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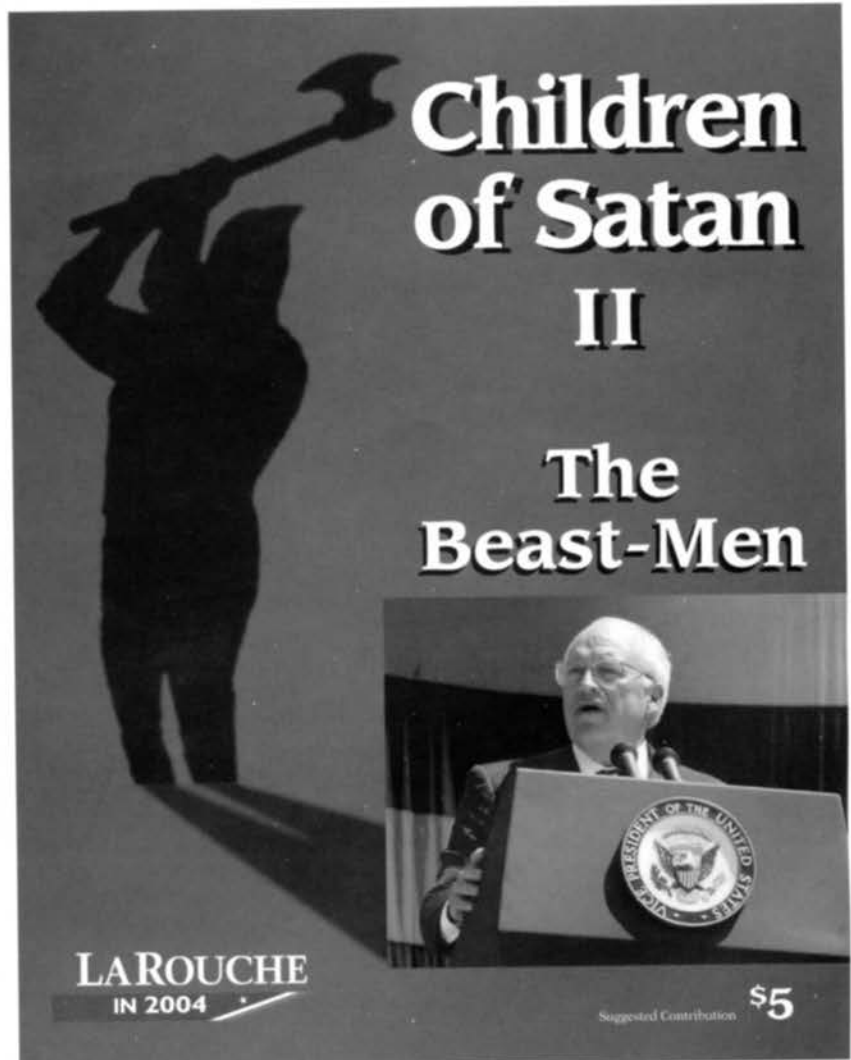
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From the Associate Editor

LLyndon LaRouche's "Terror on World-Wide Main Street" statement, which introduces this issue, is also going out in 1 million copies as a leaflet of his Presidential campaign committee—with a particular focus on distribution in Washington, D.C. Everywhere, people reading this article are coming forward to express their dismay at both President Bush's "April Foolishness," and John Kerry's failure to challenge it in an effective way.

Our *Feature* fleshes out LaRouche's points, including an analysis of what lies behind the Commerce Department's faking of the job figures, and related insider trading; the real story of building hyperinflation; and a report on Kerry's inept "me too" economic program. Where Kerry vows to repeat the "boom years" of the Clinton Administration (when the bubble began to inflate in earnest), LaRouche insists on a turn toward the tried-and-true solutions of President Franklin D. Roosevelt. That means overturning the economic axioms of *both* the Clinton and Bush administrations! We print some of LaRouche's statements on this central issue (see also the book review of Robert Jackson's "Insider's Portrait" of FDR).

The other top story, of course, is the debacle in Iraq, and the vindication of LaRouche's charges against Dick Cheney and the Bush Administration neo-cons. Around the world, analysts are comparing America's policy to the worst military disasters of history. Sen. Robert Byrd, the Senate's "voice of conscience" on this issue, said on April 7, "Surely I am not the only one who hears echoes of Vietnam" in the calls for increased U.S. troop involvement in Iraq. He also recalled the 1864 Battle of Balaclava, described by Alfred, Lord Tennyson, in his poem "The Charge of the Light Brigade" ("Someone had blunder'd. . ."). Retired Army Col. Andrew Bacevich, writing in the *Los Angeles Times*, is reminded of Algeria, where the French were defeated by urban guerrilla warfare. And British military historian Prof. Corelli Barnett, speaking with *EIR* on April 8, spoke of the Battle of Stalingrad: "You have, in both cases, a top leadership absolutely refusing to face operational reality."

The effects of this policy disaster on the U.S. military, and the opposition to it within the intelligence community and elsewhere, are reported in *National*.

Susan Welsh

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Terror on Worldwide Main Street: President George Bush's April 2

by Lyndon H. LaRouche, Jr.

Release on April 3, 2004 by the LaRouche 2004 campaign.

April Fools' Day came a day late this year.

On Friday, April 2, the pack of ghouls and goniffs otherwise known as President George W. Bush, Jr.'s campaign strategists, pulled one of the dumbest publicity stunts in modern history, with the way in which they, and Federal Reserve Chairman Alan Greenspan, orchestrated the fraudulent reports intended to convince the world's dumbest suckers that there is an ongoing uptick in the already stumbling, bumbling, broken-down U.S. economy.

Some days the official hangman called in sick, but, he did not neglect his duties for long. The world financial system might not blow up on Monday, but poor silly Bush has pulled the pin on the detonators; the world's financial mine-field could blow this coming week, or it might not; but, it is now ready to blow on almost any week, or day. The delusion that the blowout of the world's monetary-financial system could be postponed until after the November U.S. general election, has left the department of economics, and moved over to the department of clinical psychopathology.

Notable, is the pathetic reaction to this news by presumptive Democratic Presidential nominee Senator John Kerry. Whether the foolish statement issued by Senator Kerry was his own idea, or that of influential pressures on his campaign from DNC circles, is not settled. However, the fact that he would utter such a foolish statement, warns us that he is not yet up to the challenge of being the next President of the U.S. Unless I am allowed to take over the direction of the 2004 Democratic campaign, Kerry, with his present advisors, will be assuredly a disaster. Not only candidate Kerry, but the entire current pack of the Democratic Party's 2004 campaign bosses have also goofed, big time. President Bush is clearly a basket-case, but the current Democratic Party leadership is not that much better. The question is: Is the judgment of the voters currently much better?



He's at it again—this time declaring an end to all economic problems! The President's—and his Cabinet's—besotted celebrations of their faked March jobs report backfired into a bond-market plunge, and shifted the financial system toward collapse.

1923 and Now

Those who know little or nothing about economics (such as the typical Baby-Boomer among today's government officials, university economics professors, business management, or the journalists generally), challenge me: "How dare you claim that you can predict a crash? What are you, some kind of conspiracy-theorist nut? Show me your Wall Street charts to prove your predictions."

First of all, I never predict, I leave predicting to fools who refuse to recognize that history is the history of voluntary choices of policy. I forecast in ways which take the voluntary factor in economy into account. Let those whining complainers explain how and why I have been, on the record, the most successful long-range economic forecaster during the recent four decades.

First, of all I base myself chiefly on long-term physical-economic trends, rather than merely monetary-financial trends. Second, what I forecast are two kinds of developments: first, the entry of the economy into an area of its history called a "boundary-condition"; second, I describe that boundary-condition in terms of the principal, opposing choices of policy, among which society will have to choose as that boundary-condition is approached.

In dealing with the kind of international breakdown-crisis which the silly Bush Administration set off on Friday, we must recognize the way in which decisions made in the setting of October-November 1998, unleashed a policy of unleashing a "wall of money," in the effort to overpower the ongoing threat of a general collapse of global financial-derivative markets. Since that time, the rate of creating new volumes of money needed to flood, and thus prop up financial markets,

has generated an accelerating spiral of inflation globally. While the U.S. physical economy has continued to contract, the rate of issue of monetary aggregates has increased at a self-accelerating rate. This development is to be compared with Germany 1923, when the effort of the German government to prop up the economy with printing-press money unleashed the June-November 1923 hyperinflation which blew out Germany's financial system.

In an economy dominated by the post-1987 policies of Alan Greenspan's Federal Reserve System, inflation can be controlled only by, chiefly, looting the physical wealth of the United States and foreign peoples. As this looting approaches an asymptotic limit, the rate of hyperinflation needed to delay a systemic collapse tends to move more and more in a nearly straight-upward direction, as was the case in 1923 Germany. The steepness of this curve of hyperinflation becomes what physicists call a "boundary-condition." At that point, a general disintegration of the existing monetary-financial system becomes inevitable, as for the Americas, Japan, and Western and Central Europe today.

When we have entered such a boundary-state, slight perturbations are sufficient to set off the kind of explosion-collapse which is implicit in any hyperinflationary spiral, such as a "John Law" spiral. Prudent management can delay the explosion, to a certain degree; reckless moves will have an effect like stepping on the detonator of a minefield. Poor, dumb President Bush, with no idea at all of what he was actually doing, stepped on an eager detonator on April 2, 2004. What a way to celebrate April Fool's Day, even if one day late.



On John Kerry's pathetic "good news" reaction to the April 2 jobs-report trickery: "Not only candidate Kerry, but the entire current pack of the Democratic Party's 2004 campaign bosses have also goofed, big time. President Bush is clearly a basket-case, but the current Democratic Party leadership is not that much better. The question is: Is the judgment of the voters currently much better?"

What We Must Do

In dealing with a hyperinflationary system which is reaching the bursting-point, no tinkering within the rules of that system will succeed in dealing with the threat of a general physical collapse of the economy. Only a sudden and radical change of the rules of the game which is the present system, could prevent the kind of otherwise inevitable catastrophe which is threatening the United States and its people, right now, while well-meaning, but economics-ignorant Senator Kerry bumbles and fumbles the challenges posed by the events of Friday afternoon.

The changes which are required in the U.S. are echoes of President Franklin Roosevelt's response to the depression created by such rightwing predecessors as Coolidge, Mellon, and Hoover. The Roosevelt precedent must be chosen by us for three overlapping reasons.

First, it represents a precedent which succeeded under circumstances with marked resemblance to the doomsday crisis hitting us today.

Second, although variations might work, on paper, as well as, or better than, FDR's, in politics, we must hope we can avoid any sudden, drastic action which does not enjoy the credibility of borrowing from a proven, relatively successful precedent, preferably a precedent taken from the experience of the same nation. That is the reason no Presidential candidate could be truly qualified for the kind of crisis immediately facing us today, unless he or she were a steadfast adherent to the excellent tradition of FDR Democracy. A critical understanding of relevant precedents is the first prin-

ple of practice in politics.

Third, the chief immediate obstacle to a successful recovery action, comes from the members of the same type of international financier oligarchy, such as those financiers associated then with England's Montagu Norman and Hjalmar Schacht, which put Hitler's allies among the fascist regimes of continental Europe into power during the 1922-45 interval. The obscene spectacle of the effort to collect the Argentine debt, is an example of the mentality and methods of that same financier oligarchy, today, as then.

A Democratic Party which needs money for its campaign, tends, therefore to seek financial support whence large financial support is apparently available, the very type of financier oligarchy which formerly gave the world Mussolini, Hitler, Franco, and so forth, back during the 1922-45 interval. That is why Democratic National Chair Terry McAuliffe behaves as insanely as he does.

There is one alternative to a bankers' dictatorship in the United States today. Instead of running for money, as the DNC of today is doing, run with a mobilization of the people, especially the lower 80 percentiles of family-income brackets which the DNC has treated so shabbily for about 30 years. I speak for the people's interests, all of our people, as the principles of natural law set forth in our Declaration of Independence and Preamble of our Federal Constitution attest.

People, make your choice! You choose your candidate, or the bankers who virtually own today's party machines will make the choice for you, as the bankers did in Germany in January-February 1933.

April 2 Fake 'Recovery' Could Kill the System

by Lothar Komp

President George W. Bush's re-election strategy was based on a glorious victory in Iraq and a great economic boom at home; however, the Iraq situation is growing worse by the day; and in spite of an incredible amount of so-called stimulus to boost the economy—tax cuts by the Administration and interest rate cuts by the Federal Reserve—the recovery simply refused to materialize. Yes, some ingenious statistics experts at the U.S. Commerce Department had been able to calculate a spectacular 8% growth rate for the Gross Domestic Product in the fourth quarter of 2003. But as jobs and wages remained stagnant or shrinking, people were losing faith. At the same time, the renewed stock market bubble at Wall Street, based on the promise of an imminent economic boom, was about to go into crash mode again.

So, Bush called in his team and said: "I want my recovery now. A recovery with jobs." It took some time, but finally the President received what he was calling for: It's April Fools' Day, and the President and his economic advisors are very happy. They have just received the latest jobs report by the Labor Department and here are 308,000 new jobs in March. For more than three years, the Administration had been blamed for the loss of several million jobs in the U.S. economy. Now the world has changed. The "recovery" is here!

Unfortunately, certain things go wrong the next day. Until 8:00 a.m. New York time, nobody besides the President and his Council of Economic Advisors knows the great news—no journalist, no broker, not even the Federal Reserve. That's according to strict embargo regulations. At 8:00, a group of journalists sitting in a special room at the Labor Department, with restricted communication and tight security, are handed the jobs report, to prepare their stories to be released no earlier than 8:30. But already two minutes before that time, global financial markets go wild. Suddenly, huge volumes are being traded at U.S. and European bond markets. Some seconds later, currency markets are effected. And there is strong demand for certain economic derivatives—bets on the outcome of economic reports—offered by Deutsche Bank and Goldman Sachs. Describing the unusual developments, HSBC currency expert David Bloom said later: "Before the payrolls [report] is released, you can normally hear a pin drop, there is a hushed silence. But suddenly two minutes before the numbers, there was extraordinary activity, a crescendo, a cacophony."

Within a few hours, the U.S. dollar and stock markets worldwide are zooming up, bonds are being sold off, and the gold price dives by \$12. Those who started trading already at 8:28 could have generated profits or prevented losses in the billions. First, it's believed that "Reuters" leaked the jobs report two minutes early. But this issue required clarification: Who else could have caused the insider trading? Did one of the President's economic advisors, after the April Fools' Day champagne in the White House, call up his broker or make a euphoric remark to a golf club comrade? The Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), and the Labor Department are investigating.

Bond Markets in Panic

More important than the insider trading affair is another outcome of the jobs report: the most dramatic fall of U.S. bond markets in six years. Chances of an interest rate increase by the Federal Reserve before the November election had been assessed as very low; but suddenly, due to the new data pointing to a "recovery," the prospect of a rate increase by August, or even at the Fed's FOMC meeting on June 29, was on the radar screen. The immediate consequence was a huge sell-off on bond markets on April 2, pushing up the yield of ten-year U.S. Treasuries from 3.89% to 4.15%. That 26 basis points was the biggest one-day increase since the LTCM hedge fund bankruptcy nearly sank the global financial system in Autumn 1998. For two-year U.S. Treasuries, the yield shot up by 23 basis points from 1.62% to 1.85%. As long-term bond yields are the basis for defining mortgage interest rates, the average 30-year mortgage rate increased to 5.52% on April 2, compared to 5.40% in the week before, according to Freddie Mac, and rose further the next week. Stock prices of mortgage lenders, home builders, and home improvement retailers were plunging. Thanks to the President's "recovery," the ultimate collapse of the bond and mortgage bubbles had come a step closer.

Why is this the case? First of all, there is no "recovery." The 308,000 new jobs in March are basically a fiction created by sophisticated methods to assess developments on the job market. As an example, the Bureau of Labor Statistics (BLS) isn't able to get timely data on job creation through start-ups. So, the U.S. Census Bureau has developed a software called "X-12 ARIMA" which "imputes" such jobs based on certain assumptions. The computer model assumes that the more companies "die" in bankruptcy, the more companies at the same time will be "born." From earlier surveys, going back to the "New Economy" bubble years of the late 1990s, they have calculated a certain "jobs death/jobs birth" ratio. A parameter for the average amount of new jobs per start-up has to be put into the equation as well. In summary, as the number of bankruptcies and liquidations of small firms went up sharply in March, the "X-12 ARIMA" software produced—

assumed—153,000 new jobs for that month, and assigned those jobs to sectors of the economy where it *assumed* they had been created.

Another 20,000 of the “jobs created” were West Coast grocery workers, who had been on strike for months, going back to their existing jobs.

Further massaging came from the BLS’s new “concurrent seasonal adjustment” method, adopted late last year. While being tested over 18 months in 2001-02, before its adoption, this method calculated some 300,000 jobs *more* than the old seasonal adjustment then in use, according to BLS reports. No wonder it recommended itself as—and what has now become—the BLS’s exclusive method of seasonal adjustment.

Another strange element of the job “recovery” story is that a separate survey of households showed a rise of U.S. *unemployment* in March by 182,000.

In a real recovery, incomes of private households and profits of corporations go up, and the typical increase of interest rates in such periods can be handled. A fake recovery, however, which boosts interest rates only, will force households and corporations into bankruptcy. This time it’s even worse. The U.S. economy as well as world financial markets have plunged into a systemic crisis. Trying to postpone the ultimate disintegration of the world financial system, central bankers have spent recent years printing money at ever higher rates and channelling the new liquidity into the various financial markets. The liquidity not only produced the biggest financial asset bubbles in history—first on stock markets, later on bond and housing markets—but at the same time the biggest credit expansion in history.

In the United States, the credit generation not only in absolute terms, but also relative to the size of the economy, is now bigger than in the years immediately preceding the Great Depression in the 1930s. Every year, more than \$2 trillion of new debt is being added in the form of government and corporate bonds, credit card debt, other consumer debt, and most of all, mortgage debt of private households. This giant pile of debt—\$35 trillion in the United States alone—would have collapsed long ago, had interest rates not been pushed down to historic lows. But exactly that is now going to change. Long-term interest rates have already started to pick up dramatically since April 2.

‘Anything But Treasuries’

Some bond market arithmetic might help to explain these shock effects. A bond issued by a government or a larger corporation promises a fixed income stream over a prolonged period. Let’s say an investor buys a ten-year bond with a nominal volume of \$10,000 and a fixed interest rate of 4%. The investor knows that if he holds the bond until maturity (and the bond issuer doesn’t go under in the meantime), he will receive \$400 in each of the next ten years and finally the \$10,000 principal. But what is \$400 worth several years from now? What does it mean, in terms of present dollars, to receive

\$10,000 in ten years?

To assess these questions, funds investing in bonds make the following calculation. First, they estimate the average interest rate on markets over that period. This gives the “natural growth rate” of money. The fund managers assume, that any capital will inflate according to this average interest rate. If, for example, the average interest rate over the next ten years is 6%, any dollar now means \$1.79 in ten years. Looking at it another way, it would be stupid to pay more than \$5,590 now for the promise of a \$10,000 payment in ten years. A similar calculation is made for all the future \$400 interest rate payments. In total, this method defines the present “net worth” of the \$10,000 bond. It’s obvious that any change in the assessment of future interest rates immediately requires a recalculation of the “net worth” of any existing bond contract. Once it is believed future rates will be higher than previously thought, the prices of circulating bonds, which investors trade hundreds of times before maturity, go down. On April 2, they plunged dramatically. Now anyone who tries to issue a new bond, will obviously have to promise a higher yield or fail to find enough bidders. So bond yields are driven higher. And mortgage interest rates are set according to the yields of bonds with similar maturities, and are shooting up as well.

Indicative of the mood on bond markets following April 2 is the latest investment outlook by Bill Gross, head of the world’s largest bond-trading fund, PIMCO. He noted that bondholders have been placed “in the worst of all worlds.” Bond prices are set to fall further. He explicitly advised investors to sell U.S. Treasuries and to buy bonds of such regions where there certainly will be no recovery in the short-term future, such as the Euro zone. Gross concluded: “Anything but Treasuries, and hand those Old Maid Treasury bonds to the Japanese and the Chinese.” The U.S. Treasury bond auctions on April 7 already saw the smallest bidding ratio in several years. The investor sentiment index for the government bond market, reported monthly by Ried, Thunberg & Co, on April 5 fell to the lowest level in 14 years.

The fake “recovery,” commissioned and welcomed by the White House, has unleashed another escalation of the global financial disintegration. Any “good news” on the economy could now trigger the collapse of the giant bond and mortgage markets, thereby detonating as well the derivatives portfolios of Fannie Mae and Freddie Mac. Any “bad news” has the potential to drive stock market investors, long waiting for their promised economic boom, into a final sell-off. This, in an environment of over-indebted households and corporations, and 15-digit volumes of derivatives, could sink the system.

It’s a “Scylla and Charybdis”-type confrontation. There is no way it can be maneuvered around. And, unfortunately, the system this time is not a ship, but a huge balloon which just doesn’t fit between the two rocks. It’s filled with a certain liquidity provided by the Fed, so it can’t fly. Whether Scylla or Charybdis will destroy it first, is hard to tell. But, unless a systemic policy change is introduced, it will go.

Debt-Choked System at Hyperinflation 'Boundary'

by John Hoefle

When the international bankers adopted their “wall of money” approach to save the global financial system from collapsing in September 1998, Lyndon LaRouche told them they would be better off putting the system through bankruptcy. If you go ahead with this bailout, he warned, it will only make matters worse, leading to hyperinflation and, ultimately, a much bigger explosion. As usual, the bankers chose to postpone their rendezvous with reality, and set into motion a vast market-manipulation bailout, combining low interest rates, sharp run-ups in real estate and stock values, huge increases in corporate and household debt, and more than a doubling of size of the global derivatives market.

The years since that 1998 decision have seen one disaster after another, from the stock-market blowout of 2000, to the apparent blowup of J.P. Morgan Chase and the meltdown of the energy pirates and telecommunications companies, led by the bankruptcies of Enron, Global Crossing, and WorldCom. Waves of scandals have hit both Wall Street and Main Street, resulting in significant changes in the regulatory apparatus, many for the worse. Federal Reserve Chairman Sir Alan Greenspan has publicly promised to bail out the derivatives banks as needed, and Fed Governor Ben Bernanke has promised to print all the money required to keep the system going.

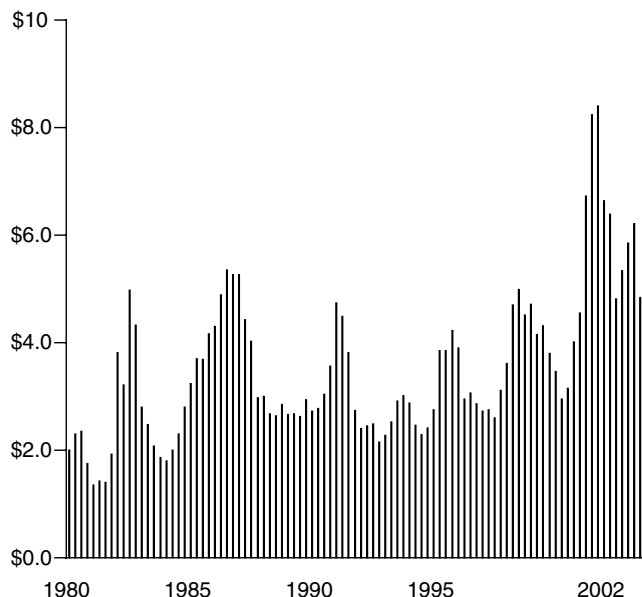
Today, the system is more unstable than ever, with widespread concern about the growing Federal budget deficit, the staggering current account deficit, a dollar crisis, and sharp inflation in commodities price. The measures which have been, and are being, taken to stop the deflationary blowout of the bubble have led to an explosion of debt and other financial claims (**Figure 1**), and nascent hyperinflation in the commodity markets and other sectors (**Figure 2**). The pyramid scheme is unravelling, and the system is ready to blow.

The so-called “solvency” of the global financial system today is an accounting fiction, in which unpayable claims on the liabilities side of the balance sheet are offset by worthless IOUs on the asset side. As long as the IOUs are treated as valuable, the system is solvent, but the moment there is any large-scale attempt to cash them in, the fiction fails, and the system fails with it. To keep this game going requires an ever-expanding pool of fictitious values, which is where the global derivatives market comes in.

According to the Bank for International Settlements (BIS), the global derivatives market stood at \$86 trillion, in the “notional value” of derivatives outstanding, at mid-1998,

FIGURE 1
Increase in Debt Per Dollar of Increase in GDP Annualized, by Quarter

(Dollars of New Debt)



Sources: Federal Reserve; U.S. Department of Commerce; Bureau of Economic Analysis.

just before the September crisis; and increased by another \$8 trillion in just six months to the end of that year. By the end of June 2003, the BIS reported the level of derivatives outstanding had jumped to \$208 trillion, more than doubling under the “wall of money” approach. While *EIR* believes that the BIS figures significantly understate the true volume of derivatives contracts outstanding by as much as a factor of three, even that \$122 trillion reported increase in derivatives was 64 times the growth of the U.S. GDP over the same period, which was \$1.9 trillion.

As the financial problems deepen, the level of derivatives outstanding is accelerating. From June 2002 to June 2003, the level of global derivatives reported by the BIS grew from \$152 trillion to \$208 trillion, an increase of 34% in just one year. Over the same period, the GDP of the United States, with an economy claimed to be in a recovery, rose just \$418 billion, or 4%. This growth in derivatives bets is not a reflection of real economic growth, but rather a mechanism by which the lack of growth, and the bankruptcy of the system itself, is being hidden.

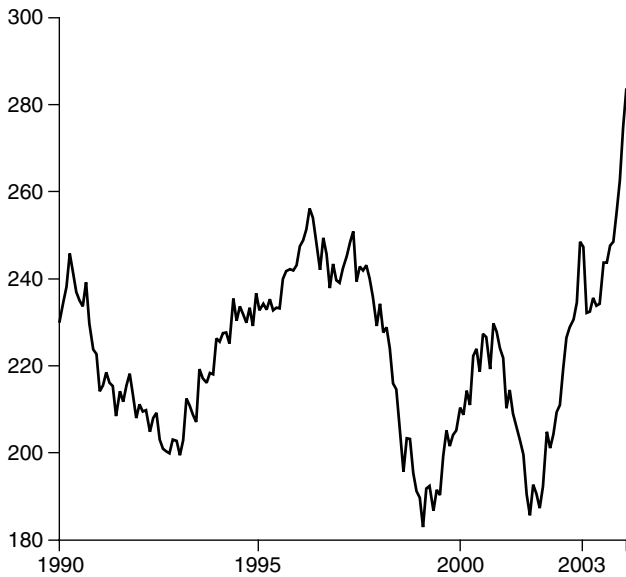
Driven by Debt

In reality, the so-called growth in the U.S. economy is offset several times over by the accumulation of debt. According to the Federal Reserve, total debt in the U.S. economy

FIGURE 2

Reuters-CRB Futures Index, 1990-March, 2004

(1967 = 100)



Source: Commodity Research Bureau.

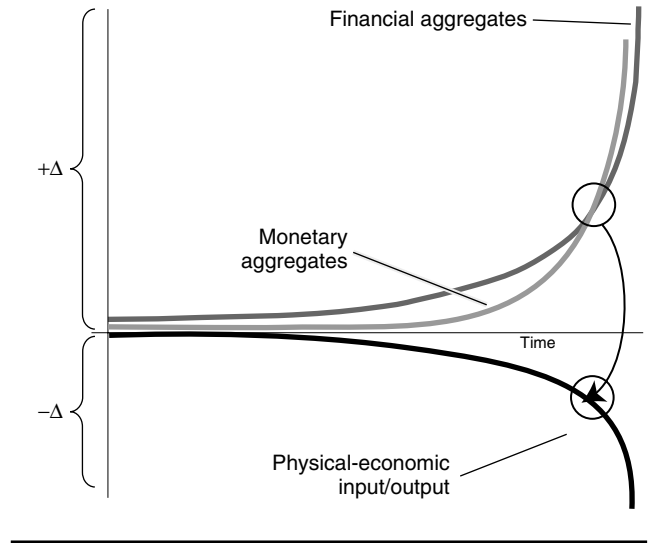
stood at \$34 trillion at the end of 2003, or \$3.06 in debt for every dollar of the \$11 trillion GDP. Since mid-1998, the debt has increased \$12 trillion—54%—while GDP has increased just \$2.6 trillion, or 30%. That’s \$4.64 in *new* debt for every one-dollar increase in GDP, and GDP itself is full of fluff; only about one-third of GDP represents productive economic activity, with the rest representing services, overhead, and the effects of the bubble.

Figure 1 compares the growth in debt to the growth of GDP by quarter since 1980. Since GDP is reported as an annualized figure, these quarterly figures are annualized, and understate the problem. For example, in the fourth quarter of 2003, the amount of debt outstanding grew by \$807 billion, while the annualized figure for GDP grew by \$155 billion. Since the annualized figure is for four quarters at that rate, dividing by four yields a GDP growth during the quarter of just under \$39 billion. That puts debt growth at some 21 times the growth of GDP. Calling this growth is like calling credit-card spending, income.

This orgy of debt is reflected in the record levels of bonds sold in the United States in recent years. Some \$6.9 trillion in new bonds were issued in 2003, topping the previous record of \$5.4 trillion in 2002 by 30%, and pushing the value of bonds outstanding to \$21.9 trillion, according to the Bond Market Association. Leading the pack were mortgage-related securities, which accounted for a record \$3.2 trillion of the new bonds issued. That’s an increase of 39% from 2002’s record \$2.3 trillion.

FIGURE 3

The Collapse Reaches a Critical Point Of Instability



Mortgage originations increased to a record \$3.8 trillion for the year, of which \$2.5 trillion were refinancings. There were, in fact, more mortgage refinancings alone in 2003 than there were total mortgage originations in 2002, a year which saw \$2.48 trillion in originations, of which \$1.5 trillion were refinancings. However, the rate of mortgage originations slowed noticeably during the latter half of 2003 as mortgage interest rates increased, and the Mortgage Bankers Association expects originations to fall to \$2.0 trillion in 2004. Any slowdown in mortgage originations spells trouble for the U.S. economy, which is dependent upon increasing housing prices to keep household assets rising, and upon the cash spun off from mortgage refinancings to allow households to keep up their debt-service payments.

Hyperinflation

In an era in which the level of debt outstanding is growing and the productive economy is shrinking, the ability to service the debt becomes paramount. *EIR* has previously estimated that debt-service payments—including interest and principal—in the U.S. economy are equivalent to about 70% of GDP. The trick to meeting debt-service payments under such circumstances is to borrow new money to pay off the old debts. This works well, in the short term, when interest rates are falling, since it allows corporations and households to replace more expensive debts with cheaper money—but, at the expense of increasing the overall debt.

This doesn’t solve the problem, however; it merely postpones it until interest rates rise. Also, just as the cost of money drops as interest rates fall, the cost will rise when rates rise, and borrowing new money to pay off existing debts will become a more expensive proposition.

