

The war buildup

Despite these accomplishments, the Wall Street crowd continued a vigorous war against the RFC and other forms of dirigistic government financing. Their perspective, like that of today, was to leave all investment to the mercy of the "market place." In 1938-39, the RFC operations through government agencies were dramatically scaled back.

What relaunched the RFC into an instrument of dramatic economic recovery, was the beginning of the buildup for World War II. On June 25, 1940, Congress approved legislation which permitted the RFC to be more flexible in its setting of interest rates, maturities, and amounts and collateral requirements for loans. Over the next five years, the RFC would disburse almost \$25 billion in connection with the economic mobilization for World War II.

This mobilization occurred at the same time that FDR had to take top-down control over the economy to wage war. Even the Federal Reserve had to take orders during 1940-45, and lowered interest rates to 1%.

The RFC's mode of operation for the war buildup was as follows. It established the Defense Plant Corp., for example, to build plants and equipment. Then, these plants were leased to industries, giving industries the privilege of buying the plant and equipment. The RFC's scope was broader than factories, however, because it also funded the Defense Supply Corp., the Metals Reserve Co., the Rubber Reserve Co., and the Disaster Loan Corp. To give an idea of the scope of the operation, the Defense Plant Corp. built 2,300 factories.

In addition, Congress permitted the RFC subsidiary, the Export-Import Bank, to increase its loan limit and borrowing capacity.

Operations today

As many Americans will realize, some of the positive effects of the RFC are still with us today. The Federal National Mortgage Association (Fannie Mae) and the Export-Import Bank both function as useful supports for home ownership and exports, respectively.

Yes, the banking establishment that fought the RFC under conditions of national depression in the 1930s, is more politically dominant today. But, at the same time, that establishment is even more bankrupt than the Wall Street financiers of the 1930s. The assertion of Presidential power against the power of the "marketplace," in the interest of creating jobs, infrastructure, and an export boom, could easily build the national support required to impose policies that benefit people, not the financiers.

The Export-Import Bank, for example, remains on the scene as a tool for carrying out such a policy. If its authority to issue loan guarantees and loans were vastly expanded, and it were given the mission of providing financial backing for a dramatic gearup of exports to build infrastructure in the Balkans, it could spur precisely the economic and financial shift the nation and the world need.

FDR was a master at using institutional weapons which

were at hand, to meet the necessary objective. It's time we took up that war-winning method, which extends back to America's Hamiltonian National Bank, once again. Once the national policy is set, the means can be found.

Corps of Engineers unused in Balkans

by Richard Freeman

The reconstruction of the Balkans requires a new Marshall Plan. Yet, in addition to World Bank and International Monetary Fund sabotage of an incipient plan, there is a further problem: The U.S. Army Corps of Engineers, which has the skill, manpower, and nation-building experience to immediately mobilize bridge-building, road construction, and so on, has been told that it has no role to play. The U.S. Executive branch has not given the Corps a mission—a set of goals and orders. No money has been allocated. The Corps has 25,211 employees, many of them engineers. Any serious effort in the Balkans must begin now, breaking ground on vital projects. Unless the situation with the Corps is reversed, it would appear that America lacks the foresight and will to implement a Marshall Plan.

A Corps spokesman confirmed to *EIR* on June 15, "We were just discussing who would give us our mission, whether it would be the Department of Defense, or the State Department. But we have not received any mission statement. So, we are not planning much for the Balkans."

He continued, "What we have done so far in the region is provide the U.S. Army and NATO with base camps, maintaining tents, some housing, waste and trash control, mail delivery, and so on. It is a support role. We have not heard of any mission." He added, "After the accord in Bosnia [the Dayton Accord in November 1995], we did similar things, and some small things. But Bosnia did not have the money to pay us, and we needed the money to pay the contractors."

The significant funding from various branches of the U.S. government was not forthcoming. So, given the sabotage of the financier oligarchy and World Bank, little was built, the Corps official said: "The last time we did some work was in Kuwait, in 1991-92. That's because the Kuwaitis could afford to pay. In Kuwait, we restored power plants, water, sewage, bridges, pumping stations, and public buildings. Many public buildings had been destroyed." When asked if the Corps built anything new, he said, "No, it was restoration, although some things were so badly damaged, it was really like starting from scratch."

The Corps representative pointed out that "after Hurricane Mitch in Central America last year, we did a quick and dirty estimate of what was needed to repair the damage. We

estimated that it would cost \$8.5 billion. But Honduras was poor and couldn't pay, and not much money was coming from the AID [U.S. Agency for International Development] of the State Department or anywhere else. That's the problem: that of no money, like that in Bosnia, and perhaps, also Kosovo."

