of nations and their cultures, or the practice of that knowledge by society, is more or less suppressed. These forms of knowledge are, each and all, of the quality known as knowledge, as distinct from mere learning.

It is those mental processes, called cognition, as distinct from dependency on learned sense-perception, which provide an absolute distinction between the human individual, and society, on the one side, and animal life in general. That is the point of difference between a society behaving as a set of human beings, and a society which substitutes the method of learned tricks, like the tricks of a circus animal or trained dog, for those distinctively human forms of understanding classed under a proper definition of “cognition.”

In point of fact, if we measure changes in the productive powers of labor in physical terms, per capita and per square kilometer, the sole ultimate source of the increase of those productive powers is the application of technologies which are derived from experimentally valid discoveries of univer-



*The Chairman is watching you.*

*Federal Reserve Board Chairman Alan Greenspan. "The fellow peeking in the back of the book for the answer to the problem, is the kind of fool a magician is waiting for."*

sal physical principles. In modern society, economic progress occurs as the successful development of agriculture, mining, and manufacturing, provided these are conducted in an environment shaped by very large proportions of well-chosen investment in developing and maintaining basic economic infrastructure.

Among the most essential investments in basic economic infrastructure, is generalized public and higher education, a category of investment chiefly aimed at the portion of the total population between the ages of 6 and 25 years. The ability of a society to receive the discoveries of principle from earlier generations of mankind, to apply those discoveries in a cooperative way, and to generate added discoveries of the same type of quality, depends largely upon the quality of the education delivered to that stratum of the population.

Similarly, the improvement of nature, through large-scale modern forms of transportation, water management, and generation and distribution of power supplies for the society as a whole, is, by its nature, primarily a responsibility of government, not of private enterprise. Yet the relative productive potential of farms, mines, and factories depends absolutely upon that public investment in basic economic infrastructure.

Now, go to the blackboard at the head of the university classroom. Let the fellow teaching accounting or economics show, on that blackboard, how real social profit, an increase in the productive powers of labor, is generated in any society. He can not do it. He may appear to do it, if the students are foolish enough to believe he does; but, if they do, they have been duped by a typical magician's trick.

Hey, Professor: "Show me, on your blackboard, where and how you account for the discovery and application of universal physical principles as the efficient cause for an increase in the productive powers of labor."

If the Professor is a well-trained swindler, he will probably argue that increases in social productivity come about through a kind of frictional-statistical mechanism which he identifies, with a wave of his hand, as "free trade," otherwise

called by many "the magic of the marketplace."

This swindle, of waving a hand in the direction of the blackboard, and claiming that the principle of economic success is all a matter of magic, is the fraud taught as accounting and economics in most academic classrooms and public debates on issues of law-making concerning these subjects today. Little wonder, that the performance of the U.S. economy over the past thirty-five years, especially since August 1971, has been one giant "hand-waving" swindle.

The question which the Professor is ducking, should be reformulated as follows.

"Professor, let's cut out the magic, and stop chattering about 'invisible hands.' Let us get back to the real world. What is the form of action by means of which the effect of growth of productivity, per capita, and per square kilometer, is caused? What experiment might we conduct, some equivalent of a crucial laboratory experiment, by means of which we can prove that that principle of efficient action actually exists?"

"Professor. Give us an example of a typical form of experiment, in which we can demonstrate, here and now, the existence of a cognitive process of the individual human mind, through which we can prove knowledge of something which can not be seen with the senses, but whose efficiency, as a universal principle, can be proven conclusively to the satisfaction of the senses. That, Professor, is what we mean by the kind of principle of action, which you failed to show on the blackboard, a principle without which all that you claim is nonsense."

Take, for example, the original discovery of a principle of universal gravitation, by Johannes Kepler, as reported in detail in his 1609 *The New Astronomy*.

In that case, as in every valid discovery of a universal physical principle, the discovery was prompted by recognition of some crucial kind of self-contradiction in the equivalent of experimental evidence. That is to say, that according to previously accepted definitions, axioms, and postulates,

the evidence confronts us with something which is never supposed to happen, but, does happen, repeatedly. According to the general set of definitions accepted by the followers of Aristotle, Kepler's measurements showed not only that such diverse followers of Aristotle as the astronomers Claudius Ptolemy, Copernicus, and Brahe, were each and all wrong, but that the method of Aristotle was absurd relative to physical evidence. Kepler showed, experimentally, that the planetary orbits are governed by an efficient intention which exists entirely outside the limits of Aristotle's method. The name of that intention, is the universal physical principle called gravitation.

For the discussion of the problems of the U.S. and world economy today, I am using the case of Kepler to define scientific method in general, not only one principle of astrophysics. I am using Kepler as a model of what I mean, scientifically, experimentally, by cognition, rather than mere learning from sense-perception. I do so, because cognition, as Kepler's discovery of gravitation illustrates the meaning of cognition, is the underlying principle of physical action on which successful forms of actual economic processes depend, absolutely, and universally.

I restate the argument as follows.

The progress of mankind, from a potential relative population-density equivalent to that of the apes, to billions today, is entirely the result of a cumulative process of discovery and rediscovery of universal physical principles, that defined as such principles with the same connotations as Kepler's discovery of universal gravitation. The transmission of the experience of reenacting such discoveries, not as mere learning, but as reenactments of the original cognitive process of discovery, from one generation to the next, represents a process of accumulation of such cognitive knowledge. This is human culture expressed at its best. It is the ability of society to cooperate around use of a treasure of such transmitted cognitive knowledge, over successive generations, which is the principle of economic and related forms of progress.

It is a society organized around such cooperation in man's efforts to increase our mastery of nature, per capita and per square kilometer, which defines economic progress in the broadest terms. This is what the typical professor of accounting or economics, simply does not know. He waves his hands, again and again, but is never able to point to any actual principle which explains how an economy actually works.

### Whence the Magic?

The essential trick of the magician is best typified for modern settings, by considering two-and-a-half of the most typical swindles practiced by the magicians of our time: Aristoteleanism, empiricism, and existentialism. I describe all three from the standpoint of reference of generally accepted classroom forms of teaching of geometry and arithmetic from a Euclidean or quasi-Euclidean standpoint.

All three systems are premised on blind faith in what

is called "reductionism." Each of these reductionist systems assumes that the universe is best described, in terms of a fixed, arbitrary set of definitions, axioms, and postulates. The usual result is what the Professor displays at the blackboard. These usually include blind faith in the presumption that numbers are originally defined in the form of counting numbers, despite the work of Carl Gauss which proved the contrary.

No principle of universal action is allowed to alter such a system. Thus, on that account, by itself, these three systems exclude any distinctively human quality from the economic process.

Aristotle is typified by the common failures of the astronomies of Ptolemy, Copernicus, and Brahe. Empiricism was introduced as a radical reform of Aristoteleanism, by Venice's Paolo Sarpi. The third system, existentialism, is a derivative of Kant's *Critiques*, based on the denial of the existence of truth. Fascism, as a philosophical-political system is a derivative of the combination of the form of radical empiricism known as positivism with the existentialist denial of truth.

All of these pathological types are implicitly fixed, "ivory tower" (a prioristic) systems, which leave an aperture for the purely arbitrary and mystical. The modern, anti-American system of British political-economy, bases its economic dogmas axiomatically on precisely such mystical assumptions as "free trade" and "invisible hand." Three cases are sufficient for reference here: Bernard Mandeville's thesis that allowing private moral corruption is the generator of the public good, Physiocrat François Quesnay's similar, pro-feudalist doctrine of "laissez-faire," and Adam Smith's doctrine of "free trade" and the "invisible hand."

As I have stressed in other locations, all three of these types have a common origin in the tradition of that neo-Manichean gnostic cult known variously by such names as the Cathars or, in memorable English slang, "the buggers." Typical of all, is the argument of Quesnay, that, since the peasants on the feudal estate are essentially human cattle, the profit of the estate is, by definition, a magical secretion of the landlord's title as such, and no efficient physical cause. There is no difference of principle between this and the pro-satanic argument of Mandeville, Smith's dogma in his 1759 *The Theory of the Moral Sentiments* and *The Wealth of Nations*, or the dictionary-nominalist mysticism of U.S. Justice Antonin Scalia's definition of "shareholder value," or between Scalia and the pro-slavery Locke doctrine of the Preamble of the Constitution of the Confederate States of America.

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# U.S. Dollar Falls, No Sign of 'Recovery'

by Lothar Komp

Now it is, so to speak, official. The stockholders' hitherto anticipated upswing of the American economy, which Western government officials have talked about so much, has been misplaced or postponed once again. Despite 11 successive drops in interest rates over 18 months' time, no "recovery" is actually in sight.

The Bank for International Settlements (BIS)—the Swiss-based "central bank for central banks"—laconically confirmed in its current quarterly report on the situation in the international financial markets: "In the first months of 2002 the voices of enthusiasm which had been building up the financial markets in the fourth quarter, dispersed. From the beginning of the year until the first week of May the stock markets fell, along with long-term interest rates in the U.S.A., because their confidence in a strong economic upswing evaporated." The BIS also wrote meaningfully of a "sudden aversion with respect to companies that are strongly dependent on short-term debt." This category is large and growing.

After the discovery of more and more novel, sometimes also criminal methods for manipulating (reported) quarterly profits, and for camouflaging corporate indebtedness, the confidence in the "New Economy" has almost completely disintegrated.

Practically no one is taking even the high-gloss U.S. government statistics at face value at this point. This new attitude of investors was proven on May 28. Government and economic institutions went all-out, and in a few days produced three optimistic, high-sounding numbers. The consumer confidence level in May had climbed to the second-highest level since September of last year; sales of existing houses surprisingly climbed by 7% to the third-highest level of all time; and American consumer spending grew even further in April. The reaction of investors, however, was a further acceleration of the sell-off from the stock markets.

## Flight into Gold and Swiss Francs

Simultaneously, a phase-shift took place on the foreign-exchange markets. In all the international financial crises since the mid-1990s, from Mexico to Russia, Thailand, South Korea, and Indonesia and over to Brazil, Argentina, Poland and Turkey, the dollar had continuously profited as the currency of refuge. International capital flows, previously oriented in the direction of Asia, Ibero-America, or Eastern Europe, were steered around to the American financial markets. At the high point of the "New Economy" euphoria, the U.S.

markets sucked up three-quarters of all worldwide balance of payments surpluses.

Now, the "safe haven" has proven itself a giant sinkhole of fraud and debt. If the balance sheets of the largest U.S. energy-trading corporations are about as trustworthy as the tax returns of mafia bosses, and if the share values of the leading technology venture firms can melt down even faster than the value of Indonesia's rupiah during the "Asia Crisis," there is little reason for an international investor to plunge savings into dollar-denominated values.

Already at the beginning of 2002, the net capital flows into the United States collapsed by around 75% compared to the previous year. According to one report by Lehman Brothers, foreigners' monthly purchases in 2000 and 2001 were on average \$12 billion. This year such purchases plunged down to but \$2 billion per month. The drying up of the capital in-flows did not fail to have an effect on the monetary system. On May 30, the euro climbed to more than 94¢ for the first time in 15 months, appreciating 8% in a month. The Japanese government has been intervening strenuously to prevent the yen from rising further against the dollar.

From the beginning of February to the end of May, the dollar fell by 8.4% compared to the Swiss franc; since the beginning of July 2001, it had lost 13.5%. On May 30 the Swiss National Bank took recourse to emergency measures. It dropped the discount interest rates on the gold market by two additional basis points to 0.99%, hoping to deter foreign investments. It is already rumored that the Swiss might, as had been done in the 1970s, impose capital controls, or even introduce negative punitive interest rates.

One further effect of the dollar crisis is the steady rise of the price of gold. On May 30 the price of a fine ounce in London shot to over \$327, the highest level since October 1997. The Commonwealth Bank of Australia warned the day before that gold would become more dear by an additional \$30 during June, should the United States continue its preparations for an attack on Iraq.

A long list of speculative funds and, not least, a few big banks such as J.P. Morgan Chase, Deutsche Bank, UBS, and Citigroup, are massively entangled in gold futures transactions, having for some time assumed a continuously falling gold price. A further increase of the price of gold could set loose a new "LTCM" catastrophe throughout the derivatives market.

In view of this, the breach in the dollar has only just begun. At the end of 2001, foreigners held \$1.7 trillion in the U.S. stocks and an additional \$3.2 trillion in government and corporate bonds. With a U.S. balance of trade deficit of \$400-500 billion per year, untenable without maintaining the "New Economy" dogma, a persisting dollar weakness itself threatens to intensify the sell-off of dollar values. This will bring the global financial system again to the verge of breaking apart. This time the focal point of the disease no longer appears to be on the periphery, but in the center of the system.

# German States Plunge Into Budget Emergency

by Rainer Apel

The daily *Frankfurter Allgemeine Zeitung* sounded the alarm on its front page on June 1, that the majority of the 16 German states have been forced to declare a budget freeze, and some of them are in a budget emergency. Not that the crisis had just been discovered. The state governments have made their situation known repeatedly, appealing to the national government—in vain, so far—for relief from certain financial burdens. But the fact that Germany's leading establishment mouthpiece finally made it a prominent issue, tells how bad the states' budget situation has become. *EIR*'s assessment has, therefore, been prominently corroborated by the *Frankfurter Allgemeine* story—which only covered the facts, not the causes of that development.

The proximate cause of this fiscal crisis is the depression-related shrinkage of industrial output and employment, which is leading to a continuous drop in tax payments by firms and workers. The situation is most dramatic in the three city-states of Berlin, Hamburg, and Bremen, which are suffering more than other states from the outsourcing of industrial production into the countryside, where taxation levels are lower. For the city-states, the loss of productive industrial firms has created a big hole in the tax revenue base. Berlin's tax revenue, for example, will meet only 40% of its current fiscal year budget—an austerity budget, at that. The other 60% has to be financed by borrowing from private banks, or by revenues from privatizing state property.

The situation is similar in Hamburg and Bremen, but Berlin, as the capital of Germany, has special obligations which add to the burdens of the public services sector: Some 90% of the taxes that Berlin collects, are spent on the city-state's public services sector.

The national government has contributed to worsening the states' fiscal situation, with its loyalty to the European Monetary Union "Maastricht criteria," which represent an illusory attempt to reach a "balanced budget" by no later than fiscal year 2004. The criteria imply that the public sector debt will be paid despite deep budget cuts by the euro-zone member governments, and that public sector investments designed to increase the production base or employment level in substantial terms, are banned. Coming more and more under fiscal pressure itself, the national government has shifted budgetary burdens onto the states and

municipalities—for example, social welfare payments, to ease pressure on the national budget in an attempt to meet the Maastricht criteria.

## Ill-Fated 'Tax Reform'

The national government has also contributed to the problem by its "tax reform" of 1999, which brought substantial tax cuts for big, multinational corporations, to an extent that most of them no longer pay any taxes. Many corporations also apply for additional tax rebates, as their local or regional daughter corporations report losses due to dropping output and sales. Reduced consumer spending affects the sales and value-added taxes. The drop in the corporate tax revenues hit the municipalities especially hard, whereas losses in the sales and income taxes hit the states and national government.

With the current fiscal year just half over, 11 out of 16 states have been forced to impose a budget freeze—ranging from a partial one (Baden-Württemberg) to a total freeze (Berlin). The 11 states are: Schleswig-Holstein, North Rhine-Westphalia, Rhineland-Palatinate, Baden-Württemberg, Hesse, Thuringia, Saxonia, Saarland, Brandenburg, Lower Saxony, and Berlin. Only because state elections were held a few weeks ago, Saxe-Anhalt has not yet declared a budget freeze, even though the situation there, as in Berlin, is so grave that an all-out budgetary emergency—in which even legally mandated payments (such as for social welfare and related budgets) can be suspended—might be declared soon. Two other states are overdue to declare a budget freeze: Bremen and Hamburg, which also held elections a few weeks ago, allowing them to postpone the issue.

Only Bavaria has avoided a budget freeze, but it is only a matter of time before it, too, has to declare special budgetary consolidation measures, because rising corporate defaults and unemployment have haunted the Bavarian economy increasingly in recent weeks. With the defaults of the Kirch Media Group, with more than several billion euros of uncovered debt, and of the Maxhütte steel plant, two of the biggest Bavarian enterprises are putting a burden on the state government—a prominent creditor in both cases—of additional requirements for financial guarantees. All of that will add to the fiscal pressure that the state government has already been exposed to.

The worsening situation in Bavaria, which has ranked among the "rich" German states for about 20 years, affects the other states. The special inter-state compensation fund, which arranges transfers from the richer to the poorer states, will run into trouble as the richer states' tax revenues decline. The case of Thuringia, one of the "poor" states, illustrates the point: Already this fiscal year, it has received 15% fewer transfers from the special inter-state compensation fund. Bavaria, one of the few states that pays into that fund, has contributed considerably less this year. Next fiscal year, the situation of Thuringia and other recipients of such transfer payments will be worse.

# ‘Fannie and Freddie Were Lenders’: U.S. Real Estate Bubble Nears Its End

by Richard Freeman

The U.S. financial system is now dependent to an unprecedented degree upon one prop: the greatest housing-real estate bubble in human history. A hyperinflationary spiral has sent home prices shooting up by 10-40% annually in recent years—depending on the region of the country—and artificially pushed the price of millions of homes into the \$400,000 to \$1 million range or above. Already in 2001, one out of every ten homes for sale in the United States was priced at \$1,000,000 or more. Since then, prices, assessments, real estate taxes, and mortgage credit volume have continued to spiral upwards, even as the productive economy staggered downhill. Many homes today are simultaneously glorified shacks—with plastic exteriors and gold-plated faucets in the bathroom—and yet unaffordable to most American families.

This housing bubble is without precedent, far larger than the 18th-Century Mississippi Bubble of Venetian-Scottish agent John Law. In 1717, Law established the Mississippi Company and issued shares to the public, initially against the supposed wealth to be drained from France’s Louisiana Territories in North America, and eventually against the value of all of France’s colonial trade. These were shares, effectively, against ground-rent. In 1719, the value of the Mississippi Company’s paper shares rose to 40 times their original value, and many times the wealth that possibly could back them up. In 1720, the shares collapsed, bankrupting the nation of France. The U.S. housing bubble’s stated ground-rent value is 1,000 times greater than that of the Mississippi Bubble. Unless corrective measures are taken, the inevitable collapse and the ensuing devastation will destroy millions of families.

The cumulative value of all homes in America is now an astounding \$12.04 trillion, which is only \$3 trillion less than the hyperinflated value of all the stocks traded in America. People have been deluded into buying homes in the \$250,000 to \$500,000 range, on the grounds that if they can hold on to them for two to five years, they will be able to re-sell them at an even higher price; or, alternatively, that these are the only homes available, and that if they don’t buy them now, however overpriced, prices will go even higher and become further out of reach. Millions of families are spending 35 to 50% of their annual income on mortgage or rent payments.

There is a physical constraint on their ability to pay, and

thus, ultimately, a constraint on the housing bubble itself: These families are one or two missed paychecks, or the loss of a job, away from defaulting on a mortgage. Default rates on mortgages insured by the Federal Housing Administration—used primarily by families of middle or modest income—have recently reached 10% in some urban areas of the United States. As a wave of cumulative mortgage defaults spreads, the housing market will implode, wiping out trillions of dollars in housing values.

In testimony on April 17, before Congress’ Joint Economic Committee, Federal Reserve Board Chairman Alan Greenspan foolishly denied that there is a housing bubble, and asserted that housing conditions are “scarcely tinder for a speculative conflagration.” Greenspan’s statements fall under the heading of “he doth protest too much.”

On May 28, the 2004 Presidential pre-candidate Lyndon LaRouche told an international webcast audience: “We are sitting on top of a real-estate bubble collapse in the United States today; the Fannie Mae/Freddie Mac bubble is about to blow. What day it’s going to blow, I don’t know. But it’s going to blow. People are going to find that houses which they have listed as mortgages at a half million [dollars] or so, plus or minus, in the Washington, D.C. area, or the New York area, these shacks will probably be lucky to go for \$100,000 redeemable value. People are going to be wiped out. Jobs are going to be wiped out. Firms are going to be closed down.”

## The Two ‘Golems’ of the Bubble

The housing bubble has been developing for two decades, and it has been undergoing accelerated growth since 1995. It is under the control of Fed Chairman Greenspan, acting on behalf of the Wall Street-City of London oligarchical financiers. Greenspan depends upon the huge sums of liquidity pumped in by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Mortgage Loan Corporation (Freddie Mac), through the secondary home real estate market, which they control. Fannie Mae and Freddie Mac—which are *private corporations*, not government agencies—are the linchpin of the housing bubble; without them, it could not exist. The City of London-Wall Street financiers’ objective, and also that of Fannie Mae, is to inflate housing prices through increases of “fictitious value,” thereby increasing the

size of mortgages needed to buy the houses at inflated prices, and thus, increasing the principal and interest-rate cash that can be gouged from households. It is an unadulterated looting operation.

Without the huge margin of Fannie- and Freddie-generated liquidity, the housing mortgage market would not be the size that it is, and without an enormous mortgage market, there absolutely could be no housing bubble.

Since 1995, the housing bubble has required between \$400 to \$600 billion per year in new mortgages to finance homeowners' purchase of new and existing homes at inflated prices. Between 1995 and 2001, banking institutions (including savings and loan institutions) lent \$2.25 trillion in new housing loans to prospective home-buyers. But during the same interval, banking institutions lent only \$1.29 trillion in loans of all types, including to commerce and industry, to consumers (for car purchases, etc.), and for housing. This seems impossible. How could banks lend more for housing, at \$2.25 trillion, than they lend to the entire economy, at \$1.29 trillion, when the latter includes housing as a sub-sector? The answer: the great Fannie Mae and Freddie Mac lending machine. Between 1995 and 2001, Fannie and Freddie (and a few similar, smaller agencies) acquired almost three-quarters of the \$2.25 trillion in new mortgage loans that all banks had made. Upon getting cash from Fannie and Freddie, the banks made new housing loans. Since 1995, Fannie and Freddie, et al., accounted for almost three-quarters of all housing mortgages.

The housing bubble can only function if it pushes home prices up; the home price can only go up, if there is a mortgage to purchase the home at the increased price. Without Fannie Mae and Freddie Mac, the home mortgage market would have been only one-quarter as large as it actually was. A housing bubble could not exist in that framework.

Fannie Mae and Freddie Mac have raked in huge profits from the housing bubble. But they have also concentrated in themselves, an enormous exposure to mortgage debt—a concentration even greater than the 35% of all financial derivatives contracts sitting in one bank, J.P. Morgan Chase—and have issued some obligations which are very risky. Thus, it is ironic that the housing market depends on Fannie Mae and Freddie Mac, which are in such rotten condition that they could puncture the very housing bubble which they are called upon to support.

## How It Grows

To understand the importance of Fannie Mae and Freddie Mac, one must understand the rudiments of the housing financing market. To buy a home, a prospective purchaser must have the financial means: Either the purchaser is wealthy enough to buy the home in cash, or—in most cases—the purchaser takes out a mortgage loan. Commercial banks, and savings and loan associations are the financial institutions most likely to originate a mortgage loan. The primary mort-

gage-lending institution can hold that loan until maturity—30 years, for example—collecting, during this time, interest and principal payments.

However, the primary mortgage-lending institution can exercise a second option: After originating the mortgage loan, it can sell it off. Two of the leading corporations that could buy the mortgage from the primary institution—known as secondary market corporations—are Fannie Mae and Freddie Mac. As a result of Fannie Mae and/or Freddie Mac buying the mortgage from the primary lending institution, that primary institution now has cash, which it can use to originate a new mortgage.

This process can be, and is, repeated several times during the course of the year, for each primary-mortgage lending institution in America. Thus, Fannie Mae and Freddie Mac act as a spigot pouring liquidity into the U.S. mortgage market.

There is another step to this process. When a primary mortgage lending institution offers to sell a mortgage loan it has originated, Fannie Mae or Freddie Mac can do one of two things. They can, as described, buy the mortgage loan outright and hold onto it (Fannie and Freddie issue bonds in their own names, and use the proceeds from the bond sale to buy mortgage loans). Or, they can pool several mortgage loans together, into a derivatives-like instrument, called a Mortgage-Backed Security (MBS); put a guarantee on it; and sell it to a third party—such as a mutual fund, a pension fund, or an insurance company. In the latter case, the pension fund or mutual fund end up owning the MBS, which gives them a claim to the underlying principal and interest stream of the mortgage. Thus, it is the cash from the pension fund, or mutual fund, etc., which is going into the housing market, having been drawn into that market by Fannie Mae and Freddie Mac as issuers of securities.

## Volcker Destroys Traditional Home Financing

In the post-World War II period to 1963, when a previous generation of Americans bought their homes, the purchase cost reflected the cost of construction, such as materials and labor, plus a moderate, but fair profit for the homebuilder. It also reflected the cost of the land, which was not high. For financing, a traditional relationship existed with savings and loan institutions, so that the home purchaser could readily obtain a 30-year mortgage, usually at a 5-6% interest rate which would make the mortgage affordable. As late as the 1950s, the median price of an American home was less than \$15,000.

In the mid-1960s, the financier oligarchy moved America away from a producer to a consumer society, by introducing the “post-industrial society” policy, which also shattered the workable housing relationships. There were a few key benchmarks in this process.

In 1979, then Federal Reserve Board Chairman Paul Volcker instituted the New York Council on Foreign Relations' policy of “controlled disintegration of the economy,”

so that the commercial banks' prime interest rate reached 20.5% by December 1980. This policy intentionally shattered manufacturing, agriculture, and infrastructure, and built a gigantic speculative bubble. It also crushed the savings and loan associations, which were the mainstay of the housing industry. They then had to pay interest rates of 15-18% to attract and hold depositors, but they were earning only about 5% on the mortgage loans they had previously made. The negative spread of 10-13% caused the S&Ls huge losses.

In 1982, the disastrous Garn-St Germain law, which deregulated the banking system, was approved, removing the wise and longstanding restrictions which had severely limited the amount of money the S&Ls could invest in *commercial* real estate. Advised to invest in commercial real estate to make up the losses that Volcker's policy had created in housing, the panicked S&Ls lost more than a quarter of a trillion additional dollars. The bailout of these losses in the mid-1980s, became known as the S&L debacle.

In 1986, the Tax Reform Act was passed, which created tax breaks for speculative shelters in real estate. By this point, the bankers thought it timely to introduce the full speculative virus into the home real estate market. Home prices rose, although there was a downturn in the 1989-91 period. By 1995, Fed Chairman Greenspan, who had been nurturing the housing bubble since he was ensconced in that post in 1987, let out all the stops to pump up the bubble. Fannie Mae and Freddie Mac began priming the bubble with hundreds of billions of dollars in funds per year.

Today, the basic characteristic of the housing market has been altered so that it is entirely different from what it had been in the mid-1960s. The home's principal function is no longer shelter and development of a family, obtained through the instrument of the mortgage market; rather, the home has become the mere instrument of the housing market bubble. The home price is a function of whatever the hyperinflationary housing spiral can drive it up to.

For the banks, the objective is to create fictitious value in a home, through a fake appreciation in price. To comprehend what fictitious value is, consider the example of a home built in 1992, and sold then for \$100,000, which is now priced on the market for \$225,000. *The \$125,000 increase in the home's price represents fictitious value.* In real physical construction terms, the home has depreciated for ten years, and is *worth less*; even if there were home improvements made to keep the home at the same functional level, it is worth, at most, \$100,000.

Take any other useful entity, such as a car or a machine tool. One could not put ten years of wear and tear on it, and then sell it for twice what it was worth ten years ago. However, this is what is done with housing.

The process is the same in the case of a McMan-

sion, which sells for \$400,000, but is made of the shoddiest material, and is only worth \$125,000. The difference of \$275,000, between what it sells for and what it is worth, is *fictitious*.

For the banks, the aim is: *If the price of a home can be fictitiously doubled, say to \$400,000, then the market value of the mortgage attached to the home can be fictitiously doubled to \$400,000, and the income cash flow stream of principal and interest payments that can be looted, can be doubled.* The banks pre-figure what principal and interest cash stream they want to realize from a mortgage, and then set the price of the house at a level that will allow them to extract, through an attached mortgage, that principal and interest cash stream.

This is the system that the banks put into place during the course of the 1980s, and which Greenspan and Fannie Mae have geared up full force since 1995. It is completely unsustainable and unstable.

### Explosion in Home Prices

There is an explosion of home prices since 1995, but especially since 1999, in the hot markets in New York, Florida, California, and Greater Washington, D.C.—the last of which may be the hottest market in the nation. Greater Washington includes Washington, D.C. proper; Arlington and Fairfax Counties in northern Virginia; and Montgomery County in Maryland. **Table 1** and **Table 2** show, respectively, the average and median prices of homes in this region.

In Washington, D.C. proper, in 1999, the average price of a home was \$264,668. Now, less than two and one-half years

TABLE 1

#### Greater Washington, D.C. Median Home Price

Year	Washington, D.C.	Montgomery Cty, Md.	Arlington Cty, Va.	Fairfax Cty, Va.
1999	\$179,500	200,000	259,000	215,000
2000	175,600	217,500	305,000	235,000
2001	224,000	244,900	360,000	272,880
March 2002	245,000	260,000	380,000	299,000

TABLE 2

#### Greater Washington, D.C. Average Home Price

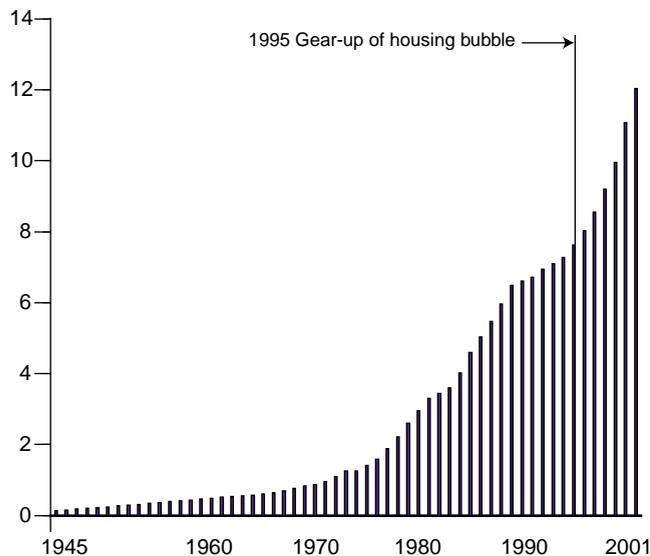
Year	Washington, D.C.	Montgomery Cty, Md.	Arlington Cty, Va.	Fairfax Cty, Va.
1999	\$264,668	176,000	294,156	132,667
2000	291,601	284,667	338,711	291,548
2001	349,669	312,411	394,319	332,695
March 2002	367,676	324,326	416,579	341,680

Source: Greater Capital Area Association of Realtors.

