

# EIR

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LaRouche Speaks To Russian Academy and Youth  
Death of Detroit Is Harbinger for Deindustrialized U.S.  
Exclusive *EIR* Interview: Rabbi Arthur Hertzberg

**LaRouche: It's Time  
To Get Out of Iraq**



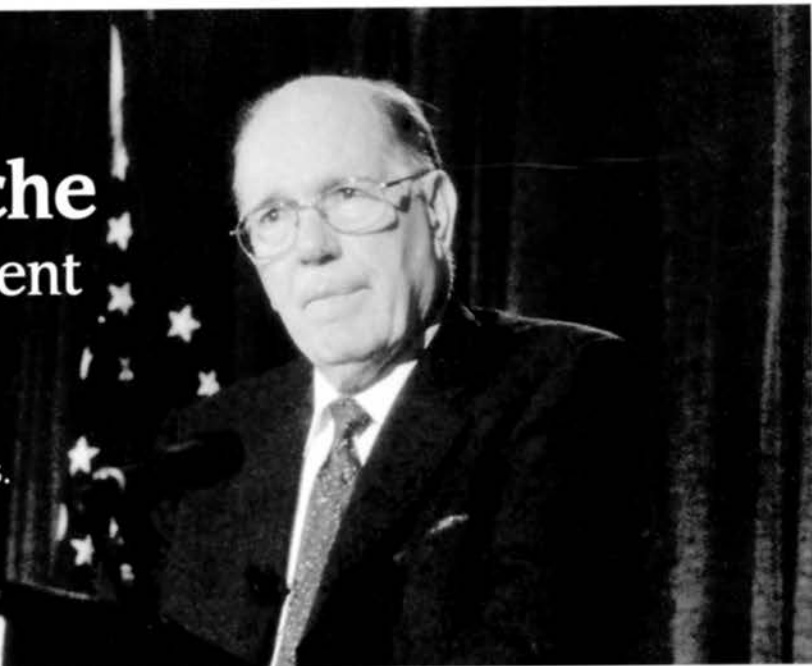
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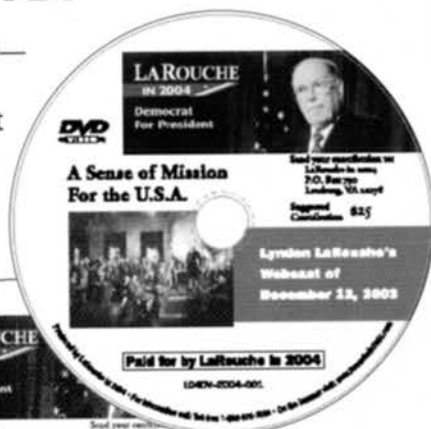
We are now in a crisis which is fully as serious as that which Franklin D. Roosevelt faced in March 1933, says LaRouche. The solutions proceed from the same approach which Roosevelt used.

#### "Preparing for the Post-Cheney Era"—

LaRouche outlines emergency measures he will take as President, immediately upon assuming that office, including reorganizing health care and instituting universal military service.

#### "A Real President for the U.S.A."—

LaRouche charges that neo-conservatives gathered around Dick Cheney are making a bid for dictatorial power, like the Synarchists of the 1920s and 1930s who put Hitler in power.



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**European Headquarters:** Executive Intelligence Review  
Nachrichtenagentur GmbH, Postfach 2308,  
D-65013 Wiesbaden, Bahnstrasse 9-A, D-65205,  
Wiesbaden, Federal Republic of Germany  
Tel: 49-611-73650.

Homepage: <http://www.eirma.com>  
E-mail: [eirma@eirma.com](mailto:eirma@eirma.com)

Executive Directors: Anno Hellenbroich, Michael Liebig  
**In Denmark:** EIR, Post Box 2613, 2100 Copenhagen ØE,  
Tel. 35-43 60 40

**In Mexico:** EIR, Serapio Rendón No. 70 Int. 28, Col. San  
Rafael, Del. Cuauhtémoc, México, DF 06470. Tels: 55-66-  
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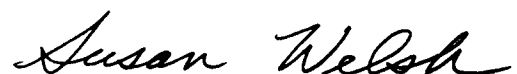
## From the Associate Editor

**I**t is hard to imagine anything that could have done more damage to the fragile prospects for peace in the Middle East, than President Bush's April 14 agreement with Israel's Sharon, to rip up the past four decades of U.S. government policy and UN resolutions—which the United States endorsed—on Israel and Palestine. As an American who was evacuated from Beirut during the June 1967 war, when Israel seized control of the Palestinian territories, I find it hard to believe that it has now come to this. Rabbi Arthur Hertzberg, the former vice chairman of the World Jewish Congress, says in his interview published in this issue that Bush and Sharon “will fry in hell” for what they did. Many Israelis concur, and rightly fear what will happen next. The international blowback is just beginning, and the U.S. foreign policy and military establishment, including GOP moderates, view the Bush Administration with increasing horror.

In our cover *Feature*, we counterpose to this the republican military tradition of the United States, of which Lyndon LaRouche is today the principal spokesman. President Eisenhower's sharp opposition to “preventive war” is quoted on p. 8. (Had Eisenhower listened to the utopians of his day, we would have used nuclear weapons against Vietnam, and World War III would have been the likely result.) Compare this to the ravings of George Shultz, Donald Rumsfeld, and Dick Cheney, reported in this issue. Most instructive is the lesson of President Charles de Gaulle's momentous decision to end the French war in Algeria, and to grant that nation its independence.

LaRouche's international campaign to shift American policy went to Moscow this week, and we have a first report, including his speech at the Vernadsky State Geological Museum. We are preparing transcripts of the exciting events in which he participated, for earliest publication.

In a bid to shift the trajectory of the 2004 Presidential campaign from its current orbit—in which truth is not permitted, but only electoral calculus—LaRouche has called on John Kerry to debate him on the vital issues (see *National*). LaRouche's Presidential campaign is going for a breakout in the Pennsylvania primary, and State Rep. Harold James' endorsement has opened new potentials for exactly that to happen, as Nancy Spannaus reports.



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**Correction:** In "Terror's Legacy: Hjalmar Schacht, Otto Skorzeny, and Allen Dulles," Part 2, *EIR* April 16, 2004, p. 46, the name of the group Freundeskreis Reichsführer-SS was mistranslated. It means "Friends of the Reichsführer-SS," which was Heinrich Himmler's title.

## LaRouche: It's Time To Get Out of Iraq

by Jeffrey Steinberg

Lyndon LaRouche is on record as the first prominent American political figure to call for the immediate withdrawal of all American military forces from Iraq. On Nov. 28, 2003, LaRouche issued a statement through his Presidential campaign committee: "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 the desired state of affairs." Until such a pullout of U.S. forces is announced and executed, LaRouche warned, "We have the U.S. troops and their command in a situation which is, for them, comparable to U.S. forces in Indo-China during and after the Tet Offensive; and, as others have noted, more comparable to the Algeria war at the time of Jacques Soustelle's role there."

Underlying LaRouche's call for a pre-emptive U.S. withdrawal from Iraq, apart from its own urgent merits, are a more profound set of issues. Under the "Cheney Doctrine," the United States Armed Forces are being rapidly "transformed" into an imperial legion, modeled on the Roman Legions, the French Foreign Legion, and the private armies assembled by the British East India Company during the 17th Century. The leading presence of Cheney's own former oil firm, Halliburton, in Iraq, underscores the East India Company parallels.

At no time in U.S. history have our armed services been so far removed from the concepts of citizen-soldier, strategic defense, and logistics in depth, which informed American military policy from the period of the American Revolution, through the founding of West Point, the defeat of the British-instigated Southern secessionist revolt, and the American mobilization-in-depth during World War II to defeat Nazism and fascism worldwide.

While Samuel P. Huntington's 1957 book, *The Soldier and the State*, stands as the first explicit call for the transformation of the U.S. military into a chivalric cult



*French President Charles de Gaulle, in Algiers in 1958, had the true leader's commitment to the general welfare, which enabled him to pull France out of Algeria, putting down rebellion from those who called it national humiliation. French forces had apparently beaten the resistance in a "dirty war," but lost all credibility with Algerians.*

of violence, divorced completely from republican civil society, it was only after Dick Cheney became Secretary of Defense, and later, Vice President of the United States, that these ideas were put into practice—with deadly consequences.

Cheney not only toiled for a dozen years to establish a new U.S. national security doctrine of preventive nuclear war. As Secretary of Defense under President George H.W. Bush (1989-93), Cheney launched the privatization of many military functions, including combat logistics and security. Today, in Iraq, as the result of the "Cheney Doctrine," 25,000 private mercenaries are deployed side-by-side with American soldiers. They operate under no rules of engagement, outside the framework of the Geneva Convention. Under the rubric of the "coalition of the willing," an international coalition of professional assassins—from Israel, South Africa, Britain, the United States, and God knows where else—are running amok inside Iraq—with the full blessing of Defense Secretary Rumsfeld and Cheney.

This state of affairs has so alarmed some members of the U.S. Senate, that, on April 8, twelve Democratic Senators co-signed a letter to Secretary of Defense Donald Rumsfeld by Sen. Jack Reed (D-R.I.), demanding a full accounting of the presence of private security contractors in Iraq. Citing the deaths of four Blackwater, Inc. security contractors in Fallujah, Reed wrote, "These security contractors are armed and operate in a fashion that is hard to distinguish from military forces, especially special operations forces. However, these private security companies are not under military control and

are not subject to the rules that guide the conduct of American military personnel." Reed warned, "It would be a dangerous precedent if the United States allowed the presence of private armies operating outside the control of governmental authority and beholden only to those who pay them. . . . Security in a hostile fire area is a classic military mission. Delegating this mission to private contractors raises serious questions."

Among the co-signers of the Reed letter were Carl Levin (D-Mich.), Minority Leader Tom Daschle (D-S.D.), Minority Whip Harry Reid (D-Nev.), Ted Kennedy (D-Mass.) and Jay Rockefeller (W.Va.), the ranking Democrat on the Senate Intelligence Committee.

### **The Battle of the Casbah**

One prominent retired U.S. Army officer, with decades of experience in the Middle East, has told *EIR* that the United States has lost the Iraq war three times already. First, we lost when we went in, in the first place. The war was unjustified and, therefore, doomed to create a worse mess than if the invasion had never occurred. Second, we lost the war in Autumn 2003, when American forces were largely confined to barracks, because it was no longer safe for them to move about freely in Iraq. Third, we lost the war in early April, when Shi'ite insurgents joined the largely-Sunni asymmetric war against the American-led occupation.

The same day that the 13 Senators were writing to Rumsfeld, retired U.S. Army Col. Andrew Bacevich wrote an op-ed in the *Los Angeles Times*, highlighting the parallels

between Algeria and Iraq. “Day by day, the evidence mounts that an ugly war is turning uglier,” he wrote. “U.S. and coalition troop losses, which have again spiked upward, provide one measure of that ugliness. The ratcheting up of American firepower and the climbing toll of Iraqi dead, many of them evidently innocent bystanders caught in the crossfire, provide a second. But there is a third measure, perhaps the most troubling of all: hints that the discipline of U.S. forces is beginning to fray.”

Bacevich explained: “Welcome to urban guerilla warfare—a type of war radically different from the United States’ last unhappy encounter with guerillas in Vietnam. . . . Cities like Baghdad and Falloujah have become focal points of resistance. . . . This is where the Algerian parallel becomes instructive. . . . In their efforts to destroy the National Liberation Front, French authorities found that conventional tactics did not work. . . . So in their frustration, the French opted to fight a ‘dirty war,’ employing systematic torture, extra-judicial killings and their own brand of terror.” Bacevich noted that, while the “dirty war” tactics “temporarily dismantled much of the resistance network and regained control of Algiers . . . the army destroyed the last shreds of French legitimacy in Algeria and thereby laid the foundation for eventual French defeat.”

France was fortunate that Gen. Charles de Gaulle came

back into power in 1959, and, as you will read below, had the courage to pull French forces out of Algeria, and oversee a smooth transition to full sovereignty for the longtime French colony.

A deeper glimpse into the Algerian “dirty war” is found in Gen. Paul Aussaresses’ memoirs of his tenure as a top figure in the French counterinsurgency effort, *The Battle of the Casbah—Terrorism and Counter-Terrorism in Algeria, 1955-1957* (Enigma Books: New York, 2002).

## The Republican Alternative

On March 30, Lyndon LaRouche gave a two-hour interview to Arkansas radio host Lee Tibler. In the course of the interview (see page 7), the candidate was asked about the military doctrine of a LaRouche Administration. His response focussed on the issues of Classical military doctrine, beginning with the notions of strategic defense as devised by Lazare Carnot and Gaspar Monge at the French École Polytechnique between 1793 and 1804.

LaRouche has been a passionate advocate of a return to Classical republican military doctrine for decades. During his 1980 campaign for the Democratic Party Presidential nomination, he wrote a “Military Policy of the LaRouche Administration,” in which he stated: “A LaRouche administration will have two leading points in military policy. First, commitment to the development of advanced-technology weapons able to ‘kill’ incoming missiles in the stratosphere [later adopted by President Ronald Reagan as the Strategic Defense Initiative—ed.]; second, the establishment of universal military training—not the draft—as the means for providing the United States a pyramid of maximum in-depth war-fighting capabilities.”

In both that paper and his recent Tibler interview, LaRouche emphasized the vital role of the Corps of Engineers, which assures the capacity of a nation to marshal its entire productive capacities for national defense in times of crisis. As he wrote in the cited 1980 campaign white paper, “Except for the purely military aspect of the program, universal military training should cost the nation nothing in net. The establishment of the qualifications of a junior engineer in some field of applications as a standard requirement for citizenship means a qualitative upgrading of the nation’s labor force. Provided these improved talents are employed in high-technology capital-intensive productive occupations, the gains in productivity will be very large relative to the costs of the engineering training.”

Compare that LaRouche policy to the outsourcing of jobs—including military logistics—of the Cheney-led Bush Administration, and the underlying issues become painfully clear: Will the United States, under LaRouche leadership, return to its former status as the leading republican political force on Earth, or will the United States, under the present Bush-Cheney dogma, continue to slide into the trap of imperial overreach on the steppes of Baghdad?

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## Return to Classical Military Policies

*From an interview with Lyndon LaRouche conducted by Lee Tibler of “The Front Porch” talk show on KXOW radio, in Hot Springs, Arkansas, on March 30, 2004.*

**Q:** In terms of your Presidency, whither the military? I was astounded to find out recently, what a large percentage of our military operations, including the incursion into Iraq, and about one or two other places, are now handled—more than 50%, I understand—by private companies, corporations. And, several months ago, one of our regular callers out here—we call him “Butch”—he’s a military guy, Marine, fought in Vietnam, he came out here, and drew the ire of many of our listeners, by referring to many of our present military as a mercenary operation. Well, he got through that. He didn’t care. He doesn’t pull his punches.

That spurred me on to do some research. You know: Kellogg, Brown & Root; and Paul Bremer, what he did, and what he’s involved with; just who’s protecting Hamid Karzai, in Afghanistan. And, all of a sudden, I’m looking at a list of the Fortune 500 companies, that are running our war.

**LaRouche:** Yeah!

**Q:** So, the question is: Whither the military, under your administration, under your leadership?

**LaRouche:** Well, first of all, on this thing, to identify the problem. I believe the Classical military doctrine—that is, we have from the 18th Century and the 19th Century—calls for strategic defense. It was introduced under that name, codified in a sense, by Lazare Carnot, who led France to victory over invading armies in 1792-1794. It was the German military policy, which expressed itself, especially, in the Prussian advice to Russia on defeating Napoleon’s invasion of Russia, which led to the fall of Napoleon.

This is an approach which was adopted in our military, in West Point, particularly in the time of Monroe and John Quincy Adams, and so forth. Or, at least a lot of it. 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, on engineering; 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.



*Lyndon LaRouche was asked about his idea of the principles of military strategy—“strategic defense”—by Arkansas radio talk-show host Lee Tibler, during a March 30 interview.*

Now, the contrasting thing you have, is, [what] we had, when Rome became an empire. They ended a system of population-organized defense, of its own military, and went to a mercenary-like system, which became the Roman legions under the Caesars. These were people recruited from all kinds of nationalities, and assigned as units to police the world, as an empire. And that empire destroyed itself.

This also happened with Hitler: When Hitler took over the Reichswehr, which he renamed the Wehrmacht, the Wehrmacht maintained the military tradition as such, in terms of training qualifications; this was the expertise; the excellence of the German military in World War II—and also, World War I—was this system. But, Hitler wanted to get rid of it—and Göring did. So, you had Göring, who represented the financier interests controlling Hitler: Hitler was an instrument, used by these financier interests, which was called the Synarchist International. What they did, is, they went through the process of destroying the Wehrmacht, to replace it with what became known as the Waffen SS.

The intent of this group—which is the group that Allen Dulles and company brought into the U.S., and into NATO, during the post-war period—was to set up a copy of the Roman legions: recruiting people from all kinds of nationalities into a kind of mercenary force, a killer mercenary force, used with imperial intent, to become what was called the “Allgemeine SS”—a universal SS, for world empire.

What has happened is, that since Cheney was Secretary of Defense, a transformation has occurred—and he became part of Kellogg, Brown and so forth, Halliburton, as a part of this process—in which he proposed *demilitarizing* the military, to farm out military functions into civilian corporations, so corporations could make money, at war. And this is the characteristic of the driver.

So, those who say that the U.S. Army is being turned into

mercenaries: They're right. That's what's happening. That's what the competent general officers have been resisting. That was the issue between Rumsfeld and the military, on the issue of going into Iraq—the key to that. They're saying, "You're stupid!" We did not have a military capable, of dealing with an Iraq operation, that is, the occupation of Iraq. We didn't have it. We still don't have it.

My view: Get our military out of there! Get them back to the States. Go through a reconstruction of our military, based on a Classical, 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 CCCs. Let's take our unemployables, as we did back under Roosevelt. Let's put them out in work, employ them in work, and training and education, to make them something. Remember, we had a division that came out of Michigan, for World War II: They were CCC kids, who were taken in, practically right into the military, and became one of the important fighting divisions in World War II.

**Q:** Sure did.

**LaRouche:** My view is, let's go 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 the National Guard; proud to be the people who have engineering capabilities, who turn out, when the governor has an emergency on his hand. *That* kind of people. We want people who are in military, not as against the population. We want the 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.

**Q:** And needless to say, the bottom line—for me, one of the major red flags in my own thinking, was the moment that we apply profit motives to warfare, we've totally lost it! We've transcended the need for military to solve and address social issues, as opposed to just simply going to war for a profit motive.

**LaRouche:** [laughs] We won World War II, not with our

## Eisenhower on Strategic Defense

President Dwight D. Eisenhower, who took office in January 1953, was faced immediately with demands from the French, and from the synarchist circles within his own administration and military, to deploy militarily into Vietnam in defense of the French colonial forces, against the war of independence led by the Viet Minh under Ho Chi Minh. Eisenhower provided support to the French, but refused to intervene. When the French under General Henri Navarre chose to make a stand at the isolated valley outpost of Dien Bien Phu, Eisenhower wrote: "Finally, they came along with this Dien Bien Phu plan. As a soldier, I was horror-stricken. I just said, "My goodness, you don't pen troops in a fortress, and all history shows that they are just going to be cut to pieces. . . . I don't think anything of this scheme."

Militarily, Eisenhower accepted the "domino theory," and knew what it would take to win such a colonial war, but he also knew the consequences: "If they [the French] quit and Indochina falls to the Commies, it is easily possible that the entire Southeast Asia and Indonesia will go, soon to be followed by India. That prospect makes the whole problem one of interest to all. I'd favor heavy reinforcements to get the thing over at once; but *I'm convinced that no military victory is possible in that kind of theater*. Even if Indochina were completely cleared of Communists, *right across the border is China, with inexhaustible manpower.*"



*Gen. Dwight D. Eisenhower with U.S. troops in France in 1944.*

Encouraged by the head of the Joint Chiefs of Staff, "air-power" advocate Adm. Arthur W. Radford, to both defend the French and wage a "preventive" war against China, Eisenhower said: "If the U.S. took action against Communist China, there should be no halfway measures or frittering around. The Navy and Air Force should go in with full power, using new weapons, and strike at air bases and ports in mainland China," adding that this would likely lead to war with Russia as well. Eisenhower told Radford: "I want you to carry this question home with you. Gain such a victory, and what do you do with it? Here would be a great area from Elbe to Vladivostok, torn up and destroyed, without government, without its communications, just an area of starvation and disaster. I ask you what would the civilized world do about it? I

military capabilities—I was involved in training people at that time: We were taking people out of the swamps, and in 16 weeks trying to get them to be soldiers. These were not the best fighters in the world! They were no match, man for man, with the German soldier. *But*, we had logistics. We had logistics like nobody else had. This was Roosevelt’s achievement. We had *sheer tonnage* per manpower of logistical capability, which overwhelmed anything, any opposition. And we won it with that. The soldier went out, as an instrument of the logistical capability, *he represented*. He was able to do an impossible job, beyond the capability of better-trained opponent forces, because of that.

That’s the way I think about military capabilities.

**Q:** Okay, so for those who had any doubts, that you want to negotiate your way through everything—because, I have heard that from people; you have detractors, as you are well aware. What I’ve heard here, is a return to the true basis of how we’ve gotten this far, in this nation, militarily. And I applaud you for it.

repeat there is no victory except through our imaginations.”

### ‘No Such Thing’ as Preventive War

Asked at a press conference to comment on the idea of preventive war, Eisenhower responded: “I don’t believe there is such a thing; and, frankly, I wouldn’t even listen to anyone seriously that came in and talked about such a thing.” He was asked, if his answer was based on military or moral considerations? “It seems to me that when, by definition, a term is just ridiculous in itself, there is no use in going any further,” Eisenhower replied.

On unilateralism: “To go in unilaterally, in Indochina or other areas of the world which were endangered, amounted to an attempt to police the entire world. If we attempted such a course of action, using our armed forces and going into areas whether we were wanted or not, we would lose all our significant support in the free world. We would be everywhere accused of imperialistic ambitions.”

Eisenhower accused the French of using “weasel words in promising independence; and for this one reason as much as anything else, [they] have suffered reverses that have been really inexcusable.” He further accused the French of alienating even the non-communist Vietnamese, in the same way the British had lost the War of American Independence by treating the majority of Loyalist Americans as “colonials and inferiors.”

*Quotes taken from: Decision Against War, Eisenhower and Dien Bien Phu, by Melanie Billings-Yun; and Eisenhower: Soldier and President, by Stephen E. Ambrose.*

—Gail Billington

# Lessons of De Gaulle’s Algerian Exit-Strategy

by Pierre Beaudry

The dramatic situation facing President Bush in Iraq, is similar to what French President Charles de Gaulle faced on April 23, 1961, when he was forced to take the crucial decision of putting a stop to the military insurrection in Algeria, and decided to pull French troops out of that country. Just as today’s quagmire in Iraq is under the control of the Synarchist International, so, too, was the French Algerian mess.

The Algerian War began on Nov. 1, 1954, when the National Liberation Front (FLN) guerrillas launched a series of attacks against French military installations and police posts throughout Algeria. The French Minister of the Interior, François Mitterrand, responded with this infamous apostrophe: “The only possible negotiation is war.” A cycle of revenge and counter-revenge went into effect, a seemingly unstoppable escalation of violence.

But then, in February 1959, Charles de Gaulle was elected President of the Fifth Republic. He started to use the words “self-determination,” which he said was going to lead to independence, majority rule, and general welfare for a sovereign Republic of Algeria. This sparked a French Army insurgency in January 1960, by right-wing renegade generals and colonels, altogether about 8,000 men, who started to mobilize the *pieds-noirs* population of Algeria in support of a military coup against the government of President de Gaulle, in favor of maintaining the colonial status of *Algérie française* (“French Algeria”). The *pieds noirs* (“black feet”) represented about a million French citizens whose families had lived in Algeria for several generations, and wished to keep their colonial heritage and maintain the native Arabs and Kabyls under French rule. The renegade officers and men were led, among others, by Gen. Jacques Massu, who became openly defiant, attempting to take control of the military forces against de Gaulle’s leadership. Massu made a public announcement that he would “never abandon French Algeria”; de Gaulle fired him on the spot. (Massu became de Gaulle’s ally; the insurrection’s real ringleader was Gen. Raoul Salan.)

After a revolt broke out in the capital city of Algiers where 22 *pieds-noirs* were killed, for which the French Army was blamed, de Gaulle decided to address the nation in very stark terms. Appearing on French television, he told the nation: “So! My dear and old country, we are again facing a heavy ordeal. By virtue of the mandate that the people have given me, and because of the national legitimacy that I have embodied for 20 years, I ask each one of you to support me, and to support me regardless of what might happen.”



President Charles de Gaulle addresses the nation on April 23, 1961, on the insurrection by French military renegades in Algeria: “Men and women of France, think of the risk for the nation. Men and women of France, help me.”

During the Spring of 1960, the rebel Army officers in Algeria continued challenging de Gaulle. Many had been trained personally by Nazi SS commando leader Otto Skorzeny, and his Belgian Synarchist associate Leon Degrelle, who was living in Tangier, Morocco, at the time. Skorzeny was the notorious Nazi murderer who trained the death squads of Ibero-America and terrorist insurgency in the Middle East, including the French Secret Army Organization (OAS).

By December 1960, the French government had organized an election campaign in Algeria, in which the entire Algerian population was to choose between the status quo and independence. President de Gaulle personally travelled to Algiers and made an extraordinary statement in favor of independence. He proclaimed before hundreds of thousands of cheering Algerians: “France is resolved to bring you its support and cooperation in the great task of development, which is beginning in your country. Long live Kabylia! [a Berber group]. Long live Algeria! Long live France!” This was the end of *Algérie Française*. This meant, in no uncertain terms, that the French military had to leave. The vote for the independence of Algeria took place in January 1961. In response, and as a last-ditch effort, the colonialist French military faction launched even more terrorist violence.

The issue was that either de Gaulle was going to give in to the plan of the Synarchist International—whose purpose

was perpetual war worldwide—in which France would enter into interminable wars in all of its African colonies, as per the script of the Martinist, Alexandre Saint Yves d’Alveydre; or, de Gaulle was going to give Algeria its independence, abandon the centuries-old colonialist looting of Africa, and begin a development policy for sovereign, republican nation-states. If North African countries became independent, it was the Synarchist Lazard Frères Bank, which stood to lose most of its oil and raw materials concerns in North Africa.

Skorzeny had very clearly stated the objective of the Synarchist International in reaction to the convictions of war criminals at the Nuremberg Tribunal. In Cairo, on Jan. 30, 1953, Skorzeny asserted: “Future wars will be so filled with horror, that each leader will wage war like a demon in order not to be the loser and become, consequently, a criminal. All the atrocities that can be imagined by man, will be committed during this next war, in order to prevent the enemy from achieving victory.”

The Synarchist International attack against de Gaulle was aimed at destroying his capacity to make personal decisions and was calculated to weaken his resolve to the point that his government would become run by the fear of horrendous reprisals against the French people by these terror specialists.

Gen. Maurice Challe continued deploying terrorist violence and atrocities until, in April 1961, he went too far and led his renegade Army against de Gaulle. This was the *punctum saliens* for Algeria, as well as for the future of France and the leadership of President de Gaulle.

