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From the Associate Editor

Our *Feature* presents a catalogue of an astonishing array of developments showing the onrushing collapse of the U.S. economy. From the death-throes of **General Motors**, one of the flagship companies of American industry, and the attendant suffering in Detroit and other former manufacturing centers; to the meltdown of the nation's **private pension system**; to the not-so-secret enormous losses of the secretive, unregulated **hedge funds**; to the rising rate of home **foreclosures** which shows that the housing bubble is indeed going to burst—contrary to the credo of those in a state of fantasy and denial; to the impact of the Pentagon's ill-begotten **base-closings** plan, and the scarcely concealed grab for prime real estate that underlies it—everywhere, we see crisis situations that demand emergency action by Congress. With the Presidency temporarily under control of Aliens, it is the Legislative branch, and particularly the Senate, which must assume the awesome responsibility to act, as President Franklin D. Roosevelt acted to pull the country out of the Hoover Depression.

Lyndon and Helga LaRouche, both writing in the *Feature*, outline the strategic dimensions of the crisis, and what actions must be taken by relevant governments. Helga Zepp-LaRouche warns that if German Chancellor Gerhard Schröder does not quickly switch his suicidal policy course, she will launch her own campaign for his office in the Fall elections.

Elsewhere in this issue, we highlight the insanity of the Bush Administration on the foreign-policy front. Jeffrey Steinberg reviews the evidence that the Anglo-American neo-con group known to insiders as the “X Committee” is preparing to launch Ariel Sharon's Israel as a hand-grenade against Iran—a country with which Israel has no actual quarrel, based on its own national interests. Iran's nuclear energy program is a bogus issue, being used as a pretext for a policy that was already decided upon by the neo-cons as early as 1996.

And in *National*, Lyndon LaRouche evaluates the danger of the insane occupants of the White House launching “mini-nuke” strikes against North Korea. Again, there is no reason to do this from the standpoint of anybody's national interest; the real targets are China and Russia—and neither of those major powers is amused.

Susan Welsh

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EIRNS/Bill Salisbury

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Remember Walther Rathenau

by Lyndon H. LaRouche, Jr.

June 10, 2005

Today, the echo of the July 24, 1922 assassination of Germany's great industrialist Walther Rathenau once again reverberates in leading events of today's world history. Once again, today, as then, terror chills the will-power of prominent statesmen shuddering in fear of those malignant financial powers behind the scenes, powers which would once again arrange the assassination of any political or kindred leading figure who gets in the way of current plans to loot the pensions and other instruments of the general welfare of the peoples of the world, as the murder of Walther Rathenau and other veterans of the Rapallo negotiations was unleashed in waves following the April 10, 1922, so-called Rapallo Treaty adopted at Genoa, Italy.

Three months after Rathenau's assassination, Venice's British asset, "Young Turk" veteran and banker Count Volpi di Misurata, orchestrated Benito Mussolini's October 24, 1922 March on Rome. Thirteen months after that, the abortive Hitler Munich coup d'état was unleashed by then Mussolini copy-cat Adolf Hitler.

There was no mere coincidence among those connected incidents. The forces behind these events of 1922 were one and the same London- and Paris-dominated, oligarchical circles whose influence dominated Europe from the period of the Versailles Treaty-negotiations on. The world was then well on the way to the likelihood, if not yet the certainty, of what is known today as World War II. Once again, today, threats of the type which felled Rathenau and others are being delivered, or are messages being prepared to be sent soon to leading political figures around the world.

It was the failure of leading European circles to react with courage and competence to the threat from the Versailles Treaty-negotiations-based financier circles, implicated in the murder of Rathenau, which led directly into what later became known as fascism and World War II. Similar fates overtook

the lives of many of the leading participants in Rapallo soon after, excepting Britain's Lloyd George. Similar negligence, today, to that which allowed the authors of that wave of deaths to continue, is to be found among relevant political figures. Such negligence now could lead rather quickly into something even far worse than what we once called "World War II."

We should have learned from history of such and kindred processes, that we rarely find among us leaders with both the wisdom and courage needed to prevent such awful turns in history. It is therefore urgent that, from time to time, well-meaning people in positions of important influence must discover in themselves the exceptional qualities of wisdom and courage not to evade the extraordinary risks which leaders must accept for the sake of present and future generations, the courage to look the Devil in the eye, and face him down. Such a time is now.

Admittedly, as in the case of the historical figure of Jeanne d'Arc, the risk true leaders incur, such as the authors of the U.S. war for independence, is great. Only those with a sense of purposeful immortality are likely to find the courage in themselves to lead bravely in such times.

Rathenau was neither the first nor the last German to be assassinated by forces similarly motivated. In Germany, the 1977 list included Bundesanwalt Siegfried Buback (April), Dresdner Bank's Jürgen Ponto (July), and head of the German employers' association, Hanns-Martin Schleyer (October). Directly parallel to the strategic implications of the assassination of Walther Rathenau is that of the Nov. 30, 1989 assassination of Deutsche Bank head Alfred Herrhausen. The entity for the authorship of all of these and comparable cases, from Rathenau through Herrhausen and Rohwedder, is the same, as will be clarified below.

It were not appropriate for me to now name the names of some current targets of such threats transmitted on behalf of certain powerful, behind-the-scenes financier interests in



www.walther-rathenau.de

Walther Rathenau, the industrialist who was Germany's Foreign Minister during the negotiations of the Rapallo Treaty. Today, writes LaRouche, we must above all else defend ourselves against the relics of the Synarchist International who organized Rathenau's assassination in 1922.

Europe and elsewhere. Threats reverberate already. Rather than identifying already known and probable targets of such ominously hinted warnings, another way in which we may address that clear and present danger, as I do here, were, on balance, more useful, and therefore more appropriate at this moment.

Here and now, as this issue of *EIR* goes to press, two weeks will have passed since the memorable weekend when a concert of Democratic and Republican Senators saved the U.S. Federal Constitution from the virtual coup d'état against the heart of that Constitution from the George W. Bush, Jr. White House. Look at the awful accumulation of continuing threats to the U.S.A. and other nations from the global monetary-financial breakdown-crisis already in progress around the world today. The ability of institutions such as the U.S. Senate, to continue to block the coup d'état mentality radiating from the Bush-Cheney Administration and its more rabid backers such as the circles of George Pratt Shultz, should be the leading issue on the agenda of the leading strategic intelligence specialists of the world today.

Then, as now, the source of threats of coups d'état, such as the fascist coups, including the Rathenau assassination, which led from the notorious financial-economic features of the Versailles Treaty, comes from the same international financier circles which each played their part in bringing fascist regimes to power in Europe, and unleashing what became known as World War II. These financier circles are the present outcome of the Anglo-Dutch Liberal current which was self-described as the Eighteenth-Century's "Venetian Party," because of its tracing of its characteristics of belief and practice from the Venetian oligarchical party of the followers of the founder of modern empiricism, Venice's

Paolo Sarpi. Times have changed, of course, since the Eighteenth Century; today, the threat to civilization from the financier-oligarchical interest of the Venetian Party tradition, is potentially far worse, more dangerous than even that during the 1920s and 1930s.

Read the List

To put the present threat in perspective, read a relatively short list of some leading financial-economic crises confronting the U.S. government and population right now.

1. The most urgent threat at this moment, is the ongoing collapse of the U.S. automobile industry, probably immediately affecting, chain-reaction style, both the incomes and pensions of approximately a half-million people, or more, associated with employment in that industry. Entire states and cities of the U.S. would be thrown into collapse. That is not only a threat to the people and the communities in which they live; the collapse of the machine-tool capability which that industry represents would be a strategic threat to the U.S.A.; it would not exactly send the U.S. back to the Stone Age all by itself, but it would virtually finish the United States as a great power for decades or more to come.

So far, nothing is being done by the U.S. government to prevent an irreparable catastrophe which requires immediate action from the U.S. Congress if the worst effects were to be averted.

2. The clearly shown intention of the financier interests controlling that industry, is to dump the pension obligations of the automobile and associated industries upon the Federal Pension Benefit Guaranty Corporation. This coincides with what has already been done in the case of United Airlines, and what is therefore threatened in the case of Delta and American Airlines. This goes together with pathetic, mean-spirited, and much befuddled President George W. Bush, Jr.'s Social Security wing-ding, an outright swindle designed to let the Wall Street stock-brokers swindle most Americans out of the last pension fund soon to be still functioning, if the President's childish nonsensical proposals of a sovereign U.S. default of U.S. bonds as mere "IOUs" were tolerated.

If influential people from around the world had not suspected that the President were clinically insane, his calling U.S. bonds "IOUs" of no intrinsic value, would have been sufficient to plunge the entire world monetary-financial system into a panic which would have set off an immediate total collapse.

The current proposals from the House of Representatives' Republicans on this set of pension issues would be mass-murderous in effect if allowed.

3. Meanwhile, Federal Reserve Chairman Alan "Bubbles" Greenspan's sponsorship of the use of a form of gambler's side-bets as financial capital, so-called "financial derivatives," has created an explosive financial bubble, the so-called "hedge fund" bubble, which makes the 1998 LTCM bubble seem almost a minor incident by comparison. Major

banks of the world, as in the U.S.A., and Germany, for example, which have implicated themselves in this hedge-fund bubble, are now threatened with a catastrophe beyond the powers of imagination of most ordinary citizens, or even most members of the U.S. Congress so far. Already, as much as between 20% and 40% of the hedge-fund accounts in question are either wiped out, or near that condition. The liability incurred by the banks associated with those hedge-fund ventures would stagger the imagination of most. The collapse of this hedge-fund bubble happens merely to have been triggered and accelerated by the outbreak of the General Motors crisis.

So far, nothing has been done to prepare the U.S. to manage this global crisis, a crisis which could bring down the entire world system.

4. This coincides with another product of Alan Greenspan's suspected bath-tub dreaming. His role in creating the Y2K bubble which crashed in 2000, was part of the same pattern, involving Fannie Mae and Freddie Mac, which has created what is presently a monstrous, and imperilled real-estate mortgage-bubble. More and more leading news organs are currently reporting important facts about the evidence of the danger of a chain-reaction collapse within the so-called "mortgage industry" which is threatening to spread throughout that sector as a whole, from the most blatant follies launched under Alan Greenspan's "financial derivatives"-polluted reign at the Fed.

Yet, our political leaders are either very slow in coming onto the launch-pad on this deadly issue, or are mostly blocking it out of their minds as an ugly reality they, and most U.S. citizens, are not yet prepared even to think about.

5. In fact, a new real-estate swindle is being launched, this time from Donald Rumsfeld's Defense Department, the base-closing swindle. What a nice, last-ditch sort of pork-barrel for Rumsfeld's and Cheney's contractor-friends that would be, if it could actually be brought off.

On top of this, we have rabid Vice-President Dick Cheney's snarling threats of pre-emptive nuclear wars and kindred enterprises, starting perhaps with North Korea, under the provisions of *Conplan 8022*. *Conplan 8022* itself has implications which are fairly described as clinically insane on their own account, but the real danger is being overlooked. That brings our attention back to the implications of the July 1922 assassination of Walther Rathenau.

The genius of the U.S. Federal Constitution is there; whereas, our republic has endured some very bad governments, even some which have been frankly treasonous in certain of their implications, we have never lost our Constitutional system, as European governments have suffered coups d'état and dictatorships of one kind or another so often. The rise of the Senate, in defense of the Constitutional principle of advice and consent, to block the Bush White House's attempts to grab for dictatorial powers, was exemplified by the Senate's upholding that Constitutional safeguard against an attempted White House seizure of dictatorial powers, just as

the Congress defeated a similar attempt earlier, under President Richard Nixon.

Since the first inauguration of George W. Bush, Jr., we have seen repeated instances, as in the cases of Abu Ghraib and Guantanamo, of Bush Administration efforts to adopt certain of the features remembered from the Adolf Hitler and kindred Administrations in Europe. The way in which the incident of "9/11" was exploited by the Bush Administration, as under the Patriot Act proposals already whipped up before the "9/11" incident, and the way in which the Administration repeatedly used lies fabricated in concert with the Liberal-Imperialist Blair government of the United Kingdom, to foist a new Iraq war upon the world, with the horrid consequences of failure shown in the conduct of that continuing war today, are typical. The principal significance of the proposed use of mini-nukes for a pre-emptive attack on North Korea, is the global, including U.S., psychological effects of using a mini-nuke version of the unnecessary dumping of the only two then-existing prototypes of nuclear weapons on Hiroshima and Nagasaki, dumped at a time when the preconditions for the surrender of the Emperor Hirohito's Japan were ripe for implementation, in the same way those conditions were the basis for Japan's surrender later.

The characteristic feature of the Nixon Administration mentality which veteran plotter Karl Rove has carried into the George W. Bush, Jr. White House today, is the same resort to arousing lunatics' passions which Rove's lunatic religious right employs to effects which remind modern historians of the fanaticism of the 1922-1945 interval of the history of continental Europe, and throwbacks to the lunatic spirit of religious warfare of the 1492-1648 interval. The policy of the Bush White House under Nixon veteran Rove, is that spirit of dictatorship typified by times of Europe's religious wars and fascist movements. That is the spirit of the current Bush-Cheney Administration and its policy-impulses.

Such are samples of the immediate situation threatening us today.

The Historical Connection

With the decadence and loss of power of the interests typified by Prince Metternich's Holy Alliance, the dominant imperial power on this planet was the Anglo-Dutch Liberal financier interest centered in the City of London. If we view World War I as competent historians today should, as a second version of the Anglo-Dutch Liberal orchestration of the Seven Years War which was concluded at the February 1763 Treaty of Paris, we can better appreciate the way in which the post-World War I Treaty of Versailles provided the occasion for a grand-scale scheme by a multi-national concert of families-centered, private financier interest known as "The Synarchist International," which orchestrated events of the 1920s and 1930s to the effect of producing the forces controlled by Hitler's regime during the 1939-1945 interval. H.G. Wells and Bertrand Russell were only typical of the kind of thinking

which emerged among the architects of what that Synarchist International had intended for the post-World War II decades.

Russell's 1945-1946 intention to conduct a nuclear attack on the Soviet Union as a means for establishing what he identified as "world government" did not succeed then, because the Soviet Union was the first to develop a usable thermonuclear weapon, but the general thrust of Synarchist thinking has moved, through the phase of thermonuclear détente, in that kind of often groping direction, to take the form of a movement for "globalization" today.

The stubborn stupidity shown by people who ought to have known better, is often a stunning reality. The leader of this drive toward the sheer lunacy of what is called "globalization" today, is the product of a hatred against the existence of the sovereign nation-state which was radiated by Lord Shelburne's Eighteenth-Century British East India Company, by the Nineteenth-Century British Empire, and by the frankly self-described Liberal Imperialists of such Fabian Society creatures as Prime Minister Tony Blair today. The globalization of financier strata, especially since the time of the U.S. Nixon Administration and its 1971-1972 break-up of the Bretton Woods system, is typical of this long-term trend in internationalist financier circles such as the Synarchist International, which gave us the Hitler regime then, and which is the principal menace threatening nations today.

There is no need, nor usefulness in arguing for, or against so-called "conspiracy theories." Conspiracy is the most characteristic feature of human behavior en masse, and is likely to remain so for a long time yet to come. The practical matter is to defend that sovereignty of the U.S.A. and its people, as prescribed by the 1776 Declaration of Independence and the Federal Constitution of 1789. As a genius known as France's Jean Baptiste Colbert understood, in warning his errant monarch, Louis XIV, against joining with the remnant of the lunatic *Fronde* for entry into needless wars with the Liberal financier interests of that time, regime-change of other nations is not our proper business. Our method of success has never been nation-conquering, but nation-building methods, and never going to war except to make a defense against a clear threat to our republic's existence, as we did in World War II.

Today, there are foreign threats against us, chiefly from the drive toward "globalization" launched by a contemporary expression of those financial circles behind what was formerly known as the Synarchist International, which steered the wave of assassinations and fascist threats of the 1922-1945 interval. We must defend ourselves against such threats, but we must approach that task in appropriate ways, relying more on winning and keeping friends than making unnecessary adversaries.

In the meantime, the greatest threat to our nation and its people, is typified by the list of immediate problems I have listed above. In some features, these threats are of a new quality, but these are nonetheless threats which can be overcome by the methods implicit in our Constitutional tradition,

as President Franklin Roosevelt led us to being the world's greatest power, at the close of the 1939-1945 war, after the depression bestowed upon us by the Coolidge and Hoover Administrations. These kinds of threats, now as under Franklin Roosevelt's leadership then, can be conquered by returning to that tradition of the American System of political-economy, as described by the greatest economists of the world during that time, Benjamin Franklin, Alexander Hamilton, Mathew Carey, Friedrich List, and Henry C. Carey, the system in whose service Franklin Roosevelt followed in the footsteps of his ancestor, Alexander Hamilton-ally Isaac Roosevelt.

What we must defend ourselves against, above all else, is the relics of the Synarchist International, against those whose perceived interests were served by the organizing of what became two world wars, and by the assassinations of such relevant German figures as Walther Rathenau, Jürgen Ponto, Hanns-Martin Schleyer, and Alfred Herrhausen. We need our European and other partners in the tradition they served today. We must lend those who serve that interest of their own nations our added strength, that they might survive and succeed. We must let it be understood by those who would destroy such figures, that they have us to reckon with in such matters.

In the meantime, for each and all of those challenges to our national economy which I have identified above, and more of the same general kind, there are solutions available to us. If we take the lead, other nations will follow us, and work in concert with us. At the moment, the hope of our nation's security lies principally with the special powers which the founders of our Constitution built into the Senate, as a key feature of our system of checks and balances. Let the Synarchists or their like today be warned, that in these concerns we are united, and in principled unity with our friends abroad. Let us unite around the pivot of the Constitutional role of that institution, to get us through the mess now descending upon us all.

Helga Zepp-LaRouche: What Germany Needs Now!

In the event that on June 13, German Federal Chancellor Schröder fails to announce a substantial change in his economic policy, Helga Zepp-LaRouche, chairwoman of the Civil Rights Movement Solidarity (BüSo), intends to announce her own candidacy for the office of Chancellor of Germany. In the following statement, she explains why:

If Chancellor Schröder does not announce a really dramatic about-face in his policy on June 13, and does not launch an immediate state investment program of at least 200 billion

euros for the creation of new productive jobs—and one cannot count on his doing so, now that he has declared that he wants to tie the parliamentary vote of confidence to his current “reform policy”—then the outlook is very bad for Germany. If Schröder adheres to Hartz IV and Agenda 2010—whatever his background reasons may be for doing so—this would be political suicide for the Social Democratic Party.

A [Christian Democratic] Angela Merkel government would be a total catastrophe for Germany, since she would, in all probability, support further impending aggressive wars by the Bush-Cheney Administration, just as she has already done in the case of the Iraq war. And the austerity policy of such a government, according to her own statements, would be even more brutal, and consequently even more incompetent. A new left alliance with Lafontaine and Gysi would indeed be against Hartz IV; but such an alliance has absolutely no concept of a solution to the systemic crisis of the world financial system, and would only contribute to Germany’s further Weimarization. The Free Democratic Party is the most zealous advocate of the interests of predatory capitalism, and the Greens represent precisely the paradigm which is responsible for the present crisis.

What Should Be Done?

Any policy which does not address the central question—namely, that the global finance system is in its final throes—is irrelevant. And this fact has now become clear to a panicked Democratic Party in the U.S.A., and even to parts of the Republican Party. It is an open secret that behind the General Motors management’s announcement of 25,000 layoffs, lies something far worse. Because if we add on all the jobs in the supplier industries, and in the surrounding economic area, a total of about 500,000 to 1 million jobs are at stake. That means the economic death of Michigan, Ohio, and the surrounding regions.

But massive resistance is now emerging against this perspective. Under the leadership of my husband, Lyndon LaRouche, the Democratic Party is remembering the tradition of Franklin Delano Roosevelt and his policy of the New Deal and of the Bretton Woods system. Moreover, bipartisan collaboration with parts of the Republican Party is now emerging—as is reflected, for example, in the Detroit City Council’s unanimous resolution on the GM crisis. This cooperation is also the reason why every one of the second G.W. Bush Administration’s political initiatives has been an utter failure, as the Administration continues to exhibit the flying capacity of a lame duck.

If this trend of resistance to Bush’s policy continues under crisis conditions which are assuredly now coming to a head, there is also new hope for the political situation in Germany—provided that a new coalition emerges, which supports the Roosevelt policy coming out of the U.S.A., and which implements it in a similar way for Germany. The unambiguous

rejection of the EU Constitutional Treaty by voters in France and the Netherlands, was aimed not only against the idea of supranational bureaucracies, but also against the neo-liberal austerity policies being enforced in the interest of the banks. And therefore, what must be on the agenda instead, is a “New Deal” for Europe, i.e., a state investment program for well-defined infrastructure and high-technology projects, which can re-establish full employment.

We need a new system in Europe and world-wide, whereby the leading nations establish an alliance which must be based on two principles: 1) the idea that governments only have legitimacy, if they are committed to the General Welfare—a requirement which is already anchored in Article 20 of our Basic Law; and 2) a new world economic and financial order based on the principles of the Peace Treaty of Westphalia. On this basis, such a New Bretton Woods system of sovereign nation-states must be negotiated—an alliance which, acting as a community of principle and in partnership, will determine what the new system should look like. The old Bretton Woods System can, in the meantime, serve as the principled basis for beginning to undertake improvements in the interest of the developing nations.

My Candidacy

If Chancellor Schröder fails to announce such a program on June 13, I shall declare my own candidacy for the office of Federal Chancellor, because it is not acceptable that there be no Chancellor candidate who defends the General Welfare and the Basic Law. As the politically aware in Germany know, in 1976 I ran in the Bundestag elections as the “Chancellor Candidate for a New and Just Economic Order.” At that time, the remarks of Helmut Schmidt in the Bundestag about the policies of Hjalmar Schacht, had strengthened my view that the German population deserved an alternative to Helmut Kohl and Helmut Schmidt.

It is indeed the case, that in Germany there are a couple of hysterical people who swoon upon the mere mention of my name. But of these, excepting those who directly belong to the Mont Pelerin Society, they have, as a rule, never actually read anything which I or my husband have written. Well, they’re just going to have to take some Valerian. Because once again, there’s nothing crazy about my candidacy; rather, I represent a political tendency in the world, which will be successful in any case, if there is going to be an alternative to a New Dark Age: a New and Just World Economic Order, which guarantees the survival of all human beings on this planet.

To the astute observer of developments in the U.S.A., it is clear that in the grip of the existential crisis of the automobile sector, and also in the face of the banking crisis sparked by the hedge-fund crisis, the Roosevelt policy is beginning to gain acceptance. And soon, this will come to be understood in Germany as well.

New GM Mass Layoffs Mean Auto Is Falling Fast

by Richard Freeman



General Motors CEO Rick Wagoner effectively announced on June 7 that GM senior management intend to liquidate GM as a functioning enterprise in the United States; Wagoner told a stockholders meeting that he will oversee the elimination of 25,000 additional hourly UAW production workers' jobs, accompanied by the closure of an unspecified number of production facilities—probably seven—all by 2008. Given the speed with which GM is being dismembered, many of these cuts in production and employment will occur in the immediate future. And Wagoner's June 7 announcement must be taken as the bare minimum GM intends to cut, on Wall Street demand.

Unless a mobilized U.S. Senate exercises its responsibility to superintend the re-tooling of GM's machine-tool capacity, for a new mission of producing capital goods for infrastructure, the disappearance of one of the most powerful corporations of the 20th Century is a certainty. With it will be lost a priceless, technologically advanced machine-tool capacity, which separates America from a third-rate power.

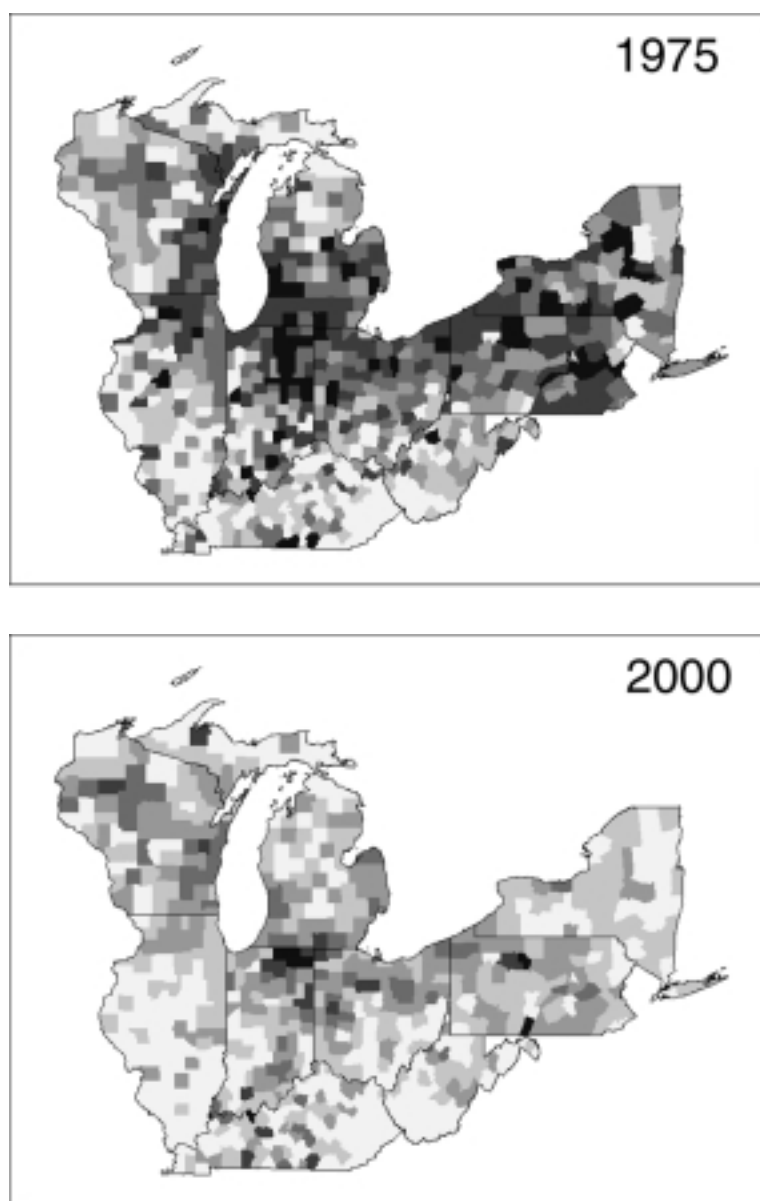
GM's rapid shedding of a quarter of its remaining production workforce, is spreading to cause production shutdowns in the auto parts supplier companies. Half a million people's incomes and pensions are threatened.

Wagoner said his sole aim is to fortify shareholders' value. Already, during the first months of 2005, he had sliced up five GM production facilities, after earlier closing down Saginaw, Michigan malleable iron production. In an April-May flurry, GM closed its Linden, New Jersey assembly plant, its Baltimore, Maryland assembly plant, and both a body plant and a chassis assembly plant in Lansing, Michigan. These are either permanently closed or "indefinitely idled." In either event, they likely will never be reopened. All told, 7,900 workers were laid off.

In his June 7 speech, Wagoner did not specify which further plants will be closed, but seven production facilities are at the top of GM's clo-

FIGURE 1

U.S. Industrial Belt, Decline in Manufacturing Workers as Percent of Workforce, by County, 1975-2000

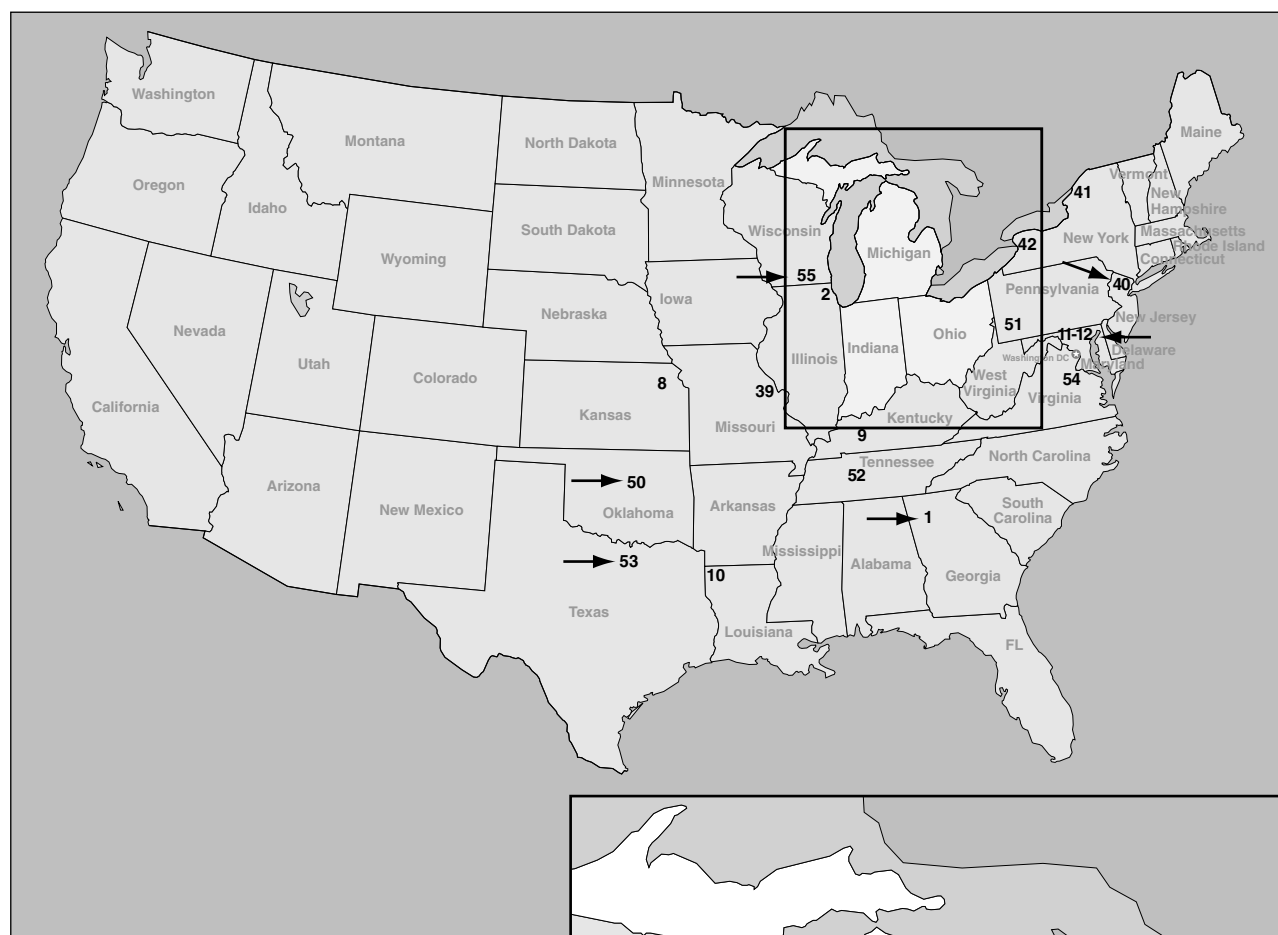


Source: Bureau of Labor Statistics. Map produced by MapInfo.

Darker tones show greater percentages of manufacturing workers.

FIGURE 2

LaRouche Says: GM's Critical Capacity Must Be Saved From Shutdown



sure list: assembly plants in Doraville, Georgia, Moraine, Ohio, Oklahoma City, Oklahoma, Arlington, Texas, and Janesville, Wisconsin; a power train plant in Bay City, Michigan; and an engine plant in Livonia, Michigan. In all, GM is shutting down 12 of its 58 U.S. production facilities. (The 12 are marked with arrows in **Figure 2** and are in boldface in **Table 1**.) It has told its workers that their plants will have to compete against one another to determine which will stay open. But the reality is that GM is disassembling its operations in the United States, and globalizing them. John Dohner, shop chairman for UAW Local 95 at the Janesville, Wisconsin plant, told the June 8 *Detroit News*: "It's not so much us against [the plant in] Arlington [Texas,] but us against the Silao plant in Mexico. They've got people there working for peanuts."