FIGURE 1

## Hyperinflation in Home Real Estate Valuation, 1945-2001

(\$ Trillions)

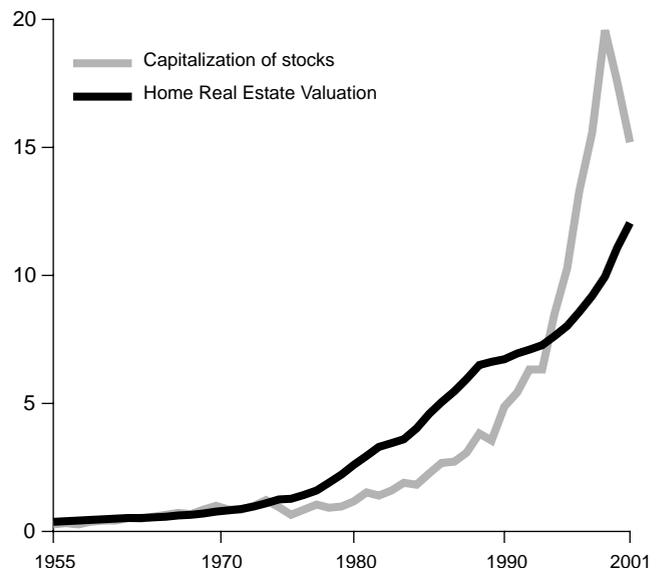


Source: Federal Reserve Board of Governors, "Flow of Funds Accounts."

FIGURE 2

## Home Real Estate Valuation vs. Capitalization of All Stocks Traded in United States

(\$ Trillions)



Source: Federal Reserve Board of Governors, "Flow of Funds Accounts."

later, it has jumped to \$367,676, a compounded annual rate of increase of 16%. (During this time, the median home price increased at a compounded annual rate of 15%.)

Elsewhere in the area, the pattern is the same. In Fairfax County, in northern Virginia, between 1999 and the present, the average single family home price skyrocketed from \$132,667 to \$341,680, a staggering compounded annual rate of increase of 38.4%. In Arlington County, in northern Virginia, the average price of a home has jumped to \$416,579. In the Greater Washington, D.C. region as a whole, the average single family home price is above \$340,000, and rising at an incredible rate.

During 2001, home prices for the entire states of California, Florida, and Massachusetts, rose by more than 10%, and in portions of New York, by more than 15%.

This explosion in home prices increased the collective valuation of all household-owned home real estate in America. **Figure 1** shows that since 1950, the value of all U.S. households' home real estate holdings rose steadily. Then it rose more rapidly during the 1980s, reaching \$6.608 trillion by 1990.

But between 1990 and 1995, the collective value of all homes rose only by \$1 trillion. However, since then, under the deliberate manipulation of Alan Greenspan, nurtured by the Fannie Mae-Freddie Mac money-pumping machine, it shot upward: Just between 1999 and 2001, the collective valuation of all households' home real estate holdings increased

by \$2.084 trillion to \$12.04 trillion, a rise of 20.9% during those two years.

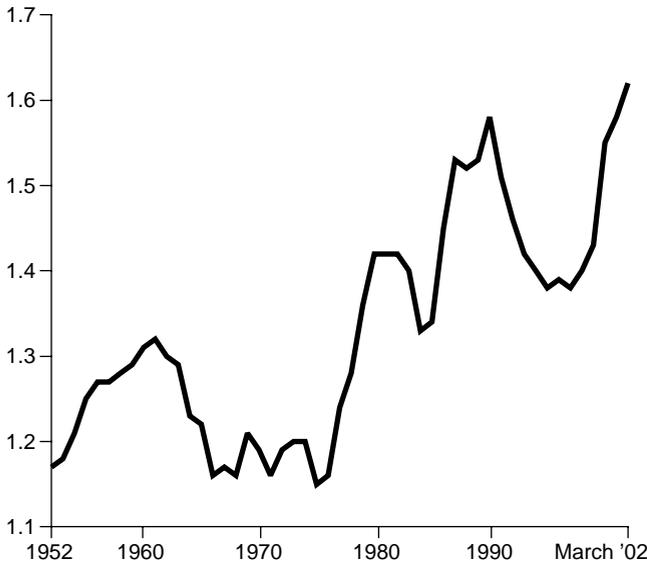
The increase in the collective valuation of all household-owned homes achieved the bankers' prime objective: Against that valuation, a tremendous amount of mortgages and secondary forms of mortgage-based debt could be floated, thus increasing the rate of looting through interest and principal mortgage streams, as we shall show.

The sharp jump in the collective valuation of all household-owned homes, makes it, along with derivatives, the chief element of the dynamic that is holding up the U.S. speculative bubble. **Figure 2** shows the trajectory of the collective valuation of households' home real estate holdings versus that of the capitalization of all stocks traded on stock markets in the United States. With the rupturing of the New Economy stocks, between 1999 and 2001, \$4.5 trillion of fictitious valuation of stocks has been wiped out. The collective value of U.S. households' home real estate holdings is now just \$3 trillion less than the stock market capitalization of all U.S. firms.

According to *EIR's* estimation, \$6 trillion of the \$12.04 trillion valuation of household-owned home real estate is *fictitious*, debt and liquidity artificially forced into the housing market over the past few decades, especially since 1995. This gives an estimate of the amount of hot air which will be wiped out in this market in a collapse of the bubble, driving home prices down with explosive impact.

FIGURE 3

**Ratio of Home Real Estate Valuation to Disposable Personal Income Surges**

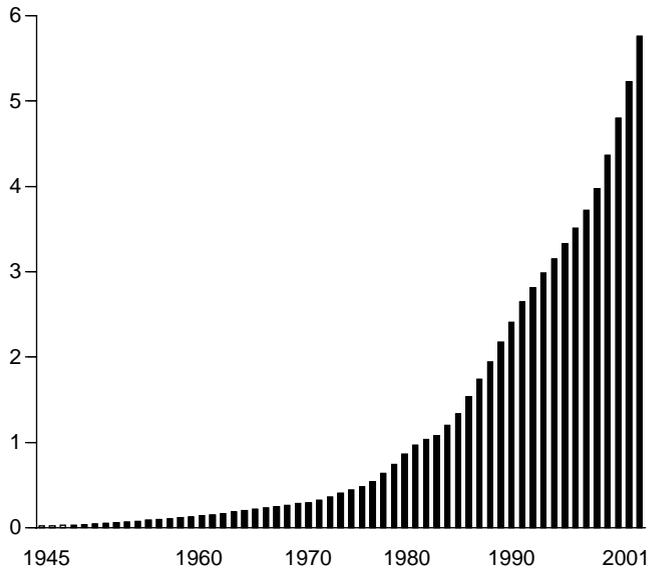


Sources: Ian Morris, HSBC Securities.

FIGURE 4

**Hyperbolic Growth in Home Mortgage Debt, 1945-2001**

(\$ Trillions)



Source: Federal Reserve Board of Governors, "Flow of Funds Accounts."

**Cost and Quality**

Two other characteristics distinguish the new housing market.

First, the cost of homes has reached a dangerous multiple of average income. **Figure 3** shows the ratio of total home real estate valuation to total disposable (after-tax) personal income, compiled by Ian Morris, an analyst at HSBC Securities. It now has reached 1.62, its highest level in this 50-year series. However, the cost of a home becomes even worse, when the mortgage interest costs are figured in, which will be examined shortly below.

Second, the quality of homes. The homes of today have several glaring problems. The new homes that sell for \$300,000 to \$750,000 are frequently made with the shoddiest material. They are built with doors made of cardboard cores instead of wood; no cross-braces under the joists of floors to support them and prevent shaking; and the proverbial 2-by-4 piece of wood shaved down to 1.5 by 3.5 inches. Whereas 50% of the siding in houses in the 1970s was made of brick, today less than 30% of housing siding is made of brick.

Thousands of homes, priced at one-half million dollars and up, have their elegant looking facades made out of—stryfoam. The Maday family, for example, of Reston, Virginia, moved into a \$522,000 home in late 1996, having been told they had an exterior of stucco (a mixture of cement and limestone), which is typically ¾ to 1 inch thick. They found

that their house had a ⅛ inch coating of styrofoam. The styrofoam trapped water and developed a “99% moisture reading,” and as a result, the walls rotted away. An Aug. 29, 2001 *Boston Globe* article exposed the fact that thousands of McMansions from northern Virginia, to Connecticut, to Illionis have been constructed with styrofoam fronts.

**Figures 4 and 4A** document, since 1950, the increase in the volume of U.S. household home mortgage debt outstanding. This grew steadily up to 1980, and then afterward, at a faster rate. Starting 1995, the banks, collaborating closely with Greenspan and the money-pumping of Fannie Mae and Freddie Mac, caused the level of mortgage debt outstanding to grow at an accelerating rate: Just between 1999 and 2001, it jumped by nearly \$1 trillion, to reach \$5.757 trillion.

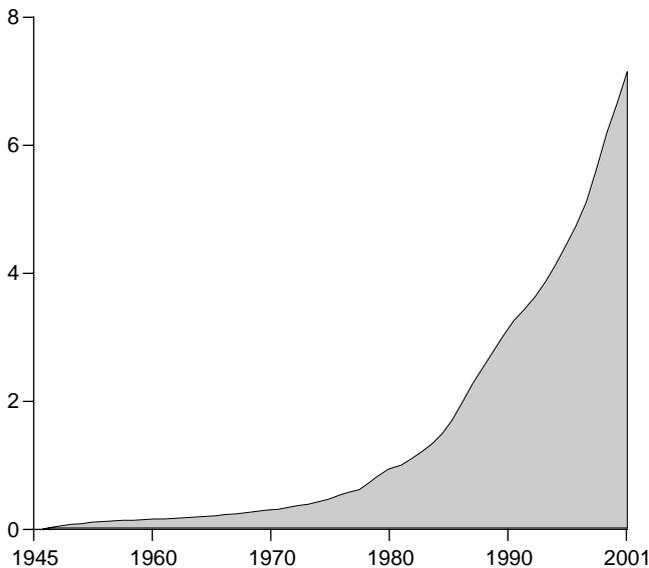
The more a home costs, the more cumulative interest a mortgage borrower must pay, and the more interest the bankers collect, even if the interest rate remains the same.

**Figure 5** shows for the period 1963-2001, the total cost to purchase a new home, on a 30-year mortgage. The purchase price used for this demonstration, is the nationwide median cost of a new home, as reported by the National Association of Realtors. The interest rate is the fixed interest rate prevailing for that year. In 1963, the median cost of a new home was \$18,000. The total cumulative cost to buy the new home on a 30-year mortgage, was \$34,616: \$18,000 paid in purchase

FIGURE 4A

## U.S. Household Debt

(\$ Trillions)

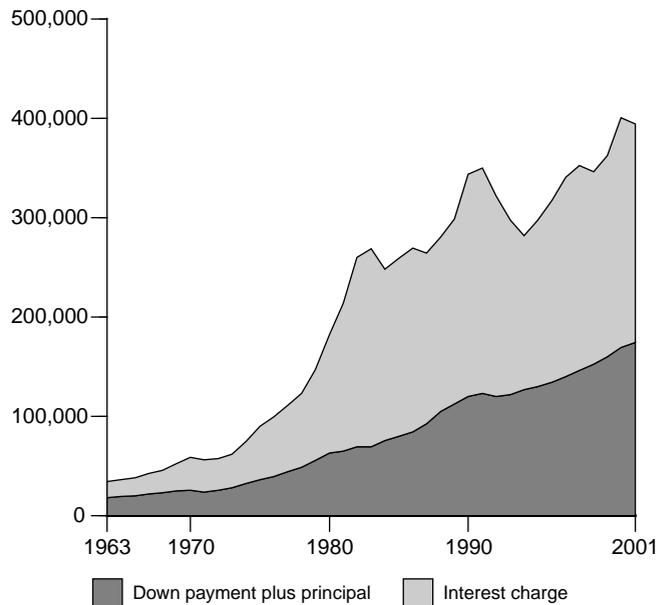


Source: Federal Reserve Board of Governors, "Flow of Funds Accounts."

FIGURE 5

## Total Cost of New Home Has Soared

(Dollars)



Sources: National Association of Realtors; EIR.

price (which is broken down into down payment, and principal), and \$16,616 paid in interest. In 2001, the median cost of a new home was \$174,000. The total cumulative cost to buy a new home on a 30-year mortgage leapt to \$393,986: \$174,000 paid for the median purchase price, and \$219,986 paid in cumulative interest. So, today, the mortgage-payer must pay nearly a quarter of a million dollars in interest. The cumulative interest cost, which in 1963 was somewhat lower than the purchase price, in 2001's "low-rates" market was nearly 1.3 times greater than the original \$174,000 purchase price of the house.

According to the U.S. Department of Housing, the total monthly "home cost" should not exceed 28% of a household's gross income. The "home cost" consists of the mortgage interest and principal payment, plus the home insurance payment, plus the home property tax due.

How able are home-purchasers to finance the mortgage? Let us utilize a strictly standard arrangement. If a household were to buy a new home, at the median price of \$174,000 (in the above example), on a 30-year mortgage, putting the (now standard) 10% of the home purchase price down in a down-payment, and financing the rest in a mortgage at the prevailing fixed interest rate of 7.04%, then its mortgage payment of principal and interest, would be \$12,553 per year (\$1,046 per month). On such a home, the home insurance and home property tax would be approximately \$1,920 per year. Thus,

the total "home cost" would be \$14,473 on an annual basis. If, according to HUD, the "home cost" should be no more than 28% of total household income, then \$14,473 is 28% of \$51,689. A household would need an annual income of \$51,689 to afford the "home costs" of a median priced home of \$174,000.

Sixty percent of American households do not have an annual income of \$51,689. Three-fifths of American households could not afford to purchase and live in such a home.

### Rising Market, Falling Living Standards

How is it possible for families to buy these homes, and for Fannie Mae to constantly boast that the rate of home ownership, including among minorities, is rising?

Millions of households have bought homes by "getting in over their heads." They are paying 35%, 45%, and even more of their annual income, on the home mortgage. This makes them dangerously vulnerable. Some think that if they own the house for 2-5 years, it will rise in price by \$100,000-150,000, and they will sell to the "next guy," in a rising real estate market. Soon there will not be a next guy. Many, many families hold two, two-and-one-half, or three jobs among the family's members to pay for the home. The next round of layoffs that wipes out one of these jobs, will leave them unable to pay their mortgage, leading to default.

Some other families bought homes in the \$350,000 to \$1 million range, because they earned money from stock capital gains, stock options, bonuses in the financial and high-tech industries, etc. That is drying up on a large scale.

For some households, the fact that they can borrow new money against the value of their home, each time the value of their home rises, keeps them in the game.

Overall, Greenspan has engineered relatively low interest rates, both to keep the financial markets going, but in large measure to keep the housing bubble afloat. The need to raise interest rates, for example, to prop up the collapsing U.S. dollar, would destroy the interest rate environment that is essential to keeping the housing bubble alive.

The key constraints, which govern everything, are living standards and the real physical economy's productivity. For the lower 80% of the population, living standards, measured by market baskets of consumer and producer goods, are falling. They appeared to be, falsely, propped up by stock capital gains, and the like. One cannot long increase home prices, such as in the Greater Washington area, by 15 to 38% annually, and increase the mortgage interest income streams which are to be extracted, by a similar percentage, from households whose living standards, in reality, are falling by 1 to 2% per annum.

If one clears away all the clutter, home prices have gotten much more expensive. One measure that *EIR* has developed is straightforward. The U.S. Department of Labor's Bureau of Labor Statistics provided information on the value of the weekly paycheck of the average non-agricultural worker. If this worker were to buy a new median-priced home, how many of his paychecks would it take for him to pay off the home, including the interest costs on a 30-year mortgage? The answer is shown in **Figure 6**. In 1963, it required 388 paychecks; in 2001, it required 804 paychecks. In terms of the employee's paycheck, the home is 2.07 times more expensive. The reason for this has to do with the fall in living standards, but also with the shooting-up of home prices.

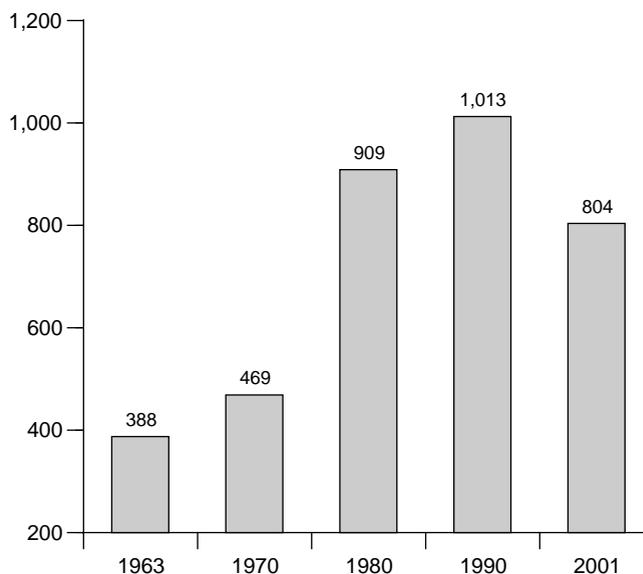
In earlier periods, such as around 1980, in which the number of paychecks required to buy a home rose, this was due to a spike (Paul Volcker's deliberate spike) in interest rates. Today, when interest rates are relatively low, the fact that it requires a large number of paychecks to buy a home, indicates just how serious the problem is.

### The Intervention of Fannie and Freddie

What has kept the housing bubble functioning, especially since 1995, is the massive role of Fannie Mae and Freddie Mac.

One must know how these agencies work. Fannie Mae presents itself in its public relations campaign as "Building the American Dream." It holds big events with legislators, in particular black and minority legislators, spending lavish amounts of money around the country. It puts more ads on the radio and in the newspaper, than almost any major corpo-

**FIGURE 6**  
**Number of Weekly Paychecks Needed To Buy a New Home**



Sources: National Association of Realtors; Department of Labor, Bureau of Labor Statistics; *EIR*.

ration. It probably has one of the biggest patronage machines in the nation, reaching deep into every state.

What does one expect of a private corporation, which, if it were a bank, would be the third largest bank in the world, and which makes money hand over fist in the real estate market?

Fannie Mae is positioned as the key prop in the housing bubble (what is said of it applies as well to its smaller cousin, Freddie Mac). But Fannie Mae has as much "radioactive" financial risk as any institution in the world. Fannie Mae built up this financial risk in the process of constructing the housing bubble.

A crucial bank that has shaped the agenda of Fannie Mae is Lazard Frères investment bank, a powerful cog in the international Wall Street-City of London oligarchy. Fannie Mae Chairman Franklin Raines spent ten years working at Lazard. Lazard counts in its network the Graham family that owns the *Washington Post*. (In 1995, Franklin Raines, working with the *Post*'s Katharine Graham, established the Financial Control Board, which destroyed Washington, D.C.)

Fannie Mae had started out in 1938, not as an instrument of speculation, but as part of President Franklin Delano Roosevelt's New Deal. As the accompanying box shows, in the short run, its function was to get the lagging home mortgage lending started again, and more broadly, to contribute to the growth of a financial market to make it possible to purchase

affordable housing.

In the beginning, Fannie Mae existed as a government agency. In 1954, it was turned into a mixed, part-private, part-government agency, and in 1968, it was transformed into a totally private corporation, issuing its own stock, which was bought by private investors, and eventually became listed on the stock exchange. For the most part, all through this period, up to the mid-1970s, Fannie Mae fulfilled its original function: It brought liquidity into the housing market in moderate quantities, and functioned as a subordinate agency in that market.

However, starting in 1979-81, at precisely the time that then-Fed Chairman Volcker instituted the policy of “controlled disintegration of the economy,” new lending policy changes were made at Fannie Mae. These changes were intended to bring eventually a flood of money into the housing market, from both outside “third party investors”—using the derivatives-like instruments called Mortgage-Backed Securities—and from the corporation itself. The seeds of the housing price explosion planted in 1979-81, came to fruition from 1995 to the present.

Prior to the late 1970s, there had been two principal forms of lending; this transformation added a third.

The first and simplest form of lending is the primary mort-

gage loan. The second form is that involving Fannie Mae: A mortgage-lending financial institution makes a mortgage loan, but instead of holding onto it, it sells it to Fannie Mae, and uses the cash to make a second loan. It can repeat the process, of selling the second loan to Fannie Mae, and make a third, fourth, and so on, loan. In this manner, a mortgage-lending financial institution could make five loans for \$150,000. It sells the first four loans to Fannie Mae (which buys them with proceeds from the issuance of its bonds) and keeps the fifth loan. At the end of the process, the mortgage-lending institution has one loan totalling \$150,000 on its books, and Fannie Mae has loans totalling \$600,000 on its books.

These were the only two types of lending up to 1979-81, when the third type was introduced: Fannie Mae began creating Mortgage-Backed Securities. As the risk on the MBS became greater, the risk that Fannie Mae had become greater. But this is part and parcel of how the mortgage market, and thus the mortgage-bubble, expanded.

### The Mortgage-Backed Security

In the case of the MBS, Fannie Mae gathers its purchased mortgages from different mortgage-lending institutions, and pools them together. For example, Fannie Mae may bundle a

## The Origins of Fannie Mae

The Federal National Mortgage Administration (Fannie Mae) arose as a feature of the New Deal. During 1933-34, the Roosevelt Administration responded to a housing crisis, which developed out of the overall breakdown of the economy and financial system. Millions of workers lost their jobs, and without income, defaulted on their home mortgages; the banks foreclosed on hundreds of thousands of homes, and families were tossed onto the street. Banks, claiming fears that any *new* home mortgages would end in default also, cut back lending by 1934 to 60% below the pre-1929 peak. With the mortgage financing market drying up, new home construction shrivelled.

In response, the Roosevelt Administration created a new government agency, the Home Owners Loan Corporation (HOLC), as a subsidiary of the Reconstruction Finance Corporation. The HOLC attacked the problem of defaults. It enabled the refinancing of existing mortgages that were in default status, with new mortgages. Between 1933 and 1936, the HOLC refinanced one-fifth of existing urban home mortgages, which were either in default or close to default. As a result, very few mortgages ended up in liquidation, and this put a stop to the home foreclosures.

At the same time, the Roosevelt Administration addressed the issue of how to get the banks to make new home mortgage loans. In 1934, legislation created the Federal Housing Administration (FHA), with two principal purposes. First, the FHA provided for insurance of principal and interest payments on long-term home mortgage loans made by banks and lending institutions. Second, the FHA Act (under Title III) provided for a secondary housing market to be established. In 1938, under this provision, the Federal National Mortgage Association (Fannie Mae) was created. Fannie Mae would pay cash to buy any FHA-insured mortgage that a bank sought to sell. Fannie Mae would put the mortgage in its portfolio, collecting all the interest and principal to the maturity of the mortgage. With the cash for the mortgage that it sold to Fannie Mae, a bank could make a new mortgage, increasing the scope of mortgage financing.

Fannie Mae had the authority to issue its own bonds, in order to attract the funds with which it, in turn, bought mortgages from banks.

For the next three decades, Fannie Mae bought home mortgages from banks and lending institutions, but always with the objective of *keeping the housing market in such manner that homes were inexpensive, and affordable relative to average family income*. Its objective meant that there be no housing bubble like that of today.

thousand 30-year fixed-interest mortgages, each worth roughly \$100,000, and pool them together into a \$100 million Mortgage-Backed Security. Fannie Mae puts a loan guarantee on the MBS, for which it earns a fee. Fannie Mae promises that in case there is a default on the MBS, Fannie Mae will pay the interest and principal “fully and in a timely fashion.” The MBS, once it has Fannie Mae’s guarantee on it, is sold to outside investors in denominations of \$1,000 and up. The insurance funds, pension funds, and so forth, become the owners of the MBS, but if anything goes wrong, Fannie Mae is responsible.

From the standpoint of those building the mortgage bubble, the MBS taps into a broader layer of funds to be used for housing, on the order of additional trillions of dollars. The sources of funds that can support the housing bubble have been extended very far into the U.S.—and international—financial markets.

In 1979-81, the Volcker polices caused Fannie Mae some losses, like those of the S&Ls. In 1981, David Ogden Maxwell became chairman of Fannie Mae. Maxwell overhauled the corporation and began issuing MBS, which had not been issued except in minuscule volumes before then. Maxwell’s career path led into the circles of Lazard Frères investment bank: Today, Maxwell is on the board of Washington’s Urban Institute, which is run by the Graham family of the *Washington Post*, itself part of the Lazard network.

However, not satisfied with “plain vanilla” MBS, Fannie Mae found that it could take these securities and *pool them once again*, into an instrument called a Real Estate Mortgage Investment Conduit (REMIC) (which is also known as “restructured MBS” or a collateralized mortgage obligation [CBO]). These REMICs are derivatives, of increasing complexity. They are pure bets, although they are also sold to institutional investors, and individuals, to draw money into the housing bubble.

There are many types of REMICs; we will look at two of them. There is a REMIC called a STRIP, in which the interest payments on the mortgages underlying the REMIC, are stripped from the principal, and the interest stream is sold separately as one REMIC instrument, and the principal amount is sold as another. In fact, the principal amount itself can be broken up into several instruments reflecting different time-periods during the life of the mortgages, called tranches, each of which is sold separately, and has a different level of risk. There is a REMIC called a “floater,” in which the interest rate on the instrument floats in direct proportion to the movement—up or down—of the international interest rate called the London Interbank Offered Rate (LIBOR); there is an “inverse floater,” in which the interest rate of the instrument floats in inverse proportion to the LIBOR.

*Approximately half of all Fannie Mae’s MBS have been transformed into these highly speculative REMIC derivative instruments.*

Thus, what started out as a simple home mortgage, has

been transmogrified into something one would expect to find at a Las Vegas gambling casino. Yet the housing bubble now depends on precisely these instruments as sources of funds.

## The 1995 Bubble

By 1995, Fannie Mae had been transformed, the MBS and REMICs were widely marketed and in use, and the housing market had been totally changed. The old days of the financing of a home at an affordable price were gone. The plan of the banks, and Alan Greenspan, was to create a bubble: to finance homes at increasingly fictitious prices. Simply put, to realize a fictitious increase in home price, say from \$100,000 to \$250,000, there had to be an increase in mortgage size, and not just one mortgage, but tens of thousands of mortgages. This, in turn, required a gigantic inflow to the housing market, of funds which had had nothing to do with its functioning.

During the bubble period 1995-2001, the volume of mortgage loans in the United States increased by \$2.249 trillion. But the volume of mortgage loans by the primary mortgage-lending institutions, such as commercial banks and S&Ls, *which they held on their books*, only increased by \$592 billion. They generated only one-quarter of the increase in the volume of mortgage debt during this period. The remaining three-quarters of the loans were conveyed to Fannie Mae, Freddie Mac, and cousins like the Federal Home Loan Bank Board. Fannie Mae took the dominant role, accounting by itself for 35.5% of all the money that flowed into home mortgages since 1995. But this was not an act of largesse: During this period, Fannie Mae raked in \$25 billion in profits, and the financiers achieved their purpose of setting off a hyperinflationary housing bubble.

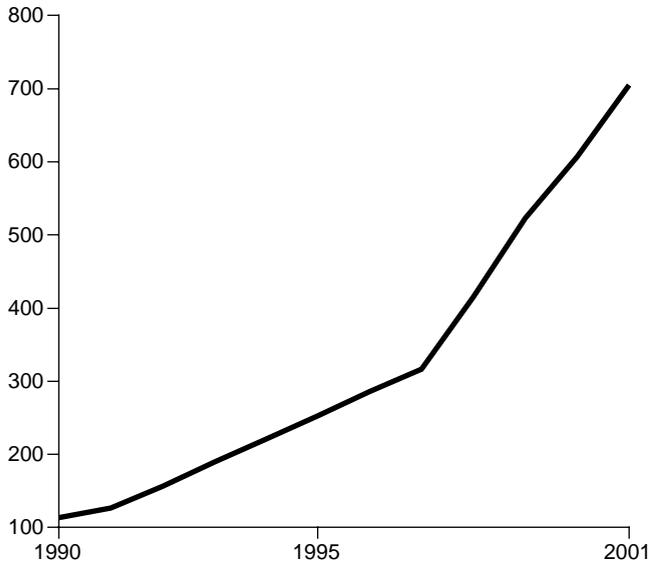
Yet, by its very “success,” Fannie Mae turned itself into a time-bomb, completely contaminated by the cancer of housing speculation it made possible.

To understand the root of its crisis, look at the rapid growth of its four key parameters. **Figure 7** shows Fannie Mae’s ownership of mortgages, which it purchased from mortgage lending institutions; by the end of 2001, this stood at \$705 billion. **Figure 8** shows Fannie Mae’s debt, mostly its bonds, which it principally incurred to raise the cash to buy the mortgages it now owns; by the end of 2001, this reached \$764 billion. **Figure 9** shows the Mortgage-Backed Securities that Fannie Mae created through pooling of primary mortgages; by the end of 2001, this reached \$859 billion. Finally, **Figure 10** depicts the “regular” derivatives obligations Fannie Mae contracted, such as interest rate swaps (but not counting the above MBS), and which it claims are necessary for doing business; by the end of 2001, this reached \$533 billion.

Of the four parameters, the first is the only one that represents an asset for Fannie Mae. It represents a steady stream of interest and principal payment that Fannie Mae collects. The other three parameters represent obligations, which are very risky. These three types of obligations fed, and fed off, the housing bubble’s constant rapid growth of the last six

FIGURE 7  
**Fannie Mae's Ownership of Home Mortgages**

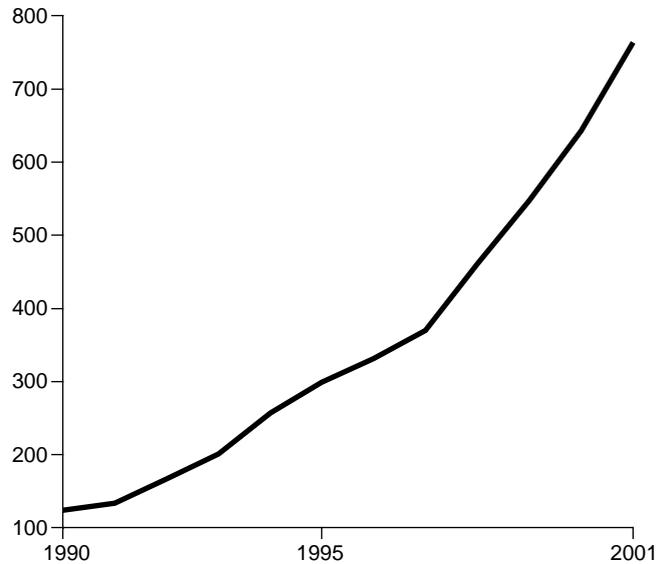
(\$ Billions)



Source: Federal National Mortgage Association (Fannie Mae).