### De Gaulle’s Sublime Moment

On Sunday, April 23, 1961, the President went on French national television in full military regalia, stating in a dramatic and stern voice: “An insurrectional power has been established by military pronouncement. That power has an appearance. It has a reality: a quartet of retired generals and ambitious and fanatical officers. Now the nation is challenged, it has been humiliated, our position in Africa is compromised, and by whom? Alas, alas, alas, by the very men whose duty and whose honor it was, and whose reason for being it was, to serve and obey. In the name of France, I order that all means—I repeat, all means—be taken to bar the route to these men, until we reduce them. I forbid every French citizen, and first of all, every soldier to execute any of those orders. . . . Men and women of France, think of the risk for the nation. Men and women of France, help me.” This was the most sublime moment for France and for Algeria.

De Gaulle had struck the right emotional chord and was able to mobilize the entire nation with his two-minute speech. On the next day, everywhere across France, and Algeria, thousands of citizens brigades were formed spontaneously, to resist the military coup and give their support to their President, Charles de Gaulle. Within one week Challe was arrested, along with about 200 other officers, and the rebellion was quashed. On July 3, 1962, Algeria voted its independence.

# 9/11 Probe Exposes Neo-Con ‘War on Terror’ Strategy That Creates Terrorism

by Jeffrey Steinberg

Nearly 20 years ago, on Oct. 25, 1984, then-Secretary of State George Shultz delivered a speech at the Park Avenue Synagogue in New York City. His remarks might have been made by Vice President Dick Cheney or Defense Secretary Donald Rumsfeld, immediately after the Sept. 11, 2001 attacks. In stark terms, Shultz—later the godfather of the “Vulcans” team, George W. Bush’s neo-con policy tutors—spelled out the case for preventive war.

In response to the threat of future terrorist attacks, he declared, “our responses should go beyond passive defense to consider means of active prevention, pre-emption and retaliation. Our goal must be to prevent and deter future terrorist acts. We cannot allow ourselves to become the Hamlet of nations, worrying endlessly over whether and how to respond.” Instead, Shultz argued, the United States had to strike first. “The public must understand before the fact that some will seek to cast any pre-emptive or retaliatory action by us in the worst light, and will attempt to make our military and our policy makers—rather than the terrorists—appear to be the culprits. The public must understand before the fact that occasions will come when their government must act before

each and every fact is known.”

When Shultz made those remarks, Saddam Hussein was still an ally of the United States. Indeed, current Secretary of Defense Rumsfeld was serving as the Reagan-Bush Administration’s not-so-secret emissary to Baghdad, arranging the delivery of chemical weapons and other military equipment to the Iraqis, for use in their war against Iran. And back in October 1984, Osama Bin Laden had not yet been dispatched to Peshawar, in the Northwest Frontier Province of Pakistan, to establish his “base” (“al-Qaeda”), a hospitality suite/intake center for newly-arrived *mujahideen* combatants recruited by the United States, Britain, France, and other Western states, as well as Israel, Saudi Arabia, and Pakistan, to fight a surrogate war against the Soviet Red Army in Afghanistan. At that time, Bin Laden’s activities in Pakistan and Afghanistan were fully blessed by both Washington and Riyadh.

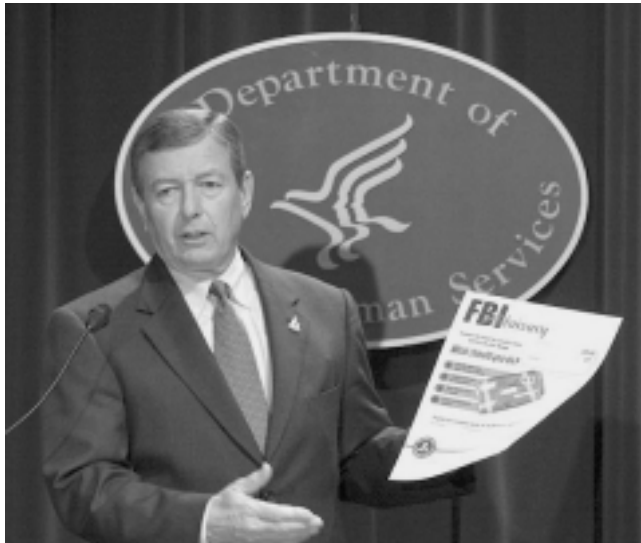
But although the world was a very different place on that Autumn day in 1984, George Shultz was already promoting the idea of preventive war against an amorphously defined “terrorist threat.” Never mind that preventive war was explicitly banned by the United Nations Charter, and categorized as a crime against humanity. Shultz and his minions were



When Vulcans godfather George Shultz first promoted “preventive war” as an anti-terror strategy, 20 years ago, Donald Rumsfeld was shaking hands and making weapons deals with “U.S. ally” Saddam Hussein in Baghdad in December 1983. Al-Qaeda organizer Osama bin Laden was also a U.S. ally.



Given that Rumsfeld and Cheney came into the George W. Bush Administration with a long history of obsession with “rogue states and terrorism,” it is the more noteworthy that the 9/11 Commission found such indifference to terrorist threats against the United States during the first 8 months of that administration.



*Ashcroft told an FBI aide not to pester him with briefings on terror threats, and cut \$85 million from counterterror funding on Sept. 10, 2001.*

already dreaming of empire, and the fact that Hitler's top generals were prosecuted and convicted at Nuremberg for waging a preventive war against Central Europe, was of no consequence to him.

Five and a half years after the Shultz speech, in May 1990, then-Defense Secretary Dick Cheney convened a meeting of his Pentagon policy staff, to hear a presentation by Paul Wolfowitz, the unit's head. Wolfowitz had been tasked by Cheney to devise a new long-range American national security strategy, taking into account the changed global security environment, following the collapse of the Soviet Union.

Wolfowitz, who served under Shultz in the Reagan-Bush State Department, echoed Shultz's Park Avenue Synagogue speech, and revived the theme of preventive war. He argued that the United States must, at all costs, maintain its military, political, and economic primacy, and be prepared to wage preventive war against any nation or combination of nations that might rise at any time in the future, to challenge America's sole-superpower standing. His secondary theme, later codified in Cheney's January 1993 Regional Defense Strategy, was the threat of rogue Third World regimes obtaining weapons of mass destruction and arming terrorists. The remedy: The United States should develop and deploy an arsenal of mini-nuclear weapons, for active use against these Third World targets.

Wolfowitz's presentation summarized the collective wisdom of himself and at least three of his top Pentagon colleagues: Lewis "Scooter" Libby, Zalmay Khalilzad, and Eric Edelman. All four men hold top posts in the current Bush Administration, with Libby serving as Vice President Dick Cheney's chief of staff and the head of his shadow national security council.



*George Shultz still, in a speech in Zurich on April 14, astounded Europeans by proclaiming the U.S. military strategy in Iraq a resounding success. Shultz still promotes a "war on terror" strategy which is a perpetual "preventive war," including the use of mini-nuclear weapons.*

When Cheney and company attempted to slip the Shultz-Wolfowitz preventive war/perpetual war doctrine into the 1992 Defense Policy Guidance, President George H.W. Bush and his top aides, including Secretary of State James Baker III and National Security Advisor Gen. Brent Scowcroft, nixed it, by leaking a draft copy to the *New York Times*.

The preventive war scheme percolated in Beltway neo-conservative circles throughout the Bill Clinton Presidency—and right up until Sept. 11, 2001, it was still overwhelmingly viewed as a zany and wholly un-American hybrid of Britain's 19th-Century imperialism and Israel's "preventive assassinations" program. More blunt critics, like Lyndon LaRouche, likened it to Adolf Hitler's 1938 "preventive war" invasion of Poland.

The attacks on New York and Washington provided the "perfect storm" cover for shoving preventive war down the throats of policymakers at every level of government. A year after the 9/11 attacks, the Sept. 2002 *National Security Strategy of the United States of America* enshrined the doctrine of preventive war against terrorist and rogue state adversaries as the official policy of the U.S. government.

### **Something Wrong with This Picture**

Given this 20-year effort since Shultz's 1984 speech on preventive war on terrorist groups, it should have been assumed that Team Bush—dominated by Vice President Dick Cheney and Shultz—came into office committed to placing the war on terrorism at the very top of the strategic agenda.

But two weeks of public hearings in April by the 9/11 Commission—officially the National Commission on Terrorist Attacks Upon the United States—have revealed that, up until the morning of Sept. 11, 2001, top Bush Administration policymakers, including Cheney and Attorney General John Ashcroft, stymied every effort by career law enforcement and intelligence personnel to respond to a growing pattern of evidence that a major terrorist attack against the United States was imminent.

While neo-conservatives love to heap criticism on the Clinton Administration, the record, as presented by the 9/11 Commission, shows that the Clintonians—who never adopted the Hitlerian conceit of preventive war—were far more serious about dealing with terrorism than the pre-9/11 Bush-Cheney Administration.

The first public evidence of the Bush Administration's ambivalence towards growing evidence of a terrorist threat in the Spring-Summer 2001, came from former White House counterterror czar Richard Clarke, whose book and testimony before the 9/11 Commission exposed that key policy players, led by Cheney, were so obsessed with the overthrow of Saddam Hussein, that they ignored the issue of terrorism altogether. Cheney responded by charging, publicly, that Clarke was "out of the loop"—a flagrant lie that even National Security Advisor Condoleezza Rice was forced to rebut, under oath, during her April 8 agonizing three-hour appearance before the Commission.

After Rice's testimony, White House polls showed that the President's approval rating had plunged, overnight, by 4%. The next day, a damage control-driven White House declassified the Aug. 6, 2001 Presidential Daily Briefing (PDB), which had dealt with evidence of an al-Qaeda plot inside the U.S.A. Rice had mischaracterized the document as an "historical account," with no current intelligence value. The title of the document, alone, belied Rice's claims: "Bin Ladin Determined to Strike in U.S."

The PDB's damaging item cited a growing pattern of evidence of al-Qaeda penetration of the United States, including "patterns of suspicious activity in this country consistent with preparations for hijackings or other types of attacks, including recent surveillance of Federal buildings in New York."

During two intensive days of hearings April 14-15, Commission staffers and the former acting director of the FBI provided further proof of the Administration's indifference to the mounting evidence of a terrorist threat. Tom Pickard, who was acting director of the FBI from Spring 2001 through the 9/11 attacks, told the Commission that Attorney General John Ashcroft was so indifferent that at one point in July 2001, he ordered Pickard to stop pestering him with information about terror plots. Butressing Pickard, the Commission found that an FBI request for \$85 million in additional funding for counterterrorism was rejected by Ashcroft—on Sept. 10, 2001! Earlier, in a policy memo outlining the strategic priorit-

## Principles of Westphalia

The Treaty of Westphalia of 1648, bringing an end to the Thirty Years' War, which had drowned Europe in blood in battles over religion, defined the principles of sovereignty and equality in numerous sub-contracts, and in this way became the constitution of the new system of states in Europe. We quote the two key principles:

### Article I begins:

"A Christian general and permanent peace, and true and honest friendship, must rule between the Holy Imperial Majesty and the Holy All-Christian Majesty, as well as between all and every ally and follower of the mentioned Imperial Majesty, the House of Austria . . . and successors. . . . And this Peace must be so honest and seriously guarded and nourished that each part furthers the advantage, honor, and benefit of the other. . . . A faithful neighborliness should be renewed and flourish for peace and friendship, and flourish again."

Peace among sovereign nations requires, in other

words, according to this principle, that each nation develops itself fully, and regards it as its self-interest to develop the others fully, and vice versa—a real "family of nations."

### Article II says:

"On both sides, all should be forever forgotten and forgiven—what has from the beginning of the unrest, no matter how or where, from one side or the other, happened in terms of hostility—so that neither because of that, nor for any other reason or pretext, should anyone commit, or allow to happen, any hostility, unfriendliness, difficulty, or obstacle in respect to persons, their status, goods, or security itself, or through others, secretly or openly, directly or indirectly, under the pretense of the authority of the law, or by way of violence within the Kingdom, or anywhere outside of it, and any earlier contradictory treaties should not stand against this.

"Instead, [the fact that] each and every one, from one side and the other, both before and during the war, committed insults, violent acts, hostilities, damages, and injuries, without regard of persons or outcomes, should be completely put aside, so that everything, whatever one could demand from another under his name, will be forgotten to eternity."

ies of the Department of Justice, Ashcroft had not even mentioned terrorism.

Former Sen. Gary Hart (D-Colo.), who co-chaired a two and a half-year bipartisan commission on America's national security vulnerabilities which presented its final report to George W. Bush on Jan. 31, 2001, told *Salon* magazine that his staff director had briefed Rice during the transition period, but that neither Bush nor Cheney had been informed of the Hart-Rudman Commission's dire warnings of a horrific terrorist attack on the United States. When members of Congress sought to legislate a homeland security department, to take up the Hart-Rudman challenges, President Bush, on May 5, 2001, announced that he was appointing Cheney as his top counterterrorism advisor, to stall Congressional action. Cheney, according to Clarke, never held a meeting of his White House counterterror policy group.

### LaRouche's Warnings

The threat of a terrorist attack on Washington, D.C. was not just the subject of classified memos and behind-closed-doors policy brawls in the early months of the Bush-Cheney Administration. On Aug. 24, 2001, Lyndon LaRouche issued a pointed warning about a Jacobin terror assault on the nation's capital—based exclusively on public source evidence.

Earlier, on Sept. 9, 1995, LaRouche had written the introduction to an *EIR* three-part special report on "the new international terrorism," in which he had warned, "A new wave of international terrorism is stalking the world. . . . The heart of the new international terrorism is a legion of trained terrorists, formerly known as the *mujahideen* veterans of the 1980s Afghan war, which Vice President Bush and Britain's Thatcher government played a leading part in creating, arming, and deploying. Once the Soviet forces had retreated from Afghanistan, the Anglo-American sponsored *mujahideen*, together with their massive drug- and arms-trafficking apparatus, were dumped on the world, a legion of 'special forces'-trained mercenaries, for hire. Today, that legion of mercenaries is a keystone-element within the new international terrorism, which reaches westward across Eurasia, from Japan, coordinated through a nest of terrorist-group command-centers in London, into the Americas, from Canada down to the tip of South America."

When the planes crashed into the World Trade Center and the Pentagon on Sept. 11, 2001, millions of copies of LaRouche's Aug. 24 warning of a terror assault on Washington were in circulation all over the United States.

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## Book Review

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# Rumsfeld's Killing Obsession

by Edward Spannaus

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### **Rumsfeld's War: The Untold Story of America's Anti-Terrorist Commander**

by Rowan Scarborough  
Washington: Regnery, 2004  
253 pages, hardcover, \$27.95

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If you're going to be a suck-up, at least have a sense of timing. Pity poor Rowan Scarborough, whose book puffing Donald Rumsfeld as the military genius of the age, came out just as Rummy's war in Iraq was collapsing in the face of a popular insurgency—and, as *EIR* has been informed, even the neo-cons now favor dumping him as Secretary of Defense. Scarborough, a Pentagon reporter at the neo-con-dominated *Washington Times*, obviously intended to present the most favorable possible portrait of Secretary Rumsfeld—in exchange for access to all manner of classified documents—but what he has actually written, is better characterized as a scathing indictment, confirming what *EIR* and many other critics of Rumsfeld have previously charged about him.

The picture of Rumsfeld that emerges is that of a McNamara-type business manager, whose bottom line is killing. Rumsfeld hasn't a clue about military strategy: For him, it all boils down to killing as many of the "enemy"—now defined as "terrorists"—as efficiently and quickly as possible. This is totally antithetical to the classical notion of "strategic defense," as Lyndon LaRouche recounts it in the radio interview on page 7. The traditional conception of military strategy—that war is fought in order to win the peace—seems never to have entered Rumsfeld's muddled thinking. The current collapse of U.S. military operations in Iraq is the inevitable consequence of this absence of any political-strategic conception. As competent strategists know, killing may win battles, but isn't sufficient to win wars.

*EIR* and many others have written extensively about Rumsfeld's war on the uniformed military, his disdain for the military leadership, especially that of the Army, and his fascination with air power and special operations. We have also written about his desire to turn Special Operations units into assassination teams reminiscent of the Vietnam-era



Phoenix program. What Scarborough has done, is to confirm this picture and to add some new detail. In his zeal, Scarborough probably overstates Rumsfeld's influence, particularly in contrast to Dick Cheney, who is clearly the overarching power in this administration, and the behind-the-scenes controller of the President.

For example, in the opening passages of his book, Scarborough describes what he has been told was Rumsfeld's almost-instantaneous response to the 9/11 attacks on the World Trade Center and the Pentagon. "This is not a criminal action," Rumsfeld allegedly told Bush. "This is war." Scarborough brags: "This is the first time Rumsfeld's instant declaration of war has been reported, and it took America from the Clinton Administration's view that terrorism was a criminal matter, to the Bush Administration's view that terrorism was a global enemy to be destroyed."

Rumsfeld or Scarborough may flatter themselves that this was an original idea, but the false dichotomy of military versus legal action has been a long-held mantra among the neocon clique dominating the Bush Administration, the group whose de facto head is Dick Cheney, and which was assembled by George Shultz during the campaign period and dubbed the "Vulcans."

It is established that this gang was committed to an imperial war strategy, one heavily centered on the Middle East and Iraq, long before regaining power in 2001. The Cheney-Wolfowitz 1991-92 Defense Policy Guidance envisioned America as the sole global superpower that would crush any emerging challenger. The 1996 "Clean Break" manifesto, with the current Undersecretary of Defense Douglas Feith and Rumsfeld's Defense Policy Board chairman Richard Perle as key members of its drafting team, called for war on Iraq as part of a strategy to redraw the map of the Middle East. Rumsfeld himself was a signator on the "Clean Break" follow-on statement issued in 1997 by the Project for a New American Century. Some of this is mentioned, but glossed over, by Scarborough.

Not surprising then, that Rumsfeld started pushing for the overthrow of Saddam Hussein immediately after Sept. 11, according to Scarborough's account. As to 9/11 providing the pretext for what Rumsfeld and the neo-cons wanted to do all along, Scarborough quotes a "senior Pentagon official" (Rumsfeld?) as telling him: "I hate to say this and would never say it in public, but 9-11 had its benefits. We would never have gone into Afghanistan and started this war [on terrorism] without it. There just was not the national will."

Scarborough describes superficially, what *EIR* has investigated and put widely into circulation: Rumsfeld's creation of a special unit in the Pentagon, the Office of Special Plans (OSP), which *EIR* knows to have been set up to "cook the books" and pump fraudulent intelligence assessments into Cheney's office and the White House, bypassing the CIA and even the Pentagon's own Defense Intelligence Agency. Scarborough's story is that Feith wanted to refute CIA analysts who "believed that al-Qaeda had no links to anti-Zionist

terrorist groups like Hamas and Hezbollah." Feith, reports Scarborough, "thought there were links—all the way to Baghdad." Feith's team produced "a catalogue of contacts" between Iraq and al-Qaeda going back almost a decade. It was compiled into the infamous "Feith memo" to the Senate Intelligence Committee—later leaked to the *Weekly Standard*.

William Luti, the lunatic who has been exposed in the LaRouche campaign's two influential *Children of Satan* pamphlets, is naturally given a quite sympathetic treatment in Scarborough's book, as a key combatant against the State Department's "soft line" on Iraq, and whose OSP "produced the arguments for invading Iraq."

## Flattery Has Its Price

Scarborough did get a substantial inducement to pen such a flattering portrait: extraordinary—and apparently illegal—access to a significant number of secret documents and other highly-classified information. Apparently having been assured that he will have no problem over unlawful access to this material, he repeatedly boasts about it. In a series of questions posed to the Defense Department's press office, this writer pointed to statements by Scarborough indicating access to classified information, such as the following:

- Scarborough writing: "I obtained a highly classified White House document. . . ."
- quotations from a "SECRET" document that went to the JCS in the Summer of 2003.
- Scarborough revealing information concerning the Joint Special Operation Command's Grey Fox unit, which would appear to be classified information, in that almost everything about Grey Fox is classified.
- Scarborough reporting Rumsfeld's demands that Special Operations Forces be tasked to hunt down and kill terrorists, as follows: "I can reveal for the first time that Rumsfeld didn't wait for [Gen. Charles] Holland's new plan, but on July 22 [2002] initialed a highly-classified order to Joint Chiefs chairman General [Richard] Myers. . . ."; and then printing excerpts from Rumsfeld's order.
- Scarborough's book contains photographic reproductions of this and other documents, bearing the original classification markings, but no declassification stamps.

At least with respect to the first document questioned, a 160-page DIA report classified "Secret," the DOD confirmed that Scarborough was not authorized to have access to it; but it has not reported any action taken concerning its disclosure. Executive Order 13292, signed by President Bush on March 25, 2003, set mandatory administrative procedures for safeguarding classified information, and for investigating any unauthorized disclosures; there are administrative, civil, and criminal penalties for such unauthorized disclosures.

Did Rumsfeld tacitly authorize leaking classified defense information, in return for an expected flattering depiction of himself? Since Scarborough interviewed him, Rumsfeld can hardly claim not to have known. If so, he got the worst of the deal, despite the author's fawning efforts.

## Shocks Still Spreading From Bush April 2 Jobs Fakery

by Paul Gallagher

The global plunge in bond markets, since the Bush White House's April 2 manic celebration of a blatantly faked March jobs report, drove U.S. long-term bond interest rates three-quarters of a point higher in less than two weeks, and was getting uglier by mid-April. While "the dumbest President" careened onward to other, explosive blunders on Iraq and the Middle East, the further shock-wave effects of his whooping-up the jobs fraud on April 2, were spreading. Ominously for the \$35 trillion U.S. debt bubble, Federal Reserve Governor John Parry, on April 12 in San Francisco, talked about the Fed raising U.S. short-term interest rates by 2.5% over some unspecified near term. These effects are corroborating Presidential candidate Lyndon LaRouche's immediate public assessment on April 2, that Bush's besotted celebration that day would immediately backfire, triggering a financial-economic phase shift, and threatening a general crash not only before Election Day, but before the July Democratic nominating convention.

Above all, the huge U.S. housing-price and mortgage-credit bubble has a knife point pressed against it. Within a week of the White House attempt to trumpet a "jobs recovery," the Freddie Mac national benchmark mortgage rate had gone up nearly half a point and was pushing toward 6%; the mortgage refinancings which make the U.S. consumer economy go 'round, had fallen by over 30%. "Nationwide, residential foreclosures have steadily risen," to a 14% leap in March, a tracking firm reported. "That [housing] bubble is likely to burst, and when it does, it may take the American economy down with it," concluded an analysis in *Washington Monthly* for April. The same alarm bells were sounded in *Business Week* on April 12 ("Why Housing Is About To Go 'Pop' ") and by economist Robert Samuelson in *Newsweek's* April 19 issue.

### 'Imputed' Jobs and Falling Wages

Of the 308,000 new jobs reported, by the Bureau of Labor Statistics (BLS), to have been created by the U.S. economy in March, half—153,000—were actually created by a BLS computer program called X-12 ARIMA. This program calculated that those jobs had come from startups of new firms, though the BLS "Establishment Survey" had not shown any such thing. The number was arrived at by applying statistics from 1998-2002—a five-year period including frenetic telecom and dot.com startups—to derive the number of new firms being started in 2004, from the number of bankruptcies of small firms occurring. This "jobs death/jobs birth ratio," as the BLS calls it, produced the "imputed" 153,000 new jobs in March, and also upward revisions in job creation for February and January. These "imputed jobs" were then assigned to different economic sectors, such as construction, for example. *New York Post* analyst John Crudele pointed out that from its January to March reports, the Labor Department had drastically shifted its *assumptions* about small business job creation, from negative to positive; "Suddenly the government thinks lots of companies are being incorporated and that these new outfits created 153,000 of the 308,000 new jobs for the month." Financial analyst Lou Barnes noted that this shift in assumptions had suddenly added 107,000 "invisible" jobs to the previously published January and February reports, and that the March assumptions "may be as high-side wrong"; however, the Federal Reserve and bond markets will act now to raise rates, without waiting to find out.

The total job creation in construction in the March report, surveyed and "imputed" combined, was 71,000, actually *below* the seasonal average for that industry. In addition, at least another 21,000 of the 308,000 "new jobs" were simply West Coast grocery workers going back to work after a long strike.

In manufacturing, no jobs were created for the 44th straight month. The American adult population's participation in the labor force remained at its 16-year low of 65.7%, reflecting at least 1.5 million workers who are out of the labor force because they have given up and stopped aggressively seeking work.

The BLS' separate "Household Survey" for March actually showed a decline in jobs, and the official unemployment rate rose.

The actual March picture becomes worse when wages are considered. *New York Times* columnist Louis Uchitelle reported on April 11 that the supposed 277,000 private-sector jobs created were "a mirage. Most . . . were cancelled out by a decline in total hours worked and total weekly pay." In fact, the BLS reported, 10 days after its jobs report, that the average, inflation-adjusted weekly paycheck in the American economy had fallen by 0.7% in March. For the 12 months since March 2003, average weekly pay, even before inflation, has risen by only 1.2%, while the average household's debt has gone up 11%, according to the Federal Reserve. Even the BLS' Consumer Price Index, which is rigged by Quality Adjustment Factors and other means of hiding most inflation, rose by 0.5% in March. A much better sign of the raging inflation actually building in the U.S. economy, is that the Commodity Research Board index of prices of all raw materials, has risen 55% over the last two years (see *EIR*, April 16)—not to mention healthcare's costs' 10% annual rise, college tuition's 27% national increase over the last three years, transportation costs, and so on.

By far the greatest inflation is in house prices, rising at 10% *per quarter*. In Britain, from the analyst known as "Dr. Doom," Tony Dye, to the government's own economists, everyone sees a housing crash coming, with average house prices having reached five times the mean annual salary. But in the United States, in eight states which have half the nation's total housing "value," the average ratio of house price to salary has reached 8:1 to 10:1. The late-1980s real estate, stock market, and savings and loan collapse hit before such ratios were reached, and without interest rates rising. But now, the entire U.S. economy is driven by this debt bubble, which the bond market plunge will destroy.

### Phase-Shift to Deflation

Bush and Treasury Secretary John Snow's dumb rooster-crowing on April 2, unconsciously set off a clash between two desperate imperatives of U.S. monetary authorities and financial circles: the need for a money-printing, low-interest-rate debt expansion policy to inflate assets, especially real estate assets; and the need to pull \$2-3 billion a day of the world's money into U.S. markets—to pay for the \$600 billion Federal budget deficit, the import of the world's cheap-labor goods, and to feed the growth of that same debt bubble. The Fed and the big U.S. banks were desperate for rising interest rates, but month after month of job losses blocked the Fed, politically, from even speaking of higher rates in the future.

Then, on April 2, the blundering President struck—proclaiming a recovery with his 308,000 largely computer-imputed jobs, collapsing the bond market by a backlash effect, and opening the door to a sharp rise in long-term rates; the Fed will follow with short-term rates at the earliest opportunity. For a few days, the wing-ding pulled European and Asian capital into the U.S. stock and financial markets at an even greater rate than the \$900 billion-a-year pace of December-March. But the idiot President had triggered a phase shift from the going policy of money-printing and hyperinflation, toward a policy of deflation—interest rate hikes and spending austerity. Sen. John Kerry, in an economic policy speech at Georgetown University April 7, disastrously said, "Me too," because the banking circles of Felix Rohatyn, who are backing Kerry and controlling his current campaign line, want the same deflationary policy, and no "FDR-style" job creation policies permitted. This is a Hoover-like formula for an early financial crash and depression.

## Rate Hikes Will Blow Out Ibero-American Debt

by Gretchen Small

Even a small increase in U.S. interest rates, of the sort now widely expected from Alan Greenspan's Federal Reserve, will blow out the entire debt bubble of the Ibero-American nations, along with the rest of the Third World. While significantly smaller, in financial terms, than other bubbles which are also about to be detonated by the interest rate hike—the combined real foreign debt of Brazil, Argentina, and Mexico totals, for example, some \$1 trillion, as compared to a U.S. mortgage market bubble estimated conservatively at \$12 trillion—this debt bomb's explosion would have scarcely less significant *political* consequences. Should governments not intervene to take charge, a regionwide disintegration looms, more dramatic in impact than the 1998-99 bankruptcies of the Russian GKO and Brazilian debt markets. It would surpass, in social horror, even the destruction wrecked by the collapse of Argentina's banking system and government, and subsequent default, in December 2001.