Wall Street signalled that it wants much more blood than Wagoner has announced. Scott

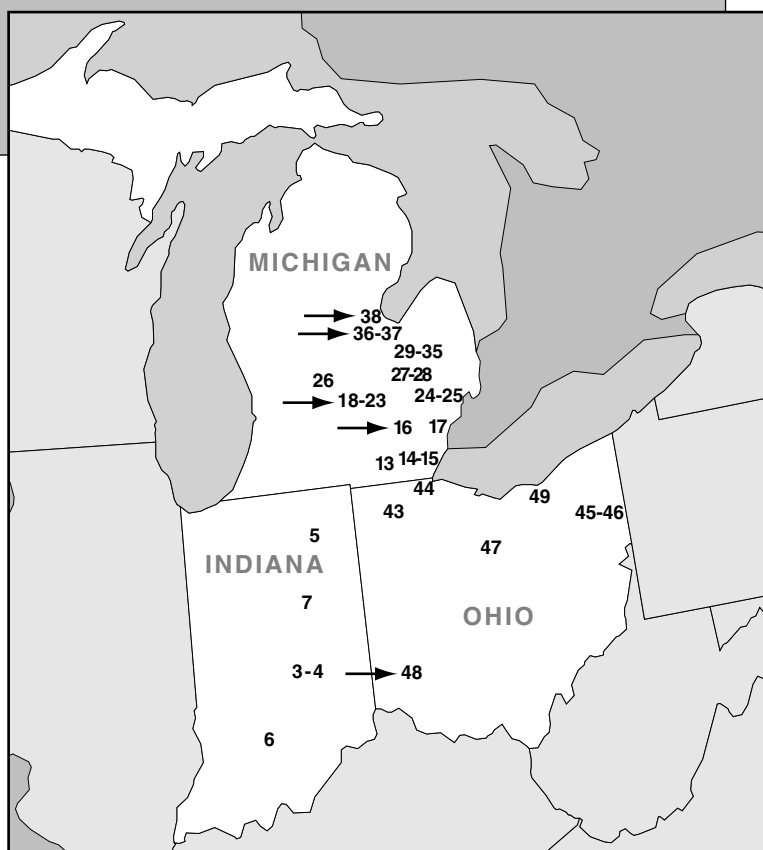


TABLE 1

GM Production Facilities, 2005

No.	State	City	Type of Facility	Hourly Workers	Salaried Workers	Plant Square Feet (Millions)
1	Georgia	Doraville	Assembly	2,856	220	3.6
2	Illinois	LaGrange	Electro-Motive	823	769	1.3
3	Indiana	Indianapolis	Transmission	2,500	1,300	3.5
4		Indianapolis	Metal Center	1,473	159	2.1
5		Fort Wayne	Assembly	2,716	184	2.5
6		Bedford	Foundry (PT)**	747	133	0.9
7		Marion	Metal Center	1,442	172	2.1
8	Kansas	Fairfax	Assembly	2,650	200	2.5
9	Kentucky	Bowling Green	Assembly	1,014	116	1.0
10	Louisiana	Shreveport	Assembly	3,000	200	3.1
11	Maryland	Baltimore *	Assembly	883	120	3.0
12		Baltimore	Transmission (PT)	376	68	0.4
13	Michigan	Ypsilanti—Willow Run	Transmission(PT)	3,419	338	4.8
14		Romulus	Engine (PT)	1,800	225	2.1
15		Romulus	Transmission (PT)	390	30	0.4
16		<i>Livonia</i>	<i>Engine (PT)</i>	<i>344</i>	<i>88</i>	<i>1.0</i>
17		<i>Detroit/Hamtramck</i>	<i>Assembly</i>	<i>2,500</i>	<i>220</i>	<i>3.5</i>
18		Lansing	Car Assembly—Body	2,170	349	2.6
19		Lansing	Car Assembly—Chassis	2,442	0	4.1
20		Lansing	Assembly	336	62	1.0
21		Lansing—Delta Twnshp	Assembly	130	16	0.6
22		Lansing—Grand River	Assembly	1,303	185	2.0
23		Lansing	Metal Center	1,514	144	1.7
24		Warren	Technical Center—Engineering	2,400	16,000	10.0
25		Warren	Transmission (PT)	1,200	200	2.1
26		Grand Rapids	Metal Center	2,199	245	2.0
27		Pontiac	Assembly	5,200	257	2.9
28		Pontiac	Metal Center	1,945	228	3.7
29		Orion	Assembly	2,078	179	4.0
30		Grand Blanc	Metal Center	1,330	80	1.7
31		Flint	Metal Center	2,000	215	1.9
32		Flint	Tool & Die Metal Fabricating	334	31	0.3
33		Flint	Truck Assembly	3,320	294	3.7
34		Flint—South	Engine (PT)	608	93	0.7
35		Flint—North	Power Train	2,262	360	n/a
36		Saginaw	Malleable Iron (PT)	292	41	0.3
37		Saginaw	Metal Casting (PT)	1,728	227	1.9
38		Bay City	Power Train	837	120	1.0
39	Missouri	Wentzville	Assembly	2,101	188	3.7
40	New Jersey	Linden	Assembly	1,654	88	2.6
41	New York	Massena	Power Train	462	91	0.9
42		Tonawanda	Engine	2,415	343	3.1
43	Ohio	Defiance	Foundry (PT)	2,174	296	2.0
44		Toledo	Transmission (PT)	3,185	273	1.8
45		Lordstown	Assembly	3,408	273	3.6
46		Lordstown	Metal Center	1,661	191	2.2
47		Mansfield	Metal Center	2,300	230	2.1
48		Moraine	Assembly	3,821	344	4.1
49		Parma	Metal Center	2,130	222	2.3
50	Oklahoma	Oklahoma City	Assembly	2,534	200	3.9
51	Pennsylvania	Pittsburgh	Metal Fabricating	541	72	0.8
52	Tennessee	Spring Hill	Assembly	5,067	709	5.2
53	Texas	Arlington	Assembly	2,634	195	3.8
54	Virginia	Fredericksburg	Power Train	219	29	0.3
55	Wisconsin	Janesville	Assembly	3,600	300	4.8

*This Baltimore facility was closed as of April 2005.
Sources: General Motors, Inc. data; *EIR*.

**Power Train

Sprinzen, Standard and Poor's chief auto analyst and the point man for S&P's credit downgrade of GM bonds to "junk" status on May 5, said on June 7, "25,000 [lay-offs] seems like a big number, but when you consider what the natural attrition might be in any case, it really is unclear just how much is new here, apart from the figure of \$2.5 billion of annual savings." He continued, "It's not clear if this is the new round of restructuring that many have been anticipating." This threat, is that GM would not have its investment rating restored, or could be subject to further downgrades, unless it produces the "restructuring"—including employee health care and pension cuts—that the financial sector demands. The *Detroit News* reported June 8, "Analyst Stephen Girsky at Morgan Stanley recently estimated that 45% of GM's North American production capacity—the equivalent of 15 plants—is unused or produces models that generate little or no profit," a clear demand for more closings.

There are strong indications that GM is maneuvering to foist its current workers' and retirees' pensions, with a \$45 billion estimated deficit, onto the Federal Pension Benefit Guaranty Corporation, which would mean steep cuts in the benefits of 1.2 million GM pensioners. Meanwhile, GM's financial instability—with \$270 billion in junk bonds—puts the world's \$400 trillion derivatives market on the verge of *systemic collapse*.

Auto Parts Suppliers Failures

The shake-out at GM and Ford Motor Company, has intensified the damage at the auto parts supplier industry.

Delphi: On June 9, 100 UAW officials from Delphi and GM gathered to discuss the dire situation at Delphi. Twelve of its 23 plants in the United States are losing money, and have been rounded up into a special holding company. The financially troubled Delphi, whose credit rating has sunk five levels below "junk bonds," is considering selling or closing these 12 plants. The world's largest auto parts supplier, Delphi laid off 1,500 workers during the first three months of 2005, and announced another 7,000 layoffs for this year.

Visteon: Recently, Ford and Visteon (which spun off from Ford in 2000) announced that 15 of Visteon's 24 U.S. plants would be placed in a special "limited liability holding company." A few of these plants are being reintegrated back into Ford; the rest, put up for sale or closing. Late last year, Visteon, America's second-largest auto parts supplier, announced that it would slash 8,300 workers' jobs during 2005.

Arvinmeritor, with more than 30,000 workers around the world, announced that over the next two years, it would close 11 plants, most in the United States, and cut its workers' health benefits.

Metaldyne announced that it was ending retiree medical coverage effective Jan. 1, 2006.

Since January 2005, auto parts suppliers *Collins & Aikman*; *Meridian Automotive*; *Tower Automotive*; and *Intermet Corp* have filed for bankruptcy.

'Enron Accounting' and Dereg Kill Pensions

by Paul Gallagher

The ugly face of the U.S. corporate pensions collapse was exposed in the United States Senate on June 7: The head of the retired airline pilots' association explained why he's getting a pension of \$205/month after 26 years flying for TWA; and the flight attendants' union leader, Patricia Freund, testified that most of her members will receive less than half of their contracted pension benefits, because of bankrupt United Airlines' dumping of its pensions on the Federal Pension Benefit Guaranty Corporation (PBGC). Many of those employees, having already "given back" large chunks of their wages, will have to stay in airline work to age 65 or older. The spectacle of life-long skilled employees retiring on the equivalent of a welfare check (plus their Social Security benefits, fortunately), shows the severity of the rapidly worsening pensions crisis.

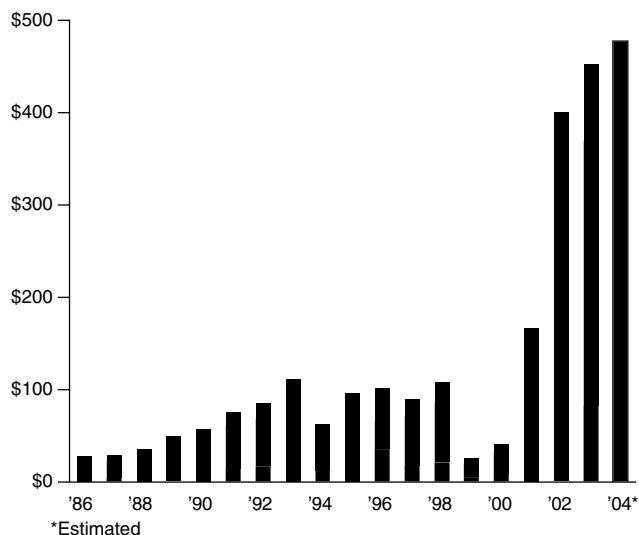
Globalization, deindustrialization, and "free trade" have shrunk the number of industrial pension plans by 75% since 1978—but by one-quarter just since 1999. More than 1 million—about 5%—of the remaining covered workers are, in fact, "covered" only by the PBGC, their employers having failed or abandoned their plans to the government insurance agency. And that percentage is now rising rapidly. At the Senate Finance Committee hearings on June 7, the CEOs of both Delta and Northwest Airlines—Gerald Grinstein and Douglas Steenland, respectively—threatened to go bankrupt soon in order to dump their "unmanageable" employee pension plans (which cover 150,000 workers and retirees combined), as bankrupt United and US Airways have already done. Under deregulation, the airlines are losing billions each per year, and putting nothing into their pension plans: What Delta and Northwest were demanding, was a law to allow them to continue putting nothing into the plans for years to come! This kind of "Enron accounting" has deepened the pensions collapse caused by the *drastic shrinkage of employment* in virtually all the industries in which stable retirement plans used to be widespread.

At the hearing, PBGC head Bradley Belt indicated what was expected next, by estimating the *auto sector's* pension-plan unfunded liabilities at approximately \$60 billion. Belt testified that for the whole national economy, corporate pension plans' underfunding hole had worsened by about \$75 billion during the 2003-04 year (of Bush's "recovery"). That hole grew to well above the \$450 billion estimated late last year (see **Figure 1**). The PBGC itself, under Belt, has devel-

FIGURE 1

Total Underfunding of Federally Insured Employer Pension Plans

(\$ Billions)

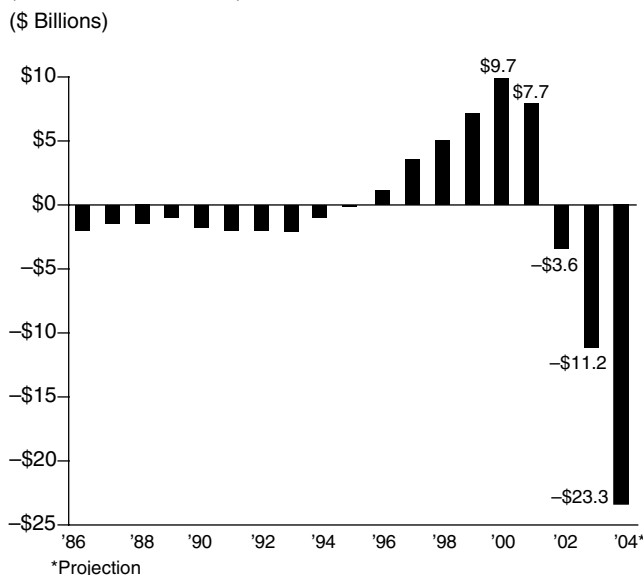


Source: PBGC presentation.

FIGURE 2

Net Position of the Pension Benefit Guaranty Corporation

(\$ Billions)



Source: PBGC presentation.

oped a \$23.5 billion deficit of assets and premium income to cover all the collapsed pension plans it has absorbed (**Figure 2**). And that deficit, according to Congressional Budget Office head Douglas Holtz-Eakin's testimony, is set to triple to \$71 billion within a decade. (In fact, since PBGC's deficit has quadrupled in the last six years, Holtz-Eakin's warning was greatly understated, unless Congress intervenes *effectively* to cause a revival of the pension plans.)

White House Would Make It Worse

The Bush White House has been pushing a "pension reform plan" since late March, which would exacerbate the crisis, not reform it. The Administration plan is to raise the per-worker insurance premium that corporations pay the PBGC, by 55%, and put penalty premiums on top of that for companies with "distressed" plans. It would also compel faster, more frequent investments by the companies in their pension plans—the worse shape the firm's credit is in, the faster the required investments! The objective is clearly to save the PBGC from requiring a taxpayer bailout, not to save the pensions. Its effect will be to accelerate further the dumping of pension plans by corporations; Democratic leaders in both houses of Congress have opposed it, and come out with legislation to put a six-month moratorium on abandonment of any major pension plans to the PBGC (H.R. 2327 of Rep. George Miller of California, and S. 1158 of Senators Ted Kennedy of Massachusetts and Frank Lautenberg of New Jersey).

But when Rep. John Boehner (R-Ohio) introduced what was supposed to be the Administration pension legislation on June 9, he went the White House one worse. Boehner kept the draconian increases in costs of insuring the pensions. But at the demands of the National Association of Manufacturers and Chambers of Commerce, Boehner's bill allows firms to continue the fantasy assumptions about rates of return on their pension assets, the "smoothing" of returns by averaging several years, and the inflated valuations of assets in their plans. It condones the "Enron accounting" of assets which is contributing to the collapse of pension plans. According to these "Enron accounting" methods, for example, United Airlines was showing, until only months before it abandoned its pension plans, that those plans were *not* underfunded.

Some of the unions most affected by the pensions crisis are vulnerable to the management arguments for "Enron accounting" methods, because it makes the plans appear, on paper, viable for the future. With the whole industrial workforce being decimated by permanent job losses, layoffs, wage cuts, and forced contract "givebacks," the employee groups are desperate not to have their hard-earned pensions turned into welfare—usually with the loss of health-care benefits as well. But if industries, like the auto sector, rapidly shrink in terms of active employment, their pension plans cannot long last. Congress's action has to put real, new productive economic activity behind those pensions, or it will not solve the crisis.

Hedge-Funds Crisis Breaks Into the Open

Since the May 5 downgrade of General Motors' and Ford's corporate debt to "junk" status by Standard & Poor's, the signs of a catastrophe in the hedge-funds markets has exploded into public view. Hedge funds are a form of mutual fund for the super-rich, which are permitted to engage in aggressive speculative activities prohibited to ordinary mutual funds; a substantial amount of betting in derivatives is done through hedge funds, with no government regulation whatsoever. An estimated \$2 quadrillion in derivatives is traded per year—although nobody really knows the full dimensions of this house of cards.

For a month now, the financial press has been warning of an imminent blowout; Federal Reserve Chairman Alan Greenspan admitted on June 6 that "the hedge fund industry could temporarily shrink, and many wealthy fund managers and investors could become less wealthy"; and a battle royal has broken out at the U.S. Securities and Exchange Commission.

The Tip of the Iceberg

Here is a review of the latest reports on the crisis. Rest assured that what is coming out into the press of Wall Street and the City of London is what they want "the mickies" to hear; the true extent of the problem is certain to be much worse, and who exactly is doing what to whom remains shrouded in secrecy.

May 17: The London *Financial Times* reported that "hedge funds are liquidating positions in the expectation that investors will be redeeming substantial sums in early July. . . . The past two weeks have proved one of the most testing times for hedge funds since the collapse of Long Term Capital Management in 1998."

May 19: The Centre for Economics and Business Research was quoted by *This Is London* saying that 10% of the world's 8,000 hedge funds will fail or close this year, and another 10% will fail or close next year, for a total failure of 1,600 hedge funds over two years.

May 23: The *Wall Street Journal* reported from London on the implosion of the Bailey Coates Cromwell hedge fund. The company lost 5% of its value in March, and another 10% in April. It closed its United States operations, and is firing some of its British staff.

May 30: The bankers' magazine *Barron's* ran a cover story titled "For Hedge Funds, Is the Party Over?" It reported that "hedge funds now control \$1 trillion in assets. But too much money may be chasing too few opportunities. The likely

outcome: a shakeout."

June 3: Hans Fahr resigned as CEO of IWKA AG, a German engineering company based in Karlsruhe. The move reportedly came because of pressure from hedge funds, and follows the ouster of Deutsche Boerse AG CEO Werner Seifert on May 9, amid opposition from hedge funds, including Atticus Capital LLC in New York.

June 5: The *New York Times Magazine* ran a special 106-page "Money Issue," instead of its usual 40-pager. While trying to assure readers that there's really nothing to panic about, the paper does give the idea that something big is going on, with respect to hedge funds and "the growing financial complexity of risk." One article, "See a Bubble," by Roger Lowenstein, includes this table of annual performance of major hedge funds (from the NYT/CSFB/Tremont Hedge Fund Index):

2005:	-0.11%
2004:	+9.64
2003:	+15.44
2002:	+3.04
2001:	+4.42
2000:	+4.85

June 8: The *Toledo Blade* reported that the Ohio Bureau of Workers' Compensation lost \$215 million investing in a high-risk hedge fund, in just eight months last year.

Calls for Regulation

In Europe, panicked calls for regulation of hedge funds are emerging from some of those tasked with keeping the financial ship afloat. On May 19, Jochen Sanio, president of the German financial supervision agency BaFin, referred to hedge funds as "black holes of the international financial system," and said that we need to "systematically monitor the opaque sections" of the financial system. "Regulation is a must," he said. The latest BaFin annual report warns, "The growth rate raises the question whether hedge funds could threaten the stability of the financial system." The European Commission is planning a review of the hedge fund "industry."

The most public fight is in the United States, where the chairman of the Securities and Exchange Commission (SEC), William Donaldson, was dumped by President Bush on June 1. Donaldson was trying to place at least minimum controls on the hedge-fund scam artists. Bush has nominated Christopher Cox to replace him, a Republican Congressman from California, and one of the most rabid anti-regulation fanatics in the nation.

Bush's 'Enron Reflex'

Donaldson, founder of the Donaldson Lufkin Jenrette brokerage firm, former head of the New York Stock Exchange, and an old friend of the Bush family, was appointed by Bush in December 2002 to replace Harvey Pitt, who had been discredited by his failure to act on the Enron, WorldCom, and



William Donaldson (left) was dumped as head of the Securities and Exchange Commission by President Bush, who nominated Rep. Christopher Cox (right) to replace him. Donaldson had tried to introduce some minimal regulation on hedge funds: not liked by Wall Street.

cox.senate.gov.

related scandals. Because the Enron pirates had been among the leading supporters of the year 2000 Bush/Cheney election campaign, Donaldson faced a near-impossible task, especially since he attempted to take seriously his job as the head of one of the nation's most important regulatory agencies.

Under Donaldson's chairmanship, the SEC began to strictly enforce regulations on corporate stock operations imposed by the 2002 Sarbanes-Oxley Act—much to the horror of the free-marketeers on Wall Street.

In a June 1 press conference announcing his early resignation, Donaldson made it clear that he was being forced to leave, and that the primary issue of contention was his effort to regulate hedge funds. He noted that few of these funds were actually hedged, so they would be more accurately known as “pooled vehicles that you can do anything you want with.”

What is the job of a regulator, he asked? “It would be almost impossible for me to conceive of a Securities and Exchange Commission that didn't recognize an industry that was at a \$3 trillion level and wasn't being regulated at all,” Donaldson said. “And we've set about to regulate that industry in a rather benign way . . . simply to get the most fundamental knowledge about the hedge fund industry. Who's running the money? What's their investment record? What's their track record as far as infractions with the law? How do they do their accounting? This was the simplest of kinds of things that will pertain to anybody that runs money. And, of course, the other part of that is that this knowledge will help us, I believe, understand better what impact the hedge funds are having on the other side of the market.”

The *Wall Street Journal* reported that Fidelity Investments led the campaign by the Wall Street financial institu-

tions to dump Donaldson, working through Bush political guru Karl Rove, and with help from Al Hubbard, who became Bush's top economic advisor early this year.

A rule change proposed by Donaldson would require hedge funds to register with the SEC, and force them to submit to regular audits and inspections. Funds would also have to provide details of trading strategies and how they value their portfolios, giving the SEC a “better sense of the goings-on in business long shrouded in mystery,” the *Wall Street Journal* reported on June 8.

In opposition to regulation, the Managed Funds Association has argued that there has not been enough malfeasance in the business to justify the rule change. And the portfolio manager for Opportunity Partners, has even sued the SEC over the rule.

Donaldson said in his parting press conference that his greatest fear in leaving the post was that there would be a “legalistic rollback of . . . key items that we've put forward.” The most useful of the regulations passed under Donaldson's chairmanship came as a result of 3-2 votes at the SEC, with Republican Donaldson voting with the two Democrats on the Commission against the other two Republicans. The bipartisan spirit of those actions at the SEC is now doomed, if Representative Cox is approved as the new chairman.

‘Cox to the Rescue’

Bush and Cheney retreated to their “Enron reflex” by naming Cox—who proudly declares that he believes there should be virtually no government regulations—to be the chief regulator of the collapsing securities industry. Cox was perhaps best known for his leadership of the Cox Commission on

China, which was used as part of the impeachment campaign against President Bill Clinton, lying that the Clinton Administration was illegally selling “sensitive” technology to China in exchange for campaign contributions—a campaign LaRouche described at the time as a “scientifically illiterate hoax.”

But Cox has also made a name for himself as a defender of speculators. As a lawyer in California in the 1980s, specializing in venture capital, Cox was named in a lawsuit brought by investors for fraud. The plaintiffs accused Cox of misleading regulators and investors about the conditions of a real estate investment. Although he was ultimately dropped from that suit before his firm settled out of court, he admits that he learned from that experience to “sympathize with people who are victimized in these lawsuits.”

This sympathy for speculators led Cox in 1995—by then a Congressman—to write the “Private Securities Litigation Reform Act,” which restricted the ability of clients to sue their brokers for securities fraud. As part of the “Gingrich Revolution” after the 1994 mid-term election—the “Contract on America”—Cox’s bill became the only legislation to become law over a veto by President Clinton. (Cox’s callous view of investors who get swindled by speculators did not hold him back from demanding a government bailout when his own Orange County, California, went bankrupt as a result of bad derivatives investments!)

Wall Street greeted the appointment of Cox with delight. Henry Manne, the Dean of the George Mason University Law School, was given the lead op-ed in the June 6 *Wall Street Journal* to hail the hedge funds as those “powerful institutions which have sprung up on their own as a new and competitive technique for getting investors’ money into productive [sic] use without the baleful cost of deadweight regulations.”

Manne identified the broader target in going after Donaldson and the SEC: the entire Franklin Roosevelt legacy of public investment, regulation, and the defense of the general welfare. Manne denounced Roosevelt’s New Deal policies, describing the SEC as one of the “various alphabet agencies that sprang up during the New Deal era. These agencies were designed to—and did, in fact—protect the chosen industries from competition, a sort of legalized cartel arrangement that also misled the public into believing that these agencies were really about consumer or investor protection.”

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Real Estate Bubble Brings ‘Depression’ Foreclosures

by Michele Steinberg

One of the great nightmares of the 1930’s Great Depression—sheriff’s sales and home foreclosures—has returned to the United States with a vengeance, while George W. Bush touts his “ownership society,” and brags that the number of new homeowners is the highest in American history. Indeed, the National Association of Realtors reported that in April 2005, the sales of existing homes reached an all-time record—but, so did the number of foreclosures. According to Realty-Trac(R), which publishes a monthly report on foreclosures, the April number hit a new high, rising 2.6% over March, which had itself increased 17% over February.

On May 30, the *Washington Post* reported that there are fears of “Depression-era” numbers of foreclosures in Pennsylvania, where a report by the Pennsylvania Banking Department (“Losing the American Dream: A Report on Residential Mortgage Foreclosures and Abusive Lending Practices in Pennsylvania”) was released in March. That study was prompted by the concern that Pennsylvania was ninth in the nation in the number of foreclosures in 2003, and fourth in the category of “subprime” loans—the high-interest, high-risk loans that go to lower-income borrowers.

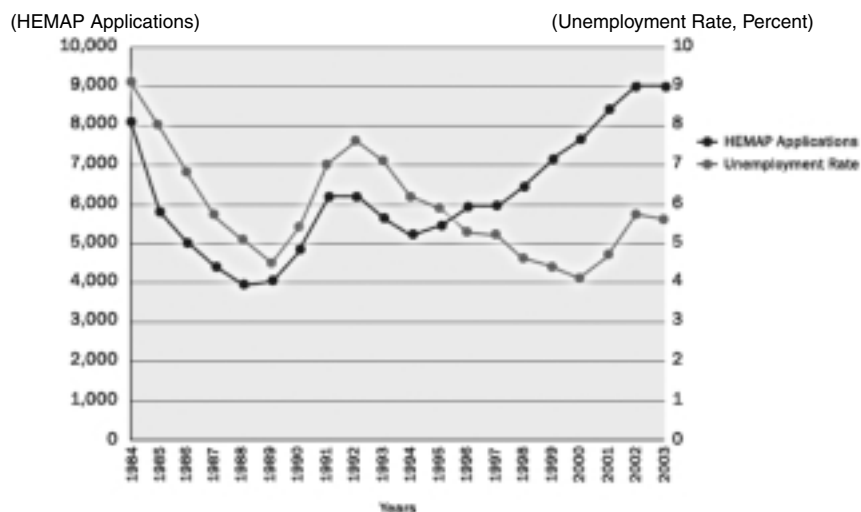
But the pattern is broader. On June 2, former U.S. Labor Secretary, Robert B. Reich, wrote in the American Prospect Online, that “Banks are engaged in an orgy of risky mortgage lending. . . . More than half of all new mortgages are either interest-only loans with no down payments or adjustable rate mortgages, whose monthly payments will rise. . . .” It is not a good economic sign, observed Reich, when homeowners are willing to pay a high price just because they think somebody else will pay more.

The usurious looting process known as subprime loans is rising rapidly; there were \$20 billion worth of these loans in 1993, but they rose to more than \$330 billion in 2003. These loans, extended to lower-income Americans with little or no assets and unsteady credit, have rates that are 50-100% above prime loans.

Pennsylvania is the only state in the union which has a program to save homes, known as the Homeowners Emergency Mortgage Assistance Program (HEMAP). But it is unable to protect its citizens because of Federal banking deregulation, going back to the 1980s. Nonetheless, because of HEMAP, Pennsylvania was able to correlate foreclosures with economic factors: More than 40% of those applying for HEMAP assistance cited health-care costs as the reason they

FIGURE 1

Pennsylvania: Foreclosure Distress Rate Went Up with Unemployment, Then Kept Rising



Source: Pennsylvania Report on Residential Mortgage Foreclosures, 2005.

were losing their homes. Unemployment and underemployment were another major reason for the catastrophic threat of foreclosure.

The study also found that even though unemployment rates were being reported as having dropped after 1995, the number of foreclosures did not correspondingly fall (see **Figure 1**). Homeowners had simply gone too far into debt.

Deregulation Loots Home Buyers

“The United States has a ‘dual’ banking system,” of both Federal and State banking laws, says the report. When Federal deregulation occurred in the 1990s, the states no longer could protect borrowers. “All Federally-chartered banks *and their subsidiaries* are exempt from state licensing and consumer protection laws.” Until deregulation, Pennsylvania, like other states, could limit interest rates, closing fees, and other mortgage practices. Now, there is no protection the state can give. Federal laws allow nationally chartered banks and their subsidiaries, and even some out-of-state banks, to set their own mortgage terms even if they violate state laws.

The Pennsylvania report was triggered in part by a April 2001 series of articles in the *Pocono Record* newspaper, which began after foreclosures in Monroe County, Pennsylvania, had risen way above the national average. The *Record* exposed shady lending and real estate schemes used to attract lower-income “suckers” to buy homes they couldn’t afford, at inflated appraisal values, and then have the homes foreclosed on, only to be sold again. Monroe County is due west of New York City, and the scheme was designed to attract

African-American and Hispanic home buyers, with a pitch that played upon their desire to move their children out of high-crime areas. Monroe County builders even produced a sales video that began with a 90-second montage of shootings, muggings, and gangs, counterposed to the lure of the peaceful, semi-rural Pocono mountains.

According to the *Record* series, “A bank extends a mortgage loan based on a home’s appraisal. If the prospective home buyer doesn’t have enough income to support the big mortgage, sometimes phantom secondary financing is set up to convince a bank that the customer can carry the load.” (Phony appraisals were a key part of the plan.) Some home buyers were given a subsidy of \$500 per month for the first year by the building company, which also arranged the mortgage, in order to make the payments affordable. But after a year, the homeowner is left high and

dry, after being promised that refinancing would be easy if there were any future problems.

Hugh Robinson, an African-American, is one Monroe County victim. The *Record* reported in 2001: “Robinson had lost his job as a truck mechanic and decided to sell his home. . . . When he called in a local real estate agent, he received the shock of his life: His four-bedroom colonial home was worth \$80,000 on the resale market, only 44 percent of the \$183,750 he paid for the new home a year before.” He told the *Record*, “I’m going to lose everything. . . . How could this happen to me?”

It didn’t happen just to him; the Pennsylvania Banking Department report found subprime abuses in 13 other Pennsylvania counties. In Philadelphia, when foreclosures hit a record in early 2004, Sheriff John Green initiated a moratorium on all foreclosure sales for March 2004, the first time such an action had been taken in 20 years. But the moratorium only slowed down the foreclosures; it did not stop them.

Subprime lenders include some of America’s biggest banks, such as Chase Manhattan and Citigroup Finances. The Pennsylvania report shows that subprime loans prey especially on poor people, African-Americans, and the elderly. The borrowers are tricked with offers too good to pass up, such as “interest-only” loans, where the payments remain low for a period of time, and then skyrocket; and by procedures like “property flipping,” where the original mortgage is refinanced several times, whenever the borrower is about to default or has missed payments. Each time, the shortfall in payments is added into the next mortgage.

Pentagon's Hiding of BRAC Data Intensifies the Base-Closing Fight

by Carl Osgood

While Pentagon officials are running around the country promoting the “economic opportunities,” of the current proposed rounds of base closings, local communities, their elected officials, and many members of Congress from both parties are digging in their heels for a difficult uphill battle to stop the plan. That battle is now before the nine-member Base Realignment and Closure Commission (BRAC), chaired by former Secretary of Veterans Affairs Anthony Principi, and made up of retired general officers, former Pentagon officials, and two former members of Congress. So far, members of the commission are maintaining an open public face, by speaking publicly of the potential impact on many communities of the proposed base closings, and welcoming comments and testimony from elected officials and community leaders.

Another side of the battle is the growing tug of war between the Congress and the Defense Department over the documentation that the DoD generated over the two years that it took to develop the base-closing list. The law requires that all of that data be turned over to Congress and the BRAC Commission within seven days of the release of the list. However, on June 7, nearly four weeks after the Pentagon released its BRAC report, Senators Susan Collins (R-Me.) and Joe Lieberman (D-Conn.), the chairman and ranking Democrat of the Senate Homeland Security and Governmental Affairs Committee, respectively, felt compelled to issue a subpoena to the DoD for the remaining unreleased data. This followed a very large, but incomplete release of data on June 4, including the minutes of meetings of the DoD's various BRAC committees. The volume of data release was so overwhelming, and without indexes or finding aids, that working through the documentation will be a very slow, laborious process.

As for the subpoena, “We are doing this because we feel that the department has not fulfilled its obligations, its very clear obligations under the base-closing law to disclose all information related to its decision-making,” Collins said. “It is a matter of fairness to the affected communities who need this information in order to prepare their case before the base-closure commission, when it holds its public hearings.” Lieberman reported that even the classified data made available to Congressional staffers with security clearances were not complete.

The entire issue is clouded by the fact that the decision to classify BRAC data was made on May 24, eleven days after

the Pentagon released its initial BRAC report. According to a leaked May 27 memo, signed by Acting Deputy Secretary of Defense Gordon England, the May 24 meeting “discussed the need to protect BRAC information that standing alone, or in aggregation, would cause serious damage to national security if known by U.S. adversaries.” The decision was made, therefore, “Because of the difficulty in extracting such classified/sensitive information from the large BRAC databases. . . .”

Deliberate Obfuscation?