FIGURE 8  
**Fannie Mae's Outstanding Debt**

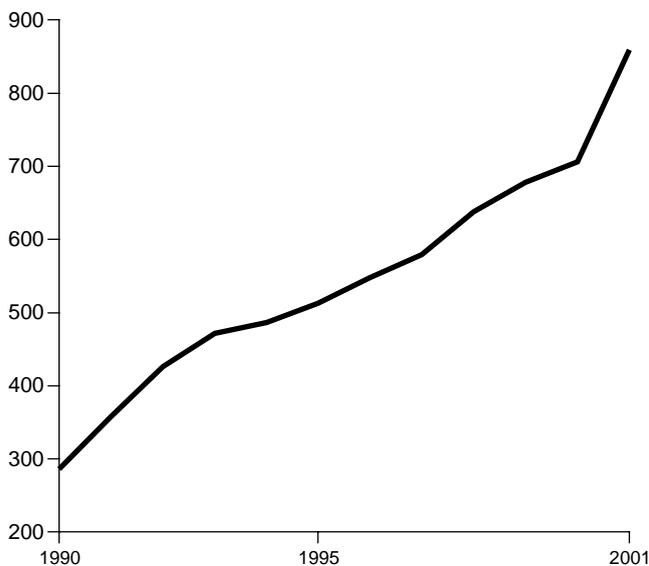
(\$ Billions)



Source: Fannie Mae.

FIGURE 9  
**Fannie Mae's Mortgage-Backed Securities Issued to Outside Investors**

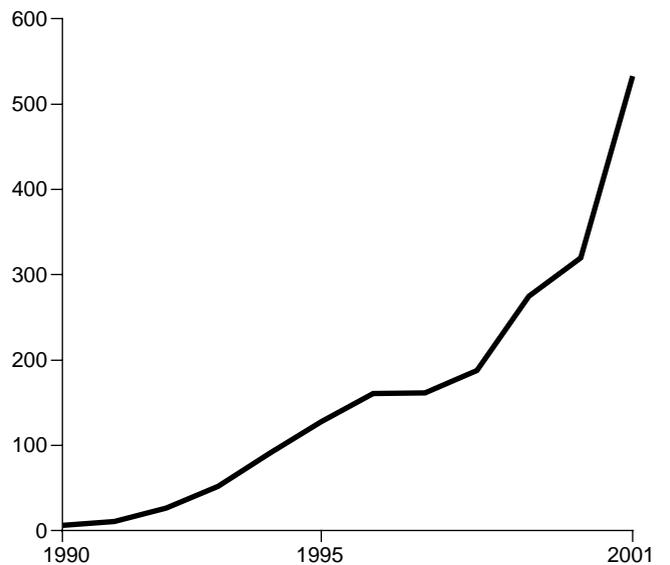
(\$ Billions)



Source: Fannie Mae.

FIGURE 10  
**Fannie Mae's Derivatives Obligations**

(\$ Billions)



Source: Fannie Mae.

years in particular.

But a wave of mortgage defaults is inevitable. As that occurs, the three risky obligations amplify the crisis, and threaten the bankruptcy of Fannie Mae, and the housing market bubble which depends on Fannie, Freddie, et al.

## The Threat of Leverage

Consider the first of the three risks: Fannie Mae's bonds, which make up over \$700 billion of its outstanding debt total of \$764 billion. The sole source of income, from which Fannie Mae can pay the interest and principal to its bondholders, is from the interest and principal that it collects on the mortgages that it owns. If a portion of these mortgages goes into default and ceases to pay interest or principal, Fannie Mae will not have sufficient cash to pay the holders of its bonds. If the situation worsens, Fannie Mae will default on its bonds.

So, whereas before one had one economic catastrophe—the default of some mortgages—because of the way the housing market is structured, this produces a second catastrophe—the default of Fannie Mae's bonds. Fannie Mae's bonded debt is at least ten times greater than that of any corporation in America. No company in America has ever defaulted on as much as \$50 billion in bonds, and Fannie Mae has over \$700 billion. With a bonded debt of that magnitude, a default would put an end to the U.S. financial system, right then and there.

Yet a second obligation compounds the problem. In addition to the mortgage bonds, Fannie Mae has put its guarantees on \$859 billion of Mortgage-Backed Securities. In a crisis in the housing mortgage market, Fannie Mae could never meet the terms of its guarantee, that it would pay “the full and timely interest and principal,” on the mortgages to which it gave a guarantee. By the time it made payment on \$5 to \$10 billion of the principal and interest of the MBS which it guaranteed, Fannie Mae would go bankrupt from this source, if it had not already defaulted on its bonds. The pension or other funds which had bought the MBS on its guarantees, would suffer tens of billions of dollars of losses.

Finally, Fannie has derivatives obligations: \$533 billion in hedges, allegedly to protect it from risks, which themselves could go into default against its bank and other financial counterparties.

Fannie Mae's three risky obligations total over \$2 trillion, vigorously used to inflate the housing bubble. Now, an increased default level among the \$5.757 trillion in home mortgages, which by itself were not enough to bring down the whole housing market, would create a radioactive reaction inside Fannie Mae, causing it to bring down that market by defaulting on hundreds of billions of obligations.

While Fannie Mae was building up its risky obligations, so was its crony Freddie Mac. Freddie Mac's total of these three risky obligations is \$2.91 trillion. (The smaller Freddie Mac's total is bigger than Fannie Mae's, because it has a

much bigger derivatives portfolio.) Other institutions which perform functions similar to Fannie Mae, such as the Federal Home Loan Bank Board and private issuers of MBS, have approximately another \$0.7 trillion in risky obligations. Thus, the total of housing-related high-risk obligations is roughly \$5 trillion.

It should be kept in mind that if one starts with \$5.757 trillion in mortgages, these \$5.0 trillion in risky obligations are distinct from and in addition to the mortgages, and a total of \$10.757 trillion is laden onto the homes and attached to the incomes of America's homeowners. A Mortgage-Backed Security is an instrument with its own risks, independent of those of the underlying mortgages. For example, a dramatic change in interest rates or even a significant increase in *pre-payments* of mortgages can wipe out MBS value, quite as efficiently as the increase in mortgage defaults. In the case of the REMIC portion of MBS, this risk is considerable. Fannie Mae's financial paper is a ticking time-bomb threatening to bring the whole leveraged operation down.

## Mortgage Financing Props Up Consumer Bubble

This is already far too dangerous, but the financier oligarchs decided to extend the housing bubble to do double duty, to support consumer spending, to halt the rate of economic decline. It thus serves now not only as a bubble for housing values in their own right, but the Wall Street-City of London circles are encouraging homeowners to borrow against the increases of fictitious value in their home to extract “wealth” with which to engage in consumer spending. This is known as the wealth effect.

While it is commonly thought that stock market capital gains have held up consumer spending, a recent study by a team led by Yale economist Robert Shiller, shows otherwise. In the study, entitled “Comparing Wealth Effects: The Stock Market Versus the Housing Market,” Shiller shows that for every 10% gain in the stock market, there is a 0.2 to 0.3% gain in consumer consumption; while for every 10% gain in the housing market, there is a 0.62% increase in consumer consumption. Whether or not the numbers are precise, the rough comparison of boosts in consumer spending, is two to one in favor of the housing bubble.

Households are finding two ways to get their hands on some of the fictitious value of their homes: cash-out refinancing, and home equity loans. Under cash-out refinancing, a homeowner takes out a new, larger mortgage on his home, whose value has been artificially pumped up by general speculation. With the new cash, he pays off his first mortgage, pays off his credit card debt, and has money to buy a spate of consumer goods. According to Fannie Mae, in 1993, homeowners extracted approximately \$28 billion in cash, from cash-out refinancing; but this tripled to \$80 billion in 2001. With an equity loan, the homeowner borrows against a portion of the equity existing in his house (rather than refinancing the

entire mortgage, as with cash-out refinancing).

The amount of home equity loans outstanding stagnated between 1990 and 1995, only rising from \$235.9 billion to \$289.3 billion. Then, as “Bubbles” Greenspan et al. pumped the bellows, the amount of home equity loans soared, reaching \$701.5 billion in 2001. The amount of home equity loans is larger than all borrowing by credit cards in the United States.

A Federal Reserve Board economist told *EIR* that half of the value of all home equity loans does not go for home improvements, but for consumer expenditures and paying down credit card debt. Others indicate that as much as 60% of home equity loans—over \$400 billion a year—is for consumer cash and credit card expenditures.

The banks have made it very easy to get home equity loans since the mid-1990s, and now promote “home equity lines of credit,” where the homeowner borrows, not a fixed amount—as was the case with the old home equity loan—but an almost unlimited amount of credit.

### Write It Down Before It Falls Down

The housing bubble, represented by \$12.04 trillion in homeowner home real estate valuation, and \$10.757 trillion in original home mortgage and secondary housing market paper, is the biggest such bubble in history. It has more than doubled its size since 1995.

Signs now exist of an increase in mortgage problems: In the first quarter of 2002, more than 4.65% of mortgage loans nationwide were delinquent (30 days past due), the highest level in ten years, and the rate of mortgage defaults is rising. Fannie Mae has taken extraordinary measures to roll over troubled homeowners’ mortgages, in order not to have the level of defaults show up. But the housing bubble cannot be sustained. The principal boundary condition is reality: Households with declining real standards of living, are not able to take out of their incomes what is necessary to pay rising home prices, and the demands of ever larger mortgages.

Lyndon LaRouche has proposed putting the financial system through Chapter 11 bankruptcy reorganization, as part of the process of a New Bretton Woods monetary system. That would include writing down a good part of the mass of U.S. housing paper. If that is not achieved, as mortgage defaults increase, beyond the ability of Fannie Mae and Greenspan to control them, the leverage that has been built into the housing market will come undone, with lightening de-leveraging of the entire market. Six trillion dollars of fictitious real estate value will deflate rapidly. Mortgage defaults will intensify, and millions of families will be devastated. The grand payoff is that the housing bubble’s puncture will bring down consumer spending, and the U.S. financial system which Greenspan et al. built it to sustain.

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# Business Briefs

## National Economy

### Argentine Diplomat Looks To FDR Legacy

"No one has forgotten the important historical and psychological legacy of the great President Franklin Delano Roosevelt," in thinking about Argentina's current crisis, wrote Argentine diplomat Hugo Gobbi, in the daily *Clarín* on June 5.

Gobbi, a former Assistant Secretary-General of the United Nations, criticizes the contradictions in U.S. policy—protectionism, the Enron scandal, unilateralism—noting also the International Monetary Fund's imposition of conditionalities on nations needing financial assistance. Gobbi points out that by "ignoring Latin American aspirations, Washington has renounced any associative or integrationist process with this region"—that is, the Free Trade Area of the Americas is dead.

What is needed to set matters straight is "bold innovation," Gobbi asserts. The current international climate "is not encouraging" for Argentina. "Nonetheless, it is a moment in which we cannot lose faith in our ability, or allow ourselves to be discouraged. We know that times of crisis force us to harmonize and coordinate national efforts, and to seek urgent solutions. No one has forgotten the important historical and psychological legacy of that great President, Franklin Delano Roosevelt, in a period equally tragic for Americans, in the sense that, faced with a difficult situation, it is more important than ever to preserve and promote confidence in the human and natural resources of our country."

## Public Health

### Sounding the Alarm Over HIV in Russia

UN Secretary General Kofi Annan, during a visit to Moscow on June 5, met with officials from HIV prevention and treatment programs in Russia, who told him that the growth rate of HIV infection in the country is one of the highest in the world. Over 2.5% of Russian teenagers have been infected with

HIV, they said. The looming HIV catastrophe was discussed in its relationship with the drug addiction epidemic and child homelessness.

The Russian Health Ministry reports that 88,120 new HIV cases were registered among Russian citizens in 2001, out of a total of 194,033 registered HIV infections since 1987, according to a June 2 release from Interfax. Urban Weber, UN adviser on HIV, was quoted on June 2 in the London *Observer*: "Ninety percent of Russian HIV cases caught the disease since 1999. This means that the first wave of people will start arriving in hospitals in three years."

The occasion for the *Observer* article, titled "Russian AIDS Plague To Hit Europe," was the forthcoming release of a report from the Imperial College in London, which projects that 5% of the adult population of Russia will be HIV-positive by 2007. The *Observer* quoted one doctor who took part in the study, saying that in Russia, "4 million adults will develop AIDS," and "it could easily be a lot worse—at least double. And these people will die within ten years." The highest rates of infection have been among intravenous drug users, but HIV is now spreading more widely through heterosexual contacts.

The Imperial College study was commissioned by the UN AIDS program, UNAIDS, for presentation at a World Health Organization conference in Barcelona in July.

## Labor Force

### U.S. Unemployment Statistics Lie, Again

The official U.S. unemployment level fell from 8.594 million in April, to 8.351 million in May, a decrease of 243,000 workers, and the unemployment rate fell, between April and May, from 6.0% to 5.8%, the U.S. Department of Labor's Bureau of Labor Statistics (BLS) reported on June 7. As usual, they're lying.

For one thing, unemployment continues to rise in the manufacturing sector, the core of the productive economy, and in May, a further 19,000 manufacturing jobs were eliminated. Since July 2000, some 1.761 million manufacturing payroll jobs have

been eliminated from the U.S. economy. Of these, 1.443 million are *production manufacturing workers' jobs*.

Otherwise, in order to make it appear that the number of payroll jobs is increasing, the BLS once again resorted to the ruse that it has used several times: rewriting history. In February, the BLS reported that the number of payroll jobs had increased by 66,000, only to revise that down to negative 2,000; in March, the BLS reported that the number of payroll jobs had increased by 58,000, only to revise that down to negative 21,000; in April, the BLS reported that the number of payroll jobs had increased by 43,000, only to revise that down to positive 6,000. For May, the BLS is reporting that payroll employment increased by 41,000 jobs, a figure that likely will be revised downward within a month.

From February to April, the BLS had reported that the number of payroll jobs *increased* by 162,000, when, in fact, after revision, it *decreased* by 17,000. Only by revising downward its April payroll jobs figure from positive 43,000 to positive 6,000, could the BLS then claim an increase of 41,000 payroll jobs in May.

*EIR* has determined an approximation of the real unemployment rate. Counting the official number of unemployed, plus those in the categories of "want a job, not in the labor force," and "part-time for economic reasons," the real unemployment level is 15.296 million, and the real unemployment rate is 10.8%—double the official level.

## Zambia

### IMF/World Bank Rush To Offer 'Help'

After Zambian President Levy Mwanawasa introduced a New Deal for agricultural modernization, reintroduced subsidies for peasant farmers, delayed the privatization of the few remaining state enterprises, and scrapped cost-sharing fees in primary schools, the International Monetary Fund (IMF) and World Bank have suddenly discovered in themselves a deep and abiding love for Zambia. Mwanawasa's New Deal was reported in *EIR* of March 22.

**ISRAELI** unemployment was 10.6% for the first quarter of 2002, which compares with 8.7% for the first quarter of 2001. The Israeli daily newspaper *Ha'aretz* reports that 270,600 Israelis are now unemployed.

**BETHLEHEM STEEL**, the third largest U.S. producer of steel, is being dropped from the New York Stock Exchange listing, because the price of its stock fell below a dollar a share for more than 30 consecutive days.

**TYCO** is being investigated by the U.S. Securities and Exchange Commission for its accounting of acquisitions, used to triple sales in the four years ending Sept. 30, reviving a probe conducted in 1999-2000. The credit rating agency Fitch downgraded Tyco's debt to "junk" status, joining Moody's and Standard & Poor. Tyco's scheme to survive includes an initial public offering on its financial services subsidiary, CIT, which would raise \$6.5 billion, if a sucker would buy it, but the Securities and Exchange Commission has not yet approved the plan.

**GLAXO**, the British pharmaceutical giant, is alleged by the U.S. Internal Revenue Service to have improperly avoided a significant portion of U.S. taxes on \$29.5 billion in drug sales during 1989-99. GlaxoSmith Kline, it appears, overpaid its British parent for the drugs, thereby artificially reducing its profits in the United States and paying less U.S. taxes as a result.

**PERSONAL INCOME** tax (PIT) revenues in the states of the United States were down 21.4% in April compared to last year, according to a survey of states' fiscal status released on June 4 by the Rockefeller Institute and several national associations of state officials. In five states, the declines were as much as 19.1-28.9%. Overall PIT revenues were down \$14.57 billion in January through April, with \$8.56 billion of the drop from April revenues.

A three-day conference of international donor and investor representatives inspired by the IMF and World Bank began in Kitwe, Zambia, on June 3, to urge the Zambian government to diversify. While they cannot say that Zambia's emphasis on food production and processing is wrong—since southern Africa is now suffering famine—they are attempting to get emphases on tourism and gemstone mining included on Zambia's agenda.

According to the UN Integrated Regional Information Networks (IRIN), "Western donors led by the IMF and World Bank prodded the reformist government of former President Frederick Chiluba to sell some 300 state-run firms and entities. That included Zambia Consolidated Copper Mines, which was responsible for around 80% of the country's foreign [exchange] earnings." They said that this would boost copper production. But since then, poor international metal prices have led to further reduction in earnings. Anglo American and other mining houses are now reducing or suspending their investments. The IMF/World Bank-led reforms thus "could force the Zambian economy to its knees."

The conference was preceded by the IMF's announcement on May 30 that it had approved a \$317 million loan for Zambia's Poverty Reduction and Growth Facility.

These moves are doubtless also aimed at moving President Mwanawasa away from his strong support for Zimbabwean President Robert Mugabe.

## Germany

### Unemployment Expected To Soar This Summer

German official joblessness won't fall significantly below 4 million this Summer (10% of the total labor force of 40.5 million). The report for May, presented at the Federal Labor Office in Nuremberg on June 8, still showed an official unemployment figure of 3.945 million, although the warm weather contributed to a seasonal surge of construction employment.

In terms of total joblessness, May 2002 has been the worst since May 1997. The av-

erage May unemployment rate in Germany's western states was 7.6%, in the eastern states 17.7%.

In the machine-building sector, the heart of Germany's industrial economy, firms are not hiring new staff, but are expanding work for the staff they have kept over the recent months, at short-work. Hence, no improvement is in sight, for the unemployed.

Also, firms are not taking the risk, in this situation, of hiring young workers or apprentices: The jobless figure among workers under age 25 increased by 16% in May, compared to the same time last year. And, the total number of apprentice jobs offered by firms, has fallen by 6%, against the year before. In many districts of eastern Germany, youth unemployment is as high as it is in neighboring Poland: between 40% and 50%.

## Trade

### Nigeria Takes Measures To Protect Shipping

Nigeria's House of Representatives has passed a protectionist law prohibiting foreign vessels from engaging in any form of carriage of cargo and passengers, from any port or point to another within the Nigerian waters, the *Vanguard* of Lagos reported on June 2. "The Senate is also disposed to pass the bill aimed at protecting the indigenous shipping operators, who until last year were denied the privilege of participating in the carriage of petroleum products and supply services to and from oil rigs, platforms, and installations," the newspaper added.

"Expectedly, foreign shipping companies which have been in control of the coastal trade are adverse to this bill which is considered unprogressive and protectionist, with the argument that it is against the spirit of globalization and liberalization."

Under the law, a vessel financing fund will be established to promote the development of indigenous ship acquisition capacity, by providing financial assistance to Nigerian operators in domestic coastal shipping. The fund will be managed by designated banks which must operate with adequate security, while the payment of interest must not exceed 10% of the loan.

## Brazil Finds Best Message To the United States: LaRouche

by Gretchen Small

Fast on the heels of their trip to the United Arab Emirates, U.S. Presidential pre-candidate Lyndon LaRouche and his wife, Helga Zepp-LaRouche, visited Brazil in the second week of June, invited by the São Paulo City Council, so LaRouche could be awarded an honorary citizenship of their city. Other Brazilian institutions also jumped at the opportunity to hold first-hand discussions with the American statesman respected worldwide as a true American patriot, who dares stand up for all mankind.

Their trip proved timely. As they arrived, Brazil's financial house of cards began collapsing upon itself, repeating like a horror movie re-run, the essential features of the implosion of the financial system of its neighbor, Argentina, just a year ago.

Brazil, with over 40% of all the population of Ibero-America and half of its territory, is one of the few countries of Ibero-America which maintains some sovereignty, after 20 years of International Monetary Fund (IMF) destruction. Although severely weakened, too, thus far Brazil has managed to hold onto a significant independent scientific and technological capability. Its recent announcement that it will begin commercial-scale production of enriched uranium in July, only the seventh country which has this capability, reminded the world of Brazilians' skills. The advanced centrifuge technology it will employ for enrichment was developed as a spin-off of the Brazilian Navy's ongoing work in building a nuclear submarine with national technology.

For years, Brazilian leaders had, by and large, bought into the lie, that there could be a seat for Brazil at globalization's table. Other nations might go down, but they would survive. That assumption has crumbled under the onslaught of the global breakdown crisis. In the recent period, horrified Brazilian leaders realized that the United States and the IMF *intend* to let Argentina disintegrate and die. That shock, combined

with anger over the Bush administration's imperial "unilateralism" globally, has shredded the traditional pro-American allegiance of the Brazilian elite.

Accordingly, members of Brazil's elite decided to send the most pointed message possible to the United States, of what they consider acceptable behavior from a global power of U.S. history and tradition: they invited LaRouche as the representative of the true America.

### Honorary São Paulo Citizen

Being awarded honorary citizenship of São Paulo is no small thing. The city is a major power center within Brazil, and, with 18 million inhabitants, the third largest city in the world. The decision to name LaRouche an honorary citizen was motivated by Dr. Havanir Nimtz, the principal representative on the City Council of the PRONA party, founded by Dr. Eneas Carneiro, one of Brazil's preeminent cardiologists. Dr. Eneas has run several times for President, distinguishing himself as an outspoken opponent of globalization. While PRONA does not hold a majority on the City Council, Dr. Havanir (herself a dermatologist) wields the authority of having won her Council seat with the second largest number of votes of any candidate in São Paulo's last elections.

LaRouche and his wife, accompanied by Dr. Eneas, visited the City Council while it was sitting in plenary session on June 12. Councilwoman Havanir requested a motion of order interrupting the plenary session, so she could introduce the distinguished guests. Public television began filming, and cameras clicked, as Dr. Eneas presented LaRouche.

Then a special Council session to award LaRouche his citizenship was convoked. It was held with great pomp and circumstance in an auditorium in the City Council building. Those introduced on the podium included Dr. Eneas, the LaRouches, Dr. Havanir, and *EIR* correspondent Lorenzo



*In the City Council chambers of São Paulo, Lyndon LaRouche is presented honorary citizenship of the city by Councilwoman Dr. Havanir Nimtz, just before the second of the major events of his Brazilian visit. In the background with Helga Zepp-LaRouche, is Dr. Eneas Carneiro, leader of the PRONA political movement in the country.*

Carrasco. Before the proceedings began, a military band played the national anthem of Brazil, and the American national anthem was sung. Present was an overflow crowd of over 250, including many PRONA members who came from around the country to meet LaRouche.

We are living in a very perilous period of history, LaRouche told those present, in a brief address. He laid out for them the history of the United States, as a battle between those—like himself—who are in the tradition of its founder, Benjamin Franklin; and the Tories, allied to this day with the British Empire. The U.S. has a crucial role to play globally, LaRouche said, with Russia, the Eurasian countries, with other nations. But its relations with the Americas will be decisive. There is no way that the U.S. will come out of this crisis today, without the founding of a community of principle between the nations of the Americas; and my hope is, is that my trip to Brazil will set that in motion. Brazil has a particular role to play, as one of the few countries which still has some sovereignty. I hope, by my coming to Brazil, that we can open such a dialogue with all the nations of the Americas.

Dr. Eneas told those attending that they need to understand who *is* this Mr. LaRouche. I recently read an article by LaRouche on the catenary, he said. Now, how many Presidential candidates even know what a catenary is? Dr. Eneas described a catenary, explaining that it proves the way in which nature searches for order with the least action possible. Which Presidential candidate would have the slightest idea, he added, of what a hyperbolic function is? LaRouche also talks about ancient Greece as if he had been there himself, sitting by Socrates' side in the *Symposium*. What happens when you read LaRouche, is you receive a refreshing bath of science

and art.

Most important, is LaRouche's concern for humanity. These are the ideas which PRONA defends, also, Dr. Eneas said. Compare LaRouche's attack on empires, to what President George Bush is saying! The system is destroying itself, and it will be no different for Brazil. There is only one solution: Rupture! Break with the system! Brazil is an important country in the world. It must say, "Enough"! If this system is not stopped, as LaRouche says, there will be a New Dark Age, he concluded.

By this action here, Helga Zepp-LaRouche told those present, you have sent the most powerful possible message to the world, about which of the two Americas the world wants. If there is to be hope for the world, the United States has to be brought back to its senses.

### **A Replay of Argentina, Doubled**

LaRouche emphasized in each of his presentations while in Brazil, that there is *no* solution within the existing system: not one. Not for the United States. Not for Brazil. You must help replace the system, he told people, because both our nations are heading straight towards a blow-out no different than what collapsed Argentina. Perhaps next week, perhaps in some months, but it will occur soon.

Brazil is already unravelling financially. The week before LaRouche arrived, Brazil's country risk—the amount over the interest rate of U.S. Treasury bills which “the market” (read: J.P. Morgan Chase) requires a country offer on its government bonds—rose to over 1,000. At the same time, J.P. Morgan issued a recommendation to its clients to sell any Brazilian debt they hold. On June 5, Moody's downgraded

Brazil's foreign currency bond rating, declaring (correctly, for once) that Brazil will have difficulty paying its debts, no matter who wins the October 2002 Presidential election, because of the great amount of debt, foreign and domestic, coming due in 2002 and 2003.

By June 13, its country risk had risen to 1,300, behind only Argentina and Nigeria. That means, that Brazil would have to offer more than 18% interest, to sell any paper. At that level, neither the government nor private companies can afford to refinance their debt.

The world financial markets, Argentine daily *Clarín* wrote, are "recreating the mechanisms which ended up crushing Argentina." The difference is, that Brazil's foreign obligations, at \$500 billion according to *EIR*'s estimates, are more than double Argentina's. Because of the nature of Brazil's debt bubble, should capital flee Brazil and creditors refuse to roll over debt on any reasonable terms when it comes due—as is now occurring—Brazil's debt pyramid will implode even faster than Argentina's did.

At the end of April, Brazil's total "domestic" public debt was reported to be 633 billion reals (more than \$243 billion, at 2.6 to the dollar), about \$60 billion of which comes due over the next 12 months. This is domestic public debt, and does not include the public foreign debt, nor corporate foreign debts, nor foreign stock market ownership, for which investors could demand dollars at a moment's notice.

Some 80% of public "domestic" debt is indexed either to dollars, or to the going interest rate. Since much of Brazil's debt is dollarized, but its currency floats, every devaluation raises the debt by the same proportion. Thus, for example, *O Estado de São Paulo* reported on June 10, that Brazil's government debt increased by R\$14 billion—around \$5.3 billion in U.S. dollars—in the first week of June alone, because of the 4.6% devaluation in Brazil's currency, the real, that week.

Yet, to get investors to buy government paper, the Central Bank has been selling more dollar-linked bonds, at shorter maturities, at higher interest rates. Once again, international creditors and the government are attempting to resolve the fact that Brazil's debts have far outstripped its ability to pay, by adding to the debt. Another \$10 billion loan from the IMF was nervously announced as LaRouche was in Brazil.

## Sovereignty Is Changing the Rules

LaRouche's first forum in Brazil was held in the auditorium of the Latin American Parliament in São Paulo on June 11, sponsored jointly by *EIR* and the Alumni Association of the Superior War College (ADESG). Although his subject was titled "The Global Systemic Crisis and the End of 'Free Trade,'" LaRouche covered the broadest range of subjects in his three and a half hours of discussion with the 120 people who attended.

Those present were primarily very high level representatives of the São Paulo elite. Leaders of business and agricultural associations, and state-sector companies, lawyers, pro-

fessors, retired military officers from Army, Navy, and Air Force, and some students were among those in the audience.

The ADESG invited two people to comment upon LaRouche's presentation, each a recognized intellectual leader of national stature, representing different political outlooks. As such, they spoke not only for themselves, but as representatives of the two power groupings debating what Brazil must do in this conjunctural crisis. One was General Oliva, a former director of the Superior War College, and a respected intellectual within and outside the military, who is known as an opponent of globalization. The other was Cong. Marcos Cintra, a prominent ideologue for the followers of British liberal economics in the country. He currently heads the Congressional committee which deals with the negotiations for the Free Trade Agreement of the Americas (FTAA).

LaRouche laid out the crisis facing the world, and addressed the issue of how, in the current era, to extend the nation of a military defense to the broader concept of a strategic defense of the nation-state as a whole. Those who fear the power of the IMF and the United States, seek solutions within the rules. I tell you: There is no solution within the rules, he said. There is no solution within a system whose axioms have proven to be wrong. We have to change the rules. Can we not change the rules? Are we not human?

Sovereignty, he said, is the power to deliberate to change the rules. The problem is one of leadership. People are technically competent, but they are not good leaders. It is a moral problem. They are not acting in correspondence with what it is to be human. The world is being destroyed by the rules. We must inspire people to change them.

In response to LaRouche's presentation, General Oliva reviewed how Brazil brought about economic growth during the 1965-83 military government, by emphasizing infrastructural investments. But that was in a world in which there still was stability in the global economy, and the United States wanted to help Brazil, he said. Now, because we believed in the IMF rules, we have no national patrimony left. He said that he, too, admires Alexander Hamilton and Franklin Delano Roosevelt, and he did not disagree with anything LaRouche had said.

That could not be said by Congressman Cintra, who defended economic liberalism as a system still functioning. Cintra, however, said that he likes to debate people with intelligence, prefers to debate the forest rather than the trees, and sees that LaRouche has a strategic vision, which encompasses everything. Cintra called the forum one of the most provocative conferences he had ever attended, and said LaRouche's ideas enrich our reflections.

When the much-longer discussion which ensued concluded, the head of the ADESG in São Paulo, Adauto Rochetto, thanked LaRouche warmly for speaking to them so directly, especially recognizing the fact that what he is saying, as an American citizen and an American politician, goes against what his government stands for and is doing around the world.

In another presentation to a private luncheon organized by one of São Paulo's leading business associations, LaRouche again returned to the question of leadership. Unless leadership is provided in this time of crisis, he told them, this country could face a July 14, 1789, its own Jacobin revolution. This is what oligarchs such as the Anglo-French agent Teddy Goldsmith are organizing, using tools like the World Social Forum founded in Pôrto Alegre, Brazil, in 2001. The French Revolution resulted from a *lack of leadership* of those who opposed it, he emphasized.

The only way the World Social Forum and the new Jacobins get away with calling themselves "anti-globalization," is because of the destruction that we have allowed to occur under globalization.

They are not against globalization, LaRouche insisted. *I* am the leadership against globalization. *I* am for the nation-

state. LaRouche urged the group to join him in organizing more discussions, more dialogue, more conspiracy. Conspiracies, he told them, are people getting together to discuss what they agree on, what they disagree on, and what to do about it.

In his many meetings, LaRouche made clear he was addressing the entire hemisphere through his dialogue with Brazilians. As *EIR* went to press June 14, LaRouche was addressing the fifth in a series of seminars, "Brazil-Argentina: Hour of Truth," organized jointly by his associates in the Ibero-American Solidarity Movement (MSIA) and the Ibero-American Integration and Identity Movement (MINEII) founded by friends of Argentine Col. Mohammed Alí Seineldín. The seminar, held in São Paulo, opened with an exchange of ideas between LaRouche and Colonel Seineldin, hooked up by telephone from his military prison in Argentina, before a full house.