*EIR's* Feb. 27 issue warned that Brazil's debt will blow the moment the conditions which favored Brazil's creditors in 2003, end (low U.S. interest rates, a devalued dollar, a low country-risk rate, high foreign investment, and the Lula government's honeymoon with expectant voters, who were willing to tolerate his even more brutal austerity than his predecessors'). That reality is here. With over \$500 billion in real foreign debt, Brazil is the Third World's largest debtor. And when it goes, the whole neighborhood follows.

## Bankers Eye the Blood of the Poor

This problem has now dawned on the world's financial pundits. Since April 2, everyone from the International Monetary Fund (IMF) to the World Bank, the Inter-American Development Bank to London's *Economist* magazine, have issued warnings that an interest-rate hike threatens the whole Ibero-American debt. But their proposals have been uniformly psychotic and genocidal, proposing to *increase* the rate of looting now to "soften" the effect of the coming crisis—on the banks.

IMF chief economist Raghuram Rajan warned on April 14 that when U.S. interest rates rise, as is "inevitable," it will bring "serious adverse effects" on the "emerging markets," as the bankers view Third World and former Soviet bloc nations. So, too, this specter dominated the discussions among the more than 7,000 people who huddled in Lima, March 29-31, for the annual meeting of the Inter-American Development Bank (IDB).

IDB chairman Enrique Iglesias had one message. Ibero-America is enjoying an economic recovery, he claimed, by which he meant that capital inflows—buoyed by high commodity prices on the world markets, unusually low global interest rates, and a devalued dollar—have allowed Ibero-American nations to meet, by and large, agreed foreign debt payments. But, he warned, these "favorable" circumstances are about to disappear.

The *Wall Street Journal* captured the surreal quality of the Lima discussions in an April 12 article musing upon the irony that while Ibero-America is "booming," the region's overall debt-to-GDP (Gross Domestic Product) ratio rose from 1997-2002, from 37% to 51%, despite billions of dollars in privatizations of state services; foreign investment dropped by 20%; unemployment rose from 10% to 15%; and 20 million more people, at least, fell below the poverty line. "If all this is occurring in good times, many at the meeting wondered, what can Latin America expect when borrowing rates begin to rise again, as they must as soon as U.S. rates go up?," asked the *Journal*.

The bankers demanded that provisions be taken, therefore, to *increase* the rate of looting from the region. Modernize the State yet more, by privatizing its responsibilities. Rip up the labor laws. Provide more enticements for foreign investors. Governments must "refrain from making unilateral changes to ground rules and agreements" with the private sector, Iglesias instructed. No "changes" such as *enforcing* the contractual obligations of the privatized state companies to provide adequate services and continued investment, as Argentine President Nestor Kirchner is mooting.

These are the very policies which have bled Ibero-America to death. Iglesias admitted at the conference that at least 44%, or 227 of the region's 480 million people, now live below the poverty line. Since most of the banks and state sector companies, and many of the pension systems, have already been seized, the financiers are looking for means to

extract the needed wealth from this mass of people. As Hernando de Soto told the *Wall Street Journal* after the IDB meeting: "The poor are our only hope."

The IDB conference included a seminar on how to turn remittances—the money sent home from the U.S. by millions of Hispanics to keep their families alive—into the new stream of liquidity which can bail them out. Remittances could total \$450 billion to Ibero-America over the next decade, yet only 5-10% of the households that now get remittances, do so via a bank, an IDB study presented in Lima estimated. So, a "remittance industry" (!) is being organized.

## The Brazil Volcano

Such fascist schemes may extract more wealth from the starving, if they are allowed to, but there is no saving this debt bubble: It is already unpayable, and an interest rate hike will only make it more so. The issue is political: How can the governments of the region survive the next explosion? How can they keep their nations intact? As Democratic Party Presidential candidate Lyndon LaRouche emphasizes, they will have to join with other nations to break with the system crushing them.

The IMF's chief mechanism to ensure public debt payments in Ibero-America, is through the conditionality of the primary budget surplus, calculated as: government revenues, minus all expenditures *except* debt payments. This has made the region's governments into vehicles for siphoning off the international banks' required portion of national GDP.

In 2003, inheriting a bankrupt economy, the Lula government of Brazil chose to make debt payments its first priority. In its first year in office, it achieved a record primary surplus of 4.38% of GDP. That covered only *half* of its interest payments due, however. Brazil paid a staggering \$50 billion in interest in 2003, 40% of the entire government budget. And yet its total debt *grew!*

To generate a surplus in the first quarter of 2004, the government disbursed only 2.8% of the total investment budgetted for 2004: 344 million of the 12 billion reals budgetted, to only 80 of 323 investment projects approved. As of March 26, not one real had been spent on "social inclusion" programs, nor on science and technology. Only 12.7 million reals had been spent on irrigation projects, and 71 million reals on fixing Brazil's rotten highways, zero for new railroads.

The Lula government now faces a social and political crisis which it may not survive. Protests engulf the country. The Federal police have been on strike for over a month, and a million public workers are set to meet in mid-April to discuss a national strike. Military families have taken to the streets, and they are being backed by the military high command. The Landless Movement (MST) and its Jacobin allies are keeping their promise to make this a "Red April," invading farm properties daily. Some say Lula could be ousted, as was Argentine President Fernando De la Rúa in December 2001. But Argentina is a country of 32 million people; Brazil, 170 million.

# Who Will Oversee The Death of the IMF?

by Mike Billington

A squabble has broken out among the financial elite of the world, over who will become the next managing director of the International Monetary Fund (IMF). Unfortunately, the several parties to the debate are either oblivious to the fact that the institution they are fussing over is utterly bankrupt, or they have chosen to obscure that self-evident fact in order to continue the aura of power surrounding the august institution. While the IMF has been bankrupt for a number of years, the reality of that fact was made abundantly clear in March, when Argentina, threatened with ghastly global ostracism if they failed to accept a list of deadly IMF demands, chose instead to call the IMF's bluff—and the IMF blinked. The supposedly all-powerful international financial institution could not afford to swallow another default, or face the likely explosion of the entire \$400 trillion global bubble in financial aggregates. So, they rolled over the debt—without conditions. It is the IMF and the international financial system it represents which is bankrupt, more so than those nations it has bankrupted!

Imagine a ship whose captain has just jumped overboard, perhaps noticing that the ship is irreversibly accelerating towards a waterfall. As the ship plunges over the precipice, various members of the crew are arguing over command of the ship's controls!

It is not certain that Horst Köhler quit his post as IMF Managing Director in March due to the phase-shift marked by the Argentine crisis. He may well have simply wished to run for President of Germany, as he claimed. In any case, the squabble which has arisen has to do with the tradition that the IMF is always headed by a European (while the World Bank chief, and the IMF #2 spot, always go to the United States, with Japan getting some juicy secondary positions). The Europeans have thus far been unable to choose between Frenchman Jean Lemierre, head of the European Bank of Reconstruction and Development, and Spain's outgoing Finance Minister Rodrigo Rato.

But the biggest irony of this drama is that those who have been trapped on this doomed ship—those developing-sector nations which have been looted and destroyed by the conditionalities of the IMF and the international financial institutions it represents—have chosen this moment to demand what they have been denied all along, but which no

longer has any meaning: a say in the policies of the IMF, and an equal shot at the captain's seat. The representatives to the IMF from over 100 countries, mostly from the developing sector, but including Russia, issued a public statement in March asking that the tradition be dumped, and that nationality not be a criterion in selecting the next managing director. If they get their wish, they may well live to regret it.

## Soros Boy

The Europeans are quite aware of the pressure from the developing nations. When a meeting of the European Union finance ministers on April 4 failed to choose a consensus candidate among themselves, Luxembourg Prime Minister Jean Claude Juncker told the press: "We have to discuss the matter in depth, taking into consideration what colleagues in other parts of the world think."

But who are the candidates who may be chosen from the so-called "Third World"? The first leading economist to step forward with a proposal was former World Bank economist and self-defined "IMF critic," Joseph Stiglitz. Stiglitz has built himself into a cult hero in the anti-globalization movement, and also, unfortunately, among many Third World leaders, who are desperately looking for allies against the IMF. However, as *EIR* argued in its Feb. 20 issue (" 'Rebel' Stiglitz: IMF's Last Line of Defense?"), Stiglitz is only trying to make the IMF appear to be less brutal, and more "fair" toward its victims—rather like the animal-rights movement demanding that animals be killed more humanely. In fact, as *EIR* demonstrated, Stiglitz is a spokesman for the highest levels within the synarchist/fascist banking circles, especially the leading global speculator (and drug legalizer) George Soros, who finances Stiglitz's think-tank, the Initiative for Policy Dialogue.

As if to prove *EIR* right, Stiglitz has called for Arminio Fraga to become the new IMF chief. Fraga served through the 1990s as "emerging markets" director for Soros Fund Management, one of the hedge funds set up by Soros, whose speculation against Southeast Asian and other developing-sector nations in the 1990s bankrupted dozens of countries, setting them up for IMF austerity "conditionalities," and killed tens of thousands in the subsequent economic chaos. When Brazil nearly defaulted in 1999, Soros successfully lobbied the U.S. government, the Federal Reserve Bank, and the IMF to implement the insane "wall of money" policy, cranking up the printing presses to paper over sovereign and corporate bankruptcies, thus bringing on the hyperinflationary collapse which is now bursting upon the world economy.

To implement his program in Brazil—the biggest debtor in the developing sector—Soros got one of his own, Arminio Fraga, appointed as head of the Brazilian Central Bank in 1999. In the next three years, Fraga pushed the Brazilian debt into the stratosphere (real foreign debt is about \$500 billion



Former World Bank economist Joseph Stiglitz (right) is backing Brazilian Arminio Fraga (left) for the job of International Monetary Fund managing director—a reversal of the tradition that a European gets the post. Both men are spokesmen for synarchist/fascist George Soros.



today), drove interest rates to 35%, collapsed the currency, and largely dollarized the public debt, leaving Brazil in perpetual crisis by the time he left in early 2003.

### Media Drumbeat: Save the IMF!

In the eyes of Joseph Stiglitz, this “expertise” at dealing with bankruptcies must not go to waste, but should be applied internationally by Fraga, as head of the IMF.

This is also the view of the *Miami Herald*, a press outlet for the international financial institutions in regard to Ibero-American affairs. The *Herald* editorial of April 12 opines that the European candidates to run the IMF “lack experience in dealing with actual fiscal crises as national leaders, and also the legitimacy that comes only from having managed an economy under stress in emerging countries.” Although the *Herald* doesn’t mention Fraga, they suggest former Mexican President Ernesto Zedillo, who performed a similar function for Mexico’s 1994-95 economic collapse as Fraga did in Brazil—namely, assuring that the international financial institutions were paid off by the impoverishment of the population, while leaving the country with more debt than it had to begin with.

Two other proposals, those of Washington’s two leading newspapers, the *Post* and the *Times*, round off the picture of this foolish contest for chief of the IMF. The *Times*, organ of the neo-conservatives, argued on April 12 that “much of the poor and developing world is bitter about having another European at the IMF helm.” But rather than placing a comprador in the job, as Stiglitz has proposed, the *Times* argues

that “given Spanish investors’ extensive investments in Latin America, awarding the post to a Spaniard implies clout for the developing world.” Of course, they fail to mention that the Spanish wing of the synarchist banking networks has played the leading role in buying up the bankrupt Ibero-American banking system, depriving these nations of what was left of sovereignty over their economies. The only “clout” such an appointment would represent for Ibero-Americans is the one hitting them over the head after they are down.

The *Washington Post*, of course, is more sophisticated. Rather than the brute force neo-con approach of the *Times*, or the imperial method of a comprador like Fraga, the *Post* turns its eyes to the big bucks. “East Asia’s economies are sitting on large piles of foreign-currency reserves,” writes the *Post* editorial of April 13, “accumulated partly as protection against a repeat of the 1997 crisis [when Soros et. al. looted them of several billion dollars]. If China, South Korea and others transferred some of these reserves to the IMF, they could pool their defensive preparations against hedge-fund assault, while at the same time ending the IMF’s dependence on supplementary bailout funds from Americans and Europeans. There would then be no objection to an IMF boss from a developing or middle-income country.” The huge Asian currency reserves and savings represent the last significant pool of cash available to prop up the dying IMF-based global financial system. The Asian leaders are unlikely to trade those reserves for the right to officiate over the IMF’s last rites.

# Death of Detroit: Harbinger of Collapse of Deindustrialized America

by Richard Freeman

Observing the death of Detroit, as it shrinks into oblivion and its citizens are ravaged, one is struck by a fundamental transformation: In the period 1940 through 1963, Detroit was the greatest manufacturing city in the world, unmatched in real physical productivity. But during the period 1964-2004, Detroit became synonymous with blight and decay beyond imagination.

Detroit represents the warring counterposition of two economic trajectories: that of 1933-63; and its opposite, that of 1964-2004. These two trajectories derive from two absolutely irreconcilable economic systems and principles. It is the fight between these two trajectories, and the underlying systems and axioms of thought upon which they are based, that defines the history of Detroit, and of the larger United States. It is that history, of two different transformations—one of development and one of degradation—that every citizen must understand, if he or she is to comprehend what the United States has been, and the dangerous path it is now rushing upon, which will lead to its destruction and potentially take down the world with it.

To measure whether an economic trajectory is developing or degrading, start with the concept of potential relative population density, developed by 2004 Presidential candidate and economist Lyndon LaRouche. Discard Gross Domestic Product (GDP), stock market valuation, and similar meaningless concepts. The source of all economic wealth is the creative capacity of the sovereign human mind to make revolutionary scientific discoveries of fundamental principle, which are transmitted through an educated productive labor force, through advanced machine-tool design and through science. Mankind can make once infertile land, productive; it can divert rivers to irrigate deserts; or it can increase the energy-flux density of a power-generating system. Through these breakthroughs, man increases his mastery over nature. Mankind increases the yield of the land per square kilometer, and also allows it to support a greater potential density of population, per square kilometer, representing a greater quantity of people, each expressing a higher form of development.

The concept of igniting man's creative powers and the upward thrust of the economy is the backbone of the American Intellectual Tradition of Gottfried W. Leibniz and Alexander Hamilton. President Franklin Delano Roosevelt uti-

lized that method, to intentionally produce a trajectory of explosive economic development during 1933-45. During the 1939-44 economic mobilization for World War II, Detroit, already possessed of sizeable industrial capacity, reconverted that capacity with advanced technologies, to produce planes, tanks, etc. Detroit grew into the greatest manufacturing center in the world. Population flooded into the city, living standards rose. After Roosevelt's death, following the conversion of auto production capabilities back to civilian use, the upward trajectory of Roosevelt's development methods continued, even with some problems, up through 1963.

The 1963-64 period constituted an inflection point. The Venetian system, the opposite of the American Intellectual Tradition, is based on free trade looting through usurious loan arrangements, raw materials extraction, etc. Today, this system is known as the Anglo-Dutch oligarchical model. This system is based on the conception of man as a beast, to be herded, looted, and then culled.

Following the late 1963 assassination of President John F. Kennedy, the Wall Street-City of London financier oligarchy moved to impose a post-industrial society policy upon the United States, the policy of the Anglo-Dutch system. This policy deliberately withered manufacturing, agriculture, and infrastructural production, while building a gigantic speculative bubble, which has sucked more of the life blood out of the underlying physical economy, thus imperiling human existence. As a result, the 1964-2004 trajectory transformed America from a producer society, to a consumer society in imitation of the model of Imperial Rome, based on bread and circuses and the looting of foreign nations through slave-labor.

## The End Game

A dangerous dynamic characterized the past 40-year period: The more the American productive economy collapsed, the more Detroit's economy followed suit; however, three decades ago, Detroit's accelerating rate of collapse overtook that of the nation; the City is now imploding in a self-feeding cycle, helping pull down the country.

The scope of Detroit's erosion is staggering, though the world ignores it.

- In 1950, Detroit had a population of 1.850 million; the



*As its population leaves, sections of Detroit—once America’s most productive city and a magnet for internal immigration—are reverting to unkempt grassland like that on which the city was built beginning in the 19th Century. Only the line of telephone poles indicates where a street used to run.*

Department of Commerce projects that its population in March 2004 would be 914,000. Half its population has fled the City.

- There is an extraordinary deindustrialization. Factory after factory of the City’s famed auto, steel, machine tool, and other heavy industrial facilities, have been boarded up, or been sold for scrap. As an example: During World War II, Ford’s legendary River Rouge plant complex employed between 90,000 and 100,000 workers. Today, it employs 6,000.
- Since 1970, a staggering three-quarters of Detroit’s manufacturing jobs have been eliminated.
- Infrastructure from hospitals, to schools to transit has deteriorated, or been eliminated.

The housing picture is perilous, but far different than the average citizen imagines. Detroit has homes that are boarded up and some that are still fire-scarred from the 1967 riots. However, Detroit has “snaggle-tooth” housing: One will travel down a city block that is perhaps 500 feet long by 200 feet wide; there will be two houses on one part of the block, and one house on another part; the rest of the block is empty, one vacant lot after another. The homes have been knocked down, in the largest home demolition process in American history. For block after block, in many sections of the City, there is virtually no sign of life or of the working of civilization. Detroit is going backwards in time.

This regression to empty space is worsened by the city’s folding-back upon itself. As factories and jobs disappear, people leave the city. As a result, the city’s tax revenue base contracts. This tax loss leads to cutbacks and/or non-repair of basic infrastructure. The reduction of infrastructure leads more factories and people to leave, and so forth in a circle.

### **A Picture of America’s Future**

The method we will use in this article, and the only true way to look at history, is through examining processes of transformation and change, which are governed by policy decisions. These have given rise to, and are expressed by the trajectory of 1933-63, of economic upsurge, and the trajectory of 1964-2004, of economic disintegration.

As shocking as the story of Detroit is, one must realize that its trajectory is the story of every industrial city, and that of the United States itself. At one time America’s most productive city, and having been built itself around manufacturing, Detroit necessarily felt the collapse of manufacturing more intensely than any other city; its consequences there have been more extreme.

However, this process that is unfolding in Detroit is occurring in the formerly manufacturing, sister cities of Detroit: Buffalo, New York; Chicago, Illinois; St. Louis, Missouri; Cleveland, Ohio; and Philadelphia and Pittsburgh, Pennsyl-



vania. But Detroit and the industrial belt represent the picture of America as a whole in the immediate future. The idea that the United States can escape the fate of Detroit by “diversifying” into services, represents the same post-industrial thinking that created the crisis in the first place.

The entire post-industrial society policy, and the cancerous speculative superstructure, must be overturned. We must address a 40-year sickness.

Lyndon LaRouche uniquely has addressed the root cause of this crisis. LaRouche has first called for putting the world financial system through Chapter 11 bankruptcy reorganization. He would establish a new Bretton Woods monetary system, pivoted around the high-technology development corridors of the Eurasian Land-Bridge, and such continental projects as the Great North American Desert development project. The resulting anti-entropic growth would reconstruct the economy. In its wake, throughout America’s industrial belt, it would reopen hundreds of factories, and re-employ millions of productive workers.

But for the moment, Detroit defines in an advanced way, the pathway along which the entire nation hurtles.

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## I. A Trajectory of Upsurge: 1933-63

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The powerful transformation of 1933-63 can be seen in Detroit as a microcosm. The transformation was triggered by President Franklin Roosevelt’s American System policies, which dumped the Mellon-Morgan-DuPont monetarist policies that had dominated the Coolidge and Hoover Administrations and produced the 1929-33 Depression.

Detroit had the pre-conditions to be America’s greatest industrial city, which one can see in the intelligent organization of the city up through the 1930s, an organization similar to other leading American industrial cities.

Detroit owes its early development, in large measure, to those who exploited a magnificent natural-geographic setting, and improved it rationally by constructing a superb network-grid of ports, railroads, and infrastructure, and settling within and around the grid factories, homes, and community facilities.

The city is strategically located between Lake St. Clair to the north, and Lake Erie to the south (see **Map 1**). These two lakes form a junction, known as the Detroit River, a fast-moving body of water which carries goods and people to and from the municipality to America’s East Coast and Midwest. Further, Detroit participated in the development of railroads during the second half of the 19th Century, and the first half of the 20th, serving as the hub for an astonishing 30 railroad lines, which brought inward a flow of raw materials, and sent outward a flow of finished products.

Inside the 139-square-mile Detroit city limits, a high degree of centralization and rational planning was exercised. There were 534 miles of rail lines inside Detroit. Factories

were not placed helter-skelter, but were built along a rail line, and where possible, also along the Detroit River, where they could construct a dock-side port to offload goods. Many homes were built deliberately within the vicinity and walking distance of factories. Today’s Baby Boomers would find the close proximity of factories to homes shockingly offensive. Many workers, even when they used transport, travelled no more than fifteen minutes to get to their job. Stores and community facilities were located within the same factory neighborhood.

In his book *The Origins of the Urban Crisis*, historian Thomas Sugrue captures the flavor of Detroit’s organization: “Factories, shops, and neighborhoods blurred together indistinguishably, enmeshed in a relentless grid of streets and a complex web of train lines. . . . Rail lines formed the threads that tied the city’s industries together.”

The city’s passenger transit system was quite good. The Detroit Urban Railway had a stable of electric trolleys/streetcars and buses in operation. At peak travel during 1941, the streetcars ran up and down Woodward Avenue, the main street that divides Detroit east and west, once every 60 seconds, a better performance than today in any American city from New York to Washington.

## President Roosevelt’s Transformation

President Franklin Roosevelt’s re-institution of American System policies profoundly changed Detroit—and America—by unleashing explosive anti-entropic growth. FDR’s New Deal of 1933-37 built important infrastructure in and around Detroit—sewage plants, water systems, transportation—which made long-range improvements. But the most far-reaching change came when Roosevelt’s team directed the Hamiltonian economic mobilization for World War II in 1939-44.

Detroit’s auto industry’s origins traced to the building of the first auto-producing factory in 1900 by Ransom Olds. In 1903, Henry Ford established his Ford Motor Company, and in 1913, introduced the assembly line at his plants. Over the next decades, the production capacity of the auto industry grew, though the industry was hard hit by the Depression during the 1930s.

Roosevelt had known that the United States would become involved in the war to defeat synarchism and Hitler, and he had started planning in October 1940 to convert the extensive capacity of America’s auto industry to defense production. A few months after the Japanese attack on Pearl Harbor on Dec. 7, 1941, which led to a declaration of war, conversion began. Roosevelt’s War Production Board ordered the cessation of all auto production on Jan. 20, 1942.

What followed next was one of the largest and most successful technological undertakings in U.S. history. Auto plant conversion meant that the old assembly lines were torn out of the auto plants, and new machine tools were put in their place, incorporating the most advanced scientific design. New tech-

nological breakthroughs were continuously pumped into machine tools. For example, the production of the Wright Cyclone 14 aircraft required 80,000 machining operations. To build the engine, a new technologically-advanced machine tool was designed to drill, countersink, and spotface 224 identical 3/8 inch holes in an aluminum airplane engine crank case. These operations previously took two hours and 12 minutes. The new machine completed the job in 23 minutes, a 600% increase in productivity.

Technological breakthroughs were made not only in machine-tool design but in aluminum, magnesium, synthetic rubber production, and the harnessing of the atom. *Science became the driver of the economy, not just in the airframe sector, but throughout all production. The characteristic of action of the economy was scientific advance.*

During the period 1939-44, Detroit's auto plants were

opened up to full capacity—some had been on reduced schedule because of the Depression—and approximately 20% new capacity was added, sometimes by ripping up the floors and enlarging the plant. A leading example of what happened is the River Rouge plant (see box).

According to a 1944 report, employment in Detroit, most of it productive employment, grew by 44% during the economic mobilization for World War II. This did not just occur in autos, because 40% of Detroit's manufacturing base was in other heavy industries—steel, chemicals, machine tools, etc.

By 1944-45, Detroit enjoyed an old manufacturing base that had been modernized, as well as a new scientifically-enriched manufacturing base that had been built on top of the old. During the war mobilization, more than 200,000 Detroit workers had received retraining, of either moderate or intense form, to upgrade their skills.

## Do We Need the Auto Plants?

The shrinking automobile production sector represents a challenge. Its principal aim is to produce cars and trucks. The United States' 20th-Century shift to primary reliance on cars and trucks, away from reliance on long-distance and urban railroads and barge traffic, represented a step downward in the economy. The use of the auto led to, and was vastly expanded by, the building of the Interstate highway system, initially 41,000 miles and now over 56,000. This is a slower, energy-diffuse method of travel. Millions spend more than two hours each day commuting to work and back; many highways are extended parking lots during those peak travel hours.

The magnetic levitation train is a far more energy-efficient system, using different forms of electromagnetism to float and drive the train and provide its guidance. For travel between 200 and 750 miles, maglev can save 1-8 hours over car travel per trip. On Nov. 20, 2003, Lyndon LaRouche called for the establishment of a Magnetic Levitation Fund, to operate like FDR's Tennessee Valley Authority, to develop a national magnetic levitation rail system.

Then, how can the shutdown of the auto industry be a loss? Wouldn't its shutdown instead, be beneficial?

A walk inside an auto factory, with a sharp eye, quickly answers the question. An auto plant is primarily an arrangement of between 500 and 2,000 machine tools, in a configuration that passes one work-piece from one machine tool to the next. There are also anywhere from 50 to 200 robots. One-fifth of all machine tools in the United States are consumed annually in the auto industry. Thus,

the auto factory represents a highly developed capability of the most advanced machine-tooling, which can produce the most developed products—if it is retooled to that purpose.

For example, the greatest retooling in U.S. history was done during World War II. Look at what happened under Roosevelt's economic mobilization for World War II. Between January 1940 and August 1945, Detroit produced nearly 75,000 planes, an incredible number. Some steel capacity, and massive new machine-tool capacity was built in Detroit. Thus, the auto industry technological capacity is transferrable to the most necessary and advanced projects. The auto sector's connection to airplanes and aerospace continued through the 1970s.

What the auto industry in the United States represents, is a surge capacity for carrying out high-technology projects.

This is something long understood by Lyndon LaRouche. For example, in 1975, LaRouche commissioned an "Emergency Agricultural Production Act," as a draft for submission to Congress. In the face of that year's drought, the long-standing underdevelopment in Africa and elsewhere, and the need for agricultural equipment, Section 101 of the draft Act said, "The Departments of Agriculture and Commerce are hereby authorized to direct the automobile industry to convert all available capacity to the production of tractors, trucks, and other [agricultural] equipment essential for agricultural production of at least two million units per year." LaRouche's Magnetic Levitation Fund could use both the massive unused or mis-used capacity of the auto industry, and the idle capacity of the aero-space industry, especially unlocking the boarded up production plants in Detroit, St. Louis, and Cleveland.

—R. Freeman

President Roosevelt died in April 1945, but his policy design had been so powerful that its thrust continued for the next immediate period. The economic mobilization for the Korean War of 1951-54 continued the policy that had occurred earlier during the economic mobilization for World War II.

During the 1950s, several smaller Detroit auto companies had shut down or consolidated—Nash, Hudson, Willys, Kaiser-Frazer, Studebaker, Packard, and Murray Auto Body—which caused a loss of jobs. The 1957-58 recession hit very hard in Detroit, and actually continued in the city until early 1960. But the momentum on the whole, with some definable problems, was positive until the early 1960s.