Lieberman also reported that the documentation that has been publicly released provides little insight into how the decisions were made. He noted that during the 1995 BRAC, minutes of meetings were very informative. “They provide a concise transcript of the meeting discussions in a format and language that provides context and understanding of the Pentagon's decision.” In contrast, the minutes of the 2005 meetings are “very summary and don't really give an understanding of how decisions were made.”

Lieberman also reported that the Pentagon's data-collection process, itself, may be part of the problem, particularly on the military-value criterion, which the law specifies as the most important. The Navy Submarine Base in New London, Connecticut is the center of training for all submarine crew members in the Navy, yet it ranked lower in military value than the submarine base at Kings Bay, Georgia, which is where most of New London's assets are to be relocated. Initially, when the Pentagon sent out its data calls to military bases, it included a question on the presence of unique facilities on the installation. Lieberman called the Submarine School in New London “an extraordinary, unique facility,” but the question was withdrawn from the data calls, last Fall, “and we'd like to know why. . . .”

Collins made a similar charge with respect to the Portsmouth Naval Shipyard in Kittery, Maine. She reported that the Pentagon had sent out a series of data calls with a list of questions and asked the facilities to provide estimates of costs associated with closing the yard. “What we don't know is what the Pentagon did with that initial data, whether it was altered, as some people at the shipyard believe, and whether it was subject to new criteria when the department didn't like the answers that it got.” She added that “we want to have a



CDC/Dr. Edwin P. Ewing, Jr.

The hospital at Walter Reed Army Medical Center, Washington, D.C. The facility is the “flagship” hospital for the U.S. military, providing top-flight medical care to 150,000 people. It is on the list of installations to be closed.

full picture of the deliberative process so that we can make sure that it was, in fact, fair, and that the cost analysis is accurate,” because there’s some suggestion that the information in cost savings is not correct.

Pentagon officials are, not surprisingly, touting the supposed cost savings as well as supposed economic benefits of closing bases. Philip Grone, the Deputy Undersecretary of Defense for Installations and Environment, told a conference in Denver, on June 7, that the projected savings of almost \$50 billion “are real and they are significant.” He also claimed that, while the Defense Department is “mindful” of the impact of base closings on local communities, the impact of past base-closing rounds has been found to be “a positive one.” Patrick J. O’Brien, the director of the DoD’s Office of Economic Adjustment, in written remarks reported by the American Forces Press Service, said that local officials should reverse their initial negative reactions and “reverse course to seek a bright future for their families, workers, and businesses.” Of course, neither of them noted that the previous BRAC rounds occurred at the beginning phases of a financial and real estate bubble, and that the 2005 BRAC round is occurring as that bubble is about to blow out, as indicated by the impending bankruptcies of both Ford and General Motors.

In fact, the base-closing plan is nothing more than a giant real estate swindle, as *EIR* documented in the June 3 and June 10 issues.

Walter Reed Hospital on the Hit List

Three days after Collins and Lieberman issued their subpoenas, the battle moved to Northwest Washington, when BRAC Commission member retired Air Force Lt. Gen. Lloyd “Fig” Newton toured Walter Reed Army Medical Center in the company of D.C. Delegate Eleanor Holmes Norton, D.C. Ward 4 Councilman Adrian Fenty, and local community leaders. Walter Reed is the symbol of U.S. military medicine

and is the center of a health-care system that provides care to 150,000 service members, their families, and retirees in the Washington area. The hospital includes every medical specialty except for obstetrics, burns, and Level III trauma. Walter Reed has drawn attention in recent years, because of its role in treating combat casualties from Iraq and Afghanistan. One result of that is that the hospital has developed a particular competence in treating amputees, because there have been so many of them, from service in Iraq. More than 6,900 people work at the 113 acre campus, including 5,000 on staff at the main hospital.

Delegate Norton reported, after Newton’s tour, that D.C. officials were “stunned to learn that the Pentagon would even consider its flagship hospital” for closing. “We do not accept that there is only one way for the Army

to accomplish the mission it must accomplish,” she said. She also warned against any fantasies about commercial redevelopment of the property on which Walter Reed sits, because there is, in fact, no guarantee that that land would ever be turned over to the District. Norton noted that the process is weighted in favor of the Pentagon, which puts a much heavier burden on those who wish to keep their facilities open, making a larger issue of the full release of the Pentagon’s documentation. Newton, for his part, was noncommittal about the fate of the hospital, only emphasizing that the commission’s job is to evaluate the Pentagon’s plan according to the criteria established by law, to see whether the Pentagon has deviated from those criteria.

The response in Washington is hardly unique. The Congressional delegations of both Texas and Arkansas have mobilized to save the Red River Army Depot and the Lone Star Army Ammunition Plant in Bowie County, Texas, along the border with Arkansas. Arkansas Gov. Mike Huckabee even pledged \$25,000 out of his emergency fund to the Texarkana Chamber of Commerce’s BRAC campaign to help keep the two facilities open. In South Dakota, counties around Ellsworth Air Force Base are considering giving their employees paid leave in order to attend the June 21 BRAC hearing in Rapid City. County and local governments in Alaska are also considering the same measure for the June 15 hearing there, in order to protest the closing of the Kulis Air National Guard Station in Anchorage and the realignment of Eielson Air Force Base in Fairbanks. New Mexico Gov. Bill Richardson said on June 10, “I will continue to convey my total opposition” to the proposed closing of Canon Air Force Base.

In every case, opponents of closing bases note the difficulties inherent in challenging the Pentagon’s conclusions when the data those conclusions are based on are not available to be scrutinized.

The Major Bases To Be Lost in Rumsfeld's Plan

by Marcia Merry Baker

The map and the profile below identify the 33 military installations having the highest "economic replacement value," out of the 180 bases and other facilities targeted for closing in Defense Secretary Donald Rumsfeld's Base Realignment and Closing (BRAC) plan, currently being fought by affected states and communities, and by members of Congress of both parties. These 33 facilities are slated by the Pentagon for either total shutdown, or some more partial "realignment."

The list was released by the Department of Defense on May 13, and altogether, calls for reductions or closures at 775 smaller installations.

These 33 sites are defined as "major" because they each have a plant replacement value exceeding \$100 million; we group them here by geographic region, as numbered on **Figure 1**.

In addition to the bases shown here, many other military installations should also be designated as "major"—such as

the first-rate, and historic, Walter Reed Army Medical Center in Washington, D.C.—in terms of their role in the surrounding community, in support of the National Guard, or another function in the whole military and economic system.

After the first 33, the next category is that of installations losing 400 or more net total personnel (civilian and military), of which there are 29—the Army has 5, the Navy 11, the Air Force 10, and there are 3 more used by multiple services.

Among these 29, for example, is the Eielson Air Force Base in Alaska.

The Northeast

The New England region is very hard hit by the proposed closures. Two of them—New London/Groton, Connecticut and Portsmouth Naval Yard, Maine—are nuclear-licensed, meaning that they employ a long-standing complex of skills and capital intensity related to nuclear technology. In the most minimal calculation, the state of Connecticut estimates that the closing of the New London/Groton naval complex would lead to a loss of \$3.3 billion and 31,500 jobs statewide, with 8,586 jobs eliminated at the shipyards directly. In Maine, 6,938 jobs would be lost at the shipyards. The loss of these assets of high-technology nuclear capability, would be severe for the nation's economy and security.

1. Connecticut. **Submarine Base, New London (Navy)**

2. Maine. **Naval Shipyard, Portsmouth**

3. Massachusetts. **Otis Air National Guard Base (Air Force)**

4. Pennsylvania. **Naval Air Station, Willow Grove**

5. Pennsylvania. **Pittsburgh International Airport Air Reserve**

6. New Jersey. **Fort Monmouth (Army)**

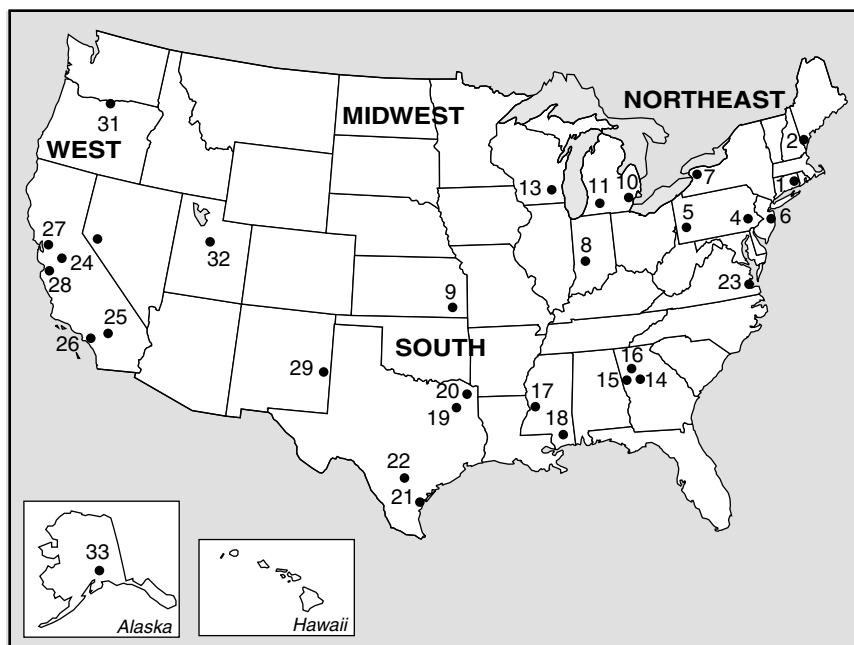
7. New York. **Niagara Falls International Airport Air Guard Station**

The Midwest

In South Dakota—part of the Upper High Plains region of the United States suffering a mass outflow of population—the Ellsworth Air Force Base is the second largest employer in the state. The highest-value targets for shutdown are:

8. Indiana. **Newport Chemical Depot (Army)**

FIGURE 1
The 33 Major Military Bases Rumsfeld Would Close Down



Source: U.S. Department of Defense.



Department of Defense

Nuclear submarine repair and maintenance at the New London/Groton Submarine Base in Connecticut. The Pentagon's move to shut this major base has generated shock and great opposition.

9. Kansas. **Kansas Army Ammunition Plant**
10. Michigan. **Selfridge Army Activity, Macomb County**
11. Michigan. **W.K. Kellogg Airport Air Guard Station, Battle Creek**
12. South Dakota. **Ellsworth Air Force Base, Rapid City**
13. Wisconsin. **General Mitchell Air Force Reserve, Milwaukee**

The South

Long-time command centers and major regional centers are among those bases proposed for shutdown in the South. In Atlanta, Ft. McPherson serves as the headquarters for the Third U.S. Army, the U.S. Army Forces Command (FORSCOM), and the U.S. Army Reserve Command. These functions would be removed to the Carolinas. Atlanta's Ft. Gillem also is the location for the regional leadership of FEMA, the Red Cross, and other services. Ft. Gillem and Ft. McPherson combined, represent a Greater Atlanta workforce of 11,000, with a \$600 million annual payroll.

14. Georgia. **Ft. Gillem (Army), Atlanta**
15. Georgia. **Ft. McPherson (Army), Atlanta**
16. Georgia. **Naval Air Station, Atlanta**
17. Mississippi. **Mississippi Army Munitions Plant, Vicksburg**
18. Mississippi. **Naval Station, Pascagoula**
19. Texas. **Lone Star Army Munitions Plant**
20. Texas. **Red River Army Depot, Texarkana**

21. Texas. **Naval Station Ingleside, Corpus Christi**
22. Texas. **Brooks City Air Force Base, San Antonio**
23. Virginia. **Fort Monroe (Army), Hampton Roads**

The West

California, which saw major losses in the previous four rounds of base-closings, still stands to lose another 11 bases, including the four major installations on the map.

24. California. **Riverbank Army Ammunition Plant**
25. California. **Naval Support Activity, Corona**
26. California. **Naval Weapons Station, Seal Beach**
27. California. **Concord Detachment (Navy)**
28. California. **Onizuka Air Force Station, Sunnyvale**
29. New Mexico. **Cannon Air Force Base**
30. Nevada. **Hawthorne Army Depot**
31. Oregon. **Umatilla Chemical Depot (Army)**
32. Utah. **Deseret Chemical Depot (Army)**

Alaska

In addition to the prospect of closing the Kulis Air Guard Base at Anchorage, Alaska faces the Rumsfeld proposal to shut the Eielson Air Force Base outside of Fairbanks, stripping down 3,000 jobs directly.

33. Alaska. **Kulis Air Guard Station (Air Force), Anchorage**

'X Committee' Out To Blow Up Southwest Asia

by Jeffrey Steinberg

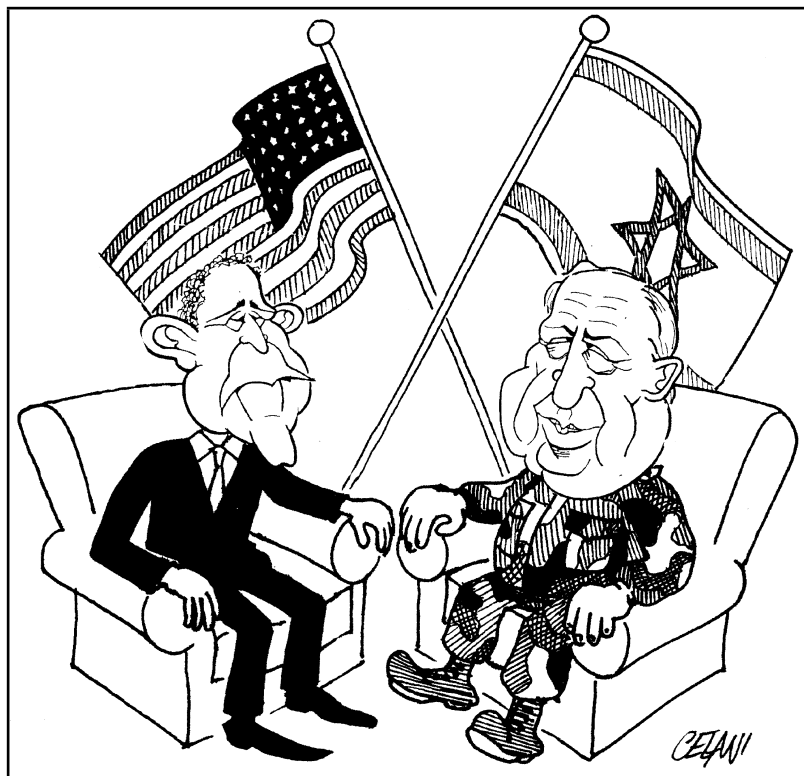
A number of well-informed sources in Israel, the U.S.A., and the Arab world have warned this news service of growing evidence that a "silent preparation for war" is now under way in Washington and Tel Aviv, which could blow up Southwest Asia in the immediate weeks ahead. Among the leading elements of the picture assembled from discussions with these sources, between June 7-9, are these:

- Israeli Prime Minister Ariel Sharon, according to an Israeli source, is intent on instigating a crisis with Lebanon and Syria. On June 8, Israeli fighter jets and reconnaissance planes spent two hours conducting flights over Lebanese territory, as far north as Batroun, north of Beirut, and into the Bekaa Valley near the Syrian border, drawing anti-aircraft fire. The Israeli incursions came just days after Hezbollah candidates scored dramatic election victories in southern Lebanon.

In a May 29 interview with Lally Weymouth of the *Washington Post*, Saad Hariri, the son of the slain former Lebanese Prime Minister Rafik Hariri, and a leading candidate to be named Prime Minister after the ongoing Lebanese parliamentary elections, declared that he would seek to bring the Shi'ite party Hezbollah into any coalition government he formed. Hariri told Weymouth that he would oppose any immediate disarmament of the Hezbollah militias, because they are the key force preventing an Israeli seizure of the disputed Sheba Farms border area. He warned that if Hezbollah were to be disarmed, and the Sheba Farms conflict continued, it could lead to a full-scale war between Israel and Lebanon.

Bush Quacks Like a Lame Duck

The Israeli source emphasized that Prime Minister Sharon is increasingly concerned that U.S. President George Bush is becoming a lame duck, and is coming under pressure to pull American troops out of Iraq, as casualties mount and the situation on the ground be-





White House Photo

U.S. Vice President Dick Cheney (right) is reportedly out to manipulate Israeli Prime Minister Ariel Sharon (left) to take such suicidal actions as launching a strike against Iranian nuclear facilities, possibly to coincide with a U.S. mini-nukes attack against North Korea.

comes more chaotic. Sharon is convinced that the conditions must be set for decisive military actions against both Syria and Iran, before an American military withdrawal from Iraq.

- The same Israeli source claimed that, in recent days, after the reported Syrian test-firing of new Scud missiles, some Sharon aides had pressed for a direct military attack on Damascus, but French and German pressure on Israel forestalled that for the time being.

- At the same time that Israeli provocations have escalated against Syria and Lebanon, some members of Sharon's war cabinet have been pressing for Israeli "breakaway ally" strikes against some nuclear targets inside Iran. The recent Iranian testing of a new medium-range missile using solid fuel was propagandistically seized upon by some Israeli hawks as a "red line," a development which accelerates the need to knock out, or seriously degrade, Iran's purported nuclear weapons program.

David Ivry, the former Israeli Ambassador in Washington, and the architect of the 1981 Israeli Air Force bombing of the Osirak nuclear reactor near Baghdad, told Reuters on May 30 that he favored Israeli attacks on Iranian nuclear sites. "You cannot eliminate an idea, a national will. But you can delay progress on a nuclear program with the appropriate military action. That is a valuable objective in itself," Ivry admitted.

The United States and Israel have different assessments of the Iranian nuclear program. Some Israeli military analysts claim Iran is just months away from obtaining all the technology needed to build a nuclear weapon, and Ivry told Reuters that Israel must act when "the threat has become insufferable. You set a deadline beyond which you believe you will lose the option of acting."

U.S. intelligence agencies reject the Israeli claim of an imminent Iranian nuclear arms breakout, making the assessment that Iran is several years away from obtaining the capacity to build and deliver a nuclear bomb. And factions in the Bush Administration are pressing for a diplomatic solution to the Iran issue. The uniformed military is dead set against any kind of American military action against Iran, arguing that the 150,000 American troops presently in Iraq would be, in effect, hostages to a potential Iranian or other Shi'ite retaliation. And the Bush Administration recently dropped its opposition to Iran's joining the World Trade Organization, and to building the pipeline through Pakistan to India. Just a month ago, in a visit to New Delhi, Secretary of State Condoleezza Rice had warned India not to go ahead with the oil pipeline deal with Tehran.

- A U.S. intelligence source warned that Israeli provocations against Syria could impel hardliners in Damascus to increase their assistance to the most violent factions of Hamas and Islamic Jihad. Any

acceleration of attacks on Israeli targets from within the Palestinian territories would be seized upon by Sharon to stall the Gaza withdrawal, scheduled to begin in August. Or he could insist on a "Gaza only" policy, meaning no Israeli pullout from the West Bank, after a Gaza withdrawal. The source also cited the upcoming Palestinian parliamentary elections, where a strong showing by Hamas could give the Israeli right wing the excuse to walk away from any peace deal with the Palestinian Authority.

Not in Israel's Interest

Lyndon LaRouche commented June 7 on this compilation of warnings, that war with Syria and/or Iran is *not* in Israel's national interest. In fact, there are no intrinsic Israeli interests in any conflict with either state. Iran and Israeli have maintained long-standing, albeit sometimes strained ties, as two significant regional powers, and those ties have been kept up even under the Islamic Republic, as demonstrated by the Israeli role in providing secret arms shipments to Tehran, in what came to be known as the "Iran-Contra Affair." Therefore, LaRouche pointed a finger at U.S. and British circles associated with Vice President Dick Cheney and Prime Minister Tony Blair, as being the likely architects of a manipulation of Israel to induce the Sharon government to take such politically suicidal actions.

Cheney, LaRouche observed, is desperate, and becoming increasingly useless. Therefore, the people who use Cheney are also desperate, and are accelerating crises around the globe, from Southwest Asia to the Korean peninsula.

One senior American military historian pointed to the escalated rhetoric of Cheney and Rumsfeld recently against North Korea as one indicator that the Cheney crowd might be contemplating simultaneous provocations against North

Korea and Iran. The historian pointed to the parallels to 1956, when Britain, France, and Israel invaded and seized the Suez Canal, at the same moment that the Hungarian Revolution erupted against the Soviet occupation of Eastern Europe.

The Israeli source also noted that Cheney is well aware that if the United States launches a pre-emptive attack on North Korea, using mini-nuclear weapons, the international outcry will be so great that no near-term opportunity will exist to take on Iran. So, an American attack on North Korea, coinciding with an Israeli limited strike on Iran cannot, the two sources insisted, be ruled out. They both concurred with LaRouche's assessment of Cheney's desperation.

The 'X Committee' Factor

Both Cheney and Blair, LaRouche pointed out, are surrounded by the "X Committee," the Anglo-American neocon apparatus that has been playing the Israeli "breakaway ally" game for decades. It is the X Committee that is out to blow up the Persian Gulf "oil patch" and the surrounding area.

The term "X Committee" refers to senior Reagan-era Pentagon officials suspected of deploying Israeli spy Jonathan Jay Pollard, but never caught. Among those still playing pivotal roles today in Washington are Richard Perle, Michael Ledeen, Paul Wolfowitz, Frank Gaffney, and Douglas Feith.

A number of these X Committee figures wrote the July 1996 report titled "A Clean Break" for incoming Israeli Prime Minister Benjamin Netanyahu, spelling out a regional war scheme to knock out the governments of Iraq, Syria, Iran, Saudi Arabia, and Egypt. It is that plan, passed from the X Committee gang in Washington into Israel, that is still playing out today, and is behind the "Israeli" provocations against Syria and Iran.

One possible pathway to halting these "silent preparations for war" will be open soon in the Federal Courthouse in Alexandria, Va. On June 13, former Pentagon Iran analyst Lawrence Franklin will appear in court for the unsealing of grand jury indictments, which are expected also to name two "former" AIPAC (American Israel Political Affairs Committee) senior employees, Steven Rosen and Keith Weissman. The three, possibly along with several Israelis, are expected to be charged with espionage-related crimes, involving the passing of classified information to an Israeli embassy official, Naor Gilon, whom former U.S. intelligence officials have identified as the Mossad station chief in Washington.

Larry Franklin was the Iran desk officer at the Pentagon's Near East South Asia policy unit headed by William Luti, now a White House Special Assistant to the President. Luti came out of Cheney's VP office and was part of an X Committee cell at the Pentagon that reported directly to Cheney chief of staff I. Lewis "Scooter" Libby, according to eyewitness accounts. Other members of the cell, who apparently used Franklin as their patsy, included outgoing Assistant Secretary of Defense for Policy Doug Feith, one of the co-authors of "A Clean Break."

Israeli Computer Spying Linked to 'X Committee'

by Edward Spannaus

A computer espionage scandal with ties into the United States and Britain is wracking Israel, with top executives from a number of major Israeli companies, and employees from three private detective agencies, having been placed under arrest. The probe centers on the use of "Trojan Horse" computer software to spy on other companies and to steal secret computer data from them.

According to a well-informed Israeli with ties to the intelligence community, the Trojan Horse operation was also used to penetrate the British MI-6 intelligence service, and U.S. intelligence agencies, and is linked to the "Amdocs" operation which *EIR* had exposed shortly after the 9/11 attacks, in our investigation of the Israeli "art students" spy network operating in the United States.

On May 31, the Israeli press reported that top officials of Israeli telecommunications giants Amdocs and Bezeq International were marched into police stations in Tel Aviv for questioning. An Amdocs official acknowledged using one of the private investigators implicated in the Trojan Horse case, but claimed that it was all for legitimate purposes.

The spy scandal began last November, after police discovered that Michael Haephtrati, a London-based Israeli who developed his computer skills during three years with the Israeli military, had developed a computer program which could penetrate target computers without being detected by anti-virus systems, and then transmit data from those computers to others. Some sources believe that Haephtrati is using an updated version of PROMIS, a "trap door" spying program that was stolen from a U.S. software company, Inslaw, by the Justice Department during the Reagan Administration.

The scope of the current investigation is continually expanding. "Right now, it is a very sophisticated investigation," Tel Aviv police superintendent Peal Liat was quoted by the London-based *Computer Weekly* as saying. "We have something like 150 different computers that were taken by investigators. Every computer they open, they discover more. Every day it gets us more companies that ordered the information, and more companies that were infected."

"They were able to see everything, from e-mails to documents to information," Liat said. "And they were able to copy it and take it out. We think the Trojan had the ability to log

keystrokes.” Images and documents were sent to FTP servers in Israel, Germany, and the United States, *Computer Weekly* reports.

Amdocs and the ‘Art Students’

Although the Israeli investigation is being portrayed as one involving industrial espionage, Amdocs has previously been implicated in much more sinister operations in the United States.

- In 1997, Amdocs was involved in the installation of a new telephone system in the White House, in what is believed to have been part of the “X Committee” operations targeting President Bill Clinton (see preceding article). According to reports which surfaced in the U.S. press in the Spring of 2000, the FBI was investigating the operation, in which supposedly secure White House telephone discussions were being intercepted and transmitted to Tel Aviv. It was reported at that time that the FBI had sought an arrest warrant for an Amdocs employee, but it was quashed by the Justice Department.

- Following the 9/11 attacks, *EIR* and others reported on the three-year investigation being conducted by the U.S. Drug Enforcement Administration (DEA) of the Israeli “art student” ring, which had implicated Amdocs in a number of ways. Many of the “art students” carrying out surveillance of U.S. security and military facilities, had entered the U.S. with work permits listing Amdocs as their employer. The DEA documented efforts by the “students” to profile law enforcement and military personnel for prospective recruitment by Israel.

- The DEA suspected that Amdocs, which provides billing services to the 25 largest phone companies in the United States—and thus had access to records of almost every telephone call dialed in the country—was providing counter-surveillance information to Israeli mafia drug-trafficking circles about the actions of law-enforcement agencies, and about wiretaps placed on targets of law-enforcement investigations.

- In the wake of the 9/11 attacks, U.S. law enforcement personnel established that a number of the Israel “students”—many of whom had specialized training in the Israeli military—were also infiltrating Arab-American communities, and lived in close proximity to some of the 9/11 hijackers. Others had long-established connections to suspected Islamic terrorist cells.

As we reported in our profile of Amdocs in the Feb. 1, 2002 issue of *EIR*, the senior managers of Amdocs are reported to be senior members of the Israeli military and intelligence services. The company is still very secretive. The Israeli business publication *Globes* reported on May 31, 2005, in connection with the Trojan Horse investigation: “Although Amdocs is a public company, it shies away from the media. Amdocs’ managers have never given interviews, the company is parsimonious with information, and often behaves like a covert organization.”

Science in Russia: Alive, But Malnourished

by Jonathan Tennenbaum

On May 16-18, the Vernadsky State Geological Museum, located across from the Kremlin in the center of Moscow, hosted a remarkable conference entitled “Science and Our Future: Ideas to Change the World.” The conference, the second yearly event of this kind, brought together 65 Russian scientists and research workers from a wide spectrum of fields of research, ranging from geology and geophysics, biology and medicine, theoretical physics and engineering, to areas related to improving the living conditions and infrastructure of human populations. And, indeed, several of the ideas, discussed during the three days of sessions, do have the potential to change the world in a significant manner.

The Vernadsky Museum itself, in addition to being a unique exhibition of V.I. Vernadsky’s discoveries in biogeochemistry and his conception of the Noösphere, houses a research institute with unique competence in problems concerning the origin, exploitation, and management of the Earth’s mineral resources. Lyndon LaRouche, who with his wife Helga Zepp-LaRouche visited the Museum in April 2004, has repeatedly emphasized the importance of these capabilities, embodying the scientific heritage of Vernadsky, for organizing a world economic recovery in the period immediately ahead.

A Charged Political Atmosphere

The conference sounded a hopeful note amid an atmosphere of uncertainty about the future of Russia, and of Russian science in particular. Mad President George Bush’s provocative visit to the Baltic, the destabilizations in Kyrgyzstan and Uzbekistan, the implications of the “Orange Revolution” in Ukraine, and arm-twisting efforts of Condoleezza Rice during her visit in Moscow, added up to a sense of hostile “strategic encirclement” of Russia—just as the nation moved to celebrate the 60th anniversary of the victorious end of World War II. On the streets one could hear people say that the losses suffered by Russian society as a result of the economic disintegration and looting of the country by so-called “liberal reformers” and “oligarchs,” after the collapse of the Soviet Union, have been in some respects even worse than those suffered in World War II.

In any case, since the mid-1990s, the Russian population has been shrinking at a net rate of between 500,000 and 1 million persons every year. Many of the most promising young scientists and other professionals have emigrated to the West, in search of a better life. Unfortunately, the economic



EIRNS/Rachel Douglas

Lyndon and Helga LaRouche tour the Vernadsky State Geological Museum of the Russian Academy of Sciences in Moscow in December 2001. At the center is a bust of Vernadsky. Left to right: Dr. G.V. Naumov, Lyndon LaRouche, Helga Zepp-LaRouche, Dr. Sergei Cherkasov.

policies of the present Russian cabinet, still dominated by the likes of German Gref, as well as the policies of the hated former cabinet official Anatoli Chubais, threaten to drive the country even further in the direction of a social explosion somewhere down the line. The tension could be felt, not least of all, in the scientific milieu itself.

Just days after the conference, a stormy Plenary Session of the Russian Academy of Sciences took place, at which, for perhaps the first time ever, a Minister of the Russian government—Science and Education Minister Fursenko—was booed from the audience and abruptly departed from the scene. Fursenko has been promoting a misguided policy of “reform” of the Academy of Sciences, which many of its senior members denounce as a virtual dismantling of the Academy. The Academy of Sciences constitutes probably the single most important national institution in modern Russian history, an institution whose origins go back three centuries, to Wilhelm Gottfried Leibniz’s personal meetings with Peter the Great.

According to scientists we spoke with, the present government intends to “compensate” for the catastrophic reduction of state support for the once-powerful, but now vastly underfinanced Academy, through measures that will only make the situation even worse. These include closing a number of institutes, increasing salaries at the cost of drastically reducing the overall number of researchers, and promoting a far-reaching “privatization” of research.

In this atmosphere, charged with the danger of a strong anti-Western turn in the mood of the population and institutions, it was important to be able to brief Russian friends, including individuals of some considerable influence there, on recent developments in the United States, centered on Lyndon LaRouche’s leading role, together with his Youth Movement, in organizing an effective political force in opposition to the insanity of the Bush-Cheney Administration. The pros-

pect for a potential positive change in U.S. policies, expressed especially in an emerging, bipartisan alliance for an alternative economic and foreign policy, in and around the U.S. Senate, is profoundly remoralizing for people in Russia.

At the same time, the conference itself bore witness to the fact, that, despite the difficult situation, important forces in Russia are working optimistically for a brighter future—forces that see Lyndon LaRouche and his movement as friends and allies. LaRouche himself is virtually a household word in Russia; his writings are in great demand, including impatient requests I received, as LaRouche’s representative to the conference, for Russian translations of his books *Economics of the Noösphere* and *The Earth’s Next Fifty Years*.

Remarkable Research

From some 140 papers submitted from all over Russia, 25 were selected by expert review for plenary presentation and discussion over the three days of the conference, and prizes awarded to the three best, as determined by a vote of the scientists themselves. The topics of the three prize-winning papers, already indicate the range of subjects touched upon at the conference: “The Speed of Migration of Carbon and the Regeneration of Oil Deposits,” “Laser Systems for Optical Communication between Relay Satellites,” and “Adaptive Systems for Fire Safety of Human Activities.” Other papers of interest included novel methods for the large-scale production of hydrogen; new approaches to controlled thermonuclear fusion via “ultra-high-compression”; increases of agricultural productivity through artificial enrichment of rare earth elements to the soil; electromagnetic structures involved in the origin of tornadoes and other severe storms; and anomalies in the motion of the Moon, calling for a revision of present textbook doctrines of gravitation; and many others. Here I shall only briefly describe the three prize-winning papers. Remarkable was the synthesis between fundamental research, and the development of technologies with the potential to revolutionize broad domains of human activity on this planet.

The first of the mentioned papers, on the regeneration of oil reserves, actually underlines a key point Lyndon LaRouche has been making recently, in his proposal for a “Vernadsky Strategy” for a new type of economic cooperation among the world’s nations. LaRouche pointed out, that the magnitude of long-term requirements for mineral resources, posed by the ongoing economic development of the populations of China, India, and other Asian nations, necessitates a new cooperative approach to the management of the world’s raw materials. The required approach must, among other things, go beyond mere prospecting and extraction, to focus on the processes by which mineral resources are created in the Earth in the course of geological history, and how such resources might in the future be *replenished* or *regenerated*, at an increasing rate, through Man’s deliberate intervention into the geosphere and biosphere.

One key area for this, needless to say, is that of oil and

natural gas. For many years a controversy has raged among specialists, whether the petroleum reserves, now used by Man, originated in biological material (biomass) accumulated over millions of years, or whether petroleum is in some way being *continuously generated* within the Earth, by essentially abiotic processes. In their prize-winning paper, V.D. Skaryatin and M.G. Makarova of the Vernadsky States Geological Museum, cite extensive evidence to the effect, that oil fields in various areas of Russia and adjacent countries, some abandoned after long periods of exploitation, are gradually *filling up again*, through a constant process of “migration” of carbon and hydrocarbon compounds from deeper layers of the crust. Evidence of the same process of gradual replenishment—occurring on the scale of mere decades, rather than the millions of years often supposed necessary for biogenic production—is also found in systematic discrepancies between originally estimated size of deposits, and the significantly larger amounts actually recovered in the course of exploitation.