## Financial, Political Turmoil Spreads

Just as Lyndon LaRouche warned, the generalized collapse of Ibero-America's economies is accelerating at an extraordinary rate. While attention is focussed on Argentina and Brazil, there are other foci of the crisis:

- Uruguay: The economy of this tiny country is shattered, such that the IMF recently felt compelled to grant it an emergency \$1.5 billion loan. GDP dropped by a whopping 10.1% in the first quarter, with a 14% drop in construction and an 18% decline in manufacturing, compared to the same period of 2001. Capital continues to flee the banking system: So far this year, reserves have dropped by \$1.3 million. On June 12, the PIT-CNT labor federation led a 24-hour general strike against the austerity program dictated by the International Monetary Fund and imposed by President Jorge Batlle. In a nation of 3 million people, unemployment now stands at 15%, or 200,000 jobless, while another 560,000 people hold jobs categorized as "precarious." PIT-CNT leader Luis Puig told Reuters "we're trying to change the direction of economic policy, because here we're heading down the same path as Argentina."

- Ecuador: Growing public protest, as in Peru, has forced the government to suspend plans to privatize power companies, which the IMF is demanding as a conditionality for a \$240 million standby loan. Ecuador's government is also resisting an IMF demand that it reallocate 10% of the funds from its oil stabilization fund, to buy back debt bonds, rather than for urgently needed social programs.

- Paraguay: Political and financial instability is widespread, and coup rumors are rampant. There are attempts

in the Congress to impeach President Luis Angel González Macchi on corruption charges, while mass mobilizations of farmers and trade unionists succeeded on June 6 in forcing the Senate to suspend the law authorizing privatization of state sector companies. This is a blow to the government, which needed the privatizations to qualify for an IMF loan.

- Venezuela: Against the backdrop of a highly volatile political situation, the currency, the bolivar, continues to plummet, by 36.6% in the year to June 13. The second quarter's shrinkage of the economy is expected to be more dramatic than the 4.2% of the first. Inflation is also expected to double this year, to 26%, up from last year's 12%. Because tax revenues are falling below the government's target—in the first four months of this year, revenues were only 88% of what the government had expected to collect—the Chávez government announced it will have to increase its foreign borrowing.

The Chávez government is attempting to impose the austerity program crafted by University of Chicago-trained Planning Minister, Felipe Pérez. The key elements include increasing the value-added tax (VAT), eliminating some tax exemptions, and eliminating the fuel subsidy, a provocative measure guaranteed to unleash social dissent. In protest, business sectors are already threatening not to pay taxes.

- Chile: Supposedly the most "stable" of Ibero-America's economies isn't stable any more. Foreign Minister Soledad Alvear admitted recently that capital has been fleeing the country. There has been a dramatic drop in the investment rate to 21% of GDP, compared to a high of 26% in 1996-97. In the first quarter of this year, the rate of investment dropped by 2.3%. Traditional exports, such as salmon and trout, dropped by 26% in April, with enormous reductions by regular customers such as Japan (42%) and the European Union (25%).

# Bush Rebuffs Arabs and Courts Mideast Disaster

by Paul Gallagher

By the end of his meetings with Egypt's President Hosni Mubarak at Camp David on June 7-8, and with Israel's Prime Minister Ariel Sharon at the White House on June 10, President George Bush had all but completely isolated his administration from the Arab nations, a mistake which Secretary of State Colin Powell's hurried floating of the mirage of a "preliminary Palestinian state" did little or nothing to repair. Israel's wide-bodied Prime Minister left with what he considered Washington's implicit backing to do whatever he and his extremist cabinet choose, militarily—not only to Palestine, but to Syria, Iraq, or Iran. In this regard, it was ominous that Sharon's government, just before his trip to the United States, had issued a *démarche* to Syria, charging that it had ordered the bombing of an Israeli bus which killed 13 soldiers and four civilians, wounding many more.

President Bush's listless rebuff—"later, later"—to the energetic intervention of Hosni Mubarak, who demanded an early date-certain for a sovereign Palestinian state, courted disaster, when compounded by his equally listless echoing of Sharon's formulations a few days afterwards. "Now is not the time for peace negotiations," and "first we need a new Palestinian leadership," are precisely the formulations introduced by the crafty fascist Sharon in connection with the staging of the *Karine A* affair in January, to gain time for the continuous invasions of Palestinian territories since then. So it seems that the President who last year made an unusually clear call for a Palestinian state, now goes along with Sharon's idea that an Israeli-puppet leader must first be found to replace Yasser Arafat, and run whatever bantustans and ghettos the Likud party decides to allot him. The U.S. Senate simultaneously passed \$200 million in new aid to Israel in an emergency appropriations bill.

Both America's and Israel's economies are sinking into a global depression, and the two governments are increasingly controlled by factions which want new wars in the Mideast by this Summer or early Fall. Bush's performance, while the news coverage of Lyndon LaRouche's breakthrough presentation at the Zayed Centre of the Arab League in Abu Dhabi on June 2, was still circulating through the Arab world, threw into stark relief the necessary alternative American leadership which LaRouche represents to the Mideast nations.

## Mubarak's Proposal a Last Chance

Mubarak's demands upon Israel for the beginning of a political peace-and-statehood negotiation, were an even more

simple form of those of the Saudi peace initiative put forward by the Arab League. As he explained at his June 8 press conference with President Bush at Camp David, "Israel must end the siege imposed on the Palestinian people, and withdraw its forces to positions occupied on Sept. 28th, 2000, and halt assassinations, and the repeated incursions into the territories under the control of the Palestinian Authority, and immediately halt all [new] settlement activities in the occupied territories, including the illegal confiscation of land, and the expansion of settlements under the pretext of natural growth or any other consideration."

All of the Israeli military and colonization activities he cited are already recognized as war crimes and otherwise illegal activities under conventions of international law and UN resolutions; Mubarak was effectively asking that Israel stop committing war crimes, no more. He praised Bush's support for a Palestinian state, and proposed the early declaration of intent by the nations to create that state. As he had told the *New York Times* on June 4, his proposal would confer statehood on all Palestinian lands recognized by the United Nations, before negotiating exact boundaries and other issues such as the existing settlements.

Mubarak pledged his government to push through the reform of the Palestinian Authority leadership, ahead of P.A. elections later this year. But, he insisted, "we have to use Arafat in this present situation."

Egypt's Deputy Minister of Information, Nabil Osman, speaking to a group of journalists in Washington on June 3, called the Mideast situation the worst it has ever been, with the entire region—not only Israel and Palestine—"pushed to the edge of the abyss. . . . We need a deadline, a timetable for a final, not an interim, solution." He emphasized that this cannot happen without an agenda being laid out from the United States, one which is in the United States' own interests. The United States otherwise faces a certain explosion of extremism and war throughout the region.

## Sharon's Perpetual War Strategy

American Mideast policy for more than a decade—involving the desire to get Israel to abandon at least its most provocative settlements, and to recognize the "two states at peace" idea—has been dramatically shifted during Bush's seven meetings with Sharon. One of Sharon's major objectives this time was to formally kill a State Department reiteration of the policy of shutting down Israeli settlements within three years. The Israeli daily *Ha'aretz* reported on June 12, that Sharon told Bush, "Palestinian Authority Chairman Yasser Arafat's immunity is not self-evident," and he did not reiterate a previous promise to the United States not to try to kill Arafat.

Bush, according to *Ha'aretz's* sources, did not respond. The Israeli Defense Forces, just hours earlier, had reinvaded the West Bank cities of Tulkarm and Ramallah and shelled not just the Palestinian Authority's West Bank headquarters in Ramallah, but Arafat's residence within it. P.A. leaders

were arrested, Ramallah was again declared a war zone, and foreign correspondents were expelled or seized. The London *Sunday Telegraph* that day reported that Israel will force Arafat into exile after the next major suicide bombing.

In an op-ed published in the June 9 *New York Times*, Sharon vowed that Israel will never accept its pre-1967 borders under any circumstance, and claimed that “only a victory in the war on terrorism will provide a new diplomatic basis for a stable Mideast peace.” Thus he seized on the “perpetual war” doctrine of the Clash of Civilizations faction in the United States, which is more and more dominant over the administration. Sharon and his Likud party extremists define “victory over terrorism”—as does that Anglo-American faction—as including war and/or coups against the governments of Syria, Iraq, and Iran, at minimum.

Thus, for the forces President Bush is now encouraging, continuously spreading Mideast war is the “basis for a stable Mideast peace.”

Bush’s all-embracing statement on the invasions of the Palestinian territories—“Israel has a right to defend itself”—also matches Sharon’s formulation, “Security [for Israel] is the prerequisite of peace.” But “security” under Sharon’s rule, clearly not yet attained, has been paid for with the lives of 500 Israeli civilians killed since he became Prime Minister 18 months ago—more than one civilian death per day—not to speak of the Israeli reservists and soldiers killed.

### **Irreconcilable Breach With Arabs**

In fact, President Bush’s current non-policy, leading to certain spreading war, looks for the support not of American Jews or Israelis, but of the extreme “Christian Zionist” fundamentalist groups in the United States which are blackmailing him around the 2002 Congressional and other races in the mid-term elections. In Israel, the peace forces are growing in size and activity, despite widespread “wartime approval” of Sharon among the population (see “Israel’s Beilin Forms New Movement,” *EIR*, June 14, 2002). The more rational position among American Jews was forcefully represented in the June 13 *New York Times* by New York Council on Foreign Relations senior fellow Henry Siegman, the son of refugees from Nazi Germany, who wrote that what he went through as a child enables him now to understand what it is like to be a Palestinian living under Israel’s illegal and brutal occupation. “This does not excuse suicide bombings,” said Siegman, “but the way Israel deals with these outrages is suspect, as long as



*Unprepared with any policy for peace, President Bush agreed to Israeli Prime Minister Sharon’s disastrous war policy, after Bush had rebuffed Egyptian President Mubarak’s attempt for peace.*

they are exploited to extend the occupation and enlarge Israeli settlements.” He does not look “to the [current] political leaders of Israel, many of whom are Jewishly illiterate, to define for me the meaning of Jewish identity or solidarity.”

It has been evident since the very large April “dueling demonstrations” in Washington, and polls taken at that time, that there is very considerable opposition to Sharon among Americans, definitely including American Jews; and that by pushing Sharon forward in order to please “Christian Zionist” voters, Bush is making a political mistake.

But far more serious are the strategic mistakes involved. The President is unleashing the *golem* of perpetual war in the Mideast. The breach between the United States government and the Arab nations’ leading representatives, after the Mubarak and Sharon trips to Washington, now appears virtually irreconcilable. Colin Powell’s attempt to disguise the breach with an *Al Hayat* interview June 12, in which he mooted an imaginary “provisional Palestinian state,” was rejected out of hand the next day by Egyptian Foreign Minister Ahmed Maher. From the Arab nations’ standpoint, a Summer of spreading wars and destabilizations looms in the wake of Bush’s mistakes.

President Bush has announced that he is preparing a major Mideast policy pronouncement, following his weeks of meetings with Arab and Israeli leaders. That speech could be delivered before the end of June. The only way for Bush to get out of the Mideast quagmire he has helped create, is to embrace, fully, the plan for genuine Mideast peace, based on large-scale cooperative economic development projects, spelled out by Lyndon LaRouche. If, and only if, Bush goes with the LaRouche “Oasis Plan,” can the Mideast be brought back from the brink of war, even at this late date.

# At Abu Dhabi, Dialogue Of Civilizations

by Our Special Correspondent

Speaking to an audience of high-ranking politicians, diplomats, and media representatives from the Arab world, Helga Zepp-LaRouche delivered a lecture at the Zayed Centre for Coordination and Follow-Up, in Abu Dhabi, United Arab Emirates, on June 3, the day after Lyndon LaRouche's strategic address there (see *EIR*, June 14, 2002). Zepp-LaRouche discussed the need to launch a dialogue of cultures, to defeat the dangerous scenario of religious wars. She opened her remarks, by emphasizing the difference in media coverage, between Arab and Western outlets, regarding Israel's aggression against the Palestinian people. Particularly, in the United States, this terrible reality is almost completely suppressed, she said.

Since the events of Sept. 11, the war against Afghanistan, and the escalation in the Middle East, followed recently by the conflict between Pakistan and India, the "Clash of Civilizations" promoted by Harvard ideologue Samuel Huntington has unfortunately become a reality in the whole of South and West Asia, and a scenario which the practical policy thrust of the United States follows. Huntington's basic thesis is that there are no common features among the great world civilizations—Christianity, Judaism, Islam, Hinduism, Buddhism, or Confucianism—and that, therefore, conflict among them is inevitable.

This proves only, Zepp-LaRouche told the Arab leaders, that Huntington has not the slightest understanding of any of these cultures. Instead, what lurks behind his thesis is the old colonialist trick of "divide and conquer."

## 'Peace of Westphalia' in Mideast

Zepp-LaRouche asserted the need for countering this idea and policy, by reaching into the past, and finding precedents to overcome religious warfare. Most important of these, is the Peace of Westphalia, which ended the European religious wars of the 16th and 17th Centuries.

In order to establish a dialogue among cultures, and prevent wars, Zepp-LaRouche drew on the example provided by the great Cardinal Nicholas of Cusa, who responded to the fall of Constantinople in 1453, with a work, *De Pace Fide* (*On the Peace of Faith*). In it, Cusa elaborated a dialogue among religious leaders and philosophers, through which the higher principle of Unity, the One, prevails over the principle of Multiplicity, the Many. Such an approach, she said, together with Cusa's method of the "coincidence of opposites,"



*Helga Zepp-LaRouche speaks on civilizational dialogue to the Zayed Centre's conference on "The Role of Oil and Gas in World Politics," June 3.*

is what provides a way out of the political problems now plaguing the region.

To illustrate this dialogue of cultures through history, Zepp-LaRouche identified the common, universal principles in ancient China, Egypt, India, and Mesopotamia, then through the Greek Classical period, into Christian civilization, followed by Islam. Among the highpoints of the dialogue, she singled out the relationship between Charlemagne and the Caliphs of Baghdad, Haroun al-Rashid and al-Ma'moun, whose work, especially in translations, helped Europe rediscover the Classical works of the Greeks.

Addressing the current situation, she appealed to leaders of the Arab and Islamic world to make the Abbasid dynasty's (750-1254 A.D.) greatness, a model to be replicated. She stressed the importance of the contribution made by Islamic Spain, Andalusia, which was a bridge between Abbasid culture and Europe.

These examples demonstrated that the dialogue of cultures is indeed a reality, absolutely self-evident in thousands of years of human history, during which the torch of progress has been carried by first one, then another culture.

Zepp-LaRouche stressed that today, however, mankind is sitting all together in one boat. Whereas in earlier epochs, the collapse of one civilization was paralleled by the rise of another elsewhere in the world, today civilization as a whole is threatened. Either mankind succeeds in finding a solution, or it will plunge into a dark age.

Thus, to avoid the threat of a Clash of Civilizations and a "Hundred Years War," as some have predicted, it is urgent to revive the best tradition of every culture, and to engage in a dialogue from that standpoint. Zepp-LaRouche expressed her confidence that through such a dialogue—engaging the noble ideas of a Plato, an al-Farabi, al-Kindi, Confucius, Ibn Sina, Nicholas of Cusa, and so many others (in comparison to whom Huntington is an intellectual dwarf)—the participants would be elevated to the point of greater wisdom and good will.

The fact that Zepp-LaRouche carried out this discussion at the leading intellectual center in the United Arab Emirates, was emblematic of the dialogue of cultures, already in process.

# India-Pakistan Tension Reduced, But Threat Of War Remains

by Ramtanu Maitra

Tension between India and Pakistan rose sharply following the Almaty Conference on Interaction and Confidence-Building Measures in Asia (CICA), held on June 3-4 (see last week's issue). At Almaty, Pakistani President Gen. Pervez Musharraf and Indian Prime Minister Atal Behari Vajpayee met the Russian and Chinese heads of state, but refused to meet with each other. At that point, it seemed a war across the Line of Control (LOC) in the disputed state of Jammu and Kashmir was ready to break out. The status quo along the borders hinged on one thing: Islamabad's commitment to stop cross-border terrorism, which, then, could be verified by a suitable monitoring system placed along the LOC.

At Almaty, there was a search for a suitable monitoring system. President Musharraf suggested that U.S. troops be placed along the LOC to do the monitoring. Rejecting any foreign troop presence in the disputed territory, Prime Minister Vajpayee suggested joint patrolling by Indian and Pakistani personnel. President Musharraf rejected the Indian proposal, calling it "impractical."

On June 5, U.S. Deputy Secretary of Defense Richard Armitage arrived in Islamabad. He claimed that during his talks with President Musharraf, he had received assurances from the President that Pakistan would stop the cross-border terrorism "permanently." Armitage, armed with such an assurance from the Pakistani side, went to India to discuss the monitoring system. It became evident that the LOC monitoring cannot be done by ground troops. It must be done from the sky, using radars, electronic eyes, satellites, and what-not. The response from New Delhi was positive, but not warm enough. All that that means, is that no solution has been found, but New Delhi is listening to proposals from Washington to solve the problem—the non-solution of which would otherwise lead to war against Pakistan. At this writing, U.S. Secretary of Defense Donald Rumsfeld is in Delhi, and is scheduled to meet President Musharraf in Pakistan on June 13.

## 'Very Small Beginning'

The Indian response has so far been confined to reopening its airspace to Pakistani overflights, removing five warships from its western fleet in the Arabian Sea and returning

them to its eastern fleet in the Bay of Bengal, and naming a new ambassador to Islamabad to replace the envoy it recalled six months ago. India had stopped Pakistani overflights following the terrorist attack on the Indian Parliament on Dec. 13, and had moved the warships into the Arabian Sea about four weeks ago to threaten Pakistan's only port, Karachi.

The Indian responses have not impressed President Musharraf. "It is a very small beginning. I am looking for more action," President Musharraf told reporters prior to his departure for Abu Dhabi on June 10. It is unlikely that New Delhi will do much under the circumstances to ease war pressures.

What all this boils down to, is that there is little hope of de-escalation, while almost a million troops face each other along the LOC. Until the troops and the accessories they harbor are removed, the war potential will remain high. One salient point, however, is that the monsoons will arrive in the area within three weeks or so. When that occurs, all military activities will come to a virtual halt, till at least October.

While it is evident that the Indian Army is itching for a short and limited war, New Delhi is also interested to restore peace and stability in the Indian state of Jammu and Kashmir quickly. The state is getting ready for elections for its legislative assembly in September. Because of the tension, the elections will be watched carefully around the world, and particularly in Pakistan. Free and fair elections would enhance New Delhi's image, and there is little doubt that New Delhi will do its best to boost its image at this crucial juncture.

In Pakistan, President Musharraf is committed to holding general elections in October. A war with India may postpone the schedule, but that may not help the Pakistani President. There is a little doubt that the United States would lean heavily on him to carry out the general elections and make Washington look good.

On the other hand, if President Musharraf takes a "soft" position on Kashmir, his credibility among a large section of Pakistan will be in tatters. Since he gained power through a military coup in 1999, Musharraf has presented himself as a leader who would stabilize Pakistan's economy and bring back democratic government. Living up to all those promises, particularly following the U.S. invasion of Afghanistan and Pakistan's role of playing second fiddle to the American troops seeking out the Taliban and al-Qaeda, is becoming increasingly difficult for President Musharraf.

## Musharraf's Problems

Armitage's claim that President Musharraf has promised to stop cross-border terrorism "permanently" has added to the Pakistani President's woes domestically. A group of hard-line clerics, retired Army generals, and outlawed militants representing 23 Islamic groups, rallied against Presi-

dent Musharraf on June 11. They have urged him to withdraw logistical and intelligence support given to the United States. "Jihad in Kashmir will continue," said former Army chief Mirza Aslam Beg. General Beg, who was Pakistan's Army chief in 1989, when insurgency grew multifold in the Indian-held part of Kashmir, said, "No force on Earth can stop the freedom movement" in Kashmir.

President Musharraf has already come under attack from the Islamic clerics for allegedly "selling out" Kashmir. Speaking to a rally of almost 10,000 people, Qazi Hussain Ahmed, Emir of the Jamaat-e-Islami party, cautioned President Musharraf: "We will continue to cross the Line of Control as the struggle for Kashmir's freedom continues." Now that the Pakistani Army has been ordered by President Musharraf to stop the militants crossing over to the Indian part of Jammu and Kashmir, relations between President Musharraf and the pro-jihad faction within the Army will also become tense.

In addition, it is likely that the United States will intensify pressure on Pakistan to round up some of the al-Qaeda and Taliban leaders. Afghanistan is holding the *loya jirga* (Grand Council of Elders) convention in Kabul, and it is certain that Washington will stage-manage the appointment of Afghan interim chairman Hamid Karzai as the leader for the next 15 months, at the end of which elections are to be held. The United States does not want the al-Qaeda or Taliban leftovers to topple this arrangement. In order to ensure that, Washington will most certainly lean heavily on Musharraf.

### **Contradictory Views in Washington**

The India-Pakistan confrontation has brought to the fore, more vividly than ever, the contradiction within the Bush Administration toward South Asia. One faction within the administration, most notably represented by Secretary of State Colin Powell, believes that it is essential to protect Musharraf. Without him, the al-Qaeda and Taliban operatives cannot be apprehended, they claim. In addition, President Musharraf, an Indian-born Muhajir, is not a fundamentalist. Although he made peace with the fundamentalists in his climb to the top, Musharraf is ready to work for U.S. interests in the region, they point out.

The same faction also points out that to drag Musharraf into the Kashmir issue to satisfy India's demands, is a sure prescription for weakening him. And, his weakening would lead to non-attainment of American interests in both Pakistan and Afghanistan—the immediate focus of attention of this faction.

The other group, most commonly identified under the leadership of Vice President Richard Cheney, has a different outlook. They view India as a long-term potential ally, one that can add to American muscle in its "quest for peace and stability" in Asia. They believe that by keeping India happy and being tough on Pakistan, New Delhi can be brought into the American way of looking at the vast continent of

Asia. In other words, India can be a bulwark against a "rising China" in the future, this group points out.

It seems that it is the second group that is now very much in charge of dealing with the India-Pakistan issue. While the objective of this group is to ensure that Pakistan stops cross-border terrorism, it has little interest in pressuring either side to resolve the Kashmir issue. While Secretary Powell had once mentioned Kashmir as the "core issue" of contention between India and Pakistan, the other group has not indicated that it believes the same way.

### **New Delhi's Objective**

New Delhi is trying to reconfigure the crisis to its maximum advantage—politically and militarily. It has already achieved significant success by forcing Musharraf to admit to the Americans that he was involved, directly or indirectly, in running the cross-border terrorists, and that he would stop it. This also means that he is retreating from the age-old dictum that there exist no Kashmiri terrorists, but only Kashmiri freedom fighters.

New Delhi's other objective is to see to it that the cross-border terrorism is really stopped. To ensure that, requires surveillance technology which it does not own and cannot acquire. It seems that New Delhi is trying to convince Secretary Rumsfeld to part with the sophisticated surveillance equipment. In a recent op-ed in the *Washington Post*, long-time "Asia hand" Selig S. Harrison pointed out that "to have a decisive impact, U.S. surveillance help would also have to include sophisticated airborne radar scanners and night-vision video cameras, such as the Lynx and Skyball systems developed for the Predator aircraft that have proved so effective in Afghanistan." He said that the supply of Predator unmanned monitoring aircraft to India would require a waiver of U.S. export restrictions.

He later added that if the U.S. surveillance system does not deter the Pakistani-sponsored infiltration, the United States could then escalate its help by leasing the Predator aircraft to New Delhi and sharing the results of U.S. spy satellite monitoring along the LOC. It is likely that the United States would provide India the latest ground-based monitoring equipment, developed for use along the U.S.-Mexico border.

New Delhi is looking for more. New Delhi claims that about 70-75 guerrilla camps exist within the Pakistan-held part of Jammu and Kashmir, and insists that these should be dismantled. Washington does not quite agree with the numbers, but admits that a large number of terrorist training camps are in the area. But, what the United States has not agreed to, is the exigency of removing these camps. It would like to remove them, but such a step would have to follow the Indian de-escalation of troops from the border. Pakistan, on the other hand, claims that India is raising the bar and is not keen to lower tensions. This is why President Musharraf remains unimpressed with the gestures India has made so far.

# Anglo-Americans Move To Impose Their ‘Utopian’ Military Strategy Over Asia

by Mike Billington

An “Asian Wehrkunde Conference” has been launched, aimed to impose Anglo-American military strategy upon Asia as the annual “Wehrkunde” international security meetings of leading Western defense officials and strategists in Munich, have imposed it upon Europe. The premiere conference, held in Singapore on the weekend of May 31-June 2, was the unfortunate venue for an outburst of “utopian,” imperial military strategy, led by U.S. Deputy Defense Secretary Paul Wolfowitz, and aimed against the sovereignty of the Association of Southeast Asian Nations (ASEAN) countries.

The International Institute for Strategic Studies (IISS), one of Britain’s foremost strategic think-tank, initiated what is to become a yearly event in Singapore. The conference was attended by defense ministers and military experts from across Asia, the United States, the United Kingdom, Canada, and France. Although the presentations and discussions were generally closed to the press, the purpose of the new “IISS Asia Security Conference,” and other institutions which are intended to be set in motion as a result, came through clearly in the reports and articles published after the conference.

The aim is to replace or restructure the only existing Asian institution dedicated to defense matters, the ASEAN Regional Forum (ARF). The problem with the ARF, in the eyes of the Anglo-American utopians currently driving the world towards a state of perpetual warfare, lies in the fact that the ARF is too imbued with the tradition of non-interference in the sovereign affairs of fellow nations, a policy which has served as the bedrock of ASEAN in particular. The sovereignty of the nation-state has no place in the utopians’ new imperium, defined by the “war on terrorism” and the supranational power of the International Monetary System (IMF).

## ASEAN Denounced as ‘Talk Shop’

This was expressed directly by conference participant Paul Dibb, head of the Strategic and Defense Studies Centre at the Australian National University, in a June 5 column in the *The Australian*. The problem with the ARF, Dibb wrote, was that it is run by foreign ministers, not the defense community, and has refused to interfere in “conflict resolution” situations, “as we saw in the East Timor crisis, when the UN had to intervene. . . . The ARF has stalled, it has become little more than a diplomatic talk shop.”

Barry Desker, director of the Singapore Institute of De-

fense and Strategic Studies, wrote in the June 5 *New Straits Times*, that ARF was “underdeveloped, and had to enhance co-operative security, building mutual confidence, engaging in preventive diplomacy, and developing mechanisms for conflict prevention and resolution.”

Dibb also commended the Japanese Minister of Defense, Gen Nakatani, for proposing at the conference the creation of a “regular multilateral security framework of defense authorities, under the name of the Asia-Pacific Defense Ministerial Meeting,” a proposal which will certainly worry other Asian countries which are already concerned about Japan’s military expansion under the guise of support for the U.S. war on terrorism.

The IISS official summary of the conference also praised this Japanese proposal, adding: “In time, dedicated action units might be established to carry out joint tasks in areas such as peacekeeping, anti-narcotics and anti-terrorism efforts.” Nakatani argued that “U.S. security presence in Asia, which was vital to Japanese and regional security, would not be undermined or prejudiced by such initiatives.” It would be well to ask, what about prejudice to *Asian* security interests and national sovereignty?



*U.S. Defense Secretary Donald Rumsfeld with Singapore Senior Minister Lee Kuan Yew, entering the Pentagon in May. Lee is the Asian leader most involved in the attempt to spread the Anglo-American “Hundred Years’ War against terrorism” as an Asian military doctrine.*

ARF is primarily an Asian institution, with Western participation. In fact, the Western participants in ARF have repeatedly requested that they be included in the rotation for the chairmanship, but the ASEAN leaders have refused. The proposed new IISS framework for Asian security, on the other hand, is clearly intended to be dominated by the Anglo-American-Commonwealth countries, which also dominated the Singapore conference.

### Wolfowitz and Lee Kuan Yew

The keynote presentations were by the Pentagon's Paul Wolfowitz and Singapore Senior Minister Lee Kuan Yew. Wolfowitz, who leads the war faction within the Bush Administration, and has a special interest in Asia, told a June 5 Hoover Institution audience that the IISS had approached Defense Secretary Donald Rumsfeld and himself to cooperate in building the conference, and making it permanent. Asia, Wolfowitz said, does not have "the kinds of institutions that grew up during the Cold War in Europe, particularly NATO, and the structures related to NATO." The fact that the East Asian region is now peaceful "will be challenged in the coming decades, because the great economic growth of East Asia, particularly the extraordinary economic growth of China, are going to pose challenges."

Wolfowitz, reflecting his preoccupation with maintaining U.S. preeminence as the world's "only superpower," called his conference speech "The Gathering Storm," borrowing the phrase from Winston Churchill. He said this was appropriate, because "this evil of terrorism that has grown up in the world in a particularly massive scale over the last ten years, threatens some of the same kinds of evil and destruction that fascism and Nazism threatened nearly a century ago."

Former Singapore Prime Minister Lee Kuan Yew's speech described terrorists running loose across Southeast Asia, with a particular focus on Indonesia. (Indonesian military expert Dr. Salim Said recently told a Washington conference that Lee Kuan Yew had so completely adopted the U.S. line on the war on terrorism, that he was becoming known as an American agent. Lee was formerly infamous as "the best bloody Englishman east of the Suez!")

Lee and Wolfowitz both repeated the mantra that "the enemy is not Islam," but revealed their game by insisting that the terrorists *are all Islamic*. The official IISS summary also refers repeatedly to "religiously inspired terrorism," continuing the subterfuge of blaming all terrorism on Osama bin Laden and Islam.

### The China Issue

Both Wolfowitz and Lee Kuan Yew emphasized that if the conference had taken place before Sept. 11, the focus would have been on China. Instead, China was treated with kid gloves, almost paternalistically, and praised for their cooperation in the war on terrorism—in keeping with a general U.S. diplomatic "charm offensive" across Asia over the past

few months. This aims at sidetracking mounting Asian opposition to the Israeli assault on Palestine and the planned U.S. war on Iraq and/or other Arab nations.

However, the long-term perspective of surrounding and confronting China, in keeping with the Samuel Huntington "Clash of Civilizations" gameplan for a Western war against Islam and Confucianism, was still on the agenda. The official IISS summary pointed to the following issues discussed at the plenary discussions: "The degree to which China's traditional opposition to military alliances might be reviewed, in the light of the proven utility of such arrangements in countering international terrorism; the circumstances in which the PLA [China's People's Liberation Army] might deploy forces to take part in international counter-terrorism exercises; and whether China's sense of strategic encirclement had been heightened by factors such as the intensified U.S. engagement in Southeast Asia and Central Asia since 11 September."