### **Productive African-American Labor Force**

We have seen above the policy thrust and scientific roots of the trajectory of 1933-63. But a proper metric for this transformation must assess singularities, phase changes, which feature the transformation. The powerful transformation of the African-American population is such a singularity, as it built an African-American productive labor force for the first time in history. Prior to 1930, overwhelmingly, African-Americans were confined to work in certain jobs: retail store clerks, janitors, and domestics. Some acquired manufacturing jobs, but such jobs were denied to most. Between 1916 and 1929, a considerable number of African-Americans migrated to Detroit, escaping from the South, mostly seeking work. However, many of the newly arrived were consigned to the same lowly jobs.

The positive thrust of Roosevelt's economic mobilization for World War II of 1939-44 changed that. First, this created a labor shortage in Detroit, as many men were under arms at the very time that factory capacity was being expanded. Second, Roosevelt issued an executive order banning racial discrimination in defense production. This created the condition to tear down some racial barriers.

There was an extraordinary change: In 1930, the percentage of working age Detroit African-American males who were employed as factory operatives is unknown, but it is believed to be slightly above 20%. By 1940, about a year after America's economic mobilization for World War II had begun (although still before the reconversion of the auto plants), the percentage of African-American males who were employed as factory operatives rose to 29%. By 1950, taking into account the economic mobilization for World War II and other developments, the percentage of Detroit African-American males who were employed as factory operatives leapt to 45%. This is roughly the same percentage as for White males. At the same time, by 1950, one-fifth of all African-American females were employed as factory operatives.

Detroit African-Americans had gained entry, in a major way, into the "mainstream" of the productive labor force. This had several ramifications. First, manufacturing factory operatives physically alter nature for mankind's improve-

ment. This act of doing something productive that contributes to society, positively shapes the worker's thinking, judgment, and internal sense of him- or herself. Simultaneously, in that time frame, a manufacturing factory operative's annual wage was sufficient to provide the worker's family with a decent living standard and to raise productive and creative children. This was a big step out of the long night of racism and discrimination. There were still other major obstacles, such as racist covenants and red-lining which restricted access to housing. But the breakthrough on the front of productive employment could be used as leverage to defeat the other obstacles, provided that the trajectory launched by Roosevelt in 1933 continued, and was enlarged.

Based on that trend, a second great migration of African-Americans to Detroit occurred. By 1960, 28.9% of Detroit's population was African-American.

But the national policy shift of 1964 would have a major effect.

### **Detroit as a Standard**

Detroit became a standard—though far from perfect—which one could measure other cities and nations against. We can examine all of Detroit's leading features, including its living standard.

What is a living standard? Lyndon LaRouche has developed in his magnificent January 2004 article, "On the Subject of Tariffs and Trade," that "The underlying, fundamental principle of a science of economy, from whose application modern economy is derived, is the notion of 'powers' (ancient Greek: *dynamis*) which Plato adopted, chiefly, from the work of the Pythagoreans." This "invisible principle of powers" is what governs the transformation from one phase of economic development—or devolution—to the next. A leading expression of this is the cognitive power of the human mind. Situated from that standpoint, one assesses the household living standard, not as some set "quantity of monetary purchasing power." Rather, it is an ordered array of physical goods and cultural qualities, most emphatically including essential public infrastructure, which has a social cost, and which a household consumes in order to achieve higher material and cognitive standards of existence. This enables the household to produce children of a still higher cognitive and productive "power."

This household living standard can be assessed from three parameters: a market basket of consumption goods; demographic changes; and composition of the labor force.

- As reported above, in 1950, 45% of all African-American male workers, and a similar percent of White workers, were employed as factory operatives. Adding in the workers who were engaged in the productive activity of construction, transportation, power generation, and mining, well over half of all Detroit male workers were then engaged in productive labor. Today, the percentage of workers for the United States as a whole who are factory operatives, is only approximately

one-third the level that existed in Detroit in 1950.

- For the United States as a whole in 1950, 60% of households were headed by a single wage-earner; and based on patterns, it is likely that at least 65% of Detroit's households were headed by single wage-earners.

- Housing: One historian describes the housing of Detroit: "spreading out for miles and miles on the horizon in every direction was a sea of frame and brick houses." The homes in Detroit might have 1,000-1,300 square feet, less square footage than a new home built today. But many of the older Detroit homes were well-built; a significant percentage of them were built out of brick. Compare that to the new homes built today, which have less brick, made of inferior material, and are shoddy. Detroit had a very high rate of home ownership (although many African-Americans were engaged in battles to obtain housing). Two-thirds of Detroit dwellings were single-family homes.

- Hospitals: Under the impetus of the Hill-Burton Act, hospitals and health infrastructure were being constructed at a rapid pace.

Under the thrust of the Roosevelt policies that launched the trajectory of 1933-63, Detroit, as a microcosm of America, was America's greatest manufacturer. It functioned as a city that integrated industry and dwelling places. Its infrastructure performed on a level of good to superior. Detroit functioned well, and could serve as a standard to America's cities.

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## II. Trajectory of Decimation: 1964-2004

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In the stark days after President John F. Kennedy was assassinated in November 1963, President Roosevelt's persisting policy principles were replaced by an entirely different ordering principle: that of the policy of post-industrial society. This launched and governed the 1964-2004 trajectory of decimation of what is now euphemistically labelled "the Rust Belt."

Detroit went from the most manufacturing-dense city in the world, to a former city on the path to extinction. In this, as a microcosm of the United States, it accurately shows the pathway that America is travelling. It offers a warning: Unless these policies are stopped, there will be no United States, just as there will soon be no Detroit.

We look at the critical demographic, composition of the labor force, and household market basket consumption parameters, that allow us to trace Detroit's development, for the worse, over the past 40 years.

### Post-Industrial Society Policy

The years 1963-64 marked a crucial turning point, as the Wall Street-City of London financier oligarchy imposed the post-industrial society policy upon the United States.

Three key features are cited:

- On Aug. 15, 1971, President Richard Nixon ended the Bretton Woods system and took the U.S. dollar off the gold reserve standard, on advice from London-Wall Street oligarchical forces, which instituted the floating-exchange-rate system. This severed U.S. financial flows from physical goods flows. The dollar could be moved anywhere around the globe without any connection to financing hard-commodity goods trade or industrial processes. This led to a big increase in speculative investments.

- During the week of Oct. 6-12, 1979, President Jimmy Carter's Federal Reserve Board Chairman Paul Volcker unleashed a policy that he called "controlled disintegration," as an extreme variant of the post-industrial society policy. Volcker sent interest rates into the stratosphere, so that by December 1980, the prime lending rate charged by commercial banks shot up to 21.5%. Volcker kept interest rates at double-digit levels for nearly a decade. This razed to the ground production facilities, many of which never reopened again.

- In 1981, the Congress passed the Kemp-Roth Tax Act, which contained provisions encouraging real estate and stock market speculation; in 1982, it passed the Garn-St Germain Act, which disastrously deregulated the banking system.

These and other steps produced a profound transformation, a phase-change, which reduced the productive potential of the United States below the break-even level.

### Shut-Down

The way to conceptualize the process of Detroit's destruction is as an ongoing implosion. Detroit, like every well-designed city, depends upon and operates through interconnected functions. But when two or three leading functions are destroyed, they pull down the rest, in a series. Ultimately, the integrated whole which is the city, collapses, unable to function properly or to produce its population's survival.

The first trigger to Detroit's shutdown was the collapse of the automobile industry as well as its other heavy industry. The Big Three auto companies, General Motors, Ford, and Chrysler, which are under considerable banker influence, helped to accelerate this process by outsourcing production to low-wage centers, first in the American South, and then in the developing world. By the early 1980s, Chrysler procured fully 70% of the value of its final product from outside suppliers, with an increasing share of that produced overseas. Allegedly to "stay competitive with Chrysler," Ford and GM stepped up outsourcing.

**Table 1** shows several significant auto production facilities that operated in Detroit and its immediate environs in 1960, including mainstays like General Motors' Cadillac, Chrysler's Dodge Main, and Ford's River Rouge. Most citizens of Detroit knew every plant by name and the community within the city in which it was located. The Table shows that in 1960, there were 35 significant auto plants, employing

TABLE 1

**Auto Production Facilities in Detroit Area**

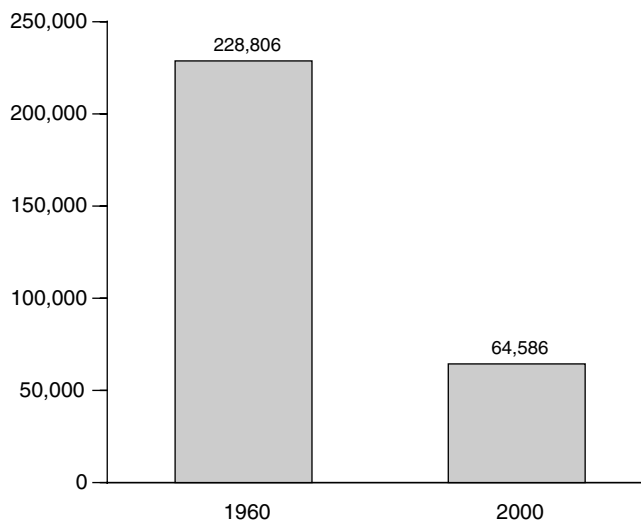
	1960 Employment	2003 Employment
<b>General Motors</b>		
Cadillac, Detroit	8,400	CLOSED
Detroit Transmission, Warren	4,700	1,500
Diesel, Romulus	1,549	2,200
Fisher Body, Livonia	2,384	450
Fisher Body 23, Detroit	915	CLOSED
Fisher Body 37, Detroit	185	CLOSED
Fisher Body Fleetwood, Detroit	3,900	CLOSED
Ternstedt Division, Detroit	4,000	A
Chevrolet Forge, Detroit	1,407	CLOSED
Chev. Gear & Axle, Detroit	6,500	B
Chev. Spring & Bumper, Livonia	1,530	C
Cadillac, Detroit/Hamtramck	0	3,200
<b>Subtotal</b>	<b>23,400</b>	<b>7,350</b>
<b>Chrysler</b>		
Dodge Main, Hamtramck	7,500	CLOSED
Chrysler Jefferson, Detroit	3,000	3,015 D
Dodge Forge, Detroit	1,000	CLOSED
Plymouth Assembly, Detroit	2,300	CLOSED
Plymouth Engine, Detroit	1,000	CLOSED
Dodge Truck, Detroit/Warren	1,800	3,940
Amplex	297	CLOSED
Auto Body Division, Detroit	9,700	CLOSED
Imperial, Detroit	1,410	539
Trenton Engine, Trenton	3,077	2,707
Highland Park	2,200	CLOSED
Nine Mile Press, Warren	1,560	3,138
Lynch Road, Detroit	1,529	1,893
Detroit Tank	536	CLOSED
Michigan Missile	1,148	CLOSED
Stamping Plant, Sterling Heights	0	2,900
Assembly Plant, Sterling Heights	0	3,211
Conner Ave. Assembly, Detroit	0	131
Mack Ave. I, Detroit	0	1,066
Mack Ave. II, Detroit	0	633
<b>Subtotal</b>	<b>38,057</b>	<b>23,173</b>
<b>Ford</b>		
River Rouge Facility	30,000	6,000
Steel Division (part of Rouge)	5,500	E
Mound Road, Sterling Township	5,600	CLOSED
<b>Subtotal</b>	<b>35,600</b>	<b>6,000</b>
<b>TOTAL</b>	<b>97,057</b>	<b>36,523</b>

A = GM reportedly sold this factory to Delphi (producer of auto parts). B = GM sold this factory to American (producer of gears and axles). C = GM sold this factory to Delphi. D = Chrysler tore down the old Chrysler Jefferson Ave. factory, and in 1991, built a new factory at the site. E = Ford sold its steel-making division, to Rouge Steel, an independent steel-maker.

Sources: General Motors, Chrysler, and Ford communications and media relations departments; Thomas J. Sugrue, *The Origins of the Urban Crisis*; *EIR*.

97,051 workers. By 2003, half of these plants had been boarded up or blown up, and the machinery sold for scrap. Dodge Main went from 7,500 workers to zero. In this time frame, six new plants have been opened, but of modest employment levels. Overall, by 2003, the remaining auto plants

FIGURE 1

**Detroit Residents Employed in Manufacturing Jobs**

Sources: Southeast Michigan Council of Governments; U.S. Department of Commerce.

employed 36,523 workers, a reduction of 61% since 1960.<sup>1</sup>

The auto plants' closure forced the closure of feeder manufacturing sectors, such as machine tools, steel, glass, rubber, etc. The post-industrial society policy also forced the closure of many non-auto-related factories, such as machine tools, steel, etc. Combined, this triggered the collapse of Detroit's manufacturing base on an unprecedented scale.

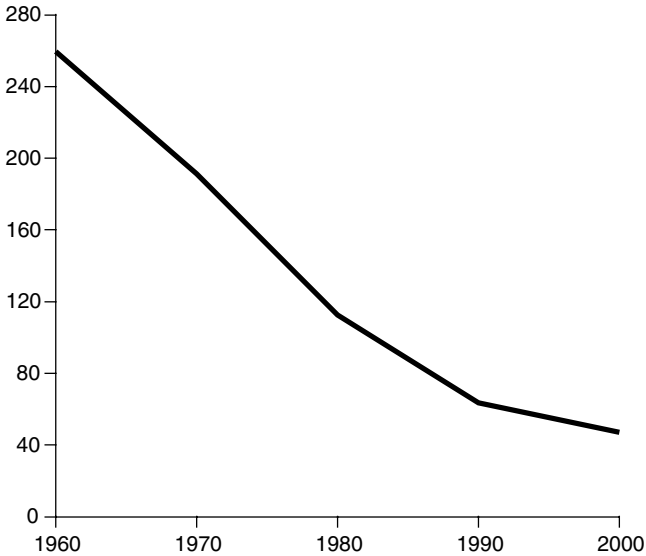
The Bureau of Labor Statistics counts manufacturing employment in Detroit using two different methods, the *household survey method*, and the *establishment survey method*. **Figure 1** uses the household survey method, whereby the BLS counts the number of Detroit city residents who list manufacturing as their primary occupation, regardless of whether that manufacturing job is located in the city of Detroit or not. On this basis, the number of Detroit manufacturing workers plunged from 228,806 in 1960 to 64,586 in 2000, a fall of 71.8%.

**Figure 2** uses the establishment survey method, under which the BLS counts the number of manufacturing jobs that exist at plants inside Detroit, regardless of whether the person

1. Actually, in auto plants in Detroit in 1960, there were more than the 97,051 auto workers reported in Table 1; there were 114,587 workers. The reason is that if, between 1960 and 2003, a Big Three-owned auto facility was sold to a non-Big Three company, *EIR* did not count that sold plant's 1960 employment level in the cumulative total for 1960, nor the sold plant's 2003 employment level in the cumulative total for 2003. *EIR* did not know the employment totals of several plants under their new owners in 2003, and did not want to throw off the comparison.

FIGURE 2  
**Detroit City Manufacturing Employment**

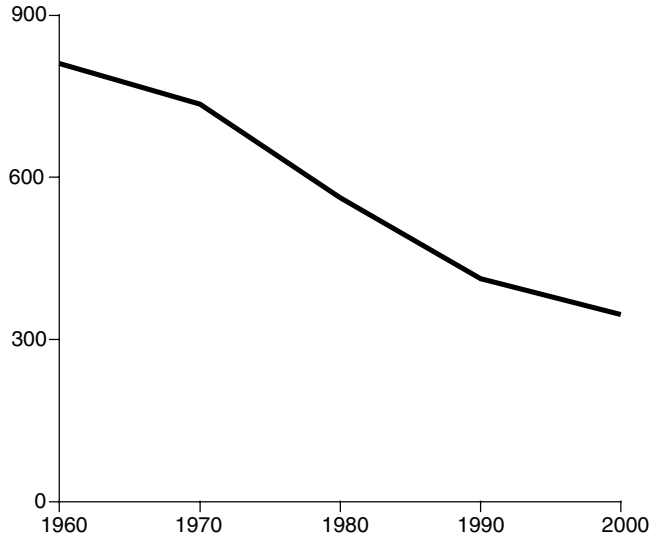
(Thousands)



Sources: U.S. Department of Commerce; Southeast Michigan Council of Governments; *EIR*.

FIGURE 3  
**Detroit City Employment**

(Thousands)



Sources: Southeast Michigan Council of Governments; U.S. Department of Commerce; *EIR*.

who works at that job resides in Detroit or not. On this basis, the level of manufacturing employment at manufacturing plants inside Detroit, plunged from 259,495 workers in 1960, to 46,925 in 2000, a staggering 81.9% collapse.

Whichever method is used, the process of transformation is painfully clear. During World War II, Detroit had been the world's biggest manufacturing city, known as "the Hub of the Arsenal of Democracy." Now, under a different principle, its manufacturing factories and workforce had been obliterated.

Once manufacturing was gone, the floodgates opened up. **Figure 3** (using the establishment survey method) depicts that the total employment inside Detroit fell from 810,923 workers in 1960 to 345,424 workers in 2000. Nearly half-a-million jobs, or three-fifths of the 1960 total, had been eliminated.

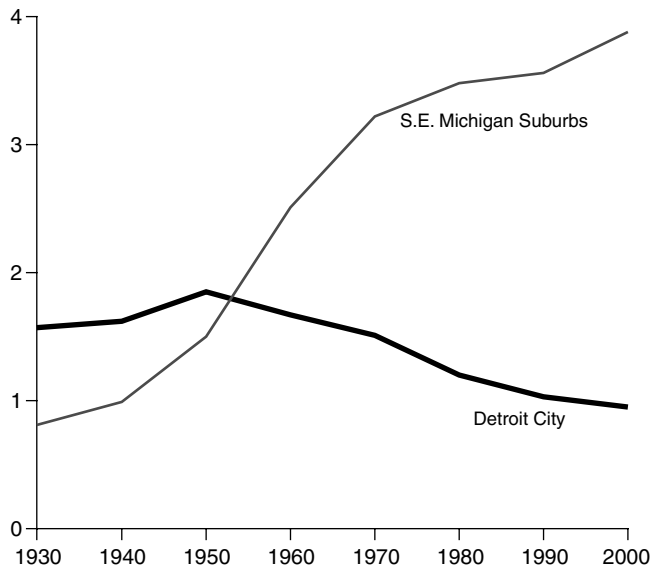
### A 50% Population Reduction

As a result, the population imploded. **Figure 4** portrays Detroit city's population since 1930. Under the impetus of Roosevelt's policies, people flocked to Detroit for the manufacturing employment, its living standard, and the city's competent functioning. Detroit's population reached a peak of 1.85 million people in 1950. Over the next ten years, it declined, but largely as workers moved to areas just outside Detroit's borders to live, while still working in the city.

However, starting in 1960, many residents left the city and did not come back to work, because the jobs had disap-

FIGURE 4  
**Detroit City Population Collapses, While Suburban Population Shoots Up**

(Millions)



Source: Southeast Michigan Council of Governments (SEMCOG); *EIR*.

TABLE 2

### Detroit Population, and African-American Portion

	Total Population	African-American Population	African-American Population as % of Total
1960	1,670,144	482,672	28.9%
1970	1,511,482	672,609	44.5
1980	1,203,339	758,104	63.0
1990	1,027,974	781,260	76.0
2000	951,270	776,236	81.6

Sources: Southeast Michigan Council of Governments; *EIR*.

peared. This swelled the population living in suburbia, shown in Figure 4. Detroit city's population started careening downward at an accelerating rate. By 2000, it had dropped to 951,270 people, a level that was an incredible 43% below the level of 1960, and 48% below that of 1950. The depopulation has continued: The U.S. Department of Commerce projected last year that by March 2004, Detroit's population would have further declined to 914,000 people. *Detroit's population has been reduced by 50%. For a city that started out with a population of 1 million or more, such a halving had never happened in the history of the United States.*

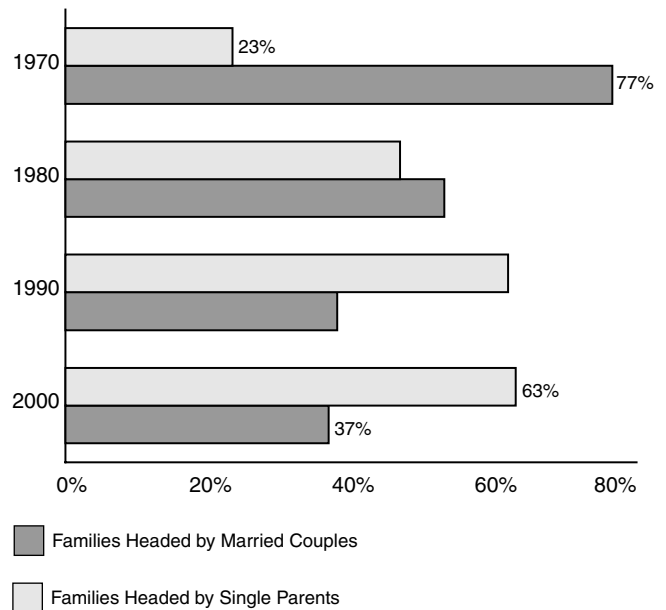
To understand Detroit's depopulation, one must comprehend a second process which turned out to have a grim consequence. From 1930-60, many African-Americans escaped from the Deep South, leaving behind feudalistic conditions of lack of jobs, crushing poverty, and prevalent racism, to move to Detroit. For all its notable imperfections, Detroit was a place where one could hold a well-paying factory job, vote in elections, and raise a family. **Table 2** shows how in a cruel twist of fate, African-Americans continued to migrate to Detroit in great numbers during the 1960s—Detroit's African-American population grew by 190,000 during this decade—expecting what previous generations had gained, *even as the manufacturing jobs, under the impress of the post-industrial society policy, were disappearing.* The same process, of a migration of African-Americans to Detroit continued during the 1970s, though at a lower rate, even while the urban economic conditions continued to get worse.

Then the migration came to a halt. During the 1980s decade, Detroit's African-American population grew by 23,000, but that growth of 2,300 people per year can be accounted for entirely by childbirth. During the decade of the 1990s, the African-American population declined in absolute numbers. There started a reverse migration, as desperate people headed back to the South. In 2000, Detroit's African-American population constituted 81.6% of the city's total population. Many Whites had moved to the suburbs.

But now those living in Detroit, whether African-American or White, faced a daunting reality. Detroit had changed

FIGURE 5

### Family Devolution: Detroit Heads Of Household of Families With Children



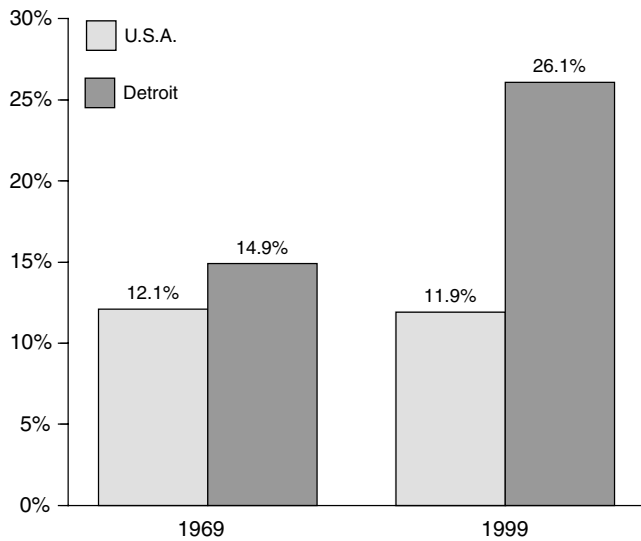
Sources: Wayne State University College of Urban, Labor and Metropolitan Affairs.

entirely from the land of opportunity and progress; the citizens were trapped in a city that could not support even 1 million people, and was dying.

As the population declined, and opportunities for decent real employment disappeared, there was an accompanying breakup of the family structure. This was abetted by the growing prevalence of the sex-rock-drug counterculture. **Figure 5** shows the types of family in Detroit. The family headed by a married couple is, when operating well, best suited for nurturing children. This is not true as "an article of faith," but because two loving parents can develop the child, and will have the time to spend with the child, and can transmit an agapic sense which will give the child emotional depth and a more developed sense of identity. Hopefully, the child will not have to spend time trying to secure his daily bread, because his or her single parent is struggling to survive. Figure 5 shows that in 1970, about 77% of Detroit's families that had children of their own were headed by a married couple. This still represented the stability of African-American and White working class households. However, by 2000, the family arrangements had significantly deteriorated. There had been a reversal: Now nearly two-thirds of Detroit's families that had children of their own were headed by single parents. In most cases, when the child came home from school, the parent was working. These became latch-key children.

FIGURE 6

**Population Below Poverty Level**



Sources: Wayne State University College of Urban, Labor and Metropolitan Affairs; U.S. Department of Labor, Bureau of Labor Statistics.

Further, whereas nationwide, in 1950, 60% of families had a single wage-earner, because income levels were sufficient, in 2000, only 10% of families had a single wage-earner. In Detroit, this tendency would be even worse.

Compounding the problem of families with children headed by a single parent, is that in Detroit, officially, nearly 40% of families headed by a single female parent, live below the poverty line. **Figure 6** demonstrates that poverty is deeply ensconced in Detroit. In 1969, the poverty rate in the United States was 12.1%, while that in Detroit was 14.9%. In 1999, the poverty rate in the United States fell slightly to 11.9%, while Detroit's poverty rate jumped to 26.1%. One out of every four people in Detroit lives in grinding poverty.

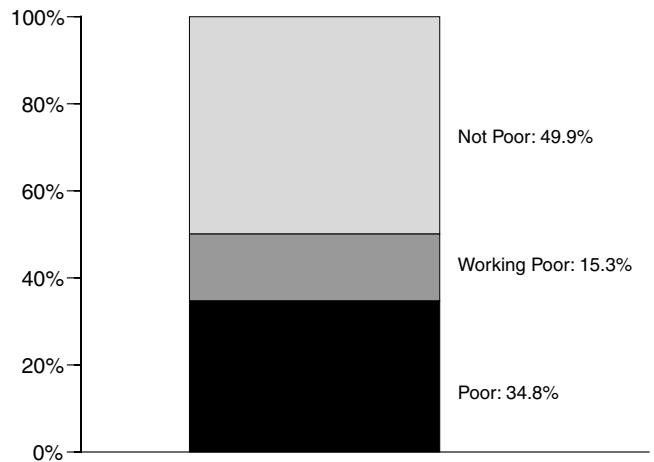
**Figure 7** shows poverty for children in Detroit. In 2000, 34.8% of the children under 18 years old in Detroit were poor. But there is an additional classification, called "working poor." This constitutes households that earn an annual income that is between 101% and 150% of the official poverty level. The official poverty level is so artificially and criminally low, that 150% of the poverty level is still very poor. *EIR* has long regarded 150% of the poverty level as the true poverty threshold. What **Figure 7** expresses is that one out of two children in Detroit suffers poverty, a truly stunning development.

The reader should conceptualize that poverty means that a child lives in a run-down apartment or home, with inadequate or sometimes non-existent heat in the Winter; that the family often goes without one meal per day, and towards the end of the month, may miss two or all three meals a day; that

FIGURE 7

**Percent of Detroit Children Less Than 18 Years Old Who Are Poor, 2000**

(100%=287,960 Children)



Sources: Wayne State University College of Urban, Labor and Metropolitan Affairs; *EIR*.

according to national statistics, children born in poverty have a much greater chance of being born with low birth weight, and that according to medical specialists, low birth weight appears to account for one-third of all children who are born with cerebral palsy and gives an increased significant chance for other childhood afflictions, including mental retardation. As will be seen, Detroit's widespread poverty, combined with the take-down of its health and hospital system, has bequeathed to the city a sky-high infant mortality rate.