While quoting Dmitri Mendeleyev’s famous admonition, that petroleum’s true value is as a chemical feedstock, rather than a fuel, Skaryatin suggests, that, once the conditions of continuous generation of oil and gas within the Earth’s crust are properly taken into account, in the process of planning and organizing extraction operations, these resources could be made essentially “renewable,” and Man need not fear “running out” of them in the foreseeable future.

The potential impact of *human economic activity* on the “spontaneous” generation of oil and natural gas in the Earth’s crust, was emphasized in another, most interesting paper, presented to the conference by the well-known Russian geophysicist A.A. Barenbaum, from the Institute for Problems of Oil and Gas of the Russian Academy of Sciences. Barenbaum proposed, in accordance with the principles of Vladimir Vernadsky, a synthesis of the two “competing” schools of thought on the biogenic versus abiotic generation of oil and gas. According to Barenbaum, the ongoing synthesis of petroleum, in certain regions of the crust, is, in and of itself, an essentially abiotic, thermochemical process. However, the *input* of carbon, hydrogen, and other substances into that process, is largely a function of the *biosphere circulation of carbon and water*, which in turn is driven by living matter—and increasingly, by Man’s own activity!

In particular, Barenbaum said, carbon dioxide and other forms of carbon, circulating in the biosphere, are transported by water into inner layers of the crust, where they become “raw materials” for petroleum synthesis. This suggests the possibility that Man, through the increased production of carbon dioxide in the atmosphere as a result of industrial activity, may actually be accelerating the generation of oil and gas within the Earth’s crust, within time scales of mere decades; that is, much shorter than normal geological cycles. Barenbaum points to some crucial evidence for his thesis, including the discovery of traces of man-made isotopes that do not occur in Nature, in deep oil deposits.

A completely different example of man’s technological

innovation was provided by A.V. Bagrov, of the Institute of Astronomy of the Russian Academy of Sciences, who described a revolutionary new type of satellite-based instrument, capable of measuring angles between astronomical objects with a precision of mere microseconds of arc. That angular error would correspond to the apparent diameter of a basketball on Mars, as observed from the Earth some 50 million kilometers away! With such a precision, it becomes possible to observe the motions and pathways of motion of neighboring stars in our galaxy, within time frames of mere *hours*—as opposed to years or even decades—to detect planetary systems, and to determine precise distances of various astronomical objects.

At the same time, the new methods could open the door to a revolution in global satellite communication systems, by permitting the use of optical lasers, instead of the microwave frequencies presently used. This would mean increasing the communication density by orders of magnitude beyond anything now existing. A key barrier to the use of lasers in satellite communications, until now, has been the problem of how to determine the precise positions of orbiting objects and to steer a narrow laser beam from one to the other over thousands of kilometers. A similar challenge arose, in the 1980s, in efforts to develop laser anti-ballistic missile defense systems. However, the demands for precision and stability, required for reliable laser-based communications between satellites, are in many ways even greater. Key to the new Russian work, reported at the conference, is the use of multiple interferometry.

The third prize-winning paper was of a very different character, less fundamental in terms of scientific principle, but oriented more directly to the immediate needs of the population. Y.E. Boguslavsky of Rostov University, together with a group of collaborators from several institutions, made an exhaustive analysis of fires in two regions of Russia, focusing particularly on the role of defective household appliances, which constitute a major cause of fires involving loss of life. On this basis, they proposed a system of “Adaptive Fire Safety” designed to reduce loss of life by as much as *two orders of magnitude*. Among the novel technical features of their proposal are:

1. The use of a new, “cryothermic, gravitational-acoustic-emission” measurement system, also developed at Rostov University, to provide quantitative data for the evaluation of fire safety of materials used in building construction and household objects. In this method, test samples are subjected to combinations of thermal and pressure stress, and response characteristics are measured by a variety of devices, including especially detectors of low-level acoustical signals generated by crystal dislocations and other processes leading to mechanical failure.

2. The “intellectualization” of household electrical appliances, converting them from potential sources of fire danger, to fire-alarm systems, able to detect and signal their own malfunction as well as the presence of dangerous gases.

Luis Posada Carriles Gives the Lie To George Bush's 'War on Terrorism'

by William F. Wertz, Jr.

Immediately after Sept. 11, 2001, President George W. Bush righteously threatened any nation that “harbored terrorists.” But now, *EIR* investigations show that the Bush Administration itself is harboring a nest of terrorist assassins in Jeb Bush’s Florida—foremost among them being the Cuban-born operative Luis Posada Carriles, whose career in terrorism and intelligence “black bag jobs” spans more than four decades.

On March 10, 2005, long-time CIA asset **Félix Rodríguez Mendigutia** called for U.S. military intervention in Venezuela, and alluded to the possible assassination of Venezuelan President Hugo Chávez, on a Miami TV program.¹ Rodríguez had been the CIA liaison with the Bolivian forces that captured and executed Ernesto “Che” Guevara on Oct. 9, 1967; he later ran the Contra resupply operation in El Salvador in the 1980s, to overthrow the Nicaraguan government on behalf of Vice President George H.W. Bush and CIA death squad organizer **Néstor Sánchez**.

Rodríguez’s deputy in the Iran-Contra operation was Luis Posada Carriles, who had just escaped from a Venezuelan jail, where he had been incarcerated in connection with the bombing of a Cuban airliner off the coast of Barbados in October 1976, which killed 73 people. Rodríguez was involved in Posada’s escape in 1985, which was effected by means of a bribe reportedly paid by **Jorge Más Canosa**, the now-deceased head of the anti-Castro Cuban American

National Foundation (CANF).²

In March, when Rodríguez made this threat to Chávez, Posada had just entered the United States via Mexico, using a false passport, and was seeking asylum from the G.W. Bush Administration for past services rendered. On June 4, 2005, the Venezuelan newspaper *El Universal* reported that both President Chávez and Venezuelan Vice President José Vicente Rangel accused the Pentagon and the CIA of planning to invade Venezuela and assassinate Chávez. Chávez has demanded that the Bush Administration extradite Posada to Venezuela, a request that Washington has not yet formally ruled on. Chávez has also charged that former Venezuelan President Carlos Andrés Pérez, who was the Minister of the Interior from 1962-63,³ is involved in operations against him.

The terrorists that Bush and Cheney are protecting, are now posing a threat to the emergence in Ibero-America of a combination of sovereign nation-states potentially oriented towards supporting Lyndon LaRouche’s proposal for a New Bretton Woods monetary system. The potential for such action was reflected in the March 29 summit of the Presidents of Brazil, Colombia, and Venezuela, and the Prime Minister of Spain at which historic agreements were reached for economic development and integration. That summit took place just a few weeks after Félix Rodríguez issued his threat to Chávez.

Much of the material accumulated for this report has been derived from extensive counterintelligence investigations

1. On March 10, 2005, Cuban-American journalist Maria Elvira Salazar conducted an interview on cable TV Channel 22 in Miami, Florida, with Luis Piña, from the anti-Chávez Venezuelan opposition, and with Félix Rodríguez. Rodríguez said that if called upon, he would consider coming out of retirement and going back to Venezuela to take action against President Chávez: “I think they are going to have to do something,” he said. When pressed by the interviewer, Rodríguez replied, “Yes! There are contingency plans!” He continued that for “national security reasons . . . there could be economic measures at a certain moment, including military measures,” but it is “hard to say at this moment” whether a CIA commando could be sent to put an end to Chávez. Any action against Chávez would be done openly, he said. “Look, at a certain moment, he [President Bush] can do it militarily. Remember the specific case of Qaddafi: They did it militarily with a plane, and after that Qaddafi did not pose a problem any longer.” When the interviewer objected that “that’s not physically eliminating Hugo Chávez, which is the question,” Rodríguez concluded: “At a certain point, they can do it with a military attack with a plane.”

2. www.afrocubaweb.com/posada.htm. See “Gusanos de Miami e intelectuales Mexicanos: Confunden derechos humanos y contrarrevolucion by Salvador del Rio at www.m3w3.com.mx/SIEMPRE/2279/columna/Columna10.html. The *Miami Herald*, Sept. 5, 1988, reported that his escape was aided by an unidentified Miami benefactor and by Félix Rodríguez. According to the *NY Latino Journal*, in his autobiography, Posada thanked Más Canosa for providing the money for the bribe. Andrés José Arana Méndez, the chief of the prison, admitted that he helped Posada escape for \$28,000. (FBIS, Jan. 23, 1985).

3. As a ranking officer in the Directorate for the Services of Intelligence and Prevention (DISIP) beginning in 1967, Posada was employed by the Ministry of Internal Relations. CAP had been the Minister of Interior from 1962-63. Orlando García, who had been head of operations of Digepol, the precursor of the DISIP, became CAP’s personal security advisor in 1964. When CAP became President in 1974, he appointed Orlando García head of operations of the DISIP.

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Case of Cuban Exile Could Test The U.S. Definition of Terrorist

Old Cold Warrior, Out of Friends, Seeks Asylum

By TIM WEINER

MIAMI, May 5 — From the United States through Latin America and the Caribbean, Luis Posada Carriles has spent 45 years fighting a violent, losing battle to overthrow Fidel Castro. Now he may have nowhere to hide but here.

Mr. Posada, a Cuban exile, has long been a symbol for the armed anti-Castro movement in the United States. He remains a prime suspect in the bombing of a Cuban commercial airliner that killed 73 people in 1976. He has admitted to plotting attacks that damaged tourist spots in Havana and killed an Italian visitor there in 1997. He was convicted in Panama in a 2000 bomb plot against Mr. Castro. He is no longer welcome in his old Latin America haunts.

Mr. Posada, 77, sneaked back into

Agency in the 1960's, his lawyer, Eduardo Soto, said at a news conference last month.

But the government of Venezuela wants to extradite and retry him for the Cuban airline bombing. Mr. Posada was involved "up to his eyeballs" in planning the attack, said Carter Cornick, a retired counterterrorism specialist for the Federal Bureau of Investigation who investigated Mr. Posada's role in that case. A newly declassified 1976 F.B.I. document places Mr. Posada, who had been a senior Venezuelan intelligence officer, at two meetings where the bombing was planned.

As "the author or accomplice of homicide," Venezuela's Supreme Court said Tuesday, "he must be extradited and judged."

ny LATINO JOURNAL



2005 issue has their histories, ours of the hunt shall always glorify the hunter. — African proverb

THE BUSH FAMILY'S FAVORITE TERRORIST

JERRY MELROSE, ROBERT FAIRRY

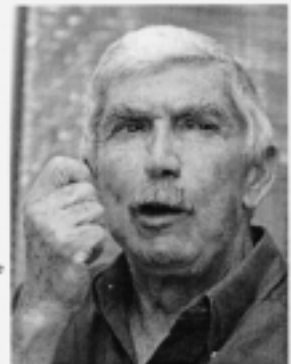
While the Bush administration holds dozens of suspected Muslim terrorists on secret or flimsy evidence, one of the world's most notorious terrorists slipped into the United States via Mexico and traveled to Florida without setting off any law enforcement alarms.

Though the terrorist's presence has been an open secret in Miami, neither President George W. Bush nor Florida Gov. Jeb Bush has ordered a manhunt. The U.S. press corps has been largely silent as well.

The reason is that this terrorist, Luis Posada Carriles, was a CIA-trained Cuban whose long personal war against Fidel Castro's government is viewed sympathetically by the two Bush brothers and their father. When it comes to the Bush family, Posada is the epitome of the old saying that "one man's terrorist is another man's freedom fighter."

The Bush administration, which has imprisoned Jose Padilla and other alleged Muslim "enemy combatants" without trial, has taken a far more lenient approach toward the 77-year-old Posada, who is still wanted in Venezuela for the bombing of a Cubana Airlines plane in 1976 that killed 73 people. Posada also has admitted involvement in a deadly hotel bombing campaign in Cuba in 1997.

Political Pardons?



The case of terrorist Luis Posada Carriles is drawing widespread international attention, because of the bind it places President Bush in. The New York Times put the story on its front page on May 9.

into a former associate of Lyndon LaRouche, **Fernando Quijano**, who was turned by U.S.-based and other intelligence networks associated with the presently continuing Western Hemisphere operations described in this report, such as those associated with Chilean fascist **Gen. Augusto Pinochet's** "Operation Condor."⁴

As *EIR* has reported, Operation Condor was formally established in Santiago, Chile on Nov. 25, 1975, after Pinochet and 50 members of his secret service, the DINA, attended the funeral of Spanish fascist dictator Gen. Francisco Franco in Madrid. Pinochet had been inspired by Franco, whose war to crush the Second Spanish Republic, launched in 1936, was directed by Adolf Hitler's Ibero-American Institute in Berlin, which was headed by Nazi Gen. Wilhelm von Faupel.

Quijano became a controlled asset of Leesburg, Virginia resident Néstor Sánchez in the mid-to-late 1980s, and was also known to have met with Jorge Más Canosa. Quijano's Venezuelan agent **Alejandro Peña**, now within the anti-Chá-

vez Democratic Bloc in Venezuela, met with DINA chief and Operation Condor operative **Juan Manuel Contreras Sepúlveda** in 1993 on Quijano's behalf. Quijano and his associate **Marivilla Carrasco** of Mexico were also directly in contact with Spanish fascist **Blas Piñar**, who is at the center of this Fascist International.

Posada and the CIA's Cuban 'Gusanos'

Now, to the case of Posada Carriles, and what it reveals about Bush's "War on Terrorism."

Posada joined the CIA's Brigade 2506 in 1961, as part of CIA director Allen Dulles's abortive "Bay of Pigs" invasion of Cuba. Posada, **Orlando Bosch Avila**, and Félix Rodríguez were also members of the elite intelligence unit called Operation 40. Other members included **Ricardo "el Mono" Morales Navarrete**, **Virgilio Paz**, **José Dionisio Suárez** and the **Novo Sampoll brothers**, **Guillermo** and **Ignacio**.⁵

Operation 40 has been suspected by some of involvement in the assassination of U.S. President John F. Kennedy on Nov. 22, 1963. Posada Carriles himself was placed by at least one witness in Dealey Square in Dallas, at the moment of the

4. See William F. Wertz, Jr., "Schools' Plot: Who's Snuffing Your Neighbor's Kittens?" *EIR*, April 19, 2002; "The Cristero War on Mexico: Synarchism Then and Now," *EIR*, July 25, 2003; "The Nazi-Instigated National Synarchist Union of Mexico," *EIR*, July 9 and July 16, 2004; "The Ibero-American Solidarity Movement; Anatomy of a Fascist Intelligence Operation," *EIR*, Feb. 25, 2005; "Nazis, Operation Condor, and Bush's Privatization Plan," *EIR*, March 25, 2005.

5. Interview by Jean-Guy Allard of Gen. Fabián Escalante, the ex-chief of Cuban intelligence and author of *The Plot* (Ocean Press). The interview is cited on www.spartacus.schoolnet.co.uk/JFKposada.htm.

assassination.⁶ Others have pointed out that Orlando Bosch and Guillermo Novo, among other Operation 40 operatives, travelled to Dallas a few days before the assassination.⁷

This same unit was deployed in the 1970s to participate in Operation Condor. In December 1974, Orlando Bosch, Guillermo Novo, and Dionisio Suárez travelled to Santiago, Chile to offer their services to General Pinochet.⁸ It was Suárez and Virgilio Paz who later triggered the bomb that killed former Chilean Foreign and Defense Minister Orlando Letelier and his associate Ronni Moffitt in Washington, D.C. on Sept. 21, 1976, a crime for which they were convicted.⁹ A declassified FBI report confirms a meeting between exiled Cubans and Pinochet on March 17, 1975, in which Pinochet offered them financial assistance, on the condition they help create a unified fascist international.¹⁰

Posada, a former lieutenant in the United States Army, received his training at Fort Benning in Georgia, where he took an intelligence staff officer course.¹¹ He is both a marksman and a demolitions expert.¹² According to the FBI, in 1965, Jorge Más Canosa paid Posada to blow up a Cuban or Soviet vessel in the Port of Veracruz, Mexico.¹³ That same year, the FBI reported that he was implicated in a plot to overthrow the government of Guatemala.¹⁴

In July 1967, Posada was officially dropped as a CIA asset, but then was reinstated in October, when he was approached by the CIA with an offer to join the Venezuelan secret police (DISIP),¹⁵ where he became chief of security and counterintelligence (Division 54). In 1971, Posada was

involved in a plot to assassinate Fidel Castro on a visit to Caracas on Nov. 31.¹⁶

The Venezuelan Connection to Operation Condor

In March 1974, Chilean DINA chief Juan Manuel Contreras visited CIA Deputy Director **Vernon Walters**. Walters then sent eight high-level CIA agents to give classes in Chile, which lasted until August 1974. At that point, the chief of the CIA delegation, and **Stewart D. Burton**, the CIA station chief in Santiago, requested that the CIA stay in Chile, to take jobs inside DINA. Contreras claims that he and his boss Pinochet rejected the proposal.¹⁷

The model for this proposal was the arrangement already in place in Venezuela, whose DISIP intelligence service, manned by CIA-trained officers, many born in Cuba like Posada, had become a virtual subsidiary of the CIA. Both **Orlando García Vázquez** of the DISIP and Carlos Andrés Pérez have confirmed that at least one CIA officer was posted full-time and had operational duties in the offices of the Armed Forces Intelligence Service in Caracas, which was the Venezuelan equivalent of the CIA.¹⁸

After a meeting with Walters in August 1975 at CIA headquarters, Colonel Manuel Contreras and another DINA officer went directly from Washington to Caracas, Venezuela on Aug. 27. According to Contreras, it was Walters who suggested he go there, the first stop on a tour he made to Ibero-American capitals to propose the organization of Operation Condor. Three other DINA officials had flown in separately from Santiago. **Rafael Rivas Vásquez**, head of the DISIP, met with Contreras at the airport and then took him to dinner with DISIP's general commissioner, Orlando García.¹⁹ Both Rafael Rivas and Orlando García were Cuban-born and CIA-trained.

In his meetings with Rivas and García, Contreras invited Venezuela to participate in Operation Condor, which was founded in Santiago three months later, on Nov. 25. After the Pinochet coup, many of Chile's exile leaders had settled in Caracas. According to García, Contreras wanted the DISIP to capture these exiles in Venezuela and turn them over to Chile for elimination.²⁰ Contreras wanted information about all their activities, including flight information about their travels. He reported to the Venezuelans that the leftist umbrella group, the Revolutionary Coordinating Junta (JCR), was planning to

6. Ibid.

7. According to Marita Lorenz, as cited by www.spartacus.schoolnet.co.uk/JFKbosch.htm.

8. Dinges, John, *The Condor Years*, (New York: The New Press, 2004), p. 128; Peter Kornbluh, *The Pinochet File* (New York: The New Press, 2003), p. 332.

9. Dinges, op. cit., pp. 90-91; Kornbluh, op. cit., p. 344.

10. The Cuban newspaper *Granma*, March 26, 2003 reported on the declassified FBI document. Cited on afrocubaweb.com.

11. Gaeton Fonzi, *The Last Investigation* 1993, cited on www.spartacus.schoolnet.co.uk/JFKposada.htm. Orlando Bosch also received military training at Fort Benning, and after the Bay of Pigs fiasco, ran an anti-Castro training camp for the CIA in Homestead, Florida.

12. That Posada was in charge of demolitions at the DISIP is reported in CIA, April 17, 1972, Personal Record Questionnaire on Posada available from the U.S. National Security Archives.

13. FBI, July 7, 1965, "Luis Posada Carriles," reports that the CIA's office in Mexico sent a report entitled "Intention of Cuban Representation in Exile (RECE) to Blow up a Cuban or Soviet Vessel in Veracruz, Mexico." Jorge Más Canosa, then head of RECE, made a \$5,000 payment to Posada to sabotage the ships.

14. FBI, May 17, 1965, "Roberto Alejos Arzu; Luis Sierra López, neutrality matters, Internal Security-Guatemala," links Posada to the plot.

15. FBI, Oct. 16, 1976, Retransmission of CIA Trace Report cited by the National Security Archive. DISIP was created out of the DIGEPOL (Dirección General de Policía.)

16. www.spartacus.schoolnet.co.uk/JFKposada.htm.

17. Dinges, op. cit., pp. 68-69.

18. Ibid., p. 70.

19. Ibid., p. 105. Orlando García now also lives in Miami.

20. Ibid., p. 105. According to García: "Contreras wanted us to capture Chilean exiles [in Venezuela] and turn them over to Chile with no legalities. He wanted us to just put them on a plane and Chile would pay the fare. He said, 'we have to eliminate the enemies.' I knew that to eliminate meant only one thing—we knew the people he captured would be tortured and killed."



PR/Ricardo Stuckert

The March 29 summit on Ibero-American integration, held in Venezuela. President Hugo Chávez's moves toward such an alliance for development are not to the liking of the Bush Administration. Left to right: Colombian President Alvaro Uribe, Spanish Prime Minister Rodríguez Zapatero, Venezuelan President Chávez, and Brazilian President Lula da Silva.

move its headquarters from Buenos Aires to Caracas. Contreras said that if Venezuela signed up for Operation Condor, then DINA would assign a liaison officer to its embassy in Caracas. Contreras also gave DISIP a set of codes and ciphers to be used in telex communications for the new system.²¹

Venezuelan President Carlos Andrés Pérez (known as CAP), who was President from 1974-78, formally rejected joining Operation Condor.²² However, there is no doubt that Posada and other Cuban-born CIA agents associated with the DISIP and connected with Vernon Walters and Néstor Sánchez collaborated with Contreras. In March 1974, Posada formally left the DISIP and started his own private security agency, the Investigaciones Comerciales e Industriales, C.A. (ICI—Industrial and Commercial Investigations), which Cuban Gen. Fabian Escalante has claimed was “a CIA front . . . probably connected with Operation Condor.” When Posada left the DISIP, “Mono” Morales Navarrete took his place as head of Division 54, the counterintelligence section of DISIP.²³

The Letelier Assassination and Cubana Airlines Bombing

On June 11, 1976, all of the anti-Castro Cuban exile groups met in the Dominican Republic to create a new um-

brella organization called the Coordination of United Revolutionary Organizations (CORU), headed by Orlando Bosch.²⁴ Soon after the founding of CORU, on Sept. 21, 1976, Guillermo Novo and other members of the Cuban Nationalist Movement, which merged into CORU, participated in the assassination of former Chilean Foreign and Defense Minister Orlando Letelier in Washington, D.C. This assassination was carried out by Operation Condor. When Posada was arrested in connection with the bombing of the Cubana Airlines plane, he was reportedly found with a map of Washington showing Letelier's daily route to work.²⁵

Both the assassination of Letelier and the bombing of the Cubana Airlines Flight 455 fifteen days later were planned at the June 11, 1976 meeting in Santo Domingo.²⁶ As early as June 22, 1976, a CIA document reported that a “usually reliable” source stated that Bosch “plans to place a bomb on a Cubana Airline flight traveling between Panama and Havana.”²⁷ CORU then partic-

ipated in the founding of Spanish fascist Blas Piñar's Fascist International in Rome in October 1976.²⁸ (In August 1976, Néstor Sánchez had become the CIA station chief in Madrid, Spain.²⁹)

According to declassified U.S. intelligence documents, Posada and Bosch are regarded as the “engineers” of the October 1976 bombing of Cubana Airlines Flight 455.³⁰ In September 1976, after the Letelier assassination and prior to the

24. FBI, Aug. 16, 1978, Secret Report, “Coordinacion de Organizaciones Revolucionarias unidas (Coordination of United Revolutionary Organizations) (CORU), Neutrality matters—Cuba—(Anti-Castro).” This report also states that in 1978, Frank Castro, the Miami chief of CORU, said that Brigade 2506 would be reintegrated into CORU.

25. www.spartacus.schoolnet.co.uk/JFKposada.htm.

26. Tim Weiner, “Cuba Exile Could Test a U.S. Definition of Terrorist,” *New York Times*, May 9, 2005. Weiner reports that Carter Cornick, a retired FBI counterterrorism specialist, said that “both bombings were planned at a June 1976 meeting in Santo Domingo.”

27. A CIA document dated June 22, 1976 is titled “Possible Plans of Cuban Exile Extremists to blow up a Cubana airliner.” Although the original plan to blow up Cubana Flight 467 on June 21 did not take place, this report shows CIA foreknowledge of Bosch's plans, which were realized in October.

28. Henrick Kruger, *The Great Heroin Coup—Drugs, Intelligence & International Fascism* (Boston: South End Press, 1980).

29. Philip Agee and Louis Wolf, *Dirty Work, The CIA in Western Europe* (Secaucus, N.J.: Lyle Stuart Inc., 1978).

30. FBI, Oct. 7, 1976, Secret Intelligence Report, “Suspected Bombing of Cubana Airlines DC-1 Near Barbados.” “The source all but admitted that Posada and Bosch had engineered the bombing of the airline,” according to the report.

21. *Ibid.*, p. 106.

22. As Venezuela's Minister of the Interior, CAP had been a fervent anti-communist, but as President in 1974, he opposed Pinochet's methods.

23. www.spartacus.schoolnet.co.uk/JKFposada.htm.

bombing of the Cuban airliner, Bosch stated: “Now that our organization has come out of the Letelier job looking good, we are going to try something else.”³¹ A CIA source also overheard Posada stating: “We are going to hit a Cuban airliner.”³² The two individuals who placed the bomb on the plane, **Hermán Ricardo** and **Freddy Lugo**, worked for Posada’s security agency.³³ Ricardo claimed that the bombing had been organized by Posada and Bosch.³⁴ Both Ricardo and Lugo were convicted and sentenced to 20 years imprisonment.

After the CORU meeting in the Dominican Republic, Bosch went to Nicaragua and then arrived in Caracas on Sept. 8 with a fake Dominican passport, invited by Orlando García. “Mono” Morales Navarete, who had replaced Posada in 1974 as the head of Division 54 in the DISIP and was García’s deputy, told an FBI agent that there were two meetings in Caracas at which the bombing was planned. One was in the Hotel Anaucó Hilton in Caracas and the other in Morales’s room at the Hilton. Both meetings were attended by Posada Carriles. Morales said that “some people in the Venezuelan government are involved in this airplane bombing, and that if Posada Carriles talks, then Morales Navarrete and others in the Venezuelan government will ‘go down the tube.’ We’ll have our own Watergate.”³⁵

Posada and Bosch were arrested in Venezuela on Oct. 14, 1976 for their involvement in the bombing. In 1985, Posada escaped from a Venezuelan prison and went to El Salvador to work for the illegal CIA-run Contra resupply operation, under the pseudonym **Ramón Medina**. He worked as the deputy of Félix Rodríguez (pseudonym—**Max Gómez**).³⁶ Posada also functioned as Eugene Hasenfus’s translator.³⁷ Rodríguez had been sent to El Salvador in 1985 by Néstor Sánchez, with the approval of Vice President George H.W. Bush.³⁸ Sánchez, who had been Latin American Division Chief, CIA Directorate of Operations in the 1970s, was now U.S. Deputy Assistant Secretary of Defense for Inter-Ameri-



Former Chilean dictator Gen. Augusto Pinochet, who launched Operation Condor in 1975. Posada Carriles was part of the CIA-linked networks involved in this campaign of extermination against Pinochet’s opponents throughout the continent.

can Affairs,³⁹ from which position he oversaw the operations in which Posada was involved.

(In 1963, Sánchez had himself been involved in attempting to organize an assassination plot against Castro.⁴⁰ From 1965-67, he had been CIA station chief in Venezuela, when Posada was recruited by the CIA to join the DISIP. Sánchez was CIA station chief in Guatemala from 1967-68, and in Colombia from 1972-74.⁴¹)

A Bush Family Terrorist

The Bush family has a long-standing relationship with the anti-Castro, Cuban-exile community and has acted repeatedly to harbor a network of known terrorists. Current Gov. Jeb Bush, in particular, has worked closely with **Camilio Padreda**, a former intelligence officer in Florida with the Batista dictatorship overthrown by Castro; and with **Miguel Re Carey**, who had assisted the CIA in attempts to assassinate Castro. Jeb Bush had also been the campaign manager for Cuban-American politician Ileana Ros-Lehtinen, when she ran for Congress in Florida. One of the cornerstones of her campaign was “Free Orlando Bosch.”

In 1987, after meeting with Ros-Lehtinen at the request of Jeb Bush, then-Vice President George H.W. Bush intervened to effect the release of Orlando Bosch from prison in Venezuela, via Otto Reich, the U.S. Ambassador to Vene-

31. Memo written on Oct. 18, 1976 to Secretary of State Kissinger from Harold H. Saunders.

32. Ibid.

33. FBI, Oct. 7, 1976, op. cit.

34. www.spartacus.schoolnet.co.uk/JFKposada.htm

35. FBI, Nov. 2, 1976, Secret Intelligence Report, “Bombing of Cubana Airlines DC-8 Near Barbados, West Indies, October 6, 1976,” available from the National Security Archives.

36. Sept. 2, 1986 Contra re-supply document, *Distribution of Warehoused Contra Weapons and Equipment in Spanish with English Translation*, available from the National Security Archives.

37. Hasenfus was the mercenary pilot whose plane was shot down over Nicaragua and who was captured by Nicaraguan authorities. His capture for the first time exposed the illegal Contra resupply operation being run by Vice President George H.W. Bush. See *Democracy Now*, May 9, 2005 interview of Ann Louise Bardach, a columnist for online magazine *Slate* and author of *Cuba Exile*.

38. See www.fas.org/irp/offdocs/walsh/chap_29.htm.

39. EPIIC: Archives, 1988, Covert Action and Democracy: An International Symposium.

40. Néstor Sánchez and Desmond Fitzgerald met with Rolando Cubela in a Paris hotel on Nov. 22, 1963. Cubela was to assassinate Castro with a poison pen, which they gave him. See Peter Dale Scott, “The Kennedy-CIA Divergence over Cuba,” in *Deep Politics and the Death of JFK* (Berkeley: University of California Press, 1996).

41. See footnote 38.

zuela. Bosch then entered the U.S. illegally in 1988, where he was granted asylum. He was represented by Florida attorney **Raoul Cantero**, the grandson of Cuban dictator Fulgencio Batista; Jeb Bush appointed Cantero to the Florida Supreme Court in 2002. On July 18, 1990, the senior President George Bush granted Bosch residency in the United States.⁴²

In November 2000, Posada and three of his colleagues, including Guillermo Novo, were arrested and imprisoned after trying to assassinate Castro once again, this time at the University of Panama.⁴³ Novo had been convicted along with Suárez and Paz for his participation in the Letelier assassination, but his conviction was overturned on appeal in 1981. He and his brother Ignacio then got jobs as “information officers” for Jorge Más Canosa’s CANF.

According to journalist Ann Louise Bardach, just weeks before Sept. 11, 2001 both Suárez and Paz, who had also been convicted for the Letelier-Moffitt assassination in Washington, D.C., were released from prison by Attorney General John Ashcroft, at the intercession of Jeb Bush.⁴⁴ In September 2004, Posada and his three co-conspirators were suddenly pardoned in Panama, only four months after they were convicted and sentenced to 8-9 years in jail. The pardon was reportedly negotiated in Miami by **Ruby Moscoso**, sister of then-Panamanian President Mireya Moscoso.⁴⁵ Posada’s co-conspirators, all of whom are U.S. citizens, returned to their homes in Miami just prior to the November 2004 elections.⁴⁶

Since Orlando Bosch had been granted residency by the senior George Bush, both Suárez and Paz were released from prison thanks to Jeb Bush, and Guillermo Novo had also been allowed to return to Florida, Posada clearly thought that the Bushes would now come to his rescue as well. All of the terrorist actions which occurred in 1976, took place while George H.W. Bush was head of the CIA. Posada Carriles’s deployment to El Salvador occurred when Vice President George H.W. Bush was responsible for directing the Contra resupply effort.

Dick Cheney and George W. Bush are clearly in a bind. They either extradite Luis Posada Carriles to Venezuela, and risk that he will reveal the secrets of four decades of involvement of Bush family assets in the organization of a fascist international, or they protect him and stand exposed before the world as protectors of an international terrorist apparatus. Either way, the case of Luis Posada Carriles is the thread, which if pulled, can expose the Bush War on Terrorism as the fraud it has always been.

42. “The Bush Dynasty and the Cuban Criminals,” *The Guardian*, Dec. 2, 2002.

43. www.spartacus.schoolnet.co.uk/JFKposada.htm.

44. Bardach interview, op. cit., footnote 37. She interviewed Posada in 1998 for the *New York Times*.

45. *Granma*, April 7, 2005, cited on Afrocubaweb.com.

46. *The Miami Herald*, Sept. 4, 2004.