FIGURE 4

Weimar Hyperinflation in 1923: Wholesale Prices (1913 = 1)

(logarithmic scale)

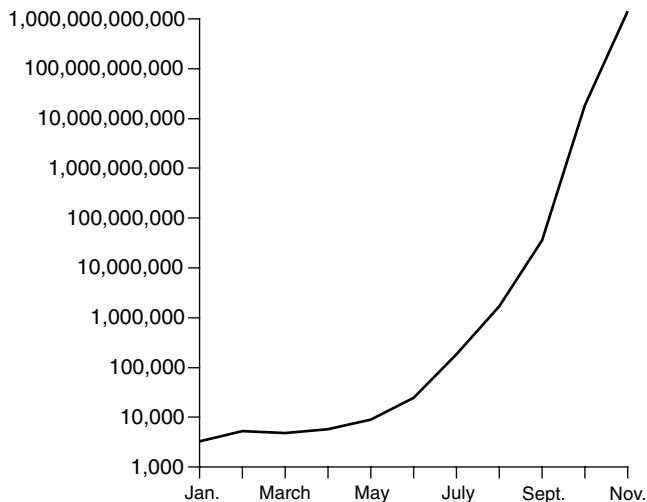
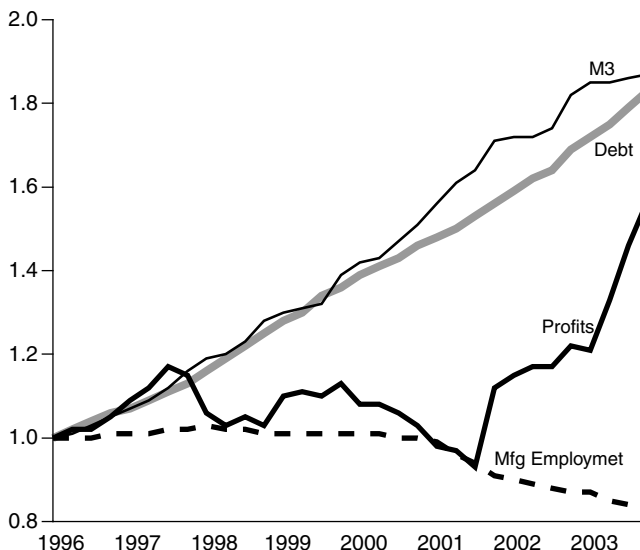


FIGURE 5

Changes in Triple Curve Components, 1996-2003

(Indexed to 1Q/1996 = 1.00)



Sources: Federal Reserve; Bureau of Economic Analysis; Bureau of Labor Statistics; *EIR*.

The bankers are attempting to pay down the existing debt not only through very low interest rates, but through inflation, which allows the paying off of debts with devalued dollars. However, with debt levels so high and productive economic activity so low, the danger of inflation sliding into hyperinflation is very real.

Figure 3 shows this process in Lyndon LaRouche’s heuristic Triple Curve function. While the productive output of the economy falls, the rate of growth of monetary emissions begins to exceed the rate of growth of financial aggregates. Simply put, the amount of money being pumped into the system increases faster than the financial claims, at which point hyperinflation begins.

Figure 4 shows the end result of crossing this “boundary condition” in the historical situation of Weimar Germany’s extreme hyperinflation in the year 1923.

While accurate data for financial aggregates—derivatives in particular—are almost impossible to come by, we can approximate a “real-data” triple curve for what is now happening to the U.S. economy, by using certain official (but not necessarily accurate) figures. **Figure 5** shows a triple curve using total credit market debt as a surrogate for financial aggregates, and manufacturing employment as a surrogate for productive activity. The crucial point is the way the rate of growth of the M3 money supply begins to run ahead of the rate of growth of the debt. By mid-2000, the U.S. economy was entering a hyperinflationary mode.

We also include corporate profits in the graph, to show that accounting fraud did not end with the demise of Enron. Tax breaks, war profits, and moving jobs overseas account

for some of the drastic increase while jobs collapsed (note in particular the relationship between corporate profits and manufacturing jobs), but not all. Arthur Andersen may be gone, but the game lives on.

The effects of this nascent hyperinflationary process can be seen all around, from the record gasoline prices, to increased prices in the grocery store and the commodities market. While some portion of these price increases might be explained by ordinary price-gouging (the oil cartel is notorious for rigging gasoline prices), the sharp rise in prices in so many areas shows that larger forces are at work.

American consumer prices, as reported in the Bureau of Labor Statistics’ February urban consumer price survey, rose at a 3.7% compound annual rate for the three months ended February 2004, led by a 9% increase in transportation and 5.4% for medical care. Food increased 2.7%, and energy costs increased 30%. The import-price index for March 2004, rose at an annualized rate of 6%.

Commodity prices are also rising sharply, as shown by Figure 2, the Reuters-CRB Futures Index, an index of major commodities which has risen by 53% since October 2001. Gold prices have risen dramatically, from \$252.50 per troy ounce in March 2001, to \$427.80 on April 1, 2004. The price of crude oil has risen 29% over the past year. Silver is at a 16-year high and platinum is at a 24-year high, while palladium has doubled in the last 12 months. The price of nickel rose 110% in 2003, while tin rose 55% and copper 40%.

‘What We Must Do’: LaRouche On the FDR Model for Real Recovery Measures

To Pennsylvania Legislators, March 31, 2004

We’re going to have to react to this crisis, with the mental outlook of Franklin Roosevelt’s entry into the White House in 1933; Roosevelt-type measures. The situation is somewhat different. It’s more severe, in fact. But the same philosophy of government must be applied to the present situation, that was applied by Roosevelt, using the lessons we have learned from the experience of Roosevelt, and the lessons we have learned from *abandoning* the reforms that he introduced to get us out of the depression into recovery.

Now what is going to have to be done, is this.

The international monetary-financial system is hopelessly bankrupt. There is no solution, for this bankruptcy, in terms of the system. What happened in Argentina, and what is on the verge of happening in Brazil, typifies what’s going on. The system is bankrupt. The question is: When the bankruptcy occurs, whose life are you going to save? Are you going to save the banker, the financier, or are you going to save the people? Roosevelt made the choice of saving the people. In Germany, they chose Hitler, who chose to save the bankers. This is what we’re up against.

Now, if the President of the United States, in our tradition, and under the provisions of the Preamble of the Constitution, says the system is bankrupt, and engages other governments—which I know I could engage, as President—engages other governments in supporting us in that common action, we as governments, would put the IMF, *and* the Federal Reserve System, into bankruptcy reorganization. We would take emergency measures of the type that Roosevelt did—more drastic, but the same principle, in order to make sure that nothing collapses: that pensions are paid, that jobs continue, and essential services are continued.

We would then, under bankruptcy reorganization, launch a large-scale infrastructure-building program. What I’ve shot for, for the next four years—\$6 trillion of investment in basic economic infrastructure: the generation and distribution of power; large-scale water systems; large-scale transportation systems, both for communities as well as for the nation. To reactivate the states, with Federal credit to states, for creating public utilities in states, restoring public utilities, with the cooperation of legislation passed by the states: Thus, we will have a regulated public utility system, in these areas. This will create a core of jobs. The objective is, a *10 million net*

increase in jobs in the United States, during that period.

If we do that, with the Federal assistance—Roosevelt-style, like the TVA kind of program—if we do this, this will automatically generate a market for private jobs. This market will then mean giving credit to approved banks, for approved categories of credit, to finance—as we did war production—to finance local entrepreneurs, with the credit needed for capital formation, to take on some of these jobs which would be stimulated by Federal and state action.

This is what we require. *There is no other solution*—on a world scale, or on a national scale.

In a Campaign Special Report, April 2002

These excerpts are taken from the candidate’s own leading contribution to a 140-page special policy report, Economics: At the End of a Delusion, released by the LaRouche in 2004 campaign committee in April 2004, and still in wide circulation.

Three Actions Necessary Today

Today, a general, qualitative breakdown-crisis is already darkening the horizon. To illustrate the nature of that challenge, I list a number of typical actions to be taken to halt the depression and launch a self-sustainable recovery.

1. We must a.) put the international monetary-financial system into immediate, governments-dictated reorganization; b.) restore a fixed-exchange-rate system; c.) establish exchange, capital, financial controls, trade controls, and fair-trade forms of protectionist measures internally and externally; d.) increase drastically rates of taxation on financial capital gains, and substitute production- and technology-oriented medium- to long-term investment tax credits to entrepreneurs; e.) generate large masses of government-created credit at rates between 1-2% for, chiefly, a combination of entrepreneurial investment production and infrastructure investment; and f.) implement a general bank-reorganization program, which keeps needed banks performing essential functions for the community while under even drastic financial reorganization.
2. We replace “free trade” with the promotion of pro-



The preceding, 1967-2000 take-down of American economic infrastructure and industrial capabilities, makes this crisis qualitatively different from the 1930s Great Depression. The tens of thousands of laid-off New Yorkers in late 2001 were not industrial workers as in the 1930s, but service workers, New York's industry having long since disappeared.

tected hard-commodity international trade, as part of the promotion of a global, long-term economic-recovery effort.

3. We must introduce the economic equivalent of a high-technology-oriented “arsenal of democracy” recovery program, both in the domestic economy and in world trade, to provide the qualitative dimension needed to reverse the monstrous loss of technologically progressive, physical-productive capacity and potential—a loss which has accumulated in the world as a whole during the recent thirty years, especially the recent quarter-century.

We had better take such measures, to stop that process of collapse before it hits with irresistible, crushing force.

With the guidance and backing of the world’s leading economist of that time, Henry C. Carey, President Abraham Lincoln made possible the U.S. economic miracle of 1861-1876, as Franklin Roosevelt, at a later point, saved the U.S.A. Under the impact of Roosevelt’s intervention, the U.S.A., and

the world, avoided the risk of a slide into an actual breakdown-crisis.

Nonetheless, as I have already indicated above, I say again, that there are certain crucial points of difference between the challenge of organizing an economic recovery under conditions of today’s threatened breakdown crisis, and the challenge of the world depression successfully met by incoming President Franklin Roosevelt. I shall deal with the most typical such new challenges, in my section of this report.

Some Immediate Changes

The pivotal feature of an effective program of recovery of the U.S. economy, will be the inclusion of a drastic restructuring of the composition of employment and real (i.e., physical) incomes within the society as a whole. The general thrust will be, in effect, to reverse the post-1963-1966 trends in shifting composition of the categories of employment. These reversals will be brought about largely through rewriting the principles of the monetary, financial, and taxation systems. These changes must be in directions consistent with those



Franklin Delano Roosevelt mobilizing the American people to back his measures of recovery from the Depression, which expressed the effective principles of the American System of political economy.

constitutional principles illustrated by the celebrated reports to the U.S. Congress by our first U.S. Treasury Secretary, Alexander Hamilton.

For example, essential services in the “soft” category of basic economic infrastructure, such as Classical modes in education, Hill-Burton standards for health-care, and services of Classical physical science generally, will be rapidly increased, together with increased rations of employment in the sectors of agriculture, manufacturing, engineering, and general building and maintenance of “hard” forms of basic economic infrastructure. Employment in “white-collar” categories of sales and non-scientific professional services, will be sharply reduced. *For the immediate years ahead, this shift, reversing recent trends in structural composition of employment of the national labor-force, thus reversing the post-1963 trend toward so-called “post-industrial society,” is the principal economic-policy measure required, as a source for introducing and accelerating increases in the average physical productivity of the labor-force as a whole.*

The rebuilding of the U.S. economy will occur as an expression of chiefly two sets of interdependent priorities. As a general rule, *the primary mission of the U.S. government’s*

role, will be to foster the conditions required by consideration of national economic security, as we used to define national economic security, during the 1933-1964 interval. The second factor will be a relatively high priority placed upon utilization of potentially useful elements of fallowed physical-economic assets, such as those of neglected entrepreneurial agricultural and industrial potential. The direction given to realization of those two objectives of national economic security, will be supplied by the development of the foundations for a science-driver mission-orientation, as the leading-edge mission of medium- to long-term U.S. economic-development policy.

For obvious, practical reasons, in the present case, as during the Franklin Roosevelt-led economic recovery of the 1933-1945 interval, *the principal shift will be a reflection of a large-scale increase of public and related employment in the building and maintenance of essential forms of both “soft” and “hard” basic economic infrastructure.* The reactivation of idled industrial and related work-places of the private sector, will be gradually superseded in importance by additional such work-places. *The most rapidly growing sectors of private employment, outside basic economic infrastructure, should be in the development of closely-held, technologically innovative entrepreneurialships.*

U.S. policy-shapers, and others, must be reminded, that it is not the giant stockholders’ corporation, which was the driver of U.S. economic progress. It was the closely-held entrepreneurship, each led by one or several personalities of some exceptional scientific or analogous talent. It was these, local community-based entrepreneurialships, which provided large enterprises with the innovative technologies on which the sometimes ill-deserved good reputation of the giant corporation often depended.

Otherwise, *economic reconstruction will enjoy the impulse supplied by special national mission-orientations, including space-exploration programs.* These mission-oriented “crash programs,” military and otherwise, will be modelled on such precedents as those of France under Minister Jean-Baptiste Colbert, and by Lazare Carnot and the École Polytechnique later, which have made decisive contributions to the leaps in productive powers of labor, and standard of living. Unfortunately, because of a lack of even elementary knowledge of the principles of technology among most professional economists today, the reason for the unique kinds of success realized by programs such as the pre-1969 U.S. space program, especially the Kennedy “crash program” for the manned Moon-landing, are not now competently assessed generally.

During the short to medium term, the increases in employment will occur chiefly in two overlapping general classifications. First, *there must be an emphasis on rebuilding the physical capacity of already standard qualities of physical production of goods, and of basic economic infrastructure, up to approximately the percentiles, and relative composition of employment, of the total labor-force represented more than*

a quarter-century ago, prior to the Carter-Brzezinski catastrophe. This means, that government and banking must direct much of the shift in employment-patterns, away from technologically unskilled categories of sales and service occupations, into approximately the same categories and ratios of the available labor-force of a time prior to a quarter-century ago.

In addition, there will be large-scale projects, largely funded through issuance of Federally created low-cost, long-term credit, in the essential categories of mass transportation, energy production and distribution, water management and sanitation, and in education and health-care programs. As under President Franklin Roosevelt, during the 1930s, the most important factor of real (physical) economic growth will be, initially, in large-scale public works in these categories of infrastructure-building.

This initial phase of rebuilding the physical economy and employment, will overlap an initially gradual, but accelerating factor of scientific and technological advancement. Government-sponsored science-driver programs, such as the space program, will be a leading element in technological spin-offs spilling into growth of the general rate of increase of per-capita productivity. As in the case of the spill-overs from the Kennedy Moon-landing program, especially the programs in motion prior to the crucial cut-backs of 1966-1967, the general rate of increase of productivity will continue to flow into many categories of designs of products and improvements of productive processes, during as early as the first decade of a recovery program.

These programs of investment and employment will be steered by combinations of interacting sets of changes in U.S. monetary, credit, and taxation policies. These policies will be crafted to shape the future of the economy for one to two generations yet to come. In short, we are designing the next long-range physical-economic cycle; we are building the intention of the "orbital" cycle into the next cycles of the economy, in advance. This is somewhat similar to what the Fifth Republic government of President Charles de Gaulle knew as "indicative planning," not Soviet-style, "socialist state planning." The U.S. economy's private sector, is to be returned to being essentially an entrepreneurial economy, rather than a "shareholder value" economy, a production-oriented society, rather than a consumer society. . . .

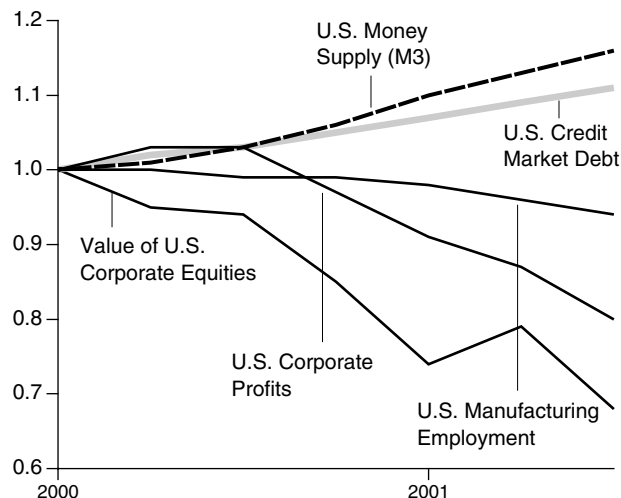
Investment Tax Credits

Among the most relevant examples of regulation, for our purposes here, is the proper use of investment tax-credits. . .

It is in the vital interest of any national economy, to prevent the takeover of its monetary-financial system by what are known as "financial bubbles." Any economy which is dominated by what is called today "monetarism," will create a form of financial-economic cancer called a financial bubble. This was a tendency built into the U.S. economy by the influence of Arthur Burns et al., a tendency which was greatly aggravated by the Nixon and Carter administrations, and ac-

U.S. Economy's 'Triple Curve' Collapse Function, 2000-2001.

(Indexed To 2001/1Q = 1.00)



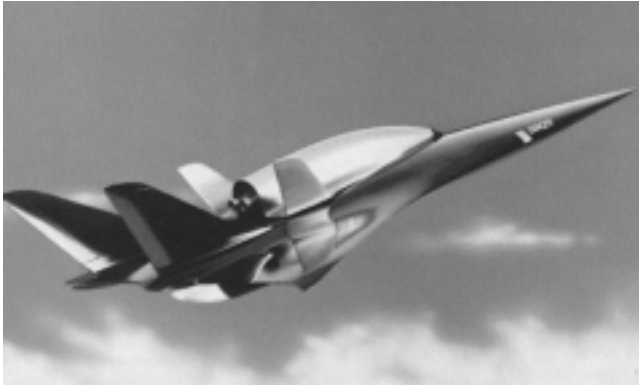
Sources: U.S. Department of Commerce, Federal Reserve.

Since no later than 2000, U.S. monetary printing has grown at a rate faster than the financial assets the money-printing was trying to hold up. Meanwhile, the underlying real economy has fallen at an increasing rate: this is LaRouche's Triple Curve Collapse Function.

celerated still more by such examples as Garn-St Germain and Kemp-Roth. The systemic feature of the present world economy, which distinguishes this present crisis as a breakdown-crisis, rather than a mere cyclical depression, is the fact, that the cancerous influence of recent decades monetarist fads have turned the world's monetary-financial system into the worst, most bloated financial bubble in history.

One among the most efficient instruments concocted for dealing with the threat of cancerous financial bubbles, has been the graduated income-tax. By imposing heavy tax-rates on purely financial capital-gains, and giving relatively favorable tax-treatment to useful investments in the physical capital of technological progress, we have a result which may appear to some to be a "tax-incentive," but is actually an anti-inflationary mechanism for regulating the flow of financial capital within the economy as a whole. The object is to steer the flow of physical-capital formation and accumulation into categories which are most useful, and to drain off excessive flows of financial capital into the cancerous sink-holes of short- to medium-term financial speculation. Such taxation policies as these, flow in design and purpose from the constitutional principle of the promotion of the general welfare.

For a better insight into a prudent investment tax-credit policy, look at such eligible classes of investments from the standpoint of the elementary principles of physical economy.



A two-stage hypersonic ramjet spaceplane, typical of the “science driver” challenges of a space-colonization initiative for the economy. Such a science-driver approach shifts the workforce toward new learning, skills, and new productive employment.

On the condition that the relevant development of basic economic infrastructure is provided, investment programs oriented to increasingly energy-dense, capital-intensive modes, express the embodiment of relatively advanced technologies into both the design of products and production processes. This has an effect, as a secular tendency, to lower the net physical cost of unit-production, while improving the product. Thus, it is the desire of prudent government, to ensure that a share of the gain in productivity be returned to the investor, with the thought that this steering of the flow of income, will tend to increase the concentration of capital formation in areas of activity which better serve the improvement of the general welfare.

The use of the regulatory powers, and power to tax by government, is one way of steering the domestic flow of activities of the national economy into beneficial directions. The other measures are chiefly budgetary.

The latter are typified by investments in three areas: a.) hard infrastructure, such as mass transportation, large-scale water management and sanitation, and power generation and distribution; b.) soft basic infrastructure, typified by educational and health-care systems; and, c.) “crash program” types of science-driver programs. These programs are sustained, as government itself is sustained, chiefly through general taxation at various levels of government. The system the United States had developed, up to the middle of the 1960s, is a fair approximation of a sound arrangement.

A similar approach is applied to regulation of both domestic and foreign trade. The general object of sane government is the establishment and maintenance of what has been sometimes called a “fair trade” policy.

A sane “fair trade” policy does not consider any price as sacrosanct. Rather, it is in the national interest that the nation maintain sufficient productive resources within its borders to withstand the equivalent of an extended siege. It is urgent that these resources be of a relatively competitive quality, in

product and productivity, This means that the quality of the labor-force households must be maintained by fair household incomes and other means, and that the level of technological improvements be consistent with national economic security.

This has nothing to do, intrinsically, with trade war or such matters; it is purely an internal matter of sane, orderly precautions taken in the interest of national economic security. We are wise to be as generous as possible in our dealings with other nations, but we must also be committed to the kinds of agreements on “fair trade” policies which foster their national economic security, as the same kinds of such measures benefit our own.

Wages policies, and related matters, fall under the same heading as “investment tax-credit” policy.

The basic expression of national economic self-interest, lies in the cycle of development of the young individual from birth through adult maturity, an interval of up to twenty-five years. The quality of life, education, and so forth afforded those households during that interval, should be assessed as we should assess an investment tax-credit policy.

For example—this contrary to the Nazi doctrine concerning “lives not worthy to be lived,” which persists in circles in several nations, including the U.S.A., today—the care of the senior citizen is as essential to the general welfare as the care of the child and youth. The loss of the kind of social relations which used to be supplied by the extended-family relationships among relatively stable families and communities, has been savagely impaired over the course of the post-1945 decades, especially since 1971. The most important part of the development of the child and youth, is the sense of cognitive aspects of cultural connections over a span of one to two centuries preceding. This sense of “who I am now,” in respect to preceding and coming generations, is not only an essential source of a moral sense of social identity, but is essential to the development of the cognitive powers of the young individual.

There is no short- to medium-term price-mechanism in a so-called “free market” setting, which could possibly converge asymptotically upon a “fair price.” If it is said, today, that “the price is right,” we may be assured, usually, that that price is wrong from the standpoint of the general welfare of society.

The points of illustration just supplied, typify the way in which rational forms of intentions shape the way in which a money-economy should work. By building such intentions into the structures of monetary, financial, budgetary, regulatory, taxation policies, and so on, society defines a set of parameters which will regulate the way in which the effects of pricing interact in the economy as a whole. These measures act as constraints, which have an effect akin to the role of universal physical principles in Riemannian views of a Solar System.

Such constraints do not determine the actual course of the economic process by themselves. Physical-economic growth depends upon the insertion of cognitive innovations into this

quasi-axiomatic framework. That situates and defines those changes in the economic process on which net physical-economic growth depends. . . .

A New Monetary System

In effect, in any monetary-financial collapse on the scale and extent of the present global crisis, it will be necessary to create a new monetary system, eliminating the old. No alternative to that is tolerable. In many cases, existing currencies must be either replaced by new ones, or extensively reorganized. Since the changes must be sudden ones, measures of reform must be as close to what has been proven to have been successful previously, as possible. Therefore, the successful precedent of the 1945-1964 Bretton Woods post-war reconstruction model, should be applied to the task of defining a global version of a multi-polar system of kindred features among sovereign nation-states; that is simply the only visible choice of an equitable use of proven precedent available.

For various reasons, rather than attempt to replace the U.S. dollar with a new currency, it were better to protect the dollar with protectionist regulatory measures. The measures required must include the establishment of a U.S. National Bank. The following scenario typifies the approach required for this reform.

Since the Federal Reserve System is implicitly bankrupt, it is the constitutional obligation of the U.S. government to take over the Federal Reserve System itself, in receivership. This will place that System itself under the administration of the U.S. Treasury. The plan will be to phase out Federal Reserve notes, discreetly, over time, while creating a new instrument of Federal credit for reconstruction-based recovery of the U.S. economy. This will require a system of gold-reserve-denominated U.S. Treasury dollars, whose leading function shall be to serve as an integral part of the mechanism of issuing medium- to long-term credits at borrowing-costs of between 1% and 2% annual simple interest. Lessons from Franklin Roosevelt's terms in office should be employed, whenever suitable and feasible.

The objective should be to bring the level of U.S. physical and related output up to above physical-economic break-even, and also in terms of Federal tax and other revenues over the medium-term period. The credit issued should be focussed on the combined objectives of short-term stabilization and medium- to long-term growth.

Once again, on this point, as on points argued here earlier, we must not lose sight of the reality, that economic processes function in terms of the underlying influence of long-ranging cycles. Remedies for a crisis of the present type, for example, can not be successful over a short term; therefore, there will be no solution available for this crisis, which does not rely upon the creation of state credit as a mechanism for bridging the gap between present bankruptcy and future break-even.

Through this mechanism, the following types of measures should be taken for reform of the U.S. private banking system.

All banks which have functions of deposit and credit which are essential to continuation of orderly functioning of society, should continue to be used as instruments of delivery of payments due on pensions and scheduled release of savings, as well as new transactions, under provisions for use of Federal credit. The ordinary life of the ordinary citizen and community should continue with a minimum of disruption.

International Measures

One of the unavoidable major features of any feasible recovery from the present systemic breakdown-crisis, will be a sharp reversal of the recent decades' trends toward "globalized" forms of "free trade." The U.S. economy provides adequate illustration of this general point.

Since the past thirty-odd years of ongoing, systemic destruction of the U.S. physical economy by radically monetarist measures, the U.S.A., like the centuries-long British empire, has maintained its power through increasing dependency on what are sometimes termed, euphemistically, "invisible earnings." The United States has, in effect, become a parasite, subsisting on such forms of tribute as its growing current accounts deficit on import-export transactions, and its forceful collection of vast monetary-financial influxes into highly speculative U.S. financial markets.

Through Anglo-American financier interest's control over the International Monetary Fund, the international monetary-financial system was rigged to such effect. The aggregation of financial power so organized, enabled the United States to subsist physically, and to posture as the world's great success which it was not, by increasing reliance on imports of relatively cheap goods from dependent nations of the world, thus filling the gap caused by the willful collapse within the agricultural and industrial sectors of the internal U.S. economy.

Try to find a Russian-produced good in a store in Moscow, today; or, with some relatively greater likelihood of success, a good actually produced in the U.S.A. being sold in a U.S. shopping mall! Thus, the evidence plainly available to any U.S. household visiting a U.S. shopping mall, has been, that the United States has been surviving as a nation through its role as an importer of last resort. The United States loots its national income as virtually tribute from abroad, and then spends some of that income to buy the cheap goods to replace what used to be produced by the U.S. labor-force. Thus, the United States became the market on which producing foreign nations depended for their financial income; so, the United States became the "lender of last resort" and is now on the verge of becoming the world's "bankrupt of last resort."

That is to emphasize, that, over a year ago, the U.S.A.'s position as an "importer of last resort" came near its end. Nations which depended upon this artificial, temporary U.S. role as a market for cheap-labor and related goods, are now suffering an accelerating collapse in their ability to balance their domestic budgets through exports. This involves both long-

FIGURE 1a

LaRouche's Typical Collapse Function

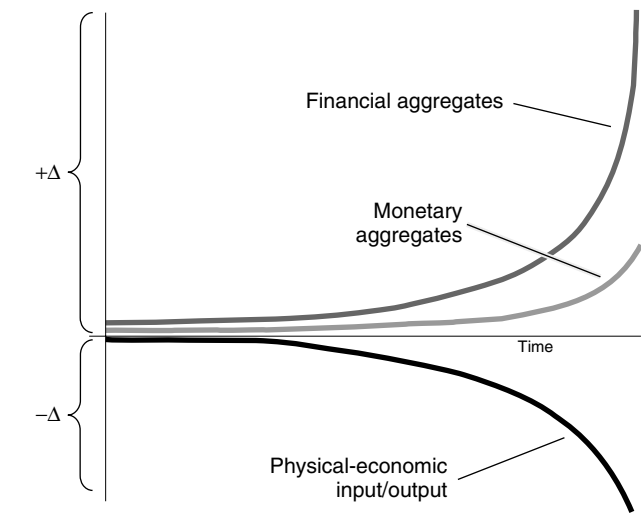
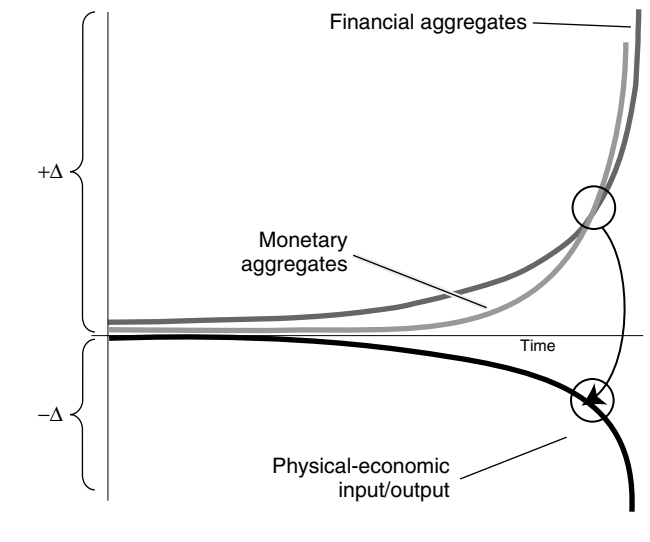


FIGURE 1b

The Collapse Reaches a Critical Point Of Instability



term and recent cyclical trends, both of which bear on showing the urgency of reversing the recent decades trends in “free trade” and “globalization” policies.

The immediate cause for this recent trend, is shown by studying the U.S. and world economies from the standpoint of my 1995 “Triple Curve” imagery (Figure 1a). Official statistics of governments, monetary agencies, and private groups are highly unreliable, but, allowing for the wide margin of outright fraud and wild error which are demonstrated to be typical of such reporting over the recent two decades, it is clear, that during the recent two years, a critical cross-over point was reached in the behavior of data as reflected in Triple Curve accounting. The United States reached the point, at which the amount of monetary output needed to sustain the nominal trading value of marketed financial assets had increased to the point that the monetary input required exceeded the financial roll-over effected (Figure 1b).

In a real economy, physical-economic stability and growth depend upon the generation of an adequate margin of new physical capital inputs from the existing production and circulation of goods. Under conditions of imposed “free trade,” the margin of actually net capital formation becomes negative, as a result of driving prices down to levels at which true national-economic costs of production are not met. So-called “fiscal austerity” measures intended to bring financial accounts into balance through looting physical capital and human bodies alike, define the causes for the systemically cyclical, downward curve for real output in the Triple Curve imagery.

Therefore, to restore any of the relevant national economies, and the world economy as a whole, back toward physical-economic breakeven levels, will require a reversal of “free

trade” measures generally, and also an utter obliteration of so-called “globalization” policies. If those changes are not made, no recovery from the present systemic collapse were possible.

This means the reinstatement of the kinds of protectionist policies characteristic of the American System of political-economy. The included objects, are to re-nationalize production, while building in a margin of net capital-formation into the production by national economies as entireties. The possibility of a systemic recovery, depends on generating that margin of capital-formation through production of, chiefly, physical goods. This margin of capital formation provides, in turn, the included basis for state creation of the fiat credit needed to finance the economic recovery.

I reference, once again, the report of Dr. Wilhelm Lautenbach to a 1931 secret meeting of the Friedrich List Society, as I have in some earlier locations. The use of methods of fiscal austerity to manage an economy in economic depression, is sheer lunacy. Fiscal austerity has the effect of idling productive resources, such as large portions of the labor-force and productive capacity. In other words, “fiscal austerity” under economically depressed conditions, destroys the very productive potentials by means of which the depression could be reversed! In any economic depression, the function of a sane and moral government is to provide the circumstances and stimulus under which idled productive potential is put to useful work. The mechanism for doing that is the directed use of state credit.

Had the Lautenbach report been adopted as Germany policy in 1931, Adolf Hitler would have never come to power in Germany.

Kerry 'Me Too' Economics Could Wreck Democrats

by Paul Gallagher

The interest-rate “backfire” and bond-market crisis triggered by President Bush’s trumpeting a faked U.S. jobs report on April 2, but also Sen. John Kerry’s pathetic responses since that Friday, have re-raised the Presidential election question: Will it really be Bush vs. Kerry? All bets on that may be off, because Bush’s manic April foolery triggered an economic phase-shift which is also political.