China's representative to the conference was Maj. Gen. Zhan Maohai, the director of the Foreign Affairs Office at the Ministry of National Defense. While his speech is not available to *EIR* at press time, the IISS summary indicates that General Zhan focused on the importance of China's participation in the Shanghai Cooperation Organization (SCO), between China, Russia and four Central Asia Republics; and in the ARF. General Zhan approached the problem of terrorism as a domestic issue, of upgrading the capacities of the PLA.

The Anglo-American-Commonwealth scheme comes in the context of recent discussions of a United States/Japan/Australia military alliance. Japanese Prime Minister Junichiro Koizumi visited Australia in early May, where he and Australian Prime Minister John Howard agreed to such a pact. Such a scheme would significantly escalate the attempted isolation of China, despite denials of such intent from the participants.

Koizumi has been campaigning for the past year to bring the two "Anglo" Commonwealth states of Asia—Australia and New Zealand—into the ASEAN+3 alliance (the ten nations of ASEAN plus China, South Korea and Japan). These proposals, military and economic, are directly aimed at disrupting the developing, but fragile, unity of purpose of the ASEAN+3 nations. To implement these schemes, Koizumi appears willing to abandon the Japanese constitutional restrictions on military capabilities and operations.

The U.S.-based think-tank Stratfor pointed to the perspective that Japan and Australia "share a common bond as key U.S. allies in the Asia-Pacific; Japan is the northern anchor of the U.S. defense system, and Australia is the southern anchor."

Howard spoke to the U.S. Congress in Washington on June 12, and is holding meetings with the leaders of the Bush Administration. The special role of Australia as the "sheriff" for U.S. interests in Asia—a term John Howard himself used a few years ago—will certainly be high on the agenda.

# Russian Symposium Honors P. Kuznetsov

Some 70 scientists and representatives of scientific, political, and military institutions in Russia attended a May 30-June 1 symposium held in Moscow dedicated to the upcoming second anniversary of the death of Pobisk Kuznetsov, known as “the 20th-Century Russian Leonardo da Vinci.” The symposium, on “New Technologies and the Global Challenges for Civilization,” continued an organizing and discussion process launched in December 2001, at a memorable Moscow event that was addressed by Lyndon LaRouche and his wife, Helga. Although he could not attend this time, LaRouche’s ideas and influence were very much present at the event, both for their crucial importance to the subject under discussion, and because of LaRouche’s scientific friendship with Kuznetsov, which has become almost a legend in Russia (see *EIR*, Dec. 28, 2001).

Participants included scientists and experts from the Russian Ministry of Science and Industry, the Ministry of Education, the State Duma and Federation Council, the National Security Council, the Presidium and several Institutes of the Russian Academy of Sciences, the Russian Academy of Natural Science, and leading veterans of the Russian space program and military scientific research. Many in attendance had been involved in one or more of the myriad projects directed by Kuznetsov, from the design of life-support systems for the Soviet manned space program, to a secret Soviet project involving the application of tensor-based mathematical methods to the analysis of physical economy. Speakers included Pavel V. Florensky, grandson of the famous Russian philosopher and scientist who had been a collaborator of biogeochemist Vladimir I. Vernadsky, whose work is often cited by LaRouche.

To open the symposium’s deliberations, chairman Yuri Gromyko read a poetic message of greeting from LaRouche

(see below), focussing on the axiomatic follies of all the world’s leading governments and institutions, and the need for individuals today to assert the same defiantly truthful attitude, as the little boy in “The Emperor’s New Clothes.” The message elicited a joyful response from the participants, many of whom referred to LaRouche and his work during the presentations and discussion sessions. Copies of a translation of LaRouche’s article on “The Legacy of Mendeleev and Vernadsky: The Spirit of Russia’s Science,” written for a conference on Vernadsky in November 2001, were distributed to the attendees (see *EIR*, Dec. 7, 2001).

## Breakthroughs in Science

The conference presentations covered an extraordinarily wide range of topics of science, education, economics, and politics, all subsumed under Vernadsky’s concept of the Noösphere and the life work of Pobisk Kuznetsov. Of particular interest were a number of papers pointing to potentially revolutionary scientific and technological developments, ranging from new forms of nuclear energy, aircraft based on novel aerodynamic principles, high-temperature chemical processes for production of hydrogen, super-high-density biomass production in artificial environments, and the principles of “spontaneous generation” of petroleum and other raw materials by geological processes, to the role of the Golden Section in modern chemistry and quantum physics.

A central topic of discussion was how to organize actual projects, to realize the tremendous untapped potential of already-existing advanced technologies for the development of Russia and the world as a whole. As Yuri Gromyko and others emphasized, that task involves not only the mobilization of resources, but above all a change in people’s way of thinking. That point was underlined, in a different way, by Florensky’s biting refutation of the dogmas of so-called environmentalism, in his remarks to the symposium.

LaRouche collaborator Jonathan Tennenbaum addressed the event twice: first in the opening session, on the significance of Kuznetsov’s personality and work for rebuilding today’s devastated world, and on the relationship between the lawful nature of scientific and technological progress as a whole, and the sovereign nature of the individual creative human mind; and later in a provocative presentation on “Kepler versus Newton.” The second presentation focussed on the fraud of the inductive-deductive method promoted by Newton in his “Mathematical Principles of Natural Philosophy,” as opposed to Kepler’s proof of the efficiency of *physical principles* lying above and beyond the reach of mathematics per se, and reflected in the actual harmonic ordering of the solar system.

Tennenbaum’s presentation led, among other things, to a fruitful exchange on the proper use of tensors in physical economy, as opposed to the incompetence of “systems analysis,” in measuring the impact of individual human cognition

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on the economic process as a whole. At issue is the same point that Carl Gauss made in refuting the incompetence of Euler and Lagrange's formalist methods, by demonstrating the physical principle underlying so-called "imaginary numbers."

Gromyko closed the conference, recalling LaRouche's opening greeting and noting that the assembled audience represented a new kind of movement, with special qualifications as well as responsibility to act in the world today.

## How To Steer A Sinking Ship

by Lyndon H. LaRouche, Jr.

*This statement was delivered to the Moscow symposium on LaRouche's behalf, by Schiller Institute scientific adviser Jonathan Tennenbaum.*

May 26, 2002

The ship sank, because the captain gave blind trust to the ancient map he had been instructed to use. Is that not the situation with most among the governments and leading polit-

ical parties of today's world? Are governments not controlled by assumptions which have no provable scientific basis, but which are accepted and followed as a matter of political authority, diplomatic agreements, or simply wishful, but prevalent popular opinions?

Or, take the worse case, in which the sinking ship is already settling down, as it prepares to plunge to the depths. At that point, a ship's official rushes in, assuring the terrified passengers that "Those are just rumors. The ship is not sinking. See!" he proclaims triumphantly, pointing to the stock-market chart he is holding up for all to see, "there are no reefs anywhere near this place!"

That is a fair description of the condition of political leadership and official economic forecasters throughout most of the world today. It is also the prevalent state of official science, in which arbitrary political doctrines, not science, are treated as if they were infallible principles of the universe. In place of science, mathematicians and others design games, which many people play with the obsessiveness of a compulsive gambler, who has gambled for three days without sleep, and is about to stake his life on one final throw of a pair of crooked dice.

Around most of the world today, there is a sea of such madness. The world is at the fag end of a system by which we have been ruled for much too long. It is a world in which it is usually said, "There is no truth, but only opinion." A world in which it is often said, "But, you can not go against popular opinion."

There is a famous story, by Denmark's beloved Hans Christian Andersen, about "The Emperor's New Suit of Clothes." In that story, a pair of swindlers persuade the foolish Emperor and his advisers that the swindlers are crafting a wonderful suit of clothes for him. The clothes are, in fact, nonexistent, but the desire to believe is very strong, among the Emperor, his advisers, and the population of that city. So, on the appointed day, the Emperor steps forth from his palace to display his wonderful clothes to the admiring crowds of subjects standing at the sides of the streets. All goes well, until a little boy's voice penetrates the awesome stillness: "But, Daddy, he has nothing on!"

We need the voice of that little boy today. Perhaps, some of us should create that voice, a voice, as of an innocent child's, to be heard around most of the waiting, suffering world.



*Pobisk Kuznetsov in April 1994, during a visit to Russia by Lyndon LaRouche, when the two first met. Kuznetsov and LaRouche became fast friends, kindred spirits in the investigation of the science of physical economy and scientific breakthroughs generally.*

# Golden Farce: Windsor Cuckoo Clock Ticks On

by Alan Clayton

There are few events that more starkly emphasize the disunity of the United Kingdom than royal events, such as the stage-managed international spectacular of the Queen's Golden Jubilee, commemorating 50 years on the throne.

The Scottish writer Tom Nairn, who gave the United Kingdom the derisory name of "Ukania," and who authored such powerful examinations of the Windsor state, and Windsor power and influence, as *The Enchanted Glass*, and *After Britain*, issued a public warning to republicans and nationalists to have their "crosses and silver bullets at the ready."

The tinsel, the Union flags, the mugshot tea and coffee mugs, and all the paraphernalia of the Windsor state have been freely distributed through schools, supermarkets, gas stations, and even at church services, at enormous public expense. It has all been to little or no avail in Scotland, where the two weeks of celebrations started.

At the opening service for the Queen's Scottish visit, for example, the crowd outside Glasgow Cathedral during the "Service of Thanksgiving," waiting for an awe-inspiring glimpse at Britannia's Holy Family, consisted not of 25,000, 2,500 or even 250, but the daunting number of 25, and even that consisting substantially of kids whom some local wag had convinced that Her Majesty was going to throw gold coins into the crowd when departing the Service. There were slightly more people in Glasgow's George Square later in the day, perhaps about 2,500, but that must be held in contrast to the 250,000 who came out in Glasgow when the same Elizabeth visited the city after her coronation in 1953.

On the very day of the "million subject march" in London, while the Concorde and the Red Arrows flew overhead and the whole publicly financed spectacular was under way, there were riots, shootings, and deaths in that other restless part of Ukania, Northern Ireland. This was well air-brushed off the front pages, lest anyone—particularly the Americans, who obligingly lit up the Empire State Building, to the chagrin, it must be said, of republicans on Manhattan Island—for one moment were to imagine the all the Queen's horses and all the Queen's men could not put Ukania together again.

It was all very different 50 years ago, when the young Elizabeth, on "holiday" (how that word, so unfamiliar to Americans, hangs in total comfort with "Windsor," since much of their life is a permanent vacation) in South Africa, was informed of the death of her father. One of her close friends gave her an embrace of sympathy; then as if to empha-



*Fifty years of a mad Queen in Cloud-Cuckoo Land is about enough for some people—especially in Scotland.*

size the absurd feudal pantomime of royalty, knelt down before her and kissed her hand, as she was now Queen.

She came to the throne amidst medieval pageantry in a Britain utterly exhausted by war, and before a population demoralised by its aftermath, particularly continuing food rationing. Her reign was said to be the "new Elizabethan age"—a reference to the first Elizabeth of England, Elizabeth Tudor. However, it was there already that the internal tensions which will in the end destroy Ukania quickly emerged, for her crowning as "Elizabeth II" enraged many Scots: There had never been a monarch of that name since the Union of the English and Scottish Crowns in 1603.

## What the Royals Know How To Do

So, what was it all about? Even living in Scotland it was hard to escape the Golden Jubilee extravaganza. There were Prince Charles and Andrew, winking at each other laddishly at the bare flesh and erotic imagery of the carnival that took over the Mall. There was David Dimbleby doing a passable imitation of the Duke of Edinburgh at his most blimpish: "I say, what a sight. . . . What are those chaps there doing? They seem to be wearing onions on their heads" Onions! They were minarets. The dress was meant to symbolise Britain's Islamic community.

It has to be said that the Royals do this kind of thing very well, or at least, the palace impresarios do. This theme of the multi-ethnic British family was a powerful one, even though it is hard to imagine the royal family ever becoming a part of it. Could a Royal marry a black or Asian? The case of Lady Diana springs to mind in answer to that one. This is the same family, after all, which once held one-quarter of the world, and Africa and India especially, under military subjugation. Yet here, only a century after the death of Queen Victoria, Empress of India, were the Royals being entertained by a

carnival which in so many words said: "Look, this is our country now. We have taken over your old white Britain and turned it into a gorgeous festival of colour and race."

They nearly lost it in another sense entirely after the death of Diana in the "accident" in Paris in 1997. The Queen's refusal to accord Diana, Princess of Wales, full royal dignity in her lying in state, plus the funeral diatribe of Diana's brother, nearly unleashed a latent republicanism among Eastenders' Britain. If this was supposed to be the ideal family, embodying the norms and values of the nation, then we didn't want it. The royal family seemed like dessicated protocol junkies, tight-lipped and tight-assed, who couldn't loosen up to express their grief. They survived all that, of course, thanks in no small part to Tony Blair, and the Labour spin machine, which was put at the Royals' disposal.

The Jubilee has bought a little time for the House of Windsor, yet despite the mammoth pantomime, the fault lines in the royal family are bigger than ever. The former Tory Foreign Secretary, Douglas Hurd, who got to know the Queen very well when he was a cabinet minister, has commented that Elizabeth's "constitutional machinery" is in tip-top shape, but her "emotional machinery" is almost entirely out of order. The monarchy, not some inbuilt defect, had made her this way.

Lord Charteris, Elizabeth's former private secretary (a man who spent every working day with her for over a decade), said that the key to the Queen's character is that she is "afraid of her emotions." This, he confirms, is a product of her job. One of her most senior ladies-in-waiting told *Daily Telegraph* journalist Graham Turner that "the Queen does not like emotion, and for very good reasons." She went on to explain that, if you showed your emotions, this might spill over into your constitutional role. So, as Hurd, who accompanied Elizabeth on many state visits, explains: "She has almost trained feelings out of herself."

We can reasonably conclude that this is an inhuman and cruel job that should go the way of child chimney-sweeps. It should be abolished to preserve the mental health of those involved.

The institution of monarchy directly turned Elizabeth into a bad mother. As Anthony Jay, who scripted the documentary "Elizabeth R," explains: "She's one of those people who is deeply unemotional. . . . For people who are emotionally detached in that way, institutions become more important than families. The Queen's children were handed over to nannies, and a kind of emotional cauterisation took place. Something was sealed off very early. For her, that is a strength. If she were emotionally involved, she couldn't do her job."

Some would argue that her job is some compensation. While it is true that she enjoys considerable and real powers, former leader of the Labour Party Neil Kinnock, who as leader of the opposition for over a decade saw Elizabeth's work at close hand, gives a sense of how mind-numbingly boring this work is. He observed that "the great skill the Queen has acquired over the years is to use the word 'fascinating' in

about five different tones. What she's developed over the years is the technique of giving evidence of really rapt interest and attention, whilst at the same time being able to slip her mind into neutral."

It is a miserable existence. Too emotionally crippled to form relationships with her own children, too infused with the arid notion of "duty" to question a marriage that is widely believed to be unsatisfactory, too numbed with boredom to rebel. Looking at Elizabeth Windsor during her Golden Jubilee celebrations, one feels neither pride, nor even red-blooded republican hatred, but pity.

## The World Goes On

The Ukanian Cloud-Cuckoo Land got through the week wondering if the Wizard of Oz or some such creature would take away the world which threatened its fairyland. However little can take away from the fact that there is an international crisis, a mobilisation of armies, a deployment of nuclear weapons, a testing of missiles. Please remain calm, however, a British foreign secretary will be along in a minute. Like Robin Cook before him, Jack Straw traverses the globe, begging for peace and goodwill between men. Tony Blair demands that India and Pakistan "pause and reflect." One marvels at the politeness with which this is received, and wonders what reception would be given to an Indian minister who jetted into London and Dublin to "assist" with Ulster, or to a Pakistani minister who told Mr. Blair to "pause and reflect" before bombing Belgrade. The Ukanian Cloud-Cuckoo Land and its mad Queen sometimes seem too unreal to be even vaguely true.

If British ministers fancy themselves as peacemakers, they should start in London, not in Delhi or Islamabad. In 2000 alone, they approved nearly 700 export licenses to India and Pakistan, worth £64 million. For several months, they have been hustling to complete a deal to sell 66 Hawk fighter-bombers to India at a cost of £1 billion. Reports that, in view of the present crisis, the deal had been stopped, proved to be premature.

We are told that if we do not sell arms, other people will do so—an argument that, if taken to its logical conclusion, would lead ministers to sell their children into prostitution. Britain, after the United States, is the world's second-largest arms supplier, and its customers include Sierra Leone, Indonesia, Angola, Zimbabwe, Turkey, China, Saudi Arabia, Israel, and that well-known member of the axis of evil, Iran. There can be no guarantee that weapons sold elsewhere do not eventually find their way to Iraq. Nor can there be any guarantee that even the defensive arms we sell do not, in the weasel words of the EU code of conduct, "provoke or prolong armed conflict."

The ugly reality of the British state continues beneath the thin façade of monarchy. Indeed, it is the Windsor monarchy that is its essence. Despite the Golden Jubilee, the cuckoo clock ticks faster than ever for the House of Windsor.



# Against the ‘Effective Silencing Of the U.S. Catholic Church’

*Peter Kearney is the Director of the Catholic Media Office of the Bishops Conference of Scotland, in Glasgow. In 2000, he ran unsuccessfully for Deputy Leader of the Scottish National Party. He aroused controversy at that time when he gave an interview to EIR, in which, among other things, he backed Lyndon LaRouche’s proposal for a “New Bretton Woods” monetary system as helping provide a framework for a viable independence for Scotland (see EIR, Aug. 25, 2000). On June 7, 2002, Kearney responded to questions submitted by Mark Burdman.*

**EIR:** If one follows the American media, or BBC, these days, one of the biggest stories is the so-called “Catholic sex scandal,” or “pedophile priests scandal.” The mood about this has become so intense in America, that Boston’s Cardinal Bernard Law lives in a virtual state of siege at his home, a Catholic priest in Baltimore has been shot by a claimed “victim of sex abuse,” another priest committed suicide, and so on. Can you give us some idea, what you think is really involved in this uproar?

**Kearney:** I should begin by pointing out that as I work for the Bishops Conference of Scotland, I can only speak for the Catholic Church in Scotland. Having said that, as a concerned Catholic and someone outside the U.S.A., I do have personal views on the subject. It seems to me that a media frenzy and talk of “pedophile priests” has obscured the reality of what is a very real problem for the Catholic Church in the United States, namely, homosexuality among the clergy.

It is worth quoting from a recent article on the subject in the *Catholic Herald* by John Haldane, who is Royden Davis Professor of Humanities at Georgetown University and Professor of Philosophy in the University of St. Andrews. He summarizes the situation accurately, when he writes: “It is common to read that the matter of priestly and religious abuse is not a gay issue but one of pedophilia. This is unconvincing. Most of the cases of sexual vice among clergy involve homosexual approaches and acts involving teenage boys. There have been cases of heterosexual pedophilia but the major problem is homosexual [behavior] and even this seems to be a matter of clergy taking opportunities with adolescent boys because of lesser risk of exposure than might be posed by soliciting adults. This is one reason why activists are keen that sexual vice not be deemed a gay issue: They hope for

acceptance of homosexual activity among religious [i.e., those who have taken vows] and don’t want that imperiled by widespread repugnance at what is now being revealed.”

Meantime, the supporters of married priests and the ordination of women, as well as dozens of self-styled “experts,” blame abuse on celibacy. This superficial conclusion flies in the face of reality. Most pedophiles are married men; being a priest doesn’t make a man a pedophile, but the priesthood as a trusted profession that can give access to children, may attract those with such an inclination. Forces at odds with the teachings of the Catholic Church are clearly trying to use the present situation to their own narrow advantage.

**EIR:** In an international webcast on May 1, our editor Lyndon LaRouche, a U.S. Presidential pre-candidate, stated his view that this “sex scandal” issue smells of a classic political operation, with the aim of silencing the Catholic Church, particularly in the United States, at a time of great political and social conflict, typified by the recent Israeli siege of the Church of the Nativity in Bethlehem. He pointed out, that Cardinal Law would be the natural spokesman, in America, on issues pertaining to the Middle East. What is your reaction to LaRouche’s assessment?

**Kearney:** There is absolutely no doubt in my own mind, that a side effect of the recent “revelations” has been the effective silencing of the Catholic Church in U.S. public debates. Many members of the American hierarchy now feel that they can’t challenge society about its values and policies. As a result, the voice of Catholicism is growing weaker.

**EIR:** One of the key features of the terrible events of Sept. 11, is that the hegemonic policy grouping in Washington has exploited these events to unleash what they call a “Clash of Civilizations,” beginning with a campaign by “the West” against the Islamic nations. This “Clash of Civilizations” concept was formally elaborated by Harvard University Prof. Samuel Huntington. The recent siege in Bethlehem extended that clash to include targetting Christianity. Do you see this strategy as a factor in why the “Catholic sex scandal” has become such a gigantic issue?

**Kearney:** The current comprehensive “neutering” of a normally powerful and influential U.S. Catholic voice may simply be coincidental, though I accept that the present situation

does indeed serve the purposes of those who would end inter-faith dialogue and pitch Christianity against Islam in an apocalyptic struggle.

**EIR:** Has the Catholic Church in Scotland been silenced on Middle East issues, or have there been initiatives taken, that are not reported by the “reputable” media?

**Kearney:** Initiatives have been taken which have been given little or no coverage in the secular press. On April 8, Bishop John Mone, President of the Scottish Catholic International Aid Agency (SCIAF), spoke out on the crisis in the Mideast. He said, “The violent and frightening events in the Holy Land are truly shocking. It is imperative that the leaders of both communities renounce any hope of achieving their aims by violence and commit themselves to dialogue as the true way to peace.

“It is imperative also that the international community redouble its efforts to assist in this search for a just peace in line with United Nations Security Council Resolutions 1397 and 1402. Any settlement must recognize both the rights of the Palestinians to live in a state of their own, free from domination and military repression, and the right of Israel to peace and security. Violence will only lead to more violence, and, as is often the case, it is the most vulnerable groups in society, especially women and children, who suffer.”

Then on April 15, in a joint statement issued by Scotland’s Catholic Bishops, the following comments were made: “The Bishops Conference of Scotland joins all those around the world who can only look on with horror at events unravelling in Israel and Palestine. Not without reason is the region called The Holy Land. It is sacred to the three great traditions of the Children of Abraham who are now locked in conflict.

“The violence now seems to have a life of its own, whether the desperate fanaticism of suicide bombers or the fearful oppression of the modern military machine. This living violence begets itself, bringing death and suffering for many without any sign of resolution. It seems pointless to plead and perhaps too easy to condemn from a distance. But at some point, normal life must begin again; Israeli and Palestinian must co-exist.

“We can only express our earnest hope that the violence should cease. We send our prayers and sympathies to all those who suffer and grieve. In the name of that God we all revere as a God of Peace, we implore those involved to search for constructive and reconciling ways of true peace, which can never come through violence.

“In union with Pope John Paul II, we ask all people of good will in Scotland to unite in prayers for peace at this time, in an hour that is so serious for the whole of humanity. In this way a message of stable and lasting peace may reach that land that is dear to the faithful of the three monotheistic religions.”

In both cases the full text of the statements were released to the press in this country and were comprehensively ignored. I even received complaints from Catholics in Scotland

asking why our bishops weren’t speaking out on the conflict and had to reassure them that they had indeed addressed the situation, but the media had chosen to ignore their action!

**EIR:** What is your view of how the “sex scandal issue” would best be resolved, or laid to rest?

**Kearney:** The issue of clerical homosexuality must be dealt with; again I quote from Professor Haldane who concludes: “In many cases it is too late, and only heroic corrective efforts assisted by grace will enable individuals to curtail their active proclivities. Their superiors, some of whom may themselves be in the same moral danger, need to encourage asceticism, to insist upon it in the seminaries and to require the departure of those who are unable or unwilling to take the necessary measures, either as staff or students. One reason for reluctance, additional to possible compromise and fear of controversy, is the concern over the perilously low number of vocations. It is hard to predict outcomes, but I suspect that a determined treatment of the issue of sexual disposition—homosexual and heterosexual—with effective ascetical training, would in fact make the priesthood and religious life more attractive to those of well-ordered sexual character. One might also hope that as it became known that having had this problem the Church had dealt with it, the priesthood might again enjoy the prestige that once gave it a kind of nobility. At any rate no good outcome can be hoped for until this painful nettle has been grasped.”

I can only agree with this assessment.

**EIR:** Mr. LaRouche’s wife, Helga Zepp-LaRouche, founder of the Schiller Institute and a candidate for Chancellor in the September 2002 German national elections, has put forward an initiative for a “Dialogue of Religions and Cultures,” as a response to the Huntington scenario. What is your assessment of the value and necessity of such a proposal at this time?

**Kearney:** Inter-faith dialogue is certainly essential. Ever since the events of last September, the Pope has condemned terrorism and has, with his universally recognized moral authority, urged everyone to choose peace, justice, and forgiveness. He summoned Catholics to a Day of Fasting and Prayer for the sake of peace—undertaken on 14 December last year. Then he invited the representatives of the world religions to make a pilgrimage of prayer to the City of Assisi, saying, “I wish to announce that I intend to invite representatives of the religions of the world to come to Assisi on 24 January 2002 to pray for the end of conflict and the promotion of true peace, and to come together, especially Christians and Muslims, to declare before the world that religion must never become a cause of conflict, hatred, and violence.” The Pope’s call was heeded, and over 100 representatives from more than a dozen religions and denominations attended in a tangible demonstration of the importance of understanding and ongoing dialogue.

## Fascist Laws Up for Vote

*And LaRouche's associates have sponsored an advertisement excoriating the proposed new "anti-terrorist" legislation.*

On June 17, the Australian Parliament returns for two weeks, before a two-month break. The major item on its agenda is a package of proposed new "anti-terrorist" laws, which passed the House of Representatives on March 13, and now comes before the Senate. There are intense negotiations under way between the Liberal/National Party government of Prime Minister John Howard and the Australian Labor Party (ALP) opposition over the bills. But as originally drafted and passed by the House, the bills allow the Attorney General: to ban any organization he wishes, and jail its members or supporters for 25 years; to create an extremely broad new "terrorism" offense which would snare many union actions, civil disobedience, and even normal political activity in its net; and to turn the Australian Security Intelligence Organization (ASIO) into a Gestapo, with the power to arrest and detain people indefinitely, without a lawyer, or the right to remain silent, and facing a five-year jail sentence for non-cooperation. They also contain numerous other draconian provisions (see *EIR*, May 3, 2002).

The government's obscene haste to turn these bills into law, with virtually no public scrutiny, was dealt a sharp clip on the chin, if not yet a knockout blow, by an ad in the country's major national newspaper, *The Australian*, on June 12, sponsored by LaRouche's associates in the Citizens Electoral Council (CEC). Under the boldface title, "End Them, Don't Amend Them!," the ad documented the government's treachery in attempting to ram the bills through without due process, with the com-

placency of the ostensible opposition, the ALP. This was followed by citation of the key paragraph of Hitler's Feb. 28, 1933 emergency decree which made him dictator of Germany, using the excuse of the Nazi-rigged Reichstag fire. Then came the ad's main feature, a petition signed by 200 prominent Australians under the title "An Emergency Call to All Australians," which said, "A point-by-point comparison of the Howard government's proposed new 'anti-terror' legislation, with the Feb. 28, 1933 *Notverordnung* (Emergency Decree) by which Hitler consolidated his dictatorship, show the two to be virtually identical. Therefore, the ripping-up of civil liberties proposed by the Howard government is, in the most literal sense of the term, *fascist*, and must be thrown out. No democratic society should even *consider* the draconian, fascist measures which the Howard government is proposing."

The signers included former Deputy Prime Minister Dr. Jim Cairns, numerous national and state trade union leaders, many of the leaders of Australia's large Islamic community, civil liberties activists, Aborigines, dozens of local government councillors, artists and filmmakers, academics, and others.

The ad, accompanied by well-attended CEC press conferences in all of Australia's major cities the same day, unleashed an uproar. Australia's Attorney General Daryl Williams, the government official with the responsibility for ramming the bills through, whined that the ad was "incorrect, inflammatory, and irresponsible. . . . It's extremely disappointing that the Citi-

zens Electoral Council chose to peddle untruths and fear in the community rather than work constructively with the government," Williams complained.

The ad received wide coverage in most of the nation's major print media, and key regional press, and on Australian Broadcasting Corporation radio, the nation's main radio station; calls, faxes, and e-mails poured into the CEC's Melbourne headquarters in support. The ad was the culmination of an intense, two-month CEC-led fight to stop the bills, including the circulation of over one-half million CEC leaflets to Australia's 19 million population. They pointed to the global financial crash—not "terrorism"—as the real driver for police states and a global "Clash of Civilizations," precisely as LaRouche forecast in his Jan. 16, 2001 testimony to the U.S. Senate, almost nine months before Sept. 11.

An earlier phase of the CEC mobilization helped break up a cozy deal between the government and the ALP to pass these bills in mid-May. After that, two of the ALP's own state conferences, in New South Wales and Victoria—Australia's two most populous states—voted overwhelmingly to dump the laws entirely.

While the ALP has been forced, by the CEC's mobilization, to make a show of resisting the most overtly Nazi aspects of the legislation, it has also made clear that it is definitely in favor of this legislation in principle. But many of the nation's finest lawyers have said that the existing criminal code is fully sufficient to capture anything classified as "terrorism." The Liberal/National party governing coalition, and their nominal ALP opponents, are both widely despised for their fanatical support of globalization, and both know that they will need such laws in order to survive under conditions of deepening depression.

# International Intelligence

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## ***European Military Expert: Bin Laden Didn't Do It***

Top brass of the American military were—and likely still are—convinced that the Sept. 11 atrocities were largely the result of an “inside operation,” and “not primarily the work of the Arabs or Osama bin Laden,” stated a senior European military intelligence figure, during a discussion at a conference on “Transatlantic Intelligence Relations,” that took place near Berlin early in June.

Lyndon H. LaRouche, Jr. had issued this analysis of the terror attack during a radio interview, even as it was occurring on the morning of Sept. 11. Although his views have received significant press coverage abroad, and many influentials in the Middle East and Europe agree, no leading American military or political figure has publicly endorsed LaRouche’s view.

The European source made a public statement, during the conference proceedings, that he was astonished, some months ago while attending a summit of the Organization of Islamic Conference, as an observer, to hear representatives of the Kosovo Liberation Army (UCK) and factions of the Bosnian Muslims express their gratitude to al-Qaeda, Hezbollah, and other Islamic fundamentalist groups, for helping them. He added, “Isn’t this interesting, because the UCK has been fully backed by the Western secret services.”

In private discussion thereafter, the source elaborated, “Of course, the Americans first, the Germans second, have been deeply involved with the UCK. And to think that the Americans claim to have been surprised by Sept. 11! These Islamic fundamentalists were all creatures of the Western secret services. Who’s bin Laden? By himself, he’s nothing. Look, I was in Washington, during and after the events of Sept. 11, and I can tell you, although I am not at liberty to give any names, that I was with friends of mine, at high levels of the Pentagon, and the American military services, and *they* were certain, that what had happened on Sept. 11, could never have been done, *without* significant inside help, from *within the U.S. itself*. They all were emphatic, that a group of

Arabs, or bin Laden, could not have pulled off an operation of such intricacy.”