Uganda

Is President Museveni Losing U.S. Support?

by Lawrence Freeman

For almost 20 years, since President Yoweri Museveni emerged from “the bush” to take dictatorial control of Uganda, he has received unwavering support from the principal Western political and financial institutions centered in the United States and the United Kingdom. At a June 2 forum in Washington, D.C., entitled, “Uganda: An African ‘Success’ Past Its Prime,” two speakers not representing any policy institution, presented detailed criticisms of the Museveni regime, for the first time in a significant public forum outside of those organized by the LaRouche movement. Although it is not yet known for certain, if this portends a major policy reorientation, at the very least it shows signs of a reversal of a decade’s long “love affair” with Museveni.

The surfacing of this “critique” caused quite a stir among

The Great Lakes Region



the overflow audience of several hundred Africa watchers, representatives from leading Washington, D.C.-based think-tanks, and numerous former U.S. ambassadors to Africa. Throughout most of the last decade, Museveni, together with Rwandan President Paul Kagame, were touted by the West as the new “Renaissance Leaders” of Africa. Of course, nothing could be further from the truth, or more of a misuse of the term Renaissance. Both have proven themselves to be dictators in their own nations, and have been complicit in the *economic genocide* of the Democratic Republic of the Congo (D.R.C.) since 1998, when they began looting and tearing the fragile D.R.C. asunder, with impunity. Museveni, who was treated as the special darling of the West, was to be used as a “Marcher Lord” to divide and destroy other African nations throughout the Eastern and Central regions of Africa. John Garang’s 22-year-long campaign to dismember Sudan in a “religious-ethnic” civil war, would not have been possible without support from Museveni.

The Charges Against Museveni

Most of the charges presented against Museveni have been provided to readers of *EIR* in numerous articles over many years. These include “grand corruption” by Museveni and his family, the failure of the economy in recent years, his failure to deal with the Lord’s Resistance Army in the North, and Uganda’s stealing of gold and diamonds from the D.R.C. The two immediate points of contention given for re-examinations of whether to continue to support Museveni’s rule are: 1) his resistance to a transition to a real multi-party political system, instead of his one-party rule from 1986-2005, and 2) his attempt to overturn key amendments of the Ugandan constitution—which limit the President to only two terms—in order to continue his dictatorial, one-party rule past the March 2006 Presidential elections.

Museveni took power with his National Resistance Army (NRA) in Uganda in 1986, after waging five years of guerrilla war. Later, he transformed the NRA into the National Resistance Movement, which functions today as the only political institution allowed to carry out political activities inside Uganda. Under Museveni’s “movement”/political system, all other political parties are banned. They cannot hold meetings, rallies, or any other activity that challenges his movement.

Special Treatment for Museveni

The first foreigner to visit Museveni after he took power was Britain’s Lynda Chalker, former Minister of Overseas Development (known as the British Colonial Office), who remained his strong ally, and called him one of her favorite African leaders. That is why he was able to brag to the press, “My version of democracy has the full backing of the British and U.S. governments.” While everyone is familiar with the



EIRNS/Stuart Lewis

Do the detailed criticisms of Ugandan President Yoweri Museveni, which were made in a significant public forum in Washington, D.C., portend a policy shift by the principal western political and financial institutions centered in the United States and the United Kingdom, which have always backed him?

massacres that occurred in Rwanda in 1994, what most people choose to overlook, is that Museveni and Kagame prepared the groundwork for those 800,000 deaths. In October 1990, Kagame, then a member of the Ugandan Army, invaded Rwanda with support from Uganda’s military, instigating a series of events, which led to the killing of 40,000 Rwandan Hutus in February 1993, and 14 months later, the “Rwanda genocide.”

It is commonly known by Africans that Museveni enjoyed the benefits of a double standard concerning the distribution of aid, debt relief, and investment for Uganda, as well as unique public support from world leaders. While other African nations were chastised, and discriminated against for not living up to the democratic ideals set by the West, and for not practicing “good governance,” Museveni was rewarded, even while he maintained iron-clad control of the country through his one-party system. It is hardly a secret that Museveni’s strongman rule has been tacitly supported by Washington, which is why this first public critical review of his action raises interesting questions that have yet to be answered.

The obvious questions to ask are, now that Museveni’s Uganda is no longer being labelled the unique success story in Africa, what will Washington’s policy be? This question was asked at the forum, but no one could answer it. Joel Barkan, one of the speakers, accused the State Department of being in denial. “State won’t face it,” he said. The other obvious question, which was not asked, is, since the information in these revelations has been known for years, why is it brought up now?

International Intelligence

Chinese Foreign Ministry Rejects Rumsfeld Charge

Chinese Foreign Ministry spokesman Liu Jianchao, speaking at a press briefing on June 7, denounced U.S. Secretary of Defense Donald Rumsfeld's accusations about China's military spending—which is 1/18 of the U.S. military budget—as groundless, Xinhuanet reported. At a conference on Asian security on June 4, Rumsfeld had claimed that China faces no threats from other countries, and therefore questioned the legitimacy of its military spending.

Liu commented that China has increased its economic development more than its national defense, and has no intention of building up its armaments; but that it does have the capability to do so. “In order to reply to complicated international situations and safeguard national sovereignty, security, and territorial integrity, it is reasonable for China to update its armaments.”

He asserted that the most important factor in safeguarding Asian Pacific and world peace revolves around a policy of peaceful development.

NGO Director: Bolivia Is the IMF's 'Lab Rat'

Jim Shultz, the executive director of the Democratic Center in Cochabamba, Bolivia, referring to the violence which has brought the country to the brink of civil war, blamed the International Monetary Fund's austerity conditionalities, in an interview with the Internet program Democracy Now on June 3. “It's important to put the story in the context both of U.S. and IMF policy, but also in what's happening in Latin America more broadly,” he said. “Bolivia has for the past 20 years been the lab rat for the IMF and the World Bank's economic policies. Bolivia did it all: privatization of water, privatization of oil and gas, relaxation of labor standards, all of the deficit reduction coming in from the backs of the poor. . . . This is related to what's happening all over Latin America. . . . It is a practical rebellion against a practical failure of the economic policies imposed

on these countries from abroad by the IMF and the World Bank.”

Shultz went on: “The new *article du jour* of the press is to talk about the rise of the left in South America. This is not the second coming of Che Guevara. This is not even an ideological rebellion. It's more interesting than that. You know, I live in this country. I have lived here for eight years. These are my neighbors. By and large, people who live on the margin don't have the luxury of ideology. What they want is practical solutions to their practical problems like: Can they get water? Can they find a job? And what's happening is, people in Bolivia, in particular, and it's the same trend in Brazil—I was just there not long ago—people are basically saying: This whole package of economic policies, it isn't working. It hasn't delivered the goods.”

Korean Defense Minister Slams CONPLAN 8022

“It is impossible for the United States to conduct a pre-emptive attack against North Korea unilaterally—that is, without the consent of South Korea,” Republic of Korea Defense Minister Yoon Kwang-ung told Seoul radio on June 8, in statements covered on the front page of the *Korea Times* on June 9. Yoon said he “wants to dispel speculation that Washington has a military plan, dubbed ‘CONPLAN 8022,’ for a unilateral attack” on North Korea, even in case of an emergency there. He insisted on this in his June 4 Singapore meeting with U.S. Defense Secretary Donald Rumsfeld, Yoon said.

Yet, as *EIR* May 27 and the *Washington Post* May 15 reported, the United States does have a CONPLAN 8022, which includes use of nuclear “bunker busters” in “pinpoint” air-only strikes with no “boots on the ground” or perhaps only a few “commandos,” in a first strike against North Korea and Iran. The agreement, or non-agreement, of the South Korean government “could be physically irrelevant, as the U.S. could strike from Guam, Okinawa, or other non-Korean sites,” Korean diplomatic sources told *EIR*, without any South Korean

boots, planes, equipment, or participation whatsoever.

“This means Yoon's statement is a political attack on CONPLAN 8022 which is unprecedented” since the founding of the U.S.-R.O.K. bilateral alliance, a diplomat pointed out—because there has been an outpouring of opposition to CONPLAN 8022 within the Republic of Korea.

Yoon spoke as South Korean President Roh Moo-hyun left Korea for a 24-hour “summit blitz” in Washington. Roh arrives in Washington the morning of June 10, meets Bush and his Cabinet all day, and flies back again the morning of June 11. Roh has been trying since his election two years ago, to get Bush to promise that the U.S. will rule out the use of military force on the Korean peninsula.

Pope Benedict Meets World Jewish Leaders

Pope Benedict XVI met with 25 world Jewish leaders on June 9 at the Vatican, the Israeli daily *Ha'aretz* reported.

After praising the landmark document of the Second Vatican Council, the Pope said that the Catholic Church “deplored any manifestations of hatred, persecution, and anti-Semitism.” The Pope added, “At the very beginning of my pontificate, I wish to assure you that the Church remains firmly committed, in her catechesis and in every aspect of her life, to implementing this decisive teaching. . . . It is my intention to continue on this path. The history of relations between our two communities has been complex and often painful. But I am convinced that the spiritual patrimony treasured by Christians and Jews is itself the source of the wisdom and inspiration capable of guiding us toward a future of hope in accordance with the divine plan.”

The delegation included Edgar Bronfman, chairman of the World Jewish Congress; Rabbi David Rosen of the American Jewish Committee; former Israeli Ambassador to the Vatican Samuel Hasa; Chief Rabbinate Director General Oded Wiener; and heads of the Reform, Conservative, and Orthodox Jewish currents in the United States.

Helga Zepp-LaRouche: We Are In a Pre-Revolutionary Period

Helga Zepp-LaRouche is the chairman of the Civil Rights Movement Solidarity party (BüSo) in Germany, and the founder of the Schiller Institute—as well as being the wife of EIR Contributing Editor Lyndon LaRouche. On June 4 she was the guest on The LaRouche Show, a weekly Internet radio program that airs on Saturdays from 3:00-4:00 p.m. Eastern Time.¹

Harley Schlanger: Welcome to The LaRouche Show. It is Saturday, June 4, 2005. I'll be your host today: I'm Harley Schlanger, the Western States spokesman for Lyndon LaRouche. And with me today, will be Helga Zepp-LaRouche, who will be joining us from Germany. We'll also have a panel of members of the LaRouche Youth Movement, with Sharon Stevens from Detroit and Tarrajna Dorsey from Seattle. . . .

I'm very happy that Helga could make some time for us today, because this has been a week of fascinating developments with an almost breathtaking acceleration of potential for change—for better or for worse—in the global strategic situation.

I think we should begin with the events in Europe. The BüSo, which is the party which is chaired by Helga, played a major role in the recent elections in the state of North Rhine-Westphalia, in Germany. And voters there expressed their

opposition to the neo-liberal, free-trade globalization policies of the European Union. And then, the French voters rejected the European Union Constitution, in a referendum last Sunday, and that was followed by a resounding “No” from Holland.

Helga, what do these votes mean? And what are the broader implications of these developments?

Helga Zepp-LaRouche: Well, it simply means that the grip which the institutions of the Maastricht Treaty had over Europe are breaking apart, and that the population is expressing very, very strongly, in an almost pre-revolutionary kind of mode, their opposition to the neo-liberal, ecological, neo-con paradigm, which basically was the reason why we are in this crisis in the first place. You have an actual revolt: For example, today, following the French referendum and the Dutch rejection of the European Constitution, the largest tabloid in Germany, called *Bildzeitung*, had a big banner headline on the front page, where they had called their readers to make a poll how they would vote on the European Constitution. So, 400,000 people called in, and 96.9% voted No!

Now, while this is not a scientific poll and obviously not really representing the full population, it gives you the sentiment of the population: People are *fed up*. They hate to see their life work being destroyed, their pensions going out of the window, their entire future in shambles, and with the political class completely regarded as not trustworthy. So, what is happening in Europe, right now, is really a rejection of those oligarchical institutions which were trying to control the population and eliminate sovereignty altogether. So, it is a very, very fascinating situation.

Hedge Funds Are ‘Locusts’

Schlanger: There was an interview yesterday with Italian Welfare Minister [Roberto] Maroni, in which he brought up this question of whether or not there should be a referendum on getting rid of the euro. And apparently, there was quite a reaction to that. Is there some discussion of this, and

1. This edition of The LaRouche Show is archived at <http://www.larouche-pub.com/radio/index.html>.

Earlier on June 4, Lyndon LaRouche spoke with two cadre schools of the LaRouche Youth Movement on his latest paper “The Noëtic Principle: Vernadsky and Dirichlet’s Principle,” which was referenced in The LaRouche Show discussion. The transcript of his opening remarks was published in *EIR Online* at: http://www.larouche-pub.com/eiw/public/2005/2005_20-29/2005-23/latestlyn.html

The audio file of entire three-hour discussion is available at: <http://wlym.com/mp3/20050604-lyn-cadre.mp3>.

Both The LaRouche Show and Lyndon LaRouche’s cadre school discussion can be listened to by phone at 918-222-7201, Box 595.



EIRNS/Bill Salisbury

Helga Zepp-LaRouche: "What is happening in Europe, right now, is really a rejection of those oligarchical institutions which were trying to control the population and eliminate sovereignty altogether."

how far has it gone, from what you know?

Zepp-LaRouche: Well, it is generally the perception of everybody in Europe. In Italy, every single party—except I think the government party of Berlusconi—came out for a referendum, not only on the lira versus the euro, but also on the neo-liberal policy agenda in general. In Germany, people *hate* the euro. Everybody knows that the statistics people are putting out, are completely off the wall; because officially, there's no inflation, but everybody knows that with the introduction of the euro, prices simply doubled in most cases, and in some categories, even more. So, there is a resounding rejection.

And things are moving very, very quickly. We have now a situation, where in Europe, almost every day, you have a new, major change in politics. And I think that the question of the euro is obviously totally dependent on what happens with the monetary system in general. There is a lot of discussion that the hedge-fund crisis, which is the result of the junk status degradation of the U.S. auto sector—GM, Ford, the supplier industry—it is generally the talk in the financial markets, in London, in Switzerland, that by the end of June, we will have, at the end of the second quarter, a major crisis. Because, the rumor goes, that the hedge funds lost 40% of their capital assets since the downgrading of Ford and GM to junk status.

So, obviously, if there is a major blowout of the financial system, then the question of protecting the well-being, the

common good of the people, is the key question on the table. And as long as you have these structures, like the Maastricht Treaty, the Stability Pact, the European Monetary Union, the euro, national governments will be prevented from taking the kinds of action which they need to take if they want protect the interest of the people.

So, in any case, no matter what happens, we will head towards a major change.

Also, the fact that now France and Holland have officially rejected the European Constitution, and there are big postponements in all the countries which have not yet voted on the European Constitution, in all likelihood, this will mean that the very idea of the European Union's expansion, as it was promoted after the collapse of the Soviet Union, is now dead and buried. And people realize this was a mistake. This was an erroneous direction. And next Tuesday, the new Prime Minister of France [Dominique] de Villepin is probably going to announce some major investment program. He has already de-

clared that he will give himself 100 days to restore the trust of the population, with a major public works investment program.

Then, one week later, on June 13, Chancellor Schröder has a big meeting with his [Social Democratic] party, the SPD, where he is going to announce some measures to control the "locust" activities of the hedge funds—that is now the new big word for predatory capitalism in Germany. Because, in the last years, the last two years in particular, there was an absolutely unbelievable attack by international hedge funds on, especially, German middle-level industries, the *Mittelstand*: Basically ripping them off, and then leaving the country with their profits, and leaving these firms either in bankruptcy or much-reduced employment. And there is simply an awakening that globalization is going to *kill German industry*, if this is not being changed.

So, on June 13, Schröder is going to announce some major measures against the hedge funds. And it is my firm belief, that in the wake of the collapse of the European Union structures, what will emerge is the idea of a core Europe—basically, Germany, France, Spain, Belgium, maybe Italy—and these will take the initiative, and just forget about the rest.

The End of an Era

Schlanger: Helga, I met with a couple of Democrats here in California, yesterday, and one of them, a few minutes into the discussion, said, "I don't get what the euro has to do with

what we face in the economy.” And I think it’s important, given what you’ve just presented, that you put this in the historical context of the “end of an era.” That this is not simply some bumps in the road, or some minor changes: But we’re actually looking at the end of an era, which had been forecast 35 years ago by your husband. I wonder if you can just give that sense of the drama of history, of what just occurred.

Zepp-LaRouche: Well, what is happening now, is exactly what Lyn had predicted and prognosed, after Nixon and Kissinger decoupled the dollar from gold in 1971, on Aug. 15, which was the end of the old Bretton Woods system, and the beginning of the speculative bubble.

Basically, through the creation of the Eurodollar market, and the offshore credit creation, this process, which led in the final instance to the unbridled free-market economy of globalization; that process, which, really, put to a disadvantage production and put in absolute advantage speculation; this process is now, indeed, coming to an end, exactly as Lyn prognosed 35 years ago.

But to take it a little bit closer to the recent history: You all remember, that in 1989, when the Soviet system collapsed—first the D.D.R., East Germany, collapsed, basically because the East German economy was completely bankrupt. The Soviet Communist system was completely bankrupt. And, at that point, in collaboration with Lyn, I proposed to replace the then-existing system with a new one, which we called the “Productive Triangle Paris-Berlin-Vienna” at the time.

Now, this was a very crucial period. The Soviet Union collapsed, which had been predicted and prognosed by Lyn in 1983, when the Soviet government had rejected the offer by President Reagan to cooperate on the SDI. Now, at that point, almost nobody on any statesman level, had any idea that the Soviet Union would ever disappear. But the Communist system, which had lasted for 70 years, did indeed collapse.

Now, at that point, I was making many speeches, in the so-called “new states,” of Germany, later in Eastern Europe, and even later in the CIS, the former countries of the Soviet Union, in which I very strongly made the point, that if the West would make the mistake to impose on the bankrupt Communist system, the then-already-equally-bankrupt free-market economy system, then it would only take a couple of years, and then you would face an even larger collapse on a world scale.

Well, that’s exactly what happened. Because, for geopolitical reasons, that moment was completely missed. The great chance of ’89, the absolutely breathtaking possibility to change the East-West relationship for the good forever, was completely missed: Because then you had the neo-cons influencing the old Bush Administration, by saying, “Okay, now the Soviet Union no longer exists. Now we can go to the New American Century doctrine. We can transform the American Republic into an empire, and push for a one-world domination by the neo-cons.”

The effect that had, on Germany for example: Germany, at

that point, went into the process of unification. And obviously, there was the possibility that Germany would have played a major role in the development of the East. Because, the reason why the Communist system collapsed, was because of a gigantic disinvestment in infrastructure, tremendous primitive accumulation against industrial capacities, against labor power and so forth. And it would have been the normal, natural function of Germany to help not only Eastern Europe and East Germany, but to help, also, the countries of the former Soviet Union to overcome their economic difficulties.

But that was, for geopolitical reasons, an absolute thorn in the eyes of the neo-cons. So that, at that point, you had [British Prime Minister] Margaret Thatcher starting the campaign that Germany would be a “Fourth Reich,” which was ridiculous, because, poor Chancellor [Helmut] Kohl—you can say many things about him, but he definitely is not a Fourth Reich representative. [French President François] Mitterrand did everything, to prevent unification. And in the Bush Administration of the old Bush at that point, you had people like Scowcroft and Eagleburger, who said, “Well, we cannot openly be against unification, because that was the *raison d’être* of U.S. foreign policy in the entire post-war period. So, we have to get a different trick. The trick is, we have to get Germany to self-contain, through supranational structures”—like the Maastricht Treaty; like the early European Monetary Union.

Origins of the European Union

Schlanger: Helga, when you said earlier that it is the policies of the financial oligarchs that have been rejected in these recent developments, this is what you’re talking about: the establishment of a European Union as an enforcement arm of globalization and free trade?

Zepp-LaRouche: Yes. But, let me just explain this to you. Because, I think, even if it may sound a little bit complicated, it is very important for American listeners to understand what is exploding now.

In ’89—and I want you to recall, because many of your listeners are probably too young to remember, because they were five or six years old when this all happened—but, at that moment, people were dancing in the streets; they were happy about German unification; overcoming the division which had lasted for the entire post-war period, and there was a big expectation that something very good would come out of it.

But, there was this geopolitical manipulation. For example, we put out the LaRouche program for the development of the East; but, Mitterrand sent Kohl a message in November-December ’89, saying that France and all the others, such as Great Britain, would only agree to the German unification, if Germany would agree to the early European Monetary Union, which was the basis on which the euro was introduced.

Now, Kohl knew absolutely that that would weaken the deutschemark, because the deutschemark was a very strong currency, and if you make it a common currency for 10, 15,

25 states, which all have different degrees of development, it just introduces weaknesses which were not there before.

So, that was put on the agenda of European Union in December '89. And everybody fell over Kohl, and said, "You have to agree to the European Monetary Union, the euro." And Kohl, later in interviews, called that meeting of the European Union in December, "the darkest hour" of his life.

But, you know, what happened was, the euro was introduced. The deutschemark was eliminated. The Maastricht Treaty was agreed. The Stability Pact, which is a *horrendous* austerity mechanism, which basically prevents the European governments from making any investment programs through state-financed credits, to come out of the crisis—this was all implemented and contributed to the weakening of the European economies.

And that was the perception of the population. So, the new European Union Constitution would have put that into a form, in which it would have been forever: imposing a corset on the European economies and governments in a time of absolute economic crisis.

So, what you see right now, is an explosion and a rejection. And while it is very dangerous, it's also a tremendous chance to really go in a totally different direction, and to go in the direction of working together in the tradition of the Gaullist idea, not of supranational structures, but of an entente of sovereign national states for the common good. And obviously the natural inclination for Europe is to go East, to cooperate with Eurasia, to cooperate with the new strategic triangle, Russia-China-India.

So, we are really in a revolutionary situation where everything can go wrong, or everything can go in a positive direction. And people experience that sense—that we are in such a moment of tremendous historical change.

Cheney Threatens Nuclear Strike

Schlanger: I'll bring the youth panel on in just moment, but I do want to bring up a point that was made in a note yesterday from Lyndon LaRouche, and was discussed again in the cadre school this morning: Which is, the danger—as you say, there's tremendous positive potential; but there's also a danger here: That we have a lunatic President who's being run by a sociopathic Dick Cheney, who's in turn run by his wife, Lady Macbeth Lynne Cheney. And there's a threat of using mini-nuclear weapons against North Korea.

Helga, what can you tell us about this? And is this danger of the possibility of an insane Bush Administration lashing out, is this understood by leaders in Europe?

Zepp-LaRouche: Well, obviously, the fact that Cheney made this interview together with his wife on the Larry King show, it was aired on Tuesday, did not go unnoticed by the political insiders in Europe. And, when Cheney said that North Korea was one of the worst states, governed by the worst leaders, and that something had to be done about it, it was really read as a very calculated provocation. And the North Korean government immediately put out a very

interesting statement, by saying that Cheney was the most bloodthirsty tyrant, who had spilled blood all over the Earth, and so forth—which, given the situation in Iraq, nobody can really completely deny. But, we had already developed intelligence from Asia, from Japan, from South Korea, about an impending danger of a pre-emptive nuclear attack on North Korea.

So then, we started to check that with various contacts we have in the military, especially, in Germany, in Italy, in France, in other countries, and we got back a very, very harsh picture: That, indeed, the European military is watching this with great horror; that they say, "Yes, absolutely, domestically the Bush-Cheney Administration *is* a lame-duck administration, because of the opposition to a coup d'état in the Senate, because of the non-functioning of their plans to privatize Social Security; because of the Bolton nomination, and all of these things. *But*, it would be grave mistake to think that that administration is a lame duck in terms of foreign policy and military adventures."

And we talked to several military sources, who said, basically: We see a very high possibility—one even talked about 80% probability—that one fine morning, the world would wake up and a pre-emptive nuclear strike on North Korea would have occurred. And this particular source then said, "Well, it's not very difficult. They just do it. And then, naturally, North Korea will respond with one or two nuclear attacks on Japan or South Korea. And then that will be blamed as the reason why the strike was necessary, in a kind of *post festum* rationalization of something which was originated by the neo-cons."

So, it is a very dangerous thing. And I think that can *only* be stopped from inside the United States. I think that there is nothing one can do, from Europe for sure. It is very dangerous, because everybody understands, it is not Iraq, it is not Iran, it's not North Korea, which is at stake. But at issue, is Russia, is China, and also, in a different but similar way, India. And if such a nuclear attack would occur, *nobody knows* what would be the consequences. Because the Chinese already have a very dramatic sense of encirclement. They look at the different actions from Japan concerning Taiwan, they look at what happened in Kyrgyzstan, in Uzbekistan. They already think that they are being targetted for territorial destabilizations, and the same goes for Russia.

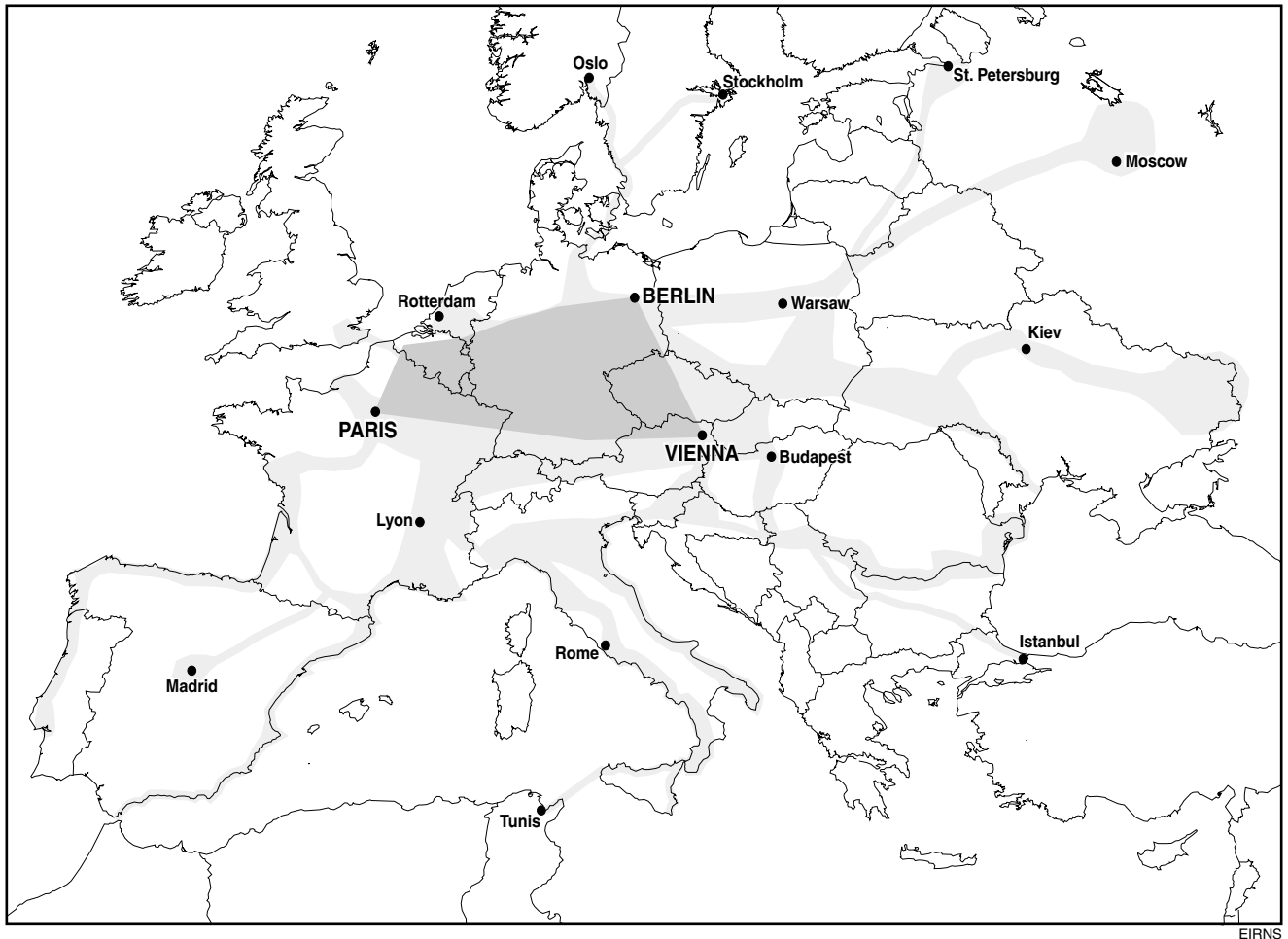
So, I think it is *really* important, that people in the United States wake up, and stop this, because this could bring the world just to verge of World War III.

Schlanger: That's a frightening scenario. But it's one which is more real than most people are willing to acknowledge.

I'd like to bring in Sharon Stevens, now, from the LYM [LaRouche Youth Movement]. Sharon is in Detroit, and as you mentioned earlier, the hedge funds are heading into a month of tremendous volatility. There may be already up to 40% of the value lost in this. There have been some shakeups,

FIGURE 1

The Paris-Berlin-Vienna Productive Triangle



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

we may mention later, about Donaldson at the SEC, and elsewhere. But, Sharon is organizing in Detroit, where General Motors is on the chopping block. Sharon, what can you tell us from your organizing from this last period, given the status of General Motors being downgraded to junk bond?

Sharon Stevens: Well, the LaRouche Youth Movement are on a mission in Detroit, to take Lyn’s latest pamphlet, “Recreate the Economy,” and saturate the entire city, as a means by which the union workers in this area can put themselves on the front lines of this battle to save General Motors—which has collapsed, would generate a worse depression than the Great Depression.

And one of the exciting things that occurred recently, was a resolution that was passed by one of the representatives here in Detroit, calling for, and holding accountable the Senate and the government. having an obligation to promote that quality

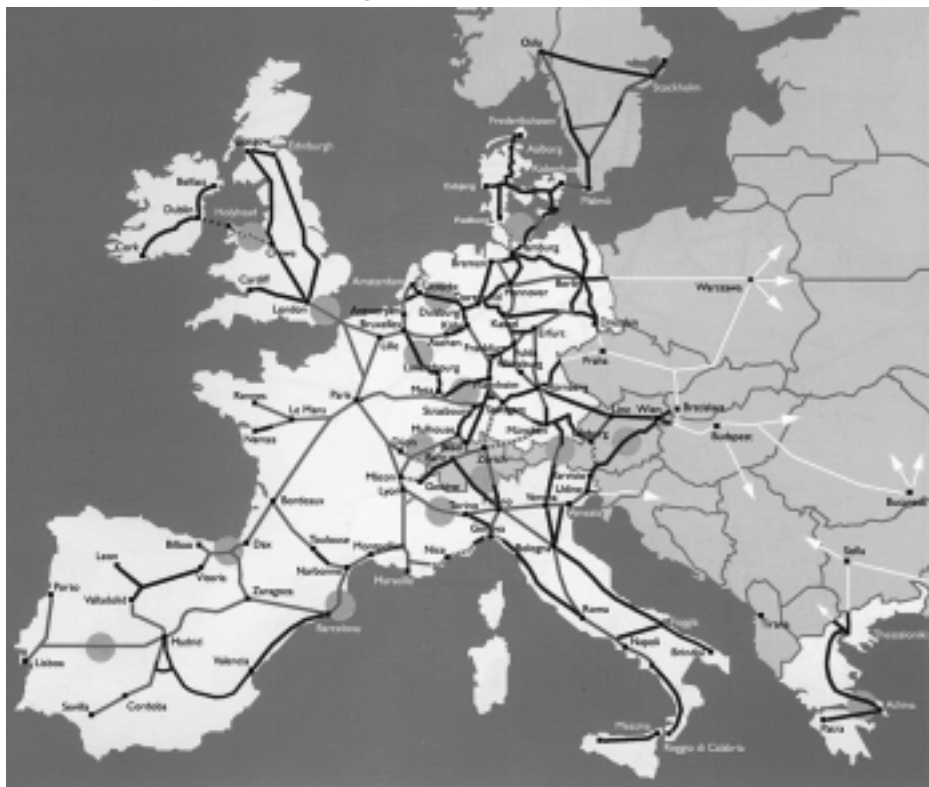
of economic activity, by saving our machine-tool capacity, here in Detroit. Which is pretty exciting, considering the parallel between the fight to save the Constitution—the defeat of Cheney’s attempt to nuke the Constitution—and the parallels to that out in France, with Villepin.

So, I wanted to know, Helga: It seems like he’s acting against such a courageous way against the banking institutions, and this is just a response to the New Bretton Woods: His [Villepin’s] statement of the first 100 days, and winning over the trust of the French people reminded me very much of Franklin Roosevelt, and his march during the first 100 days to rebuild the country.

But, can you develop the infrastructure projects, or the idea of the Delors Plan a little bit?