The President’s dumb actions have made a financial blow-out more likely *before* the July Democratic Convention, than after Election Day; while Kerry’s blundering “economic policy pronouncements” in Cincinnati and at Georgetown University in Washington, showed complete incompetence to handle that kind of economic crisis. They have made it look like he’d be a “bankers’ office boy” in the White House, in the words of candidate Lyndon LaRouche. Now the question, said LaRouche on April 6—after it became known what Kerry would emphasize at Georgetown the next day—is whether American voters will be men or mice? If they choose to be mice, he warned, they’ll find out that Wall Street banker and Democratic fixer Felix Rohatyn “has already stolen the cheese.” But if the “forgotten men and women” of America’s economic collapse get mobilized, Kerry will have to turn over economic policy—or perhaps the nomination itself—to LaRouche.

More Wall Street Than Thou

Senator Kerry’s first, April 2 response to the phony employment report for March, was bad enough: “It’s welcome news. I hope it continues,” he said; then caught himself over the weekend and re-emphasized the massive job losses throughout George W. Bush’s Presidency. But Kerry completely failed to challenge the blatant political fakery of the Administration’s report, as LaRouche did, and as some even Republican-leaning economic analysts followed him in doing in both the American and European media.

But Kerry’s Georgetown webcast on April 7, billed as a major economic policy declaration and obviously crafted by the Wall Street lawyer-banker-dominated Democratic National Committee, was far worse. Called “Fiscal Responsibility: a Stronger America,” if followed as Presidential campaign policy in the coming weeks and months, it would wreck the Democratic Party’s credibility on “Main Street,” and its chances to mobilize its broad former constituencies in the “lower 80%” of incomes.

Not to “sound like Lyndon LaRouche” and lose the bankers and big-bucks backers who have organized \$20 million for his campaign in Hollywood, Wall Street, and elsewhere, the Massachusetts Senator stayed as far away as one can get from the critical economic infrastructure needs of the nation or the world, or how to generate the public credit to meet them. Aside from a vague and weird pledge to create 10 million jobs by a tax on outsourcing (!), Kerry did not address the “Hoover” Bush Administration’s collapsed U.S. economy at all, but only its resulting huge Federal budget deficit, and its “excessive spending.” Kerry’s thrust was half spending cuts and “budget discipline,” and the other half “middle-class tax cuts.”

“We will impose spending restraints. No one will be able to pass a new program without a way to pay for it. We will enforce spending caps. Under Clinton we did this,” Kerry said. He promised to cut tens of billions out of Federal spending, and touted his own role in creating and passing the 1997 Balanced Budget Act. The Georgetown speech was lavishly praised next day by the “second Republican Party,” Sen. Joe Lieberman’s right-wing Democratic Leadership Council, which Democratic voters soundly rejected in the primaries. The DLC’s New Democrats Online enthused that Kerry was even subordinating his own previous modest job-creation and education infrastructure proposals to “fiscal discipline.”

“Under my plan, 99% of American businesses and 98% of Americans will get a tax cut, and that will advance the economy of our country. . . . We will expand middle-class tax cuts and will pass new tax cuts to make healthcare affordable, while cutting our deficit in half,” Kerry went on, claiming to be seizing Bill Clinton’s legacy (of the 1990s bubble economy), but in fact covering himself only with—Gore. Voters—now jobless and wiser—could hear echoing in their heads the fatuous Bush-Gore debates of the 2000 campaign, about “how to spend the wonderful surpluses from a balanced budget”—as the economic collapse bore down.

No Sign of FDR

Most deadly to the Democrats, Kerry made no mention of Franklin Roosevelt’s legacy, and his speech bore no trace of FDR’s policy approach to recovery from a depression. On the crucial question of *what is happening to the economy*, Kerry virtually accepted outright, Bush’s faked and frantic claims that “recovery” is not only right around the corner, but here and creating jobs.

One economic analyst in London commented, “Kerry doesn’t understand any of these economic issues. . . . It was obvious all along, that the administration was going to massage the employment figures. Kerry walked right into the trap.”

Just how deep that trap is will become clear as the economic and financial crisis in the United States worsens. If the fuse Bush has lit burns down to a financial blowout before July, all nomination bets are off.

Argentina Must Nationalize Foreign 'Energy Vultures'

by Dennis Small and Cynthia Rush

A Spain-centered grouping of foreign-owned privatized oil and utility companies has declared economic warfare against Argentina, in an attempt to strangle that country and bring about the overthrow of the Néstor Kirchner government. These *energy vultures* are deliberately creating natural gas and electricity shortages for the approaching Winter months in South America's Southern Cone—much as many of the same companies did in California in mid-2002—thereby joining forces with the speculative financial *vulture funds*, the International Monetary Fund, and allied synarchist bankers, all of whom are bludgeoning the country to force it to pay more debt.

Argentina has rapidly evolved into a test case for the entire world, at a moment of breakdown crisis: Can a sovereign nation place the survival interests of its own population before the genocidal debt claims of foreign financial interests; or, will nations be made to submit to their own demise, without a whimper? Argentina's Kirchner government has obstinately insisted on the former—that the people come first—and on March 9 forced the IMF to “blink” in a showdown over rolling over a \$3.1 billion payment due them from Argentina. Since that time, the international financial community has determined that Argentina must be crushed, lest its defiance be followed by other Third World debtors, such as neighboring Brazil.

Kirchner, however, is not submitting quietly to the new round of energy blackmail, and he has rejected the energy vultures' lie that the shortages are a result of their inability to make necessary investments over recent years, because natural gas and utility rates were kept too low by government regulators. An uneasy *Wall Street Journal* article of April 8 reported that Kirchner, “in typically fiery tone, issued a blunt warning last week to the foreign-owned companies: “They are going to have to give us the gas and energy we need,

and we are not going to succumb to pressure.’” President Kirchner lashed out at the entire process of privatization that was imposed on Argentina beginning in 1989: “We are almost the only country in the world which doesn't control its energy equation, as a result of that ‘illustrious’ theory that the State works better, if it gives away all of its production.”

But more than fiery rhetoric will be required to survive the synarchist onslaught. The LaRouche Youth Movement (LYM) in Argentina has issued a political statement calling on the Kirchner government to *re-nationalize the foreign-controlled energy companies*, including oil and gas producers as well as electricity generation companies, if they continue to blackmail the country by holding supplies back.

Energy is not a “commodity,” the LYM stresses; it is a strategic component of the country's physical economy, and thus a matter of national security. The Argentine Constitution, like that of the United States, obligates the government to defend the general welfare of the population and its posterity. Economic warfare whose objective is to destroy the nation, has to be countered by the government. The LYM call explains that such measures of national defense in the energy field, along with continuing resistance to the IMF and the vulture fund financial assault, must be coupled with support for Lyndon LaRouche and his policies of international financial reorganization, such as his New Bretton Woods proposal.

Democratic Presidential candidate LaRouche explained the backdrop to the Argentine energy crisis, as follows:

“This is actually part of the *New Spanish Empire* concept. These Spain-based companies are grabbing all of the energy resources of South America, and taking them over. This is a question of national sovereignty. The countries of Central and South America are going to have to reassert their sovereignty against the attempted Spanish re-colonization of South America, through this energy policy.”

LaRouche elaborated: “A sort of a neo-Carlist re-colonization of South America is in process by the former occupying powers. These countries have lost their sovereignty to Spain, to the Spanish *reconquistadores*. This is a fascist takeover. What you have is a foreign power, Spain, with its zeal for re-colonization of its former captives, is trying to re-colonize, grab and loot its former colonies, and reduce them to colonies again through this energy system takeover. Stopping them is a matter of patriotism.”

Lights Out

EIR warned about the dangers of energy privatization, and singled out the Spanish role as well, in an Aug. 10, 2001 feature (p. 22). We wrote:

“The international energy pirates, in just a few short years, have seized control over more than a quarter of Ibero-America’s total electricity installed capacity. In a number of countries, such as Argentina, Chile, and Bolivia, they have such huge holdings—*strangleholdings* is perhaps a better word—that their control exceeds 50% of the national total. Will the energy pirates use their dominance to actually pull the plug? They are already threatening to do just that, if they don’t get their way.”

The current Argentine situation fits that description to a “T.”

First, there is the question of oil and gas *production*. By far the largest oil and gas producer in Argentina is **Repsol-YPF**, which resulted when Spain’s Repsol acquired Argentina’s YPF in June 1999 for \$13.5 billion, creating one of the largest oil and gas companies in the world. Its production is ten times larger than that of Argentina’s next-largest oil company, Pérez Companc, and it is thus dominant in the Argentine market.

Second, there is the natural gas *distribution* network, comprised of Transportadora de Gas del Norte (TGN) and Transportadora de Gas del Sur (TGS). At 5,005 kilometers, TGS is the largest pipeline system in South America, and delivers two thirds of the country’s natural gas. It was acquired in 1992 by none other than **Enron**, of California fame.

Third, there is *electricity generation*: More than 50% of the national total is generated by natural gas-fired thermal plants. Spain’s **Endesa** generates 21% of Argentina’s total electricity, with another 21% coming from the infamous U.S. energy pirate **AES**.

It is this foreign stranglehold over Argentina’s energy sector which is now being wielded as a weapon of economic warfare, arguing that government price regulation is the cause of the shortages.

However, a September 2003 study by Enarós, Argentina’s National Gas Regulatory Entity, proves this argument is a hoax. The real culprit, it states, is the 1990s privatization framework. What investment there was, concentrated on building infrastructure *for export*, and doing little domestic beyond what was required for maintenance.

Pablo Yrarrázaval, the president of the Chilean affiliate of Spain’s Endesa energy giant, typifies the mentality of the energy vultures. Having already bought up nearly a quarter of Argentina’s energy sector, he declared: “For us, it is not an obligation to invest.” That will happen only if the Argentine government sets “the rules of the game”—permits the energy vultures unrestrained looting rights —“necessary for the companies to invest and satisfy demand.”

Similarly, Repsol-YPF and others have withheld natural gas from the market, as a means of forcing a price increase. Rather than sell domestically, or through distributors where the price is controlled, they have reserved a significant portion of their product for sales abroad, where the price is 155% higher than Argentina’s regulated price. Neighboring Chile is the largest such export market.

The Kirchner government has responded to the crisis by reducing exports to Chile to shore up domestic supplies, and by granting an increase in the natural gas well-head price that is paid to the oil companies, in order to guarantee adequate supplies for the Winter months of June, July, and August, when demand is highest. Both steps could bring him significant political trouble.

The natural gas price increases—33% by May, and another 67% over the next 15-18 months—will translate into sharp rises for industrial and household consumers of natural gas, as well as dramatic hikes in electricity rates. Kirchner’s current strong popularity among Argentines will suffer greatly as a result—to the IMF’s delight.

Clash With Chile

On the foreign front, the Chilean government has presented a diplomatic note of protest over the export reductions, arguing breach of contract. The *Wall Street Journal* is trying to get as much mileage as possible out of such regional conflict, reporting in an April 8 article that “some affected companies have said they’re considering joining the long list of those suing Argentina for breaking contracts.” This is a reference to the outrageous lawsuits that the vulture funds have filed in U.S. and other foreign courts, through which they have placed liens and attempted to seize assets of the Argentine government abroad.

The Argentine Foreign Ministry responded with a letter of its own to the Chilean note, placing the blame firmly with Argentine gas producers which, it said, had not met legal commitments to make investments and satisfy local demand, before signing export contracts. The letter said Chilean firms or the Chilean government are perfectly within their rights to sue companies that break export contracts because they don’t produce enough gas to meet both overseas sales and domestic obligations. However Argentina said that was the responsibility of the private sector, not the government.

Ironically, the “Chilean” electricity companies most affected by the export reduction are Endesa Chile and AES’s local unit, AES Gener.

Bush's Energy Pirates Get Ready To Turn Off the Lights

by Dennis Small

EIR published in its Aug. 10, 2001 issue a study on the drive for global energy privatization, which included a case study on Ibero-America, with the above title. The text and table which follow, documenting the role of Spain-centered foreign energy pirates in particular, are taken from that study.

AES for example—whose chairman of the board, Roger Sant, was chairman of the U.S. branch of Prince Philip's wildly anti-development Worldwide Fund for Nature (WWF), from 1994 to September 2000—today singlehandedly controls close to 21,000 megawatts of installed capacity in Ibero-America, which is more than 10% of the continent's total of 203,630 MW (see **Table 1**). They have huge *strangleholdings* in Argentina, Brazil, and Chile, in particular. . . .

After AES, second place in Ibero-America goes to the Spanish energy company **Endesa**, which has used privatization poster-boy Chile as their springboard for assaulting the rest of the continent. Endesa now controls 7% of the region's total installed capacity, with large holdings in Argentina, Colombia, and Peru, in addition to Chile.

As in the case of the large Spanish banks—such as Banco Santander Central Hispano (BSCH) and Banco Bilbao Vizcaya Argentaria (BBVA)—which have taken up major positions across Ibero-America, Spain's Endesa turns out to be a front for Anglo-American financial interests. For example, each of Endesa's major moves in Ibero-America has been orchestrated and bankrolled by Banco Santander (and then by

BSCH, when Santander merged with Banco Central Hispano at the end of the 1990s). As *EIR* documented in a study published Aug. 22, 1997, "British Banks Establish Death Grip Over Ibero-America," Banco Santander is run out of London:

"In 1988, Santander forged what they have called 'a long-term and fruitful alliance' with the **Royal Bank of Scotland (RBS)**, and with **Metropolitan Life Insurance** of New York, controlled by the British Morgan financial interests," *EIR* wrote at the time. After documenting the interlocking directorates of Santander and RBS, and the latter's direct link into the British royal household, *EIR* elaborated:

"The Morgan role in Santander is not limited to the Met Life connection. Santander's rising young star, and CEO of its Santander Investment division, is the 38-year-old Ana Patricia Botín, daughter of the bank's chairman. After graduation from Harvard with a bachelor's degree in economics in 1981, Ms. Botín joined the Madrid office of J.P. Morgan. Rising through the Morgan ranks, by 1986 she had been appointed vice president and head of their Latin American unit. In 1988, her apprenticeship with Morgan apparently over, Ms. Botín returned home to work for daddy at Santander. . . ."

It should come as no surprise that British interests would employ a Spain-Chile connection as a convenient cut-out to further their own financial and geopolitical purposes in Ibero-America—as we have here documented for electricity, and previously for banking. Such operations date back at least to the 1879-83 War of the Pacific, in which London used Chile as its surrogate to destroy neighboring Peru's emerging alliance with anti-free-trade, American System forces in the United States, linked directly to the Lincoln tradition.

More recently, in this century, London deployed its agents of influence on *both* sides of the Spanish Civil War of the 1930s, to transplant religious left-right conflict and even warfare into the Hispanic Americas, and Chile in particular (to wit, the 1971 Pinochet coup against Salvador Allende).

TABLE 1
Foreign Strangleholdings over Ibero-American Electricity

	AES		Endesa		Other Foreign*		Sub-Total, Foreign		TOTAL
	Megawatts	% Total	Megawatts	% Total	Megawatts	% Total	Megawatts	% Total	Megawatts
Argentina	4,264	21%	4,292	21%	1,943	10%	10,499	52%	20,350
Bolivia					964	96%	964	96%	1,000
Brazil	9,606	15%	658	1%	7,572	12%	17,836	27%	65,800
Chile	1,632	16%	4,614	46%	1,350	14%	7,596	76%	10,000
Colombia	1,404	11%	3,055	24%	875	7%	5,334	42%	12,580
Mexico	484	1%			4,100	11%	4,584	13%	35,900
Peru			1,693	31%	520	9%	2,213	40%	5,500
Venezuela	2,265	11%					2,265	11%	21,500
Other	1,079	3%			870	3%	1,949	6%	31,000
Total	20,734	10%	14,312	7%	18,194	9%	53,240	26%	203,630

*Duke, Iberdrola, Enron, PPL, GPU, Mirant, AEP, NRG, Fenosa, Alliant, EDP, CMS, EDF, Tractebel

Will the Philippines Follow Argentina In Facing Down the IMF?

by Michael Billington

EIR reported in February that the premier British colonial banking institution, Standard and Chartered, threatened the Philippines with the “Argentine treatment” if it failed to accept the full conditionalities demanded by the international financial institutions (“London Bank: Philippines Is the Next Argentina” *EIR*, Feb. 27). We referred to the showdown then raging between the International Monetary Fund (IMF) and the Argentine government of Néstor Kirchner, with the IMF threatening to cut Argentina off from all international credit if it failed to pay its debts as demanded, at the expense of the very life of its citizens.

Since that time, President Kirchner called the bluff of the actually bankrupt international financial system—and the IMF blinked, rolling over the debt, and dropping the demanded conditionalities. The support for Argentina from Presidential candidate Lyndon LaRouche’s movement internationally—both its crucial intelligence on the bankruptcy of the IMF system itself, and the role of the LaRouche Youth Movement in mobilizing support for Argentina in nations across Europe, the Americas and Asia—helped to turn the attack on an apparently isolated Argentina into an international mobilization against the neo-colonial destruction of sovereign nations.

The IMF and its sponsors in Washington and London do not wish to face a similar confrontation in Asia. The Philippines is, unfortunately, rapidly descending into the same kind of financial-economic crisis and related political instability which brought the once-rapidly developing nation of Argentina into poverty and decay. At the end of March, the IMF released a report on the Philippines, demanding that its government “pursue a more ambitious reduction in the deficit than that contemplated in the draft budget, . . . raise the value-added tax rate, as well as excise taxes on cigarettes, alcohol, and petroleum products,” raise electricity rates, and other similar austerity measures.

National Debt Rising 20% a Year

The Philippine economy is staggering, due to the past 20 years of IMF “remedies,” dutifully imposed by governments placed in power by U.S.-sponsored military coups d’état, provided with a “people’s power” cover story for popular consumption at home and abroad. Today, 4 million Filipinos, about one in 20, are homeless, with squatters filling every

possible space along train tracks, sewers, and gullies. The physical economy is barely sustained by the agricultural sector, while the financial system survives on the remittances sent in by the 25% of the workforce who have fled overseas, sending payments back home to sustain their families.

On the monetary side, the nation is on the brink of bankruptcy. With \$56 billion in foreign debt and \$68 billion in domestic public debt, over one-third of the national budget must go to debt service. In 2003 alone, the national debt rose by 20%. While the debt continues rising, the capacity to pay that debt, even by borrowing, is rapidly evaporating.

At the end of March, the government failed to sell even a portion of its government bond offer. In the case of one-year notes, the yield demanded was 20% higher than the government’s maximum offer. Even the desperate attempt to sell 42-day (!) notes was withdrawn for lack of offers. In the previous month’s offer, the cost to the government rose 200 basis points (from 9% to 11%), but even at that rate the government was able to find buyers for less than 10% of the total required. The government then announced that they are considering asking the Asian Development Bank (ADB) to activate an existing bilateral swap arrangement, to access \$200 million.

There is some legitimacy for this desperate request—the swap arrangements set up across the region following the 1997-98 Asian financial crisis were intended as a defense against currency speculation, and the peso certainly has been under attack. While most Asian currencies are moving dramatically up against the collapsing dollar, the peso has lost 3% against the dollar in the past year, reaching a record low of 56.4 in April. Against the Japanese yen, the peso has lost a whopping 18% in the past year. Looking back before the 1997-98 speculative assault on all Asian currencies, the peso has lost more than half of its value of 1996. This means that an exported good to the dollar zone now brings less than half the previous return, while shipping the workforce abroad brings twice the financial return, but drains the nation of the desperately needed doctors, nurses, teachers, and other professionals.

For 2003 alone, the government must meet \$3.9 billion in debt service, in addition to the \$2.4 billion required by the state-owned National Power Corporation (NAPOCOR). The government is in the process of privatizing NAPOCOR (this



Fernando Poe, Jr., or FPJ, called “Da King,” the movie star candidate for President of the Philippines. Though without education or political experience, “he still has more potential than ‘Da Nut’ currently in the White House.”

was the first act of President Gloria Macapagal-Arroyo in January 2001, after being placed in office by those who had conducted the coup against her predecessor, Joseph Estrada), and therefore is desperate to keep it solvent. However, the IMF is also demanding that *no new borrowing* be undertaken by NAPOCOR, but rather that the electricity rates be drastically increased, forcing the debt payment onto the population and what’s left of the productive sector.

The severely factionalized Congress has not gone along with all the demands of the IMF, including the utility rates, and has maintained some mild forms of protective tariffs. For the IMF, such democratic resistance to self-cannibalization is unacceptable. Besides demanding rate hikes, the IMF report demanded that the Philippines must “reverse the tide of protectionist pressure,” calling the tariffs a “poor substitute for critical structural reforms.”

Will the Philippines Fight?

The Philippines is now in full campaign mode for the Presidential and Congressional elections scheduled for May 10. President Macapagal-Arroyo is running, attempting to get a legitimate mandate for the office she was given in the January 2001 military coup. Under Arroyo, the Philippines has invited U.S. troops into the country to “fight terrorism,” claiming an exception to the Constitutional restrictions against foreign troops on Philippine soil by portraying the Americans as on-site “trainers” in the continuing war in the southern region. Arroyo has also fully backed the criminal



Appointed President Gloria Macapagal Arroyo, caught in alliance with the American war party, the IMF, and coup-maker Gen. Fidel Ramos simultaneously, may be entertaining ideas of avoiding holding the May 10 national elections.

and fraudulent war on Iraq, even sending troops to Iraq as part of Dick Cheney’s “coalition of the willing.” As a reward, the Philippines was named a “non-NATO ally,” although the benefits of this dubious title are less than obvious. Arroyo is counting on continued backing from her neo-conservative allies in the Bush Administration and the U.S. Congress, and is therefore unlikely to take any measures to resist the self-destruction demanded by the international financial institutions. As the President, she is generally held responsible for the economic disaster, and is expected to lose the election, although the polls report a close race between her and her main opponent, Fernando Poe, Jr.

The opposition parties are essentially leaderless. Poe, called FPJ, or “Da King,” is a popular action-hero of the Philippine movie industry, with little education and no political experience. (Still, he has more potential than “Da Nut” currently in the White House.) Poe was chosen purely for reasons of popularity—as Arnie Schwarzenegger was chosen Governor of California to sway the mindless. In the case of Schwarzenegger, the controllers were synarchist bankers, intent on looting California further, as he is indeed proceeding to do.

Poe is certainly not a Schwarzenegger—a “beast-man” to enforce brutal austerity—but what he *is*, is far from clear. He is surrounded by advisors of every stripe, and has put out only broad generalities for his official program. He is a friend of deposed President Joseph Estrada, who was himself a movie star elected by an overwhelming majority in the 1998 election, responding more to the poor than to the financial oligarchy—which is why he was deposed. IMF circles and their representatives in Manila are not pleased by the very serious chance that Poe will win. There is, in fact, a good chance that the



"Today, 4 million Filipinos, about one in 20, are homeless, with squatters filling every possible space along train tracks, sewers, and gullies."

election will be cancelled, of which more below.

Two statements released by the Poe campaign gave substance to the fears of those on Wall Street and their Philippine assets. On March 9, Poe said that if elected, he would "look into the possibility of restructuring our sovereign debt in the domestic and international markets." The Arroyo Administration jumped on this statement, as did the international press, and even blamed Poe for the inability of the government to sell its bonds. Of course, restructuring can mean many things, and even the Government was forced to claim that it, too, was interested in stretching out debt payments as long as possible. But Poe had opened the bag, and the more urgent matter of writing off portions of the illegitimate debt is now on the table.

Poe also struck out at "globalization," saying he intended to "re-orient the government's policy on globalization to focus on pushing for expanded markets for our products and protecting vulnerable sectors from unfair competition." The IMF was not pleased.

Then, on March 20, Poe's spokesman Rep. Francis Escudero told the press that Poe intends to "review the country's alliance with the United States" in regard to the Iraq war. He said that Poe might depart from "over-reliance on unilateral U.S. actions," and rely more on "international partners, like ASEAN (the Association of Southeast Asian Nations) and the UN."

Will There Be an Election?

As was reported in *EIR* on April 2, the Philippines may be caught up in a wave of right-wing terrorism, which has spread globally in the wake of the March 11 Madrid train bombing. The Madrid bombing marked the return of the 1969-1980 "strategy of tension," when remnants of the synarchist networks from the fascist governments of the 1930s

and 1940s in Italy, Germany, Spain, and Vichy France re-emerged with a series of bombings on trains and public buildings. European law enforcement succeeded in breaking these Nazi networks at the time, eventually exposing their intent to blame the "left" for the terror, as a means of imposing authoritarian or military regimes under synarchist control.

Following the March 11 Madrid bombing, President Arroyo announced that the Philippines were also a likely target, due to Manila's submission to U.S. pre-emptive military operations. Then on March 22, she announced the formation of a "High-Level Inter-Agency Task Force Against Terrorism," made up of officials from the government and outside advisors, including master coup-plotter Gen. Fidel Ramos, a former President who had orchestrated the 1986 coup against Ferdinand Marcos, and the 2001 coup against Joseph Estrada, with Washington's backing.

Ramos was also prominently named in the "junta" proposed by his cohort Gen. Fortunato Abat. General Abat decided that elections and democratic procedures simply didn't work in the Philippines, and recommended an emergency government to replace Arroyo immediately, cancelling the elections altogether. Gen. Abat is openly organizing his "No-EI" (for "No Election") campaign, even on the military bases, without any move to arrest him. Although Ramos has officially distanced himself from his old partner in intrigue, very few believe he is not involved.

Only a week later, on March 30, less than six weeks before the scheduled election, President Arroyo took to the national airwaves to announce personally the arrest of four accused members of the Abu Sayyaf kidnapping gang, in Manila, with explosives. She said that the arrests had "prevented a Madrid-level attack in the metropolis." Leading military and political figures have suggested openly, in the press, that the Ramos/Abat team may use the alleged terror threat to justify the cancellation or the postponement of the elections.

If political forces in the Philippines were to act in the manner of Argentina's President Kirchner, identifying the illegal nature of the debt burden and refusing to kill the citizenry in order to meet the banker's demands, they could unite the fractured nation, and, like Argentina, place the Philippines on the front lines of an international fight to stop the onrush of a new Dark Age under IMF-synarchist control. There is a small but determined core group of the LaRouche Youth Movement in Manila, capable of organizing for such a stand. As was shown in the case of Argentina, the LaRouche Youth Movement can and will effectively mobilize governments or populations worldwide to support such courageous leadership.

Iraqi Resistance Makes Rummy's Vietnam in the Desert

by Muriel Mirak-Weissbach

Sen. Ted Kennedy (D-Mass.) grabbed headlines on April 6 when he called Iraq "President Bush's Vietnam," but he was saying much too little, much too late. Months ago, Democratic Presidential candidate Lyndon LaRouche warned that Iraq would become "Vietnam in the desert" if the United States pursued its insane war and occupation policy. LaRouche had clearly indicated what exit strategy the United States must take from an impending disaster (see *EIR*, Dec. 12, 2003). The United States, LaRouche stated, must declare its intention to withdraw all troops, and hand over responsibility to the United Nations, which could oversee elections and the establishment of a legitimate, sovereign government, as well as the drafting of a constitution modelled on the historic 1958 republican constitution of Iraq. LaRouche also called for the rehabilitation of leading political figure Tariq Aziz, former deputy prime minister, who had enjoyed fruitful relations with diplomatic representatives throughout the world, including the Vatican.

Washington chose to reject LaRouche's policy and is paying the bitter price. Unless United States policy is radically reversed, it will lead to the same kind of humiliating defeat dealt by the Vietnamese, at the cost of unknown thousands of lives on both sides. Despite Defense Secretary Donald Rumsfeld's pathetic protestations, that the armed resistance to the United States-led occupying forces were a "small number of terrorists, a small number of militias, coupled with some demonstrations and some lawlessness," in reality, there exists a nationalist Iraqi resistance, encompassing Shi'ite and Sunni forces which are increasingly coordinating their activities.

Shades of Somalia As Well

A shift in the conflict between Iraqi resistance forces and the occupying powers' military began with the killing and

mutilation of four Americans in the Sunni stronghold of Fallujah on March 31. The images that flashed across television screens worldwide evoked similar scenes in Somalia, where American soldiers' bodies had been dragged through the streets. That humiliation led to the rapid withdrawal of United States troops. This time, the United States military and political command opted for a Rambo response, vowing that those responsible for the killings would be identified, apprehended, and killed. A total siege of the city of Fallujah, which counts upwards of 250,000 inhabitants, was decided.

At the same time, conflict with Shi'ite forces broke out in Najaf, Baghdad, Nasiriyah, and Amarah on April 4, followed the next day by Shi'ite actions in Basra. In the following days, the clashes spread to virtually every major city, including Kut, Ramadi, Amarah, and Kerbala, as well as the Shi'ite neighborhoods in Baghdad, of Sadr City and al-Shula.

What sparked the Shi'ite uprising was a series of deliberate provocations by America's proconsul Paul Bremer, officially head of the Coalition Provisional Authority. Bremer had ordered the closure of the newspaper *Al Hawza*, associated with radical Shi'ite leader Moqtadar al-Sadr, and the arrest of his aide, Mustafa al-Yacoubi, for having planned the assassination of another Shi'ite last year. On April 4, in response, al-Sadr called on his followers to move from peaceful demonstrations to "other effective actions." This translated into an April 5 Shi'ite protest in Basra which led to their occupying the governor's office, and to other actions nationally. Shi'ite riots erupted in Baghdad and Najaf, where shooting broke out and an estimated 60-90 Iraqis were killed and hundreds wounded. Nine occupation troops were killed. In fighting in Sadr City, up to 1,000 United States troops moved in, engaging in gun-battles with more than 500 militia-men, while Apache helicopters hit civilian residences in Baghdad's al-Shula.



Not the neo-conservatives' promised "flowers in the streets" of Iraq; U.S. forces now face the prospect of a nationwide insurrection in which Sunni and Shi'a join forces. This is the fruit of the Cheney circle's crazy policy of "democratizing" the world by a perpetual series of wars.

Bremer upped the ante on April 5, announcing a warrant for the arrest of al-Sadr himself, and declaring al-Sadr to be an "outlaw" who would be apprehended. "Effectively [al-Sadr] is attempting to establish his authority in the place of the legitimate authority. We will not tolerate this. We will reassert the law and order which the Iraqi people expect," Bremer told a security team meeting which had been convened to discuss a response to al-Sadr. The declaration escalated the conflict between the United States and al-Sadr's militia, the Al-Mahdi Army. "There is no room for militias in the new Iraq. . . . If there are militias that seek to exert control, we will address that head on. And that is clearly what we are doing right now," a senior U.S. official said.

Thus, by April 5, the United States occupying forces had created a situation in which the armed resistance, formerly concentrated in the "Sunni triangle," had been flanked by demonstrations and armed attacks led by Shi'ites in a half dozen cities. Twelve American soldiers were killed and dozens wounded in Ramadi; in Nasariya, 12 Italian soldiers were wounded in clashes with al-Sadr forces; clashes with Polish troops broke out in Kerbala, after al-Sadr's forces occupied a police station, and several Bulgarian and Polish soldiers were wounded while eight Iraqis and five Iranian pilgrims were killed; Ukrainian forces fought al-Sadr's militiamen in Kut, and were forced to evacuate; fighting was reported in Najaf, Baquba, Amarah, Kufah and Basra. Over several days, 280 Iraqis were killed and 400 more wounded, while casualties whose numbers are not clear, piled up on the side of the occupation, including at least 38 United States troops.