While claiming to be unfamiliar with LaRouche’s evaluation of Sept. 11, he maintained that there is some kind of “rogue operation” involved. “I am not saying, definitively, that some U.S. group *did* it, it may have been, rather, that they *tolerated it happening*.”

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## ***Macedonian Press Cites LaRouche on Sovereignty***

Lyndon LaRouche’s views are being reported almost daily in the print and electronic media in Macedonia these days. At the end of May, LaRouche was described by TV anchorman Slobodan Tomic as a “wise teacher,” in a televised program about his life. Other interviews appeared with a LaRouche associate, on TV and in the weekly *Zum*.

Excerpts from LaRouche’s May 28 campaign webcast were reported prominently in the two leading Macedonian newspapers, *Vecer* and *Nova Makedonia*, on May 31. Journalist Zoran Dimitrovski reported LaRouche’s answer to his own question, concerning the prospects for peace and stability in the Balkans (see *EIR*, June 7). “There could be peace in Kosovo [and] Macedonia . . . if the U.S. allowed it,” the article said, describing LaRouche’s view. LaRouche traced the “unfinished war in Macedonia” back to Madeleine Albright and Zbigniew Brzezinski, whose policy is now continued in the Bush Administration by National Security Adviser Condoleezza Rice, a protégé of Albright’s father, Josef Korbel.

The lively interest in LaRouche coincides with a fight by Prime Minister Ljubco Georgievski and the Macedonian government for national sovereignty, in opposition to demands of both NATO and the International Monetary Fund. The IMF insisted that the minimum wage not be increased, that salaries not be paid to bankrupt firms’ employees, and that families ruined by the collapse of a financial pyramid not be compensated. Georgievski rejected these demands, and the IMF delegation left Skopje, saying

they would be back after the September elections to talk to the next government.

NATO has tried to force Macedonia to attend a conference in order to obediently sign a paper that would have made its borders with Albania just symbolic, rather than real. Again, the government refused.

Macedonia favors a conference of the governments of the Balkan countries themselves, to foster close economic and strategic collaboration for the mutual development of the region. The government, and Prime Minister Georgievski in particular, have been calling for an agreement among free, sovereign, and independent nation-states. Quotes from LaRouche on this particular point have been published repeatedly in the Macedonian media.

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## ***Russian Army Paper: U.S. Afghan War a Failure***

The Russian military daily *Krasnaya Zvezda* on June 11 reported that, more than half a year after large-scale U.S. military operations began in Afghanistan, al-Qaeda and the Taliban have not been defeated. In fact, there may very probably be a new civil war.

Up to January the United States made 25,000 sorties, dropped 18,000 bombs, including 10,000 with high-precision warheads. In Tora Bora, the high-power BLU-82 bombs were used, along with deployment of special forces. But today, the paper reported, experts agree that the operation was by no means as successful as originally thought. One reason is that the Pentagon failed to close the border to Pakistan in time. Another is the miserable failure of attempts to bribe Afghan field commanders and local leaders into cooperation. As a result, the majority of the Taliban/al-Qaeda fighters were able to flee across the border, or were safe-housed by the local population. For political reasons a full U.S. operation to follow them into Pakistan was ruled out.

But a more important cause was the poor preparation by the Pentagon itself, according to the article. As U.S. experts themselves admit, there was no adequate preparation for high-altitude mountain warfare. U.S. forces suffered headaches, weakness, fainting, and were not prepared for the tactics of the

**HELMUT SCHMIDT**, the former German Chancellor, attacked U.S. plans for an attack on Iraq, at a meeting of the Inter-Action Council of former government leaders in Berlin on June 8. He warned that an attack would blow the anti-terror coalition apart, and dismissed President Bush's "axis of evil" formulation as nonsense.

**JÜRGEN MÖLLEMANN**, Germany's Free Democratic Party vice chairman, on June 3 refused to give in to pressure to expel Yamal Karsli from the party's caucus in the state parliament of North Rhine-Westphalia. Karsli, a Syrian-born German, quit the Green Party in May because of its refusal to condemn Israeli Prime Minister Ariel Sharon's war against the Palestinians. Karsli allied with the FDP, where he has also come under fire. Möllemann insists that critics of Sharon's government cannot be branded "anti-Semites."

**RUSSIAN** Chief of the General Staff Anatoli Kvashnin said on May 30 that funding and staffing for the Russian military has become "worse than critical." "The declining level of combat readiness may become irreversible," unless emergency measures are taken, he added.

**THE ISRAELI SPY** satellite Ofek 5, just launched, enables Israel to start planning attacks on Iran and Iraq, a senior Israeli intelligence source told *EIR*. The new satellite gives Israel an unprecedented capability to gather intelligence on the two countries. Previously Israel has had this kind of capability for Syria, Lebanon, Jordan and Egypt.

**FRANCE'S AMBASSADOR** to the United States, François Bujon de l'Estaing, cancelled a scheduled June 6 appearance at a Washington event sponsored by the Foreign Policy Coalition for the Senate Republican Conference, and the Republican Jewish Coalition. The Embassy found out that the event was to have been an ambush, targeting France for "anti-Semitism."

mountain fighters. Another serious failure was the lack of understanding of Afghan culture and 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 instances in which American forces mistakenly fired upon friendly Afghan forces, generated intense hatred by the population.

## **Malaysia's Mahathir Meets Pope on Mideast**

Malaysian Prime Minister Dr. Mahathir bin Mohamad, considered a voice for moderate Islam, met Pope John Paul II at the Vatican on June 7, for talks focusing on Christian-Muslim relations and the Middle East. "I made my plea for an end to terrorism in Palestine and Israeli actions against Palestinians," the Malaysian leader told reporters. Malaysia and the Holy See called for international intervention in the Middle East conflict through the involvement of a third party to separate the Palestinians and the Israelis. There is a growing consensus in the world for such third party involvement, a stand that is strongly opposed by Israeli Prime Minister Ariel Sharon, while Washington is also not too keen on it.

Dr. Mahathir told the press that both sides shared similar views on terrorism and the Middle East crisis.

In an interview after his meeting with the Pope, reported by Reuters on June 8, the Malaysian Prime Minister complained that the world seemed unable to stop Israel's "criminal acts." "Malaysia does not side with Palestine, as such, but we understand why they have to resort to these violent means. It is because nobody is helping them," he said. "On the other hand, Israel seems to be getting away with a lot of criminal acts, and the world seems quite unable to do anything about it, and if we allow this to go on then, of course, there will be no solution to the problem of Palestine and no solution to the problem of terrorism," he said.

Mahathir repeated his belief that any act against civilians should be considered an act of terrorism, regardless of its perpetrators.

"We also have to take into consideration that at this moment there is nothing the Palestinians can do to defend themselves, so they resort to these terrible acts," he said. "But if we can remove the sources of their anger and frustration, I am quite sure they will not resort to terrorist acts; but the Israeli government deliberately orders acts of terrorism and even escalates it in order to, it seems, stop the Palestinians from committing acts of terrorism," he said.

## **Zimbabwe Charges Plot Against Government**

Zimbabwe's state-owned newspaper, the *Herald*, on June 5 accused officers of the Law Society of Zimbabwe of conspiracy with the British High Commission (the embassy) to topple the government of President Robert Mugabe. The article said that "investigations into the alleged plot by the Law Society of Zimbabwe President Stenford Moyo and Secretary Wilbert Mapombere to topple the government point to a heavy involvement of the British High Commission." The newspaper printed a letter allegedly sent by the Law Society to the British High Commission on March 26, and claimed that officials of the opposition Movement for Democratic Change and British diplomats held emergency meetings on June 4. Moyo and Mapombere were arrested and released on bail.

The High Commission denied the charge, offering the lame excuse that the meetings on June 4 could not have taken place, because the High Commission was closed for the Queen's Jubilee.

The U.S. State Department, Lawyers Committee for Human Rights (based in New York), and International Bar Association all condemned the arrests.

In a possibly related development, Justice Minister Patrick Chinamasa accused Supreme Court Judge Wilson Sandura of "undermining . . . judicial independence in Zimbabwe" by way of his contacts with the International Bar Association. The accusation came in a letter, apparently to Sandura, which was released to the *Herald* and published there on June 6.

## Pentagon/Justice Take Police State Moves, as LaRouche Warned

by Edward Spannaus and Michele Steinberg

Attorney General John Ashcroft's suspension of the constitutional rights of an American citizen, in the "radioactive dirty bomb" case, is the latest step-wise escalation in the assault on civil rights and liberties which began in earnest immediately after Sept. 11.

On June 10, exactly as Democratic Party Presidential pre-candidate Lyndon LaRouche had warned in May, the Pentagon did "cross the Rubicon"—or at least the Potomac—to hold a press conference with Justice Department officials, where they announced the arrest and transfer to a military prison of José Padilla, an American citizen. This unprecedented and legally dubious action occurred only weeks after LaRouche's *EIR* article of May 24, 2002, entitled, "The Northern Command: Crossing The Rubicon."

LaRouche said: "The proposal for the probably unlawful, U.S. Army Northern Command ('USNORTHCOM'), when taken in its current strategic-policy setting, is clearly a proposal to 'cross the Rubicon,' a preparation to create a Caesarian military dictatorship over both the North American continent and the Caribbean. . . . In today's world, it is a preparation for the Pentagon to cross the Potomac one morning, to place the U.S. Attorney-General and his minions in power, reducing the President himself to a ceremonial, or even lesser figure in the configuration."

The night before the June 10 press conference, Ashcroft's Justice Department got President George W. Bush to sign an order classifying Padilla as an "enemy combatant," be-

cause of his alleged ties to al-Qaeda. This then allowed the former member of a Latino street gang, to be transferred to a military brig where he may *never* be tried, from Justice Department custody. One of the main reasons that Padilla was transferred, was that there is no evidence to prove the charges against him. A high-level intelligence source in Washington told *EIR* that, while the U.S. government had "intelligence" about Padilla, they had no real evidence.

But as alarming as the legal maneuverings are, equally dangerous, and indefensible, were the actions by Ashcroft and his war-mongering allies, Deputy Defense Secretary Paul Wolfowitz and FBI Director Robert Mueller, resorting to a Nazi Party-style "Big Lie" tactic. To cause maximum panic, the announcement about the military transfer of Padilla, was made *in Moscow* by Ashcroft, mouthing off that the arrest of this "top" al-Qaeda terrorist justified U.S. concerns about the "axis of evil," state-sponsored terrorism, and the threat from weapons of mass destruction. Ashcroft announced that Padilla had entered the United States to carry out an al-Qaeda plan to set off a "radioactive bomb" in Washington. But just hours after Ashcroft's "Big Lie" announcement, the officials themselves had to backtrack on this outrageous propaganda.

Not only was it later stated by Wolfowitz and FBI officials that there was "no actual plot" to which the U.S. government can tie Padilla; it was further admitted that he is not a "top" figure in al-Qaeda, or any other known terrorist

group. In fact, intelligence analysts admitted that al-Qaeda leaders would not make a recent American convert to Islam, such as Padilla, anything more than a courier or low-level operative.

## Ripping Up the Constitution

The Justice Department's actions in the case of Padilla, who reportedly goes by the name Abdullah al-Muhajir after converting to Islam in the United States around 1993, goes well beyond what was contemplated in the President's Oct. 13 Military Order establishing military tribunals to try terrorist suspects captured in Afghanistan.

The Military Order explicitly excluded United States citizens, and also provided a procedure for trials and access to a lawyer. Padilla's case stands in contrast to that of John Walker Lindh, the so-called "American Taliban," who had been captured in Afghanistan, as part of the military forces of Taliban and/or al-Qaeda. Lindh is standing trial under Department of Justice charges in a Federal criminal court in Alexandria, Virginia.

Padilla's sudden transfer was apparently triggered by a scheduled court hearing at which the Justice Department would have been compelled to state whether or not it was bringing criminal charges against him. Since, by all accounts, the government has virtually no evidence against Padilla—or at least, no evidence that it is willing and able to use in Federal court—the Justice Department went to President Bush on the evening of June 9, and got him to sign an order declaring Padilla an "enemy combatant" who was to be transferred to military custody.

Defense Secretary Donald Rumsfeld has made it clear that the government has no interest whatsoever in putting Padilla on trial—in front of a military commission or any place else—but that it simply wants to detain him, incommunicado, and interrogate him.

This has been done already with non-citizens since Sept. 11—hundreds of men captured in Afghanistan, many of whom are not Taliban or al-Qaeda fighters, are being held in military custody at Guantanamo; and a Syrian citizen, who is a former cab driver in Boston, was held incommunicado for eight months in New York, before being brought before a Federal magistrate. But what makes the Padilla case so extraordinary, is that the Justice Department, with the stroke of the President's pen, has now suspended all constitutional rights of an American citizen.

But the actions by Ashcroft, Wolfowitz, and company are so egregious that the action against Padilla may backfire. On June 12, the *New York Times*, in its lead editorial, accused Ashcroft of "suspending the U.S. Constitution." The *Times* noted that the U.S. government seems to have no interest in giving Padilla a trial, but it seems only interested in detaining and interrogating him.

"So far," says the *Times*, "the government has produced

no evidence that a dirty-bomb plot existed, or of Mr. Muhajir's role in one. We do, however, have President Bush's assurance . . . that "This guy Padilla is a bad guy."

"The government's position is unacceptable," says the *Times*, since the government says it can revoke constitutional rights by labelling someone an "enemy combatant." Further, it shows that "the government is prepared to strip away the rights of American citizens as readily as those of foreigners."

"The real problem with the government's approach has been evident since Sept. 11: The Bush Administration has too little faith in the criminal justice system," the editorial concludes. "The government must be vigilant about fighting terrorism, but this war can be waged without suspending the Constitution."

## Police State's Global Agenda

Similar concerns have appeared in leading international publications. On June 11, the London *Independent* carried an article entitled "British Security Sources Raise Doubts Over U.S. Claims About 'Dirty Bomber.'" The *Independent* says that British and European security officials are "highly skeptical of American claims" that Padilla "was preparing to unleash a radioactive attack. . . . No evidence has been produced to show that he had access to the radioactive material needed to build the bomb, or indeed, that he had even worked out a time or place to launch the attack."

The Israel newspaper *Ha'aretz* said that "in the month since his arrest, the FBI has had difficulty grounding in evidence the charges that Padilla belongs to a hostile organization, to the extent that it needed to use the trick of moving him to a military tribunal 'as an enemy combatant.' Not even spies condemned to death, like Julius and Ethel Rosenberg, were given such treatment."

As LaRouche explained in "Crossing the Rubicon," measures toward a police state in the United States are not ends in themselves, but part of the nightmare policy option of turning the United States from a republic into a fascist empire of the Roman Empire model.

The fact that Paul Wolfowitz appeared as the spokesman for the Defense Department at the joint press conference with the Justice Department, instead of someone from the DOD General Counsel's office, or the military's judicial branch, that of the Judge Advocate General, is a sign of that concern. The prominence of Wolfowitz signals that the U.S. utopians behind the Northern Command and the police-state measures exposed by LaRouche, wanted to try to use the phony "dirty bomb" case around Padilla, as an excuse to extend the war on terrorism to Iraq, Iran, and other countries.

Wolfowitz is the utopian maniac who has repeatedly penned scenarios and war plans—since 1991—for the assassination of Iraqi President Saddam Hussein and full-scale war against Iraq. Like his decades-long associate, Richard Perle, now head of the Defense Policy Board, Wolfowitz

believes that the United States should wage war unilaterally against any country that right-wing neo-conservatives, and Israeli Likudnik fascists put on their “enemies list.”

Perle also believes that a second major terrorist assault inside the United States—such as a “suitcase nuke” dirty bomb—is a necessary step to give his faction of “perpetual war” advocates, the leverage to overcome internal Bush Administration reluctance to Wolfowitz’s and Perle’s mad policy. This is to abandon the “coalition” for a war against terrorism, and to launch full-scale unilateral military operations against Islam in a global “Clash of Civilizations.”

### Ashcroft Reprimanded

Wolfowitz’s agenda is well known, and opposed worldwide, largely because of the international influence and activities of Lyndon LaRouche, whose 2004 Presidential campaign issued a groundbreaking Special Report in February, entitled *Zbigniew Brzezinski and September 11th*. In that report, LaRouche demolished the “Big Lie,” that is at the heart of current global destabilizations, and U.S. police-state dangers. This is the assertion, for which evidence is never publicly produced, that Osama bin Laden and al-Qaeda carried out the Sept. 11 irregular warfare attacks. LaRouche exposed the fact that the Sept. 11 tragedy was an “inside job” designed to trigger a Clash of Civilizations war.

Numerous reports have confirmed that Attorney General Ashcroft was reprimanded by the White House for his grandstanding on the Padilla case. It is reported that, after the decision was made to transfer Padilla to military custody, it was to be announced by two deputies—Deputy Defense Secretary Wolfowitz, and Deputy Attorney General Larry Thompson—at the June 10 press conference. But instead, Ashcroft, who was in Moscow, jumped in front of the cameras with a highly exaggerated and inflammatory account of the Padilla case, declaring that “we have disrupted an unfolding terrorist plot to attack the United States by exploding a radioactive ‘dirty bomb,’” which, Ashcroft went on to say, “can cause mass death and injury.”

As a result of the anger in the White House over Ashcroft’s conduct—which also triggered an 80-point drop in the stock market—Wolfowitz went on television the next morning with a much softer description of the plot, saying, “I don’t think that was actually a plot beyond some fairly loose talk and his coming in here obviously to plan further deeds.” Wolfowitz added that “it’s not as though this was a plan that was on the verge of being executed.”

Nonetheless, despite admitting that the entire Padilla plot was just “loose talk,” Wolfowitz arrogantly defended the classification of any American judged to be a threat to the war on terrorism as an “enemy combatant,” whose constitutional rights can be denied. The case has been made that Ashcroft, Wolfowitz, and the gang behind the police-state plans should be ousted, as a vital move in defense of the U.S. Constitution.

## Bush’s New Strategy: Unilateralism Run Amock

by Carl Osgood

While charges of unilateralism in foreign policy have been dogging the Bush Administration since long before Sept. 11, George Bush’s strategic policy took a further turn in that direction with the speech he made at the U.S. Military Academy in West Point, New York on June 1.

There, Bush declared, “Deterrence . . . means nothing against shadowy terrorist networks with no nation or citizens to defend. Containment is not possible when unbalanced dictators with weapons of mass destruction can deliver those weapons on missiles or secretly provide them to terrorist allies.” He said that while homeland defense and missile defense are part of stronger security, “the war on terror will not be won on the defensive. We must take the battle to the enemy, disrupt his plans, and confront the worst threats before they emerge. In the world we have entered, the only path to safety is the path of action.”

Bush added that terror cells in 60 countries must be uncovered and that “we must oppose proliferation and confront regimes that sponsor terror, as each case requires.” He told the graduating cadets, “We will send you, our soldiers, where you’re needed.”

### Many Afghanistans

As is often the case, Bush’s speech also contained an element of contradiction. On the one hand, he was expressing a doctrine that rejects the idea of national sovereignty, and arrogating to the United States some kind of absolute, world imperial authority under the banner of the war on terrorism. On the other, he told his West Point audience, that “we also have an historic opportunity to preserve peace. We have our best chance since the rise of the modern nation-state in the 17th Century, to build a world where the great powers compete in peace instead of war.”

Of course, the notion of “great powers,” itself evokes an element of 19th-Century geopolitics, as if the “great powers” have the right to determine the destiny of the rest of the world.

Bush’s West Point speech was followed by increasingly bellicose statements from Secretary of Defense Donald Rumsfeld, who departed, a few days later, on a ten-day trip to a NATO defense ministers’ meeting in Brussels, and then to Estonia, the Persian Gulf, and the Indian Subcontinent.

Rumsfeld brought with him to Brussels, among other things, a demand that NATO remake itself into an expedi-

tionary force. At a press conference following the Brussels meetings, he said, "If a terrorist can attack at any time, in any place, and using any technique, and it's physically impossible to defend in every place, at every time against every technique, then one needs to calibrate the definition of 'defensive.' Because, literally, the only way to defend against individuals or groups or organizations or countries that have weapons of mass destruction and are bent on using them against you . . . is to take the effort to find those global networks and to deal with them as the United States did in Afghanistan."

By definition, this means turning NATO from the defensive alliance it was founded as, into an expeditionary warfare force, deploying to fight primarily outside the region of its member states. The restructuring of NATO military forces demanded by the United States reflects this. This restructuring includes, as one senior defense official reported after the ministers' meeting, enhancing "the Alliance's mobility capabilities and its ability to sustain its forces out of area." This includes expanding airlift and sealift capabilities, logistics support, and air-to-air refueling.

Not far from anyone's mind in these discussions is, of course, Iraq. What does President Bush's new doctrine mean for U.S. policy toward Iraq? Since Iraq is the chief bogeyman for U.S. policy, will the United States soon launch a preemptive attack on Iraq? Rumsfeld is coy when asked that question, but he's made no secret of his attitude toward that country. In a stop-over in London while on his way to Brussels, Rumsfeld declared that Iraq has had a "sizable appetite" for weapons of mass destruction, that materials for Iraq's WMD programs have been "flowing" into the country and that Saddam Hussein "is an individual that has used chemical weapons on his own people."

When specifically asked about moves toward reconciliation between Iraq and Kuwait, Rumsfeld said, while in Kuwait on June 9, "It would be like the lion inviting the chicken into an embrace." He denied, however, that his swing through the Gulf had anything to do with gathering support for the overthrow of the Iraqi regime.

### **Preemptive Strikes With Nukes?**

All this talk about preemptive attacks, whether against Iraq or against any of the other 50 or 60 countries that supposedly harbor al-Qaeda terrorist cells, is making some people nervous. Senate Armed Services Committee Chairman Carl Levin (D-Mich.), speaking to reporters on June 10, did not express much disagreement with the preemptive strike doctrine itself. What made him nervous was the inclusion of nuclear weapons in that doctrine. Levin warned that any change in nuclear weapons doctrine, whether it is toward first use, or the development of new weapons, such as the earth penetrators that the Defense Department is seeking, "whatever those decisions are, they have reverberations throughout the world."

He also expressed doubt that Iraq is quite the threat that Rumsfeld has painted it to be. In Levin's view, Saddam Hussein will use weapons of mass destruction, if he has them, if the United States attacks Iraq. He said that Hussein's major goal "is his own survival," so that makes it unlikely that he would use such weapons if he is not attacked. Levin's qualification of "if he has them" is an indicator that the view that Iraq has nuclear, chemical and biological weapons is not universal in Washington.

Levin is not alone, by any means, in his concerns, as was reported by *Washington Post* columnist Richard Cohen on June 11. Cohen reported on a speech delivered by *Weekly Standard* editor William Kristol, who, in Cohen's words "announced a vast U.S. foreign policy agenda, beginning with a war against Iraq and ending with replacing the monarchy in Saudi Arabia." His mostly European audience "at first gasped and then reacted with irritation." Cohen reported that most of Europe, in fact, sees Bush "as a unilateralist, the President who came into office determined to abrogate this treaty or that and who, either in word or manner, considered Europeans to be wimps." And further, they view Kristol as a "virtual spokesman" for the Bush Administration. Whether or not that view is correct, it is clear that when Bush makes a major foreign policy speech, as the West Point speech was billed, it has consequences in the real world.

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# Spannaus Files for Senate With Debt Warning

by EIR Staff

Nancy Spannaus, the LaRouche Democrat running for the U.S. Senate seat now held by Republican incumbent John Warner, filed 14,000 signatures with the Virginia State Board of Elections on June 11, to qualify for ballot status in November. Upon qualification, Spannaus will become the only Democrat on the ballot—which will also contain Senator Warner, and Jacob Hornberger, a Libertarian running as an independent.

The corrupt Gore-Lieberman dominated State Democratic Party apparatus decided two weeks before not to field any candidate, after previously refusing to allow for a primary or caucus.

Upon announcing her filing, Mrs. Spannaus, a Lovettsville resident, issued a statement on the impending hyperinflationary financial blowout, and the increased danger of an ugly U.S. military adventure over the course of the next few months. While the media joined the Democratic Party in boycotting Spannaus' press conference at the Board of Elections

in Richmond, the candidate got out the word on a major radio talk show in Richmond that afternoon.

The abdication by the Democratic Party has created a political vacuum in Virginia—as it has around the country. Statewide, the Democratic Party is giving four Congressional Republicans a free ride, in addition to Senator Warner.

## LaRouche's Support

Democratic Presidential pre-candidate Lyndon LaRouche, in his endorsement of Spannaus' candidacy on May 20, noted the dangers involved in the political parties distancing themselves from any semblance of meaningful dialogue with the constituents. "That must now be changed," LaRouche said, and "therefore, the policies associated with Manatt, Fowler, Mary Sue Terry, [Paul] Goldman, and Gore, must be overridden for the purpose of rebuilding the party into a form which can earn the mandate to govern under the conditions of escalating crisis gripping the Commonwealth and the nation at this time."

In a June 4 statement announcing her final petition drive, Spannaus picked up this theme. "As a close LaRouche associate, I have the unique qualifications to be your Senator. I will engage Virginia voters in the kind of discussion required, to solve the policy crises before us. LaRouche, who is running for President in 2004, is the only leader who has earned the respect of U.S. citizens, and the world, on the question of the economic crisis, and its solution. His solutions represent the core of my platform: the application of the principle of the

## Party 'In Denial' on Debt

In an interview with Richmond's WLEE-Radio on the afternoon of her June 11 filing, Nancy Spannaus was asked by interviewer Jim Jacobs about her warnings that the debt blowout of the U.S. economy, forecast by LaRouche, is now upon us.

**Jacobs:** If elected, are you going to be joining Democrats?

**Spannaus:** Actually, I hope I'll be leading Democrats, because we lack leadership in the party nationally, with people not wanting to face the depth of the economic crisis we have; they are *in denial*, as you would say nowadays.

We are in a situation where we need a new monetary system—

**Jacobs:** What do you mean, "a new monetary system"?

**Spannaus:** What I mean is, we are so *bankrupt*—all that we have been creating in the last decade, to three

decades, is debt. I have some charts that will blow your mind, if you want to look at them.

**Jacobs:** I'm afraid of your charts. They scare me. They are frightening.

**Spannaus:** That is like some of the Democrats. They don't want to hear it either—but it's not really a party question; it goes into both parties. We need a new monetary system because we have got to *freeze* some of this debt, which is never going to be paid.

The tax base is collapsing, and people are facing total destitution. You see Africa? You see Argentina? That's where we're headed, unless we have a new monetary system.

**Jacobs:** That's a mighty dire prediction.

**Spannaus:** It's not a prediction; it's a forecast.

**Jacobs:** Is the monetary system that corrupt?

**Spannaus:** It is that *bankrupt*. The kind of measures that are required are similar to a Chapter 11 for a firm.

**Jacobs:** So, you want us to default on our notes?

**Spannaus:** I want you to put them aside and freeze them while we rebuild productive capabilities—not our Federal government debt.



*LaRouche Democrat Nancy Spannaus with the Virginia Board of Elections official who accepted her 14,000-signature filing for ballot status in the U.S. Senate race, after the Virginia Democratic Party refused to field a candidate against Senate Armed Forces Committee member John Warner. Spannaus' charts on U.S. indebtedness "scared" a Richmond radio interviewer.*

general welfare to a world depression collapse which will, otherwise, take us into a global religious war, and a New Dark Age."

### **Where Are the Democrats?**

Unlike many political campaigns in Virginia—where the candidate buys petition signatures for \$2.50 each—the Spannaus campaign activated several score citizens around the state, to take action for a candidate of their choosing. Dozens of citizens new to the campaign got involved, many acting politically for the first time in their lives.

In order to meet the the grueling petition requirements that demanded 400 signatures of qualified voters in each of the State's 11 Congressional Districts, as well 10,000 statewide, Spannaus squads fanned out around that Commonwealth, collecting nearly 10,000 signatures in only two weeks. According to several political sources, this feat is unprecedented in recent memory, and it astounded some party regulars who did not think it possible.

Spannaus supporters could be seen standing in front of supermarkets and discount stores, handing out literature and gathering signatures, often in blistering heat. A spokesman for the campaign said that voters were shocked at the failure of the Democrats to even mount a campaign, with many saying that the party's behavior was a "disgrace."

The petitioning took place despite a virtual press blackout of the effort, imposed with the connivance of the Democratic Party apparatus, at both the state and national level. To the extent that there was any report of a petitioning effort, it was attributed to Alexandria Democrat Gail Crook, who like Spannaus had unsuccessfully sought the party's nomination. Crook could gather only 2,000 signatures in the same period

that the Spannaus campaign organized the major part of its petition drive.

A spokesman for the campaign said that the response to the petitioning was gratifying and broad-based. The best response came from Muslim Americans, and from African-Americans, particularly those who have worked with the civil rights movement. Constituencies that have been traditionally hamstrung by the Democratic Party leadership, such as trade unionists, continued to hold back. But many other Virginians, representing normal working people, dug in, and got the job done.

But, while the petitioning moved along at a slow pace for a couple of months, the response exploded after June 1, the day the Democratic Party wrote "None" across its official statement on the Senatorial candidacy, the Spannaus campaign spokesman said. Virginia Democrats do not believe that all is well in the Commonwealth, or nationally, and they were incensed at the failure of the party to run a candidate. (This is actually the second time they have done so against Senator Warner; in an earlier race as an independent against Warner, Spannaus received nearly 20% of the vote statewide.) Nor were they pleased that nominal Democrat, Gov. Mark Warner, went on WTOPT radio to effectively endorse the Republican Senator and indicate his support for not running a candidate.

While many Democrats and Republicans were willing to put a LaRouche Democrat on the ballot to ensure a debate, the fight now escalates to getting them to admit that they have been foolish to ignore LaRouche and Spannaus, and instead to mobilize behind LaRouche's solution to the global economic crisis. Spannaus has said that her campaign will become a leading element of LaRouche's own campaign. There is only one solution to the current crisis, Spannaus says. My solution is Mr. LaRouche's program.

## **Spannaus: Last Chance To Back LaRouche, Before Crash and War**

*Independent Democratic candidate for Senate in Virginia, Nancy Spannaus, announcing successful completion of her ballot petition drive on June 11 in Richmond, released a new and shocking picture of the indebtedness of the U.S. economy spiralling upward during 2002, and heading for a late Summer-early Autumn financial blowout.*

In filing my candidacy for the U.S. Senate today, I am putting before Virginians, once again, the opportunity to listen to economist Lyndon LaRouche and myself, and support

LaRouche's solution to the worst economic and financial crisis in centuries. We told you that the system was coming down, but you stupidly decided to ignore us. Presidential candidate LaRouche's record of long-term economic forecasting has been right on the mark, and you're suffering now because you didn't listen—so I urge you to listen now, and support my candidacy as the vehicle to get out of this mess.

Forget all the babble about a "recovery." Only those who want to be deluded believe in that fairy tale. The reality is that the world financial crisis, which hit with the Russian/LTCM blowout of August-September 1998, is getting worse by the day. You've seen the layoffs, the budget crises, the trade collapse, and now, the beginning of the collapse of the U.S. dollar. It's getting more turbulent by the day.