This is how the lower quarter of Detroit's population, by income class, lives.

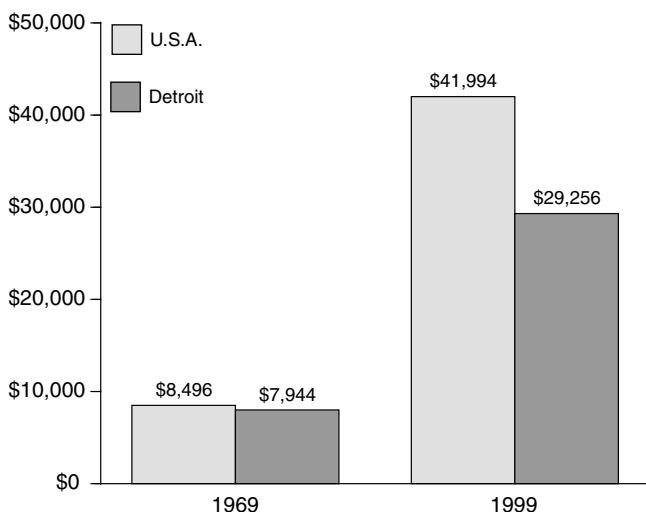
**Living Standard Destruction**

There was a downward thrust in household existence.

First, we take a first-approximation look at household income. We know that median household income is completely inaccurate as a real measure to be used, but the series can be used for comparison, giving a crude sense of direction. **Figure 8** highlights that in 1969, the annual median income for a household in Detroit was \$7,904, which was 6.5% below the nationwide U.S.A. median household income of \$8,496. In fact, the year 1969 was part of the severe 1967-69 recession, which shut down several auto plants. Had it been possible to choose 1965 or 1966, it is likely that the Detroit annual median household income would have equalled or slightly exceeded the national median household income. However, one can see the trend: By 1999, the Detroit median household income had fallen a whopping 30.2% below the national median household income. This shows that however inadequate median



FIGURE 8  
**Detroit Annual Median Household Income**



Source: U.S. Department of Commerce.

annual income is as a metric, Detroit could not keep up with the nation, and was one-third behind.

We shift focus onto the household market basket of consumption, which is the real metric of the standard of living. A household consumes such goods and infrastructure, including education, to raise its own productive power and that of its children, and to transmit this productive power as improvements to the economy as a whole. This household market basket has been falling.

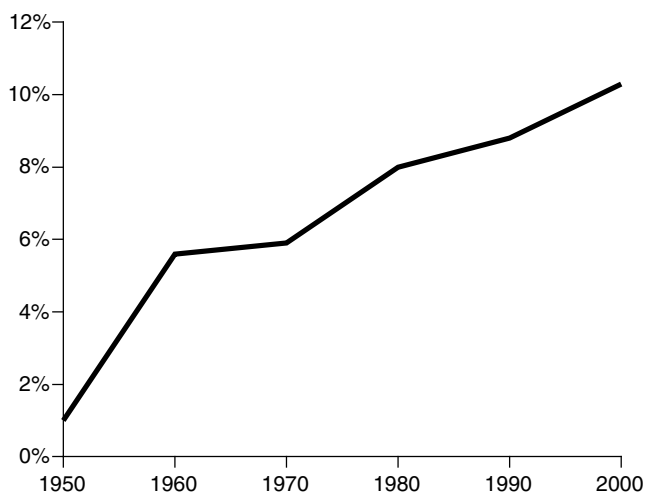
Look at three critical elements of real household consumption which highlight this fall: housing; transportation; and health and hospital services.

**Housing:** We examine three features of the housing crisis.

First, **Figure 9** shows that in 2000, the vacancy rate of Detroit housing reached 10.3%. Much of the unoccupied housing is grossly inferior, unfit for human habitation.

Second, the poor are imperiled by their housing situation. The U.S. Department of Housing and Urban Development (HUD) calls a housing problem a “Critical Housing Need” (CHN) and says that a household experiences a CHN when either: a) it pays 50% or more of its income for housing; and/or b) lives in a dwelling that is substandard (according to certain standards). HUD reports further, that of the 142,000 households in Detroit’s Very Low Income (VLI) households, half have fallen into the status of having CHN. These households may be shunted into a defective apartment, but still have to pay an indecent 40%, 50% or more of their income for their dwelling. Many of these households depend on the whim of the landlord or their next paycheck, as to whether they have a roof over their head. The 71,000 VLI households who live

FIGURE 9  
**Detroit Housing Vacancy Rate**



in this dangerous condition of having Critical Housing Needs constitute one-fifth of the entire Detroit population.

Third, and most serious of all, in terms of quality and availability, the condition of Detroit housing today is one-third below what existed in the 1940-60 period. This matter is of such importance that we treat it in depth below.

**Transit:** In the 1933-63 period, Detroit had a very good transit system, and at its height, Detroit’s rail system had 30 different rail lines running in and out of the city, traversing 534 miles of track within its boundaries alone. Much of this network was for freight.

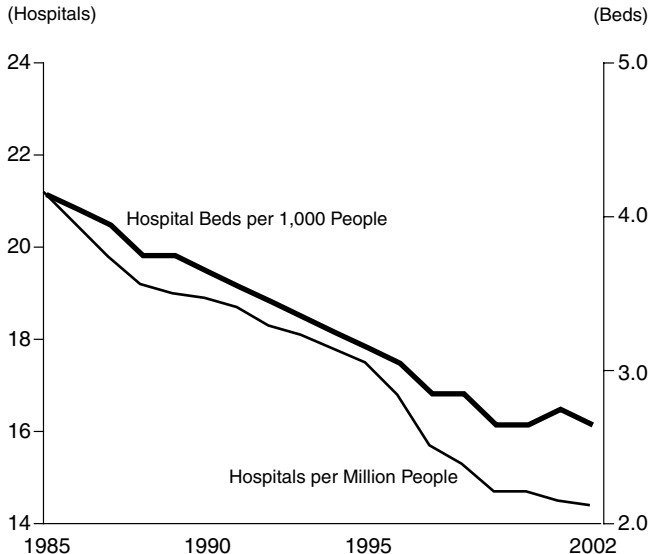
The Detroit Urban Railway system was the main transit system for people transport inside the city, featuring electric trolleys/streetcars, and buses as well. As reported, in 1941, during the economic mobilization for World War II, at peak travel on the city’s main street, Woodward Ave., a streetcar ran every 60 seconds. But the building of highways inside Detroit, and other efforts led by the banks, led to the insane act of shutting down the efficient streetcar system in 1956. In 1960, about 22% of Detroit’s population used the public transport system, but that fell to 9% in 2000. Now the city is wholly dependent on cars; but 22% of Detroit’s population has little or no access to cars, so these people must walk.

The bus system is deteriorated, routes have been eliminated, and in some areas, it necessitates waits of 20-30 minutes. And with the shutdown of factories, there is not much of an option to walk to work. This is a pale reflection of the 1933-63 transit system.

**Health and Hospitals:** The hospital and medical system keeps people productive, and is crucial for longevity and increased potential relative population density.

From 1933-63, there was considerable hospital building

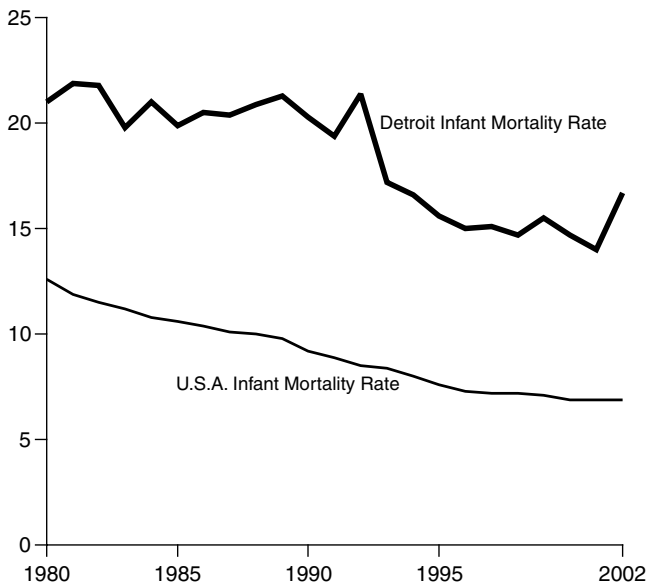
FIGURE 10  
**The Wipe-Out of Michigan Hospitals and Available Beds, 1985-2002**



Sources: American Hospital Association; U.S. Department of Commerce; *EIR*.

FIGURE 11  
**Detroit's Infant Mortality Rate**

(Infant Deaths per 1,000 Live Births)



Sources: Michigan Department of Community Health; U.S. Center for Disease Control, National Vital Statistics Reports.

in Detroit. *EIR* was restricted by lack of accurate information on the number of hospitals and closings over time in Detroit city, supplied by the American Hospital Association (AHA). But AHA information does show the trend for Michigan as a whole, which trend has been accelerated in Detroit.

In 1985, Michigan had 193 hospitals; 48 had been closed by 2002. In 1985, Michigan had 37,546 hospital beds; 11,416 had been stripped away by 2002.

To measure health, it is necessary to measure it on a per-capita or per-household basis. **Figure 10** shows that between 1985 and 2002, the number of hospitals available per 1 million people, dropped from 21.2 to 14.4, a fall of 32%. One-third of Michigan's hospitals are boarded up or destroyed. Between 1985 and 2002, the number of hospital beds per person had fallen from 4.12 to 2.60, a collapse of 37%. According to the standards of the Hill-Burton Act, there should be between 4.5 and 5.5 hospital beds per 1,000 persons. Michigan has only about half the number of hospital beds mandated by Hill-Burton.

The process of close-down of hospitals, and insufficient beds to treat people, has been exacerbated in Detroit. LaMar Lemmons, a former Michigan state representative representing Detroit's east side, told *EIR* on March 12, that during the last three years, Samaritan Hospital, Holy Cross Hospital, and Saratoga Hospital, all located on Detroit's East Side, have closed down, leaving only one major hospital still open in Lemmons' district. He recounted, "I went to one [Detroit]

hospital that looked like a MASH unit. People were out in the halls. They didn't have enough rooms. . . . The patients flooded in. They had to go somewhere."

In addition to hospitals, beds, and doctors, health is a total process, that involves sufficient levels of sanitation, plentiful clean water, and individuals having adequate diet. Detroit has insufficient levels of all of these. This is made manifest in the death rate. It is highlighted by comparing Detroit' infant mortality rate to that of the United States as a whole (infant mortality is the number of child deaths per 1,000 live births). **Figure 11** demonstrates that in 1980, the United States' infant mortality rate was 12.6 compared to Detroit's rate of 21.0. By 2002, the United States' infant mortality rate had fallen to 6.9, but the rate in Detroit remained extraordinarily high at 16.7, which is two and one-half times greater than the national average.

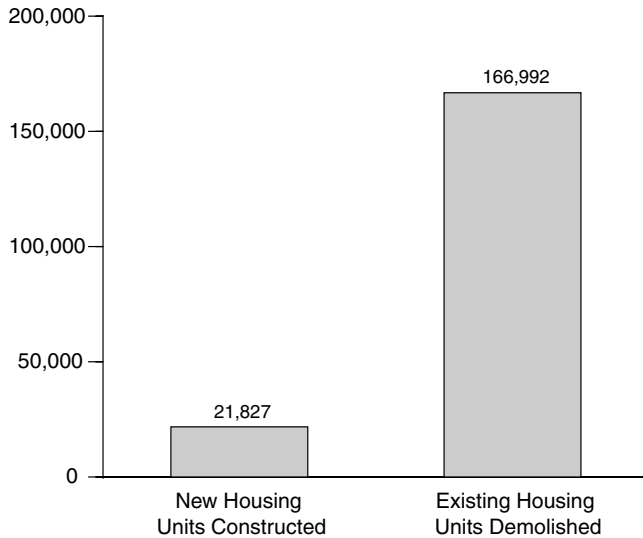
### Back to Empty Spaces

As Detroit was depopulated, the city was literally demolished, as entire sections which were once viable, were ripped up and carted away.

Part of this had actually begun in the 1950s, with the introduction of the highway system into Detroit. In 1956, the Federal-Aid Highway Act was passed, which authorized the construction nationwide of 41,000 miles of interstate highways. This led to a series of freeways and bypasses which cut

FIGURE 12

**Detroit's Housing Construction vs. Demolition, Cumulative 1970-2003**



Sources: Southeast Michigan Council of Governments; EIR.

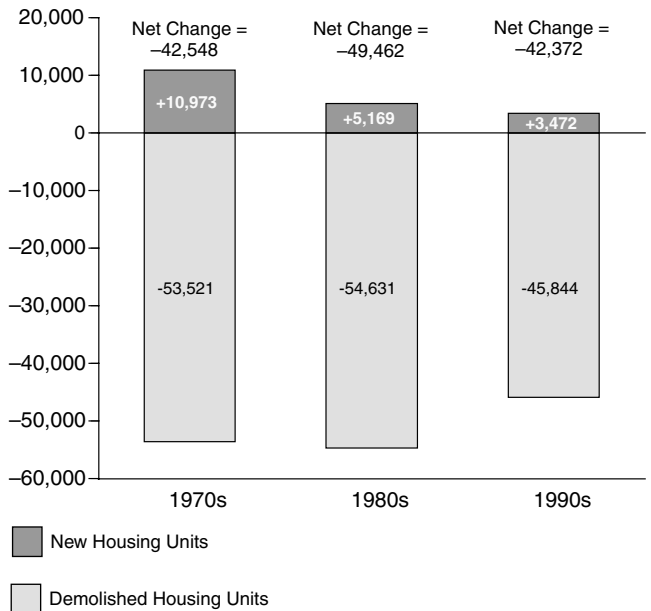
through many cities, most emphatically Detroit. It started with the beginning of construction inside Detroit, in 1959, of the I-94 Freeway, and continued through 1989 with the construction of the Walter Reuther Freeway. These freeways caused thousands of residences and hundreds of businesses to be ripped up, especially African-American sections such as Paradise Valley. This led to massive traffic congestion, and a devolution of Detroit transit.

But a second, more powerful, over-arching process was set into motion. As jobs and population disappeared, so did the city's factories and housing stock. One notable feature of deindustrialized cities is the amount of housing that is burned out and/or boarded up. Detroit certainly has that, but it also has something that exists far more in Detroit than any other city, and is completely shocking: mile after mile of city streets where housing has been demolished, and nothing stands in its place.

**Figure 12** shows that between 1970 and 2003, there were permits granted for the construction of 21,827 new housing units. It is not clear that for all these permits, actual housing units were constructed; but let us assume that they were. During the 1970-2003 period, 166,992 housing units were demolished. Over 33 years, *Detroit tore down one-third of its occupied housing stock*. This dimension of housing destruction had never happened in a major city in America's history. To put the enormity of this destruction into perspective, according to Dr. Allen C. Goodman of Wayne State University, a housing expert, the total quantity of housing units that Detroit

FIGURE 13

**'Homebuilding' in Detroit**



Sources: Southeast Michigan Council of Governments; EIR.

tore down since 1970, almost equals the total number of housing units that exist and are occupied in the city of Cleveland today. An entire city of half a million people could live in the housing stock that Detroit destroyed.

**Figure 13** depicts the housing balance for the 1970s, the 1980s, and the 1990s, where the net change is equal to the number of new units minus the number of housing units demolished.

The tearing down of homes in Detroit for the past 40 years, is a governing characteristic.

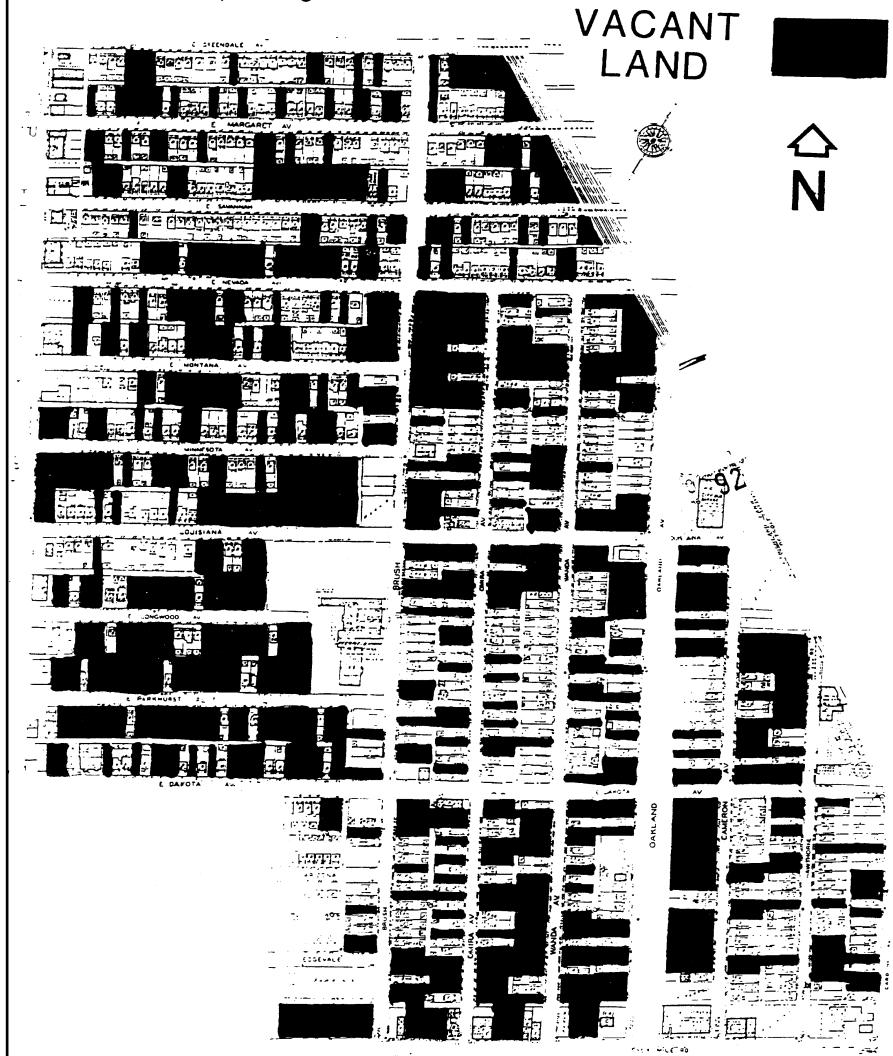
On Aug. 24, 1990, the City Planning Commission of Detroit issued a critical report with the dry title, "Survey and recommendations regarding vacant land in the city." The survey divided the city into 30 area districts, and subsumed each district into one of five categories: 0-10% vacant; 11-30% vacant; 31-50% vacant; 51-70% vacant; and 71-100% vacant. The report contained map studies of some of the 30 area districts. **Map 2** shows the area in the northwest portion of Detroit. According to the report, in this cited district, "over 70% of the parcels in the area are vacant, [and] over 20% of the existing buildings are also vacant." The blacked out areas on the map represent vacant land. Once this district area functioned as part of the city; but now it has been left to rot.

The City Planning Commission report had an ominous warning of what to do about district areas that are 51% or more vacant. It recommended "relocating the remaining residents to provide them with increased security and services."

# City of Detroit

CITY PLANNING COMMISSION

202 City-County Building  
Detroit, Michigan 48226



*A city of vacant lots, Detroit has four times as many as any other U.S. city, as illustrated by this area in the Northwest of the city, bounded by the Grand Trunk Western Railroad and E. McNichols and E. Hilldale Streets. Areas all over Detroit are reverting to semi-uninhabited condition.*

That is, the city would take the population out of these areas. To understand the full import of what stands behind this recommendation, one must consider the proposals of the financier oligarchy, as presented by what they were doing in New York City, under the “Big MAC”—Municipal Assistance Corporation—of Felix Rohatyn and Roger Starr.

## The Rohatyn Model

By the early 1970s, the Wall Street-City of London financier oligarchs had decided to de-urbanize the United States,

as the one of the most direct ways to enforce a post-industrial society upon the United States.

In 1975, the bankers precipitated a financial crisis in New York City, which already had deep financial problems. They rammed through the New York State legislature, legislation which invoked “emergency police powers,” and in June 1975, created the Municipal Assistance Corporation; then, in September 1975, the Emergency Financial Control Board. Using these powers, the bankers overrode the powers of New York’s elected City Council and Mayor. Synarchist banker Felix Rohatyn of Lazard Frères investment bank, the head of MAC, took over as the unelected Führer of New York for the next several years. Rohatyn announced, “The pain is just beginning.” During the six years after 1975, he cut New York’s workforce by 22% and shut down vast portions of the city’s vital infrastructure.

On Nov. 14, 1976, Roger Starr, a member of the *New York Times* editorial board, wrote a 4,000-word feature in the *Sunday Times* magazine section, advocating planned shrinkage. Starr declared, “Planned shrinkage is the recognition that the golden door to full participation in American life and the American economy is no longer to be found in New York.” At that time, New York City had a population of 7.5 million. Starr decreed that, “New York City would continue to be a world city even with fewer than 5 million people.” This led to only one conclusion: forcibly expelling, or killing off, one-third of the city’s population.

This became the policy for U.S. cities, emphatically for Detroit. In the 1980s, a plan was put forth to close down sections of the city, and place a fence around those sections. This apparently originated with some banks and think-tanks. On April 26, 1993, at a press conference, the city of Detroit Ombudsman, Marie Farrell-Donaldson, an accountant who specialized in cost-accounting, put forth a plan, that echoed planned shrinkage.

The Ombudsman’s office has the responsibility to act as a watchdog over the delivery of city services. Instead, Farrell-

Donaldson sought ways to cut services. She declared, "Right now, we have streets with one person living on them, yet you still have to provide streetlights for that street. You still have to provide police protection. You still have to provide fire protection. We should move those people out" (*Detroit Free Press*, April 27, 1993). She continued that entire areas that were dilapidated should be cleared of the remaining homes, businesses, and people. Fences should be erected around the areas, to keep people out. These areas should then be sent "back to nature." Farrell-Donaldson mobilized for her plan by citing GM's policy of layoffs. "I know it sounds crazy. But when General Motors has excess capacity, what do they do?"

The *Economist* magazine, the mouthpiece for ghoulish City of London bankers, and which was then half-owned by the same Lazard Frères investment bank, covered Farrell-Donaldson's proposal in an article, provocatively entitled, "Day of the bulldozer: inner cities." The *Economist* contended that "as long as [the] incremental approach [to Detroit's problems] remains half-hearted, wholesale abandonment of the city begins to make grim sense."

Farrell-Donaldson (since deceased) claimed the proposal she made was her own; *EIR* is seeking who the more likely authors were.

In an essay published this year, "Shrinking City Detroit," author Kyong Park, the director for the International Center for Urban Ecology, argues for further shrinkage. "Is perpetual growth the only economic model for cities, or are there also benefits from the de-urbanization of cities, such as the affordability of spaces and the increase of open land, as in the case of Detroit. . . Is the concept of smallness, as opposed to bigness, the more effective scale for urban ecology? Is a new or better economic model possible through the conscious and positive reduction in size of a city, which might involve, for instance, re-designing the city of Detroit to accommodate a population of 500,000 or less?"

If Hyong's recommendation is implemented, Detroit would be reduced to less than one-third its 1960 size.

The problem is that the dynamic of economic collapse is pushing Detroit in this direction. This is a process coming from the national level. As this larger process overwhelms Detroit, in a world of reduced tax revenues, and falling population and manufacturing, Detroit's elected officials, unless they challenge and reverse the underlying axiomatic assumptions of policy-making that have led to that collapse, will be applying planned shrinkage, whether they like it or not.

Detroit has been ripped up more than any other major city in America. As a result of the demolitions, Detroit is now pock-marked by 40,000 vacant lots, four times more than the American city with the next highest number. The disparity becomes even greater when compared to Detroit's population, which in 2000, was 951,000. We look at the next three cities with the highest volume of vacant lots, with that city's

population in parenthesis: New York, 9,800 vacant lots (8.0 million); Philadelphia, 8,500 vacant lots (2.3 million); and Chicago, 4-5,000 vacant lots (3.5 million). (The vacant lot data is published by the *Detroit Almanac* of the *Detroit Free Press*).

What the reader must conceptualize, keeping a metric of societal growth or devolution in mind, is that Detroit has regressed to the level of 1920. There are wide open patches of dozens of blocks, attached back to back, where there is no sign of human civilization, but only unkempt grass. This is what the developers of Detroit saw in the 1920s, when they saw grass and overgrowth, and cleared it to build factories, schools, hospitals, and homes. Now, it has regressed back to that state of nature, returning Detroit to a state as if it had never grown at all.

Pathetically, Michigan Governor Janet Granholm has announced a "cool cities" project, where Detroit will portray itself as "hip and cool" and attract young people and Baby Boomers. This is a fantasy trip that hysterically refuses to deal with the relentlessly unfolding process that is destroying the city.

The U.S. must reclaim and redevelop Detroit and its other industrial cities, to get them to exceed their past accomplishments. Failing that, Detroit's death is the unfolding of America's future.

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## LaRouche To Russian Academy, Youth: Give Humanity a Future

by Rachel Douglas

U.S. Democratic Presidential candidate Lyndon LaRouche, famous in Russia as economist, strategist, philosopher and—in the words of one recent press release written by his Moscow friends—“the conscience of America,” was the lead-off speaker at the “Science and Our Future: Ideas To Change the World” conference, which took place April 14-16 in Moscow. The three-day event, held at the Vernadsky State Geological Museum (SGM) of the Russian Academy of Sciences, was co-sponsored by the SGM and the Schiller Institute, as well as several companies.

LaRouche and his wife, Schiller Institute founder Helga Zepp-LaRouche, arrived on their Moscow visit at a moment of high interest in LaRouche’s evaluations, ideas, and proposals, on the part of Russian scientists and political analysts. This month marks ten years since LaRouche’s first in-person trip to Russia, as the guest of the late Pobisk G. Kuznetsov. During that time, his stature in Russia has grown at an increasing rate, as LaRouche’s economic forecasts are borne out and his statesmanship is in ever greater demand, as against the spread of war under the domination of U.S. policy by Dick Cheney’s synarchist clique.

More than 70 scientists, students, and members of the press were welcomed to the conference by the director of the SGM. As announced in pre-conference printed materials, the organizing committee had received 115 papers from 177 scientists, ranging in age from 13-85 years. The emphasis was on non-standard approaches and novel ideas, which were discussed and underwent competitive evaluation during the conference. An article ahead of the event appeared in the *Nauka* (Science) supplement to *Izvestia* newspaper, and Itar-TASS put out a wire—both of them mentioning the participation of LaRouche and his colleague Jonathan Tennenbaum.

In his presentation, titled “Entering the Economy of the Noösphere” (see page 38), LaRouche took up a central theme

of his discussions with members of the Russian intelligentsia over the past decade and a half: Russia’s mission as “Eurasia’s Keystone Economy,” in making Mankind’s way out of a looming dark age. It is concretized in the project for Eurasian Land-Bridge with corridors of dense physical economic development. The identity of Russia that suits it for such a historic mission is defined not merely by geography, but by a national tradition of scientific genius, best exemplified by the chemist and economist Dmitri Mendeleev in the 19th Century and the Ukrainian and Russian biogeochemist Vladimir Vernadsky in the 20th. It is in Vernadsky’s Noösphere, the realm of human creative mental action, that the potential to develop new types of resources, and eventually manage the Solar System, is found.

LaRouche’s most recent book is titled *The Economics of the Noösphere*.