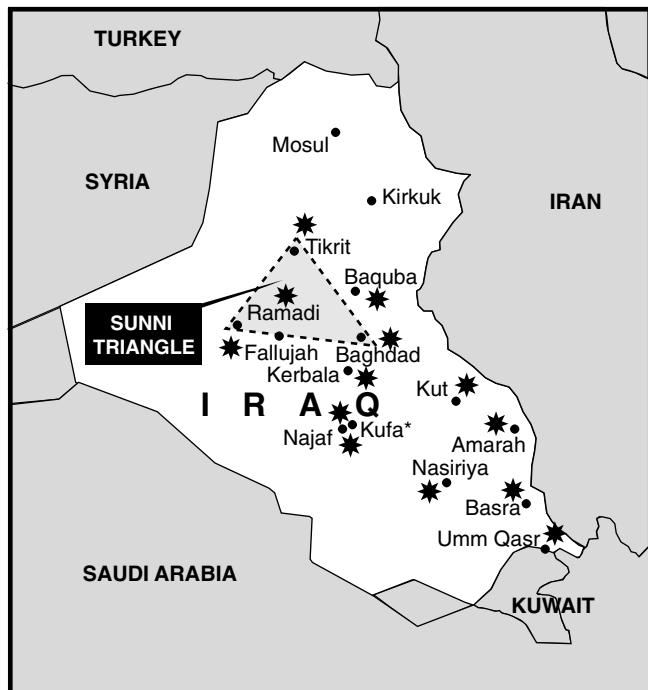
If Fallujah became the symbol of the Sunni resistance, Sadr City and al-Shula in Baghdad became the focal point of Shi'ite resistance, and part of one national movement. There

were reports of messages of solidarity from insurgents in Fallujah to Shi'ites in Baghdad, while Shi'ites in Kerbala applauded the actions of the Fallujah fighters, whom they considered "heroes." Portraits of al-Sadr were pasted up on walls in the largely Sunni city of Ramadi, along with graffiti praising his "valiant uprising." On April 5, al-Sadr militiamen joined forces with insurgents in a Sunni neighborhood in Baghdad. As *Independent* correspondent Robert Fisk noted on April 6, "The British took three years to turn both the Sunnis and the Shias into their enemies in 1920. The Americans are achieving this in just under a year."

The Siege of Fallujah

The massive United States operation in Fallujah, code-named "Vigilant Resolve," reportedly involved 1,200 Marines and two battalions of Iraqi security forces, who entered the city in raids to capture suspected insurgents. Leaflets in Arabic were distributed to mosques, telling Iraqis to observe a curfew (7:00 p.m. to 6:00 a.m.), ordering them not to gather in groups, or carry weapons. If United States troops entered their homes, Iraqis were ordered to gather in one room with their hands up, if they wanted to talk. The aim of the Fallujah operation was officially to capture or kill those responsible for the killings the prior week, said Marine 1st Lt. Eric Knapp.

Bremer had announced "overwhelming force" against those responsible for the March 31 killings in Fallujah: After sending in small groups to search houses, U.S. Marines sent in tanks, covered by air power. Four Marines were killed on the first day, April 5, "while conducting security and stabilization operations," said the United States military. This was "as a result of enemy action" in western Anbar province, where Fallujah is located. North of Fallujah on April 6, residents



As of April 8, fighting between coalition troops and a growing Iraqi resistance was becoming national, having spread in one week from Najaf to many cities and towns, and shows signs of unifying Sunni and Shi'ite Iraqi Muslims.

reported heavy fighting, with explosions heard. In nearby Ramadi, the resistance launched a counterattack against the occupation forces, attacking guard posts outside the city, and the governor's palace.

The United States incursion into Fallujah was conducted "Israeli-style," with massive force against civilians. Tanks and Humvees were backed up by AC-130 gunships, which can spray machine-gun fire, as well as by Cobra helicopters. United States forces bombed houses, destroying four in two neighborhoods, and killing 16 children and eight women. On April 7, the Abdel-Aziz al-Samarrai mosque was hit. A United States Cobra helicopter gunship sent a Hellfire missile into its minaret and an F-16's 500-pound laser-guided bomb destroyed a wall surrounding the location. The bodies of 40 people killed inside the mosque, including 25 members of an extended family, were swiftly taken away in cars.

The killing had been deliberate. Lt. Col. Brennan Byrne told Agence France Presse on April 8, "When we hit that building, I thought we had killed all the bad guys, but when we went in they didn't find any bad guys in the building." Brig Gen. Mark Kimmitt, the American deputy director of operations in Iraq, told CNN that more mosques in Iraq could be targeted, if they were used as bases of attack.

Following the mosque attack, solidarity actions were rapidly organized from Baghdad and elsewhere, as trucks filled with food, medicine, and humanitarian supplies were driven

by Iraqis to besieged Fallujah; 90 cars were initially sent from Baghdad on April 8, along with thousands of protesters marching peacefully to Fallujah. Iraqis described to *EIR* a humanitarian crisis in the city due to the encirclement and siege. The hospital has been reportedly taken over by the United States, and people were dying of their wounds, unable to enter it. Nurses and doctors set up makeshift field hospitals elsewhere.

Al-Sadr and the Al-Mahdi Army

Who, or what, Moqtadar al-Sadr is, is not the point. He has now become the figurehead for a national resistance movement, which he may neither control nor command. Ironically, Paul Bremer catapulted al-Sadr to this new position.

Based in Najaf, al-Sadr is a 32-year-old radical Shi'ite, who comes from a family of martyrs. From the onset of the United States-led war, he called for armed resistance, and has recruited from among the poorest layers of the Shi'ite population, especially in the Baghdad neighborhoods of Sadr City (formerly Saddam City, renamed after al-Sadr's father), and al-Shula. Al-Sadr's militia is growing as the insurgency spreads. Mainstream Iraqi Shi'ites consider him a wild card, a radical firebrand, whose followers are reputed to engage in looting.

Despite this, his bold resistance commands respect now. The entire resistance movement has been transformed through the escalating conflict between Bremer and al-Sadr. In the words of Toby Dodge of Warwick University, one of Britain's foremost experts on Iraq, "Al-Sadr is an umbrella for wider discontent, and the opposition is more coherent. The forces arrayed against the Americans are solidifying. The insurgency now issues national communications, in the form of a weekly newsletter." He characterized the developments at the beginning of April as a "new phase," whereby "the asymmetrical strategy of hitting and running by anti-occupation militias, is being replaced by hitting and *staying*, and the militias showing more confidence and better organization."

Furthermore, the political demands made by al-Sadr and his followers are shared by the majority of the population. Most important is his demand to end the occupation; in addition, he calls for re-opening the *Al Hawza* newspaper, and releasing the prisoners.

The highest Shi'ite authority, Ayatollah Ali al-Sistani, based in Kerbala, has, up to the present, desisted from armed struggle, and provided the political guidance for the Shi'ite members of the Iraqi Governing Council (IGC). Although al-Sistani considers the IGC, as well as its recent interim agreement with the CPA, to be illegal by standards of international law, he has tolerated them in the interest of finding a peaceful solution to the conflict. He has engaged the United Nations in hopes that that body will organize democratic elections leading to the formation of a legitimate government which can get the occupiers to leave.

What Ayatollah al-Sistani says must be respected by Shi'-

ites. His is a much higher authority than al-Sadr's; indeed, the highest. In the current crisis, al-Sistani has intervened to attempt to avert the worst. It was a delegation of the ayatollah which convinced al-Sadr, who was staging a sit-in in a mosque in Kufa, to return to his office in Najaf on April 4. In a statement, al-Sadr said he was moving, to avoid blood being shed in a mosque.

Speaking for al-Sistani, an aide said, "The ayatollah has called on the [Shi'ite] demonstrators to remain calm, to keep a cool head and allow the problem to be resolved through negotiation. Al-Sistani also called on the demonstrators not to retaliate against the occupation forces in the event of aggression." At the same time, al-Sistani "condemned the methods used by the occupation forces in the current escalating situation in Iraq," and repeated that the demonstrators' demands—to end the occupation and release prisoners—are legitimate.

The conflict will escalate to new heights, if the occupying forces make good on their threat to apprehend al-Sadr. His top aide, Sheikh Qays al-Khaz'ali, when asked if al-Sadr would resist arrest, answered: "God forbid if this happens, al-Sayed will win martyrdom." He quoted al-Sadr: "My fate will be either my assassination or arrest." He said, "I have pledged not to allow a drop of blood to be shed except my own. I'm prepared to have my own blood shed for what is holy to me." Sadr's supporters said they would fight any attempt to detain him.

Ibrahim al-Ja'fari, a member of the IGC, has called for the arrest warrant against the young radical to be lifted, a move backed by Ayatollah al-Sistani, but rejected out of hand by Bremer. It appeared on April 8 that the United States was softening its stance slightly; Army Lt. Gen. Ricardo Sanchez told a press briefing, that al-Sadr should "turn himself in" to local police.

Denial, and the Will to Power

The posture of Defense Secretary Rumsfeld, Joint Chiefs of Staff Chairman Gen. Richard Myers, and Bremer suggests that they are bent on escalating the conflict. Rumsfeld expressed his state of denial in remarks on April 8, refusing to acknowledge that there is a full-fledged national resistance in Iraq. "The number of people that are involved in those battles are relatively small," he claimed. "And there's nothing like an army or a major large elements of hundreds of people trying to overthrow or to change the situation. You have a mixture of a small number of terrorists, a small number of militias, coupled with some demonstrations and some lawlessness." Rumsfeld and Myers estimated that al-Sadr's militias numbered between 1,000 and 6,000. Myers said that those attacking the coalition shared the anti-Americanism of al-Sadr, but there was no evidence of nationwide coordination of the fighting. "It's not a Shi'ite uprising," he stated. "Sadr has a small following."

Even as he denied reality, Rumsfeld announced that U.S.

forces would be expanded, obviously in response to the guerrilla war. American forces will be beefed up using the troop rotation now ongoing. New troops coming in will simply be deployed in addition to those already on the ground, rather than replacing them. "We're taking advantage of that increase," Rumsfeld said April 8, "and we will likely be managing the pace of the redeployment to allow those seasoned troops with experience and relationships with the local populations [!] to see the current situation through."

Thus, the "Vietnam in the desert" takes very concrete shape. At the same time America is forced to increase its military presence, the political fallout of the gains made by the resistance is devastating, both on the other "coalition of the willing" nations and on the Quisling government known as the IGC. The British are also sending more troops in. But Honduras will pull out its 370 troops this Summer; El Salvador, Nicaragua, and the Dominican Republic may follow Spain's incoming government when it withdraws. Guatemala has said it cannot send promised troops, and the Netherlands will not keep its 1,300 there. As the fighting escalated, Japan halted its humanitarian operations, and told its troops to stay within their compounds. Kazakstan's defense minister announced on April 8 that its small group working under Polish command would leave May 30 and not be replaced. News broke on April 8 that the resistance fighters had taken hostage three Japanese, eight South Koreans, and two Arab aid workers, fueling the tendency to pack up and leave.

The emergence of a national resistance has also shattered the IGC, by underlining the nature of its collaborationism. Fissures were already visible in the U.S.-appointed body when a woman member, al-Hasraji, threatened to resign in protest over the IGC's stance against al-Sadr. The group had laid the blame for the conflict on him, and demanded he turn himself in. IGC member Ja'fari publicly demanded that the United States immediately change its handling of the riots. Denouncing the "situation in Iraq which has been driven into a military one," he said, "The recent bloody clashes which have resulted in the murder of innocent civilians are regrettable and we condemn it." On April 8, another shoe dropped, when interim Iraqi Interior Minister Nuri Badran resigned, after Bremer expressed dissatisfaction with his performance (there were widespread reports of Iraqi police joining the insurgents). It is expected that leading Shi'ite members of the IGC will come under increasing public pressure.

Foreign allies are falling away, and the Quisling government is tottering. As of April 8, three cities—Kut, Najaf, and Kufa—were under complete or partial control of the Shi'ite militants, and crowds which may grow to millions, were marching towards the holy city of Kerbala, to celebrate the end of the mourning period for Shi'ite leader Imam Hussein over the April 10-11 weekend. Beyond that, Summer is approaching in Iraq, with blistering temperatures, which will pin down U.S. troops.

Is it not time to face reality in Washington?

EIR's 2003 Warning: Lessons of Iraq's Resistance to Imperial Conquest

by Hussein Askary

This historical analysis by an Iraqi author and EIR correspondent was first published in EIR for Nov. 14, 2003. Its original title was "Lessons To Be Learned," which indicates why we republish it now.

In Iraq, as in many other places, history keeps repeating itself, sometimes with all the ironies and paradoxes of war and peace. In the view of this Iraqi author, the situation there, due to the foolish policy of the Bush Administration and the wicked plans of the war party of Cheney and his neo-conservative cronies, is moving rapidly towards a major confrontation all over the country. This most likely will recapitulate the 1920 Iraqi revolt against the British Empire. The resistance to the U.S. occupation in Iraq recently has been relatively limited to the so-called "Sunni triangle," in the capital and north and northwest of Baghdad. However, there is an increasing pattern of dismay and calls for confrontation among the Shi'ites in Baghdad and southern Iraq.

The Shi'a Muslims, who make up 65% of the 24 million Iraqi population, have been passively watching developments while politically organizing their communities around religious institutions. The Shi'ites, like the Kurds, have suffered enormously under Saddam Hussein's dictatorship. Ironically, most of the resistance to the U.S.-British invasion of Iraq in March-April this year took place in the south. Were the Shi'a defending Saddam Hussein? The answer is, of course, no.

The World War I Precedent

In World War I, the Shi'a population and their religious leadership, who were also oppressed by the Ottoman Empire, joined forces with the Turks to defeat the British invading army in 1915-16. The British India army had taken Basrah and advanced towards Baghdad. They were effectively stopped in Kut Al-Amara, besieged and crushed. The British mission had to surrender. In late 1916, a new offensive was launched. This time, the resistance was much more limited, because the Turks, in their imperial folly, had gone against the Shi'a population, arresting and executing a large number of them.

On March 19, 1917, British troops took Baghdad under the leadership of Maj. Gen. Stanley Maude. Then, as now, the invaders proclaimed that they came to Iraq to "liberate" the Iraqi people from the Ottoman imperial tyranny, and promised to give the Iraqi people independence and the right to a

choose their own government as soon as the war was over. That was not the intention of the British Empire. While they had promised the Arab peoples independence if they rose in Arabia against the Turks, the British had secretly drawn the Sykes-Picot Agreement in 1916 with the French, dividing the spoils of war in the region after the fall of the Ottoman Empire.

The idea was to put Iraq, Jordan, and Palestine under direct British occupation, while the French would get Greater Syria (Syria and Lebanon) and Mosul in northern Iraq. They had also made a secret promise to the Jewish community in Britain to "establish a homeland for the Jews in Palestine." Today, as then, the Anglo-American neo-conservatives have drawn the "Clean Break," a plan for redrawing the map of the Middle East.

In fact, The British Viceroy of India had openly promoted the "annexation" of southern Iraq to "British India," making the Persian Gulf and the Arabian Sea a British lake. The original idea was to start a massive transfer of Indian serfs to southern Iraq, to set up cotton and rice plantations. The man to implement this plan was British Civil Commissioner Sir Arnold Wilson, a racist and bloodthirsty British army colonel. It was, however, discarded as soon as the British occupation first came into direct contact with the Iraqi people.

Suspicious of British intentions, Shi'a Muslim leaders in the holy city of Najaf started a process of political organizing against the occupation. This culminated in the forming of the Al-Nahdha (Renaissance) Party. On March 19, 1917, a limited uprising against the British occupation took place in Najaf. It was swiftly and brutally crushed by the British army, which surrounded the city and bombed one major quarter of it. Eleven Iraqis were executed in retaliation for the killing of one British officer. This incident had shown the Iraqis the real nature of what they had to deal with.

In Jan. 8, 1918, U.S. President Woodrow Wilson addressed a joint session of Congress: "Parleys have been in progress at Brest-Litovsk between Russian representatives and representatives of the Central Powers to which the attention of all the belligerents have been invited for the purpose of ascertaining whether it may be possible to extend these parleys into a general conference with regard to terms of peace and settlement." His speech included a declaration of 14 points of what he called the "only possible program" to achieve world peace and justice in the post-war era. That



After a British invading army had been besieged and surrendered in 1916, the second British invasion of Iraq, in 1917, “succeeded” because the Ottoman Turkish imperial regime had meanwhile fiercely oppressed Iraq’s Shi’ites, generating great opposition to Ottoman Rule. British Maj. Gen. Stanley Maude’s troops finally captured Baghdad on March 11, 1917 (left). Maude was to be buried under the city’s wall seven months later (right).

declaration included the demand of “affording mutual guarantees of political independence and territorial integrity to great and small states alike.” An Arabic copy of Wilson’s declaration was published on Oct. 11 of that year, and widely circulated in Iraq. Point 12 received special attention: “XII. The Turkish portion of the present Ottoman Empire should be assured a secure sovereignty, but the other nationalities which are now under Turkish rule should be assured an undoubted security of life and an absolutely unmolested opportunity of autonomous development.”

This point was regarded as an explicit American endorsement of the independence of the nations occupied by the British and the French. Also on Oct. 11, General Marshall in Iraq issued a communiqué affirming Iraqi independence. The British-French allies issued a joint declaration, which stated, “The ultimate objective of the governments of France and Great Britain is the complete liberation of all the peoples which have for so long lived under the yoke of Turkish oppression, and to establish national governments and administrations that derive their authority and principles from representatives chosen by the people.”

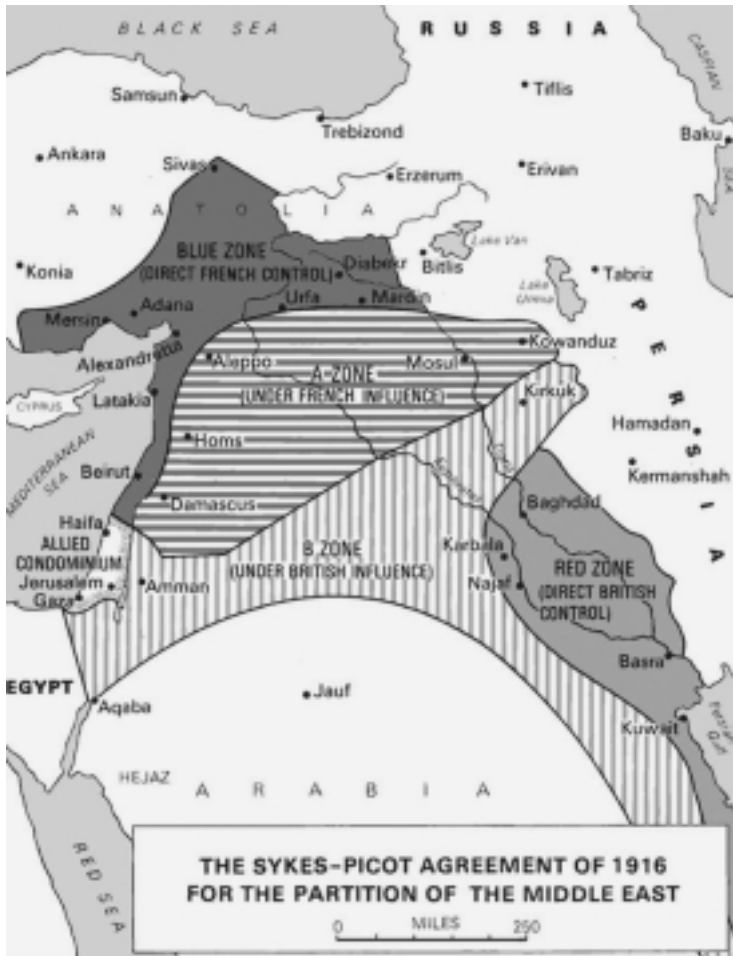
Sykes-Picot and Woodrow Wilson

America was regarded as a great power with no imperial past and with good intentions towards weaker nations. However, the people of the region had no insight into the Anglophile affinities of Woodrow Wilson, which led him into compromising in the next months. Wilson brought the U.S. into the war to bring the American republic into the imperial club on behalf of the Wall Street financial interests. However, he needed some moral cause to justify such an involvement and to persuade the anti-imperial American public and Congress to support it.

President Wilson was fully aware of the British-French secret deals and the Sykes-Picot agreement for colonial sharing of the territories to be left by “Europe’s sick man,” the Ottoman Empire. Wilson had inquired into the details of these agreements, and British Foreign Secretary Arthur Balfour sent copies to Washington, through Wilson’s close friend Col. Edward M. House. House advised Wilson not to mention the secret agreements in public before the war was won. Wilson tried his best to conceal them, but these agreements were made public after the Bolsheviks took power in Russia and found copies in the office of Czarist Russia’s foreign minister Sergei Sazanov. Russia was to get parts of Turkey after the war according to the Sykes-Picot-Sazanov deal, but the Bolshevik Revolution pulled Russia out of it.

Wilson’s project for giving the war a “moral meaning” was launched on the suggestion propagandist and *New Republic* editor Walter Lippmann. Lippmann wrote to President Wilson the day after his speech to Congress: “Only a statesman who will be called great could have made America’s intervention mean so much to the generous forces of the world, could have lifted the inevitable horror of war into a deed so full of meaning.” Lippmann and Colonel House led a special group in late 1917, bypassing the State Department, to draw America’s plans for the post-war era for President Wilson, in similar fashion as the Pentagon’s current neo-conservative Office of Special Plans (OSP) bypassed both the State Department and the CIA to draw its own Iraq war plans. The British Prime Minister persuaded Wilson to put parts of the Middle East—such as Armenia and parts of Turkey—under an “American mandate.”

Germany formally surrendered on Nov. 11, 1918. Negotiations on the terms of peace led to the signing of the June 28, 1919, Treaty of Versailles. It needs no confirmation that the



Promising Iraqis “independence and liberation” from the Turks, the British secretly agreed in 1916 with France to divide the area for oil and strategic exploitation, and to divide Iran (Persia) with Czarist Russia. When, in 1920, the “international community,” meeting as the League of Nations, endorsed the British imperial division of the spoils, that was the trigger for Iraqi armed revolt.

disastrous terms of this treaty led directly to the next war. For the Middle East, this treaty led to the 1919 Paris Peace Conference, which strengthened the grip of the new colonial powers over Middle East nations. All promises of freedom, independence, and sovereignty were betrayed. The role of the United States, which had actually withdrawn from the League of Nations by that time, was reduced to that of lawyer for the American oil companies, Standard Oil of New York (SOCONY) and the Standard Oil Company of New Jersey—that day’s Halliburton and Bechtel. These companies were in a fight with the British and French for a share in the oil concessions, like vultures gathered on the Ottoman imperial corpse.

The outcome of the phony deal-making was that the nations of the Middle East should be placed under imperial mandate to help these yet immature peoples become civilized and govern themselves. The recent UN Security Council deals, that legitimized the illegal war against Iraq and the

current U.S.-British occupation, without any clear guarantees for the future of the Iraqi people, are a similar historic mistake. On Nov. 30, 1918, the British Viceroy of India sent a telegram to Sir Arnold Wilson, stating: “Let it be known to all that it is in the [Paris] Peace Conference that the fate of the Iraqi sectors would be decided.” And, anticipating the requirement of a referendum on the mandate, the Viceroy ordered Wilson to carry out a controlled plebiscite, with only “Yes” to the mandate as an acceptable answer. The referendum would consist of three questions: 1) Do the Iraqis wish to have a united Arab state, extending from north of Mosul to the Persian Gulf, under a British mandate? 2) Do they wish, in this case, to have an Arab leader by name to head this state? and 3) In this case, who is this leader? So, the choice put to the Iraqis was either to accept a puppet government under a British mandate or direct British military rule.

Referendum Leads to Confrontation

The myth peddled by almost all official British histories, and by private authors, is that the problem in Iraq was the ambitions of wild tribesmen who resisted any kind of modern central government, preferring to live in a lawless state. The truth is that the Iraqi population, in spite of horrific living conditions and poverty, was highly organized in political terms. The alliance between the clan leaders and the religious leadership based in Karbala and Al-Najaf, was the main source of political organizing. The *Hawzas*, religious seminaries in these two cities, are still, to this date, the source of much of the unofficial legislation for millions of Shi’ites. The *Hawza* is composed of religious *Ulamaa* (Men of Knowledge) who have deep knowledge of Islamic history, the Quran, the tradition of the prophet, Arabic literature, and a number of natural sciences. Although subjected to oppression through many centuries, including under the recent Saddam Hussein dictatorship, the *Hawza* persisted in its following of the Shi’ite school whose roots stretch more than 1,000 years to the Islamic Renaissance era. Another branch of the Shi’ite school started to grow in Iran in the 16th Century. Therefore many scholars move back and forth between Iran and Iraq. Many of the Iraqi Shi’ite leaders were born in Iran. This gave an excuse to Saddam’s Ba’ath party to accuse them as Iranian agents during and after the 1980-88 Iran-Iraq war.

The humbleness of the Ulamaa confuses the arrogant and the mighty. Gertrude Bell, British spy in Baghdad and later assistant to High Commissioner Sir Arnold Wilson, wrote to her mother, mocking the Shi’ite clergy: “It’s a problem here how to get into touch with the Shi’as, not the tribal people in the country; we are on intimate terms with all of them; but the

grimly devout citizens of the holy towns and more specially the leaders of religious opinion, who can loose and bind with a word by authority which rests on an intimate acquaintance with accumulated knowledge entirely irrelevant to human affairs and worthless in any branch of human activity.”

The opposition and uprising against the British rule was not simply a Shi'ite phenomenon. Many Sunni Muslim religious leaders and clans coordinated their efforts with the Shi'ite leaders, provoking the rage of the British. The Kurds also joined in the opposition to the British occupation, making the situation more and more difficult to control. The only allies the British had in the country were the merchants, land owners, notables, and religious leaders who were actually the lackeys of the Ottoman Empire before. One example was Abdul-Rahman Al-Naqib, some sort of a mayor of Baghdad, who used to work for the Ottomans, and later became a stooge of Gertrude Bell and Arnold Wilson. He later became the first prime minister under British rule. Those “notables” aligned themselves with the imperial power in order to protect their wealth, their plantations, and their power. Most of the population was living in virtual serfdom.

The resistance to the occupation and imposition of the mandate started peacefully, and through diplomatic initiatives. While the British promised a public referendum, they first extended the period of the referendum from December 1918 to January 1919; then, solicited petitions from their friendly notables of the major cities, stating that they accepted British rule with all their hearts, and that there was no need for a referendum. One, from Mosul, read: “We offer our thanks to Great Britain for saving us from the Turks and from death, and for giving us freedom and justice. We hope that this state [Britain] would bestow its protection upon us and to run the affairs of our country. We beg you to bring this request to the Great King George.” Another, by merchants in Karbala, said: “We have agreed to come under the shadow of our merciful and compassionate government of Great Britain for a period of time.”

These petitions were then taken by British officers to other parts of Iraq to convince the population that the leaders had agreed to the mandate. Meanwhile, they cut all communication between the major cities, in order not to allow consultation among the different groups. Anyone who was seen traveling to another city to meet with political or religious leaders was arrested as an agitator.

On Nov. 13, 1919, Arnold Wilson went to Al-Najaf, together with the military administrator of the area, Major Norbury, to meet a selected group of religious scholars, merchants, and clan leaders and to ask them about the referendum. Wilson asked the group: “Do you want our government or an Arab government?” One of the invited agents, Hadi Al-Naqeeb, answered immediately that they “would accept none other than Britain.” But another participant rejected the idea and demanded a larger meeting. Wilson left the meeting without saying anything. The next day, another meeting was held

in the house of Jawad Al-Jawahiri, one of the best-known political and religious leaders. The answer to Wilson's question was, “No to British rule.” Furthermore, they demanded that the referendum should include everyone in Iraq, including the peasants and the coolies, on equal footing with the merchants and landowners.

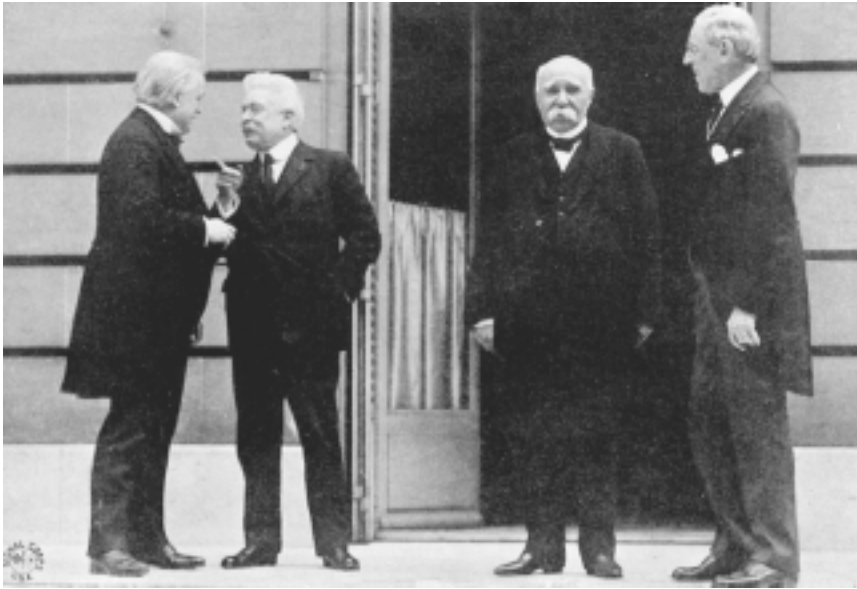
The participants were about to write petitions in opposition to British rule to be sent to the major powers meeting in the Paris Peace Conference. The British sent in the police and stopped the meeting. The clan leaders decided they would return to their respective areas and mobilize against the mandate. Other meetings were made to sign counter-petitions. Arrests were made to prevent this development and that drove the whole situation into a direct confrontation.

Both Sunni and Shi'a leaders in Baghdad signed a joint petition on Jan. 19, 1919 stating: “We the representatives of Muslims in Baghdad, both Sunni and Shi'a, have decided that the land of Iraq from Mosul to the Persian Gulf should be one Arab state with an Arab Muslim king as a leader, bounded by a national congress [parliament].” The proposed king would be Emir Faisal, son of Sharif Hussein of Arabia, who had been promised by the British an Arab state in all Arabia and Syria, in exchange for his help in the war against the Ottomans.

In a letter to her father, Gertrude Bell wrote, just as the revolt was breaking out: “There are 2 or 3 meetings every week in the mosques to celebrate this unexampled event. Sometimes in Shi'ah mosques and sometimes in Sunni, and all attended by both sects. It is in reality political not religious and I don't know that anyone believes the boasted union to be permanent. There's a lot of semi-religious, semi-political preaching and reciting of poems, and the underlying thought is out with the infidel. My belief is that the weightier people [friends of the British] are against it—I know some of them are bitterly disgusted—but it's very difficult to stand out against the Islamic cry and the longer it goes on the more difficult it is.”

Sheikh Al-Shirazi Assumes Leadership

Sheikh Mohammed Taqi Al-Haeri Al-Shirazi, the most prominent religious leader in the *Hawza* in Karbala, intervened forcefully after these events in order to organize the resistance. He was for a peaceful solution for the crisis, trying to force the British and the international community to make good on their promises. He was against a military escalation, as long as the British were willing to negotiate. Al-Shirazi put an end to the “referendum” by issuing a *fatwa* (a religious decree) saying that “No Muslim can choose or elect anyone to position of power and government other than a Muslim.” This *fatwa* was printed and spread across the country. Furthermore, Al-Shirazi was opposed to the idea of appointing one of the sons of Sharif Hussein as King of Iraq. He was more focussed on the question of independence and a constitution for a sovereign Iraq.