Already, in the year 2000, the enormous rates of printing money, in order to try to pay the escalating, unpayable debts of countries and corporations, moved us into a classic hyperinflationary realm. In this mode, the rate of growth of the money supply, outstrips the rate of growth of the debt obligations themselves. The cost of servicing and rolling over debt becomes greater than the debt itself.

Today, this process is rapidly accelerating, moving us toward a hyperinflationary shockwave, which LaRouche estimates is likely to hit sometime between August and October

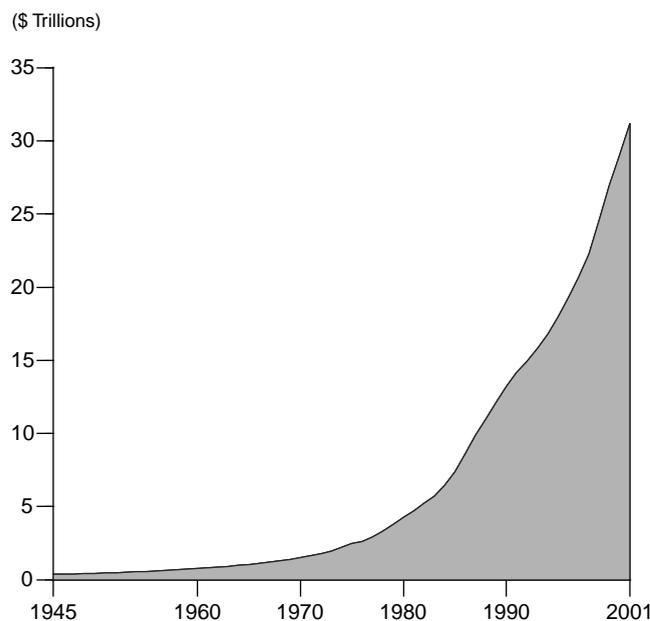
of this year. The model for this kind of destruction is the Weimar hyperinflation of 1923 in Germany, where the attempts to pay exploding debt obligations led to a destruction of the currency and the country.

Take the case of Brazil. There, due to the enormous debt (most of which is fraudulent due to the depredations of the IMF); to the linkage of the local currency (the real) to the dollar, and to devaluations and punitive interest rate increases; the level of indebtedness is rising at a hyperinflationary rate. Over the first five months of this year, the debt increased 13-15%, and in one week alone, the dollar-denominated debt rose 4%. These are unpayable rates, even under conditions of accelerated looting of the living standards of the population.

### Debt Collapse Means Threat of War

In the meantime, the Federal Reserve is manically printing out dollars to try to cover such escalating debts—by no means limited to Brazil. The U.S. banks themselves, flooded with debt, are on virtual life support from the Fed. Then there's the U.S. debt itself, which has risen hyperbolically to the level of \$31 trillion, with exorbitant and rising costs of servicing it. One small example of that kind of rise is in household credit card debt, now estimated by some to be rising

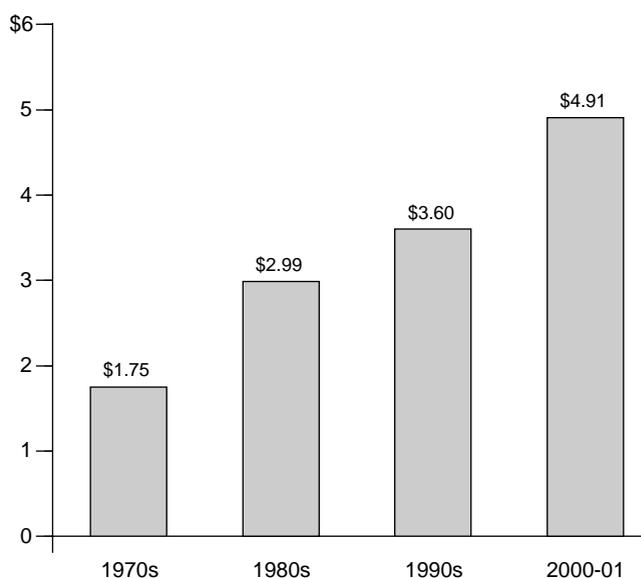
FIGURE 1  
**Total U.S. Debt**



Source: U.S. Department of Commerce, Bureau of Economic Analysis; *EIR*.

*The total indebtedness of U.S. firms and households, already enormous, grew at an increasing pace since 1995, reaching \$31 trillion by 2001.*

FIGURE 2  
**\$ Rise in Debt for Each \$1 Increase in GDP**



Source: Federal Reserve Board of Governors, "Flow of Funds Accounts"; U.S. Department of Commerce, Bureau of Economic Analysis; *EIR*.

*"Servicing the debt now costs more than the debt being serviced." The amount of new indebtedness incurred in the U.S. economy for every dollar's increase in GDP, jumped to nearly \$5 in 2001, as the economy itself went into a swan dive.*

seven times faster than alleged increases in household income. And that's just a small part of the problem.

There is no way in which this monetary relay-race is going to restart the economy—it will inevitably result in making currencies worthless, as the case of Argentina dramatizes. And there is no question but that some of the world's leading bankers understand this.

Therefore, the next few months represent a period of extreme danger, that the financial turbulence and economic collapse created by the bankers' incompetence will bring leading circles in Washington and Britain to launch a military adventure of the most ugly sort, to prevent the obvious blowout of their system. We are looking at a timetable for this Summer, as the crucial turning point: Either sane heads begin to put together political combinations for a new monetary system, along the lines put forward by LaRouche, or we are looking at a horrible war escalation, most likely in the Middle East, by the Fall.

With this crisis in mind, I launch my Senate campaign with the serious intent to win; because the future of our country depends upon LaRouche's solutions being taken up now.

## Army Video Game Teaches 13-Year-Olds To Kill

by Don Phau

The U.S. military has joined the ranks of Nintendo and Sony, creating its own "point-and-shoot" video game designed to teach children as young as 13 years old how to kill. On May 22, the Army premiered "America's Army" at a large video-game exposition in California, calling it a recruitment device. The game will be available for free beginning July 1.

The Army's game promoters bragged that their game is superior to "first-person" shooter games, like "Counter-Strike," on the commercial market. "America's Army" debuted at the Electronic Entertainment Expo in Los Angeles.

The Defense Department reportedly spent \$6.3 million to develop the game, but, in fact, the military has been, for many years, pouring money into perfecting computer graphics and simulation utilized in their game. Lt. Col. David Grossman (ret.) has documented how the Army has trained soldiers on "first-person" shooter computer simulators (where the player is the shooter), what Grossman called "murder simulators" in an interview with Helga Zepp-LaRouche (*EIR*, May 24, 2002).

Members of a special Army officers unit called the Army Game Project, located at West Point, New York, spoke to journalists in early June. The officers were extremely proud,

that the Army's game "was better than 'Counter-Strike.'" "

"Counter-Strike" was one of the point-and-shoot video games played obsessively by 19-year-old Robert Steinhäuser, who killed 16 adults and students, and himself, in a high school in Erfurt, Germany on April 26, in what has now surpassed Columbine as the worst incident of video-game-induced psychotic mass murder. "Counter-Strike" is also similar to the point-and-shoot video games which addicted the Columbine High School shooters, Dylan Klebold and Robert Harris, who killed and wounded 24 students in Littleton, Colorado in 1999, and the 14-year-old middle-school killer Michael Carneal in Paducah, Kentucky. The "immersion" in these "New Violence" products has been a characteristic, as Colonel Grossman and his associates have shown, of nearly all of the perpetrators of deadly mayhem in U.S. high schools and middle schools in recent years.

### Call To Ban These Video Games

Shortly after the massacre at Erfurt, Helga Zepp-LaRouche, who is a candidate for German Chancellor, called for an international ban on violent video games. Zepp-LaRouche said, "Germany must call upon the United Nations to establish a protocol for a worldwide ban on the production and sale of films, computer games, and videos glorifying violence." At a conference speech of the Schiller Institute on Feb. 20, 2000, Zepp-LaRouche first exposed that Hollywood and the video-game makers were out to turn young children into savage killers.

On May 4, 2002 she conducted an interview with Grossman, who emphasized that there were three factors that turned the young students at Erfurt and Columbine into mass killers. Grossman said, "You need the weapon, the skill, and the will to kill. The video game provides two out of the three. They give the skill and the will to kill." Grossman, author of the book *Stop Teaching Our Kids to Kill*, is a former Army Ranger and former professor at the West Point Military Academy.

Maj. Chris Chambers is the Deputy Director of the U.S. Army's Game Project at West Point. He says that the "America's Army" video game was developed by the Naval Postgraduate School's Modeling Virtual Environments and Simulation (MOVES), a school devoted to military graphics and simulation located in Monterey, California. MOVES is a multimillion-dollar center for what's called "immersion" technology. This "immersion" is what turns the video-game player into an "addict."

The military had developed this school for training, but now, with its public debut in video games, this "experience" will be unleashed on the general public, targetting—the game's advertisements say—"13- to 18-year-olds for recruitment."

Targetted recruitment of children this young, to learn how to be killers in an army, has for years been a "marker" characteristic of terrorist armies, like the narco-terrorist Revolutionary Armed Forces of Colombia (FARC) or the various merce-

nary “strongman” armies in Central and West Africa. The U.S. Army now plans to recruit children as killers by distributing these games for free on the Internet beginning on July 1. The point had recently been made by Lyndon LaRouche, that the massive use of these point-and-shoot games by teens and pre-teens is itself the marker in the creation of a “utopian” or imperial-style army, on the lines of Samuel Huntington’s 1950s imperial primer, *The Soldier and the State*.

According to Major Chambers, “We knew throughout the Department of Defense we had a lot of military simulation experience that could be capitalized upon for this product, and so we looked at the centers throughout the DOD that are creating these simulations, and creating pieces of simulations, and [which] do the programming and graphics involved with other projects that the military has used. The Naval Postgraduate School has an institute which teaches this sort of thing, which is called the MOVES Institute. So we talked to them and they agreed to take it on as a project, a research project, as well as sort of a production project.

“We have ideas, and we are putting them in place right now, to go well beyond the state of the art. That’s why we looked at these folks, these are the scientists and academicians within the DOD which work with these technologies every day.”

### **The Army’s ‘SIMS’**

Major Chambers describes the Army’s game as more advanced than anything on the market today. “What you probably have seen in the articles is reference to the first-person perspective action game, where you actually play a role in an action setting, a graphical setting where you are taking part in a light infantry operation. That’s the part of the game which got the most splash at the Entertainment Expo last week, because it’s the big end of the business, and there are a lot of heavy-hitting companies that are in that game genre.

“The other half of the game we put out is also called ‘Soldiers.’ It’s a role-playing-type game, which has a totally different look and feel; it’s done in photo realism, which has the look on your computer as streaming-video, but it’s not. . . . What that is, is similar to one of the most popular games out there, called ‘The SIMS.’

“This is beyond state of the art. The way the ‘Soldiers’ game runs, is that it uses a story engine that was created for this project, and had never been done before. It creates this movie for you in real time, based on the inputs you give to your character. Most other games of the SIMS type are giant decision trees where the character goes through a variety of decisions. If you tell it to go left or right, there is just a finite number of paths that the character can go. In our game, you really have an infinite number of paths. It can create in real time, stories that are affected by virtually everything else that’s going on in the game.”

Major Chambers explained why the game would attract young teenagers: “You’re in the role of an infantryman, taking

part in live training or a live operational assignment somewhere in the world. If you’ve seen these first-person perspective games, you’re actually taking the role of a rifleman or a paratrooper, or a grenadier in an operation. Those are very popular games.

“Our ‘Operations’ game is like that, but better. It’s better in terms of graphics . . . better graphically, action-wise and realistically we think it’s better. . . . We’ve gone to great lengths to painstakingly show the correct detail that’s involved with weapons, and employing weapons, and the physics of employing weapons; the physics of communications; the real liability you have on the battlefield in the small-unit operations. Other games don’t have the advantage of 200 years of expertise in these matters, so we knew that was our competitive advantage, and we were going to fill that niche in the market.”

Chamber concluded: “Each year we will make decisions to add to the game. We’ve got years’ worth of work that potentially could be done. We will go for the long haul. . . . A game is not exactly the same thing as what we have been doing in other places. So we hired people from the gaming industry to round out our team. We think we put a real winner team together.”

Another member of the Army Game Project, Maj. Paul Kusik, added that the Army’s game will explain to the player, in detail, how a gun works. If the gun jams, he said, the game goes through how to “break down the weapon.” The idea, says Kusik, is that “it was a way to connect with youth.”

### **The Monterey MOVES Institute**

At the MOVES Institute for the Naval Postgraduate School, where the “brains” and “mad” scientists behind the military’s computer science are located, one computer “scientist” boasted that the Army’s game is one of the most advanced on the market. “On the level of technology involved in this, on the 3-D game, it is the first game out on top of what’s called a game engine. . . . The graphics and action are terrific on the 3-D side. We think it’s easily the match of anything in the market or likely to be in the market soon. The level of realism and depth, and essentially the layers of realism that are packed into the game, are something that we are very proud of. . . .

“This is the first type of product development for the market, that we are aware of, coming from a research institute. . . . All of the military branches have used computer games for one purpose or another, and in each of these cases though, they went directly to an outside vendor and had them either repurpose an existing game, or had them build a game for them.”

Two of the seven companies listed as sponsors of the MOVES Institute are run by George Lucas, the creator of “Star Wars,” the latest episode of which is called “The Attack of the Clones.” The Army’s slogan was formerly that it would turn boys into men: It now appears that the Army is out to turn boys into mindless “clone” killers.

# Arizona Mystery: McCain, the Mob, And the Democrats

by Anton Chaitkin

Those who remember Franklin D. Roosevelt and John F. Kennedy find it strange that right-wingers such as Joe Lieberman have taken control of FDR's party. A spokesman for free trade, cheap-labor economics, and imperial wars, Senator Lieberman (D-Conn.) is just the sort of flunky FDR condemned when he wrested control of the Democrats from Wall Street and the Southern racists.

Lieberman is continually promoting an anti-labor warhawk Republican, John McCain of Arizona, as the savior of the country. For example, Lieberman's own Democratic Leadership Council devotes the May 21 issue of its *Blueprint* magazine to boosting McCain as America's greatest reformer. The lead article, by McCain's adviser Marshall Wittmann of the right-wing Hudson Institute, pushes McCain as "the new Theodore Roosevelt."

McCain and Lieberman threaten to launch a third party, to blackmail President George Bush into waging new overseas wars, or to tip the 2004 White House race to Lieberman, as Theodore Roosevelt's Bull Moose party bid gave the 1912 Presidential election to Woodrow Wilson.

Even stranger is McCain's claim to fame as a "reformer"—the architect of the campaign finance reform measure, who will "clean up politics." For John McCain himself is notoriously "made," as the beneficiary of over \$100 million thanks to the gangster underworld of the Southwest—though McCain reports his personal net worth to be only around \$10 million.

## Mob Beer and Newspapers

In Arizona, it is well known and often published that McCain dumped his first wife to marry the daughter of James Hensley; and that Kemper Marley—Sam Bronfman's desert mob overlord—had awarded Hensley control of his Budweiser beer distributorship. Hensley, after all, didn't squeal when he and dozens of other Marley employees were convicted of violating Federal liquor laws. Hensley bankrolled McCain's first run for Congress.

Now McCain, his wife, and their four children own over 60% of Hensley and Company, according to public records of the Arizona Liquor Commission. The nation's sixth-largest beer distributor, Hensley keeps its finances secret, but admits

to a yearly revenue of \$200 million. A conservative estimate puts the McCain family fortune, from the Hensley source alone, at \$120-200 million.

How did gangsterism and reactionary politics get misnamed "reform"? Behind today's headlines is the Arizona marriage of the media power cartel and the mob, creating John McCain—and a stench which is destroying the Democratic Party.

Jim Hensley staked his new son-in-law to his first political campaign in 1982. But McCain's two elections to the House and three to the Senate were each especially cleared and promoted by the Pulliam family's *Arizona Republic*, the Phoenix "kingmaker" newspaper. (The Pulliam family sold the *Arizona Republic* to the Gannett chain in 2000, since which time Senator McCain and the paper have been at odds.)

When young Hensley beer baron McCain entered Congress, Arizona was embroiled in a series of trials relating to the 1976 gangland bombing-murder of investigative reporter Don Bolles. According to the testimony of confessed killer John Henry Adamson, Bolles was blown up at the request of mob overlord Kemper Marley, Hensley's patron. Bolles' articles had implicated Marley and Hensley in the mafia tentacles of the Bronfman family's race track-controlling mafia unit, Emprise.

Marley's agents were tried and re-tried for the assassination, even after Marley himself died in 1990.

Don Bolles had been hired by *Republic* owner Eugene C. Pulliam to go after Pulliam's Arizona political targets. But Bolles' probe of Marley—Pulliam's partner in running the state—went over the line: Pulliam himself was finally named in the scandal. This is how the Pulliam family itself delicately describes the problem, in the authorized biography *Publisher Gene Pulliam*, written by his grandson Russell Pulliam:

Bolles named some of Pulliam's friends in the stories. . . . [Quoting Bolles:] "One of my fellow reporters told me, 'Man, if you get that name out in public, you don't have a job.'

"I decided that if the *Republic* was that kind of a paper, I didn't want to work for it.

"And when his name came out in court, Gene expressed his admiration for our work in turning it up, without fear or favor. He said, 'I always wondered how long it would take.' "

But, Pulliam continues: "Don Bolles found that Pulliam was no longer so quick to back him up as in the past. . . . Bolles quit investigative reporting for the *Republic* in 1974, soon after Pulliam decided to kill a series on the Arizona criminal justice system. His fight against organized crime had been an uphill battle." (When a national group of investigative reporters wrote a series on the Bolles murder, the *Arizona Republic* refused to run it.)

Eugene C. Pulliam died in 1975; employee Bolles was



*Why has the Democratic Leadership Council of Sen. Joseph Lieberman been feverishly promoting the Presidential timber of anti-labor, warhawk right-wing Republican John McCain? There are common financial-political bosses involved.*

killed in 1976. And Eugene's son and successor, publisher Eugene S. Pulliam, endorsed Hensley's candidate McCain for Congress in 1982.

Who was Pulliam?

Eugene C. Pulliam rose to power as a soldier of the Teddy Roosevelt wing of the Republican Party, the London-Wall Street faction, in combat against the Abraham Lincoln, William McKinley, nationalist wing. Pulliam's first small newspaper was a fanatical pro-Teddy Roosevelt sheet, that failed in 1914 with the collapse of the Bull Moose party.

Pulliam got financial backing from Texas oil barons Sid Richardson and Clint Murchison, and from Robert Young, the U.S. partner of the Duke of Windsor (Edward VIII). Pulliam got the money to buy the *Indiana Star* in 1944 and the leading Phoenix papers in 1946 from the Jefferson Pilot Insurance Company of North Carolina, part of a radical-right intelligence agency/lawyer/investor complex that would include the Smith Richardson Foundation and the British cartel controlling the Reynolds tobacco empire.

## **Crime, Re-Formed**

The Pulliams swooped down on Phoenix in the mid-1940s, extending their base from Indianapolis.

To take power in Arizona, Pulliam called for reform. Gambling and prostitution were openly practiced; they must be driven underground. Supposedly to accomplish these aims, Pulliam declared that government must be taken out of the realm of "politics." Pulliam soon established a near-dictatorship over Phoenix and Arizona state politics, in which gambling and other crimes not only flourished but became the way of life in the New Economy.

By 1949, Pulliam established a new Charter Government in Phoenix, where a select group would choose the slate for election to manage the city. This governmental structure was

dissolved when Eugene C. Pulliam died in 1975. Pulliam ruled openly, creating the Phoenix 40 (leading utility, real estate, and other local sub-chiefs), while Kemper Marley extended the Bronfman/mafia power behind the scenes.

Banker Walter Bimson ran the Valley National Bank as an instrument for both Marley and Pulliam; Kemper Marley was at one point chairman of Valley National. The bank provided the money for mob boss Meyer Lansky to set up the Flamingo Hotel in Las Vegas under enforcer Bugsy Siegel.

Walter Bimson and Pulliam were the arbiters of all economic and publicity decisions in Phoenix, according to Pulliam's authorized biography.

Politician Barry Goldwater was one of Pulliam's instruments to power. Barry's brother was on the board of Valley National Bank, in which the Goldwaters were major owners. Pulliam convinced Barry Goldwater to get into politics, starting out by running for City Council. Goldwater led the slate backed by the *Arizona Republic* and *Gazette* and Phoenix Charter Government group. Meanwhile, Kemper Marley's agent over a 40-year era, jeweler Harry Rosenzweig, became Goldwater's manager and eventually the head of the Arizona Republican Party.

The Pulliam-Marley power structure channeled Phoenix's growth into a post-industrial financial boom, pivoted on real estate speculation and other "services," instead of developing an industrial base. Pulliam called for racetracks to service retirees and tourists, defining the state's future. The racetracks were host to the Bronfman-Marley-Hensley "Emprise" gang, which cost investigator Don Bolles his life.

Eventually, Las Vegas-style casinos were legalized and set up on Indian reservations. Senator McCain is the political godfather of the reservation-casinos across the country, helping to get cliques recognized as "tribes" for the sole purpose of opening casinos. Not surprisingly, casino owners, along



*Arizona mob and beer boss, the late Kemper Marley, from whose organized-crime operations John McCain's current fortunes ultimately spring. It was Marley whom Arizona investigative reporter Don Bolles was on to, when Bolles was murdered in 1976.*

with beer distributors, are among the leading direct contributors to McCain's political campaigns.

And McCain put a strange loophole in his campaign finance reform: Indian tribes, i.e., casinos, could give limitless contributions to candidates. The *Los Angeles Times* reported on Feb. 23, 2002, that critics of the special exemption "fear that tribes flush with gaming income would continue to pour vast sums into the political system."

An amendment was proposed to close the Indian contributions exemption. But as the *Times* put it, "the bill's chief advocates, including Sen. John McCain (R-Ariz.), himself a leading Congressional recipient of Indian gaming money, were skeptical."

While mammoth casino operators take profits, sharing the loot with some reservation residents, unemployment, poverty, disease, and social breakdown are at crisis levels among tribes.

## On to the White House?

The curious political apparatus that now sponsors the McCain-Lieberman crusade, is rooted in the old subterranean partnership of Pulliam and Bronfman.

The Pulliam family, including Eugene S. Pulliam's grandson, former Vice President Dan Quayle, came to own Indiana's leading newspapers, and a major portion of the Eli Lilly pharmaceutical company of Indianapolis. (Quayle was the general manager of the family's Huntington, Indiana *Herald-Press* when Eugene S. Pulliam died in 1975.)

The Pulliam dynasty helped create "neo-conservatism." As the family explained in Eugene S. Pulliam's authorized biography, the new movement did not want to "preserve America as it was or had been. They wanted to go further back"—that is, back before the American Revolution—"or forward, to a new way of life" in accord with British imperial philosophers "John Locke, Adam Smith, and Edmund Burke."

The editors of two Indiana Pulliam papers, Jameson Campaigne and M. Stanton Evans, were organizers of the

American Conservative Union (ACU), along with British intelligence operative Marvin Liebman. As ACU president, Evans led the group to break with Richard Nixon "from the right."

The neo-conservatives stressed the need for globalism, free trade, an Anglo-American empire, with rightist-dominated Israel as a regional partner.

The Hudson Institute moved from New York to Indiana in 1984 and came under the control of the Pulliam-Quayle-Eli Lilly money and power complex. Dan Quayle went to work at the Hudson Institute after leaving the Vice Presidency, taking staff with him from Washington right into the family's institute.

This dynasty's power is not hidden: Mitchell E. Daniels, Jr., the current Director of the Office of Management and Budget, a spokesman for the radical warhawk faction of the George W. Bush Administration, was a key adviser to Dan Quayle, and for 13 years, director of public relations for Eli Lilly and the president of the Hudson Institute.

So, this is the Hudson Institute whose Bull Moose project director, Marshall Wittman, is running the promotion of Pulliam protégé John McCain as "the new Teddy Roosevelt," and to which Joe Lieberman has devoted the magazine of the Democratic Leadership Council.

Lieberman himself owes his rise, perhaps more than any other U.S. politician, to the "Mega" group of Jewish billionaires, whose influence has been crucial in wielding Israel as an instrument of war and disruption in the Mideast. Heading Mega are Edgar and Charles Bronfman, scions of the family whose agent Kemper Marley ruled Arizona with the Pulliams. Thus the now open political partnership of "Republican" McCain and "Democrat" Lieberman, which has a more-or-less open hand in most Washington developments today, is not so surprising at all.

## The Tory Gang That FDR Defeated

Pulliam-style "reform" has destroyed the formerly productive United States over the past several decades. The economy, and American society, have been criminalized. Beyond casinos, the most insane forms of gambling are now routine in the biggest corporations and banks. This is the "New Economy" hoax, which Joe Lieberman and his DLC—unshockable by Enron or worse horrors—still call America's future. And what mafia porn merchants used to peddle, is now legal Hollywood fare, along with video games designed to make hit-men out of teenage players. Lieberman conned the Congress out of acting against the producers of this murderous trash, then collected millions in campaign money from the Hollywood executives in direct response for protecting them.

Lieberman and his sidekick McCain, the "Bugsy Siegel" of the Indian casinos, are the loudest voices demanding a plunge into general war through and beyond the Middle East.

This "reform" is the Tory gang that President Franklin Roosevelt buried in 1933. It's now up and stalking the White House. It badly needs re-burying.

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## Book Review

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# Reinventing John

by Jeffrey Steinberg

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### **Citizen McCain**

by Elizabeth Drew

New York: Simon and Schuster, 2002

181 pages, hardbound, \$23.

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The well-respected political historian Elizabeth Drew made an appearance on June 5, at the National Archives in Washington, D.C. to lecture on her latest book, *Citizen McCain*, an unabashed embrace of Arizona's senior Republican Senator, John McCain. Both in her lecture, and in her 181-page account of how McCain successfully orchestrated the campaign finance reform bill through the Congress and through a threatened Presidential veto, Drew made no bones about the fact that she considered John McCain to be *the* anti-establishment version of the "Great White Hope," who could shape, if not win, the 2004 Presidential election as America's first successful modern third-party insurgent.

In a guest appearance on National Public Radio several weeks before her National Archives lecture, Drew responded to one caller, by insisting that McCain must retain the option of an independent Presidential run, and beat back any attempts to lure him into the Democratic Party, where he might share a ticket with his "dearest friend" in the Senate, Joseph Lieberman (D-Conn.). She scoffed at the idea of McCain joining a Democratic Party that still retained even a scrap of the legacy of Franklin D. Roosevelt's New Deal economic policies, and the civil rights tradition of Lyndon Johnson.

### **Leaving Out the Notorious**

An incident that occurred during her National Archives appearance let the cat out of the bag, revealing that her "travels with John" account of the 2001-2002 campaign finance reform legislative battle, is part of a larger effort to "reinvent" John McCain, for use in the 2004 Presidential elections, by air-brushing out of the picture some most disturbing and revealing facts about the former Vietnam prisoner of war-turned Arizona Senator.

During her lecture, Drew lamented that, during the "dirty" South Carolina Republican primary campaign in 2000, "rumors were spread about [McCain's] wife, children and fam-

ily." During the discussion period that followed her formal remarks, Drew was asked a question by *EIR* History Editor Anton Chaitkin: "John McCain and his wife and children are the majority owners of the Hensley beer distributorship, which Mrs. McCain inherited, and which was created by organized-crime figure Kemper Marley, notorious in the murder of investigator Don Bolles—"

Drew cut off the question, demanding, "What are you driving at?"

Chaitkin continued, but was soon cut off again: "My estimate is that their stock in Hensley is worth at least \$120 million in value—"

"It's irrelevant," Drew interjected. Later, in a private discussion, Chaitkin continued, detailing the Arizona organized-crime links to the McCain household, contending that, since the essence of Drew's embrace of McCain was that he was a reformer, in the tradition of Teddy Roosevelt and the mugwumps, "Isn't it relevant where his own money comes from?"

To which Drew responded, "If this is true, why didn't we see it in 2000? It didn't come up at all."

Chaitkin then asked her: "Did you bother to look up his family money?" She replied, again, "It's irrelevant."

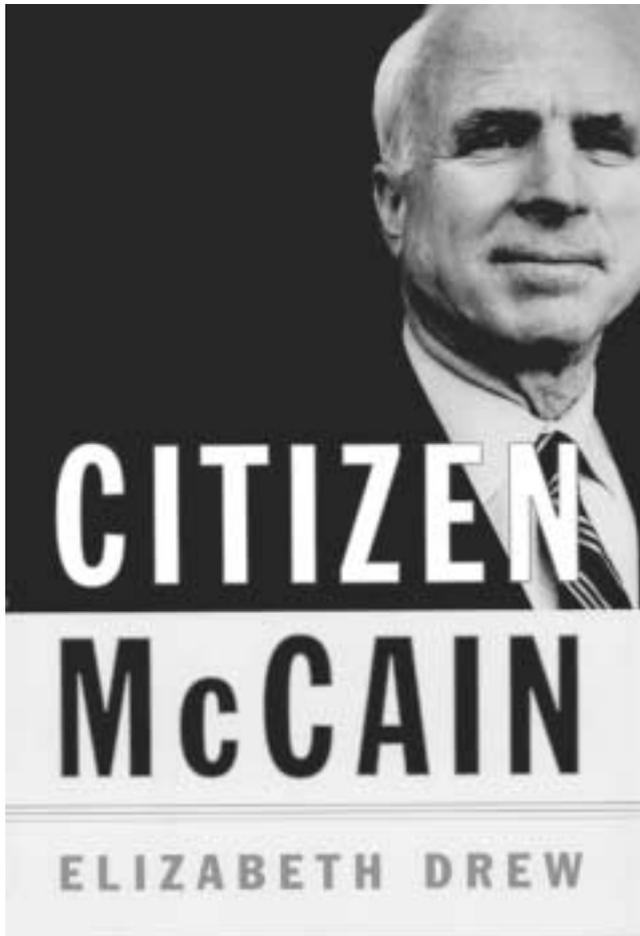
This strange encounter served to reinforce certain very disturbing things that this reviewer ran up against in reading Elizabeth Drew's short, gripping, and wholly laudatory account of McCain's fight to push through the campaign finance reform bill. Let us assume—and that is a very generous assumption—that Drew's account of the behind-the-scenes maneuverings of McCain and a handful of predominantly Democratic Party allies, that led to both Houses of Congress passing, and President George W. Bush signing, the campaign reform bill, is true. Nonetheless, the book smacks of such personal partisanship toward McCain, that it almost read like a love poem, rather than the kind of probative and searing political analysis that one has come to expect from Drew.

Elizabeth Drew has been pounding the Washington pavement for more than 25 years, covering Presidential and Congressional politics in scores of articles for *New Yorker* magazine and other publications, and 11 previous books. In recent years, with *Whatever It Takes* and *The Corruption of American Politics*, she has focussed her pen on the massive corruption of the American political process, through the power of money and lobbying.