Zepp-LaRouche: Yes, as a matter of fact, that was almost a carbon copy of the plan I mentioned before, the Produc-

FIGURE 2

1994: European Union Projects

European Union

The “Delors Plan,” proposed in 1994 but never implemented, would have created 14 transport corridors in Europe. It was virtually a carbon copy of the LaRouche Productive Triangle concept. The projects were strangled by the European Union’s ill-named Stability Pact, which cut off investment to infrastructure and industry, leading to the enormous crisis of unemployment we see today.

tive Triangle Berlin-Paris-Vienna. Because, when the Wall came down between the East and West of Europe, what we said, is there was no more reason not to have a massive infrastructure program uniting Eastern and Western Europe. And we proposed, at that point, to take the territory between Paris, Berlin, and Vienna, which has the size of Japan and was—and, in a certain way still is—the largest concentration of industrial machine-tool capacity in the world. And we said, at that point: Okay, let’s take that area, beef it up through advanced technologies like the maglev train, the HTR reactor, other future-generation technologies, to increase the productivity of that economy. . . .

So, we proposed at that time, ’89-90, a European-wide transport grid, with advanced infrastructure—maglev trains, high-speed trains, waterways, highways, computerized railway stations for cargo and for people—and that particular plan, called the Productive Triangle, was then copied in 1994—to the dot—by [then EU Commission President Jacques] Delors. And I can only encourage, for people who want to study who defined what idea in history, to compare our proposal from 1990 to the Delors Plan in ’94. And the

Delors Plan had exactly the same kind of European-wide transport infrastructure grid—*except* the railway between Munich and Zagreb, because at that point, some cynical people expected the Balkan war to continue for a very long time, so they left out that particular piece of the line.

And that is now coming powerfully back into discussion: Because it is clear to everybody, that Europe will not come out of this crisis without a public investment program in the same way as FDR did with the New Deal, in basically giving credit to everybody who wants to produce something useful, provided it is increasing the capital assets of the economy, and is investing in areas of the common good.

So, right now, for example, the Deputy Prime Minister of Italy, [Giulio] Tremonti, came out just two days ago, and said, “Now, what has to be put on the agenda is a Delors Plan.” De Villepin is supposed to come out on Tuesday with a major investment program—which, I hope, will be big enough, because that is the biggest problem: All the demands in the recent period, they were just

too little. Tremonti had demanded \$60 billion investment over a period of *six years*.

Now, given the enormity of the economic crisis, we have, for example, 9 million unemployed in Germany alone—and that is 3 million more than in 1933—such investment programs must be much, much bigger. We have campaigned for over a year that Germany alone, must have a minimum annual investment program of publicly financed credit, of 200 billion euro every year. And if you take Europe as a whole, the figure is more like *1 trillion* public credit every year to get out of this crisis.

And that will be the big battle: Because if Schröder, Chirac, and other European leaders are not doing that, then you will have a complete catastrophe.

The BüSo’s Current Role

Schlanger: I’m going to be bringing Tarrajna on in a moment. But, Helga, I have a very personal question to ask you. Because, as you’ve been discussing this, it’s clear, that from, in particular, the opportunity of 1989, with the fall of Communism, you’ve been at the center-stage of all these

fighths. The work you've done initially with Productive Triangle, then the Eurasian Land-Bridge, the fight for a New Bretton Woods: It seems as though there's finally a recognition among certain people—I noticed today that an online journal references [CDU Chairman Angela] Merkel running for Chancellor as the first woman, and then said, “of course, there is Helga Zepp-LaRouche.”

To what extent do you have a sense now, that this fight is getting through, in two ways: First of all, to people like Schröder, to people in the political institutions? And secondly, talk about the potential of the Youth Movement in Germany, right now.

Zepp-LaRouche: Well, first of all, I think we are definitely shaping the ideas. For example, we published a book just a couple of months ago, called *The German Neo-Cons*. Because we had the whole campaign with the *Children of Satan* pamphlets in the United States, discussing the historical phenomenon of the neo-cons. And, unfortunately, such phenomena do exist in Germany, as well. You have a whole bunch of people who had come out, all of a sudden, with an attack on the Constitution, an attack on the role of the state. And the German Constitution—with all its shortcomings, and it may be not as great as the American Constitution—it has a couple of *very* important points: Like, for example, the Constitutional confirmation of Germany as a social state, which is only legitimate if it's devoted to the Common Good; and, that the population has the right to resistance, if somebody tries to change that status of the German state as a social state.

Now, we had put out a book, which was sort of a crash program, to name all the people who are trying right now to undermine the Constitution. I mean, basically, the same kind of effort as you saw with the “nuclear option” against the filibuster in the United States; you had a whole campaign of people representing private associations, foundations, and so forth. So, we published all of that. And we published the arguments to defend the Constitution, to defend the role of the state, especially in crisis periods, because in crisis periods the state is the *only* institution which can defend the interests of the people.

So then, after three months—and that book went like hotcakes, this was one of the best-selling books we ever had—all of a sudden the chairman of the Social Democrats, the SPD, whose name is Franz Müntefering, came out with this attack on the “locusts,” capitalists who are flooding the country with hedge-fund attacks and so forth. So, everybody knows this is us, because he started to use the same words, “defense of the Common Good, defense of the role of the state”; and everybody also knows that the only people who were talking about “public investments on a large scale” were the BüSo.

So, I think we have an increased recognition. There was even in the leading German neo-liberal, neo-conservative daily, the *Frankfurter Allgemeine Zeitung*, in the same week, two freakouts in which they said, “The LaRouche couple are on two sides of the Atlantic trying to revive the tradition of

Franklin D. Roosevelt. He's doing it with the Democratic Party in the United States. She's trying to influence the Social Democracy in Germany.” There was a complete freakout.

But, it really reflects that the establishment, the neo-liberal establishment, *knows* that the issue is: fascism or Franklin D. Roosevelt. And I think we have put that on the map, in absolutely clear conceptual terms.

Now, the Youth Movement in Germany is doing a fantastic job. If you remember, a year ago, in Saxony, they revived the Monday demonstrations,² which was a big thing. And it's not off the table. And if things go in the wrong direction, that is an instrument which is still there to be revived. They did a fantastic election campaign in North Rhine-Westphalia.

And I must say, there is an unbelievably beautiful intellectual ferment, which is really happening among the LaRouche Youth Movement in Europe, where people study, essentially, Lyn's papers: the whole question of Vernadsky, the whole question of what are the *principles* which people have to master to bring back the economy. And they are doing the same thing as what they're doing in the United States: They're setting up meetings with congressmen, with parliamentarians, with aides; they're going into trade union offices; and they're just turning the whole country upside-down. And they *totally* committed that in this historical period, not only that we will not have a tragedy again, but that also the historical chance which lies in this crisis is not going to be missed.

So, I think that they're really in a very, very good spirit, and I'm very happy with them.

‘One Fist Across Two Continents’

Schlanger: Good. We once had an idea, that I think is still totally valid today, of “one fist across two continents.” And someone who's going to be part of that fist across two continents is Tarrajna Dorsey from Seattle, who will soon be over in Germany, with you.

Tarrajna, why don't you give us a report on what's going on in Seattle. And, if you have a question for Helga?

Tarrajna Dorsey: Sure. Well, I wanted to take up first, just what Helga and we've been illustrating over these last 30 minutes or so, about this great potential in this time period right now, in both Europe and in the United States. And I know that LaRouche, this morning, when he was addressing the East Coast cadre school, he was talking about a conceptual problem in the thinking of the population here (and I would imagine it exists in Europe, as well); in terms of how people are thinking about economics in a very short-term and empirical way, as opposed to looking at the causality of what's led up to now, and the history.

And so, I was thinking about what he said, in terms of

2. The “Monday demonstrations” in East Germany, growing week by week during 1989, shook the foundations of the Communist state, leading to its collapse by year's end. The tradition was revived, at the impetus of the BüSo, in the Summer of 2004, to mobilize widespread opposition to the Berlin government's new Hartz IV free-market austerity program.

what we're running into here, in Seattle: Where, I know that, in light of what just happened in the Senate, here in the United States around the nuclear option, and this historical defeat of an attempted coup on the part of Dick Cheney and Rove—which I've found a lot of people did not really understand the relevance of; or, in fact, on a lot of the campuses here, didn't even know had happened!

So, I was wondering, just with what's been happening in Europe, around the European Constitution, and the French and Dutch votes: I was wondering what the conceptual understanding is in the population towards what's happened? And also, Helga, how you would suggest we can begin to approach this conceptual problem, in both the thinking of the people in the United States, and also—I would assume—the pessimism in Europe towards the ability of the United States right now to make a complete breakthrough?

Zepp-LaRouche: Well, first of all, about the failed coup attempt in the U.S. Senate, you had only the *Guardian*, *Le Figaro*, *Libération*, *Neue Zürcher Zeitung*, who reported about that. The German press *completely* censored it: There was not one word of it, even though obviously if you have these other papers reporting about it, everybody knew. And in the case of the *Guardian*, it was Sidney Blumenthal, who I think is an associate of Clinton, who explained quite in detail what was the significance of what had occurred in the Senate.

I think that the oligarchy is *completely afraid*. Because, it's really the question of: Can people get rid of the fear, and be potent? Because the entire change in the political climate in the world, but especially after Sept. 11 in the United States, there was this reign of terror, and that the population was controlled by fear. And obviously, when the Bush Administration supposedly was re-elected on Nov. 2, the whole world was in shock, and said, "Oh my God! Four more years!" And people got somehow really demoralized and pessimistic.

And obviously, we have turned this around in the United States in a fantastic way, through Lyn's interventions at various points, through what you guys did in a heroic way. And I think there is a real concerted effort, to make sure that the rest of the world does not really know about that, because they would think differently. And while we have picked up that the political class in Europe does have a sense of the change—and they admit very openly that it was Lyndon LaRouche who revived the Democratic Party, who mobilized on Social Security and other issues, and caused a change—I think there is still a tremendous vacuum, where, if people knew what is happening in the United States, they would be more courageous and would think more clearly, what are their options.

So, one of the most useful things from our standpoint, was the interview, which was on The LaRouche Show a couple of weeks ago, with the UAW [local] presidents from Ohio and Detroit,³ in which they basically said, that the only chance to save American industry, *is* the proposals that Lyn made for the reconversion of the auto sector into other kinds of production,

like fast trains, maglev trains, infrastructure, sluices, waterways, and so forth. And then they said: We thank Mr. LaRouche, because he's the only one out there to defend us.

That's the kind of thing which we have to feed into Europe. And I think we can probably do a lot, since, Harley, you mentioned this "one fist across the Atlantic," to really cross-feed these kinds of things, because it *is* one battle: Globalization is the enemy of both the labor movement and the population in the United States, as well as in Europe, or any other place in the world.

So, I think that that is definitely something where we can think more, to set up interviews, to cross-feed things, and I think we need a real brainstorming in this respect.

Now, otherwise, I think that the question of the conceptual understanding: I think that what the LYM is doing right now, by mastering the concepts of physical economy on a very profound level, and then going and teaching politicians, trade unionists, and so forth: What is physical economy? What is Vernadsky's conception of the domination of the Noösphere over the Biosphere and the abiotic realm of the planet? Of other conceptions, like, "How does the New Bretton Woods function? How does the Eurasian Land-Bridge function? What are the principles involved?" I think we just have to assume, that, because of the shakeup—which *will* occur in the next weeks; maybe days, maybe hours, at best months, but I'm more thinking in terms of weeks—this is a revolutionary period, in which people are ready to understand things they have not been able to understand before. And I think we have a tremendous opportunity, to really undo the paradigm shift which has happened for 40 years, and put a completely new set of principles on the agenda, of optimism, an economy based on an image of man, where the identity of man is man as a *cognitive being*: Different from all other living beings, man can change the universe! Man can come up with new and better conceptions about the laws of the physical universe. You can make hypotheses; you can understand the laws of creation more and more deeply; you turn scientific discovery into technological progress, and when you apply that in production, you increase the productivity of the production process.

And these are ideas, where people who are fed up with money, they're fed up with the fact that only a very small portion of the population—the upper 1% maybe, or maybe 2%—are stuffing their pockets with money, and the rest of the population is collapsing in poverty: I think we have a real opportunity, where we can go to the fundamentals of what makes a society function, and I have found an increasing openness in many European countries, and I think it's a wide, wide open situation.

Quadrillion-Dollar Swindle

Schlanger: . . . Lyndon LaRouche was talking about the "Enron syndrome" of Bush in relationship to the sacking, the firing of the head of the SEC, who was not really a paragon of virtue—William Donaldson—but, who obviously recog-

3. See " 'Retool Auto Industry, Stop Globalization!' " *EIR*, May 27, 2005.

nized that this hedge-fund system, with the derivatives, with the junk bonds which are just filling up the coffers of these financial vultures: that this system is set to blow. And he tried to bring some regulation, and they *dumped* him, and just brought in a very sleazy Congressman from Orange County [California], Chris Cox, who's been nominated by Bush. Now, this appears to be the same thing as what is being addressed by Müntefering.

And I wondered if you could just say a little bit more about what the hedge funds are doing to destroy the *Mittelstand* in Germany right now? And why this has become a critical issue—maybe one that can cause a shift away from the “red-green” coalition, into a better approach from the SPD?

Zepp-LaRouche: Well, basically, what these hedge funds are doing, I mean—they're like gigantic speculative firms. They sometimes have an enormous amount of capital. They can attack a currency, a country, an industry. And what they have been doing systematically, especially against the Germany *Mittelstand* in the last two years: They would come in, buy the majority of the shares of such a firm; sell the so-called non-profitable parts; and then, after a certain while of speculation, they leave it, and either they keep it or they dump it; but one firm after the other has been destroyed. I think 5,000 very highly functioning *Mittelstand* firms have been ruined in this way, in the recent period.

Now, these things are not under the control of any government or central bank. You have both official derivatives trading of these hedge funds, but you also have so-called “over the counter,” illegal and uncontrolled, derivatives speculation, in which nobody really knows how big it is! Not one government! Not even the Bank for International Settlements, which is sort of the central bank of all central banks, has, according to their own annual reports, an overview of how big this speculation is. They put out recently a figure, that the combination of derivatives trading and currency speculation, in the last year, has reached the unbelievable volume of \$2 *quadrillion*—I think that's a “2” and then 15 zeroes. . . . And it is vastly, vastly—maybe 50 times more, or (one doesn't know exactly) in that vicinity, than the entire GDP physical production of the entire world.

Now, that speculation, it has galloped away, so to speak. In one sense, it has completely departed from physical production, but, unfortunately, in order for this enormous bubble to keep surviving, it needs an income stream out of physical production. And therefore, you have the absurd situation that, for example, a hedge fund takes over a firm, lays off 10,000 workers, and then the stock goes up. Because the so-called “productivity” of the firm has increased—naturally, not the way *we* talk about productivity, but simply because the *cost* of the firm in money terms has been lessened, and therefore, the stock goes up. But, the real production dies, and the jobs get lost, and people die. It's just totally crazy.

So therefore, what Lyn has proposed, is basically a transaction tax on the activity of such hedge funds. Now, this—and I want to be very emphatic—Lyn does not mean to be the remedy

for the problem. But it is just the very first step to find out what is the volume of these speculations, because nobody knows at this point. And once you know what the volume is, then you can say, “Okay, we need to take the following measures.”

But, nothing short of the entire package of what Lyn is proposing, to have a New Bretton Woods system in the tradition of Franklin D. Roosevelt, to get rid of derivatives speculation altogether, to get rid of most of the categories of debt in the financial system, and most importantly, to go to national banking in the tradition of the First National Bank of Alexander Hamilton, and put the credit generation under the sovereign control of governments—nothing short of that entire package will solve the problem.

Schlanger: Well, at a very early stage in this new paradigm, which is now being rejected, Lyn said, “Deregulation is a license to steal.” And we've now seen that, over and over and over. So, we're at a point, where *re*-regulation is the only way to reassert, not just the sovereignty of the nation-state, but the potential for human development.

You also can find there, in the archives, the May 14 show that Helga mentioned a few minutes ago, the discussion with the leaders of the trade union movement in the United States, on the proposal Lyndon LaRouche has made for retooling industry. . . .

We're down to just a couple minutes each. Sharon, do you have something else you'd like to raise?

Stevens: Except to say that, in Detroit, hitting the plants and standing at the entrance gates, and giving the people of Detroit, who've been beat down and their city has been destroyed, the optimism to really see themselves as potent individuals, where they have to master the potential for human development—of understanding what went on with the physical economy, and how it's collapsed—has just been very exciting. . . .

Schlanger: This is, in fact, a change. I can remember many times going to organize at auto plants, and being chased away by union goons with baseball bats. So, clearly the receptivity has improved. But, it's also because the plants are now being shut down!

Tarrajna, do you have something more to add?

Dorsey: Yes, actually. I just wanted to add that I completely agree with what Helga is saying, that now, as these plants close, as people's pension funds are disappearing, and the post-industrial fantasy is slowly dwindling away, there's more of a potential than ever for people to begin to understand the ideas that LaRouche is putting out; including this pamphlet, where, hopefully, we can match the derivatives market and get 2 quadrillion bundles of these out in the United States!

And also, since this is an initiative that's intended to be circulated in the Senate, I know that there's great potential for the Senate in this bipartisan coalition that we're seeing, to take the ball and run with it.

And I just wanted to see if Helga wanted to end with

some of the things that they're doing in Europe, with the New Bretton Woods petition that they're circulating; and whatever else, Helga, you wanted to bring up, in terms of this campaign coming up.

Zepp-LaRouche: You know, I have reissued a previous call for a New Bretton Woods emergency conference, which Lyn demanded many years ago, and we have started to get signatures. And we have, from Italy, about 20 parliamentarians who, in part, made the Senate resolution⁴ as a legal, binding recommendation to the Italian government to convene such a conference. Now, we have very important signatures, from a parliamentarian from Argentina; a Senator from the Philippines; from Poland, from Hungary, even from Germany. We will have, for sure, I was promised some from

4. On April 6, the Italian Chamber of Deputies passed a motion calling on the government to promote an international summit meeting "to globally define a new and more just monetary and financial system."

France. We have several Danish parliamentarians.

And I *really* would urge you: Please, make sure that we get a couple of important Democratic or trade union signers from the United States. I know that you're busy with the saving of GM and all of these things. But you have to think, that it really would strengthen our effort internationally, if they would see that some people from the United States—which they did on previous petitions. The call I issued in '97 to Clinton, was signed by *hundreds* of state legislators, of former Congressmen; the call I issued in 2000 was also signed by many.

So, that's my personal wish, that you please get a couple of people to start picking this up. Because this question will come on the table, maybe already this month.

Schlanger: Okay, Helga. We're out of time. We'll get to work on it. And thank you very much for joining us today.

Zepp-LaRouche: It was a pleasure to be with you.

A New Bretton Woods Now!

Here is the petition which Helga Zepp-LaRouche issued in April, which is gathering international support. The full list of signers can be found at www.bueso.de.

The paradigm shift of the last four decades, a period in which the world economy increasingly abandoned manufacturing and gave itself over to untrammelled speculation, is now drawing to an end. The world financial system is about to implode. Gross production worldwide stands at a mere \$40 trillion, over which looms a gigantic debt bubble 50 times that size, viz., \$2,000 trillion worth of financial liabilities. The impending bankruptcy of General Motors and, potentially, of the entire U.S. automobile industry, is but one of many factors that could well lead to the collapse of the U.S. dollar, and thereby, that of the entire financial system.

To prevent the world's people from suffering the untold harm that the breakdown of the system would unleash, we the undersigned demand that an emergency conference be convened, to agree upon a new financial architecture along the lines of the Bretton Woods System launched at Franklin D. Roosevelt's initiative in 1944. We stress that Lyndon LaRouche is the economist who has best grasped the causes of the systemic crisis, and who has, moreover, put forward a package of measures that would adequately deal with it: a new New Bretton Woods agreement.

We the undersigned further stress that the Italian Parliament has taken up LaRouche's proposal, and on April 6, 2005, voted up a Resolution calling for "an international conference at the Head-of-State level, in order to lay the

basis for a new and just world monetary and financial system."

The following measures must be implemented if we are to alter the mistaken course that we have followed since President Nixon did away with fixed exchange-rates in 1971, a course that has led to the present upsurge of a grotesque and predatory form of capitalism, thanks to unchecked "globalization," after the fall of the U.S.S.R. The New Bretton Woods Conference shall decide as follows.

1. There shall immediately be re-established fixed exchange rates.
2. A treaty shall be enacted between governments, forbidding speculation in derivative products.
3. The debt shall either be cancelled, or reorganized.
4. New credit lines shall be opened by the State, to create full employment by investing in critical infrastructure and technological innovation.
5. The building of the Eurasian Land-Bridge, as the keystone for rebuilding the world economy, is the vision that will bring about not only a new *Wirtschaftswunder* (economic miracle), but peace in the 21st Century.
6. A new Peace of Westphalia will ensure that for no less than the coming half-century, raw materials shall be extracted and processed for the benefit of every nation on this planet.

We the undersigned believe that so-called "globalization," this predatory form of capitalism, has shown itself beyond all doubt to be bankrupt on every front, whether economic, financial, or moral. It is Man who must stand at the center of the economy, and accordingly, the economy must serve the common weal. The purpose of a new world economic order is to guarantee the inalienable rights of Man.

ON THE NORTH KOREA FLAP

But, Gentlemen, Our Presidency Is, After All, Collectively Insane . . .

by Lyndon H. LaRouche, Jr.

June 5, 2005

The implication of the recorded CNN interview of the Cheney pair with Larry King, is that the collective George W. Bush Administration has gone beyond “nuts,” to wildly, dangerously insane. When the outbursts of Lynne Cheney and her snarling yard-dog, the President of Man-de-villain Vice, are read against the background of the *Atlantic Monthly*’s current report of a war-game simulation on the subject of U.S. nuclear war with North Korea, and when this wild-eyed behavioral pattern is compared with the sheer lunacy of the Bush Administration’s response to the conditions of the presently onrushing general economic collapse of the world’s present monetary-financial system, we are confronted with a constitutional crisis consistent with the nightmarish image of Mrs. Laura Bush approximating the role of “Mrs. Woodrow Wilson” in her husband’s second term.

There is, for example, the role of a wild-eyed Air Force general from the *Dr. Strangelove* movie, played by rabid real-life neo-con Lieutenant-General Thomas McInerney, which was played out in the reported Korea war-game scenario. The obvious question Mrs. Cheney’s outburst suggested, is: “Are the remarks on other subjects, made by her creature during the CNN interview, intended to signal the sudden launching of an undeclared U.S. nuclear war in Korea at some time during the near future?” That quality of personal lunacy in currently leading U.S. military and diplomatic affairs, must be seen as consistent with the same stench of sheer lunacy exhibited in the Marat-Sade-like roles of Federal Reserve Chairman Greenspan, Karl Rove, and the same Cheney, in the real-life hurricane of rising U.S. and world

economic crisis.

In all this, consider a certain brutal, witch-like ejaculation by hard-core Straussian neo-con Lynne “Lady Macbeth” Cheney’s upstaging her stud, during the CNN interview with Larry King. That outburst by her, deserves a shudder of cold chill from any sophisticated observer who knows her role as both her husband’s controller, and her rather long-standing, intimate connections to relevant sections of that Liberal-Imperialist government of Britain’s Tony Blair. That is the Blair government which played a key role in Bush’s fraudulent launching of the Iraq war, a Blair government now poised to assume a leading position over the economic-crisis-wracked European Union. U.S. President Bush is now acting out his part as a lunatic, more and more, while his Vice-President is playing the public role of an raging, out-of-control, bipolar sociopath. That current state of affairs in Britain, and in the command of a nation which is both the world’s leading nuclear power and the keystone of the present world monetary-financial system, is already a terrible world crisis in itself.

Why They Are Insane

The insanity exhibited currently by the Bush Administration in nuclear-military and economic-crisis affairs, must be more contrasted to, than compared with a relatively ordinary sort of severe “nervous breakdown.”

The strategic economic crisis dominating the world today has been building up over approximately forty years, since about the same time as the U.S. launching of its official war in Indo-China, and about the same time as the highly relevant role of the United Kingdom’s already ruinous first Harold



White House/David Bohrer

Lynne and Dick Cheney during a February 2005 TV interview. "The insanity exhibited currently by the Bush Administration in nuclear-military and economic-crisis affairs," writes LaRouche, "must be more contrasted to, than compared with a relatively ordinary sort of severe 'nervous breakdown.'"

Wilson government. The cultural-paradigm shift which erupted during the late 1960s, and wrecked the U.S. institutions of economic policy during the 1971-1981 interval, embedded a 1964-1981 cultural-paradigm shift in economic and cultural policies, a paradigm-shift implicit in the conditioning of the American and western European Baby-Boomer generation in the existentialist depravity of the implicitly fascist Congress for Cultural Freedom. Those who rose in a leading role as adults in government and other relevant institutions, are usually a product of the corrosive influence of that cultural-paradigm shift which first established its general hegemony over the neighborhood during young-adulthoods of the 1968-1981 interval. As a result, the leading institutions of public and private life have come to be dominated by the body of prevalent opinion expressed by what is known in the Americas and western Europe as "The Baby Boomer" generation. Bush and Cheney, like the Artful Dodgers of Enron, are merely fair examples of the worst types of that sort which have climbed, crawled, or slithered into positions of relatively greater power over the course of time.

Now, therefore, all of the leading institutions of European and American societies are experiencing an awful cultural shock. The sanest among leading circles in government and other relevant institutions, are stunned, taken by surprise by having to face these developments, but are, nonetheless, also, as I have seen in Washington, D.C. and elsewhere, more or less willing to grope in seeking ways in which to change their mental and practiced habits, changes made in ways which are responsive to the shocking new realities confronting us all.

In this kind of setting, those who refuse to change become

dangerous to us all. They cling to the cultural-paradigms of opinion and other behavior which they have adopted, or adapted to over all their adult life-time. The typical Baby Boomer, for example, speaks, often with quiet, or very noisy hysteria, of "our traditional" ways of doing things. The beliefs which they have acquired over decades as having axiomatic value for them, no longer work; but, many of them cling to those habits, often with a desperation that is either simply stubborn, or even violent.

The result of such a pattern, under such circumstances, is a special kind of mass insanity, the kind of insanity which dominates Federal Reserve Chairman Greenspan's utterly irrational behavior, of demanding that China raise the prices of its exports and of the U.S. dollar simultaneously, or the demand of Bush and Cheney, "Either you do it our way or we kill you!"

In the meantime, the greater part of our people in lower ranks of influence, have been long conditioned to the sense that they may be able to scream and nag, but have no actual power to change anything in current U.S. policy at large. "Give me money and I will be whatever you wish me to be," or "single-issuism" of other kinds, becomes the typical expression of clinical mass-insanity among the terrified fellows who see themselves as almost genetically part of the lower classes. They will seize on any illusory fad, or temporary compulsive choice of "life-style" elements, such as "investing in second homes" under conditions which are actually insane even over the relatively short term, simply because it is a perceived—"everyone like us is now doing it"—fad. To understand them, think less of what they say, than observe the routine habits which betray their current fads in life-style, their "thing."

Under such conditions, the fate of a nation depends upon finding the quality of leadership among its own ranks which it requires to lead it out of those habits by means of which it has brought itself to the verge of self-destruction.

In this situation, it is our responsibility, which you share with me, to inspire people who are either in what is recognized as leading positions, or who can move into such roles within society now, to provide a growing potential majority of our citizens with the sense that they do have a leadership which deserves their confidence, a confidence based on the reality of the urgent need to change the way our nation does its business.

Under such circumstances, those who continue to follow trends in opinion, are losers, or, if leaders, worse than losers. This is a time of need for leadership which means actually thinking, especially whenever thinking means some abrupt changes in habits of opinion, or "life-style."

Otherwise, this nation of ours, and much of the world besides, is sitting on top of the crack of doom. It is time for even our Baby Boomers to, finally, grow up, even if Bush and Cheney are incapable of accomplishing that feat. If nothing else works on the latter account, constitutional remedies will be urgently required.

Detroit City Council Calls for Retooling Bankrupt Auto Sector

The Detroit City Council on June 8 passed a resolution calling upon Congress to intervene on an emergency basis to save and retool the nation's bankrupt automobile sector (see text, below). The collapse of auto has reduced the former "Motor City" to a catastrophic fiscal crisis. According to the Council's May 2005 budget report, the city's budget problem has been 50 years in the making, and the GM and Ford crisis, as well as Bush's Iraq War, will only worsen the situation.

The LaRouche movement nationally has been campaigning for such a retooling policy, and spearheaded the effort to get such resolutions passed. A similar call was adopted by the Wayne County Commission, which represents an area that includes Detroit (see *EIR*, June 10); and Michigan State Rep. LaMar Lemmons III (D) has filed one in the Michigan House of Representatives (*EIR*, May 27; see also accompanying *Interview*).

The Detroit Council is in a pitched battle with Mayor Kwame Kilpatrick over how to close a \$300 million deficit. Their competing plans both impose austerity measures, so it is clear that the only solution is LaRouche's demand for Federal action to retool the auto industry to rebuild national infrastructure, thereby regenerating the tax base necessary to support the workforce and local and state governments.

According to the Council's budget statement: "Fifty years of disinvestment in the city, national housing and highway policies that subsidized suburbanization, the State's fiscal problems, and the profound challenges faced by General Motors and Ford have all coalesced to create a financial storm that has engulfed this city. . . .

"The cost of war in Iraq continues to mount and directly affects our tax revenues. Each U.S. household is now paying approximately \$1,475 on average for this disastrous war. . . . If the expenditure for the war in Iraq was allocated instead to cities and states, Detroit's share would have been \$369 million."

EIR Economics Editor Marcia Merry Baker was giving a radio interview on what needs to be done to solve the crisis to Detroit radio station WHPR on June 9, when Councilwoman JoAnn Watson called in to report the news that the resolution, which she sponsored, had been passed. "It was unanimously supported yesterday," she said, "and approved and is now

passed. Resolutions, like ordinances, have the weight of law. So it's now law, and an official sentiment, and recommendation and a strategy, recommended by the city of Detroit."

Radio host Richard Hairston told Watson, "Our guest today said this is kind of like a 'shot heard around the world,' when Detroit comes together and we're promoting this kind of legislation from our Council chambers."

Watson: "You know it's interesting that it's also linked to the significant work of the Honorable Coleman Alexander Young, whom I loved and respect, and whose legacy is still strong in the city. He invested time and influence in the salvation of Chrysler—not because he was in love with Chrysler, but because he was in love with his people—maintaining employment, if you understand what I am saying."

Hairston: "Yes."

Watson: "So his work to negotiate with the President of the United States at that time, and the Congress, to come up with this package to keep Chrysler from going under before it was DaimlerChrysler, when it was just Chrysler hanging on by a thread—that was led by the Honorable Coleman Alexander Young, who basically did what this Resolution calls for, for the whole auto industry. To intervene into the process with an influx of funding, and other credits, and the infrastructure, including for workers who gave up concessions, to maintain jobs, and to maintain the economy, and all the neighborhoods supported by this industry. That's exactly what he did, and that's what this in a broader scale, calls for. . . .

"[The] notion that the government must seek to maintain industry and jobs, and the quality of life for its citizens—that's a part of this resolution that was passed by the City Council yesterday. Absolutely, I am proud of the City and I am happy that I had an opportunity to be a sponsor of this resolution."

Documentation

Resolution Calling for Federal Intervention to Rescue Automobile

WHEREAS, the Detroit City Council is concerned that a growing number of experts are warning that the decline of the U.S.-based automobile manufacture poses the danger of a severe overall economic depression for the nation, with tens of thousands of jobs lost in auto, machine, steel, and other related industries; and

WHEREAS, Detroit, a world working class city, is adapting to the changes over the last fifty years which have scattered the points of the automobile production from the city to the suburbs, from the North to the South, and from the shores of the U.S., abroad; yet we, the metropolitan area which was once the source of every other car built in the world, must rise to demand that Congress not permit the utter dissolution of

the Arsenal of Democracy and the City that put the world on wheels; and

WHEREAS, certain stop-gap measures should be adopted and implemented by Congress to forestall the presently threatened, irreparable damage to our nation's physical economy, which is typified by the presently accelerating crisis in the U.S. automobile industry; and

WHEREAS, the U.S. automobile industry is billions of dollars in debt and recently has had its bond ratings lowered drastically, unbelievably posing the threat of bankruptcies; and

WHEREAS, it is conceivable that the automobile industry's leading manufacturers could close most, if not all of their factories in the United States, and

WHEREAS, the closing down of even some of the automobile factories, including the shutdown of machine tool production, would mean both the end of the United States as a leading physical economic power, and cause chain reaction damage to the other economies, especially in Detroit; and

WHEREAS, Congress has the capability and duty to avert national economic disaster by intervening on behalf of the automobile industry to ensure that the continued employment of that industry's labor force remain functioning in each and every present locality of employment; Congress must intervene on behalf of national and related interests and security, to ensure that the productive potential of the automobile industry, with its featured high technology and machine tool capability, be maintained; and

WHEREAS, the impact of Congressional intervention may be to create thousands of new jobs repairing infrastructure, maintenance of automobile production jobs, restoration of the tax base, and ultimately an increase in the standard of living in Detroit and elsewhere; and

WHEREAS, this Council has initiated a series of hearings on Detroit's economy in conjunction with the National Negro Labor Council; and

WHEREAS, this resolution constitutes an emergency measure for the immediate preservation of public peace, property, health, welfare, and safety, now THEREFORE, BE IT

RESOLVED, That the Detroit City Council joins the Wayne County Commission, Cleveland City Council, and other government bodies, and urges the Congress and federal government to take every action necessary to promote and preserve the automotive and machine tool sectors of our national economy; and be it further

RESOLVED, That a copy of this be sent to Sen. Carl Levin, Sen. Debbie Stabenow, Congressman John Conyers, and Congresswoman Carolyn Cheeks-Kilpatrick, the entire Michigan Congressional delegation, and Pres. George W. Bush; and be it finally

RESOLVED, That this Council will hold hearings in conjunction with the NNLC on threats to Detroit's social and economic prosperity from the decline of the automobile industry.