At the 1919 Paris Peace Conference (the Mideast imperial follow-up to the Versailles Conference), British Prime Minister David Lloyd-George (left) talks to Italy's Vittorio Orlando, and U.S. President Woodrow Wilson (right) chats with France's Georges Clemenceau. "All promises of freedom, independence, and sovereignty were betrayed. The role of the United States was reduced to that of lawyer for the American oil companies, Standard Oil of New York (SOCONY) and the Standard Oil Company of New Jersey—that day's Halliburton and Bechtel."

Realizing that the British were not intending to listen, Al-Shirazi raised the level of political and diplomatic efforts to the other western powers, to expose the forgery being committed by the British. On Feb. 13, 1919, he sent three letters: one to President Woodrow Wilson, another to the U.S. Ambassador in Iran, and a third to the Prime Minister of Iran, Wathoq-ul Dawla. In the last, Al-Shirazi urged the Iranian not to sign the humiliating Anglo-Persian Agreement, which would strip Iran of its independence and put it under direct British economic and political control. If he did sign, Al-Shirazi warned that he himself would "do everything in his power to stop it," and that "Muslims would fight to liberate themselves from the chains of slavery."

Al-Shirazi reminded the U.S. ambassador to Iran of the principles of self-determination to which the U.S. Administration had committed itself, and informed him that the Iraqi people were seeking the aid of the United States to establish an independent Arab-Islamic state. He alerted the ambassador to the fact that people in Iraq were reluctant to express their views on the issue of the mandate due to the "martial laws that have put them under siege from all sides" and that "people do not trust the alleged right to free expression of opinions."

To President Wilson, Al-Shirazi wrote on Feb. 13, 1919, together with Sheikh Al-Sharia Al-Asfahani of Karbala:

All peoples rejoiced for the declared purpose of participating in the European wars; namely, the restoration to

the oppressed nations their rights, and opening the way for them to enjoy independence according to the terms you have declared. Since you were the initiator of this project, the project of happiness and general peace, it is appropriate that you be the resort for lifting the obstacles from its accomplishment. There is indeed a strong obstacle, preventing most of the Iraqi people from expressing their aspirations, in spite of the declared desire of the British government that all Iraqis should express their views. The general opinion amongst them is that since they are a Muslim nation, it should enjoy a judicial freedom and choose a new, independent Arab-Islamic state headed by a Muslim king, who is bounded by a national assembly. As for the talk about [taking up the issue after] the post-Peace Conference period, we would like to inform you that we are responsible for bringing hope to the Iraqi people and removing

all obstacles in their way to express their views and aspiration to a sufficient degree to allow the international public opinion to see the truth about the purpose of what you have outlined, in complete freedom. To you, thus, will be the eternal honor in history and in its current modern civilization.

Then, and Now

In March, the British occupation administration in Iraq compiled the petitions and results of its non-existent referendum and sent them to His Majesty's Government in London, in order to present it to the Paris Peace Conference. The person who was delegated to present the case to the government was Ms. Bell, who on March 16 wrote to her mother from Paris: "But for the moment there's nothing to be done except educate the Americans, who seem to be very willing to accept the information we have to give." Bell had written a memorandum to the British government on the subject stating: "[T]he people of Mesopotamia, having witnessed the successful termination of the war, had taken it for granted that the country would remain under British control and were as a whole content to accept the decision of arms."

The British government accepted Bell's and Arnold Wilson's "proof" that the Iraqi people favored British imperial rule instead of freedom and independence. On May 9, 1919, the government of Prime Minister David Lloyd George instructed Sir Arnold to proceed with establishing a Mesopota-

mian government under a British High Commissioner, aided by four military administrators for Baghdad, Basra, Mosul, and Middle Euphrates.

There is a great deal of confusion and fakery about the form of government the British proposed. The instructions were so vague that Sir Arnold was given greater freedom to implement his absolute military rule over the Iraqis whom he regarded as “lawless thugs.” Bell on the other hand is described in general terms as the liberal “uncrowned queen” of Iraq who was “intriguing” against Wilson and demanding a limited transfer of responsibilities to Iraqi puppets from among the rich elite. This “fight” between Wilson’s British India old imperial style of direct military rule, and Bell’s “liberal imperialist” tendency advocating the imposition of a “mandate,” was later used to scapegoat Wilson for the disaster which followed. It was the basis for launching a coup within the British establishment, putting Bell’s new “Arab Bureau of Intelligence” of the Foreign Ministry in charge of the whole Middle East, instead of the British India grouping.

When the British decision for a British government over Iraq was made known, Iraqi patriots and Al-Shirazi escalated their activities from diplomacy and dialog to “passive,” i.e., peaceful, resistance and political organizing. The danger foreseen by Al-Shirazi and others was that this new step by the British could be a prelude to giving international legitimacy to the British occupation; a swift move to organize the resistance was necessary to pre-empt such a development.

This brings to mind the current strong resistance by the Iraqi Shi’ite supreme religious leader Ayatollah Ali Al-Sistani, who strongly opposes the drafting of a new Iraqi constitution while the affairs of the country are run by the U.S.-British Provisional Coalition Authority. He insists that the group which will draft the constitution should be selected by the Iraqi people through free elections. Al-Sistani issued a *fatwa* recently, prohibiting the drafting of the constitution under the current conditions of occupation.

Between May and August 1919, political organizations were established, such as the “Guardians of Independence” in Baghdad, and the “Islamic Society” in Karbala, headed by the son of Al-Shirazi and a number of other scholars. These organizations then spread throughout the country and started organizing and informing the different tribes and clans about the strategy for resistance. Al-Shirazi and his collaborators made everyone aware of the peaceful nature of this resistance, while keeping an armed resistance as a last resort.

The same point was raised repeatedly during the course of 2003, by the Shi’ite political leader Mohammed Baqir Al-Hakeem, who was killed in a terrorist bombing in the holy city of Najaf in late August. Although his group, the Supreme Council of the Islamic Revolution in Iraq (SCIRI), is part of the Iraqi Governing Council under the occupation, he demanded a policy with a clear time-frame for the transfer of power to the Iraqi people. Otherwise, as he used to warn, peaceful—at first—resistance to the U.S.-British occupation

would be launched.

On Aug. 2, 1919 the British, becoming alarmed by the state of political organization in the country, had the army arrest six leaders of Karbala’s “Islamic Society” who were working closely with Al-Shirazi and his son. The six were sent into exile to an island in the Indian Ocean. This, the British thought, would deter the rest, especially Al-Shirazi. But Al-Shirazi sent a letter to Sir Arnold Wilson demanding the release and return of the leaders back to Iraq. Wilson, in an arrogant gesture, rejected Al-Shirazi’s letter, believing that Al-Shirazi would not risk arousing a bloody uprising and taking the blame for the loss of lives.

The Strategic Setting

Thinking strategically, Al-Shirazi made an important flanking maneuver. He announced on Aug. 10, 1919 that if the exiles were not brought back to Iraq, he would leave for Iran and declare *jihad* (holy war) against the British from there. Being the supreme religious leader for Shi’ites in Iraq and Iran, and also Shi’a minorities in India, the Iranian people would rally around him for *jihad* against the British, who were also controlling the Iranian king Shah Ahmed. The British in Iran (then called Persia) were in a desperate situation at the time. Popular rejection of the Anglo-Persian Agreement was at its peak. Shah Ahmed, although still under strong British control, was looking forward to gaining some benefits from the new, Bolshevik Russian policy, which abandoned Czarist territorial ambitions in the region, cancelled all debt and economic concessions, and offered cooperation with the Persian Shah. For many decades, Persia was an important part of the British Great Game, a buffer zone, together with Afghanistan, to prevent Russia from reaching to India and the Indian Ocean.

The British conceded to Al-Shirazi’s demands, but simultaneously rushed the Anglo-Persian treaty to be rubber-stamped by the Persian Prime Minister. The process of negotiations for the return of the exiles from India ended in December 1919, with their return to Karbala, where they were received as heroes. This confirmed to the Iraqis that their political organizing and the competent strategic thinking of their leaders were able to force the British to make concessions, peacefully. Al-Shirazi and other leaders did not sit back. He continued to work to abolish the shameful Anglo-Persian treaty, while his organizing of a pan-Iraqi resistance demanding full independence escalated.

In Persia, by the Winter of 1919-20, the political opposition and the Shi’ite *Hawza* in Qom mobilized to abolish the Anglo-Persian Treaty, as violating the Persian constitution. Pressure from within Iran and urging from Al-Shirazi in Iraq, who sent his collaborator Abul-Qasim Al-Kashani to meet with Shah Ahmed while on a visit to the holy sites in Iraq, induced Shah Ahmed to force his Prime Minister, Wathuq-ul Dawla, to resign. By the Spring of 1920, the Anglo-Persian Agreement was abolished. The British then pulled a coup d’état against Shah Ahmed, run directly by the British army

commander in northern Persia, Maj. Gen. Edmund Ironside. Ironside recruited an Iranian colonel, Reza Khan, to lead the force of 6,000 Persian Cossacks who were left behind by the collapsing Czarist Empire. Ironside led Reza Khan into Tehran in February 1921 to seize power. The British retreated that year, leaving behind this Iranian puppet as commander-in-chief to guard British oil concessions and strategic agreements in Iran.

In 1925 Reza Khan deposed Ahmed Shah, and appointed himself as Shah Reza Pahlawi. The Pahlawi dynasty lasted 54 years until its second king, Shah Mohammad Reza Pahlawi, was overthrown by the Islamic Revolution of Ayatollah Khomeini in 1979.

British troubles between 1919-20 were not confined to Iraq and Iran. The British Empire, which was close to total economic bankruptcy by the end of the war, and being stretched thin throughout Asia and the Middle East, faced revolts all the way from Afghanistan to Iran, Iraq, Turkey, and Egypt. Afghanistan had risen in an armed revolt against the British in May 1919, through a declaration of independence of Afghanistan by the young leader Amanullah Khan. This was the third Afghan-British war. It took place only two weeks after the Amritsar massacre, in which British troops opened fire and murdered 379 Sikh worshippers who were reportedly in Amritsar, India for a political meeting. This massacre caused massive riots in many parts of India. The revolt in Afghanistan was put off through the use of brutal force by the British, especially by the Royal Air Force, which bombed whole villages.

In Turkey, the young officer Mustafa Kemal, later known as Ataturk, founder of modern Turkey, succeeded between late 1919 and 1920 in reorganizing the broken Turkish army. In a matter of a few weeks, Kemal turned Turkey from the defeated and occupied Ottoman nation, into an independent and powerful military power, threatening British and allied plans to divide the country. Egypt, in its turn, witnessed strikes and riots, culminating in violent attacks on the British army in the Spring of 1919, following the arrest and deportation of the nationalist political leaders who were demanding independence through the Paris Peace Conference.

With a faltering economy and strategic-military blunders across Asia, the leaders of the British Empire resembled the current Roman Imperial wannabes of the "Cheney Administration."



British occupation military commander Sir Arnold Wilson (left) represented the "arrest and kill" strategy for ruling Iraq, similar to Defense Secretary Donald Rumsfeld's pronouncements today. Liberal imperialist and British government representative Gertrude Bell (right) was part of T.E. Lawrence's ongoing "coup" against the British India school; she cultivated pro-British Iraqi "elites." But she found RAF bombings of Iraqi villages during the 1920 revolt "fascinating."

The Explosion

Woodrow Wilson left Europe in June 1919, returning to the United States to rally support for his new policy. But, he collapsed clinically and politically. By the beginning of 1920, the U.S. Congress rejected the Treaty of Versailles, a peace treaty with the defeated Ottoman Empire, the membership in the League of Nations, and refused to accept an American Mandate over Armenia. In the absence of the United States, the April 25, 1920 meeting of the League of Nations in San Remo, Italy finally decided the fate of the conquered Ottoman Empire. Britain was to get territorial control over Palestine, Iraq, Egypt, the small emirates on the coast of the Gulf, and political control over Arabia (later known as Saudi Arabia). France was to get Syria and Lebanon; Italy to get the eastern coast of Turkish Anatolia on the Mediterranean. The French and British made some modification to the Sykes-Picot agreement; British Prime Minister David Lloyd George persuaded France's George Clemenceau to abandon Mosul in northern Iraq to the British, in return for a 25% share in all Iraqi oil concessions.

When the bad news from San Remo reached Iraq, demonstrations, protests, and petitioning campaigns were organized across the country. Al-Shirazi issued a *fatwa* prohibiting Iraqis from working with the British occupation. This paralyzed the whole country and the British administration. Destabilized by these moves, Sir Arnold Wilson tried to reconcile the Iraqis and their now very powerful leadership in Karbala.

He promised to start negotiations on their demands. Religious, political, and tribal leaders held a meeting in Karbala to discuss the option of organizing an armed revolt against the British. Al-Shirazi refused to give them permission to do so, expressing his concern that this could endanger the security of the people. However, he instructed them to remain on their guard and keep the mobilization of the population, in the hope that the British would respond to their legitimate demands.

One week after the San Remo declaration, another gathering took place in Karbala, where an agreement was made among the political and tribal leaders to launch armed resistance. They requested permission once again from Al-Shirazi, who tied the possibility of an armed uprising against the British, to a last attempt to convince the British to concede peacefully. A delegation was formed to meet with Wilson in Baghdad. This development came at the beginning of the Islamic month of fasting, Ramadan. Al-Shirazi issued a declaration on April 29, 1920, urging people in all parts of Iraq to send delegates to Baghdad for the purpose of demonstrating and negotiating with the British authorities. He called for preserving calm and security, and warned strongly against causing any harm to members of other minorities, such as the Christian and Jewish residents of Baghdad. The demands of the delegations, he argued, should be no less than total independence and the establishment of an Arab-Islamic state. There was no longer any mention of bringing one of the sons of the Sharif Hussein to become the king of Iraq.

Sunnis and Shi'ites in Baghdad joined forces. While trying to appease the demonstrators in Baghdad, the British resorted to heavy-handed treatment in southern Iraq. By the beginning of June, the British realized that this movement had gone too far, and that they had made a mistake by allowing it to grow. Mass arrests of the Iraqi leaders were carried out in most towns in southern Iraq. On June 21, the British army laid Karbala under siege, and arrested a large number of its religious leaders, including the son of Al-Shirazi. Al-Shirazi sent a polite, but strong message to the British military governor of Hilla, asking him to release the detainees and refrain from further arrests. Otherwise, he warned, his call for restraint would be automatically null and void.

Far from "lawless tribesmen," Al-Shirazi and other leaders tried their best to avoid an armed confrontation. However, the British, who never intended to give the Iraqis independence and freedom, were bargaining only to buy time, relying on the power of their arms to shove the mandate down the throats of the Iraqis.

In June 29, 1920, Al-Shirazi issued his famous declaration: "It is a duty upon all Iraqis to call for their rights. While they do that, they should make sure that security and peace are preserved. But, they can resort to defensive force, if the British refuse to comply with their demands." By that time, preparations for an armed uprising had reached their peak, and the tribes were waiting for a signal. This signal came



Today's Iraqi Shi'ite supreme religious leader, Ayatollah Ali Al-Sistani, who strongly opposes the drafting of a new Iraqi constitution while the affairs of the country are run by the U.S.-British Provisional Coalition Authority. He insists that the group which will draft the constitution should be selected by the Iraqi people through free elections. Shi'ite religious leaders' opposition to Cheney-Bremer dictat is strongly nationalist, but peaceful, as in 1917-20.

when the leader of one of the tribes, Sheikh Shaalan Abul Joon, was summoned by the British military administrator of Al-Diwaniya. The first shot was fired on June 30. On July 1, the first attack on a British convoy took place in Al-Diwaniya.

This was followed by attacks on British garrisons and guard posts in almost all parts of Iraq. The tribal forces, armed with rifles only, launched a series of successful guerilla-type attacks. They started by cutting the rail lines and bridges connecting towns that housed British garrisons. They laid a successful siege to the British army base at Al-Rumaitha, which was only broken by the massive use of air bombardment. The armed tribes also resorted to assassinations of high-ranking British officers. When the uprising started, the Kurdish rebel leader Sheikh Mahmoud Al-Hafeed started to coordinate his activities with the leaders in the South; the Kurds inflicted heavy losses upon the British army in the mountainous areas. Sunni tribes, in what is today called the "Sunni Triangle" north and northwest of Baghdad, also joined the uprising.

Massacre

In spite of the great military imbalance between the British army and the Iraqi rebels, the revolt was not brought to an end before the end of October. The British used brutal force to kill civilians in the villages which were known to have members in the rebellion. They did not spare women and children. "Wholesale slaughter," argued Col. Gerald Leachman of the British army in northern Iraq, was the only way to deal with the tribes. Leachman himself was assassinated in southern Iraq a few weeks later. These methods that were used against the Iraqi people in this revolt and later ones were described in detail by some of the British actors on the scene. Gertrude Bell wrote to her mother on July 4, 1920: "And more serious, the tribes down the Euphrates between Samawah and Diwaniyah are in open rebellion and have cut the [rail] line in three places. I don't know the details, but what I know is this: the tribes down there are some of the most lawless in Iraq. The Turks were helpless before them and for years had never got

a penny of revenue from the district. We've taken our full demand, and when the Shaikhs resisted we've bombed their villages. They're rogues I know; everyone knows it. But I doubt whether we've gone the best way to make them appreciate the benefits of settled govt."

In another letter, Bell told her father: "The most interesting thing which happened during this week was a performance by the R.A.F., a bombing demonstration. It was even more remarkable than the one we saw last year at the Air Force Show because it was much more real. They had made an imaginary village about a quarter of a mile from where we sat on the Diyala dyke and the two first bombs, dropped from 3000 ft, went straight into the middle of it and set it alight. It was wonderful and horrible. They then dropped bombs all round it, as if to catch the fugitives and finally firebombs which even in the bright sunlight, made flares of bright flame in the desert. They burn through metal, and water won't extinguish them. At the end the armoured cars went out to round up the fugitives with machine guns. . . . I was tremendously impressed. It's an amazingly relentless and terrible thing, war from the air."

But Bell added: "In conclusion I may mention that there is a gathering cloud in the north. The Turks are assembling troops in Van and have sent fresh officers and promised reinforcements at Rawanduz. . . . The RAF has done wonders bombing insurgent villages in extremely difficult country, but it takes them all their time to keep a sufficient number of machines in the air and now if we are called upon to bomb Rawanduz intensively, our resources will be strained to the utmost."

'Steady Withholding of Information'

"A Report on Mesopotamia" by T.E. Lawrence (Lawrence of Arabia) appeared in the *Sunday Times* on Aug. 22, 1920: "The people of England have been led in Mesopotamia into a trap from which it will be hard to escape with dignity and honour. They have been tricked into it by a steady withholding of information. The Baghdad communiqués are belated, insincere, incomplete. Things have been far worse than we have been told, our administration more bloody and inefficient than the public knows. It is a disgrace to our imperial record, and may soon be too inflamed for any ordinary cure. We are to-day not far from a disaster."

British historian David Omissi, author of *Air Power and Colonial Control: The Royal Air Force 1919-1939*, wrote in the *Guardian* in 1991 that "When the tribesmen of the Euphrates rose in rebellion against British military rule in the summer of 1920, the British army used gas shells—'with excellent moral effect'—in the fighting which followed."

In late 1919, like Donald Rumsfeld in 2002-03, Winston Churchill, then Minister of War and Air, devised a new, "cheaper" method for deployment of British troops in the Middle East: He argued for drastically reducing the ground force and replacing it with increased deployment of the Air

Force for "policing" Mesopotamia. Any village or town which showed any signs of armed resistance would be bombed from the air. Omissi stated in his book: "Churchill believed that the country could be cheaply policed by aircraft armed with gas bombs, supported by as few as 4,000 British and 10,000 Indian troops."

Churchill argued forcefully for using gas bombs and chemical weapons against the Kurdish villages—Saddam Hussein's notorious crime. In the event, the air force did not use gas bombs, for technical reasons; but the campaign was brutal enough. Some Iraqi villages were destroyed merely because their inhabitants had not paid their taxes.

More than 10,000 Iraqis were killed in the four months of the uprising. The British, with all their superiority in terms of arming, suffered 2,000 casualties, including 450 dead.

Politically, exactly as the U.S.-British coalition in Iraq blame international terrorists, Syria, Iran, Bin-Laden, Saddam Hussein, and everyone in sight but their failed policies for the disaster, the British in 1920 had a list of 14 "foreign" forces who were behind the Iraqi revolt. The list of suspects included Ataturk, the Young Turks, the Russians, the Hashemite King Hussein, the Jews, the American oil companies, and the American Ambassador in Baghdad, who was accused of sending money to the rebels in Karbala! The British called it a "mysterious uprising," and never realized what was really behind it!

The Iraqi revolt in 1920 derailed the British plans for Iraq. They continued to rule it, but indirectly, through the Hashemite King Faisal and his successors. The significance of this revolt was that the Iraqi people set an example in the modern history of the Middle East, in rising in defense of their basic rights. It also set a precedent which was replicated many times in the successive years and decades.

Did the revolt achieve any immediate objective? No. But it created a political legacy whose memories are still proudly reflected upon, and still vivid in the minds of at least two living generations of Iraqis. It created a true anti-imperialist sense in the historical mind of the Iraqi individual. And this was a greater achievement, which none of the successive British puppets and military dictators who have ruled Iraq since, could erase.

The role of the clergy, both Sunni and Shi'a, who are playing an increasingly great role in shaping Iraq's political environment now, is still maintained. This author, whose grandfather on the mother's side and great grandfather on the father's side participated in the revolt in 1920, does not wish the tragic events of that revolt to be repeated today. Nor does he yearn for a theocratic state. But this story is an important reminder of what could be in progress, if American policy continues to be run by the "Cheney junta" in Washington. Unless the Bush Administration shifts to a rapid and reasonable exit strategy, giving way to the United Nations and restoration of Iraq's sovereignty, the nation will remain one *fatwa* away from an explosion.

Will Cheney Flash Sharon 'Green' To Kill Arafat?

by Dean Andromidas

Israel Prime Minister Ariel Sharon let it be announced clearly on April 6, that he will kill Palestinian President Yasser Arafat. This would put off any Israeli-Palestinian peace agreement for years and could blow up the entire Middle East. Only the American President could stay Sharon's hand. Not only has this not been done, but on April 14, Sharon will be the special White House guest of President George W. Bush.

On March 23, an Israeli rocket attack killed Hamas spiritual leader Sheik Ahmed Yassin, signaling Sharon's declaration of war on Islam. Hours later, Chief of Staff of the Israeli Defense Forces, Lt. General Moshe Ya'alon threatened both Arafat and Sheik Hassan Nasrallah, the leader of the Lebanese militant group Hezbollah. Ya'alon declared that both should understand "that their turn is drawing near."

The consequences of assassinating Arafat are clear. The killing of Nasrallah is also dangerous since it could force Hezbollah to retaliate across Israel's northern border. Israel has already threatened to attack Syria or even Iran—both of whom support Hezbollah—if the latter attacks Israel.

Sharon heightened this threat by repeating it in interviews he granted to all leading Israeli daily papers on the occasion of the Passover holiday. Asked in *Ha'aretz* of April 6 whether he agreed with Ya'alon's threats. Sharon replied: "I wouldn't suggest that either of them feel immune," adding "I wouldn't advise any insurance company to give them coverage." Asked when this could happen, he said, "No one is safe. Anyone who sends someone to kill Jews is a marked man."

Ha'aretz published the above quotes in a short preview on April 2, prompting U.S. Deputy Secretary of State Richard Armitage to warn Israel against targeting Arafat. He declared "Our position on such questions is very well known. We are opposed, and we have made that very clear to the government of Israel."

Undeterred by State Department

The April 3 London *Daily Telegraph* commented on Armitage's warning: "The remarks by Mr. Armitage were a fairly mild shot across the bow for Mr. Sharon, by Washington standards. Not only is he below cabinet rank, but Mr. Sharon has made no secret of his belief that he can sidestep the foreign policy bureaucrats at the State Department, dealing instead directly with the White House, as well as his supporters in Congress and the Pentagon."

When he deals with the White House, Sharon talks to

Bush, but more importantly, to Vice President Dick Cheney, who clearly gave Israel the green light for the assassination of Yassin. Not intimidated by Armitage, Sharon repeated the threat even more clearly in the mass circulation Israeli daily, *Ma'ariv* on April 6, which asked: "Is the promise you gave President Bush regarding Arafat's safety still in effect?" Sharon replied: "In the past I accepted that obligation, not to harm him physically. That was during the time he was still greeted with red carpets worldwide . . . Today, everyone knows just how harmful he is. As long as Arafat maintains control of the Palestinian security forces in complete contradiction to the road map, [Palestinian Prime Minister] Abu Ala cannot even transfer a single security officer from one end of the street to another."

When asked: "So why does Israel not assassinate him?", Sharon replied: "I wouldn't advise Arafat to view himself as having an insurance policy. He doesn't. We heard what the chief of staff and defense minister said about that. They expressed themselves clearly." *Maariv* pointed out that they said one *should not rule out* the possibility of assassinating him. The paper asked, "Aren't you countermanding them?" Sharon replied: "No."

At the White House on April 14, Sharon is expected to be given full support for his so-called "disengagement plan" from Gaza. Palestinians see the plan as Sharon's "Gaza only" plan, to be followed by the annexation of almost half of the West Bank, and the destruction of the Palestinian National Authority.

Even in Israel, there is skepticism on Sharon's plan. *Ma'ariv* commentator Ben Caspit writes that many Israelis believe Sharon's disengagement is in reality the implementation of his "historic map," withdrawing from Gaza and annexing most of the West Bank, and letting the Palestinians live in bantustans on less than half of the West Bank.

Sharon confirmed this to Israel's largest circulation daily, *Yediot Aharonot*, April 6, where he called his disengagement plan "a critical blow" to the Palestinian hopes for an independent state. "In the unilateral process, there is no Palestinian state. The situation could continue for many years." Sharon added that withdrawal from Gaza will not begin until well after the United States elections in November, or even later.

In return for this, Sharon is expecting a reward from the Bush Administration. On top of his list would be a statement, issued by the White House, declaring that Israel will not have to withdraw to the so-called 1967 border. Such a statement would throw out of the window the UN Security Council resolutions, including Number 242, which have been the cornerstones of Middle East policy of the United States and international community.

Sharon is faced with the possibility of being indicted, thus ending his political career. In addition, Cheney and the financial interests that back him, are faced with an unrushing systemic financial collapse that could hit even before the November elections. Sharon and Cheney could very well want

to blow up the region, creating a major international crisis behind which they can hope to save themselves. Sharon, without doubt, will meet Cheney while in America. Will Cheney give him the green light to kill Arafat?

Ghaleb Darabya

‘They Are Not Living As Human Beings’

Ghaleb Darabya represents the Ministry of Foreign Affairs of the Palestinian Authority. He has worked for the Middle East Broadcasting Center in London, and hosted an English language program for the Palestine satellite channel. On March 17, he spoke at The Palestine Center in Washington.

... There is a lot of talk now going on about something called “The Disengagement Plan” ... or Sharon Plan, or vision to move the peace process forward—which is an equivalent to a unilateral peace, that he is trying to impose on the Palestinian people.

Always, I find myself really obliged, not only morally, as a Palestinian official, but as a human being, to talk to people about the suffering of our people in the Palestinian territories. ... Therefore, I will start my presentation by talking to you about the socio-economic humanitarian conditions. ... I find it unbearable and unbelievable: How could the international community just keep silent about what is going on inside the Palestinian territories?

First of all, I will give you just figures, that give you an insight into the conditions. And first, about home demolitions, which is very important in Palestine, because it is becoming a systematic policy that the Israeli occupation army is imposing on the Palestinian territories. When I tell you these figures, just imagine that ... your house is destroyed. For the Palestinian people, they live their whole lives just for the sake of building a shelter for their kids. They work an entire life, just to build a home. ...

In the past 14 months ... there was a complete destruction of about 5,135 homes, killing the hopes of 5,135 families inside the West Bank and Gaza; and more than 55,000 houses were partially destroyed inside the West Bank and Gaza. It has a tremendous psychological impact on the Palestinian families, of course. And you are only given sometimes from 2-5 minutes notice of leaving your house, because the bulldozer is just outside of your house, and it is just about to destroy your house. So you really have not time to take even your savings, sometimes, from that home.

Schools: There are about 320 schools in the Palestinian

territory that were hit and partially destroyed, just in the past 14 months. Plus, 43 schools that have actually closed completely and became military outposts for the Israeli Army.

Four hundred and twelve Palestinian police stations were systematically destroyed, destroying the capability of the Palestinian Authority to maintain law and order, and even to keep our criminals in prison. So there is a systematic policy since Sharon came into office, to destroy the capabilities of the Palestinian security apparatus, so it becomes unable to provide the Palestinian people with law and order.

Close to 1 million Palestinians’ trees were uprooted, just in the past 14 months. ... Each olive tree means history for them; and we are talking about 982,000 trees were uprooted in the past 14 months. Close to 1,000 lakes and water-reserve tanks were destroyed, and that has a huge impact on the Palestinian agricultural sector.

In terms of human loss, we are talking about close to 3,000 Palestinians killed. If you want to compare this number to the American population, we are talking about 260,000 Americans being killed in 14 months. This is how much, and how dramatic this is for a nation of 3 million. Out of this number, at least two-thirds of them are civilians; 534 of them are kids under the age of 18; 191 women; 103 patients died at checkpoints simply because they couldn’t reach a hospital, they could not reach a medical center to get treatment; 87 Palestinian mothers gave birth at a checkpoint, seeing their unborn children dying in front of their eyes, simply because they could not get to a hospital.

This is what the Palestinians are really faced with. ... The checkpoints—more than 670 checkpoints in the West Bank alone, and 30 in Gaza—these checkpoints became a systematic way of dehumanizing people, humiliating them. A journey of half an hour, takes up to 6-10 hours now in order just to cross from one point to another. Close to 40,000 Palestinians are injured, and around 20% of this 40,000 are disabled, with permanent disabilities. Twenty-nine medical aides were killed when they were providing medical help to Palestinian wounds.

60% Poverty, 70% Unemployment

I am going to shift now to the physical economic conditions that also have a great impact on the Palestinian nation. Figures I am giving you are all according to the UN, World Bank and UNRWA [UN Relief and Works Agency]. We are talking about a nation that has 60% of its population living under the absolute poverty line, as decided by the international community, at less than \$2.00 per day. This is 60% of the population.

The unemployment rate, a year ago, was close to 70%, but since the UN issued alerts about this, it dropped to 43%, due to the new programs of creating new jobs. So 43% of our workforce is unemployed. The indirect loss of the Palestinian economy just in the past 14 months: \$9.92 billion. And the direct loss is \$2.4 billion.

Whenever I am in Gaza or in Palestine, the best way of

discovering, or really knowing conditions, is to go to hospitals and emergency rooms. . . . Unfortunately, I have a nephew who is a doctor, and he works in the emergency room, and he told me that you find increasingly, just in the past four months, a high rate of strokes, high rate of high blood pressure, diabetes, and suicide attempts from young people in the Gaza Strip. That is due to the physio-economic conditions. . . . Day after day, people are losing hope. And the Israeli government keeps saying that this is a war against terror.

If I go on with the figures I have: how many head of cattle they have destroyed, how many birds they have felled, it doesn't look to me like a war against terror—it is a war *of* terror against the Palestinian people, against a people that is only looking for a better life for their kids, looking for freedom and dignity, and that is the cause of the Palestinian people.

Powell: 'Not a Fence, This Is a Wall'

I am sure you have heard much about the suffering of the Palestinian people . . . with reference to the wall. But the wall is creating a status in the Palestinian territories, that is unbelievable to witness in the 21st Century. Ghettos inside the Palestinian territory in the West Bank are in existence. Israel is more and more becoming an *apartheid* country. There is no other word to describe the wall and the status quo that exists now, but an *apartheid*.

The Israeli army just passed a law—Military Order 378—in October last year. This law declares that the Palestinian land between the wall and the pre-occupied 1967 boundaries on the West Bank, is a closed-zone area. Only Jewish people are allowed to be there, and Palestinians with permits; and we are talking about 800,000 Palestinians living in this area. . . .