This is why I felt so dirty, having read her hour-by-hour account of a year in the life of a wanna-be President of the United States, knowing some things myself about the corruption behind McCain's Arizona empire, and the very dangerous role he has carved out for himself as a one-man Sword of Damocles hanging over the head of a very vulnerable President George W. Bush.

### **Some Basic Facts**

The accompanying investigative report by Anton Chaitkin provides the reader with a road map of John Mc-



*The usually competent author refuses to deal with certain critical matters of McCain's Arizona backing, turning out a book of unremitting praise.*

Cain's Arizona, a nest of organized crime, real estate boondoggles and ripoffs, and right-wing Zionist political power games. What need sto be highlighted, in order for the reader to appreciate the significance of the attempt to "reinvent" John McCain, is the role that McCain and his "Bull Moose" backers are playing in the ongoing perversion of American foreign and national security policy.

As Drew's former nesting ground, *New Yorker* magazine, reported at the beginning of this year, McCain is promoting the idea of a third party candidacy, to draw sufficient votes from President Bush in the 2004 general elections, to defeat the incumbent, in a near-perfect replay of what happened to George H.W. Bush in 1992, at the hands of H. Ross Perot.

McCain has made it clear—on numerous public occasions—that he will make his spoiler decision on the basis of how well or how poorly President George W. Bush performs on a number of litmus-test foreign and national security policy issues. During the February 2002 annual "Wehrkunde" International Conference on Security Policy in Munich, McCain declared that the President had already nearly lost the "war

on terrorism" by his failure to overthrow Saddam Hussein, his continuing partnership with the Saudi royal family, and his refusal to join Ariel Sharon in repudiating Yasser Arafat as a stone-cold unrepentant terrorist.

McCain's Wehrkunde performance was actually part of a quartet act, with his "best friend" Joe Lieberman, Sharonist Richard Perle, and Deputy Defense Secretary Paul Wolfowitz completing the "Get Saddam" ensemble.

In effect, McCain is part of the larger orchestration of the Bush Administration's foreign policy, to force the President to wreck decades of American Middle East policy, to break U.S. ties with the Saudis and other key Middle Eastern and Persian Gulf allies, and give Sharon the "green light" to implement his "final solution to the Palestinian problem"—or face a humiliating 2004 defeat. Such a father-son defeat will forever stain the Bush family legacy—or so the story goes.

McCain knows this. Elizabeth Drew, one would imagine, certainly knows this. This is publicly flaunted political treachery, which involves the current leadership of the Democratic Party—particularly the Democratic Leadership Council of so-called centrists, led by Lieberman—along with an even more dangerous coterie of "Christian Zionist" Republicans, who count (soon to depart) House Majority Leader Dick Armey (R-Tex.) and House Majority Whip Tom DeLay (R-Tex.) as their Congressional champions. The outright Sharon lobbyists in America—the extreme Jabotinskyites of the Zionist Organization of America and Americans for a Safe Israel—who are openly allied with the Christian Zionists like Jerry Falwell, Pat Robertson, and Ralph Reed, are such an obvious part of the "Get Bush" blackmail game that it hardly needs further mention.

Since the book *Citizen McCain* is clearly part of the effort to foster the highly dubious idea that the electrically charged Arizona Senator is a viable political leader—Presidential timber—one cannot help but wonder: Who put Drew up to this exercise in fallacy of composition, an exercise that has dire potential consequences for the survival of the United States? John McCain's 2000 Presidential run against George W. Bush enjoyed the backing of Zbigniew Brzezinski, and the implicit backing of the ever-sneaky Henry A. Kissinger. These are the Bobbsey Twins of the Clash of Civilizations. That is clearly the larger political picture in which Elizabeth Drew's fictional rendition of John McCain is to be situated, and it stinks!

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## Kucinich Challenges Bush On ABM Treaty Decision

On June 6, Rep. Dennis Kucinich (D-Ohio) offered a privileged resolution calling on President George Bush to seek Congress' approval of his December decision to withdraw from the Anti-Ballistic Missile (ABM) Treaty. Under House rules, a privileged resolution deals with matters "affecting the rights of the House collectively, its safety, dignity, and the integrity of its proceedings," or "affecting the rights, reputation, and conduct of the members . . . in their representative capacity only."

Since only the Senate deals with treaties, House Foreign Affairs Committee Chairman Henry Hyde (R-Ill.) made a point of order against Kucinich's resolution, arguing that it did not constitute a question of House privilege. Hyde said that, in 1979, the Supreme Court rejected the claim, made by then-Sen. Barry Goldwater (R-Ariz.), that President Jimmy Carter had no right to abrogate the defense treaty with Taiwan. Hyde concluded that when President Bush decided to abrogate the ABM Treaty, he "was fully within his rights to act as he did."

Kucinich replied that the debate is "about the role that this institution has in a democracy." He said that because, under the Constitution, treaties are the law of the land, the President has no unilateral authority to repeal them, any more than he has the authority to repeal a law passed by Congress. "We must assert our role in this treaty withdrawal," he said, "in order to prevent further erosion of constitutional authority." What is at issue, "is whether this House of Representatives, this Congress, will stand up to an imperial Presidency," one that "does not respect the constitutionally protected role of this Congress in the governance of our nation."

Speaker Pro Tempore Ray LaHood (R-Ill.) ruled that Kucinich's resolution, because it invoked a constitutional authority of the Congress as a whole rather than just the House, was not in order. LaHood's ruling was upheld on Kucinich's appeal by a vote of 254 to 169.

## Senate Passes Bill for Supplemental Spending

On June 6, the Senate passed by a vote of 71 to 22, the fiscal year 2002 supplemental appropriations bill. The total amount of the bill, \$31.5 billion, was about \$2 billion above that passed by the House, which was some \$2 billion above the request submitted by the White House in March. The debate was marked not only by charges of pork-barrel spending by some Republicans, notably John McCain (R-Ariz.), but several Senators also tried to make the debate a vehicle for budget politics.

Because the bill is nearly \$4 billion over President George Bush's request, it has drawn a veto threat from the White House. On June 4, Office of Management and Budget Director Mitch Daniels submitted a letter to the GOP caucus, saying that the bill "includes scores of unneeded items that total billions of dollars," including \$11 million in assistance to New England fishermen, \$2 million for a storage facility for the Smithsonian Institution, and so on. The GOP failed to strike some of those items from the bill, though they did have some success in removing the "emergency" designation from other items.

The failure of the Senate to pass a budget resolution for fiscal 2003 spilled onto the Senate floor, in the form of attempts to add a budget enforcement mechanism to the bill. Judd

Gregg (R-N.H.) proposed an amendment that would have reinstated the budget caps made infamous by the 1997 Balanced Budget Act. He said, "Recently, we have seen the budget discipline within the Congress has eroded rather dramatically." Budget Committee Chairman Kent Conrad (D-N.D.) said that the flaw in Gregg's proposal was that it was based, "not on what actually happens, but . . . on projections of what will happen." Conrad proposed extending the 60-vote point of order against provisions that violate the 1974 budget act. He said that otherwise, "it will become much more difficult to enforce budget discipline in the Senate."

Both amendments failed. The Gregg amendment did not have the 60 votes required to waive the budget act, and the Conrad amendment fell on a point of order, being non-germane to an appropriations bill.

## House Favors Permanent Estate Tax Repeal

The House GOP leadership got their way on June 6, when they passed by a vote of 256 to 171, a bill to make permanent the repeal of the estate tax. Passed as part of last year's tax bill, the estate tax repeal expires at the end of 2010. Republicans claimed that the estate tax is hardest on family farms and family-owned businesses, often forcing a family to sell the business in order to pay the tax. John Duncan (R-Tenn.) claimed that 85% of estates that pay the tax are valued at about \$2.5 million, many of which are small businesses.

Democrats view the bill as a political payoff to the richest GOP supporters. Charles Rangel (D-N.Y.) said that the beneficiaries would be the less than 1% of the taxpayers "who are blessed

not only with high income and great estates, but those who are blessed with a whole lot of great Republican friends that would like to have them even extend benefits.” He called consideration of the bill (which would cost \$1 trillion over ten years) during a time of war, “when we do not even have a decent prescription drug bill, . . . immoral, indecent, and obscene.”

Dennis Kucinich (D-Ohio) said that “the purpose of the estate tax is to mitigate the accumulation of wealth by family lineage,” which “makes for a fairer society.” He said, “Democracy needs an estate tax. By contrast, monarchies are characterized by not having estate taxes. . . . Without the estate tax, the tax burden is more squarely placed on middle- and low-income workers and their wages. The estate tax ensures that inherited wealth bears more tax burden than earned wages that are the result of work and effort. Estate taxes reduce the concentration of wealth and foster our democracy.”

## **Bush Team Pushes for Terrorism Insurance**

On June 10, Treasury Secretary Paul O’Neill sent a letter, signed by Director of the Office of Management and Budget Mitch Daniels, Director of the National Economic Council Lawrence Lindsey, and Chairman of the Council of Economic Advisers R. Glenn Hubbard, to Senate Minority Leader Trent Lott (R-Miss.), calling for action on a terrorism insurance bill.

O’Neill warned that the absence of such legislation is “having a palpable and severe effect on our economy.” He said the lack of terrorism coverage “makes it more difficult to operate, acquire, or refinance property, leading to diminished bank lending for new con-

struction projects and lower asset values for existing properties. . . . Without such insurance, the economic impact of another terrorist attack would be much larger, including major bankruptcies, layoffs, and loan defaults.”

Last December, the House passed a terrorism insurance bill that was based on a bipartisan agreement among the White House, Senate Banking Committee Chairman Paul Sarbanes (D-Md.), and Sens. Chris Dodd (D-Conn.), Phil Gramm (R-Tex.), and Mike Enzi (R-Ore.). However, the bill has been stalled in the Senate ever since. On June 4, Majority Whip Harry Reid (D-Nev.) said that Republicans have blocked every attempt to move the bill. He said the desire to move it quickly requires a unanimous consent agreement, and the agreement the Democrats are proposing would allow for amendments.

Reid said that part of the problem is that some Senators wish to use the bill as a vehicle for tort reform. “This is not about tort reform,” he said. “It is about maintaining the stability of our economic infrastructure.”

## **Army’s Crusader Artillery System’s Future in Doubt**

On May 29, the White House sent up an amendment to its FY 2003 budget request asking to reprogram \$475 million from the Army’s Crusader artillery system to other “more transformational” technologies, reflecting Secretary of Defense Donald Rumsfeld’s decision to kill the self-propelled artillery system. Of the \$475 million, \$310 million would go into the Future Combat System and another \$48 million into the Excalibur precision-guided artillery shell, which

was originally intended to be fired from the Crusader but now is to be planned for existing artillery systems. The remainder of the money will go into upgrade programs for fire-support systems.

However, the decision to cancel the Crusader faces an uphill battle in the Senate. The House has already passed its version of the FY 2003 Defense Authorization bill, with a provision requiring an in-depth study of possible alternatives before allowing the system to be cancelled. Senate Armed Services Committee Chairman Carl Levin (D-Mich.) indicated on June 10, that the Senate still has many questions. He told reporters at a media breakfast that the timing of Rumsfeld’s decision was poor, and that the Defense Department did not even follow its own timetable for review of the system. He noted that Army Chief of Staff Gen. Eric Shinseki still supports the Crusader.

Levin called for allowing the Army to complete its studies so that all of the information required to make a decision will be available, whether it is to continue development of the Crusader or, if it is ultimately cancelled, then on how to reallocate those funds.

While support for the Crusader in the Senate cuts across party lines, another item passed by the Senate Armed Services Committee does not. That is the reallocating of about \$800 million from the missile defense program into the Navy’s shipbuilding account. In Levin’s view, the Bush Administration’s budget underfunds shipbuilding significantly, providing for only five ships when eight to ten are needed each year to maintain the fleet at the current level of 310 ships. Levin also expressed concern about the oversight of the missile defense program, noting that the authorization bill provides for closer scrutiny of the program.

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# National News

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## What Does a Stanford Education Buy You?

In a random survey conducted by the *Stanford Review*, Stanford University students scored an average of 50% on a list of eight basic questions, relating to the history of Western Civilization, Alex Robbins reported in the *Review* on June 5. In 1997, Stanford replaced their "Western Civilization" program with a new "Culture, Ideas, and Values" curriculum.

Below are the questions, and the percent who answered correctly:

1. Who is the current British Prime Minister? 60%
2. Who wrote *The Wealth of Nations*? 50%
3. Which came first, the Renaissance or the Enlightenment? 70%
4. Which 16th-Century scholar first proposed that the Earth revolves around the Sun? 25%
5. Name *one* inventor of the printing press? 45%
6. What was the *exact* date of the Japanese attack on Pearl Harbor? 40%
7. Which came first, the American or the French Revolution? 65%
8. Who was the first leader of the Soviet Union? 40%

In addition, the official "answer" to one of the eight questions, was incorrect. On question 4, 25% gave the "correct" answer of "Copernicus," while 64% answered "Galileo." Both are wrong. The first scholar known to have proposed that the Earth revolves around the Sun was Aristarchus, in the Third Century B.C.

Graduating seniors did the best on the test, but not by much: They scored 55% correct.

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## Texas Puts Screws on Ex-Death Row Inmate

Despite the fact that Clarence Brandley was wrongfully held on Texas's death row for nine years, the state is requiring him to pay child support for that time, the Death Penalty Information Center reported on June 5.

Brandley's children are now adults. Texas is demanding that his employer deduct weekly child support back-payments from his salary for the next five years.

The Texas Attorney General's Office child-support division claims that the "special circumstances" of Brandley's wrongful conviction do not supersede his obligation to make the payments, which were current when he was arrested for murder more than 20 years ago. Brandley's conviction was thrown out when State District Judge Perry Pickett said that in his 30 years on the bench, "no case has presented a more shocking scenario of the effects of racial prejudice, perjured testimony, witness intimidation, [and] an investigation the outcome of which was predetermined."

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## USS Liberty Veterans Demand Investigation

The *USS Liberty* Veterans Association published a full-page ad in the *Washington Times* on June 6, marking the 35th anniversary of the day, June 8, 1967, that "America's banner and honor was treacherously trashed by our so-called ally, Israel," when 34 Americans were killed and 172 wounded in the attack on the U.S. ship. They called upon President George Bush to create a special Presidential panel "to finally investigate the attack and cover-up of the *USS Liberty*."

The ad, published as an open letter to the President, contains a detailed description of the Israeli attack, which is described as deliberate, and undertaken by the Israelis "knowing full well our identity of the ship." The ad also tells how the crew "was ordered to remain silent under threat of court martial, imprisonment, or worse, and we all knew what worse meant."

"Israel's premeditated, sneak attack on the *USS Liberty* was a direct attack on America," the letter says. "The disgraceful refusal of unpatriotic American government officials of dubious allegiance to defend America and come to the aid of brave Americans under attack can only be characterized as treasonous."

The May 31 issue of *EIR* covered the story of the *USS Liberty*, raising new questions about the complicity of U.S. officials,

without which the attack could not have occurred.

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## Virginia Flunks Its Standards of Learning

The mandatory "Standards of Learning" test, instituted a few years ago in Virginia and other states, is touted for being able to guarantee that students know fundamentals of history, math, science, etc. In a practice test for eighth graders given on May 16 at a Northern Virginia middle school, the following question was #47:

"Question: Whose idea, expressed in the Declaration of Independence, was that people have natural rights to life, liberty, and property?"

- A. George Washington
- B. Patrick Henry
- C. John Adams
- D. John Locke

As Virginia patriots of earlier generations knew, the Declaration actually speaks of the right to "life, liberty, and the pursuit of happiness," a formulation chosen by the Signers in repudiation of John Locke's formulation, "life, liberty, and property." Locke was the author of the pro-slavery Constitution of South Carolina, and his ideas about the primacy of "property" were embodied in the Confederate Constitution. It was the American followers of Gottfried Leibniz and his advocate Emmerich Vattel, who emphasized the philosophical and moral concept of "the pursuit of happiness" (see Robert Trout, "Life, Liberty, and the Pursuit of Happiness," *Fidelio*, Spring 1997).

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## O'Neill Boosts Free Trade for Africa

Treasury Secretary Paul O'Neill chose a forum at Georgetown University on June 5, following his trip to Africa with Irish rock star Bono, to put forth U.S. economic policy for Africa, making clear his opposition to the role of state support for infrastructure and economic development. He told the audience that the government is not the source

of prosperity, and that only private citizens, and only private initiative, can create economic wealth.

Ignoring the effects of colonialism and decades of looting by the International Monetary Fund, O'Neill held only the African nations responsible for the poverty of their people, due to their failure to fight corruption and promote good governance. While observing that 45%—300 million—of the continent's people do not have access to clean water, he asserted that all that is necessary to turn things around is "entrepreneurial enthusiasm." His model, which he cited more than once, was how a single mother with several children in Ghana used a \$50 micro-loan to start a successful restaurant and related businesses that now employ 14 people.

One seasoned diplomatic representative from Africa told *EIR* privately, that it was all talk, and at the end of the day, nothing will be done by the Bush Administration to help Africa.

## Michael Ledeen Foment's 'Insurrection' in Iran

Michael Ledeen, National Security Council consultant to the Reagan Administration and now a resident scholar at the neo-conservative American Enterprise Institute, calls for an "insurrection" in Iran, in a statement posted on the AEI website and published in the *Wall Street Journal* on June 5.

Ledeen is the author of *Universal Fascism*—a concept which he supports—and a leading figure in the Iran-Contra and "Jerusalem Temple Mount" projects.

He writes that at a commemorative event for the Ayatollah Khomeini, who died in 1989, there were seven representatives from al-Qaeda, "whose leader, Osama bin Laden, has been reported by local newspapers to be living in a remote region of Iran itself."

Ledeen writes, "Just two weeks ago, Ayatollah Ebrahim Amini, deputy leader of the Council of Experts—perhaps the most powerful institution in Iran—publicly warned that the country was on the verge of insurrection." This unrest is primarily due to the economic devastation wrought by the "mullacracy," says Ledeen.

Ledeen backs President Bush for includ-

ing Iran in his "Axis of Evil" formulation, during the State of the Union address, noting: "The mullahs . . . have intensified their terror campaign against the United States and its allies. They aim to drive America out of Afghanistan, just as Khomeini did in Lebanon in the 1980s: by killing and kidnaping Americans, and eventually demonstrating that the United States does not have staying power." But, despite Bush's speech, "We still have no Iran strategy." What is needed, Ledeen says, is a bombardment with radio and TV broadcasts in Farsi, a sustained condemnation of the "mullacracy" by American leaders, and material assistance to those leading the freedom movement in Iran.

Ledeen concludes: "It is hard to imagine that the Iranian people require enormous support to rid themselves of meddling priests, and unlike the challenge in Iraq, one can readily envisage a successful regime change in Tehran without dropping a single American bomb or firing a single American bullet."

## Falwell: Keep All The Immigrants Out

Arguing that we have to accept sacrifices to protect freedom, Rev. Jerry Falwell of the Christian Coalition suggested some sacrifices to be made—by foreigners and people of races and religions that are not his own. Writing on WorldNetDaily on June 8, Falwell lauded Attorney General John Ashcroft's plan to fingerprint and photograph 100,000 foreign visitors, but he didn't stop there. "I believe it is time to simply close down our immigration doors," to protect U.S. citizens, and to halt all visitor visas from nations linked to terrorism, he said.

"Ensuring that our people are safe may mean building a wall from San Diego to Brownsville," Falwell continued. "If it does, let's get on with the construction."

Meanwhile, Lt. Col. Oliver North (ret.) wrote a column in the *Washington Times* on June 9, in favor of ethnic profiling against Arabs and Muslims. North charged that "political correctness" is why the FBI failed to pursue the Phoenix and Minneapolis reports about Middle Easterners attending flight schools.

**THE U.S. NAVY** will unilaterally stop and search ships in the Mediterranean, in international waters, looking for weapons shipments and terrorists, the State Department confirmed June 3. Southern European countries have been informed, and so far Spain has rejected the policy.

**SCHOOL DISTRICTS** in 15 states are cutting back to a four-day school week to save money, the *New York Times* reported on June 9. In Colorado, 36 of 180 districts have gone to four days; in Wyoming, 20 of 48 districts. Many working parents have been forced to put their children in day-care centers on Fridays.

**RUPERT MURDOCH'S** *New York Post* demanded that CIA Director George Tenet be fired, for meeting with Palestinian President Yasser Arafat. In its June 8 editorial, the *Post* attacked Tenet's refusal to call Arafat a terrorist.

**RONALD LAUDER** called on American Jews to leave the Democratic Party and join the GOP, in a *Wall Street Journal* commentary on June 10. Lauder is heir to the Estée Lauder cosmetics empire, and designated successor to Edgar Bronfman as head of the World Jewish Congress. He cited the Christian Right's support for Israel as evidence that the Republican Party is able to deliver support for Israel, and argued that Jews had largely been in the Republican Party until the Franklin D. Roosevelt Presidency.

**SEN. GEORGE VOINOVICH** (R-Ohio) said that he will refuse to attend Senate hearings on mountain-top coal mining, chaired by Sen. Joseph Lieberman (D-Conn.), because rock star Kevin Richardson was scheduled to testify as an "expert" witness. According to the *Cleveland Plain Dealer*, a Richardson spokesman defended the star's expertise on the grounds that "he flew over the area." Voinovich denounced a "disturbing trend" by the Committee's Democratic leadership to call celebrity witnesses.

# *What Will We Do This Summer?*

From the moment, a few weeks ago, that leading officials of the Bush Administration began making almost daily public promises of major new terrorist attacks coming against the American people, it has been evident that something strange and dangerous was occurring, and that there “had to be more to this than met the eye.” The truth of this situation does not turn on terrorism, nor on perpetual war against it; but on girding ourselves to deal with an oncoming economic depression.

The long-dreaded fall of the dollar began six weeks ago, wrenching apart what’s left of the globalized economy which lived on dollar imports alone. The lie of a Spring “U.S. economic recovery” is giving way to the sickening “second dip” of that economic mudslide that began right after Election Day, 2000. The internal indebtedness of the U.S. economy—not only in absolute trillions, but in ratios of debt to underlying production, has been rocketing upwards since the second half of 2001, now reaching nearly \$5 in new debt for each \$1 in new GDP—and that despite the mountains of corporate debt which we witness disappearing into bankruptcies and other forced writeoffs. Throughout Ibero-America, a crisis of unpayable debt, of unprecedented dimensions, is spreading out of the tragedy of Argentina to Brazil, Mexico, and the other nations of the continent.

Since the second half of 2000, the international economy has undergone a phase-shift, into a global predicament where the cost of rolling over debts which can’t be paid, far exceeds the debts themselves, often looting these costs directly out of public treasuries. Now, we are facing a period of tremendous economic turbulence, leading towards the blowout of the financial system in the months ahead. Bigger and bigger statistical fraud and fakery cannot keep this system going much longer, and the financial “oligarchies” know it.

Thus the strange public “pledges” of new terrorist attacks, from leading officials, could not be explained as a mere political response to the Democratic leadership’s “who knew what, when?” games. Rather, they signaled

the beginning of a period of great danger of destabilizations of governments, and of military adventures and war.

Bluntly put, IMF or Federal Reserve officials enforcing lunatic and destructive policies; Wall Street and City of London oligarchs whose speculative bubbles are blowing up; and their influential political and academic Leporellos, do not want citizens or their elected leaders thinking about the economy now. The agenda is to be terrorism, “perpetual war against terrorism,” preemptive war against “terrorist nations,” and nothing else.

So the months of this Summer and early Fall will be a time of great danger. During those months, the one factor which can shift the agenda away from the fog of terrorism and war, and into a counterattack on the economic collapse, is the factor of leadership represented by Lyndon LaRouche. For the second week, LaRouche is pointing the necessary policy-direction to nations abroad: last week in his strategic keynote at the Arab League’s Zayed Centre; this week describing to Brazilian leaders how to avoid a looming Argentine-style collapse.

But it is in the United States that this debt bomb and dollar crisis will hit the hardest. Over the Summer and early Fall months, American citizens and elected leaders will be most in need of the economic policies LaRouche has put forward for this crisis—beginning with emergency national bankruptcy reorganization of unpayable debt, and proceeding to reconstruction measures around the Eurasian Land-Bridge development projects.

LaRouche’s agenda may still seem improbable of adoption by American leadership. But it is the only one that leads, in these coming months, away from the financial oligarchy’s “perpetual war games,” by attacking the real danger—economic collapse. Back LaRouche—send a signal such the one coming from Brazil this week, from the Arab world last week—and shift the nation’s agenda back to sanity.

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Adelphia Ch. 53  
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AT&T Ch. 6  
2nd Fridays—9 pm  
• W. HOLLYWOOD  
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Thursdays—4:30 pm  
• W. SAN FDO. VLY.  
Time Warner Ch. 34  
Wed.—5:30 pm

## COLORADO

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Mondays: 6-8 pm

## DEARBORN

• 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)

## MISSOURI

• ST. LOUIS  
AT&T Ch. 22  
Wednesdays—5 pm  
Thursdays—12 Noon

## NEBRASKA

• LINCOLN  
T/W Ch. 80  
*Citizen Watchdog*  
Tuesdays—7 pm  
Wednesdays—10 pm

## NEVADA

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

## MINNESOTA

• ANOKA  
AT&T Ch. 15  
Mon.—4 pm & 11 pm  
• BURNSVILLE/EGAN  
ATT Ch. 14, 57, 96  
Tuesdays—5:30 pm  
Saturdays—9 pm  
Sundays—10 pm

## CAMBRIDGE

U.S. Cable Ch. 10  
Wednesdays—2 pm

## COLD SPRING

U.S. Cable Ch. 3  
Nightly after PSAs  
• COLUMBIA HTS.  
MediaOne Ch. 15  
Wednesdays—8 pm

## DULUTH

Charter Ch. 20  
Mondays—7:30 pm  
Wednesdays—11 pm  
Fridays 1 pm

## FRIDLEY

Time Warner Ch. 5  
Thursdays—5:30 pm  
Saturdays—8:30 pm

## MINNEAPOLIS

PARAGON Ch. 67  
Saturdays—7 pm  
• NEW ULM—Ch. 14  
Fridays—5 pm

## PROCTOR/

HERMANTOWN—Ch. 12  
Tue. btw. 5 pm-1 am  
• 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

## SPNN (city)

Sundays—10 pm  
• ST. PAUL (N Burbs)  
ATT Ch. 14  
Thu.—6 pm & Midnite  
Fri.—6 am & Noon

• ST. PAUL (NE burbs)\*  
Suburban Ch. 15  
• St. PAUL (S&W burbs)  
AT&T-Comcast Ch. 15  
Tue & Fri—8 pm  
Wednesdays—10:30 pm

## SOUTH WASHINGTON

ATT Ch. 14—1:30 pm  
Mon, Tue, Wed, Thu

## MISSISSIPPI

• MARSHALL COUNTY  
Galaxy Ch. 2  
Mondays—7 pm

## MISSOURI

• ST. LOUIS  
AT&T Ch. 22  
Wednesdays—5 pm  
Thursdays—12 Noon

## NEBRASKA

• LINCOLN  
T/W Ch. 80  
*Citizen Watchdog*  
Tuesdays—7 pm  
Wednesdays—10 pm

## NEVADA

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

## NEW JERSEY

• HADDON TOWNSHIP  
Comcast Ch. 19  
Sundays 11 am  
• MERCER COUNTY  
Comcast\*  
TRENTON Ch. 81  
WINDSORS Ch. 27  
Time Warner Ch. 27  
Wednesdays—4 pm

## NORTH HAVEN NJ

Comcast Comm. Access  
Channel 57\*  
• PISCATAWAY  
Cablevision Ch. 71  
Wed.—11:30 pm

## PLAINSBORO

Comcast Ch. 3\*

## 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

## TAOS—Ch. 2

Sundays—7 pm

## NEW YORK

• AMSTERDAM  
Time Warner Ch. 16  
Thursdays—4:30 pm

## BUFFALO

Adelphia Ch. 18  
Wed.—12:30 pm  
• CHEMUNG/STUEBEN  
Time Warner—Ch. 1  
Mon., Fri.—4:30 pm

## ERIE COUNTY

Adelphia Intl. Ch. 20  
Thursdays—10:35 pm

## ILION—Ch. 10

Mon & Wed—11 am  
Saturdays—11:30 pm

## IRONDEQUOIT Ch. 15

Mondays—7:30 pm  
Thursdays—7 pm

## JEFFERSON/LEWIS

Time Warner—Ch. 2  
Unscheduled pop-ins  
• JOHNSTOWN—Ch. 16  
Tuesdays—5 pm

## MANHATTAN—MNN

T/W Ch. 34; RCN Ch. 109  
Alt. Sundays—9 am

## NIAGARA COUNTY

Adelphia Ch. 20  
Thursdays—10:35 pm

## ONEIDA—Ch. 10

Thu.—8 or 9 pm  
• PENFIELD—Ch. 15  
Penfield Comm. TV\*  
Thursdays—7 pm

## RIVERHEAD Ch. 70

Thurs.—12 Midnight  
• ROCHESTER—Ch. 15  
Sundays—3 pm  
Mondays—10 pm

• ROCKLAND—Ch. 71  
Mondays—6 pm

• SCHENECTADY Ch. 16  
Mondays—3 pm

• MERCER COUNTY  
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  
Cablevision Ch. 2  
Sun: 7 am, 1 pm, 8 pm

• WEBSTER—Ch. 12  
Wednesdays—9 pm

## NORTH CAROLINA

• HICKORY—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

• LINN/BENTON  
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

• EPHRATA—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

• HOUSTON  
Houston Media Source  
Sat, 6/22: 10 am  
Tue, 6/25: 5:30 pm  
Wed, 6/26: 6 pm  
Sat, 6/29: 10 am

• RICHARDSON  
AT&T Ch. 10-A  
Thursdays—6 pm

## UTAH

• REDMOND  
Peak Cable Ch. 38  
Sun, Mon, Thu  
6 pm & 10 pm

## SEVIER

Mallard-Suntel  
Richfield Ch. 45  
Peak Cable

Anabella Ch. 29  
Central Ch. 29  
Elsinor Ch. 29  
Glenwood Ch. 32  
Monroe Ch. 29

Sun—1 pm & 8 pm  
Mon—1 am & 8 am

## VERMONT

• GREATER FALLS  
Adelphia Ch. 8  
Tuesdays—1 pm

## VIRGINIA

• ALEXANDRIA  
Comcast Ch. 10  
Tuesdays—5:30 pm

## ARLINGTON

ACT Ch. 33  
Mondays—4 pm  
Tuesdays—9 am

## CHESTERFIELD

Comcast Ch. 6  
Tuesdays—5 pm

## FAIRFAX—Ch. 10

Tuesdays—12 Noon  
Thursdays—7 pm

## LOUDOUN

Adelphia Ch. 23/24  
Thursdays—7 pm

## ROANOKE—Ch. 9

Thursdays—2 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  
Tuesdays—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

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