A spokesman for a division of the Corps of Engineers which has direct responsibility for European projects reported on June 16 that the Corps "has not heard what we are supposed to do [in the Balkans]. The word is that [the nations of] Europe will do most of the restoration work. We have no mission statement."

Whittling down the Corps' capabilities

When the Corps is on mission, what it is allowed to do has been severely restricted by the Congressional monetarist followers of Milton Friedman: Rather than being a nation-builder, the Corps' role is limited, to an important degree, to that of an administrator. A high-ranking military engineer with more than two decades in the Corps, explained the degradation: "In the Corps, we are no longer allowed to use the term 'nation-building.' We have to use the term 'support.' This started in the 1970s, when there were complaints that the Corps was taking away business from businessmen, and that we shouldn't be building things."

In many overseas projects, he said, "the Corps will get the contract for the project. We'll do the quality-control work. But, for the most part, we will not build the project, nor use our own engineers. We will contract out the project to a construction company, like Brown and Root, and they will do the construction work," and hire their own workers.

At the same time, there is a take-down in U.S. participation in overseas infrastructure building and construction. A primary agency to allocate funds for America to build projects overseas is AID. But, a spokesman for the Associated General Contractors, the industry group for U.S. construction firms, told *EIR*, "AID has cut way back on its funding of construction projects overseas." AID has been guided by an anti-development, extreme environmentalist outlook, emphasizing sustainable development projects. An AID spokesman told *EIR* on June 23, "Oh, yes, we spend much less of our aid money on infrastructure."

The loss of vision

The degradation of the Army Corps of Engineers, in the context of declining U.S. government participation in overseas infrastructure building, reflects a sharp reversal of the role of the Corps, and of America as a nation.

The Corps was brought into being by an Act of Congress on March 16, 1802, which created the U.S. Military Academy at West Point. The Act stated that the "principal engineer shall have the superintendence of the Military Academy under the direction of the President of the United States." Thus, West Point and the Corps of Engineers were intertwined, and until after the Civil War, a member of the Academy was educated so that he could be a member of the engineering corps. The

impetus for the founding of the Corps and West Point lay with Alexander Hamilton, America's first Treasury Secretary and adjutant to Gen. George Washington for three years during America's Revolutionary War. Hamilton was a leader within that project of the nation-builders of America, led by Benjamin Franklin. It was Franklin's nephew, Maj. (later Col.) Jonathan Williams, who was the first chief engineer and the first superintendent of West Point. Williams was Franklin's private secretary in Paris, in the late 1770s.

In 1815, the outstanding American engineer Sylvanus Thayer (1785-1872) was dispatched to France, arriving after Napoleon's defeat at Waterloo, with a mission to bring back science and restore the American military. Thayer was provided with a credit by U.S. President James Madison, with which he was to buy every important map, book, or piece of equipment in France that had to do with advanced French science. Early in 1816, after the Ecole Polytechnique was reopened following a temporary closure, Thayer went there to study. Thayer came back to America and enriched the curriculum of the Corps and the Military Academy with the curriculum of the Ecole's Lazare Carnot and Gaspard Monge.

For more than 150 years, the Corps was a center for building much of America's railroads, roads, water, and irrigation systems, and this capability was deployed for nation-building around the world. Take the case of George Washington Whistler, a member of the Corps and assistant professor at West Point of descriptive geometry and drawing (his son James was a famous artist). In 1823, as an officer of the Corps of Engineers, George W. Whistler supervised the construction of the Baltimore and Ohio Railroad, America's first commercial railroad. Whistler built other railroads, including the Western Railroad of Massachusetts, where he faced daunting engineering difficulties. In the 1840s, the government of Russia decided to build a much-needed rail line from St. Petersburg to Moscow. The Russians determined that George W. Whistler was the finest engineer in the world, and that he should head the project. Whistler oversaw the entirety of the project. A mechanical workshop was set up at Alexandoffsky, where the rolling stock was made.

During 1930-50, the Corps built much of the flood control work on the Mississippi River, including dams, locks, runways, and levees, which brought the Mississippi under control, which periodically flooded, killing dozens of people and inflicting huge damage.

According to a Corps historian, during 1945-47, the Corps played a vital role in building some of the basic infrastructure in Germany, prior to the Marshall Plan. During the period of the Marshall Plan (1948-52), the Corps was active in construction of basic infrastructure in Greece.

This capability, which has built thousands of projects, must be brought into play in the Balkans, where development needs are great. A mobilization to break ground on projects must start immediately. This requires reversing the current policy blunder of withholding such a mission from the Army Corps of Engineers.