Probably, ghetto is a word that reminds us so much of atrocities in the past. But what other word can you use for Qualquiliya, which is a little, peaceful, agricultural town in the northern and western side of the West Bank. . . . the land size is about 900 acres. This town is totally enclaved with the wall around it, with one exit for 43,000 Palestinians. Most of the agricultural land is around the city; so in order to cross to your land, if you are in the northern part, you have to travel all the way to the south, to go through the Israeli checkpoint, which is only eight meters wide. We are talking about a wall which is eight meters high—24 feet high—and two meters wide. This is a wall, not a fence.

Last week there was a hearing at the Congress, where Colin Powell testified on the State Department budget; a Congressman asked him about it, and he said: "A fence for us means that if you build something inside your house, inside your land, it is a fence. But when you build it inside someone else's land, this is a wall. You are grabbing their land, stealing their land, with a wall." . . .

I hope these numbers give you a glimpse of what the conditions on the ground really are. Each time I am there in Palestine, I ask myself: "How can these people carry on?" And I assure you here, these people are not willing to give up, and they will not give up, simply because they believe in their

cause, they believe this is a just cause, they are fighting not only for freedom, but they are really fighting to be, to live, just to live. To live as a human being; they are not living as human beings.

I hold a Palestinian VIP passport, we don't have a diplomatic passport—and sometimes I have special treatment at the borders, so that I don't have to go through the same as everybody else. But . . . I insist on going through the normal procedure that other people go through. . . . And each time you cross that border between Egypt and Gaza, I think 100 suicide guys can be easily recruited from that experience. You go through an experience that is unbearable, and unbelievable, for the 21st Century. People sometimes wait in the desert, with no cover, for two or three days to cross a border, . . . simply because the Israeli authorities cannot provide service for more than 200-300 people a day. And we have thousands of people who travel. . . .

The fear that is inside these Palestinian guys is tremendous, it is unbelievable. When you find yourself forced, against your will, inside a room, with bodyguards around you—it happened to me once. And they keep asking you these stupid questions: "Where do you live? What is your phone number? Would you like to work with us?" They blackmail people. Sometimes they say they will send you back, they will not allow you to travel. This is systematic. We are not talking about just one incident.

The 'Disengagement Plan'

Let's move now from the dark side to the bright side—I don't know if it is bright, anyway it is a political scene. I'm sure you are all aware of the Road Map . . . that was introduced last year to both parties, the Palestinians and the Israelis. The essence of that map is to get us out of this cycle of violence in phase one, to reach a ceasefire. . . . Phase one is very challenging to the Palestinians, because it means the end of all resistance, it means the end of all violence. But at the same time, it requires that both leaders come up with an unequivocal statement of stopping all kinds of violence. . . .

Well, we've done that ten times, and each time we come up, they say, well that's words. They have discredited the President of the Palestinian people, Yasser Arafat. Ten times he came on TV and asked for a ceasefire. This ceasefire cannot be achieved in any way without an Israeli commitment. According to the Road Map and phase one, it says: "The Government of Israel takes no action that undermines the trust, including deportation, tax on civilians, confiscation and demolition of Palestinian homes and property, as punitive measures, or to facilitate Israeli destruction of Palestinian institutions, and infrastructure"—specified in the Tenet Plan.

So it is clear that if we aim to reach a ceasefire, Israel has to stop all this action that undermines our authority as a Palestinian Authority, to convince our people that this road that Hamas is taking is not good for the Palestinian people, is not achieving the hopes of the Palestinian people. But yet, the Israeli government—of course you know Abu Mazen, who

was our previous prime minister, was very much committed to the peace process, and to the Road Map. We managed to get an agreement, a ceasefire agreement, with all Palestinian groups, for 50 days. For 50 days Israel witnessed the most peaceful time ever in their history. . . . In these 50 days, weekly, systematically, Sharon ordered his troops to go into Palestinian towns, to demolish houses, to carry on with assassinations. He made every effort to make Abu Mazen and the Palestinian Authority fail.

And now, [Sharon] is coming with a disengagement plan, a great gift to the Palestinian radicals, not to the Palestinian moderates. A great gift to those who want to see the destruction of the state of Israel, who believe that resistance is the way forward, not the table and negotiations, which is the Palestinian Authority. If he would have given Gaza to Abu Mazen at the time, I can *assure* you that things would have been so great, that the people would have had so much trust and hope in Abu Mazen—that Abu Mazen is the way, Abu Mazen will get us our country back. But Sharon, of course, refused to do that, and he made Abu Mazen fail, systematically, with the assassination policy, that he continued.

So, where is the Road Map? I don't like to fool you, and tell you that a disengagement plan is coming into the Road Map. But I think Sharon's intention is very clear; it is to replace the Road Map. . . .

[Sharon] is not willing to talk to us about it. And our official position on this disengagement plan, is that we are against any unilateral steps. And this disengagement plan is a form of unilateralism. . . . Peace can only be made by two parties, it cannot be imposed by one party. Both parties should sit at the table and discuss it. And Sharon, until this moment, is refusing to do that, and sit with the Palestinians. . . .

However, we welcome any liberation of any Palestinian land, wherever it is, and we are ready to take control of that land, and that is our official stand.

On the disengagement plan, there is a leak I have, from *Ma'ariv*, the Israeli newspaper. They managed to get the leak from the prime minister's office. I really can't go much into details that we have, as the Palestinian Authority, from the plan that is offered at the table, and that is coordinated by the Egyptians. But in just general terms, it aims at leaving Gaza. And that is not a new initiative, by the way; it is an initiative that the Labor Party came up with 15 months or two years ago, when they came up with a plan called "Gaza First." But it was not Gaza last. What Sharon intends out of this plan is to be Gaza First and Gaza last. . . .

No Palestinian Civil War

[Sharon's plan] also aims at dismantling some of the outposts in the middle of the West Bank—we're talking about 660 settlers . . . only evacuating only 660 settlers from the West Bank. . . . They will not aim to destroy the settlements inside the Gaza Strip, and those settlements that they evacuate. They are talking to the British, to the Egyptians, to the

World Bank: Find a way of who is going to control the settlements. And they are not even talking to us about it. . . .

But from our perspective as the Palestinian Authority, no matter what Sharon's intention is, this will not lead to a war between the Palestinians themselves—between us and our people inside the Gaza Strip. That is why we have started engaging in a dialogue with Hamas, with Jihad, with Palestinian Fatah, with all Palestinian factions in Gaza. We have established a committee to coordinate any step. We have set up operation rooms in the Gaza Strip, that will include some Hamas and Jihad people. We will have them in one room, and we will try to coordinate the efforts with everyone inside the Gaza Strip in order not to lead to a civil war among Palestinians, which Sharon—I believe, my personal view—wants, where we start fighting each other, and then he says: "Well, these Palestinians do not deserve a country, do not deserve a state, they are fighting with each other, and they are not able to have a state by themselves." They have this, by the way, in their plan.

The challenge is, that facing this disengagement plan, this is actually a gift to Hamas; Hamas becomes strong in Gaza, Hamas will be in control, and the Palestinian Authority will be undermined totally. . . . So, we are trying not to allow this scenario to happen, by creating this dialogue with the Palestinian different groups, and coming up with a plan to take over Gaza Strip.

We have no idea what the intention of the Israelis is with this plan. . . . There are so many complications here: seaports, . . . airports, . . . borders. We are talking about the customs unions with Israel, we are talking about the economic situation, the legal status, so many issues that need to be sorted out, and talked about, with the Palestinians in order to reach an agreement.

[As yet] the Americans did not endorse it publicly; they are saying that we have provided Israel with so many questions, yet Israel did not provide any answers. That's why Sharon's visit to D.C. was delayed until April. . . .

I can tell you that the Egyptians are being used by the Israelis as interlocutors. . . . There is an Egyptian-Israeli committee on the one hand, and an Egyptian-Palestinian committee on the other—to coordinate this. And we are willing to coordinate with anything that will lead to the liberation of any Palestinian territory.

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Are European Terror Threats 'Islamic'?

by Rainer Apel

Along railway tracks, at central railway stations, water dams, chemical factories, and at numerous other key industrial and administrative sites in Spain, military and anti-terror units of the police are conducting patrols these days. Though not on the same scope as in Spain, one can also spot army and police patrols along railway tracks and at select buildings of economic and religious life in France and Italy. The Vatican is under special protection around the Easter weekend, to deter and detect in time, "potential terror attacks."

Attacks—by whom? Officially, a number of groups and terror cells linked in some way or the other to al-Qaeda, are said to plan bomb attacks on sites in Europe, modelled on the example of the March 11 train bombs that killed almost 200 passengers and wounded more than a thousand in Madrid. A number of e-mails and faxes have arrived at newspapers and administrative offices, since March 11, announcing terror attacks on targets on Spain and other European countries. But the authenticity of the "Islamic" origin of these threats is uncertain. Targetting mostly Moroccan exiles in Spain, investigators have presented a new alleged "mastermind" every few days: first, a Syrian or a Moroccan; then an Algerian; then a group of six Moroccans; finally a Tunisian was said to have led the March 11 terrorists.

A Terror Bombing Under Surveillance?

Reviewing the first two weeks' investigations in Spain, Knut Mellenthin wrote on March 31 in the Berlin daily *Junge Welt*, that there is not much substance to the official line of investigators that "al-Qaeda" is behind the Madrid bombs. Mellenthin had likened the Madrid train bombs to the Italian "Strategy of Tension" period 20 years ago—when train bombings were a trade mark of the neo-fascists. He speculated that the "crucial evidence" for the Moroccan "al-Qaeda" track—a sports bag filled with explosives, found at the Madrid central station, which did not explode because the mobile-phone ignition device in the bag did not work properly—was "a consciously placed false track." It was this unexploded bag which produced a very rapid identification of the alleged Islamist perpetrators of the crime, via a store for used mobile phones in Madrid—owned by a Moroccan. Likewise, the story about more than 100 kilograms of explosives having been stolen by a collaborator of the "Islamic terrorists"—a petty criminal well known to the police—from a northern Spanish mine, poses question marks: The owner of the mine

told the media that no theft had ever occurred there.

Moreover, as Mellenthin pointed out, all of the more than 20 Moroccans arrested in Spain have been known to and (as it turns out) surveilled by the Spanish authorities for years. Arrests and police raids—after Sept. 11, 2001, and after last year's May bombings in Casablanca—of those among the alleged members of what is now presented as "Moroccan terrorist cells," did not yield anything of substance. But the surveillance of the Spanish-based Moroccans surely continued. Why could the "al-Qaeda" network in Spain prepare a complex terrorist operation, even though the network's members were known to police and heavily surveilled? Why would—if the owner of the mobile phone store really was a key link to the network of Moroccan radicals and extremists—the police in Spain allow him to walk freely, in spite of an official Interpol arrest warrant against key suspects of the May 2003, Casablanca bombings? No police raids against the Moroccan exiles were known between May 2003 and March 2004.

And, as far as "surveillance" is concerned: How could the mobile phone store be broken into and emptied by criminals, when anti-terror units should have observed the site around the clock, as it was a cornerstone of the entire investigation? Likewise, three "terrorists" were said to escape from a building in a Madrid suburb, which anti-terror units sealed off and attacked on April 3, leading to a shoot-out and an explosion that killed all six "terrorists" inside, including that "Tunisian" who was said to be the leader of the entire March 11 ploy. As in the case of the (meanwhile emptied) mobile phone store, no evidence of anything "Islamic" was found in the exploded building—except some unused packs of dynamite and 200 unattached detonators in the rubble. Likewise, three backpacks that were found unexploded by police at the Madrid central station on March 11, were not even investigated for more evidence, but detonated by anti-bomb experts. Critical anti-terror experts in other European countries are somewhat puzzled by this unprofessional pattern in the Spanish investigation. Is there a method to these strange events?

A big question mark is the murky role played by a certain Jean-Charles Brisard, whom Mellenthin identified as the main source of information leaked to the media from allegedly secret official anti-terror dossiers in Spain. Brisard is a Frenchman, who co-authored the 2002 book *Hidden Truth*, which blames Saudi Arabia for the terror attacks of Sept. 11, 2001. Mellenthin wrote: "Because of his all-too-evident critique of the cooperation between the Bush Clan and the Saudis, Brisard has received attention and applause also from among the political left. What is overlooked here, is that his prime interest apparently is to cause damage to the cooperation between the U.S.A. and Saudi Arabia—which perfectly corresponds to the strategy of neo-conservative propagandists of World War IV against the Islamic countries."

A line of questions should start from these neo-conservative scripts and scenarios.

Terror's Legacy: Hjalmar Schacht, Otto Skorzeny, and Allen Dulles

by Michael Liebig

Part 2

The “Strategy of Tension,” which has entered into a new phase with the terrorist attacks in Madrid, has a long history, extending back to the 1940s.

From May 1944 until just before the conclusion of World War II, secret negotiations were held between the Nazi SS leadership and Allen Dulles, a key figure in Anglo-American synarchism. The subject of the talks was a proposed armistice in the Italian theater of war. In their final phases in late 1944 and thereafter, after Dulles returned to the United States from a two-month stay in Bern, Switzerland, these secret negotiations became known as “Operation Sunrise.” Their immediate outcome was a substantial reduction in the intensity of warfare in northern Italy, as compared to other theaters: Beginning in September 1944, the Italian front-line advance which had been moving north of Florence, was frozen, even though a formal armistice had to wait until the following year, a few days after Nazi Germany’s total capitulation.

These negotiations afforded both sides an opportunity to develop close ties, which, after the end of the war, played an important role in the formation of an international SS network under the top-level guidance of Anglo-American financial and intelligence circles. On the SS side, the following personnel were involved in the negotiations: SS Gen. Karl Wolff, who for many years had been Himmler’s chief of staff; Eugen Dollman, Himmler’s personal deputy in German-occupied northern Italy; and Walter Rauff, SD (Security Service) chief for northern Italy. Also working in the background was Walter Schellenberg, who, after the *Abwehr/Ausland* (foreign counterintelligence) office had been shut down in 1944, became chief of the SD’s intelligence service. Wolff, Dollman, and Rauff were high on the list of SS war criminals; and yet, just as with Skorzeny and Schellenberg, they escaped Allied punishment. Indeed, in the years following the war, Dulles even gave public recognition to Wolff—something which he did *not* do, for example, for Wehrmacht officer Reinhard Gehlen, head of the “*Fremde Heere Ost*” army intelligence service.

The Immediate Postwar Period

Allen Dulles had hoped that after Nazi Germany’s unconditional capitulation on May 8, 1945, he would be appointed

head of all European operations of the Office of Strategic Services (OSS), the predecessor of the U.S. Central Intelligence Agency. But instead, he was only appointed head of OSS operations in Germany. He appointed Frank Wisner, head of OSS operations in the Balkans, as his deputy—a connection which was to become important later in regard to SS networks in the Balkans. Another person who joined up with the OSS leadership in Germany was Richard Helms, who later rose to the post of Director of Central Intelligence. Allen Dulles also worked closely with James Jesus Angleton, head of the OSS in Italy, and with his former colleague in Switzerland, Paul Blum, who ran the OSS office there.

But Dulles came up against strong resistance from the U.S. Army’s Counter Intelligence Corps (CIC), which restricted the OSS’s field of opportunity. (Space does not permit us to present an adequate picture of the violent conflicts that broke out within the political and intelligence establishments of the United States, between the synarchist interests and their opponents.) The OSS was finally dissolved on Sept. 20, 1945, by an Executive Order issued by President Harry S Truman. Allen Dulles returned to the United States, and re-joined his brother John Foster Dulles’s law firm, Sullivan & Cromwell.

But Allen Dulles continued to cultivate his relations with Wisner, Angleton, and Helms. Acting as an advisor to various Congressional committees, by 1947 he was already back in Europe, during which time he also struck up a friendship with the young Sen. Richard Nixon. In that same year, the Central Intelligence Agency was established, and under it, an Office of Policy Coordination (OPC) for “covert operations” was set up, headed by Frank Wisner, Dulles’s former deputy in Germany.

In 1948, President Truman summoned Allen Dulles to be part of a working group tasked with making proposals on how the work of the fledgling CIA could be improved. The group’s efforts resulted in National Security Report 50 (NCS50), which for the most part reflected Dulles’s own vision: covert operations should be one of the CIA’s central functions, and Wisner’s OPC should be incorporated directly into the CIA. In 1950, Allen Dulles himself became chief of planning for the CIA. Shortly thereafter, he became Deputy CIA Director, and in 1953, was appointed Director of Central Intelligence. At that time, his brother John Foster

Dulles was Secretary of State.

Little of substance is known about Allen Dulles's activities in Germany prior to the Autumn of 1945. What can be established, is that those people in the SS leadership who had been involved in the project to declare a separate peace with the Western powers, either were not prosecuted by the Nuremberg War Crimes Tribunal, or were let off virtually unscathed. Similarly with Hitler's Economics Minister Hjalmar Schacht. They were taken into custody, and were either interrogated, or were asked to write down their war memoirs for Anglo-American intelligence services to examine; but they were either not tried, or, if their cases actually went to trial, they were acquitted. Schellenberg appeared before the Nuremberg Tribunal as a witness for the prosecution against RSHA chief Kaltenbrunner, whereas Schellenberg himself—former chief of the SD secret service—got off scot-free. Schacht was acquitted in Nuremberg. The trial of Skorzeny, chief of SD commando operations, before a U.S. military court, collapsed when a British intelligence officer stated that the Anglo-American intelligence services would have acted no differently than Skorzeny had, in carrying out commando operations. Similarly, Karl Wolff's trial before a British military court ended with his acquittal.

'Odessa'

Less prominent members of the SS leadership, such as Walter Rauff of "Operation Sunrise," were spirited out of Germany via the "Rat Line." They first reached Italy, often aided by corrupt Vatican networks, and thence went to Spain, where they either settled, or slipped into Latin American countries. These "Rat Line" escape routes were run by a secret organization of former SS members known as "Odessa." But Odessa could never have been able to smuggle these people out, if it had been acting alone; on the contrary, its operations were, at the very least, protected, and more likely directed, by factions within Anglo-American intelligence circles. Neither the U.S., British, nor the French governments ever put any serious pressure on Franco's Spain, which had become the hub of SS structures worldwide, to curtail or prohibit activities of former Nazis on Spanish territory.

From 1948 through 1950, Skorzeny lived *incognito* in Paris. His former superior in the SD, Schellenberg, lived first in Switzerland, and then slipped into Italy, where he died in 1952. Skorzeny's postwar career only began in earnest after he resettled in Madrid in 1950. There he married Hjalmar Schacht's niece, Ilse von Finkenstein; Schacht himself also made frequent visits to Madrid. It is estimated that all told, by 1950, about 16,000 Nazi emigrants were living in Spain.



SS Standartenführer Otto "Scarface" Skorzeny saluting Hitler in 1944 as he took over a Panzer brigade. Skorzeny, leader of Nazi "special forces" units, was "acquitted" of war crimes and became the head of a far-flung international organization with terrorist capabilities after the war, operating in Madrid, Rome, Paris, and South America.

Schacht, meanwhile, had gone to work consolidating, and making profitable, the widely dispersed SS financial assets which had been transferred out of Germany and into neutral countries following the Aug. 10, 1944 Strasbourg conference convened by Nazi Germany's top economic managers and bankers (see Part 1). The transfer of assets had been originally carried out according to Schacht's own specifications, since back in 1944, Schacht had been the only banker with the know-how and connections to get the job done.

The Synarchist Triangle

The combination of Schacht, Himmler's SS, and the Dulles Brothers, made up a synarchist triangle.

The fact might appear confusing at first, that on July 23, 1944, only three days after the failed assassination attempt against Hitler, Schacht was arrested on Hitler's orders. Later on, Schacht liked to present himself as a member of the anti-Hitler resistance, and would point out that he had done time in the concentration camps at Ravensbrück, Flossenbürg, and Dachau.

But that kind of sophism is typical of Hjalmar Horace Greeley Schacht, because in fact, his sojourn in German concentration camps bore little resemblance to the lot of "normal" concentration camp inmates, and of actual imprisoned resistance fighters. Not only were Schacht's prison accommodations rather comfortable, but, more to the point, he was under Himmler's and Schellenberg's direct protection. One document that has been preserved, is an "Urgent Mail Message: Secret of the Reich," signed by Gestapo chief Heinrich Müller

and addressed to the commander the Dachau concentration camp. It reads in part: "We have instructions from the RFSS" (Reichsführer-SS Himmler) that Schacht "is to be treated well."

And once again, we must never lose sight of Schacht's close ties to the top SS leadership, as well as to synarchist Anglo-American financial circles. In the present article, we cannot go into Schacht's key role in orchestrating Hitler's seizure of power during 1930-33 (see "Delusion and the Road to Dictatorship," *New Federalist*, July 8, 2002), except to point out the exceptional importance of Schacht's close ties with Baron Kurt von Schroeder, head of the Cologne banking firm J.H. Stein. In December 1932, and again in January 1933, Schacht and von Schroeder played what was probably the decisive role in toppling the von Schleicher government and paving the way for Hitler's coup. Already in 1932, both men were members of the Keppler-Kreis, a group of economic leaders and bankers which had been formed by IG Farben manager Wilhelm Keppler, and which had dedicated its full financial and political resources to backing Hitler.

Von Schroeder's Stein bank in Cologne was the German subsidiary of the Schroeder banking group in New York (L. Henry Schroeder Banking Corp.) and in London (J. Henry Schroeder & Co.). John Foster Dulles's law firm Sullivan & Cromwell represented the New York Schroeder bank, and his brother Allen was on the bank's advisory board. Moreover, during the 1930s, Sullivan & Cromwell had two German subsidiaries which the Dulles brothers visited regularly. And during those years, John Foster Dulles did not stint in his public praise of Germany's regained "dynamism" under Nazi rule.

'Freundeskreis Reichsführer-SS'

After 1933, the Keppler-Kreis transformed itself into the "Freundeskreis Reichsführer-SS" ("SS Friends of the Führer"), led by Keppler's nephew Fritz Kranefuss, Himmler's personal adjutant. Reichsbank president (until 1939) and Economy Minister (until 1937) Schacht was no longer himself a member, but his close friends definitely were: the already-mentioned Schroeder; Emil Helfferich and Karl Lindemann from Deutsch-Amerikanische Petroleum AG (DAPAG); and Karl Blessing from the Reichsbank, who later went on to become chairman of postwar Germany's central bank, the Bundesbank, from 1958 to 1969.

The connection to Standard Oil, which was part of the Rockefeller family empire, was also an important *banking* connection, since the Rockefellers also owned the New York-based Chase National Bank, headed by Joseph Larkin. Larkin played a particularly important role in Nazi-occupied western Europe, because of the fact that Chase National's Paris branch was allowed to operate unhindered from 1940 all the way through 1944. This bank's special concern was the preservation of Anglo-American financial and physical assets in occupied western Europe. And it should come as no surprise that Otto Abetz, the heavily synarchist-leaning Nazi ambassador

to occupied France, maintained a personal bank account at Chase National Bank's Paris branch.

Schacht had an additional tie with the Anglo-American financial world through the Basel, Switzerland-based Bank for International Settlements (BIS). Along with the Reichsbank, its members included the Bank of England (which, through 1944, was headed by Schacht's personal mentor, Montagu Norman), and the First National Bank in New York. After 1939, Schacht had yet another connection with the BIS, through his confidant Emil Puhl, a top official at the Reichsbank.

So, now it is perhaps a bit more comprehensible how Heinrich Himmler, through Schacht and the "Freundeskreis Reichsführer-SS," enjoyed excellent connections with Anglo-American circles throughout the war years. Yet another connection with the SS leadership ran through the internationally operating U.S. telephone corporation ITT, headed by Sosthenes Behn. Von Schroeder was ITT's representative in Germany, where it owned the firms Lorenz AG and Mix & Geneste AG. There are indications that Walter Schellenberg's meteoric rise within the SS leadership, had been originally launched and backed by von Schroeder, since Schellenberg owned a sizeable chunk of ITT's stock. In early 1942, Schellenberg, von Schroeder, and Karl Lindemann organized a meeting in Madrid between their plenipotentiary Gerhardt Westrick, and ITT chief Behn. Another member of the top echelons of ITT's German subsidiaries, was Emil H. Meyer, likewise a member of the *Freundeskreis Reichsführer-SS*. (Himmler's Anglo-American ties via neutral Sweden, and via his influential "personal physician" Dr. Felix Kersten, cannot be gone into here.)

The Hub: Madrid

The fact that after 1948, Schacht became the main "trustee" of SS assets and other financial transfers out of Nazi Germany, proves beyond doubt that he had been intimately involved in the implementation of the 1944 Strasbourg conference's decisions. After all, during his eleven-month VIP imprisonment, he was under the SS leadership's direct control. In his post-1948 work to consolidate the scattered SS assets, Schacht was assisted by Skorzeny, who, in turn, brought the Belgian Waffen-SS leader Leon Degrelle to Madrid, and made him into his chief aide. In the early 1950s, Schacht and Skorzeny made frequent "business trips," crisscrossing Europe and Latin America, and extending into the Arab countries, Iran, and Indonesia.

A portion of the SS money sent abroad, was used to build up the international "Odessa" organization of former SS personnel. Around it, there formed a large number of neo-fascist organizations in Europe and in Latin America.

But Skorzeny's "Odessa" also maintained extensive networks of members and supporters in "bourgeois" parties, government administrations, religious organizations, intelligence services, police organizations, and in the militaries of

many European, Latin American, and Arab countries. “Odesa” was also active in the international arms trade, mercenary operations, and a vast array of organized crime.

Over the following decades, connections to Skorzeny’s SS structures frequently turned up as part of military coups, police-state “sanitizing operations” against opponents of sitting governments, rebel and low-intensity warfare operations, and spectacular assassinations, such as the “Permindex” organization’s involvement in the killing of U.S. President John F. Kennedy. Typical is their role both in the Algerian opposition movement FLN, as well as in the Organisation Armée Secrète (OAS), which sought to topple and murder France’s General de Gaulle.

Reshaping the SS Network

With the outbreak of the Cold War, American and British intelligence services’ interest in Skorzeny’s SS structure grew even more intense. The mentality and war experience of these former SS personnel suited them perfectly for the “covert operations” which Allen Dulles had defined as a major focus of U.S. intelligence-service activity. Many thousands of former German Waffen-SS members, along with Eastern Europeans who had been part of the Waffen-SS and who had later settled in Western Europe, the United States, Canada, or Australia, were recruited for deployment in low-intensity warfare and destabilization operations in the Soviet sphere of influence.

It must be pointed out that the SS, which, up until 1942, believed that its members’ “Nordic” racial characteristics qualified them to be members of the elite, became quite “internationalized” later on. Not only were there Western European and Scandinavian Waffen-SS units, but also Baltic, Ukrainian, Hungarian, Croatian, Serbian, Bosnian, Albanian, and Caucasian ones.

Former Waffen-SS members who had managed to survive inside Soviet-occupied countries following 1945 by going underground, and others who had emigrated into the West, suddenly became immensely valuable to Anglo-American intelligence services. They were to be utilized, in connection with “covert operations,” to build up a secret military and political underground infrastructure capable of destabilizing communist regimes in Eastern and Southeastern Europe.

During the first half of the 1950s, thanks to Kim Philby’s defection to the Russian side, among other things, Communist intelligence services were able to break up most of these military and political underground cells. This, in turn, further increased the value of Eastern European emigrants’ organizations which had been established in the West, and which harbored no small contingent of former Waffen-SS members.

On Allen Dulles’s initiative, funds from SS assets and elsewhere were used to form the National Committee for a Free Europe (NCFE). Nominally a private organization, it was in fact an Anglo-American intelligence operation, assigned to back the activities of Eastern European emigrant



The Spain of fascist dictator Francisco Franco (right, greeting Hitler in 1941), for decades after World War II, became the safehouse and regroupment area for 16,000 Nazi officers of various commands; Schacht frequently visited his in-law Skorzeny there, while Schacht was reorganizing and reinvesting the large SS funds.

groups.

No less important was the Islamic-Arab component of this SS structure. The Albanian Waffen-SS “Skanderbeg” division, and the Bosnian “Handschar” division, had been set up with the active participation of the Mufti of Jerusalem, Amin Mohamed Al Hussein. After the war, Al Hussein, with the help of Anglo-American intelligence circles, was able to settle in Cairo, where he resumed his collaboration with Skorzeny, François Genoud, and SS structures throughout the Arab world.

At the same time, certain factions within the Anglo-American intelligence establishment set up Skorzeny’s network of former SS members in Western Europe itself, as deeply covert partisan groups which could be activated in the event of a Soviet invasion of Western Europe. The existence of this network, code-named “Gladio,” was first revealed in 1991, in a public statement issued by Italian Prime Minister Giulio Andreotti.

Over the years, the ranks of these “Gladio” structures have been replenished by young people, primarily from the right-wing extremist, neo-fascist milieu. This was a crucial reservoir for recruitment of terrorists for the “Strategy of Tension” during 1969-82. And here, too, we find the mother of the terrorist networks involved in the current phase of the “Strategy of Tension.”

Cheney's Iraq Obsession: A National Security Menace

by Jeffrey Steinberg

Dick Cheney's name is now synonymous with the deepening quagmire in Iraq, which one military analyst has just described as "America's Algeria"—a reference to the brutal 1954-62 independence war in the French colony in the Maghreb, which ultimately led French President Charles de Gaulle to withdraw all his forces and grant full independence.

More than the quagmire, Cheney is now also firmly linked to the Bush Administration's abysmal counterterrorism record, prior to the attacks on New York and Washington on Sept. 11, 2001. During much of that period, Cheney was the Administration's pointman on counterterrorism, yet he took no action, even when pressed to act urgently by National Security Council official Richard Clarke and members of a bipartisan blue ribbon commission on America's national security needs and vulnerabilities.

Add these two new indictments to the prior list of Cheney crimes, and it is no wonder that growing numbers of leading Republicans are demanding his removal from the GOP ticket, as a precondition for continued support for the Bush Presidency (see "Cheney: He Can Run, But He Can't Hide," *EIR* April 9, 2004).

Cheney's standing was further damaged by the announcement, early in April, that when President Bush appears before the 9/11 Commission co-chaired by former Gov. Thomas Kean (R-N.J.) and former Congressman Lee Hamilton (D-Ind.), he will be accompanied by Cheney.

As a result of this stunt, Dick Cheney's role as the usurper-President of the United States has now penetrated even the Establishment media. On April 2, *Newsweek's* Eleanor Clift wrote of the planned Bush-Cheney appearance:

"This was the week the curtain got pulled back on the Bush Presidency. In exchange for allowing Condoleezza Rice to testify under oath, President Bush gets to bring along his Vice President when he appears privately before the Commis-

sion. A top Republican strategist dubbed the legal document striking the unusual deal the Wizard of Oz letter because it strips away the myth that Bush is in charge. Until now, it's been all speculation about Vice President Cheney's influence. With the revelation of the tandem testimony, nobody with a straight face can deny Cheney is a co-President or worse, the puppeteer who pulls Bush's strings. . . . This is a defining moment in the Bush Presidency because it reveals weakness at the top."

It's far worse than weakness at the top. The week of April 2-9 was also the week the lid blew off Cheney's dirty little war in Iraq, as the situation degenerated into a nationwide insurrection against the American occupation involving both Sunnis and Shi'ites—all happening at the same moment that the world was learning that, if there's one Administration official who bears personal responsibility for sabotaging any effective counterterror or homeland security effort before 9/11, it's Dick Cheney.