By way of contrast to the unlimited power of human scientific work and economic development, LaRouche counterposed the danger of a “fish-bowl” mentality, which traps people in their axiomatic assumptions, and so dooms them. That was a timely polemic to be delivered in Moscow, just a few days after President Vladimir Putin had warmly received in the Kremlin a group of purveyors of the planet’s currently worst set of failed axioms: economists from the neo-liberal school of Friedrich von Hayek’s Mont Pelerin Society. These are the apostles of free trade, globalization, brutal selfishness, and greed.

After LaRouche’s keynote, the Vernadsky Museum conference heard from a representative of the European Union, who discussed the importance of programs to support young scientists, including in Russia. Academician Dmitri V. Rundkvist, the senior scientist at the SGM, spoke about fostering new ideas and intellectual creativity, and the need to study “the laws of development of the Biosphere and the Noö-

sphere,” the realm of the infinite mental resources of Man.

LaRouche also visited the Moscow Academy of Finance and Law, April 15, where he addressed an audience on the post-1971 phases of collapse, in the interrelated spheres of global finance and the physical economy, and the New Bretton Woods alternative. On April 14, he was the guest of the “Student Evenings” program at the prestigious Moscow State University (MGU).

### The LaRouche Youth Movement

At MGU and at the Vernadsky Museum conference, LaRouche reported to his Russian audiences about the emergence of the LaRouche Youth Movement around the world, and discussed the importance of this next generation of leaders—in order that Mankind have a next generation, at all. In a hall in the main MGU building, LaRouche held a two-and-a-half-hour dialogue with close to 100 students—a full house, which included students from other universities.

The MGU event had been advertised on the youth web site [www.almater.ru](http://www.almater.ru), with an excellent biographical sketch of LaRouche and his political and scientific work. The announcement concluded: “LaRouche’s activity and the civic positions he takes, which incur extreme hostility from the world oligarchy, are of extraordinary importance in world politics. Reminding Americans and the world about the principles on which U.S. policy was originally founded, in particular under George Washington, Abraham Lincoln and, later, Franklin Roosevelt, Lyndon LaRouche personifies the conscience of America. Giving due to the genius of Russian scientists, LaRouche speaks about Russia’s mission with breathtaking historical optimism, which our own compatriots so lack. His evaluations, forecasts, and initiatives are of unique value both for scientists and for the public, for people who are engaged in thinking about the prospects for world history and Russia’s strategic role in the resolution of the contradictions in the world, which have reached a critical level in our time and require resolution without delay.”

Introducing LaRouche in person was Professor Andrei Kobayakov, who teaches economics at MGU, as well as being a published writer on the financial bubble process in the world economy, an editor of *Rusky Predprinimatel* (Russian Entrepreneur) magazine, and author of a recent, devastating critique of the neo-cons in the U.S. government. Kobayakov’s latest book, co-authored with Mikhail Khazin, is *The Sunset of the Dollar Empire and the End of Pax Americana*. Kobayakov and Khazin describe LaRouche as “probably the only American expert who has forecast, over a long period of time, the inevitable collapse of the now-reigning liberal monetary and financial system.”

Kobayakov said that LaRouche’s first visit to the exclusive premises of MGU was an historic event, bringing to the University a unique historical person of our time, a universal thinker like Leonardo da Vinci.

In the context of a presentation on the economic development of Eurasia, LaRouche further developed Russia’s poten-

tial multi-level role. The Asian population centers need the creation of modern transportation corridors and are hungry for raw materials. Russia and Kazakstan have great raw materials reserves in thinly populated, underdeveloped areas. In the Soviet period, there was a perspective for the development of the Asian part of Russia, which needs to be renewed. At another level, though, mineral resources are finite. The question arises, of how to create new resources. Mankind could develop means for the transmutation of elements and the creation of synthetic materials. Here, Russia’s unique role is rooted in the tradition of Peter the Great, Leibniz and the Russian Academy of Sciences, Mendeleev, and Vernadsky (“my hero, for Russia,” LaRouche said).

LaRouche told the Moscow students that around the world, youth are posing the question to their parents’ generation: What world have you left to us? Like fledglings who have been booted out of the nest, university-age young people are looking at the world they’ve come into, and what they see is the basis for an acute conflict between the generations.

LaRouche concluded with a personal discussion of immortality and the importance of dedication to a mission in life. He challenged the Russian youth to be optimistic and to find the meaning of life in doing something good.

The Russian students asked LaRouche several questions about religious and cultural conflicts among nations, which he answered with the example of how he, as President of the United States, would deal with religion by centering on the fundamental difference between man and beast, as an ecumenical issue. Asked about the war in Iraq, and U.S. policy, LaRouche gave the background of synarchism. “These are my enemies,” he said. The synarchists brought the Nazis to power; then, after World War II, Nazi elements were incorporated into Anglo-American intelligence. That is where Cheney comes from, and LaRouche is leading the fight to get them out.

The “Science and Our Future” conference concluded on April 16 with a round table discussion among the leading participants. Here, LaRouche propounded the concept of education that is the central principle of the LaRouche Youth Movement. It is a principle of truthfulness, he said, which discerns the difference between knowledge and mere opinion. Youth who come to LaRouche, looking for the real education they have not found in the universities, master Karl Friedrich Gauss’ 1799 work on the Fundamental Theorem of Algebra, which mastery can serve them as a criterion of truthfulness in their study of history, and engagement in current history.

Igniting a wave of excitement among youth about scientific discovery, LaRouche said, can revitalize an entire society. “You recall this quality of excitement,” he told the senior Russian scientists who were present; it is what can revive science and give a mission to the generation now 18-25 years of age, who are key to humanity’s future.

At the Vernadsky Museum conference, as elsewhere, LaRouche’s remarks were warmly received.

# Entering the Economy of the Noösphere

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*Lyndon H. LaRouche, Jr. gave this speech to a Moscow conference on April 14 at the Vernadsky State Geological Museum.*

Hopefully, the increasing severity of the present world economic and related crises, will compel us to institute those urgently needed changes in the present world order, in which cooperation among sovereign states converges upon the great principle of the 1648 Treaty of Westphalia, rather than continuing the currently widespread Hobbesian notion that nation-states must be inherently in perpetual mortal conflict among themselves. In the case that that urgently needed improvement is made, our principal challenges will be of the different, nobler quality of scientific mission on which this present conference is focussed, here today.

It has been reported that there are more than six billions human individuals presently living on this planet. A large portion of that total is concentrated not far from the coasts of East, Southeast, and South Asia. If a dark age does not take over this planet, the development of the nations and populations of those regions of Asia will become one of the leading drivers which will compel revolutionary scientific progress on this planet as a whole. For reasons which are more or less apparent to those assembled here today, the growing needs of humanity could not be met without the kind of scientific revolution which we should associate with what the great V.I. Vernadsky defined as the Noösphere.

Under those conditions, the greatest portion of the development within Eurasia as a whole will involve large-scale long-term investments in basic economic infrastructure, such as generation and distribution of power, large-scale water management and resources development, revolutionary progress in mass transportation of people and freight, technologically innovative programs of development of new urban centers, and, not least, the development of new methods of management of the mineral resources upon which such increase of population and its development will depend. We must think of everything which we could make manageable as part of the basic economic infrastructure on which habitation and work in even remote regions may depend.

Let us consider this on two levels. First, quantitatively, and, second, qualitatively.

Germany's increased pursuit of technology-sharing with China, is a symptom of what must become a general pattern in western and central Europe's orientation to East, Southeast, and South Asia. This means the development of new quality of mass-transportation links from the Atlantic to the Pacific.

This will develop not only through the territories of Russia and Kazakstan, but the development of the territories through which this transcontinental transport occurs.

For example, the first transcontinental railway system was developed in the United States. It was this U.S. example which inspired Mendeleyev to work for the trans-Siberian rail system. The feasibility of building and maintaining such a transport network depended upon fostering the economic activity of agriculture and industry, and new towns and cities along the routes of these transport lines. The benefits of such an arrangement are such, that the actually incurred physical cost to the nation of the transportation system is less than nothing. The production and trade made possible by the existence of the transport system pays for the essential real cost of maintaining such systems. Indeed, those rail lines could bear the costs of everything but that of carrying the burden of the predatory London and New York financiers, sometimes called our "robber barons," who looted them, and continue to loot them, even where they have ceased to exist, down to the present day.

What my associates and I have described as a Eurasian Land-Bridge, requires an integral development of the regions through which it passes for its own existence, and the Land-Bridge's function as a transport-route from Europe to the Pacific and Indian Ocean rim, could not be sustainable without such development. Such transport systems and associated settlements along their routes are also necessary for the development of primary materials in the regions through which these routes pass. The development of China and other countries of the Asia rim over the coming two generations, will confront us with a qualitatively new challenge: the management of the mineral and other resources of Central and North Asia. This will require a redefining of raw materials, their applications, and their replacement or replenishment. The development and extension of the Land-Bridge-system will be essential for this management of the mineral and related resources of the entire region of central and north Asia.

For reasons reflected by the papers already listed to be presented as part of this conference, Russia's science and experience, combined with its character as a Eurasian nation, afford it a special quality of competence in dealing with the challenge of development and raw materials management in



those areas of central and north Asia which will be of increasing importance during the coming two generations. When we consider a reasonable estimate of the growing requirements, over one to two generations, of trade and two-way technology-transfers between Europe and the nations of the Asian rim, the development of a Land-Bridge system becomes not optional, but essential.

So far, my observations here have been predominantly in the nature of a quantitative forecast. However, the changes in ratio of human activity to the natural resources apparently available to support that activity, forces our attention to qualitative implications. When we consider even simply, the estimated quantities of certain minerals to the rate of growth of consumption of such resources, we must either conclude that the implied improvements in the growth of human condition are impossible to sustain, or, that we must bring about the qualities of scientific revolution which will overcome the superficially apparent constraints.

The common folly of most cultures up to now, has been that, apart from a relatively few exceptional individuals among us, our social systems operate on the basis of more or less shared belief in certain axiomatic assumptions, assumptions which function more or less as the definitions, axioms, and postulates of a Euclidean geometry. Some of the assumptions, are true; some are, in fact, absurd; other principles of the universe remain unknown to us, and are therefore ignored in our practice. On this account, I have often compared prevalent systems of belief, such as those in my own nation, as creating a “fishbowl” culture. The minds of the people swim within the boundaries defined by accepted assumptions, in such a way that a larger reality periodically takes that fishbowl and dumps its contents, or threatens to dump them into an historical sewer-system, such as a general economic depression, or a foolish and ruinous war which might have been avoided.

Often, for example, a nation, or group of nations no sooner recovers from an economic depression, than such nations return to the same assumptions which had caused the previous economic disaster. So, after the United States, under President Franklin Roosevelt’s leadership, had defeated the Depression and Hitler was nearly finished, in Summer 1944, the right wing in the U.S. began to return to the same kinds of policies which had led it, and other nations, into the crises of depression and fascism during 1928-1933.

Until now, generally, peoples and their governments have functioned largely on the basis of something like a “fishbowl” ideology. They act on the basis of agreement with some set of currently accepted assumptions, such as the assumptions that define a “fishbowl.” They tend to react so in such a way, that, at a certain critical time, either the principled source of danger is ignored, or a great principled opportunity for

## Transrapid Maglev Projects for Central and Eastern Europe



Source: Transrapid.

*An example of the planning of new Eurasian high-speed rail corridors. “The feasibility of building and maintaining such a transport network,” LaRouche told his Moscow audience, “depended upon fostering the economic activity of agriculture and industry, and new towns and cities along the routes of these transport lines.”*

overcoming a problem is ignored. When we think, today, of the practical implications of the present trends of change in Asia over the coming two generations, we should recognize that we can no longer return to business as usual, to the same old “fishbowl” which had defined conventions of policy-shaping in early generations. We are entering a new era of mankind, an era which must grasp more fully, more practically, the implications of V.I. Vernadsky’s development of the notion of the Noösphere.

We, as a community of principle among sovereign nation-state republics, must adjust our thinking to the potential crises confronting us, should we fail to consider the practical policy implications of the requirements of a growing, developing population, such as those of the coming two generations in Asia. We must break free our thinking in terms of fixed, “fishbowl”-like boundaries.

This applies to the needed development of those kinds of systems of management of mineral resources which anticipate the requirements of a growing and developing Eurasian population, an area in which Russia’s science has a predetermined historical qualification. We must think in terms of managing the Solar system, to bring it ultimately into the reign of our Noösphere.

## ‘The U.S. Economy Has Become a Scandal’

*The Moscow financial monthly Valyutny Spekulyant (Currency Dealer) came out April 12 with a new interview of Lyndon LaRouche, headlined “The U.S. Economy As a Whole Has Become a Scandal.” LaRouche’s answers were provided in written form on March 1, to questions from VS correspondent Ivan Zakarian, who had attended the Schiller Institute Presidents’ Day conference in Reston, Virginia, on Feb. 14-15.*

*An introductory note identifies LaRouche as pre-candidate for the Democratic Party Presidential nomination, noting that “John Kerry, the leader in the primaries, is not yet the only Democratic candidate for head of state; the final decision remains to be taken by the Democratic Party convention in July.” The fact that LaRouche’s views are supported by many Americans, it says, is demonstrated by his having more campaign contributors than Kerry does.*

*Zakarian reports that the conference was held simultaneously in Reston and Los Angeles. “It should be noted,” he writes, “that all of the speakers, including the youth, demonstrated remarkable erudition, of a sort not often found in America, and deep involvement with LaRouche’s ideas about the economies of the world and the U.S., politics, and the future of mankind.”*

*The interview was slightly abridged in its published form. What follows below is the original text.*

**Q:** The readers of our magazine are traders and financiers, who surely understand the significance of the American financial markets for the entire world and for Russia in particular. So, what do you think about relationships between Russia and the U.S.A.?

**LaRouche:** Hopefully, the expected re-election of President Putin will open a new phase in the post-1989 history of Russia, a phase of greater nationalism and sense of a mission-orientation toward reconstruction and progress from the ruinous developments of more than a decade. I see signs of the reawakening of the memory of Russia as a great power, politically on a level of equality with other great powers. This would be of crucial strategic importance for a crisis-stricken U.S.A. which understands its own vital self-interest in a new form of productive relations with the nations and economy of continental Eurasia, in particular. A partnership with a more confident Russia is crucial for reviving the

presently shattered economies of western and central Europe, and for the urgently needed partnership between all of Europe and, especially, the nations of the populous rim of south, southeast, and east Asia.

Such cooperation will require the immediate reform of the world’s presently, hopelessly bankrupt, floating-exchange-rate monetary-financial system. This requires putting the strategically significant, but failed monetary and financial institutions into receivership for reorganization in bankruptcy by the relevant sovereign states. We require rapid expansion of productive employment, to break national and regional economies back up to a currently operating break-even level. For this, we require a fixed-exchange monetary system, with primary interest rates in the range of 1-2%, to make feasible long-term capital formation through aid of corresponding treaty-agreements among relevant sets of nations. This must be supplemented by long-range scientific-technological mission-orientations, in which Russia’s aging science-establishment must be fully reenergized to the level it is able to play its part in a continuing, expanding role in support of the global effort for mankind as a whole. We require, above all else, the replacement of the destructive forces of “globalization” by the development of a community of principle among perfectly sovereign nation-states.

A Russia and the U.S.A. which will each refuse to liquidate their nation’s sovereignty, must serve as the great cornerstone of present history, around which the other sovereign nations of the planet can build the needed edifice of consensual cooperation for the common good. That is my policy. I believe that Russia would be prepared to accept such an offer. I intend that offer shall be delivered.

A world witnessing such a partnership between the two former superpowers, would be a world encouraged to consider building the kind of order among sovereign states which I am committed to bring into being.

**Q:** Stock market traders around the globe were very concerned about corporate scandals with big American companies like Enron, Adelphia, Worldcom and so on. What did America do, or should it do, in order to improve confidence in its business institutions?

**LaRouche:** We must not be excessively occupied with the individual scandals as such. The U.S. economy as a whole has become a scandal; the scandals involve only some of the overripe, already rotten fruit dropped by a mortally sick tree. The problems of the U.S. and European economies are not those of individual enterprises or merely groups of enterprises. The economic and moral crisis is systemic. It is the result of the combination of two leading factors, as follows.

First, there was a right-wing turn in Anglo-American policy, after July 1944, in which a powerful faction within the financial circles of those countries adopted the policy of

seeking to establish what Bertrand Russell proposed as “world government” achieved through the threat of airborne nuclear-weapons bombardment. After the Soviet development of an experimental thermonuclear weapon was discovered, Russell’s policy of preventive nuclear warfare-attacks was put on the shelf, and a policy of detente through mutual thermonuclear terror prevailed, until the revival of the preventive nuclear warfare doctrine by U.S. Secretary of Defense Dick Cheney’s incumbency under President George H.W. Bush, Sr. Since Sept. 11, 2001, Cheney’s policy has been openly revived as hegemonic, although there are signs Cheney and his policy might be defeated soon.

In the meantime, through aid of the 1963 missiles-crisis, the Kennedy assassination, and the launching of the official U.S. Indo-China war, the U.S. and U.K. led much of the world in a plunge into “post-industrial” utopianism accompanied by increasingly radical “free trade” policies. This turn toward a Roman-style society’s imperial bread and circuses at home, was accompanied by the consolidation of the relative supremacy of an assortment of more or less radical, nuclear-utopian factions. This cultural-paradigm shift was spread, through the effect of the so-called “68ers,” from the U.K. and U.S.A., into continental Europe and other parts of the world.

Today, while we must not blind ourselves to the many evils which did exist during the 1944-1964 interval, there is a profound, systemic difference between the U.S. of 1964 still committed to its role as the world’s leading producer society, and the plunge into moral and economic decadence which has produced the bankrupt world system of today. While we must not ignore the earlier roots of the catastrophic net effect of the past four decades cultural-paradigm downshift in the world economy, these four decades represent a distinct phase in world history. What we are seeing in U.S. corporate life, and related places in government, is not an increase in isolated cases of criminality; this is a symptom of that underlying rot of the system as a whole which has brought such morally criminal and destructive practices into more and more of the board-rooms and governmental agencies of the U.S.A. It is the systemic rot, the epidemic, not the individual cases of corporate mortality, which must command our leading attention.

**Q:** What do you think about dollar-euro rates in the near term future and in 2-3 years?

**LaRouche:** No one could competently predict any trend over an interval that long, not even six months. We must accept the fact that any attempt to define medium- to long-term statistical trends is a fool’s errand. We are now at the point of a global phase-shift of the entire world monetary-financial system. One of two choices of general phase-shift out of present trends is available. First, if we try to defend the present world monetary-financial system, as the leading financier oligarchs are determined to do, the planet as a

whole will be plunged into a prolonged dark age, comparable to what the continuing policies of the infamous Holy League unleashed in Europe during the middle of the Fourteenth Century. Under those conditions, a collapse of world population to less than one billion during the course of the next generation, or even a shorter time, is virtually inevitable. Or, second, we may scrap the present world monetary-financial system through reorganization in bankruptcy conducted by sovereign governments. This, the leading financier circles of today will resist virtually to the point of death, preferring other people’s deaths to their own bankruptcy. In the case we succeed in our preference for the lives of our people, we can survive and prosper, but the conditions and trends will not be those adduced from the factors affecting the attempted continuation of the observed statistical trends today.

**Q:** Do you think that the main competitor of the United States in the 21st Century is China? And what can you say about dollar-yuan rates? What would be desirable rates?

**LaRouche:** China is extremely vulnerable to the effects of present U.S. trends. The dependency upon the U.S. internal market, a dependency conditional on very cheap labor in China, threatens a deep cut in China’s foreign earnings at some point in the immediate period ahead. For a while, China’s monetary reserves and related factors would be a cushion against the impact of the currently onrushing U.S. collapse; however, the physical realities would soon outpace the ability to maintain the monetary cushion as a protection against successive waves of international shocks. China’s secure future is thus dependent upon what I, for example, am able to do in leading the effort to bring about the needed political-economic changes in the U.S.A. itself.

**Q:** What should our countries do in order to completely remove consequences of the Cold War and Hollywood stereotypes?

**LaRouche:** Any effective steps to that effect will depend upon a U.S. President doing the kind of thing which Franklin Roosevelt did in changing Russia policy from the outset of his first Administration. A sense of long-term common interest among peoples, is the foundation of well-built, durable improvement of a therapeutic sense of the actually existing common interest.

Also, one may have observed my efforts to afford leaders and others in the U.S.A., and other places, to throw away some popular myths in favor of knowing some of the crucial features of the real history of European civilization since its birth, in the shadows of the pyramids of Giza in ancient Egypt. When the mortal individual is able and encouraged to know his or her immortal place in the continuing historical process which is mankind, the love of one nation for another nation finds its place in each sentient individual so affected.

# ‘A Very Special Quality of the Mexican Patriot’: LaRouche on Monterrey TV

*Monterrey’s Multimedios TV on April 11 broadcast an interview of Lyndon LaRouche, by Architect Héctor Benavides. The interview had been taped on March 18 during the candidate’s three-day visit (“LaRouche Takes Battle To Defeat Synarchism to Mexico,” EIR, April 2) in which he spoke to the Monterrey Technological Institute, youth audiences, and other supporters.*

**Multimedios:** Well, a few months after having spoken with Lyndon LaRouche, a candidate for the Presidency of the United States, in the city of Saltillo [Mexico], we now have him here in Monterrey. Welcome, Mr. LaRouche. What brings you to Monterrey?

**LaRouche:** Of course, the invitation I received to speak here [at the Institute]. And also, for me, my own motivation of what I might be able to do here. We are in the worst financial crisis, monetary crisis in over 100 years, and we are also in a great security crisis, which is spilling over now, from Spain, into Mexico. And therefore, I’m very happy to have the opportunity to express my personal solidarity with Mexico. And I hope I will do something useful.

**Multimedios:** You mention the Spanish events of last week, of March 11. What is your interpretation, your reading, Mr. LaRouche, of what happened in Spain?

**LaRouche:** We know, from my personal knowledge of the profile, and from my consultations over the past 24 hours with people in Europe at a high level: This was an attempted coup d’état against the Spanish monarchy. I understand the King of Spain refused to. It was conducted by the same organization created by the Nazis, which is represented by Blas Piñar. It includes people in Italy and France, and in South America.

**Multimedios:** Al-Qaeda is not connected to these events?

**LaRouche:** That’s rubbish, nonsense. Only idiots believe it.

**Multimedios:** Movie director Pedro Almodóvar yesterday made a serious denunciation that there was an attempted coup d’état. But it is an accusation against the Popular Party, the party of [Prime Minister José María] Aznar.

**LaRouche:** This comes from the extreme right wing in Spain, which is trying to cover this up. We know who’s behind this. This comes from an international network, which is Nazi Party-based. It’s based in the SS security apparatus, which was supported by some factions of the North Americans in

the post-war period. The best-known figure in the Americas for this, is Blas Piñar of Spain, whose son played a role in the coup in 1981.

**Multimedios:** The Tejero affair. . .

**LaRouche:** Exactly.

**Multimedios:** How does this affect Mexico and the countries of South America?

**LaRouche:** There was an attempt, as we saw with the other extreme right wing—inside the United States—to create a conflict between the Hispanic-speaking population of the Americas and United States—a “Clash of Civilizations,” analogous to the so-called Clash of Civilizations with Islam. We know where this comes from, and it is threatened in South America; it is threatened across the border. As you know, the largest so-called minority group inside the United States, whether citizens or immigrants, is the Hispanic-speaking population. And the crucial nation in this, for the United States, is Mexico. Therefore, solidarity between leading, conscious people of Mexico and the United States, is crucial for preventing this from blowing up.

**Multimedios:** What is the relationship between Sept. 11, 2001 and March 11, 2004?

**LaRouche:** Sept. 11, 2001 is the larger part of what we are now seeing in the case of Spain in March.

Perhaps I should explain this a bit, because this is a thing most people don’t understand. In 1944, a certain pro-fascist element in the U.S. command, which included Allen Dulles and others, through a fellow in Switzerland called François Genoud, was negotiating an agreement with the SS security apparatus in Germany. This is the group which, with Göring, took much of the Nazi stolen wealth, and planted it in parts of the world outside Europe. This organization exists, and it’s powerful today. This is what killed Kennedy—this crowd. This is embedded in a certain right-wing faction inside the U.S. security services. This is what you’re dealing with in the right wing in Italy. For example, Alessandra Mussolini, the granddaughter of Benito, is a key part of this.

So, in this case, what happened is that, patriotic forces used the Spanish Socialist Workers Party [PSOE] as a vehicle to bring down Aznar, who was cooperating with these people.

**Multimedios:** So, ETA and al-Qaeda were not involved?



Candidate LaRouche's television interview in Monterrey (right, with interviewer Héctor Benavides and Dennis Small) came as a result of his invited presentation at the Monterrey Technological Institute of Higher Studies on March 20, where he spoke to 300 students and faculty (left).

**LaRouche:** Aznar spread "ETA"; it's not true. The Spanish security forces had virtually eliminated the sting of ETA.

One thing is very important to understand about this kind of terrorism: Al-Qaeda in the Middle East is largely a generic name for many different kinds of groups. ETA is also similar, in that sense. All of these people are what we call "ideologically motivated": It's very important to them to build their base, through motivational approaches. No acts must contradict their ideology.

But when you're dealing with the third generation of the Nazi SS security apparatus, there is no mission but a coup, by their methods. In other words, you have to look for the historically determined motive of the terrorists.

**Multimedios:** All of what you're saying, Mr. LaRouche, we look at it as if it were some sort of fantasy, or a conspiracy theory. What do you say to those who believe that?

**LaRouche:** What I would say, is that people who say that this is merely a conspiracy theory, are the ones who are trying to cover up the agreements that were made with those Nazi SS organizations at the end of World War II. And there are some people who repeat that foolish phrase, "conspiracy theory," because they're like fools: They like to repeat whatever they are told.

**Multimedios:** I'm not a fool. I'm raising it because I think it's my responsibility to ask you.

**LaRouche:** Absolutely! And, it's my responsibility to answer!

**Multimedios:** Why don't the newspapers, the information agencies, talk about these matters that you're telling us about?

**LaRouche:** I'll give you a case: One of the key figures, who was a member of the Nazi-allied organization, during the

World War II period, André Meyer, ran the *Washington Post*. He was tied to Felix Rohatyn, who is also tied to Lazard Frères, who was also part of this Nazi operation in France during World War II. The *Time* magazine syndicate was a pro-fascist organization. These people don't like me!

**Multimedios:** I've noticed! Well, they are represented in Mexico by what group, by what party?

**LaRouche:** Well, you have a history which has two levels: You have the original PAN. It was set up through the Nazi Party organization out of Berlin, through Madrid, into Northern Mexico and into South America. I have the detailed intelligence documentation on that, from the period up through 1945. U.S. services associated with Franklin Roosevelt, and the patriots of Mexico, cleaned that mess up.

But then, at the end of the war, after 1945, through the Franco government in Spain, the Schellenberg SS operation came back into Mexico, and into Argentina, along with what was called the "rat line." Now, these people were also tied to reactionary financier groups.

Now, this becomes complicated, because some reactionary groups tend to be more or less patriotic. Others look at their international connections as more important than their national ones.

**Multimedios:** What is happening in Mexico with all these attacks on the political parties: the videos—I'm sure you know about this—the corruption in the PRD; corruption in the PRI; corruption in the PAN. Today, an attempted assassination, an attack on the governor of Oaxaca, [José] Murat. What's happening?