Interview: LaMar Lemmons III

Retool Auto Industry To Solve Detroit Crisis

LaMar Lemmons III, a Democrat, represents District 3 in the Michigan House of Representatives, which lies in the heart of the city of Detroit. On May 18 he introduced House Concurrent Resolution 0013 (2005), joined by 19 other representatives, calling on the U.S. Congress to intervene to rescue the automobile industry now facing imminent bankruptcy (see text in EIR, May 27). He first served in the House from 1999 to 2002; during that term he introduced a resolution to save D.C. General Hospital, the only public hospital in the nation's capital. He was re-elected to the House in 2004. He has been politically active in Detroit his entire life, having served as Youth Director of the Inner City Community Center and a counselor of the homeless for Operation Get-Down, among many other civic activities. He is the former special assistant to Wayne County Executive Ed McNamara, and former legislative analyst for Speaker Curtis Hertel. In 2003, he sponsored a Town Hall meeting in Detroit, inviting Lyndon LaRouche, then a candidate for the Democratic nomination for President, to be the keynote speaker.



Lemmons was interviewed on June 8 by Mary Jane Freeman, on his reasons for introducing the May 18 Resolution on the automobile industry crisis and the related budget crisis in the city of Detroit.

EIR: Can you describe for us who your constituents are in District 3, and what kind of living and working conditions exist there today?

Lemmons: Okay, it's the east side of the city of Detroit, and conditions are rather bleak for many of the citizens of the third district. Historically, we had many factories, and an opportunity to work, and now the unemployment rate in the city is somewhere around 20%, for African-American males. My district's demographics are about 95% African-American. It is heavily Democratic, in terms of voting, and most of the schools in the area are eligible for free lunch, which means they are at the poverty level.

A large percentage of the constituents that have chosen to remain are retirees from the auto factories. But they were not able to pass those jobs on up to their children and grandchild-

dren. And unfortunately, many of them, because of the quality of education, coupled with a general mindset that they could always depend on making a good living from the auto factory, a lot of the people were not prepared for this shift in the economy.

EIR: You said you represent about 100,000 constituents, but that you actually service more than that.

Lemmons: Each House district is approximately 100,000, but my father is also a state representative, due in large part to my efforts to see that he secured that seat, and he has the same name as I do, LeMar Lemmons, but he is Jr. He serves the adjacent district. I actually service the Democrats of District 1, as well.

EIR: Was that area of the district once serviced by inner-city rail? I know you used to have trolleys that ran in Detroit.

Lemmons: In the 1920s the city had the trolleys, but by the 1940s, World War II, they were gone. Remember, we became the Motor City right after that, and we began large-scale production, car manufacturing after that. There was more of a commitment to build highways, than there was mass transit. So this is one of the few areas of the country with no real mass transit, with a very inadequate and inefficient bus line system.

EIR: On June 7, the CEO of General Motors announced that GM will cut another 25,000 hourly jobs over the next three years. Lyndon LaRouche, *EIR*'s founding editor, denounced the move, and said that the failure of the United States Congress to intervene, to save the nation's auto industry, its skilled workforce, and their families, which he had called for back on April 13, can no longer be tolerated. And he said: "We must get them to act. People's lives and families are on the line, it's immoral to oppose intervention. It would be dishonorable to do anything else." Do you agree, and what will be the impact of these—

Lemmons: First of all, I agree whole-heartedly with the sentiments of Mr. LaRouche on the effects the impending layoffs will have; they will devastate the state economy, and that also of course includes the government, and government services which depend on the tax revenues coming from those jobs. Also, we're hoping for some kind of rescue plan for General Motors similar to that which Chrysler had. Also we will have to do something with bilateral trade. And I think Mr. LaRouche is the only person, the only national politician I know, who is addressing the issue of the economy in a serious fashion, as far as I'm concerned.

EIR: This has been brewing. On Feb. 26 the leading Swiss financial daily's headline "Thunderstorm Over Detroit," led LaRouche, four days later, March 3, to ask, "When will GM and GMAC go? Who will refinance this bubble, this debt swindle?" No one else at that time rang an alarm bell. He then

in mid-April called for emergency action by the U.S. Senate to intervene with Federal resources, to save the auto sector, save its machine tool capacity, skilled work force, etc., retool the industry to begin making components for badly needed infrastructure.

On May 18, you followed suit, initiating House Concurrent Resolution 0013, which I believe was joined by 19 others, including one Republican, that echoed LaRouche's call, and your resolution says: "to take every possible action to promote and diversify the automotive and machine sectors of our national economy." Can you tell us where that resolutions stands today, and what needs to be done to get it moving?

Lemmons: It is in the Commerce Committee, and I had my Chief of Staff talk to the members from that Committee, and they have other pressing issues, so it is not a priority to move this resolution, according to them. They are dealing with other budgetary matters. They did say, that however, perhaps—but not giving me a date and time—that they may take it up without notice.

EIR: And this is a concurrent resolution, which means that the Senate would also have to act on it?

Lemmons: I decided to make it a concurrent resolution to show the importance, and immediacy, and the sense of urgency, that Congress must act.

EIR: On June 1, the Wayne County Commission—which incorporates the city of Detroit, I believe—passed a 13-0 resolution which follows basically in the footsteps of the one you introduced calling for the Congress to act.

Lemmons: Yes. In Wayne County we have 15 County Commissioners—one is a Republican, Laura Cox—so we were able to move that. I did know about it, I talked to the chair of the Wayne County Commission, and she assured me that she would move it, as well as the sponsor, which was Mr. Cavanaugh, who is the son of the former mayor of the city of Detroit in 1960.

EIR: This is an important organizing initiative, because one of the things that LaRouche said today, being briefed on other, new developments, is that we have to initiate the positive solutions to the policy crises, right now. We have to box in the Bush Administration, and others, who are refusing to act on the economy, jobs, infrastructure, health care, that is, the issues that are facing the American people. So to create a

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groundswell with institutions like the State Legislature, the County Commissions, the Democratic Clubs, you name it, to create that groundswell is exactly the kind of thing to move forward with, so this is excellent.

Lemmons: I will be introducing these in the 13th Congressional District Democratic Organization as well, to have them put forward a resolution, and I will take the resolution to the Detroit City Council, and get a sponsor to send a resolution to the State Legislature urging them to do the same.

EIR: Let's move on to the situation, what I call the high-stakes budget battle going on in the city of Detroit right now. As I understand it, Mayor Kwame Kilpatrick estimates that there is a \$300 million deficit for the next Fiscal Year, which begins on July 1, and that he and the City Council have proposed competing budget plans. The Council rejected his plan; he vetoed the Council's plan, and in turn they overrode his veto. What's the situation and implications for Detroit of this budget crisis?

Lemmons: Well, besides the inside-the-baseball-park, which is mostly personality-driven, rather than substance-driven, which is what you have in any type of local body, the essence of it is that City Council said the Mayor didn't cut enough, and that they didn't believe that his projections were accurate, and that the city was in even more dire straits than he projected, and therefore it was not a balanced budget. They are actually in negotiations now, as we speak, as to what things would ultimately be cut. But the reality is the city of Detroit doesn't have the money to sustain itself much longer; there's been talk of receivership. As things continue, we still may be two or three years away from receivership, but we're in that downward trajectory.

EIR: I think the issue of not having the money goes right to the heart of why your resolution in the legislature is critical. I'll just read a quote from City Council President Mahaffey, which I think gets at the crux of the matter: "Fifty years of disinvestment in the city, national housing and highway policies that subsidize suburbanization, the State's fiscal problems, and the profound challenges faced by General Motors and Ford, have all coalesced to create a financial storm that has engulfed the city."

Now *EIR* uniquely documented that takedown and destruction of the city of Detroit, a year ago, in a feature article: the depopulation, the shutting down of housing, and that kind of thing. So the issue of whether or not the city will have the money is a question of whether or not the United States Senate acts to restart the economy, starting right at home with General Motors and Ford, I would think.

Lemmons: I would concur with those sentiments. Additionally, on the retooling and the lack of an urban policy, I would concur with the Councilwoman Mahaffey that it is the confluence of the perfect storm of fiscal collapse, and we are in the midst of it now. And what has to happen is, we're going

to have to have Federal intervention in terms of starting the economy. The local end itself, does not have the ability to do what my resolution suggests.

EIR: Since the tax base of the city has clearly been wiped out by the policies of deindustrialization which have impoverished people and killed their hopes and dreams, it seems now is the time to say "enough" and to organize a groundswell, as you just indicated you are doing, to get LaRouche's policies put forward to retool and rebuild. What are the projects that need to be built in Detroit?

Lemmons: The city of Detroit needs brownfield development; Detroit needs the entire range of infrastructure projects: the sewer lines need to be redone, roads. We still need a mass-transit system with some type of rail. We don't have any type of mass-transit system like Washington, or New York, or Chicago. So the city of Detroit is in dire need of all types of infrastructure development, new lighting systems, new power generation, all the things that we've had before, water purification systems—we could go on and on. Housing restoration and development. And schools: The average school in Detroit is about 80 years of age.

EIR: You've said that you've lost 30 schools in the last few years?

Lemmons: No. We're scheduled to close 30 schools come the Fall, and that's just the beginning.

EIR: I understand you're starting a new campaign. I want to know what you are running for, and why you are doing it, and what the time frame is on that.

Lemmons: I am a candidate for the Detroit City Council, and we will be kicking off sometime around July 9. The primary election is Aug. 2. I am coming home, to bring some of the expertise that I have acquired working in the legislature all these years. If I'm successful in the primary, I will campaign for the Nov. 3 election.

EIR: How many candidates are running?

Lemmons: There are 144 of our finest citizens who are also disgruntled. We are running for one of nine seats.

EIR: In light of GM and Ford cutting production over the Summer months—immediate scaling back—and the just-announced layoffs, and the city of Detroit facing this budget crisis, which can obviously only get worse, as we have just discussed, what's your message to your U.S. Senators, Carl Levin and Debbie Stabenow? What should they be doing?

Lemmons: They need to take action on the resolution, and move toward retooling. In fact, they, as our Senators, and the entire Michigan Congressional delegation, should embrace, in a bipartisan fashion, the resolution to retool and re-industrialize, and put America back to work, and listen to Lyndon LaRouche's economic forecasts.

The American System

How FDR Battled the ‘Tories’ To Protect His New Deal Policies

by Pamela Lowry

On June 3, 1937, President Franklin Roosevelt recommended to Congress that it pass legislation providing for Federal planning and development of the nation’s natural resources, and that this comprehensive effort be coordinated by seven regional authorities. This was not a mere academic proposal for better administration—it was part of Roosevelt’s knock-down, drag-out fight in 1937 against the Tory faction, which wanted to stop the New Deal programs and go back to *laissez-faire*, free trade, and unregulated speculation.

Although Roosevelt had been re-elected in 1936 by a large margin, the international speculators and financiers moved quickly to counter the economic programs that were bringing America out of the Great Depression. Roosevelt could see the warning signs early in the year. During a White House press conference on April 2, he announced the fact that the prices of raw materials had gone up too high, threatening the large, long-term infrastructure projects that the government was building, such as bridges and concrete dams.

Roosevelt particularly cited the price rises in cement, steel, and copper. “I am concerned—we are all concerned—over the price rise in certain materials that go into durable goods primarily. For example, we all know that there are a great many mines in this country—copper mines that can turn out copper at a profit at five and six cents. Even the high-priced mines, like Anaconda, can probably make a profit at eight and nine cents. Yet today copper is selling at 17 cents or more, pushing up thereby the prices of all kinds of articles into which copper enters. . . .”

Roosevelt also cited the \$6 a ton increase in steel prices. When asked if the price increases were far above what they should have been, Roosevelt answered: “I think that the price increase of ordinary steel was much larger than was justified by the increase in the pay of the workers; it was probably somewhere between twice and three times the amount that went to the workers.”

Compounding the problem that massive profit-taking and speculation on raw materials were driving up the cost of building needed infrastructure, was the fact that Treasury Secretary Henry Morgenthau was pressuring Roosevelt to cut funds to the Public Works Administration. Morgenthau justified the

cuts by pointing to the industrial production index published by the *New York Times*, which had risen to 110, and therefore supposedly indicated that large infrastructural projects were no longer needed. He was wrong, and the cuts resulted in an economic collapse and spiralling unemployment.

Ferocious Opposition

The opposition to the New Deal, an opposition of such ferocity that it would even wittingly cause another collapse, was made up of oligarchical interests who knew that Roosevelt’s policies were the death knell of their beloved feudal system. One Roosevelt thrust that drove them to frenzy was his May 24, 1937 proposal for legislation establishing minimum wages and maximum hours.

In his proposal to Congress, Roosevelt wrote that “to protect the fundamental interests of free labor and a free people we propose that only goods which have been produced under conditions which meet the minimum standards of free labor shall be admitted to interstate commerce. Goods produced under conditions which do not meet rudimentary standards of decency should be regarded as contraband and ought not to be allowed to pollute the channels of interstate trade.”

One of the rudimentary standards of decency involved not using child labor. It was not until 1941, that the Supreme Court overturned a 1918 decision that had invalidated a statute prohibiting the interstate shipment of goods made by child labor, under conditions considered substandard by the Congress of that day. As Roosevelt later wrote: “There has been established at last the definite principle, which is essential to any self-respecting democracy, that the Congress has the right to impose decent standards of wages and hours in any factory which manufactures merchandise passing through the channels of commerce from one State to another. In this way, backward States, which are willing to permit their children to work instead of going to school, and are willing to subject helpless labor to intolerable working hours and starvation wages, will not be permitted to send their merchandise into other more enlightened States, which are willing to respect the minimum standards of a free laboring class.”

Seven Regional Authorities

Just ten days after he asked Congress for minimum-wage legislation, Roosevelt submitted his plan for creating seven regional authorities which would report to the Federal government on maintaining and expanding the nation's natural resources, a mandate which included flood control, forest management, the prevention of erosion, and hydroelectric projects. The President particularly stated that "the water-power resources of the nation must be protected from private monopoly and used for the benefit of the people."

As Roosevelt wrote in November of the same year, "We have reached a stage in the depletion of our natural resources where we should allot a definite portion of each year's budget to this work of husbandry. Our present machinery for carrying out such purposes, however, is geared to methods of which the rivers-and-harbors legislation of many years ago is an example. We spend sporadically—on a project here and a project there—determined upon without relation to the needs of other localities, without relation to possibly more important needs of the same locality, and without relation to the national employment situation or the Federal Budget.

"To avoid waste and to give the nation its money's worth from the national funds we expend, we must, like any business corporation, have a definite building and operating plan worked out ahead of time—a planned order in which to make expenditures so that we may keep our working force employed, and a planned coordinated use of the projects after completion. And because relative values of local projects should be appraised before they come to Washington, first by those with local knowledge, and then by regional conferences, we must have some kind of local and regional planning machinery and coordination to get full value out of the final appropriations authorized in Washington—money value and human value."

At the end of his message to Congress, Roosevelt stated, "For nearly a year, I have studied this great subject intensively and have discussed it with many of the members of the Senate and the House of Representatives." The shining example of such comprehensive planning was the Tennessee Valley Authority, yet its very success had made powerful enemies. One of them was a committee chairman from the South who lobbied for the dismissal of TVA director David Lilienthal, because he had had the temerity to allow a black woman to take a government test for a TVA clerical position.

Roosevelt assured the chairman that Lilienthal had done such a good job that he would be most happy to name him head of the Columbia River Basin Authority, thus removing him from the TVA. The catch was that Congress would have to vote out the funding for the Columbia River project to make this possible. The chairman was unmoved, and the feudalistic Liberty League's well-financed propaganda against so-called "socialist planning" succeeded in stopping Roosevelt's comprehensive resource development program.

The Battle Continues

Although infrastructure and production during World War II were greatly expanded, there were still industrialists and investment bankers who refused to gear up to the necessary level, because their only yardstick was whether they could turn a profit after the war on their increased capacity, and they decided they could not. Those among them who had backed the rise of Hitler also feared what the post-war use of American System economic policies would do to their power. The "Economic Royalists" had also determined that the war was definitely not being fought to bring a higher standard of living to other nations.

Roosevelt attacked this outlook in his State of the Union address of Jan. 11, 1944: "There are people who burrow through our nation like unseeing moles, and attempt to spread the suspicion that if other nations are encouraged to raise their standards of living, our own American standard of living must of necessity be depressed.

"The fact is the very contrary. It has been shown time and time again that if the standard of living of any country goes up, so does its purchasing power—and that such a rise encourages a better standard of living in neighboring countries with whom it trades."

As he had in 1937, Roosevelt warned about unwarranted price increases and the resultant inflation, which had "a particularly disastrous result on all fixed-income groups. And I hope you will remember that all of us in this government represent the fixed-income group just as much as we represent business owners, workers, and farmers. This group of fixed-income people includes: teachers, clergy, policemen, firemen, widows and minors on fixed incomes, wives and dependents of our soldiers and sailors, and old-age pensioners. They and their families add up to one-quarter of our 130 million people. They have few or no high-pressure representatives at the Capitol. In a period of gross inflation they would be the worst sufferers."

Roosevelt then turned to his plans for extending the benefits of economic development to all Americans, and issued a prescient warning. "It is our duty now," he said, "to begin to lay the plans and determine the strategy for the winning of a lasting peace and the establishment of an American standard of living higher than ever before known. We cannot be content, no matter how high that general standard of living may be, if some fraction of our people—whether it be one-third or one-fifth or one-tenth—is ill-fed, ill-clothed, ill housed, and insecure.

"As our nation has grown in size and stature, however . . . [our inalienable] political rights proved inadequate to assure us equality in the pursuit of happiness. We have come to a clear realization of the fact that true individual freedom cannot exist without economic security and independence. 'Necessitous men are not free men.' People who are hungry and out of a job are the stuff of which dictatorships are made."

National News

Will Senate Agenda Shift to Policy?

In a press conference June 9, Senate Democratic leader Harry Reid (D-Nev.) said that the Democrats want to focus on a substantive agenda—Social Security, defense, jobs, and energy—but they are being prevented from doing so. The Senate has spent two months dealing with five judicial appointments, Reid said—“all of whom have jobs”—while doing nothing on other urgent matters such as the Defense Authorization Bill, which is needed to fund the troops in Iraq. With almost 1,700 dead Americans in Iraq, 15,000 wounded, and the National Guard and the Reserves over utilized, the President should be more concerned about the defense authorization bill than about these five people, Reid declared.

As of June 10, the Senate had completed the agenda which had been laid out in the May 23 agreement, in terms of permitting up or down votes on Janice Rogers Brown, Priscilla Owen, William Pryor, and two Michigan judges who had been nominated for the 6th Circuit Court of Appeals. All of the judges were confirmed, most of them on party-line votes.

But, according to *The Hill*, a Capital Hill leaksheet, Senate Majority Leader Bill Frist (R-Tenn.) has decided not to bring any of the other judicial nominees to the floor, to test whether Democrats would move to block the nominations with filibusters. Frist suggested that most of the time over the next two weeks, before the July 4 recess, would be taken up debating the energy bill.

Bipartisan Group Wants Probe of Prisoner Abuse

A group consisting of a number of prominent conservatives and liberals, including two former Republican Congressmen, is calling for Congress and the President to establish a bipartisan, independent commission to investigate abuse of prisoners at U.S. detention facilities.

The group's statement, issued on May 25, asks for the creation of a bipartisan commission modeled on the 9/11 Commission “to investigate various allegations of abuse of terrorist suspects by the United States, and make recommendations to guide U.S. officials in the future.”

The initiative is sponsored by the Liberty and Security Initiative of the Constitution Project, funded by the Open Society Institute (OSI). The co-chairs are David Keene of the American Conservative Union, and David Cole, professor of law at Georgetown University. Others participating in a press conference announcing the initiative were:

- John Podesta, President Clinton's Chief of Staff, now president of the Center for American Progress (CAP).
 - Thomas Pickering, former Ambassador and Undersecretary of State for Political Affairs in the Clinton and other Administrations.
 - former U.S. Rep. Bob Barr (R-Ga).
 - former U.S. Rep. Mickey Edwards (R-Okla).
 - Morton Halperin, of the OSI and the CAP.
 - Eugene Fidell of the National Institute for Military Justice (NIMJ).
 - retired Coast Guard Capt. Kevin Barry, also NIMJ.
 - John Whitehead, Rutherford Institute.
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Watergate Revelation: Is Bush the Target?

The revelation that former Deputy Director of the FBI, Mark Felt, was the “Deep Throat” who spilled the beans to the *Washington Post* on the illegal behavior of President Richard Nixon and his White House, has brought into the public eye parallels between the Nixon apparatus, and that of President George Bush's White House today.

Former Clinton senior advisor Sidney Blumenthal, for one, drew that parallel in an article in the London *Guardian* June 9, under the title “Nixon's Empire Strikes Back.” Nixon's grand plan for an imperial presidency was crushed by Watergate, Blumenthal notes. But today, George Bush is trying to do the same thing, and his plans are being

carried out by three veterans of the Nixon Administration: Donald Rumsfeld, Dick Cheney, and Karl Rove.

Donald Rumsfeld served as chief of staff to Nixon's successor, Gerald Ford, with Dick Cheney serving as Rumsfeld's deputy. Both of them fought tooth and nail against Congressional efforts for “more transparency in the executive,” Blumenthal points out.

And then there was Rove, who began his political career as an agent of Nixon dirty trickster Donald Segretti.

Arnie Prepares To Call Special Calif. Election

While the official announcement of the next phase of the assault on the people of California is not expected until June 13, when Gov. Arnold Schwarzenegger will likely give the thumbs up for a November special election, Team Arnie has been making it clear that they are prepared to run a well-financed, polarizing brawl against those they blast as “special interests.”

The *Los Angeles Times* reported on a recent conference call briefing to wealthy donors, in which Schwarzenegger's media adviser Don Sipple told them they will send a consistent message against public employees' unions (i.e., part of the “special interests”) that “creates a kind of phenomenon of anger” against them. The purpose of this “phenomenon” is to whip up support, by demonizing unions and their members, for the brutal budget cuts for which Arnie has been unable to build a consensus.

Sipple acknowledged that the campaign has been unsuccessful thus far, as Arnie's positive rating has been below 50% since April. “We . . . don't feel great about where we have been,” he added, in a colossal understatement. “But we kind of see ourselves on an upward trajectory as we go toward a November special [election].”

The current centerpiece for Arnie's special election this November is another gambit concocted by George Shultz and his gang of thieves at Stanford's Hoover Institute. Called the “Live Within Our Means Act,” this initiative would mandate automatic cuts

in the state budget whenever expenditures exceed revenue. Its passage would mean that the Governor would be empowered to make cuts without legislative approval. Some in Sacramento rightly identify this as the "Make Arnie Dictator" Act. A poll conducted by the Public Policy Institute of California shows that it is presently supported by only 43% of likely voters.

A memo released by the California State Association of Counties will probably cut into its support further, as it reports that the ballot initiative "contains serious drafting errors that will result in unintended consequences that will have a severe fiscal impact on counties." Analysts in Los Angeles County told the *Los Angeles Times* that if the automatic restraints that would be imposed if the initiative passes, were in place now, the county would have to cut the Sheriff's Department budget by \$37 million!

Fight Over Bolton Still Looms Before U.S. Senate

Senate Minority Leader Harry Reid (D-Nev.), speaking on CNN June 9, was very firm, that Democrats are not backing off on the demand that the Bush Administration hand over relevant information, or documents, on UN Ambassador designate John Bolton. "If they want Bolton to be Ambassador to the United Nations, give us this information. If they don't, there will be no Bolton," Reid said.

The demand for the Administration to release information about Bolton's access to classified material on Americans whose names appeared in communications intercepted by the National Security Agency, and his distortion of intelligence on Syria, has been holding up the vote on the nomination for two weeks now. Democratic Senators, led by Chris Dodd of Connecticut and Joe Biden of Delaware, have insisted that the information is necessary to come to a judgment, and have even offered a compromise, by which National Director of Intelligence John Negroponte could break the impasse.

But the White House has remained adamant, and the issue has turned into one of the Senate's prerogatives. As Dodd said, "This

is now beyond Bolton. It is a question of whether or not the Senate should have a right to information pertaining to a nominee."

As of June 10, Senate Majority Leader Bill Frist (R-Tenn.) was indicating that he nonetheless intended to bring up the Bolton nomination the following week.

Election of Washington State Governor Upheld

Washington state Judge John Bridges on June 6 upheld the election of Gov. Christine Gregoire (D), and rejected GOP claims that wrongdoing, fraud, and felon voters were the reason why her GOP opponent Dino Rossi lost. When Rossi decided not to appeal, the more than six-month contest over the gubernatorial election finally ended.

Rossi had won the initial election tally by 261 votes. He also won the mandatory machine recount by 42 votes. But Gregoire and the Democrats decided to fight.

In the final hand recount, paid for by the Democrats, Gregoire moved ahead by 127 votes, and took office as Governor. This set the stage for a showdown, as the Republicans continued to fight. The Republicans contested the hand recount in court, focusing their argument on foul-ups in the counting, and to hundreds of felons who voted illegally. But the judge rejected the method proposed by Republicans for apportioning the number of felons who voted for Gregoire, and said the burden of proof for nullifying an election was not met.

Senators Clammed Up As Greenspan Testified

U.S. Senators did not confront Federal Reserve Chairman Alan Greenspan on June 9 before the Joint Economic Committee. No Senator challenged him on the General Motors crisis. As to his lie that "the U.S. economy seems to be on a reasonably firm footing," only Sen. Jack Reed (D-R.I.) challenged him.

Briefly

BUSH'S SOCIAL SECURITY

plan is being abandoned by one Republican Congressman and Senator after another, as it becomes clear that to embrace the privatization scheme would be political suicide. These include Senate Finance Committee Chair Charles Grassley (R-Iowa) and Sen. Gordon Smith (R-Ore.), both of whom have declared that they think the President's plan is going nowhere.

THE ARMY is lowering standards for candidates of the Officer Candidate School, due to the lack of candidates under the current rules. Current rules call for officer candidates to finish their training prior to age 29, and to be "in good moral standing." Apparently, the new rules allow more flexibility in waiving minor criminal or civil offenses by potential officer candidates.

U.S. GIVES UP OPPOSING Mohamed ElBaradei. On June 9, the State Department announced after a meeting between ElBaradei, the current head of the International Atomic Energy Agency, and U.S. Secretary of State Condoleezza Rice, that the U.S. would support a third term for the IAEA head. Apparently, the U.S. had been unable to convince other nations to oppose the reappointment of ElBaradei.

CONDI RICE went on a bashing spree during a lengthy June 9 interview with PBS's Charlie Rose. Straight from her performance at the Organization of American States (OAS) meeting in Florida, where she failed to ram through the U.S.'s "democracy" agenda, Rice insisted that democracy is flourishing throughout the Mideast because of George Bush. Rice then went through a litany of attacks, hitting North Korea, China, Iran, and Syria, while telling African nations that they have to earn debt relief by fighting "corruption," governing "wisely," and opening up their economies to free trade.

Debate in Europe Intensifies Over Future of Euro Currency

by Andrew Spannaus

The future of the European common currency, the euro, is now being openly questioned, after the bombshell of the French and Dutch votes, May 29 and June 1, respectively, against the European Constitution. After years in which serious debate over the European Union's economic policy has been virtually prohibited, a public backlash is becoming an explosion, and certain political forces have begun to suggest that the euro could actually fall apart.

The outbreak of such a debate represents a major shift in the political situation in Europe, as it opens up the possibility that national governments—whether or not the euro continues to exist in its present form—may demand the abandonment of the monetarist policies represented by the institutions which govern the euro: the European Central Bank and the EU's Stability Pact, which have ripped away European nations' sovereignty in economic policy over the past decade.

The resounding French “no” vote to the European Constitution was followed by an even stronger rejection in Holland three days later. More than 60% of Dutch voters rejected the Constitution, in a referendum that left no room for doubt about where the people of Europe stand—as opposed to many of their representatives. One week later, the third blow fell: British Prime Minister Tony Blair decided to postpone Britain's own referendum on the Constitution, because it appeared headed for a two-thirds “no” vote. For all practical purposes, this means the process of forming a European super-state has been stopped cold.

A Stubborn Oligarchy

However, just as the impetus for this process actually had little to do with the real needs of Europe's people, significant

layers of the political bureaucracy in Europe are attempting to ignore the clear message sent by voters, and say that “the show must go on.” The leaders of the EU Commission, and numerous high-level officials involved in drafting the European Constitution, are maniacally repeating that these “no” votes are just a little bump in the road, and that somehow, some way, the process will continue.

These figures are toeing the line that has been pushed by the international financial oligarchy for well over a decade: that the European Union is necessary because it creates a single free-market area, in which supranational—and independent—monetary authorities can enforce a common economic policy, thus leading to economic stability and increased political weight for Europe in the world. The problem is that these free-market policies—which are no different than those the International Monetary Fund imposes on Third World countries—are actually intended to block sovereign nations from breaking with the insanity of the free market. And the results—predictably—have been disastrous. Highly industrialized countries such as Germany, Italy, and France have seen drastic reductions in their productive capacity, and the once-famed “European social model,” in which highly productive economies also provided excellent social welfare systems, is now under attack from financial vultures who demand compliance with the rules of the “market.”

The European Constitution, unlike the American Constitution (or many national constitutions across Europe), does not provide the instruments necessary for promoting the “general welfare” of the population; rather, it codifies the independence of the central bankers, and imposes adherence to balanced-budget policies that prohibit countries from in-

vesting in large-scale infrastructure and industry—the only way the crash of the physical economy could be stopped.

And the Euro?

Immediately after the French referendum, certain circles in Germany and France began to launch trial balloons regarding the future of the euro. In Germany, both the weekly magazine *Stern* and the leading economic daily *Handelsblatt* reported that the German Finance Ministry has been taking the possibility of a failure of the euro very seriously. Although Finance Minister Hans Eichel has denied that he discussed the subject with the European Central Bank, the very fact that the subject was broached in Germany, indicates that the real debate is heating up behind the scenes.

The weekly *Der Spiegel* June 6, hinted at this behind-closed-doors debate in part one of its series on the global financial crisis, titled “Balance of Terror.” The article reviewed the most prominent cases in the past of speculative, hedge fund, and other attacks, such as George Soros’s against the European Monetary System. Now increasingly, *Der Spiegel* wrote, there is a debate on the need for a new world monetary system, a kind of “modern Bretton Woods.” Without mentioning the LaRouche initiative for a New Bretton Woods, and the resolution of support April 6 by the Italian Parliament, *Der Spiegel* said, “a lot is being talked about concerning a new monetary system in private, but in public nobody says anything.”

The article quoted Prof. Peter Bofinger, a semi-reasonable (but rather weak) anti-monetarist, who cautioned that you always have to be careful that “they don’t call you a nut.” Therefore, politicians don’t touch the subject, and at best they set up a secret study group, *Der Spiegel* commented. The article noted at least that, in the ongoing “modern Bretton Woods” discussion, 1) the gold standard is not an option, nor is 2) Robert Mundell’s world currency. Otherwise everything, *Der Spiegel* said, is in flux. The article concluded with former Bundesbank head Karl-Otto Poehl, who warned, “there’s every reason to be very much afraid of the situation” in the current world monetary system.

The Italian Case

In Italy, Social Welfare Minister Roberto Maroni has made several public statements suggesting that Italy could return to its former currency, the lira. When someone suggested to Maroni that Italy could end up with an Argentina-style crisis if it were to leave the euro, Maroni said, “We’re already heading towards an Argentina, so that’s why we have to change direction.”

Other Italian Cabinet members are also discussing a return to the lira. Justice Minister Robert Castelli is quoted in the *Financial Times* June 8 saying that he doubts there is an automatic benefit from having the euro: “Does sterling have no economic foundation, because it is outside the euro? Is Denmark living in absolute poverty, because it is outside the euro?

Are Swedes poor, because they are outside the euro?” Deputy Prime Minister Giulio Tremonti is reported to have said that the euro was a “good thing” in principle, but it could have been introduced as a unit of “reference value,” allowing the Italian lira to remain in circulation.

In an interview with the Italian daily *La Repubblica* June 3, Maroni talked about the dissension at the ongoing ministerial meeting of the European Union, saying “We have been discussing for six hours, all 25 ministers, on the draft bill on the work week proposed by the European Parliament. Each one of us has a different opinion. At the end we will agree on a bad compromise. But can we go on like that? When will this Europe be able to reform the tax system or even the social state? The mere idea of that is a pure illusion. This European government is unable to face a crisis situation.”