The confirmation that Vice President Cheney cast the deciding vote to launch the war against Iraq in March 2003 came from former Bush Administration counterterror czar Richard Clarke, during an appearance on Chris Matthews' "Hardball" show on MSNBC-TV March 31. According to Clarke, President Bush was not 100% convinced that war with Iraq was the right thing to do. Then, Clarke revealed, "The Vice President started getting involved at the Cabinet level. The Vice President started attending the meetings." He tipped the scales, Clarke confirmed. "Look, the Vice President was in meetings that Vice Presidents have never been in before, helping shape the policy before it got to the President."

Matthews asked, "Had he been against the war with Iraq, would we have gone?"

Clarke answered, "I doubt it. He was critical."

Now that war has blown up in the face of the Cheney-Bush



In what one analyst called “the Wizard of Oz letter,” the White House made a deal in which National Security Advisor Condoleezza Rice had to face the 9/11 Commission’s heat, so that Bush could “meet with them” privately and with Cheney alongside him. All in all, it highlighted the fact that Bush is not in charge.

Cheney is the one, above all others, who has created “America’s Algeria.”

Administration—exactly as Mideast military and diplomatic experts, such as Gen. Anthony Zinni (ret.) and former U.S. Ambassador to Saudi Arabia Chas Freeman warned, months before the first GIs touched ground in Iraq. Zinni and Freeman told a Washington conference in September 2002 that an American invasion of Iraq would trigger an asymmetric-warfare response worse than Vietnam. Zinni called it a “Bay of Goats.” Freeman called it “America’s West Bank.”

In a *Los Angeles Times* column April 8, retired Army Col. Andrew J. Bacevich drew the comparison between Iraq and Algeria. He warned that the kind of urban guerrilla warfare that has erupted in Iraq is what defeated the French in Algeria in the 1950s and ’60s. “In their frustration,” Bacevich wrote, “the French opted to fight a ‘dirty war,’ employing systematic torture, extrajudicial killings and their own brand of terror. The effect was dramatic: French forces made impressive gains, temporarily dismantled much of the resistance network, and regained control of Algiers—at the cost of mobilizing the Algerian people against any possibility of continued French rule. The army destroyed the last shreds of French legitimacy in Algeria and thereby laid the foundation for eventual French defeat.” Bacevich concluded, “Indiscipline, lawlessness, and the excessive use of force will not guarantee victory in Iraq; indeed, the reverse is true. The French experience in Algeria stands as a warning: Down that road lies not only defeat but also dishonor.”

French President de Gaulle drew the right conclusion, and pulled France out of Algeria.

Cheney, on the other hand, shows no sign that he is capable of admitting defeat and taking the steps needed to extricate

American forces. To do that would require him to admit that he was speaking like a fool, when he told the American people that the Iraqis would greet GIs as “liberators” and that the costs of the war would be more than covered by the oil revenues of a “democratic, free-market” Iraq. So far, the Iraq war has cost American taxpayers \$250 billion, according to one U.S. official. Six hundred American soldiers are dead, and, at last report, 18,000 wounded. Cheney’s lies kill—lies about Saddam’s weapons of mass destruction, lies about Saddam’s ties to 9/11, which provided the pretext for the invasion.

Now, even Secretary of State Colin Powell is raising his voice against the Cheney bodyguard of lies that drew the United States into the quagmire. In discussion with reporters as he flew back to Washington from Brussels on April 2, Powell for the first time admitted that his United Nations Security Council presentation of Feb. 5, 2003, which spelled out the “best” evidence the U.S. had on Saddam Hussein’s weapons-of-mass-destruction programs, was based on faulty sources. The primary source of the “cooked” intelligence was Ahmed Chalabi’s Iraqi National Congress (INC), which fed a stream of disinformation directly to Cheney. A June 2002 INC letter to the Senate Appropriations Committee confirmed that INC “defector” information went directly to John Hannah, the deputy national security advisor to the Vice President, and to William Luti, the former Cheney aide who heads the Near East South Asia/Office of Special Plans at the Pentagon.

Cheney Spiked War on Terrorism

As mentioned above, Cheney has also now been identified for the first time, as *the* Administration official who flubbed the counterterrorism and homeland security efforts prior to 9/11.

On April 2, former Sen. Gary Hart (D-Colo.) gave an



Richard Clarke told one television interviewer, “The Vice President started coming to Cabinet meetings. He was involved making policy at the Cabinet level.”



After a three-year silence, former Sen. Gary Hart reminded the nation that President Bush had submerged the Hart-Rudman Commission’s recommendation for a Homeland Security Department—by telling Congress, “Leave it to Vice President Cheney.”

interview to *Salon* magazine. With another former Senator, Warren Rudman (R-N.H.), Hart co-chaired the U.S. Commission on National Security, a bipartisan body that conducted the most comprehensive review of U.S. security vulnerabilities since the end of World War II.

One of that Commission’s most dramatic findings was that this country was vulnerable to terrorist attack. The Commission urged immediate creation of a Cabinet-level agency to deal with homeland security and the terrorist threat. The report was delivered to President Bush on Jan. 31, 2001, days after he took office.

Hart told *Salon* that the report was also delivered to every member of Congress, and by April 2001, a bill had been introduced in Congress to create a Homeland Security Department.

Hart explained what happened next: “And then as Congress started to move on this, and the heat was turned up, George Bush—and this is often overlooked—held a press conference or made a public statement on May 5, 2001, calling on Congress *not* to act and saying he was turning over the whole matter to Dick Cheney.

“So this wasn’t just neglect,” Hart continued. “It was an active position by the Administration. He said, ‘I don’t want Congress to do anything until the Vice President advises me.’ We now know from Dick Clarke that Cheney never held a meeting on terrorism, there was never any kind of discussion on the department of homeland security that we had proposed. There was no Vice Presidential action on this matter.

“In other words, a bipartisan commission of seven Democrats and seven Republicans who had spent two and a half

years studying the problem, a group of Americans with a cumulative 300 years in national security affairs, recommended to the President of the United States on a reasonably urgent basis the creation of a Cabinet-level agency to protect our country—and the President did nothing!”

Hart should have qualified his final comment: The Vice President told the President to do nothing.

Rice Adds to Cheney’s Dilemma

National Security Advisor Condi Rice’s appearance April 8 before the 9/11 Commission did little to repair Cheney’s reputation. While Cheney had lied about Richard Clarke being “out of the loop” on counterterror policy, Rice confirmed that Clarke headed up the Bush White House’s pre-9/11 crisis management team on terrorism.

Rice did stubbornly maintain that there were no warnings prior to 9/11 about any “specific” terrorist attacks inside the United States. However, the smug expression was wiped off her face when Commissioner Richard Ben-Veniste disclosed that the title of the Aug. 6, 2001 Presidential Daily Briefing, provided by the CIA, was “Osama bin Laden Determined To Attack Within the United States.” Commission members are pressing the White House to declassify the Aug. 6 memo.

Rice also admitted, in her opening statement to the Commission, that the daily intelligence briefings to President Bush by Director of Central Intelligence George Tenet, were often attended by Cheney.

LaRouche Launches Penna. Media Blitz, as State Rep. H. James Endorses Him

Under the headline, “Stop Taking Our Votes for Granted! Send a Message—Make Your Vote Count!” Pennsylvania State Rep. Harold James (D) released his formal endorsement of Lyndon H. LaRouche, Jr. for President, who is running in the Pennsylvania Democratic primary being held on April 27. Representative James was elected to the Pennsylvania House in 1988 from the 186th Legislative District in Philadelphia, and is currently running for his ninth consecutive term. Former chairman of the Pennsylvania Legislative Black Caucus, he serves on the Executive Committee of the National Black Caucus of State Legislators (NBCSL), where he was appointed Special Assistant to the NBCSL President, and Region II Chairman, NBCSL (New York and Pennsylvania).

Rep. James’ endorsement comes as the LaRouche campaign announced plans for escalating its organizing in the crucial swing state of Pennsylvania over the next weeks. LaRouche in 2004 has purchased two half-hour television ads—to air on April 25 in Philadelphia on CBS-3, KYW-TV, and in Pittsburgh on the same day, on Pittsburgh Cable News Channel. On April 8, the campaign also initiated a series of radio advertisements in Philadelphia and from Washington, D.C., where the leading news station WTOP reaches into Pennsylvania. The media blitz will escalate, with 30-second TV ads in the last week before the election.

In Pennsylvania, LaRouche will be one of three active candidates, but the ballot will still be cluttered with “former” candidates, such as Howard Dean and John Edwards. However, it is likely that every Democrat in the state will become aware of LaRouche’s campaign, as LaRouche in 2004 has rushed into print 250,000 copies of the transcript of LaRouche’s appearance in Harrisburg on March 29, which will be mailed and distributed statewide. As the endorsement below by Rep. James indicates, LaRouche is well known as a fighter for economic and social justice throughout Pennsylvania, and, as early as 1984, a LaRouche candidate won over 20% statewide in a Democratic gubernatorial contest.

Over the course of the last week of March, LaRouche also received the endorsement of two other prominent African-American leaders: civil rights heroine Amelia Boynton Robinson; and Eddie Tucker, a city councilman and chairman of the Talladega County Democratic Conference of the Alabama Democratic Conference. They join Mississippi State Representative Erik Fleming and Nevada State Senator Joe Neal as leading African-Americans supporting LaRouche’s candidacy.

Of the 11 Democratic primaries besides Pennsylvania in

which LaRouche expects to be on the ballot, both Arkansas and South Dakota promise to be of great interest. In Arkansas, where LaRouche won 22% of the vote in 2000, over 53,000 votes—only to have his delegates stolen by Al Gore—the FDR Democrat is pitted only against putative frontrunner John Kerry and Rep. Dennis Kucinich. His supporters intend an active organizing campaign into the May 18 primary. In South Dakota, LaRouche has emerged as the only candidate other than Kerry with statewide support. The state Democratic Party bowed to this reality by defying the DNC crowd and putting LaRouche on the ballot; but then it bent the rules as well in order to place Kucinich, Dean, and uncommitted on the ballot, despite the failure of the first two to meet the qualifications for delegates.

‘Make Our Votes Count’

Here is Representative James’ statement of endorsement (subheads have been added):

“Currently, the Democratic Party has begun to rally behind the banner of Sen. John Kerry, who is no doubt a better man than what we have in there. However, the Democratic Party is continuing to take many of its leading constituency groups for granted, such as African-Americans, other minorities, labor, and others. Our concerns, at this point, are not being adequately represented by the Kerry campaign. We must remedy this problem, so that we can mobilize a massive turnout of the Democratic Party base, and remove the Bush/Cheney Administration from power this November.

“For these reasons, and after serious soul-searching and consideration, I have decided to extend my personal endorsement to the candidacy of Lyndon H. LaRouche, Jr. in the April 27 Democratic Presidential primary here in Pennsylvania. Fifteen percent of the vote, or more, for Mr. LaRouche in any Congressional District, will elect LaRouche delegates to the Democratic Party National Convention, and guarantee that our voices will be heard at the very highest levels of politics in this country.

“This is how we can make our votes count, and send the most powerful message to Party leaders that our issues and concerns must be addressed. As the distinguished African-American scholar Ron Walters has argued: ‘In order to move the system, Blacks have to look after their interests first, not the party’s. That requires both courage and savvy. We must decide whether this time, it is worth pushing the envelope to make Kerry accountable, or to trust him and the system to work it out and look after our interests. Our history tells us



State Rep. Harold James' (left) endorsement of Lyndon LaRouche for President launched the final hot phase of LaRouche's drive to win national convention delegates and mobilize the "forgotten 80%" of Democrats in Pennsylvania's April 27 primary.

not to trust the system, to fight for every inch of advantage and to be proud of that fight.'

"Note that Mr. LaRouche is one of only three active candidates that will be on the primary ballot here (Reverend Sharp-ton is not running in Pennsylvania), and has one of the largest bases of support of any candidate. As of the Federal Election Commission's latest March 2004 report, Mr. LaRouche leads all of the Democratic Presidential candidates in the cumulative number of individual itemized contributions. LaRouche has 37,867 individual itemized contributions as compared to 35,337 for John Kerry. The statistics are even more remarkable in Pennsylvania, where LaRouche has 2,942 such contributions, to Kerry's 926! By the time of the Democratic National Convention, Mr. LaRouche will have appeared on the ballot in 32 states and the District of Columbia. Also, as of the February FEC report, Mr. LaRouche had raised \$6,735,378, and he qualified for Federal matching funds.

'Track Record Second to None'

"When it comes to the concerns of our communities, Mr. LaRouche's track record has been second to none. Over the years, when I have asked Mr. LaRouche to become involved with issues that will improve the conditions of my community, he has responded, not with words alone, but with action.

"Several years ago, when it was revealed that Black elected officials were being systematically targetted and harassed by the Department of Justice, Mr. LaRouche sponsored hearings and circulated crucial material exposing that horrible injustice. Those hearings were dedicated to the memory of our late, great, State Rep. Dave Richardson, whose tragic, untimely death precluded his planned participation.

"When the Democratic National Committee failed to

sponsor hearings to establish a fair and just platform in the 2000 campaign, Mr. LaRouche called for Democratic platform hearings. My colleagues and I participated in these historic hearings which addressed the critical issues of health care, jobs, economic injustice, and government harassment.

"When I asked Mr. LaRouche to help last Fall, after it was discovered that Attorney General Ashcroft had authorized the wiretapping of the office of Philadelphia Mayor John Street in an attempt to influence the outcome of the election, Mr. LaRouche responded. He personally supported Mayor Street, and authorized hundreds of young people to help in that election. That effort helped to insure the Mayor's re-election by a landslide. While I invited all of the Democratic Presidential candidates at that time to speak out against that injustice, only two candidates, Mr.

LaRouche and former Sen. Carol Moseley Braun, responded.

"Several years ago, when Washington D.C. General Hospital was being shut down as a prelude to the closing of trauma centers and full-service hospitals in urban areas across the country, Mr. LaRouche took up the challenge to defend public health in the nation's capital. I joined that fight. Today, Mr. LaRouche is pledged to upgrade our health care as a national security issue of the highest magnitude, and I salute him on that. Mr. LaRouche has championed the cause of universal health care. Health care is a right for all Americans, and not a privilege for some.

"In echoing the voice of President Franklin Delano Roosevelt, Mr. LaRouche has called for defending the rights of America's forgotten men and women, and promoting the general welfare of the entire nation.

"Moreover, he has fought vigorously on behalf of the rights of the forgotten men and women of the world. He has waged a relentless campaign against the silent genocide which is ravaging Africa, while others have failed to adequately address this issue.

"Without Mr. LaRouche's input and delegates, I am concerned that these issues will not be adequately raised or addressed at the Democratic Party National Convention in Boston this Summer. This is why I personally endorse his candidacy in the upcoming Pennsylvania primary, and urge the community to cast their votes for Mr. LaRouche.

"I am encouraging people to participate in a strategy whereby their voices will be heard as we develop our agenda for inclusion, participation, and justice. Fifteen percent of the vote is the threshold in each Congressional District, which allows Mr. LaRouche to accumulate delegates who will raise our agenda on the floor of the Democratic convention. By

addressing the crucial concerns of our community, we can insure maximum voter education, participation and turnout to guarantee victory for the Democratic Party and our Presidential nominee in November.”

Documentation

Health Care Is A Right Under General Welfare

This dialogue occurred at a March 29 reception in Harrisburg, the capital of Pennsylvania, which was hosted by Rep. Harold James for Lyndon LaRouche.

Rep. Harold James: While we’re waiting now, I think what I’m going to do, is I’m going to ask Presidential candidate Lyndon LaRouche, one of the major concerns we have here in Pennsylvania, happens to be health care. And so I want to ask his view, so he can just tell about his view on health care, and what he thinks of universal health care. And then, while we’re waiting on a couple members of the Caucus.

Lyndon LaRouche: Okay. On health care, there are essentially, what happened in 1973, under Nixon, with the repeal of Hill-Burton, and its replacement by the HMO system, we began an accelerating process of destruction of the health-care system of the United States, which had had faults, and shortfalls, especially, but it worked.

Now, Hill-Burton was conceived by Lister Hill and others, an unusual source, but nonetheless he was on the right track on that one, and it was based on several things, especially on military experience in several wars, especially beginning with the Civil War. The Civil War was a great carnage, in our country, and the medical problems posed were enormous. And out of this process, through the process of World War II, when we had about 16 million people in service, we had a military health system which was good; it worked. It had shortfalls, but it was excellent.

So, when we came back from the war, the move was in the Congress to utilize that experience, military experience, because many people were veterans, who were returning to the United States—16 to 17 million people, veterans—and their families. So the idea of, how do we provide a health-care system, for our citizens, comparable to our philosophy of health care, for care of our people in military service? This became known as the Hill-Burton legislation.

The objective of that legislation, which is only a few pages—it’s not a long 50-page, 100-page, 2,000-page document of health-care law. It’s a very simple statement of princi-

ple, which was then followed up by supplementary Federal legislation, and other helping legislation, at the state level, and by state and Federal executive action.

The objective was to say: Each year, we must set an objective for the number of beds available in hospitals, and related institutions, for each county in the United States, designating the categories of care which would be provided through the assistance of these institutions. These institutions were a mixture of private institutions, voluntary hospitals, public institutions which provided health care, and clinics, and so forth.

Each year, under Hill-Burton, a group of people—private and public interests, Federal government, state government, local government—would meet, in each county, to work out a budget for the objectives of health-care provision for the coming year, and the year beyond. We would total up the amount of funds we expected available from personal contributions, private contributions, and so forth, as well as paid-in health care. We would say, “Okay, we’ve got that, but that’s not enough, because we require more.” So, at that point, we would have fundraising operations for a county health-care fund, which would help to take care of the deficit. If we were short, we would go to the city governments. If they had it, we would go to county governments. We would go to state governments. And we would, in the final analysis, go to the Federal government for help.

We had Federal institutions, such as the Veterans Hospital system, and other institutions were called into play. The Public Health Service, an institution of the Federal government, was called into play. So, therefore, we provided an improvement in health care in the United States, up until the ’73-’75 interval, with the enactment of HMO and the “Big MAC” operation in New York City, where we began to destroy that health-care system.

We went to the idea of a paid-for care on an individual basis system. We turned physicians into clerks, filling out paperwork. We did not do that before. So, we were going on a *triage* policy. Those for whom payment would be provided, would be cared for, according to the payment available. Those for whom payment was not provided—“Well, that’s life.”

So, we now had lost, in health care, we’ve lost probably over 30% or more of our health-care potential, that we had in the 1970s. It’s disappeared. People are—and it’s impossible. It’s worse than that, because we began to put physicians out of practice, with medical risk insurance rates. We cut down the capacity. We no longer care for people.

Under Hill-Burton, say, in New York City, or any other municipality that had these kinds of policies, somebody falls down in the street. A citizen would say, “Call a cop.” A police officer comes by; they call a wagon. They take the affected person to the nearest emergency treatment. They’re given emergency treatment. The emergency treatment unit would then refer them to an overnight care unit, for observation, to see what other treatment was needed, unless it were a continu-



Candidate LaRouche, committed to Hill-Burton Act principles of healthcare, led the fight to save Washington's only public hospital, D.C. General. A demonstration three years ago at the hospital; at the Congressional briefing, LaRouche spokesman Dr. Debra Freeman is at left, LaRouche endorser State Rep. Harold James is second from left.

ing emergency. Then, there would be an assessment of what the patient's problems might be, and a diagnosis and prognosis would be made. And they would get that care.

Somewhere in the process, someone would come along and try to find out, who has the money to pay for all this. If they had the money, if they had a health-care plan, or some other protection, that would be used. If they had nothing, they would still be treated. And the system was built-in, so it was a blanket system: Everybody is cared for.

Now, in my view, because of the way our political system works, I would say: "Repeal HMO. Go back to Hill-Burton. And start, by just adopting the Hill-Burton objectives, and start to rebuild the structure, and the policy, that we had before, and rebuild the system, with the idea that we are going to provide necessary health care for everyone."

Now, this is more than an individual health-care proposition. We have two other factors, which are important. One is, health care is a matter of national security. The disease your neighbor has caught, is going to affect you. Therefore, this is part of our national security system. Therefore, this is the responsibility of the Federal government, and the state governments, to provide security for our citizens, from other people's diseases.

We also have, because the population is older now, people living longer. Now, that means they live to catch diseases

that they wouldn't have caught otherwise. Or, the number of diseases of people over 50, is increasing. Therefore, we have a need for preventive health care. Preventive health care largely consists of the physician, consulting with a patient, and being allowed to spend the *time* consulting with a patient, to find out what the patient's problem is. And then making a proposal. The physician would then say, "Well, let's take this test. Let's take this test. Let's look at this, and see what your problem is."

Now, preventive health care, as the former Surgeon General of the United States, Joycelyn Elders, laid this out to me, this means, it's cheaper to treat people with preventive health care, than it is to wait until they get really sick. And therefore, we now have to think about national security, preventive health care in a new dimension, in addition to what we had before 1973-75, in terms of that.

But, I think simply using the Hill-Burton, essentially, as the model for guaranteeing the availability of universal health care to the degree needed, for all citizens, all persons, without question, and let those who can pay, those who have provisions, let them pay accordingly. If they run out of money, with major catastrophes, if they don't have any money, they're still going to be treated. And that's my view of how we could actually, by going back to a proven, pre-established successful policy, we could have universal health care.

Perpetual War Wrecking U.S. Military: Return It to Engineering Principles

by Carl Osgood

The tortured “debate” of announcements and denials and qualifications in early April, over whether more American forces can or will now be added to the 135,000 already in Iraq, and from where they will come, points to the extremely stretched condition of the U.S. armed forces, engaged in increasingly Vietnam-like wars. More than overstretching is hurting the American forces; they need to return to their founding, West Point “corps of engineers” principles, in order to survive as forces actually securing the strategic defense and national security of the United States.

The founding of the U.S. Military Academy, at West Point, New York in 1801, was a watershed event in American history. With its creation, nation-building, based on engineering principles, was institutionalized as the mission of the U.S. military establishment. In the decades prior to the Civil War, and afterwards, as well, graduates of West Point fanned out across the country to build the canals, waterways, and railroads that bound this nation together. The engineering curriculum at West Point also became the model for the establishment of engineering schools all over the country—a curriculum based on the principle of strategic defense as elaborated by the great French military engineer Lazare Carnot.

Like the Roman Legions

U.S. Presidential candidate Lyndon LaRouche, during a March 30 interview with Arkansas radio host Lee Tibler, commented that Carnot’s orientation “was an approach that was adopted by our military, in West Point, particularly from the time of Monroe and John Quincy Adams. . . . And we based our policy on the engineering approach, which was defined by Carnot, et al., from the Carnot-Monge tradition. So, our military training at West Point, and later, when Annapolis was built on the basis of having a naval equivalent of West Point, [was based] on engineering. So, our military officers were largely trained as engineering officers whose ability to deal with logistics was considered as the basic, ongoing, day-to-day task, under which you get a high-quality military, intellectually high-quality.”

But today, instead, under Vice President Dick Cheney’s perpetual wars and Donald Rumsfeld’s supposed “military transformation,” the U.S. military is being turned into something more akin to the Roman Legions. LaRouche explained

that the process began deliberately at the end of World War II, when Allen Dulles, from his OSS station in Bern, Switzerland, began recruiting Nazi SS officers to work for Western intelligence agencies. “The intent of this group (which Dulles was a part of), was to set up a copy of the Roman Legions; recruiting people of all nationalities into a kind of mercenary force, a killer mercenary force, used with imperial intent, to become what is called the ‘Allgemeine SS,’ a universal SS for world empire.”

In his days as Secretary of Defense under the first President Bush (1989-93), Dick Cheney resumed that process by instituting the privatization of military logistics—of which the company he would soon head, Halliburton, was and is a major beneficiary. That farming-out of logistics and other military functions to private corporations, along with the present Secretary of Defense’s much-ballyhooed “military transformation” policy, have joined together in the form of Cheney’s perpetual-war policy, to wreck the U.S. Army, in particular.

‘A Train Wreck’ on Budget

Evidence of the effects of this wrecking operation was presented at a number of Congressional hearings the last week in March, showing the overstretch of the Army, especially the National Guard and Reserves, and the quandary Congress is in, trying to balance the demands of Rumsfeld’s transformation and the demands of the war in Iraq.

A March 31 hearing of the Total Force Subcommittee of the House Armed Services Committee was started by Subcommittee chairman Curt Weldon (R-Penna.), who complained that the Pentagon is handing Congress competing requirements. “We are in the midst of a massive train wreck,” he warned. “We did not modernize during the ’90s, and we have major programs about to come on line that we can’t fund.” He warned that if the Army’s Future Combat System runs into the same types of development problems that have plagued the Air Force’s F-22 fighter plane—which, after 18 years, is only now beginning to overcome its software problems—then cost overruns could consume the entire Army budget.

Addressing the Bush Administration, Weldon said, “You have to help us get these programs under control, with costs

that are acceptable and realistic, so that we can meet the warfighting needs of our soldier in 20 years, while not overstepping the needs of our soldiers currently in Iraq and Afghanistan, today.”

One issue that has been raised repeatedly by members of Congress over the past several months, is the disparity in treatment of soldiers, between the active-duty Army on the one hand, and the Reserve and National Guard on the other. The chairman of the Reserve Forces Policy Board, Albert C. Zapanta, minced no words during the March 31 hearing: “An often-heard comment from our mobilized RC [reserve component] members has been one of inequitable treatment, such as billeting or personal protective equipment and organizational clothing,” he said. “This second-class treatment shows a level of insensitivity that must be changed to ensure our Guard and Reserve members serve equally with their active-duty peers.”

The subject of inadequate stocks of protective equipment for soldiers serving in Iraq (such as body armor and armored humvees), was also the subject of another hearing on April 1 of the Tactical Air and Land Forces Subcommittee, where Rep. Jim Cooper (D-Tenn.) expressed disbelief that the “greatest nation on Earth” would send its soldiers into battle without all of the equipment they needed for their own protection.

The disparity in treatment between the active-duty and the reserves also has made itself felt in healthcare, although the active-duty Army is having major problems there, as well. On March 30, members of the Army Reserve and the National Guard testified to the National Security Subcommittee of the House Government Reform Committee that problems of troops in medical hold, first exposed last fall, have in no way been solved.

When the story first broke, most of the soldiers in medical hold at Fort Stewart, Georgia were reservists who had been medically disqualified from deployment. Since then, the majority of soldiers in that status has shifted to those returning from Iraq for medical reasons. Specialist Timothy McMichael, who has been in a medical-hold status at Fort Knox, Kentucky, told the Subcommittee that the barracks to which medical-hold soldiers were assigned, were buildings that should have been condemned—or perhaps *had been* condemned, but they didn’t know for sure.

Retired First Sergeant Gerry Mosely, an Army Reservist who did deploy to Iraq, reported that pre-deployment medical screenings of soldiers were wholly inadequate, and that many were deployed with known health conditions that would be worsened by deployment. He said he personally knew of soldiers who were deployed with conditions including hearing loss, insulin-dependent diabetes, Tourette’s syndrome, serious allergies requiring refrigerated medication, severe cardiac disease, and unrepaired hernia.

He told of one soldier in Iraq who had been complaining of bloody, painful urination, but his commander was told

at the field clinic that the soldier was malingering (feigning illness to avoid duty) and should be court-martialed. “That soldier has just returned from Walter Reed Medical Center,” Mosely reported, after “having a cancerous bladder and prostate gland removed,” again raising the issue of pre-deployment screening. “How could the Army miss such an advanced cancer prior to deployment?” Mosely asked.

‘They Have To Keep More Bodies in Theater’

Articles on April 3 in two British newspapers, the *Guardian* and the *Independent*, added more details to the picture described by Mosely and McMichael. The sending of sick soldiers to Iraq is being attributed to the overall stress on the force: There simply aren’t enough people to do the job that’s being demanded of the Army. Stan Goff, a veterans’ activist, told the *Guardian*, “This is a particularly stressful time for the military, because they have been committed far, far beyond their capability. The numbers are becoming more and more important. They have got to keep more bodies in theater.”

Meanwhile, the load on the military and veterans’ health-care system is skyrocketing, as a result of the Iraq and Afghanistan wars. The *Guardian* reports that 15,000 soldiers have filed disability claims, 12,000 have sought care in Veterans’ Administration facilities, and about 4,600 have sought psychological counselling. And, of course, the Bush Administration has refused to ask for the additional monies required to care for the troops that fought for it.

All of this, which is probably only the tip of the iceberg, is going on without even taking into account that the Iraq occupation itself is a disaster.

LaRouche Sums Up

In summing up his military policy, LaRouche said, in the Arkansas interview, “Get our military out of there! Get them back to the States. Go through a reconstruction of our military, based on a strategic defense conception. Go back to integrate the development of our military, as some people in the Congress are also thinking, on the basis of something like the CCC”—the Roosevelt-era Civilian Conservation Corps—putting the unemployed back to work, giving them training and education, “to make them into something.”

“My view is,” LaRouche continued, “let’s get back to our tradition, of a high-grade, highly educated, scientifically oriented military where you train people; they’re delighted to be in, say, two-year service, in training, as reservists; *proud* to be part of that, proud to be part of our National Guard; proud to be people who have engineering capabilities, who turn out, when the Governor has an emergency on his hands. *That* kind of people. We want people who are in the military, *not* as against the population. We want people to see the military as part of the population, and to be *part of it*. That way, the people, then, are implicitly, spiritually, and otherwise, controlling their own military.”

Cheney's Private Army in Iraq

by Edward Spannaus

The killing of four security personnel working for Blackwater USA, in Falluja, Iraq on March 31, has put a spotlight on a crucial aspect of the Iraq war and occupation which has been kept largely in the shadows: This is the role of private security contractors, who had been operating largely out of sight in Iraq, as well as in many other countries around the world.

There are at least 15,000 such private security personnel now in Iraq; some estimates run as high as 25,000. Compare this to the current troop level of 134,000, which had been projected to fall—before the recent escalation of the insurgency—to 105,000, when the current troop rotation was completed by late this Spring.

The growth of private contractors is a product of the outsourcing schemes developed for the Department of Defense by Halliburton Corp., when Dick Cheney was Secretary of Defense in the early 1990s. Halliburton had two contracts from Cheney's Defense Department, to study the feasibility of contracting out functions previously performed by the military.

Under Secretary of Defense Donald Rumsfeld, the scale of this private contracting, or outsourcing, has grown enormously, and will continue. Outsourcing's financial benefits are questionable; no one has actually demonstrated that outsourcing saves the government money in the long run. Some of its costs are readily apparent; e.g., experienced Special Forces operatives, in whom the military has invested a great deal, are being hired away by private companies who pay them three times as much as the military, while depending significantly on the military's budgets for their contracts. This clearly puts a greater burden on the military to recruit and train more special operators, who can then also be hired away in turn by privateers.

The greatest benefit appears to be political. Having 10% or more of the military's forces being privatized puts less pressure on enlisted units, which are stretched to the gills at the moment. And, more significantly, private contractors don't show up in official casualty rates. Except for a high-profile incident such as that in Fallujah, there is generally no big concern if private contractors are killed in a combat zone—after all, "they were there for the money."

A Legal Grey Zone

A spokesman for the Coalition Provisional Authority (CPA) told *EIR* that it does not disclose the number of contrac-

tors or their location, for security reasons. However, the State Department maintains a listing of 22 private security companies operating in Iraq, with the names of their contact persons in Iraq. This list includes many of the best-known companies; most are British, including Control Risks; some are South African, such as Erinyes. Only seven of the 22 are listed with American forces' headquarters, and the overall list is clearly incomplete: it does not include Blackwater.

The fact is, that probably no one even knows how many individuals are operating in Iraq on behalf of private security companies. The most regulated are companies working directly for the CPA. According to the CPA, the conduct of these contractors is governed by military-approved "Rules for the Use of Force" which are equivalent to military Rules of Engagement.