**LaRouche:** On the one hand, there is corruption which comes, principally, since 1982, from the United States. If you destroy and rape a country, as Mexico was raped in October

of 1982—and this city, which was an industrial leader in Mexico, was raped in that period—and then, you make the people very poor, it creates the environment of corruption, which people then exploit. If you weaken the patriotic institutions of a country, and their authority in their own country, you open the doors for corruption. Therefore, most of the corruption in Mexico comes from the policies of the United States.

**Multimedios:** Who raped Mexico in 1982, and who raped this city of Monterrey?

**LaRouche:** Essentially, there are people, like Henry Kissinger, who are part of this apparatus. He's only a pawn of those interests, but he is part of the apparatus. As you perhaps know, I was right in the middle of this thing: I know who did what to whom in that period, and I have some, still-living friends in Mexico whom I am very close to, emotionally, on this question. I'm determined: We're going to take our freedom back.

**Multimedios:** But who raped Mexico and Monterrey? Their names? Kissinger, and who else?

**LaRouche:** Oh, the whole crowd behind him. This was the Nixon Administration crowd, as continued with the same crowd that came in around George H.W. Bush. The international financial interests of the IMF, with the World Bank: They all participated in this rape of Mexico.

Remember, it was also done to the United States. It was done with the change, from 1964 on, the change from the world's leading producer society—which was the positive relationship between Mexico and the United States in that period—to the United States becoming like the Roman Empire, a parasite, sucking the blood of the poor of the world. The infrastructure, the industry, the agriculture of Mexico, was looted by a policy of monetary manipulation.

**Multimedios:** Which of the three parties with greatest support in Mexico—the PAN, the PRI, and the PRD—could be a barrier against this type of interests?

**LaRouche:** For various reasons, the PRI is the party with the greatest concentration of my friends in Mexico, for obvious reasons. Now, the important thing about that, is precisely the protection of Mexico's sovereignty against the war, against the internal war. So that, even where the PRI will tend to disagree among themselves, there is a group which understands the importance of that agreement upon which modern Mexico is based. I also know people in other parties, who share that common principle. My position, as an outsider: I have my friends, but, I have to be faithful to the right of the Mexicans to choose their own political leadership. Therefore, I respect all leaders.

**Multimedios:** What are the risks that Mexico faces, coming up to the 2006 election, with all of this that we see: an eco-

nomie recession, a drop in employment, distrust in the institutions, lack of leadership?

**LaRouche:** Two issues are decisive, and the rest comes from these two. One is typified by the case of Vice President Dick Cheney. I do not give President Bush credit for knowing what he's doing. Cheney's not too intelligent, but he's like a Gila monster: his bite is poisonous.

So, we have this war policy of Cheney, which is the same policy as the fascists, like the Nazi networks involving Blas Piñar in Spain, and the fascist wing inside Israel, for example. That's number one.

But, the related question, is the world monetary-financial crisis. This is, as in the 1930s: Wherever you have a breakdown of the international monetary system, you have a struggle between political forces which say, "You have to defend the people," and those who say, "You have to defend the financier interests." And our consciousness of that problem *now*, with the historical examples in our mind, will determine the issue.

**Multimedios:** What's your view of Mexico? Is there more corruption now than there was in earlier years?

**LaRouche:** There's more poverty. Poverty is the essential corruption.

**Multimedios:** What are the factors that have led to this pauperization of Mexico?

**LaRouche:** Well, first, the peso's devaluation—again and again; the degradation of the Mexican population to a virtual slave-labor population; the pauperization of Mexico, to the point that people working as virtual slave labor in the United States; their remittances to states in Mexico are a large part of the income of that state.

Therefore, what I do, is I define the problem of corruption, largely in terms of the alternative. That the United States must cooperate with Mexico, in supporting a new credit system, in which the historic aspirations of Mexico for infrastructural development: the agro-industrial expansion, so Mexico is able to feed its own population. And also, Mexico, faced from the United States, from my faction going back to the 1820s, has always been the key nation of Central and South America, as our partner in our hemisphere. The key to U.S. relations within the hemisphere, is U.S. relations with Mexico.

**Multimedios:** It has lost that leadership, it is said; Brazil is now the leader of our countries of Latin America—Mr. Luiz Inácio Lula da Silva.

**LaRouche:** In some cases, this is a very commendable emotion, very proper. But one should not encourage its being exaggerated. The most important quality in the hemisphere is intellectual, the intellectual quality of being able to lead. Mexico has, historically, this quality. During periods of trouble in the past, before 1983, you think of all the refugees who were living in Mexico City, as guests of Mexico, from



Asked if Brazil and its President Lula (right) were not now the pre-eminent nation of Ibero-America, LaRouche said that the problem is the current dominance of the Presidency of Mexico's Fox (with Bush, left) by U.S. synarchists and their policies. "Mexico—faced from the United States, from my faction, going back to the 1820s—has always been the key nation of Central and South America, as our partner in our hemisphere."

various countries in the Americas. That is leadership. This was not—Mexico was not trying to create an empire. Mexico was concerned with the nations on its borders, the nations of South America and their stability. Mexico has been the leader.

**Multimedios:** Not Luiz Inácio Lula da Silva? And Fox?

**LaRouche:** Look, Lula is himself a "fox." Take the case of the current negotiations: Lula waited, to see what would happen with [Argentine President Néstor] Kirchner and the IMF. When Kirchner won the fight, Lula said, "Now I want to talk to you!"

I don't object to Lula doing that. But, I would respect him more if he'd stepped in before.

**Multimedios:** The nationalization of Pemex and the electricity sector in Mexico is an impasse, it is said, for there to be the required reform—the structural reforms of Mexico—so that its economy is reactivated. That is the thesis of President Fox and his team. And he blames the gentlemen of the Congress, the legislative branch, that they are not with it in that sense: "No" to the reform.

Is the reform necessary, as Mr. Fox understands it?

**LaRouche:** No, those reforms are unnecessary. I would hope to be able to explain to President Fox the ABC's of economics. This comes in part from the fact that the President of Mexico believes, perhaps, that the present President of the United States might be re-elected. I'm determined that that catastrophe shall not happen. Under my Presidency, or under a Presidency which I influence, we will decide to reverse that policy by the United States.

In that matter: first of all, we must have—Mexico's oil is its patrimony, as it has been referred to in the past. It's a vital asset of the nation, for which the nation must assume responsibility.

On the power thing, what I propose—as I've proposed otherwise—is, the United States and Mexico must enter into a certain special kind of cooperation, along the border, on cooperation of developing new sources of water, on the development of power generation and distribution; and do this especially in the arid area between the two sides of the Sierra Madre.

This is the great area for development of basic economic infrastructure, which can only be done under statist influence and cooperation between governments.

**Multimedios:** Recently, at a meeting here in Monterrey of the OAS, it was said that George Soros was going to put millions upon millions of dollars into stopping the re-election of Bush. George Soros and you agree on that.

**LaRouche:** He has a mission, Soros has a mission, which is different than mine. Let me be more precise, since I am an insider, and can speak exactly about what is going on.

There are presently, in terms of active political support, two leading candidates for the Presidency in the Democratic Party. I am one, and Senator Kerry is the other. All the others have been eliminated. But the problem is, the Democratic Party needs money. The big-money people hate me. So, the Democratic Party policy now, of the wiser ones—the wiser ones say, "Let's get the money. After we get the money for the campaign, *then* we'll bring in LaRouche."

**Multimedios:** Why has so much been said about Kerry, and so little about LaRouche?

**LaRouche:** What we just talked about: the money.

**Multimedios:** For that reason?

**LaRouche:** Yes.

**Multimedios:** André Manuel López Obrador, Roberto Ma-

drazo, Mrs. Martha Sahagún (the wife of the President), Carlos Medina Placencia, perhaps, of the PAN, Francisco Barrio Terrazas of the PAN—you have heard of them. Of the people I mentioned, who do you think has the capacity to govern a country such as ours, beginning in 2006?

**LaRouche:** I don't know for sure. What I do know is that the negotiations and discussions which Murat held with individuals such as Madrazo, were very important. There's a practical problem here: Mexico thinks of itself as a sovereign state, in principle, but sees itself as a temporarily occupied country in practice. The practical politician will react to these two things. If he's getting a more friendly President from the United States, you're going to find that the politicians of Mexico will show who they really are. My job is to encourage them to bring out their best side.

**Multimedios:** Finally, Mr. LaRouche, who is the Blas Piñar of Mexico?

**LaRouche:** I don't think there *is* a Blas Piñar of Mexico. Blas Piñar is an international figure. Remember, he was a former Franco official. He emerged under Franco as the leading person allied to the Nazi SS organization throughout the Americas. In Argentina, the Nazi organization is Blas Piñar. In Venezuela, the Nazi organization is Blas Piñar. And you have to look at the attempt of certain—go back to the religious wars. Blas Piñar will play two lines: Blas Piñar will play a secularist line, anti-church line; he will also try to penetrate Opus Dei.

**Multimedios:** What are the interests, then, which are closest to Blas Piñar in Mexico? The political groups, businessmen, intermediate organizations, communications media.

**LaRouche:** It's largely manipulation. They will change their costumes depending upon what the United States does. I know how to pull the chain; I just need the power to do so. Because, the Mexican people, once they're aroused to defend their sovereignty will eliminate anyone who's got this kind of characteristic. The Mexican people have lived through so many wars; so much blood has flowed because of these religious wars. For how long?

Look at the Napoleonic wars in Europe. In the last century, wars leading into the formation of what became the PRI, is an example of this. You have to understand the history: These things are deeply embedded in the Mexican people, even if they themselves do not fully understand it. I see that in my own experience in Mexico. There is a very special quality of the Mexican patriot, which is unique to Mexico. That is the greatest power in Mexico for the long term.

And let its enemies fear!

**Multimedios:** Thank you very much, Lyndon LaRouche. You have been very kind. I hope things go well for you in the campaign.

**LaRouche:** Thank you very much.

## Where Are Castañeda's Checkstubs From Soros?

by RuBen Cota Meza

"Show me George Soros's checks to my campaign! Show me that this financing exists, and I'll give you the money," Jorge Castañeda Gutman declared in a fit of anger to a member of the LaRouche Youth Movement (LYM) who had challenged him, before several hundred youth, on the fact that mega-speculator and drug-legalization promoter George Soros is sponsoring his candidacy for the Mexican Presidency. The confrontation occurred during Castañeda's first public campaign event, held in Mexico City on March 28, the day after he formally threw his hat into the ring for the 2006 Presidential elections.

Four days later, Castañeda defiantly repeated his promise to hand over the money, if someone could prove he received financing from outside Mexico—adding that he would then quit the race, as well. This time he was responding to Sen. Manuel Bartlett, a leader of the PRI party faction which has thus far successfully blocked structural reforms demanded by Wall Street. Speaking March 31 at the Autonomous University of Nuevo León, Bartlett had called Presidential candidate Castañeda very "nationalist"—a nationalist of the United States and the multinationals which support and fund him, that is.

### Wall Street's Fair-Haired Boy

It was an inauspicious beginning for a Presidential campaign in a nation where nationalism still runs deep in the citizenry, despite more than two decades of largely foreign-run governments. Mexico has had some bad Presidents over those 20 years, but the project to install Castañeda as Mexico's chief executive goes beyond anything seen yet. Castañeda is not only promoted by one of the most hated drug legalizers running world finances today, George Soros. He is also campaigning in favor of Harvard professor Samuel Huntington's call for a war against Hispanics! Since Huntington's racist thesis was published in the April/May issue of *Foreign Policy* (see *EIR*, March 12)—a thesis correctly denounced by various prominent Mexicans as outright "fascism"—Castañeda has written not one, but two articles published in newspapers and magazines across the United States, promoting Huntington's thesis. "Samuel Huntington is a distinguished scholar who always addresses important and timely issues," Castañeda wrote; his article "certainly has contributed to this necessary debate in Mexico and in the United States."

Sovereignty is, for Castañeda, an outmoded idea, which



Mexico must give up—as he stated repeatedly during his two years as Secretary of Foreign Relations for President Vicente Fox (December 2000 to January 2003). It was on such grounds that he argued Mexico had to back U.S. Vice President Dick Cheney’s war against Iraq.

Castañeda is more despised than admired within Mexico, but those who dismiss his campaign as insignificant on those grounds, fail to understand what they are up against. Castañeda’s support for Huntington’s campaign to make Hispanics into the new enemy in the United States, merely typifies his designated role as the front-end of the international fascist financiers’ plot to destroy Mexico. The explicit premise of his campaign, is that Mexico’s institutions and parties must be ripped apart, if the final stage of Wall Street and IMF looting “reforms” is ever to be imposed. Castañeda’s campaign itself, is the financiers’ wrecking ball against those institutions.

The LYM’s months-long campaign exposing Castañeda as an agent of George Soros, however, is causing him problems. Soros himself has joined the effort to deny their ties: “It is not true, absolutely not, that I am financially backing the political career of Mr. Castañeda,” Soros told the Notimex press agency on Jan. 25, in Davos, Switzerland. He added, however: “I have a lot of respect for Mr. Castañeda. When I was thinking about creating my foundation [in Mexico], I thought of him. We had some conversations,” but Castañeda decided to participate in the Presidential elections, and “our discussions ended.”

This was the only time that George Soros had thought about “George” Castañeda, whom he has often kept in mind. Andrés Rozental Gutman, half-brother of Jorge Castañeda Gutman and one of the principal political managers of his Presidential campaign, in his second quarterly report as president of the Mexican International Affairs Council (COMEXI), announced that he had “initiated contacts with George Soros’s Open Society Institute, to participate in an interesting project on democracy in Mexico,” the which would indicate that perhaps Soros had not told the whole truth when he said “our discussions ended.” Intermediaries, such as Rozental, abound.

COMEXI was founded in 2002 by Rozental as a “counterpart institution” of New York City’s Council on Foreign Relations (CFR), which has served as an outpost for City of London interests in the United States for decades. On Jan. 29 of this year, the CFR invited Castañeda to inaugurate its new “HBO History Makers Series” in New York. It turned into an unabashed campaign event, aimed at mobilizing Castañeda’s real political base: Wall Street. “We couldn’t have found anybody more interesting to begin this series with than Jorge Castañeda, who has made history in the past, and hopes to make history in the future, I think, in Mexico,” investment banker and former Assistant Secretary of State Bernard Aronson said by way of introduction. In concluding the event, Aronson added: “I don’t know whether Jorge will decide to seek a political career in Mexico, but I think if he does, the

Mexican people will be greatly benefitting from the kind of candor and thoughtfulness that we’ve heard tonight.” Castañeda, he said, is one of those “authentic voices and voices that can think in new and creative ways,” for which Aronson thinks democratic societies are “hungering.”

## The Toledo Precedent

But, what is George Soros’ “interesting project” for Mexico? So far, we don’t know its details. What would be “interesting” would be for Castañeda and his half-brother, in the interest of of “transparency,” to report upon what they are getting into with Soros. What can be known indirectly, however, is what George Soros already did in Peru—among other countries—where he contributed decisively to bringing the drug legalization mafia of Alejandro Toledo to power. Soros met with Toledo in June 2000, at an international conference on “democracy” in Warsaw, and personally gave the Peruvian then-candidate for President \$1 million, to finance his July 2000 “Four Corners March.” That march, billed as a “peaceful protest” against the inauguration of then-President Alberto Fujimori’s third term in office, turned into an orchestrated mob assault, which left several buildings burned and six people dead.

When the fact of the meeting became public, Toledo admitted to taking Soros’ million, but insisted that it was for “the struggle to defend democracy” in Peru, and not for his electoral campaign, “which would be illegal.”

## Drug Legalization, Soros, and Castañeda

In November of 2000, several days before the first PAN government in modern Mexican history—that of Vicente Fox—was inaugurated, the book *Chile and Mexico, Two Transitions Face to Face* was released in Mexico. In that book, edited by Chilean Ambassador to Mexico Luis Maira, Jorge Castañeda wrote several foreign policy recommendations for the Fox government. Among these, he proposed a “great campaign” like the one which brought about NAFTA, to get the United States to drop the policy of “certification” of nations in the war against drugs; and to find “a new focus” toward drugs, with “long-term decriminalization of certain currently illegal substances” and “the use of market mechanisms to lessen the damage from the prohibition of the drug trade.” In other words, drug legalization.

Interviewed last Nov. 28 on this question by the newspaper *La Jornada*, Castañeda declared that “I said this in U.S. forums, along with very conservative figures such as Milton Friedman and George Soros,” and he reiterated that the drug trade must be seen “in a more flexible, modern, and up-to-date way.”

The pro-drug legalization argument, that the war on drugs produces greater damages than abuse stemming from its consumption, is stated by George Soros in an Open Letter to UN Secretary General Kofi Annan, published by the Lindesmith Center in a June 1998 edition of *The New York*

*Times*. The letter was signed, among others, by Mariclaire Acosta Urquidi, who two years later became undersecretary in Castañeda's Foreign Affairs Ministry in the Fox government.

In 1992-94, George Soros created his Open Society Institute and, through it, created the Drug Policy Foundation and the Lindesmith Center, the latter headed by Ethan Nadelmann. Soros has channeled more than \$15 million into activities focused on drug legalization. In an article signed by Soros and appearing in the Feb. 2, 1997 issue of *The Washington Post*, he wrote: "I was delighted this past November when voters in California and Arizona approved" the ballot initiatives for which "I personally contributed approximately \$1 million. . . . The California initiative legalized the cultivation and use of marijuana for medicinal purposes. The Arizona initiative went further, allowing doctors to prescribe any drug for legitimate medical purposes. . . . I tried marijuana, and enjoyed it."

While serving as Fox's foreign secretary in October 2002, Castañeda hosted Ethan Nadelmann who—according to Dan Feder of the electronic newspaper *Narco News*—"spent two days in private meetings at the foreign ministry." Nadelmann is Soros' man for internationally coordinating pro-drug legalization forces, and was "responsible" for the publication of the June 1998 "Open Letter" to Annan.

A few weeks before Nadelmann's Nov. 20, 2002 visit, Castañeda had been the main speaker at a dinner given by Soros' Open Society Institute in New York. Soros invited him to speak before the group called "Donors for Global Involvement."

Castañeda is also on the board of directors of Human Rights Watch (HRW), an organization also heavily funded by Soros. Within this organization, Castañeda is, along with Soros, on the Advisory Committee for Latin America. HRW-Americas is dedicated to fighting the violation of human rights supposedly committed by forces fighting "to limit the international drug trade." That is, HRW-Americas attacks governments that fight drugs.

With all this public evidence of how George Soros is sponsoring the "interesting project on democracy in Mexico" to which Castañeda's brother refers, is it really necessary to see the checkstubs? These will undoubtedly turn up, just as Soros' million dollars to Alejandro Toledo did.

## Iraq 'Exit Strategy' Means: Announce an Exit

by Muriel Mirak-Weissbach

Conventional wisdom on Iraq—that the United States has "won the war," but not "won the peace"—has been shown a pathetic illusion by the events of April. The fact is, the United States has *lost* the war, both militarily and politically. The only relevant question is: What will the dumb President Bush and his incompetent administration do now? Will they pursue their reckless course to prevail at all costs, expressing a crude Nietzschean will to power—by escalating militarily, deploying more troops, and repeating the tragic experience of Vietnam? Or, will they finally face reality and heed the policy directives of Presidential candidate Lyndon LaRouche: To announce an American intention to withdraw troops, hand over responsibility to the United Nations, and allow an orderly political process to begin, which could lead to the re-establishment of Iraqi sovereignty, independence, and peace?

In the first half of April in Iraq, a de facto nationally-unified resistance emerged. The two facets of this process can be identified with the names of Fallujah and Najaf. In Fallujah, part of the "Sunni Triangle," lying on the road from Amman, Jordan to Baghdad, 1,200 U.S. Marines, flanked by two battalions of Iraqi security forces, laid siege to a city of 300,000, with massive deployments outside it. Though killing an estimated 600 civilians and wounding 1,200 more in the first week of their siege, the Marines were unable to seize positions even in the outlying suburbs against guerrilla fighters, nor secure the road from Baghdad to Fallujah. They had overlooked fact that this city is home to huge numbers of Iraqi military veterans, formerly organized in the army which pro-consul Paul Bremer's Coalition Provisional Authority (CPA) unwisely dissolved. These trained forces—including, reportedly, enough senior officers to make up a division—had gone underground after the April 9, 2003 fall of Baghdad, with their weapons. Following the announcement disbanding the army, they prepared to join the resistance.

Parallel to the siege of Fallujah, and with the same Rambo mentality, Bremer and the U.S. military forces set their sights on Najaf, one of the two holiest sites of Shi'ite Islam (the other being Kerbala). Bremer pursued hostilities beginning March 28 against radical Shi'ite splinter group leader Moqtadar al-Sadr. As armed uprisings in support of the Shi'ite militia leader arose in a number of cities, the American leadership, instead of seeking to quell the violence, poured oil on the fire, by announcing that the aim of the operation in Najaf was to "arrest or kill" al-Sadr. "The target is not Najaf," Brig. Gen.

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Mark Kimmitt said. “The target is Moqtadar al-Sadr and his militia. We will hunt them down and we will destroy them.” Al-Sadr—who had been catapulted to nationwide and international prominence as a result of the provocations—vowed that he would accept martyrdom, and called on all Iraqis to continue the struggle.

## Voices of Reason

Had the U.S. forces made good on their threats to storm al-Sadr’s office, located very close to the holy shrine of Imam Ali in Najaf, this would have ignited an explosion not only in Najaf, but throughout Iraq and beyond. U.S. forces have been prevented from doing so by the intervention of senior Shi’ite religious authorities, who moved to de-escalate the conflict, and pave the way for a negotiated solution.

The first news of talks was released on April 9, involving senior Shi’ite religious figures and the renegade al-Sadr. One group, led by Mohammed al-Mudarisi, a member of the Marja (the highest religious leadership), received delegations from al-Sadr’s forces and from the Iraqi Governing Council (IGC). Another team, assigned by Ayatollah Mohamed Baqir al-Hakim, leader of the Supreme Council for the Islamic Revolution in Iraq (SCIRI), also met with al-Sadr’s people. Other talks involved the son of Ayatollah Ali Hussein al-Sistani, who is the highest Shi’ite authority anywhere. Al-Sadr, in the midst of his fiery statements, had made clear that he would follow the guidance of al-Sistani; he made good on this promise with the announcement of a ceasefire for the weekend of April 9–11. This coincided with the al-Arbaeen, a holiday commemorating the end of the mourning period of Shi’ite saint Imam Hussein, observed by 1.5 million pilgrims in the holy city of Kerbala. A national general strike was called for the same time, jointly by Shi’ite and Sunni religious leaders.

Follow-up negotiations continued, with the sons of Iraq’s three highest ayatollahs and al-Sadr on April 12, during which they “agreed not to allow any hostile act against Seyyed Moqtadar al-Sadr and the city of Najaf,” according to one participant. Al-Sadr’s militia leader stated that in Kerbala, the ceasefire would hold as long as “occupation forces do not enter inside central Kerbala and do not approach the holy sites and the checkpoints manned by the militiamen at the entrance of the city.” The talks appeared, by April 15, to signal a possible breakthrough: The religious leaders, in discussions with the CPA, reported a pledge that the occupying forces would no longer demand the arrest of al-Sadr, but leave the entire affair to the work of a competent court constituted by a legitimate, future Iraqi government. Furthermore, al-Sadr’s militia, the Al Mahdi Army, would not be disbanded, but transformed into a political party.

Parallel to the partial solution of the crisis in Najaf, the deadlock in Fallujah entered a new phase. A ceasefire there was announced by Bremer on April 9, and has been extended on a day-to-day basis since. Bremer was forced to make the move, not only under pressure from the Shi’ite/Sunni reli-

gious leadership, but due to the fact that his Iraqi allies—in the IGC—as well as his international “coalition of the willing” were showing signs of bolting. Abdel Basit Turki, and a member of the IGC’s rotating presidency, Iyad Allawi, resigned on April 9, while another, Ghazi Ajil al-Yawer, threatened the same. “How can a superpower like the U.S. put itself in a state of war with a small city like Fallujah? This is genocide,” he told Agence France Presse.

It was not only the IGC which began to unravel, but also the “new Iraqi army” which Secretary of Defense Rumsfeld and Lt. Gen. Ricardo Sanchez have praised so highly. On April 11, it was reported that “The 620-man 2nd Battalion of the Iraqi Armed Forces refused to fight . . . after members of the unit were shot at in a Shi’ite Muslim stronghold in Baghdad, while en route to Fallujah.” And, Iraqi police were going over to the resistance, a fact which led Bremer to fire the interim Interior Minister.

Despite the ceasefire, fighting has continued in Fallujah, as well as in other areas of the Sunni triangle, especially on the road from Baghdad to Fallujah, around Abu Graib. And despite the fact that the U.S. moved an additional battalion of Marines, about 600 troops, to reinforce the two already around Fallujah, U.S. casualties have risen. One spectacular attack came April 13, during a five-hour battle, when 100 Iraqi resistance fighters assaulted an armored vehicle with 20 Marines inside.

Whether or not the ceasefire will hold, and whether or not talks aimed at solving the conflict will succeed, is up in the air as of this writing. What is clear is that there is no military solution. As Aziz Alkazaz, the Iraq expert at Germany’s Orient Institute has stressed, “It is not a question of military power, it cannot be solved militarily. It is not a question of more or less military force.” In his view, “Even with five times the current troop strength, it can’t be solved. NATO would be no better. The U.S. is naive if it thinks it can bring in NATO. NATO is security-dominated thinking. It can’t solve economic-political problems. The solution must be political. The U.S. needs an exit strategy, a way of leaving with prestige, and winning the trust of the population. They can’t do it with Chalabis,” referring to Ahmed Chalabi, a thoroughly corrupt and discredited member of the IGC. “The U.S. has to transfer real power to Iraqis who represent the country,” he concluded.

What the Najaf developments demonstrated, was that there are authoritative personalities in the Iraqi religious leadership layers, willing to seek a political solution, and capable of moving forces in the desired direction. If one seeks a political way out, these circles are the obvious interlocutors. If there is a will, a normal political process leading to legitimate elections and a government, can unfold.

UN envoy Lakhdar Brahimi, on return from his mission to Iraq, proposed on April 15 that an interim caretaker government should be put together to take office after June 30—a government other than the discredited IGC. Brahimi suggested that the IGC be disbanded and a new executive formed,

made up of respected Iraqis, including a prime minister, two vice presidents and a president. This group would be chosen by a combination of the United Nations, the IGC, Bremer's CPA, and a group of Iraqi judges. Most important, reports indicated that this new body would not be selected on the basis of ethnic, religious, or party affiliation.

### The Iranian Factor

A new factor was introduced into the Iraq conflict, with Moqtadar al-Sadr. In addition to the Iraqi religious authorities who approached him, several signals were issued from neighboring Iran, a Shi'ite nation with historic ties to Iraq. The Supreme Leader of the Iranian Revolution, Ayatollah Khomeini, while predicting that the U.S. would be humiliated in Iraq, expressed his support for the approach spearheaded by Ayatollah al-Sistani, for negotiating a political solution. Other religious figures in Iran echoed this, throwing their support behind al-Sistani. While talks were ongoing in Najaf, the man considered al-Sadr's mentor, Mohammed Mahdi al-Hahiri, issued a statement from the Iranian theological center Qom, saying that it would be in the interests of the nation of Iraq to avoid bloodshed, especially in Najaf. This was a direct signal to al-Sadr, to comply.

Soon these signals were to be translated into a political initiative, announced on April 14 by Foreign Minister Kamal Kharrazi, who said an Iranian delegation would travel to Iraq for talks with the various parties. The following day, Hossein Sadeghi, a senior diplomat from the foreign ministry, arrived in Baghdad with a delegation, and moved on to Najaf. Shortly after his arrival, the first secretary of the Iranian Embassy in Baghdad was shot dead, clearly by forces opposed to any Iranian role.