Maroni announced that his party, the Northern League, will “launch a campaign to collect signatures for a referendum [on the European Constitution]. Meanwhile, at the next European Council of June 16 and 17, we propose that the Italian government ask that the process of constitutional ratification be stopped.”

Maroni’s statements, however, along with those of other representatives of the Northern League, must be read as part of the larger debate in Europe. The League is part of Italian Prime Minister Silvio Berlusconi’s governing coalition, and although the League has always jumped to espouse populist positions, it is likely that the party is being used as part of a coordinated strategy to bring up a touchy subject on behalf of other political forces. In fact, the European Union has just begun the process of penalizing Italy for its excessive budget deficit, and a big fight is looming over whether the EU Stability Pact criteria will be enforced strictly in this case, or whether the “flexibility” of the rules decided by European leaders earlier this year will head off a confrontation.

What is clear, though, is that with the French and Dutch referenda, a major shock has occurred, which provides an opportunity to expose the fundamental flaws behind the euro policy, and thereby create the conditions in which sovereign governments can face the current global financial crisis. On June 6, Italy’s Deputy Prime Minister Tremonti said that the results of the French referendum indicated the importance of relaunching development projects which can stimulate the productive economy in Europe. He proposed a return to the large-scale infrastructure projects of the Delors Plan from the early 1990s, as the Italian government had suggested two years ago. Such a shift, in the context of a New Bretton Woods-style reorganization of the financial system, could allow Europe to survive.

Indeed, Italian support for Lyndon LaRouche’s New Bretton Woods approach was reflected in the clearest way earlier this year when, on April 6, the lower house of the Italian Parliament passed a resolution calling for the convening of an international conference to create a new, more just world monetary system.

France's New Leaders Ignore Popular Mandate To Reject Globalization

by Christine Bierre

Friedrich Schiller, the great poet and Republican of the 18th Century, said that three elements are necessary to make world-historical changes: the right historical moment, ideas of universal import, and world-historical personalities with the courage to brave opposition in order to carry them out.

On May 29, the French population rose to the occasion, and on a silver platter, served its leaders the historical context for making sweeping changes for the better. The resounding “no” to the European Constitutional Treaty, after months of intense political debate, gave President Jacques Chirac a golden opportunity to announce fundamental changes in the economic policies adopted by France and the European Union, since the turn toward free-market globalization, away from the FDR-inspired Bretton Woods system of the post-war era.

After emergency consultations with Germany, Italy, and Belgium, all plunged into similar crisis, Chirac could have stated to the nation something of this sort: “The policies of the European Union’s Maastricht Treaty of 1992 and of the Amsterdam treaty of 1994 with its Stability Pact addendum, have led our nation into unending decline; our population to massive impoverishment. I have therefore taken the decision to reverse those policies, and to adopt once again the main thrust of the policies of the post-war reconstruction which had allowed for 30 years of stable growth and development for all, until 1974.” And the majority of the French population would have supported him.

The Last Handouts of a Dying System

Instead, that great historical opportunity found small men in the ruling elites, with neither the competence nor the courage to take on the necessary sweeping changes. Chirac reshuffled his government on May 31, replacing Prime Minister Jean Pierre Raffarin with Dominique de Villepin, who is known as an opponent of free-market liberalism. But there was a pathetic element in de Villepin’s inaugural policy speech to the National Assembly on June 8.

Although in recent months, the French elites have debated the necessity for the state to support a policy of strong industrial renewal, to stop the sharp decline of French industry, de Villepin chose instead to favor investments in the service sector, in order to “respond to the need to reinforce the social element, notably among families, the elderly, and the handi-



Service Photographique du Premier Ministre/
David Mendibourne

New Prime Minister Dominique de Villepin has the opportunity to reverse France’s disastrous course; but so far, he has blown it.

capped.” This refers to the yet-to-be-adopted plan, proposed by Social Affairs Minister Jean Louis Borloo, for 500,000 service jobs in people’s homes.

The second area in which de Villepin chose to promote job creation, is in the small business sector. There are 2,600,000 such companies, 1 million of which employ up to nine workers, while the others have no employees at all. De Villepin announced measures to induce these companies to hire more employees by reducing the government bureaucracy involved in job creation, paying the social benefit charges companies have to pay, after the 10th employee, and making a “more flexible” employment contract offered by the government. In this last category, for example, the trial period after which a worker can be fired without penalties to the employer, will be extended from the present 1-to-3 months, to 2 years, and the fired worker will receive higher unemployment pay and training for another job.

The third axis of the new government plan is directed at the 20% youth unemployment rate. Although de Villepin expressed distress at this situation, he was unable to come up with anything more challenging than state-subsidized jobs for 100,000 youth in the Administration and within associations. From now to September, de Villepin declared, 57,000 youth,

who have been unemployed for more than a year, will be offered a job by the unemployment offices, and 20,000 youth with no diplomas and particularly difficult situations, will be offered national defense jobs, including training programs.

In coherence with U.S. Federal Reserve Chairman Alan Greenspan's statements that "we have promised too much to the seniors," the Villepin plan also clears the way for those over 50 to come back to work. The Administration will be eliminating age limits for employment, along with special taxes which discourage their employment.

What happened, then, to the more ambitious proposals raised in the aftermath of the "no" vote, which plunged the country into crisis? From within the present right-wing government majority, a group around Jean-Louis Debré, president of the National Assembly and son of President Charles de Gaulle's Prime Minister, Michel Debré, as well as Deputy Patrick Ollier, called for massive public investments in the area of infrastructure. This would require that the government violate some of the rules of the Maastricht Treaty and the Stability Pact, such as limits to state indebtedness and deficits, and proscriptions against public works.

The daily *Le Monde* also referred to a call by Social Affairs Minister Borloo for rapid Franco-German action to solve the economic crisis on both sides of the Rhine. "A joint initiative could indeed be one of the major axes of the economic policies of Dominique de Villepin," stated *Le Monde*. "The idea is progressing rapidly. Its content to be determined. Will it be grand public investments as M. Debré is calling for, or rather initiatives for exports, innovations, research or perhaps social and fiscal reforms?"

The only type of idea like this in de Villepin's speech is a general commitment to create the Agency for Industrial Innovation, as proposed by Jean Louis Beffa, CEO of St. Gobain, one of the top French multinationals, with a capital of 500 million euros. But of the list of projects proposed by Beffa for joint public/private R&D efforts, de Villepin chose to name the least advanced technologies, such as solar energy and biofuels, instead of the fourth-generation nuclear reactors and the hydrogen combustion engine, where France is a research leader.

De Villepin called for this initiative to be open to other European countries, in particular Germany, and said that France intends to increase its R&D effort to 3% of the GDP.

Why didn't de Villepin adopt Debré's and Ollier's demands for deficit spending to launch great projects? Because of massive blackmail by the heads of the Finance Commissions of the Senate and the National Assembly, according to the daily *Libération* June 9. *Libération* reported that after two days of lobbying by Debré and Ollier for their program, Pierre Mehaignerie, president of the National Assembly's Finance Commission, and Philippe Marini, secretary of the Senate Finance Committee, met with de Villepin and threatened that if he circumvented the Stability Pact, he would face "political consequences."

Specifically, these elitists stated, according to a participant in the meeting, that they would oppose him in the vote-of-confidence de Villepin planned after his speech, thus provoking a full-fledged crisis in the new government. De Villepin therefore decided to stick with the Stability Pact constraints, and raise money for his program from privatizations and ending Chirac's policy of tax reduction for the wealthier.

The False vs. the Real French Model

Although we had hoped that de Villepin, the great challenger of the Iraq war at the United Nations, would wage a more courageous fight against the European bureaucracy, we had also expected him to have a better knowledge of the French social model which his program purports to defend. That model is not the neo-liberal turn in France in 1983, which created massive unemployment and poverty, and then called on the state to develop the kinds of charity policies to keep people busy, consuming—and not protesting. That view makes the state into a lady-do-rightly against the injustices provoked by the oligarchical neo-liberal system.

The *real* French model follows the dirigist Jean Baptiste Colbert (1619-1683), whose system was revived in the New-Deal-inspired post-war years and during de Gaulle's reconstruction boom. At the heart of the Colbertist system was the Academy of Sciences, which oriented research towards the great scientific and technological programs necessary for the advancement of the nation. Man must take care only of the greatest works, stated Colbert, who in 10 years made France the most industrialized nation of Europe. Colbert fought to educate people, and to pay them high wages, and even social security, because, he said, a good wage-earner is a person who pays the taxes needed by the state to promote the public good. At the heart of the Colbertist system are productive jobs, by which man transforms nature, producing real wealth, not administrative or service jobs.

This is the same cultural matrix that animated de Gaulle's *Force de Frappe*, the independent nuclear deterrent, as well as the civilian nuclear and space programs.

At this point, the strong message sent by the population to the French elites has gone totally unheeded, both by the present government majority, as well as by the Socialist Party. The Socialists responded to the "no" vote by purging from leadership those who fought for the "no" vote, like their vice president, Laurent Fabius, who had chosen to defend the population against the financiers now running the European economies. In the left wing, however, some are calling for a recomposition of the entire left, founded on policies that reject the neo-liberal turn of 1983.

The LaRouche cothinkers in France, led by Jacques Cheminade, will be working to make sure that this time, a population enraged at its small-minded leadership, orients towards a positive perspective of economic reconstruction for the Europe and the Eurasian continent, instead of an impotent response of Jacobin rebellion.

Start Now Building 28 U.S. Nuclear Plants!

by Marsha Freeman

Forecasts for this Summer are that entire sections of the United States, particularly the West and East coasts, will likely experience brownouts and blackouts, because of shortages of electricity. If millions of manufacturing jobs had not disappeared over the past 30 years, capped by tens of thousands of layoffs recently announced in the automobile and related machine-tool industries, this country would have already reached Third World conditions, where electricity is rationed and available for only a few hours per day.

Congress must act now, and reverse the policies of deregulation, financial manipulation, “environmentalist” sabotage, and “free market” government non-intervention that led to the take-down of the nation’s most productive technologies, and the halt to the construction of new nuclear power plants.

There are currently 103 nuclear power plants operating in the United States, with a capacity of 98,000 megawatts (MW). During the decade from the mid-1970s to mid-1980s, an equal number of nuclear plants that had been ordered were cancelled, which would have provided an additional 107,000 MW. Rather than being 20% nuclear today, more than half of this nation’s electricity could, and should have been, produced by nuclear power *a decade ago*. Had that momentum continued, we would not be burning coal today, or worrying about the skyrocketing price of natural gas.

The Bush/Cheney Administration “energy policy,” centers on billions of dollars of tax giveaways to their oil and gas patrons, but includes a sop to the nuclear industry. The idea is to coax utilities to order one or two new nuclear plants over the next five years. Congress has tried to add incentives, by proposing that the government provide, or at least guarantee, loans for new plant construction. These measures do not address the problem; nor are they the solution.

We must immediately return to a Federally directed program geared to maximize the use of a variety of nuclear technologies, and return to rates of growth in energy production that are triple those that exist in today’s depression economy. This is a prerequisite for global economic expansion.

The approach must be the one taken by President Franklin Delano Roosevelt. Through the creation of the Tennessee Valley Authority, the Rural Electrification Administration, and other legislative and executive initiatives in the 1930s, President Roosevelt made it the responsibility of the Federal government to provide the citizens of this nation with the

electricity that would bring them a modern, industrial standard of living. The Public Utility Holding Company Act (PUHCA) of 1935, and other legislation, mandated *by law* that regulated electric utilities must provide reliable and affordable electricity to every American. It made it illegal for utilities to use their financial holdings as gambling casinos, through stock-market pyramid schemes comparable to today’s derivatives market.

Two decades later, when the Atomic Energy Act was signed into law by President Dwight Eisenhower in 1954, it made it the policy of this nation to develop and deploy civilian nuclear power. Nothing less than that national commitment will remove the “environmental,” regulatory, and Wall Street/financial obstacles to building new nuclear plants.

It is not good enough to improve the “business environment,” so a now largely deregulated and highly concentrated utility industry will be “induced” to build nuclear plants. There can be no quarter given to anti-growth “local concerns.” We are in the midst of a national economic emergency.

Start With ‘Brownfield’ Plants

Among the 104 nuclear power plants that were cancelled 30 years ago, approximately one third were to be additional units at sites already housing at least one operating nuclear power plant. Construction of those 28 cancelled plants must begin immediately.

At these “brownfield” sites, where there is at least one operating plant, a skilled workforce is available, and site-preparation work was already done. The overall transportation, energy, and other infrastructure is in place. In some cases, the infrastructure for the additional unit was also in place, and construction of the reactor had begun. At the Tennessee Valley’s Watts Bar 2 unit, for example, the plant was 80% complete when construction was stopped.

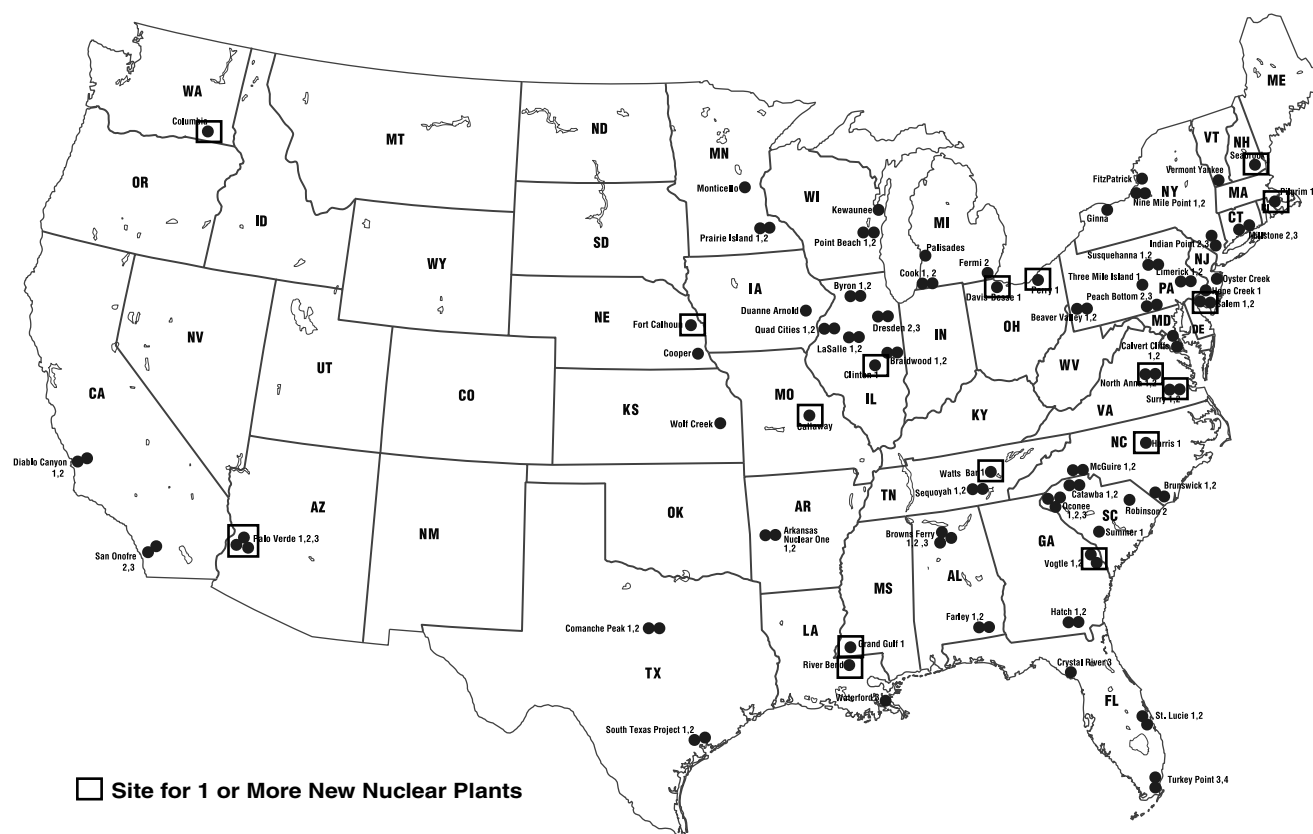
It was the cancellation of more than 100 nuclear plants that planted the seeds of destruction of our world-class national electric grid system. And the effects are not seen anywhere more clearly than on the West Coast of the United States.

Four years ago, California suffered rolling blackouts, soaring electricity prices, and the bankruptcy of its largest electric utility company. Although it was the energy pirates, led by Enron, which orchestrated the crisis, it was the fact that the “counterculture” state had built virtually no new power plants or transmission lines in decades, that made the deregulated market manipulation possible.

California, and the rest of the Western states, would have no energy shortage, if the nuclear plants that were cancelled had been built. In the 1960s, Pacific Gas & Electric, which is now in bankruptcy reorganization, projected that it would be entirely nuclear by the 1980s. Nuclear-powered desalination had been part of California’s energy and water plan. Instead, today farmers are fighting over limited supplies of water with cities that use electricity produced from dams in the drought-stricken West.

FIGURE 1

Ready Sites for 28 New Nuclear Plants, at 17 Current Nuclear Power Locations



Source: Nuclear Energy Institute.

In 1973, the Washington Public Power Supply System (WPPSS) began construction of its first nuclear power plant, Unit 2, on land leased to the utility by the Federal government, at the Hanford nuclear reservation. Two years later, Unit 1 was under construction, and three years later, construction began on Units 3, 4, and 5.

After Federal Reserve Chairman Paul Volcker moved to wreck the U.S. economy in October 1979 by raising interest rates to double-digit heights, WPPSS estimated that it would cost \$23.8 billion to complete all five reactor units, because interest rates had soared to 16%. Wall Street considered the project financially unfeasible. In 1982, construction was halted on Unit 1, which was more than 60% complete. The next year, having run out of funds, WPPSS stopped work on Unit 3, which was 75% complete. WPPSS went bankrupt, and today, only Unit 2 is operational.

The previously operating Trojan nuclear plant in Oregon and the San Onofre unit in California have been shut down, because the utilities refused to invest in the upgrades, maintenance, and refurbishment needed to bring these older plants up to regulation standards.

During the 1980s, the Tennessee Valley Authority, which

had undertaken the largest nuclear construction project in the world, cancelled a whopping 11 nuclear plants. But with the Southeast now short of power, TVA has reconsidered, and is spending \$1.7 billion to upgrade and reopen its shuttered Browns Ferry Unit 1 plant.

How quickly could these 28 previously cancelled plants at brownfield sites be put on line? Nuclear experts advise that although about a dozen of the plants were more than 50% complete at the time they were cancelled, they have long-since been stripped of any usable equipment, and today's more advanced reactor designs should be built in their place. General Electric builds modern, safe, and efficient standardized nuclear power plants in Japan in 48 months, and there is no reason that cannot be done here.

This will require the reassertion by the Congress of the general welfare clause of the United States Constitution.

Former Washington State Governor Dixy Lee Ray had proposed in the early 1980s that if the private utilities could not complete the WPPSS nuclear plants, they should be built on the Federally owned Hanford nuclear reservation, outside the clutches of Wall Street and the environmentalists. Where there is the political will, there is a way.

Nuclear Plant Designs Ready To Be Built Now

by Marjorie Mazel Hecht

For an industrial nation that has a large demand now for electric power, 600- to 1,300-megawatt advanced standardized nuclear power plants are the most efficient way to go. Three standardized U.S. designs for advanced nuclear plants are approved by the U.S. Nuclear Regulatory Commission (NRC), and ready to be built: the Westinghouse AP-600 and AP-1,000 and the General Electric Advanced Boiling Water Reactor (ABWR). Another plant design, the ABB System 80+ (designed by a company now also owned by Westinghouse), is also certified.

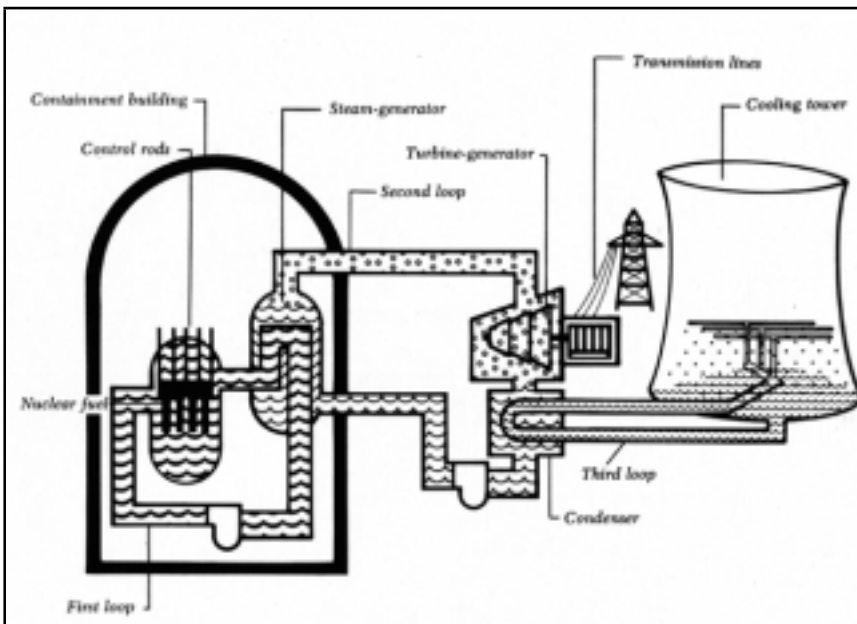
The certified design means that construction for the plants could start as soon as a company, or consortium, decides to build a plant, on an already approved site. Because the plant design is certified as meeting NRC safety requirements, there should not be the kind of delays that stalled construction of some plants in the 1970s, dragging out a 4-6 year process into 10 or more years.

The standardization of design is important. Many of the delays in building previous U.S. reactors came from individual adaptations, which made each reactor unique. The lesson of the French nuclear system (France is nearly 80% nuclear) is that turning out standardized reactors is faster, cheaper, and safer.

Note that the fourth-generation high-temperature modular reactor designs, General Atomics' GT-MHR and South Africa's PBMR, both of which use ceramic fuel and a direct-conversion gas turbine (no steam cycle required), are also design-ready, but they have not yet gone through the NRC certification process. (By law, the certification process, has to be paid for by the reactor designer, and costs millions of dollars.)

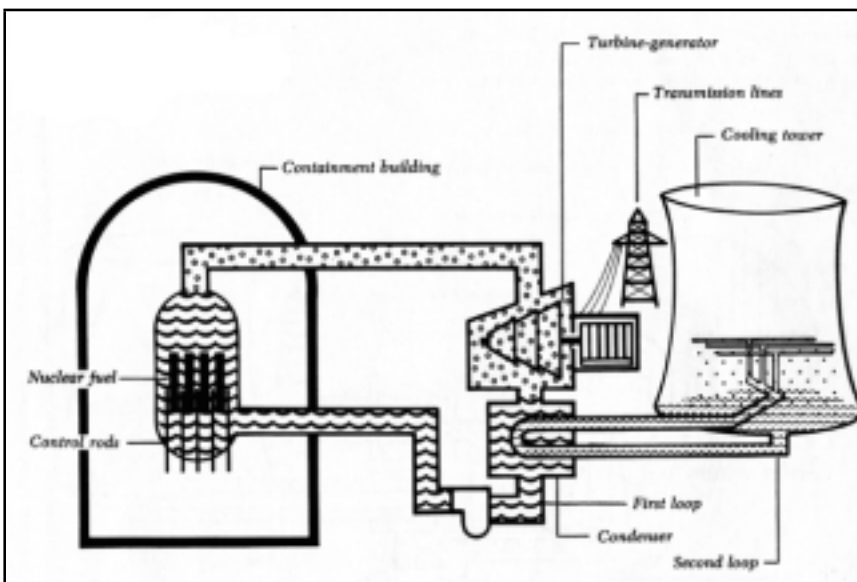
General Atomics is building its prototype of the gas-turbine modular

FIGURE 1
Pressurized Water Reactor



Source: DOE.

FIGURE 2
Boiling Water Reactor



Source: DOE.

helium reactor in Russia, and South Africa's PBMR is in the process of building its pebble-bed modular reactor for the nation's utility, Eskom; with adequate funding, both of these prototype plants could be on line by 2009-10.

Inside the Reactors

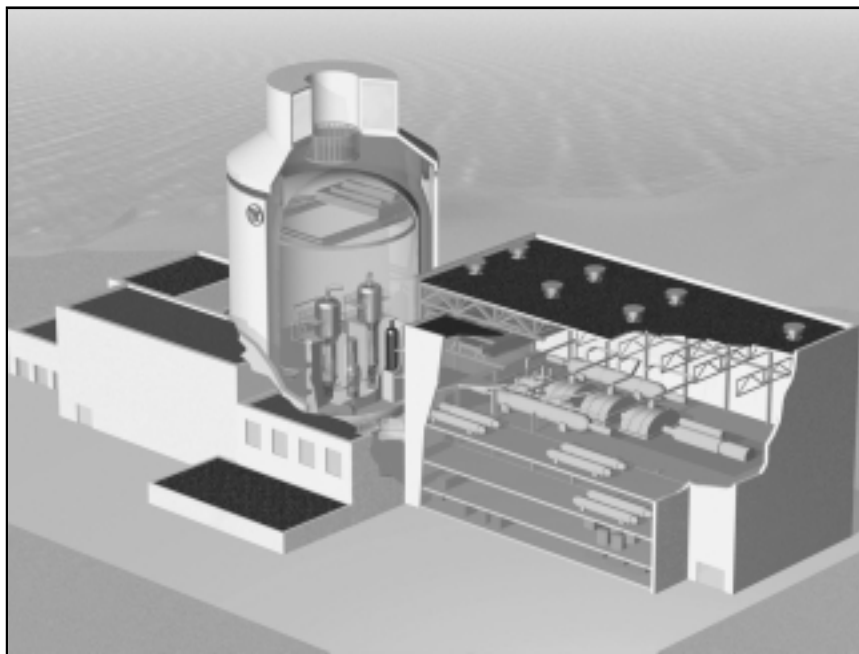
Most of the world's 440 operational nuclear plants are light water reactors. The two basic types in operation are shown here schematically in **Figures 1** and **2**: pressurized water reactors and boiling water reactors. Like other types of power plants, a source of heat is used to boil water into steam, which then turns a turbine to create electricity. The heat source in these plants is a sustained nuclear fission reaction, which results from the splitting apart of uranium atoms.

The main difference between the two plants is that the pressurized water reactor has an additional "loop," which goes from the steam generator to the turbine, while the water in the boiling water reactor boils inside the pressure vessel itself, producing steam that directly turns the turbine generator.

Other types of nuclear plants include the breeder or fast reactor, which can create more fuel than it consumes, and the high-temperature gas-cooled reactor, whose higher heat output enables it to be coupled with industrial processing that requires a high temperature. There are many other reactor designs that could be developed, and some of these designs are in the process of NRC certification.

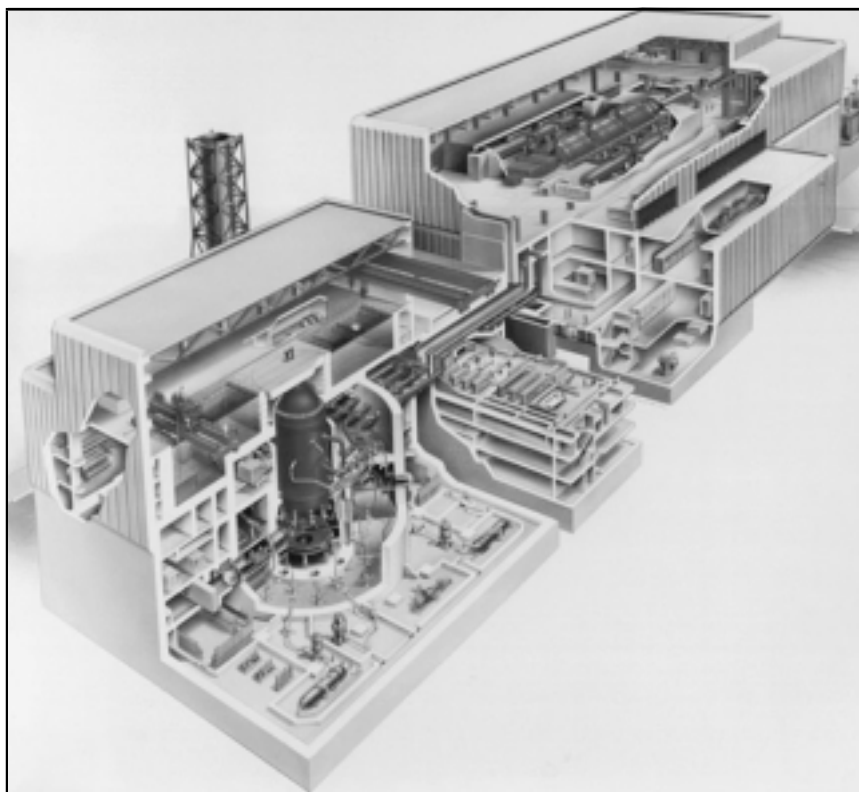
The two standardized designs shown in cutaway views (**Figures 3** and **4**) are more compact than previous reactor designs, with passive and improved safety systems, more modular prefabricated (and thus less costly) components, and simplified operational systems. The Westinghouse AP-1,000 can be put on line in 36 months; the General Electric ABWR can be put on line 42 months. Two of these ABWR models (at 1,356 megawatts each) went on line in Japan in 1996 and 1997, built in partnership with Toshiba and Hitachi.

FIGURE 3
Westinghouse AP1000



Source: Courtesy of Westinghouse Electric Corp.

FIGURE 4
General Electric's ABWR



Source: Courtesy of General Electric Co.

Editorial

A Constitutional Solution

“We need a new system in Europe and world-wide, whereby the leading nations establish an alliance which must be based on two principles: 1) the idea that governments only have legitimacy, if they are committed to the General Welfare—a requirement which is already anchored in Article 20 of our Basic Law; and 2) a new world economic and financial order based on the principles of the Peace Treaty of Westphalia. On this basis, such a New Bretton Woods system of sovereign nation-states must be negotiated—an alliance which, acting as a community of principle and in partnership, will determine what the new system should look like. The old Bretton Woods System can, in the meantime, serve as the principled basis for beginning to undertake improvements in the interest of the developing nations.

“If Chancellor Schröder fails to announce such a program on June 13, I shall declare my own candidacy for the office of Federal Chancellor, because it is not acceptable that there be no Chancellor candidate who defends the General Welfare and the Basic Law. . . .”

With this June 10 statement, which is printed in full in our *Feature* package, Helga Zepp-LaRouche stepped up to fill the vacuum of leadership in the European political situation, in the wake of the resounding rejection of the Synarchist European Constitution in recent referenda. Her action, to defend Germany’s Constitutional commitment to the General Welfare, is a model for patriots of all countries, in a time of crisis that is equal to, if not worse than, that preceding World War II.

That statement applies as well to the situation in the United States, where the vacuum of leadership takes the form of the empty head of the occupant of the Office of the President. Under these extraordinary conditions, as Lyndon LaRouche has consistently pointed out, it is incumbent upon the U.S. Congress, especially the Senate, to take the necessary steps to defend the Constitution, by vigorously asserting the economic solutions to the crisis we face.

The problem lies with the fact that so few leading political figures today understand the American Constitutional framework which is necessary to solve the economic-financial crisis. Lyndon LaRouche and his associates have been virtual prophets crying in the wilderness

over the past 30 years, in not only warning of the dangers of globalization turning into global fascism, but also of presenting the emergency measures to be taken by the Federal government, in order to begin to rebuild the nation. At great length, LaRouche has put forward both the specific FDR-style measures, and the indepth scientific principles behind them, in order to educate both the electorate and the Congress. Much too often, the response was that people either denied the reality of the crisis, or just didn’t want to make the effort to understand the scientific principles required.

As the extraordinary events of the last six months have shown, LaRouche’s approach has begun to get the attention of leading Democrats in the Congress. An intensive dialogue, even in public fora such as international webcasts, has taken place on the specific measures that must be taken to put the economy back on track. The idea that the nation’s economic health depends upon mobilizing the physical economy, something which LaRouche polemically insisted upon throughout his 2004 presidential campaign, has finally begun to sink into the heads of individuals who had brainwashed into believing that economics meant money, not physical production.

The U.S. Constitution provides the framework for the Congress to act on these economic principles *now*, even as the German Constitution permits such a fight in Germany. The good news is that leading circles in the Democratic Party are moving in the right direction, toward working with LaRouche, but it is not at all clear that they are moving fast or far enough.

In this respect, it is impossible to overstate the importance of LaRouche’s webcast on June 16, in which he will address the specific measures that must be taken in Washington, D.C., which is the strategic pivot for saving the world situation. LaRouche’s last three webcasts played an indispensable role in making a Constitutional solution to the Bush Administration disaster possible. This one must be the occasion for a giant and decisive step forward, toward restoring a United States that FDR, and our Founding Fathers, would be proud of. Tune in to www.larouchepub.com for either the live event (1 pm Eastern Time), or the archive version, and take up your responsibility to shape history.