These private "security guards" are obviously something more than the security guards at your local shopping mall. They are defending military installations and personnel, and private facilities such as oil wells, in a combat zone. Generally, they are required by their contracts to carry arms and to defend their protectee in the face of hostilities.

Officially, they do not engage in offensive combat operations, and technically they are not mercenaries under international law; yet in reality, they regularly engage in combat, shooting and killing Iraqis, the same as do regular military forces. In short, they often do everything that regular military troops do, but without being subject to military discipline or military law—or being covered by the Geneva Conventions.

For example, on April 4 in Najaf, eight private Blackwater commandos engaged in a fierce firefight with hundreds of Iraqi militias, defending the U.S. Headquarters in that city. Blackwater sent in its own helicopters to resupply its operatives and to ferry out a wounded Marine, according to an account published in the *Washington Post*, which reported that private security contractors "are exchanging fire with Iraqis every day."

World's Largest Private Army

In a follow-up story, the *Post* reported that private security companies are banding together to share intelligence and to call on each other for help when they are under attack, since they cannot always count on the military to rescue them. The *Post* said that this may constitute "the largest private army in the world."

But in some cases, the military cannot help but pay the price for what may be reckless behavior by private contractors. The four Blackwater civilians who were killed in Fallujah, were travelling in that highly-unsecure area under conditions that are not permitted for military or CIA personnel: in unarmored SUV's, lightly-armed, and with no backup. They were probably assumed to be intelligence agents.

In the retaliatory operations now being conducted in the Fallujah area, it is probable that 20 Marines have been killed and many more wounded.

Untruth and Consequences

by David MacMichael

David MacMichael is a former CIA analyst and a member of the Steering Group of Veteran Intelligence Professionals for Sanity. His commentary appeared first on tompaine.com on March 17, and is here abridged.

The administration, and its spokespersons in the White House, the Department of State, the Pentagon, and the National Security Adviser's office who made the case for war to the Congress and to the American people—and the people of the world—now say that if they were wrong, it was because the intelligence system failed to provide them with accurate information. Thus, according to this argument, the untruths purveyed were not, strictly speaking, lies. There are now a host of commissions and committees looking into how U.S. intelligence could have failed so egregiously—if, in fact, that was the main problem.

Another school of thought holds that the Bush Administration, rather than responding to false alarm bells rung in Langley, had been determined from the outset to find a rationale for invading Iraq. Indeed, former Bush Treasury Secretary Paul O'Neill declares in his recent book that, at the new administration's very first cabinet meeting, the decision to invade Iraq was presented as a given. Members of this school argue that Bush and the ardent supporters for war, especially in the office of Vice-President Dick Cheney and in the Defense Department of Secretary Donald Rumsfeld, recruited long-time proponents of use of American military power in the Middle East like Richard Perle, Douglas Feith, Paul Wolfowitz, Abraham Shulsky, and Michael Malouf, to bypass the CIA, DIA, and State Department's INR whose professional analysts were skeptical about Iraq's allegedly hostile capabilities and intentions.

This school of thought contends that, like prosecutors preparing a case, this cabal of war seekers "cherry picked" the intelligence reporting and presented, without caveat, even the shakiest and most suspect evidence to make the argument for war. Importantly, they have shown that this group relied heavily on reports from an Iraqi exile group, the Iraqi National Congress (INC) headed by Ahmed Chalabi and heavily funded by the Department of Defense, despite the fact that the CIA had long since concluded that INC reporting was untrustworthy. Further, they insist that these so-called neo-cons were encouraged and abetted by Cheney, Rumsfeld, and the White House itself.

A final, and not unimportant, concern about the neo-cons is their adherence to the Machiavellian teachings of the late

University of Chicago philosopher Leo Strauss. . . .

If the Bush Administration used evidence, ignoring warnings that [it] was suspect or invalid, to make its case for war, then—no matter how sincerely it may have believed it was acting out of concern for the security of the nation—it was, if not actually lying, coming perilously close to doing so. . . .

At least one important figure in this controversy about crooks and liars is Ahmed Chalabi himself. . . . as a fugitive from Jordan where he was convicted of massive bank fraud, he is a crook. As for lying in the matter under consideration here, he is unabashed. In an interview with London's *Daily Telegraph* on Feb. 19, Chalabi triumphantly admitted that he had knowingly provided false information about Iraq's weapons and its ties to terrorists (not to mention his rosy predictions of U.S. troops being welcomed as liberators) to his gullible patrons in the Pentagon and, for that matter, in the mainstream U.S. press. "We are," he said, "heroes in error. As far as we are concerned, we've been entirely successful. That tyrant Saddam is gone and the Americans are in Baghdad. What was said before is not important."

What We Know We Know

- So now we know for certain that exile Iraqis and other agenda-driven people told lies to ideologically driven individuals in the Bush Administration all too eager to use them to press their case for the invasion and occupation of Iraq. We know that the White House dismissed the objections of professional intelligence officers in the CIA and elsewhere, probably because it had already decided to invade Iraq. We know that key administration officials chose to use the suspect evidence to persuade most members of Congress to, let us say, suspend their critical faculties, and vote to authorize the President to use the armed forces of the United States to invade Iraq. We know for certain that most of the United States media reported this false information as truth.

- We cannot be certain that the spokespersons of the Bush Administration knew that they were speaking untruth. We don't yet really know why Director of Central Intelligence George Tenet appeared at least tacitly to endorse conclusions his own experts believed untrue.

- What we do know for certain is that Chalabi lied, and that he lied to people who believe as a matter of principle that government leaders must and should lie, and that these people were in places of dominant influence in the Bush Administration, and that they used Chalabi's lies to further their policy goals.

- What we do know for certain is that as a result of decisions based on these lies, to date, over 560 members of the United States armed forces have died in Iraq and several thousand others have been injured, many of them disabled for life. A hundred or more other non-U.S. members of the invading force have been killed, and many thousands of Iraqis, military and civilian, are also dead. And we know that Iraq, battered and impoverished, teeters on the brink of civil war.

Book Review

The Greatest of Roosevelt's 'Forgotten Men'

by Jerry Berg

That Man, An Insider's Portrait Of Franklin D. Roosevelt

by Robert H. Jackson, edited by John Q. Barrett
New York: Oxford University Press, 2003
290 pages, hardcover, \$30

In February 1940 *U.S. News & World Report* matter-of-factly informed its readers: "If Roosevelt could pick his own successor for the presidency, he would name a man who entered his first political office last month. This man is Robert H. Jackson, the president's new Attorney General and chief of all federal law enforcement." Their reportage was, almost certainly, accurate.

A few days later, leading columnist Drew Pearson wrote a feature in the prestigious *Look* magazine, Unambiguously headlined: "Roosevelt's Choice for President Is Bob Jackson." Until FDR declared later that year for an unprecedented third term, such articles were commonplace. After Roosevelt's intentions became clear, Jackson was promptly identified as a finalist for Vice President. He ultimately backed his cabinet colleague, Henry Wallace, for that post.

Previously, FDR had made extensive personal efforts to install Jackson as 1938 Democratic nominee for New York governor, with the Presidential succession in mind, but had been thwarted by Wall Street's local politicians, in a foreshadowing of the right-wing synarchists' "Truman Coup" against Vice President Wallace at the 1944 Democratic Convention. (This latter event, we now realize, was decisive in misshaping the post-war world.)

In the Roosevelt-era vernacular, author Robert Houghton Jackson has become something of a "forgotten man" to today's historians—though he was a key participant in most of the major decisions of the 20th Century's greatest Presidential administration. He likely ranks among the most important Americans of the last century whom most readers have never heard of. Partisans of today's pernicious doctrine of "shareholder value," who despise the New Deal principle that the "common good comes first," have largely written Jackson out of the history books, while simultaneously besmirching

President Roosevelt's legacy with an endless procession of gossipy fairy tales, and mindless diatribes about the supposed evils of "big government."

Jackson's long-delayed insider's account of the Roosevelt Presidency, thus, is all the more significant for who wrote it, than it is for its many delightful insights and historical anecdotes about FDR. The book is a valuable contribution to today's political discourse, if only to get Americans reacquainted with an historic figure of the last century, who, with only a handful of other statesmen in the nation's history, might plausibly stake a claim to being the best President we never had. What Roosevelt came to appreciate about Jackson was that he was superbly qualified to be President, by virtue of his fierce devotion to, and legal genius in support of, the Constitutional principle of the "general welfare," whatever his "retail" electoral political skills.

That Man is assembled from hitherto unpublished notes and papers of this Roosevelt confidant, who passed away in 1954, and who, like FDR, never reached his 65th birthday. At the time of his death, Jackson was a Supreme Court Associate Justice, and was preparing these notes for publication. The memoir's wry title, chosen by the famously witty Justice, refers to the amusing tendency of well-heeled opponents of the New Deal to become so enraged at "traitor to his class" Roosevelt, that they could not even utter his name, but only rant and sputter in exasperation at "that man" in the White House, who dared put the general welfare ahead of their private gain.

To the extent he is known at all to present-day Americans, Robert Jackson is vaguely recalled as the dashing and eloquent lawyer—he gets a cameo appearance in the occasional Holocaust movie or documentary—who prosecuted prominent Nazis for their war crimes and crimes against humanity, at the post-World War II Nuremberg Tribunal. His adoption of that post-war role, on loan from the U.S. Supreme Court, was one of FDR's last known wishes. It was surely Justice Jackson's finest hour, and one of 20th-Century America's finest hours. He performed an immense and immortal service to mankind at Nuremberg, in establishing a moral compass for future citizens and statesmen.

Lamentably, policy-shapers and citizens of the recent generation, have, more often than not—especially recently—ignored his wisdom.

New Deal Rising Star

Jackson, like FDR, a native of upstate New York, was, unquestionably, the greatest legal mind of Roosevelt's New Deal.

In the New Deal's infancy, Bob Jackson served as the U.S. Treasury's chief prosecutor when tax evasion charges were levelled against Wall Street's pre-eminent "economic royalists" J.P. Morgan and Andrew Mellon. Through his astute handling of this impossibly difficult, but politically imperative task, the young "country lawyer" attracted the atten-



Few were closer collaborators of Franklin Roosevelt than Justice Robert Jackson, his Attorney General, Supreme Court appointee, and one whom FDR wanted to make his vice-presidential running mate. Jackson's writings on FDR have been edited into a valuable biography. Here he is in his best-known role, as chief Nuremberg war crimes prosecutor.

tion of the President, and soon had earned Roosevelt's complete confidence. (Mellon, as a matter of damage control from the case, donated his extensive art collection to establish what became the National Gallery of Art in Washington. FDR delighted years later, in asking Jackson about "his gallery.") Jackson quickly rose to head the Anti-Trust division of the Justice Department, before becoming Solicitor General—the number-three position in the Justice Department and its highest-ranking courtroom post, as the administration spokesman before the Supreme Court.

From this pulpit, Jackson argued forcefully, and usually successfully, for the Constitutionality of FDR's historic efforts to regulate financial predators and uplift the common man—and this before a Supreme Court that often seemed, in Roosevelt famous phrase, "stuck in the horse-and-buggy era." (At one point, at the height of the Depression, a nominally states'-rights Court majority bizarrely ruled, that individual states had no Constitutional right to establish unemployment insurance!) One admiring Justice, though, remarked that Jackson's legal mind was so brilliant that he ought to be "Solicitor General for Life."

Bob Jackson spent many a working vacation with FDR aboard the Presidential yacht, an honor bestowed but rarely by the President. On one of these voyages, at Roosevelt's urging, Jackson began to engineer the politically delicate legal framework for the Lend-Lease of naval armaments to Britain, which was instrumental in defeating the synarchist scheme for world domination that had launched Hitler. For all practical purposes, Jackson was the prime U.S. negotiator of the Lend-Lease agreement, who ensured it passed Constitutional muster, and could in no way be construed as a

giveaway to the widely distrusted British Empire. *That Man's* chapter on this matter, breaks fascinating new ground even for the Roosevelt scholar. To no one's surprise, by this time in early 1940, Jackson held official cabinet rank as FDR's Attorney General.

In 1941, before Pearl Harbor, President Roosevelt appointed Jackson to the Supreme Court, with the intimation that at the earliest opportunity he would be elevated to Chief Justice. From there, it was understood, he could, conceivably, shape American culture and law, as few Presidents ever did, for a generation to come. Though his chance to become Chief Justice effectively died with FDR on April 12, 1945, Jackson, renowned for his incisive wit and clarity, is widely acknowledged as likely the most eloquent writer to ever sit on the U.S. Supreme Court. (Ironically, the unworthy current Chief Justice, William Rehnquist, soul-mate of fascist ideologue Antonin Scalia, briefly served as Justice Jackson's law clerk.)

Law on the Side of Peace

While the British and Russian delegations, negotiating the fate of the captured Nazi war criminals in the Spring of 1945, would have preferred a quick firing squad and imperial business-as-usual, the American delegate, Jackson, held out for a more profound and revolutionary approach. Since the age-old approach to international law held that war-making was not illegal and thus not subject to prosecution, there existed no legal precedent for the Nuremberg Trials, which made much of the globe's political establishment and legal profession uneasy. Jackson, unfazed, invoked the natural law tradition to distinguish "just wars" from unjust ones. He concluded a Summer 1945 report to President Truman. "We therefore propose to charge that a war of aggression is a crime, and that modern International Law has abolished the defense that those who incite or wage it are engaged in legitimate business. Thus, may the forces of law be mobilized on the side of peace," Justice Jackson contended. The threshold between just and unjust war was established as "unprovoked invasion," and the absence of a plausible case for self-defense.

Elsewhere in his report to Truman, Jackson derided the "obsolete doctrine that a head of state is immune from legal liability . . . a relic of the doctrine of the divine right of kings," and added. "We do not accept the paradox that legal responsibility should be least where power is the greatest." Anticipating the defense of Hitler's henchmen, Jackson noted that "with that doctrine of immunity of a head of state, is usually coupled another—that orders from an official superior protect one who obeys them. It will be noticed that the combination . . . means no one is responsible."

When Nazi officials, at Nuremberg, tried to defend them-

selves by insisting they did not, personally, kill anyone and “were just doing their jobs” and “didn’t know the extent” of Der Führer’s genocide—and after all, they “were only following orders”—Jackson’s rebuttal was memorable: The Nazi officials, insisted Justice Jackson, “knew or should have known” the consequences of their actions, both their acts of commission and omission. Justice Jackson’s articulation of the standards for holding individuals—and not merely faceless states or governments—responsible for conspiracy, crimes against peace, war crimes, and crimes against humanity, stands as a cornerstone of international law and civilization. The culpability of leaders for the consequences of their policy decisions, and not merely for their professed “intentions” was enshrined in the law—a mighty weapon to be wielded by future generations against future tyranny and injustice.

The Nuremberg Metric: ‘Power Pays Tribute to Reason’

“The privilege of opening the first trial in history for crimes against the peace of the world imposes a great responsibility. The wrongs which we seek to condemn and punish have been so calculated, so malignant and so devastating, that Civilization cannot tolerate their being ignored because it cannot survive their being repeated. That four great nations, flushed with victory and stung with injury, stay the hand of vengeance and voluntarily submit their captives to the judgment of law, is one of the most significant tributes that Power ever paid to Reason,” Jackson declared on Nov. 21, 1945, in his rivetting opening statement as lead prosecutor against the surviving luminaries of the Nazi regime, at the Nuremberg Palace of Justice.

Jackson damned the Nazi hierarchy for conspiring to wage and waging “aggressive war,” that is, invasions launched on the flimsiest, most transparent of pretexts, as with the Nazi invasion of Poland or “liberations” of Czechoslovakia and France. In his summation, Jackson ridiculed some Nazi defendants’ contention that they were acting in self-defense, not waging aggressive war, since they claimed to perceive an imminent “Bolshevik menace.” (Substitute the word “Saddam” for “Bolshevik,” and one might mistake the Nazis’ Nuremberg defense argument for a modern-day Washington press briefing! This author happened to be on European soil during the March 2003 launching of the so-called “Operation Iraqi Freedom”: I heard more than one educated European remark on the striking similarities between those Hitlerite “liberations” of yore, and the current Cheneyac variety.)

Economic Crimes

Among those convicted by Jackson’s team were not only the Nazi high command, or the operators of the gas ovens, but also those who ran Hitler’s medical system. Whole categories of the poor, weak, handicapped, or hated, had been systemati-

cally exterminated, through denial of treatment, under a doctrine that “useless eaters” had “lives not worthy to be lived.” This rationing of care—eerily similar to our modern HMO system of triage—was also defined as a crime against humanity.

In his closing arguments, Justice Jackson blasted top Synarchist banker, Nuremberg defendant Hjalmar Schacht, whose policies as Hitler’s Economics Minister, were the foundation of the Nazi war machine. Jackson called Schacht’s policies “the façade of starched respectability” for the barbaric Hitler regime, and with contemptuous irony, quoted Schacht’s rendering of the cynical philosophy behind the atrocities. Schacht had said, “Truth is any story that succeeds. . . . I think you can score many more successes, when you want to lead someone, if you don’t tell them the truth—than if you do tell them the truth.” This, Jackson left no doubt, was a supremely criminal mindset.

Clearly, Jackson would have detested the Straussian neo-conservatives so prominent in Washington, today, who share Schacht’s view of truth, and, not accidentally, his economics.

‘Go Along To Get Along’

The U.S. Constitutional principle of the general welfare, or the common good, comes shining through in all of Jackson’s reasoning at Nuremberg. Mere “administrative rules, procedures and orders,” are to be subservient to the principle of justice or “the Good.” “Going along to get along,” in today’s parlance, was the Nazis’ defense, and was not acceptable among civilized men, Justice Jackson held. Justice under the law, in Jackson’s view, must always supplant the use of force in human relations.

It should not be surprising then, that Justice Jackson, on May 17, 1954, arose from his hospital bed, where he was recuperating from a near-fatal heart attack, to join his Supreme Court colleagues in the public announcement of their unanimous decision in the landmark civil rights case, *Brown v. The Board of Education of Topeka, Kansas*, which outlawed racial segregation in America’s public schools.

The local Democratic Party functionaries who have executed Democratic National Committee Chairman Terry McAuliffe’s fascistic orders to muzzle, defraud, and obstruct Lyndon LaRouche, the 21st-Century embodiment of the desperately needed FDR tradition, would be well-advised to reflect on Jackson’s message, rather than “going along to get along,” and “only following orders.”

In this era of the Cheney Doctrine of preventive nuclear war and “might makes right,” it is long past time that we rediscovered and embraced anew the principles of universal justice so eloquently set forth by Justice Robert H. Jackson. If *That Man* can serve to further such a process, by bringing a forgotten giant of the 20th Century to the attention of 21st-Century Americans, it may prove to be a notable contribution to current history—a much-needed “weapon of mass instruction.”

House Defies Bush on Highway Bill

On April 2, the House passed a six-year highway bill that exceeds, by almost \$20 billion, the proposal of the Bush Administration for a \$256 billion six-year highway and transit program. The House bill would cost \$275 billion, which still does not satisfy most of the bill's supporters, who planned \$375 billion. Rep. James Oberstar (D-Minn.), the ranking Democrat on the House Transportation and Infrastructure Committee, told the House that the \$375 billion figure was actually based on a Department of Transportation study that concluded that "we ought to be investing, at all levels of government, \$125 billion a year in infrastructure improvement, and we were investing only about \$75 billion." The bill originally developed by the committee included provision for an increase in the gasoline tax, to pay for the higher funding level, but that was nixed by the White House.

President Bush's veto threat failed to impress most Republicans, as shown by the 357-65 margin of passage. The 6-year highway bill has always had bipartisan support because it brings money home, in the form of highway projects, to every single Congressional district. This year's bill includes a list of almost 3,000 projects, costing \$11 billion, called "pork" by budget hawks. But House Transportation Committee chairman Don Young (R-Ak.) told the House that the committee actually received requests for far more projects than could possibly be accommodated. "That proves to me," he said, "that the needs are real and they are growing." The bill also includes programs to improve highway safety and to improve the flow of truck traffic, including dedicated truck lanes.

Allocation formulas proved to be the most contentious issue, with some states complaining that they receive much less in highway trust fund moneys than they pay in. An amendment to guarantee that states receive at least 90% of what they pay in, was defeated by a vote of 170-254. Rep. Steve LaTourette (R-Ohio), who opposed the amendment, said "We need more money" to fix the problem, rather than changing allocation formulas.

Welfare Reform Bill Jams Over Minimum Wage

The Senate debate on the Welfare Reform bill followed what is becoming a standard pattern. The Republicans bring a bill to the floor that is part of their agenda, the Democrats introduce an amendment that reflects part of their agenda, and the Republicans pull the bill off the floor in order to avoid an amendment vote. That happened, on April 1 with the bill to reauthorize the Welfare Reform Law of 1996. The Democratic amendment at issue would increase the minimum wage to \$7.00 an hour over the next two years from the present \$5.15, where it has been since 1996.

As since 1996, the bill was touted as a way for welfare recipients to move from welfare to work. Sen. Orin Hatch (R-Utah) said the bill "seeks to give each and every recipient a roadmap toward independence and success." It increases core work requirements from 20 to 24 hours per week. Hatch complained that the current law failed to live up to its potential because of lax enforcement and undermining efforts. "All recipients should work full time," he said, "either in a job or in programs designed to help them achieve independence." He did not say what wel-

fare recipients are supposed to do without jobs available.

The bill began to run into trouble when the Democrats demanded an additional \$6 billion for child care services in the bill. The GOP gave in on that one, on a 78-20 vote on March 31, apparently thinking that would satisfy the Democrats. When the latter refused to back down on the minimum wage amendment, the Republicans forced a cloture vote which failed 51-47. Afterwards, they pulled the bill from the floor. Sen. Rick Santorum (R-Penn.) complained afterwards, that "as soon as they got their \$6 billion, now they've started their 'messaging' amendments"; that is, to send constituents messages, not to legislate. Senate Finance Committee chairman Charles Grassley (R-Iowa) added that "there's been a consistent pattern of obstructionism" by the Democrats; they should have learned their lesson in 2002 when "they wanted issues instead of law," and the result was that they lost majority control of the Senate.

Thomas, Rangel Spar On Medicare Estimates

Republicans on the House Ways and Means Committee successfully turned back Democratic demands for subpoenas of White House economic policy advisor Doug Badger and former Medicare Administrator Tom Scully, during a hearing on April 1. Scully and Badger have been named as the two principals who suppressed estimates by Department of Health and Human Services chief actuary Richard Foster, that the Medicare reform bill passed last Fall, would actually cost one-third more than the \$400 billion that the White house was claiming at the time.

Committee chairman Bill Thomas (R-Calif.) backed White House Counsel Alberto Gonzalez' claim of executive privilege for Badger, and Scully simply declined to appear.

The Democrats argued that the issue was whether or not the Bush Administration knowingly withheld information Congress needed, to deliberate on the bill. Thomas replied that it was a simple matter as to whether or not Scully had acted legally, and Foster had testified the week before that he had been advised that Scully had. Therefore, in Thomas's view, there was no compelling need to subpoena either Badger or Scully.

Rep. Charles Rangel (D-N.Y.) moved that the committee subpoena them, and debate on both motions was shut down by motions by Rep. Jim McCrery (R-La.) to table Rangel's motions, angering the Democrats. Rep. Sander Levin (D-Mich.) told Thomas that "We voted in this Congress on major legislation while there was information that was hidden from us by some in the administration"; he noted that Foster had testified under oath that there was a cover-up, "and we want to know how high the cover-up went." In response, McCrery claimed that Thomas had been quite generous in giving time to the Democrats to pursue the matter, but that "This is a lot about politics" and the committee should move on.

House Democrats Propose Intelligence Reform

Democratic members of the House Intelligence Committee, led by Rep. Jane Harman (D-Calif.) announced, on April 1, a reform package that would, among other things, create a

director of national intelligence with both legal and budget authority over all intelligence agencies, including those in the Pentagon. The legislation, modeled on the 1986 Goldwater-Nichols Act that reorganized the military command structure, proposes "jointness" in the collection and analysis of intelligence, and mandates new infrastructure to improve collection and analysis. It would also create a "red team," to challenge intelligence assumptions and analyses.

Rep. Rush Holt (D-N.J.), one of the co-sponsors, said, "What we are proposing is an institutional devil's advocate," which would serve as "our insurance against self-deception, our protection against fooling ourselves." He said that this alternative analysis unit was absolutely necessary, because "one of the lessons of life, as well as government, is that the easiest person to deceive is yourself. Self-deception is what the intelligence community exists to protect us against, and we know going into Iraq that there was group-think, there was conventional thinking. . . . This will be an institutional check against that."

A Democrats' letter to President Bush urged him to act on near-term recommendations of an ongoing review of pre-war intelligence on Iraq by the full committee. Included among the letter's ten recommendations is that the White House should refrain from involving itself in declassification decisions of material relating to either the inquiries on the 9/11 attacks, or those on Iraq's WMD programs. "White House involvement," the letter states, will only raise suspicions that critical declassification decisions are being made for partisan political reasons." The letter also recommends the administration acknowledge problems in pre-war intelligence and scrub intelligence on

other WMD programs, such as North Korea and Iran. "The systematic analytic deficiencies that plagued estimates of Iraq's WMD programs could also have affected other estimates," the letter states.

DoD Inspector Reports On Boeing Tanker Deal

On April 1, Defense Department Inspector General Joseph Schmitz delivered his report on the the Air Force plan to lease-and-buy airborne refueling aircraft from Boeing. Though he briefed the Senate Armed Services Committee behind closed doors, Chairman John Warner (R-Va.) emerged afterwards to say the report revealed "serious audit concerns" about the deal. "The Air Force needs a tanker aircraft," Warner said, "but at this point in time, much needs to be done." News reports indicated that, while Schmitz is not recommending blocking the program, issues of procurement strategy, acquisition, and legal requirements need to be addressed before the deal moves forward.

News of inappropriate contacts between two Air Force acquisition officials and Boeing prompted the IG's probe. Those two officials had subsequently gone to work for Boeing, but were fired after the investigation was initiated. Former Defense Policy Board chairman Richard Perle was also involved, lobbying publicly for the deal without revealing that he was being compensated by Boeing for doing so, though Schmitz officially cleared him of wrongdoing. Warner said that his committee will hold hearings in May, after three more reviews of the deal—by the Defense Science Board, National Defense University, and the Pentagon's Office of General Counsel.

How To Leave Iraq in Time

As the death toll in Iraq rises, and partisan warfare makes Americans increasingly vulnerable targets of the resistance, it is the last chance for the exit strategy outlined clearly by Lyndon LaRouche on Nov. 28, 2003 in *EIR*.

There are few Americans, particularly from the Bush Administration, who would be trusted by the Iraqis, or other leading Islamic figures, even if they made the proposals which LaRouche puts forward. The only American statesman who could truly be trusted would be LaRouche himself, whose prominent role and importance in policy-shaping in the United States continues to be buried by the Establishment press, and the banker-controlled sections of the Democratic Party.

All the more reason that Americans, Democrat, Republican, or Independent, who wish to prevent the worsening Vietnam in the desert which is now unfolding, will rally behind LaRouche, and force a breakthrough for his policy role.

LaRouche's first proposal in that Nov. 28 policy statement was as follows:

"Declare the intention of the President of the United States to be, to cease the U.S. military occupation of Iraq at the earliest feasible occasion, and to notify the UN Security Council of the U.S. intention to reopen the matter of Iraq's earliest restoration to sovereignty in its affairs, and of the U.S. government's solicitation of UN Security Council assistance in bringing about this desired state of affairs."

There is still no alternative to this proposed move. It doesn't represent a specific plan for withdrawal, and in effect, does mean a kind of humiliation for the United States. But, as LaRouche said at the conclusion of his statement, "Sometimes the humiliation of one's own government, when done for the sake of freeing that government from self-destructive practices, is the most patriotic act of all."

A statement of intent, like that made by General de Gaulle when he decided to abandon France's colonial role in Algeria, is the statesmanlike move to make. With

Cheney, Bush, Rumsfeld et al. discredited beyond repair, and with John Kerry uttering only ambiguities about the crisis, an actual leader is needed. Iraq is degenerating into Jacobin chaos, and Lyndon LaRouche is the only American figure who has the credibility and respect within the Arab and Muslim world, to deal with the mess. Without such a turn to LaRouche's exit strategy and his personal leadership of it, the chaotic situation is likely lead to the breaking up of Iraq into four separate entities (Shi'ite, Arab Sunni, Turkic, and Kurdish), and regional disorder spreading into the eastern province of Saudi Arabia where all the oil reserves are located; or, to the U.S. grimly staying in Iraq, and the same consequences being merely delayed. To bring stability to Iraq might well take 500,000 "coalition" troops—out of the question.

Have any Americans learned the lessons of Vietnam? That sending more and more troops only leads to more deaths?

Vice President Cheney and the claque of Straussian neo-cons who support him don't really care how many soldiers die, as long as their drive for empire continues. Just as they used phony intelligence to get the war they wanted, they will use the failures in Iraq to pursue their global agenda. Never underestimate their insanity.

Many military men have agreed with LaRouche from the beginning, arguing that the invasion was ill-planned, if not ill-advised altogether, because it would stir up the kind of nationalist reaction which has occurred. The United States must now, in effect, admit it was wrong—just as Secretary of State Powell has, belatedly, admitted he was lied to—in a manner LaRouche and *EIR* pinpointed precisely at the time.

The President was lied to and the Congress was intimidated, but now it is time to listen to the voice of reason and leadership. America must turn to collaboration with its allies on creating a true environment for peace, through dealing with the global economic financial disaster which threatens us all, and can be overcome only with an international collaborative effort for reconstruction.

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Winter 2003

Shakespeare As a Scholar: U.S. Politics As Tragedy

Lyndon H. LaRouche, Jr.

What must be evoked by the performance of Classical drama is not merely a documentation of interpersonal relations. What must be accomplished, is to lift the member of the relevant audience upwards, away from the pathetically small-minded immoralities of so-called 'morality plays,' to pass judgment upon the impassioned, historical unfolding of processes of entire societies.

Plato's Dialogues, the Tragedy of Athens, and the Complex Domain

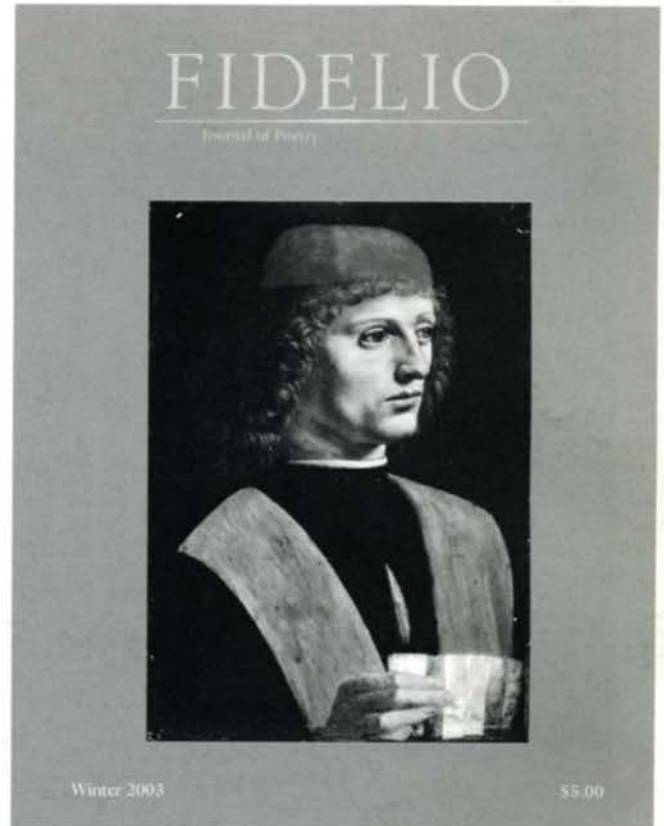
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