Kharrazi, who said the initiative had been prompted by the United States working through the Swiss Embassy, said that discreet talks had gone on between the two powers, but the dialogue "was stopped because we felt we were going nowhere. The Americans give promises but don't keep their promises." Iran, he said, was "making its utmost efforts to help resolve the situation in Iraq as soon as possible so that power be given back to the Iraqi people. The solution is for occupiers to leave Iraq."

Most probably, the Iranian intervention was mediated by the British, who, unlike the United States, do have diplomatic relations with Tehran. British Foreign Minister Jack Straw had first broached the idea of an Iranian role in the first week of April, in telephone discussions with Kharrazi. Straw had emphasized the role of al-Sistani in seeking a solution.

As the foremost (and almost the last) full partners of the United States in the Iraq adventure, the British have good reason to seek help wherever they can find it. That the Iranians could and should play a role, is something that most capitals in Europe have grasped. Iran is a regional power, with historic, religious and cultural ties to Iraq, and is interested in preventing any further destabilization of the region, in the wake of

the Afghan and Iraq wars. Iranian officials have repeatedly told *EIR* that, if the United States were seriously concerned about stabilizing Iraq and the region, it would have to approach Iran, especially in light of relations with the key player in Iraq, Ayatollah Ali al-Sistani. But America had consistently refused.

One Arab regional expert, speaking with *EIR* on April 15, noted the irony of the fact that the United States was looking to a member of the "axis of evil" for help. He added that he believed Iran would make specific counter-demands: among them, that Iranian assets be unfrozen; that its nuclear energy program be unimpeded; and that the United States commit to withdrawal from Iraq.

### A Political Solution

What will Washington do? Will the administration and military continue their flight forward, committed to a Vietnam-style military build-up and the deployment of overwhelming force? This has been the tenor of remarks made by Kimmit and Sanchez, and those of President Bush himself in his April 13 press conference.

Or, will cooler heads prevail, and accept the reality that Vietnam-style tactics will not work any better than they did the last time? LaRouche, whose principled fight for peace in the region dates to 1975, has emphasized that the current situation of U.S. forces in Iraq is comparable to those deployed in Indo-China during and after the Tet offensive. He has also drawn the historical parallel to France's Algerian war, in which the wisdom of Charles de Gaulle ultimately prevailed, and French troops pulled out.

The main problem LaRouche identifies in the current juncture, is the hysterical state of denial gripping leading political circles, especially in the United States but also in Europe, regarding not only the Iraq morass, but the imminent collapse of the world monetary-financial system. To shift policy on Iraq requires effecting a paradigm-shift in an American political process where LaRouche's intervention is decisive.

As the recent weeks' events have demonstrated, the entire Iraqi population is now mobilized around the demand that the U.S. occupation end. As LaRouche has demanded, the White House must publicly declare its intention to leave Iraq. That step alone would establish the basis on which to effect an exit strategy. Without such a declared intention, on a brief time-frame, no solution to the "Vietnam in the desert" can be found.

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# Worldwide Banking Turbulence Slams Peru

by Manuel Hidalgo

Peruvian businessman Jaime Mur declared on television on April 1, that the Banco Wiese Sudameris (BWS), the country's third most important bank, was facing insolvency. In 2003, the BWS suffered a 72.19% collapse in profits, in comparison to 2002. Although the Peruvian press failed to give much coverage to Mur's statements, the Finance Ministry, the banking superintendency and the country's number one bank, Banco de Credito, felt obliged to respond publicly that BWS is indeed "solvent," and that it has "an adequate liquidity level, to meet all foreseeable demands."

For its part, BWS announced that it would file a lawsuit against Mur for "financial terrorism."

## LaRouche's Forecasts

But no one should find it strange that Peru's banking system is experiencing such extraordinary turbulence, given the fact that the world monetary/financial system is in the process of disintegration, just as Democratic Party Presidential pre-candidate and U.S. economist Lyndon LaRouche has been forecasting.

In fact, on March 20, LaRouche told hundreds of students attending a conference at the Technological Institute of Higher Studies in Monterrey, Mexico that "world production, today, is about \$41 trillion net product. But, the amount of financial derivatives, in 2003, the turnover, was \$8.7 *quadrillion* of short-term obligations. These short-term obligations are so vast, relative to our product, that the financial system is absolutely bankrupt." Mexican banks have gone under at least twice in recent years, as have the banks of Argentina, Ecuador, and, just a few months ago, the Dominican Republic as well.

In the United States, as *EIR* has reported, there are several banks which are surviving only through the artificial respiration provided by the Federal Reserve, among these, such well-known institutions as Citigroup and JP Morgan Chase.

LaRouche's warnings are not unknown in Peru, where the International Caucus of Labor Committees (ICLC) and the LaRouche Youth Movement (LYM) have widely circulated his statements to political, government, business, labor, media, and university circles.

## Intensive Care for the Banks

Since 1998, Peruvian banking has been under intensive care from the state. However, the number of banks has still

been reduced from 25 to 15; some by liquidation—Orión Solventa, Banex, Nuevo Mundo, Serbanco, República—and others by being absorbed by other banks, as is the case with BSCH, Latino, and BWS.

The vast quantities of aid provided by state coffers have not prevented a number of financial groups from leaving the country, such as Santander Central Hispano or history's first opium bank, the Hong Kong and Shanghai Banking Corporation.

The true level of delinquency on payments by the system is unknown, as the government has in effect dismantled banking supervision and reinforced mechanisms of "preventive rescue" in its place. Peruvian governments since 1998 have poured no less than \$2.4 billion in bonds and cash into rescuing Peru's banks, and the figure is even larger when one takes into account the state resources assigned to companies that eventually fell into the hands of the creditor banks.

One Congressional investigation recently concluded that in the bailouts of Wiese and Latino banks, bankers as well as government officials committed a number of crimes. The case against Latino is already being reopened for further investigation, as a result. It is estimated that the "rescue" of Wiese will represent an additional loss to the state of \$314 million, merely by executing the state guarantee given the INTESA financial group. In the case of Latino bank, the Picasso group, in whose charge Latino was until the state intervened against it, facilitated the speculative intervention of George Soros on the Peruvian stock market.

## IMF Demands

The doors to these extralegal changes were opened by the International Monetary Fund (IMF), with its October 1996 demands to change legislation for confronting a possible financial crisis. The Venezuelan banking crisis had cost 20% of that country's Gross National Product, and the Chilean, 30%. So, under IMF pressure, the traditional supervisory norms in Peru were abandoned, and the ability of the Banking Superintendency and Deposit Insurance Fund to conduct "preventive bank rescues" was instead strengthened.

The banking crisis is lighting the fuse for the explosion of a much broader fiscal crisis. Although the exact amount is not yet known, it is clear that the cost of these bailouts represents an enormous drain on state funds. The Alejandro Toledo government has tried to confront its fiscal deficit by issuing bonds to the tune of some \$3.18 billion, thereby increasing the country's foreign debt by some \$5 billion. Debt service already consumes 25% of the national budget, and if it is combined with the banking crisis, it is evident that Peru is heading for precisely the kind of crisis that we have just seen in Argentina and Ecuador, which is ripping apart the social fabric of those countries.

## Bush and Me-Too Kerry Campaign To Beat Themselves

by Nancy Spannaus

Recent performances by President George W. Bush and his presumptive opponent in the November 2004 Presidential elections, Sen. John Kerry, have led Democratic Presidential candidate Lyndon LaRouche to remark that he is not running against these men as opponents; they are running against themselves. Unless LaRouche is brought into the equation, the loser is the American nation.

LaRouche has proposed to remedy the situation by holding debates on the strategic crisis with Senator Kerry. This would be the only way to break the consensus now being enforced by both the Republican and Democratic parties, in which the strategic realities of the global economic-financial breakdown crisis, and the threat of global warfare emanating from the pre-emptive war against Iraq, have been put off the agenda. Apparently, the Democrats and Republicans have agreed that there will be no financial crash before the November elections. Given the global instabilities and bankruptcy of the system, this is nothing short of insane.

So far, the Kerry campaign has not responded to LaRouche's proposal, and candidate Kerry has instead dug himself deeper and deeper into the muck of "me-tooism," on the war and the economy. With such a free ride, the Cheney-run Bush Administration has flung itself headlong into accelerating the crises in the Middle East and Asia, and kept up its insane "recovery" propaganda, despite clear indications that its phony statistics will boomerang into an interest rate rise that finally pops the bubble.

The question looms: who will break the cycle of lunacy that threatens to destroy the United States?

### **The World's Dumbest President**

In a March 29 statement, LaRouche argued that the leading political issue of 2004, after the onrushing depression, was the question: "Are the U.S. voters so silly that they would

re-elect a President whose one and only endearing charm, is that he is rightly perceived, more or less world-wide, as the dumbest man in the history of the Oval Office?" The President has done nothing to shake that appellation over the recent two weeks. Granted that his Svengali Dick Cheney was out of town, Bush still outdid himself in the idiotic appearance of his comments on the declassified Aug. 6, 2001 Presidential Daily Briefing item, released on April 12. The President said, that since the memo did not mention a specific time, place, or method of attack by al-Qaeda, it had no active intelligence. He added that the intelligence on planned airplane hijackings— included in the briefings!—was no good because it didn't mention crashing into buildings, but only mentioned forcing the release of one of the 1993 World Trade Center plotters from prison.

Asked, during his April 13 press conference, about the Administration's actions to prevent the 9/11 disaster, and what he or his Administration could have done differently, Bush was downright goofy: He virtually scratched his head perplexedly, and said that he really couldn't think of anything at all.

On Iraq *per se*, the President simply tried to bull his way through, insisting that "failure is unthinkable," and that the United States could not leave because it would "lose respect." He reiterated the threats against radical cleric Moqtadar al-Sadr, which have further inflamed the situation. But, when it came to the question, to whom would America hand over sovereignty on June 30, the President effectively passed the buck to United Nations envoy to Iraq Lakhdar Brahimi, as the person who would decide what kind of ruling authority would receive this sovereignty. Ironic, from an Administration which has insisted on going it alone.

To say that President Bush was in a situation of denial, would be no exaggeration.

Even worse was his behavior on April 14, when he held his Rose Garden press conference with Israeli Prime Minister Ariel Sharon, and lent U.S. support to Israel's demand that its acquisition of the Occupied Territories by force, be ratified as "reality," despite the body of international law and United Nations resolutions which demand Israel give up these territories. The President was like the fool who lights a match in a room full of gasoline. For a moment, it improves visibility—until the whole room explodes. In this case, it is the entire Middle East that is poised to explode, with blowback on Israel as well. To count this as a gold star on the Bush Administration's resume, is just plain nuts.

### **Terry McAuliffe's Rotten Stew**

While George Bush may have an excuse for his idiocies, Senator Kerry is intelligent enough to know better. There is perhaps no clearer indication that Kerry's campaign is currently being run by Terry McAuliffe's corrupt bunch at the Democratic National Committee, than his April policy statements on the economy and foreign policy. Kerry's April 7 "major economic address" at Georgetown University was a paean to "fiscal responsibility," in the tradition of the Democratic Leadership Council-dominated DNC. He emphasized "fiscal discipline," the balanced budget, and other nonsense which neglected the fundamental bankruptcy of the financial system, and the FDR-style approach needed to solve it. As is typical even of good Democrats, Kerry gave credence to the "boom years" of the Clinton Administration—which, in fact, saw the rapid stoking of the financial bubble which is now in the blowout phase.

Even worse was the presumptive Democratic nominee's pandering to the Bush Administration in his opinion column on the Iraq war a few days later. In an oped in the April 13 *Washington Post*, Kerry purported to present a "strategy for Iraq." After a nod to the fact that the Administration made "misjudgments" in its approach to the Iraq war, which are costing the United States too much money and too many lives, Kerry rushed to state that he would do nothing to change the premises of that approach. Instead, he emphasized, he wanted to let the "extremists attacking our forces know they will not succeed in dividing America, or in sapping American resolve, or in forcing the premature withdrawal of U.S. troops." If our commanders request more troops, "we should deploy them," he said, and convince others to put more "boots on the ground" to help us out. Kerry went so far as to endorse the idea of NATO creating "a new out-of-area operation for Iraq under the lead of a U.S. commander."

In fact, nothing that Kerry wrote differed substantially from what President Bush said at his press conference that very evening—up to and including the resolve to keep the United States in military control over Iraq, even if the United Nations can be convinced to take over civilian direction.

*EIR's* sources emphasize that the reasoning behind Kerry's impotence on this question is that he doesn't want to be

caught sounding anything like LaRouche, and therefore will not come forward with even the straightforward criticisms of the lies about non-existent weapons of mass destruction, which he has previously referenced. Even as Secretary of State Powell is admitting, implicitly, that LaRouche was right when he wrote that "Powell was lied to" before his February 2003 presentation to the UN, Senator Kerry acts as though he has to rally behind the losing, fraudulent, immoral war. If the population is offered such a "Bush-lite," is it really going to rally around a Democrat?

Unfortunately, Kerry proceeded to make an equally serious blunder in his positive response to President Bush's deal with Ariel Sharon, sanctioning the Israeli seizure of lands during the 1967 war.

### **Is It Fatal?**

There is no question but that a re-election of the Bush-Cheney team—or their seizure of power through cancellation or rigging of the 2004 elections—would be fatal for the United States and the world. And despite the weakness of the Bush-Cheney team which is occasionally now showing up in the polls, there is no certainty that a re-election might not take place.

The fact is that Senator Kerry is destroying both himself, and the Democratic Party's ability to mobilize. His reliance on the moneybags in Hollywood, suburbia, and elsewhere belies the fact that he is currently not orienting to mobilizing the population in the lower 80% of income brackets, the forgotten men and women of the FDR-era Democratic Party constituency.

After reading Kerry's April 7 economic speech, Lyndon LaRouche didn't mince words. "This speech is one of the most foolish pieces of random, meaningless babbling I've seen from a serious person in a long time," LaRouche said. "The question is, is this a reparable collapse, or not? Could Kerry come back, after his evasion of the real issues, and then plunging head-first into the manure-pile, with this crazy Georgetown speech? This is an absolute disaster, it's a career breaker. Probably the only thing that would save him," LaRouche went on, "is if, suddenly, the Democratic Party were to change its policy, and just have Kerry and me have some debates; that's the only way to save it. He and I are now the leading candidates still in the campaign. And therefore, there should be a public debate (maybe it could be private beforehand, but it should be public).

"This should be a public discussion, not something where we're answering press questions," LaRouche added. "A classical debate, on what should the policy of the Democratic Party be? What should the policy of the United States be? The time has come for that debate. If people don't want it, and they say they're not going to do it, then Kerry's finished. The only way to get him really back in the race as a credible alternative to that dummy George Bush, is this."

# Bush-Sharon Summit Will 'Ignite A Fire' Throughout Middle East

by Dean Andromidas

"We say that we are facing a dangerous crossroads. No one should deceive the capital cities of the Arab world or Europe. They should tell the U.S. administration that this plan is completely unacceptable and will ignite a fire in the region more intense than the one we are witnessing now in Iraq."

This is the comment of Yasser Abed Rabbo, former Palestinian minister, on the shameful letter released by President George W. Bush on April 14, at the summit with Prime Minister Ariel Sharon. With a stroke of a pen, Bush abrogated the cornerstones of U.S. Middle East policy for four decades, and unilaterally threw out 40 United Nations resolutions, many of which the United States had signed.

Given that Rabbo is the co-initiator, along with Israeli Yahad Party Chairman Yossi Beilin, of the Geneva Peace Accord, and a leading Palestinian moderate, his warning should be taken with deadly seriousness.

Bush's letter *unilaterally*, without consultation with Congress, changes the official U.S. policy that has stood since 1967, when the United States signed on to United Nations Security Council Resolution 242, and which was the basis for the "Declaration of Principles," signed by the Palestinians and Israelis in the 1993 Oslo Accords.

Bush took the United States out of the role of "mediator" in a peace process, and turned it into a full partner of Sharon's policy of taking Palestinian land by force.

And, despite his lipservice to the Road Map—his own creature—Bush tore up that document, which calls for negotiated decisions. And he tore up the "Quartet" itself, the alliance among the United States, the European Union, Russia, and the United Nations that created the Road Map in an attempt to reach a peace agreement. It is no secret that Sharon and the fascists in his coalition government *never* accepted the Road Map.

## Sharon Gets It All

UN Security Council Resolution 242 of 1967 opens with the unambiguous statement that "The Security Council, Expressing its continuing concern with the grave situation in the Middle East, *Emphasizing the inadmissibility of the acquisition of territory by war and the need to work for a just and lasting peace in which every State in the area can live in security.* . . ."

But Bush's letter, first and foremost, gives Sharon what

he has always wanted: the legal authority to claim for ever more, the lands won by the Israeli army in the 1967 war, and in which the settlements were created in order to create Jewish "population centers" which had not existed before. In violation of UNSCR 242, Bush gives Sharon the right to *annex* Palestinian land.

Secondly, Bush's letter unilaterally declares that Israel has the right to prevent Palestinian refugees from ever returning to their homes in what is now the State of Israel. Bush states that the solution to the Palestinian refugee problem will be "found the establishment of a Palestinian State, and settling the Palestinian refugees there, rather than in Israel." This not only violates the substance and intent enshrined in UNSCR 242, which "Affirms further the necessity: for achieving a just settlement of the refugee problem," but also in the 1949 UN General Assembly Resolution 194, which "Resolves that the refugees wishing to return to their homes and live at peace with neighbours should be permitted to do so at the earliest practicable date. . . ." UNGAR 194 also provides for creating an authority that will facilitate the repatriation and resettlement of the refugees, in "close relations with the Director of the United Nations Relief for Palestinian Refugees."

Bush's letter bears the paw-prints of Vice President Dick Cheney, whose objective in the administration has always been the destruction of the Oslo Accords, which set up the Palestinian National Authority (PNA), and established a territory that would be governed by it. Destroying Oslo was stated explicitly in the 1996 document, "Clean Break: A New Strategy for the Realm," drawn up Cheney's top advisor, David Wurmser, who co-authored the document for then-Israeli Prime Minister Benjamin Netanyahu, along with neo-conservatives Richard Perle and Douglas Feith. They were the Defense Department officials behind the Iraq War, which Clean Break also called for.

For Sharon, Bush's acquiescence was a "dream come true," which he hopes will save him from a pending indictment for massive financial fraud.

In bowing down to Sharon, Bush also:

- De-legitimized the PNA, which is recognized as the representative of the Palestinian population by the entire international community, including the United States. The letter never refers to the PNA, substituting "Palestinians" or unnamed "Palestinian institutions." Thus Sharon's assertion



that “there is no Palestinian partner” won out. Bush even announced that Washington will work to establish a “new leadership” for the Palestinians.

- Gave approval to Sharon’s “facts on the ground” argument—i.e., that might makes right—justifying the annexation of the West Bank. Bush’s letter states, “In light of the new realities on the ground, including already existing major Israeli population centers, it is unrealistic to expect that the outcome of final status negotiations will be a full and complete return to the armistice lines of 1949. . . .” (This is understood also to mean the modified “1967 Borders” in UNSCR 242.) Any “final status agreement,” declares Bush, has to “reflect” the realities of Sharon’s illegal settlements.

Within days after April 14, the Bush Administration said it would send a team to determine the borders of the Jewish settlements, opening the way for Sharon to launch a massive settlement expansion campaign—approved and financed by the U.S. taxpayers for the first time.

- Endorsed the Berlin Wall of the Middle East and fully accepted Sharon’s claim that the Wall is only a “security barrier” and, “temporary.” This wall has already created misery among hundreds of thousands of Palestinians and has driven them out of their farms and homes in “ethnic cleansing.”

All of this in return for a *promise* to withdraw from the Gaza Strip, a plan which has not even been approved by Sharon’s own government. Furthermore, Sharon openly stated that the withdrawal from Gaza, if it ever takes place, will not occur before June or July 2005.

Within that year, Sharon has the opportunity to launch a regional war where he can implement his real policy: “Jordan is Palestine.” High-level Israeli sources have told *EIR* that such a war will be launched by Israel against Syria *as soon as* another major terrorist incident against Israel occurs.

Commenting on Bush’s letter, a senior Israeli activist who has fought for an Israeli-Palestinian peace settlement for decades, warned that Bush has ensured setting the region on fire, a fire that will last a very long time. But, he said, the implications go way beyond the Middle East. In his view, Bush is planning to steal the November Presidential elections: “No one can go that far against traditional U.S. policies and American and international public opinion in the midst of an election campaign without knowing he can steal the elections,” he warned. “It makes no sense otherwise. I hope I am wrong, but the danger to Israeli democracy is far smaller than the dangers to American democracy.”

Israeli sources also expect a renewed explosion of vio-



*Bush and Sharon on April 14 at the White House, ensuring the deaths of many more U.S. soldiers and Iraqi civilians, Palestinians, Arabs and Israelis. The President’s fatal action was, as usual, not his own idea but that of his controllers Cheney, Wolfowitz, et al. Did he even know that he was flouting international law and overturning 40 years of U.S. policy?*

lence, and fear that Sharon returns to Israel with a green light from the White House to assassinate Palestinian President Yasser Arafat—a guarantee of a broader war.

## **Bush Does It Again**

As in the unilateral Iraq War, Bush has chosen the path of the “beast-men,” Sharon and Cheney, with a unilateral action rejecting law and traditional alliances.

Palestinian leaders immediately denounced the summit. At an April 15 press conference, President Arafat vowed to “protect our land, the holy mosques, and the right of Palestinian refugees to return to their homeland.” He further charged that “the fanatic leaders in Israel are making a mistake and so are their supporters. The Palestinians will not cease to act in order to achieve freedom and an independent state with Jerusalem as its capital, whether they like it or not. . . .”

In a telephone discussion on April 14, Palestinian Prime Minister Ahmed Qureia told U.S. Secretary of State Colin Powell that the U.S. position was “an absolute bias against the Palestinian position, and we fully reject these unilateral measures and their consequences.”

The European Union, a member of the “Quartet,” stated, through its current President, Irish Prime Minister Brian Cowen, that the EU “will not recognize any change to the pre-1967 borders other than those arrived at by agreement between the parties.”

UN Secretary General Kofi Annan also denounced Bush’s statements and said Bush is ignoring the Palestinians. “The situation in the region has to be resolved through negotiations that would be based on Security Council resolutions.”

## Sharon and Bush 'Will Fry in Hell'

*Rabbi Hertzberg, former president of the American Jewish Congress, and former vice president of the World Jewish Congress, was interviewed by Marjorie Mazel Hecht on April 15. Her review of his newest book, The Fate of Zionism, is below.*

**EIR:** After years of devolution and increasing tension, we're at a critical point in terms of Israel's survival and the danger of a full-blown worldwide clash of civilization.

**Hertzberg:** I think that what happened in Washington yesterday is a disaster. Sharon is licking his chops. He's going home to Israel to parade his achievement; he scored a famous victory. Bush is licking his chops. He thinks he's added about 10% or so to the Jewish vote that he will get in November. And so, Florida is more secure, and he thinks that he will himself be re-elected.

Both of them will *fry in hell* for what they did yesterday. And I want you to quote me on "fry in hell," because what they have done is that they have *permanently* put the United States at war with the Arab world. They have left no negotiating room. The only tactic that Arabs have left is to send in more suicide bombers.

**EIR:** It's certainly a worse situation than it was before the day before yesterday.

**Hertzberg:** And therefore, anybody who thinks that what happened in Washington yesterday is good for peace and good for people, is out of his head.

**EIR:** Unfortunately, in the Bush Administration and elsewhere, there are a lot of people who are out of their heads.

**Hertzberg:** Absolutely, absolutely.

**EIR:** As you know, we've been putting pressure on the Bush Administration for getting rid of Cheney and his entourage.

**Hertzberg:** I'm part of that pressure from a different side. These people are essentially mindless bullies. It's not merely that they're bad for Arabs, or bad for America. They are also bad for Jews. They are involving us in a permanent war with the Arab world. They are making it much worse.

**EIR:** Bush seems to think that he'll have support from the Jews for his policy. I don't think that's even true.

**Hertzberg:** I think he's going to have increased some support among the hardliners; but as the Jews think this one

through, he's going to lose support.

**EIR:** I think most Jews aren't hardliners.

**Hertzberg:** That's the point. The majority of the Jews want peace, and they will recognize that this isn't going to lead to peace.

**EIR:** What do you think has to be done at this point?

**Hertzberg:** What I am thinking overnight is that there has to be a very serious Jewish declaration by some very responsible people, which says that Bush and Sharon do not speak for us. I'm going to try to make that happen in the next day or two. I think some Jews have to step out and say, this does not represent me.

**EIR:** Can you talk some about a solution—the policy of economic development for the Mideast, which LaRouche has pushed as the only way to change the situation?

**Hertzberg:** It is the only way. Look, I'll give you a rather startling parallel. Twenty-five years ago, the blacks made riots in America. How come they haven't torn up a suburb in 20-25 years? The answer is that with all its faults, affirmative action and all the rest that we have done, have brought enough blacks into the middle class and into the American mainstream economy, so that they have a stake in not tearing the joint down. I rest my case.

We have got to create a situation or situations in which Jews and Arabs have a stake together; Israelis and Palestinians, in not tearing up Israel/Palestine. And the only way you're going to do this, is not quickly by declarations, but slowly, by economic development.

**EIR:** We certainly have to start. . .

**Hertzberg:** There have been some starts. There are a few places around where Jews and Palestinians are in joint endeavors, but nowhere nearly enough.

**EIR:** Can you talk a bit about Sharon, and how you see a post-Sharon Israel? What do you think will happen?

**Hertzberg:** Well, a post-Sharon Israel will have one of two choices: It can either be worse—that is, it can go to Netanyahu, who is worse than Sharon. Or it can go back to the liberals. I don't know which way it's going to go. It depends on how much the situation changes, and how much pressure we put on.

**EIR:** How do you see that pressure coming? Do you see your declaration as having that effect?

**Hertzberg:** I see anything that is done in the Jewish world, and in the world as a whole, to make the point that these two leaders of yesterday do not speak for us, as fundamentally important.

**EIR:** What about the younger generation in Israel? Here, the

LaRouche Youth Movement, is really shaking up the Democratic Party and politics as usual.

**Hertzberg:** The younger generation in Israel is confused. But, it doesn't want to get killed. That's the important thing. Except for a minority of right-wing hotheads, the younger generation in Israel wants peace.

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## Book Review

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# A Zionist Fights For Mideast Peace

by Majorie Mazel Hecht

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### **The Fate of Zionism: A Secular Future for Israel & Palestine**

by Arthur Hertzberg

San Francisco: HarperSanFrancisco, 2003  
194 pp., Hardcover, \$19.95

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In June 1967, Rabbi Arthur Hertzberg was in Israel, at a Labor Party gathering of participants who were euphoric at the outcome of the June 5-10 "Six-Day War." Hertzberg, an American, spoke as the "warm-up" for the expected appearance of the retired first Prime Minister of Israel, David Ben-Gurion. When Ben-Gurion, known as the "George Washington of Israel," arrived, he dropped a bombshell. Hertzberg writes: "Ben-Gurion, the brave statesman and undaunted military leader who had won Israel's war for its independence, asserted that if Israel did not now give back, immediately, all the territory that it had captured in recent days—with the exception of East Jerusalem—it would be heading for historic disaster."

"In that room, that day, no one believed him at all except me," Hertzberg says. "I could not simply write off what he had said as the anger of an old man who could not accept that he had become irrelevant. I knew that as a person he could be petty and angry, but not on issues of great historic importance. What I heard him say kept gnawing at me. What if he was right?"

### **The Anti-Messianic Prophet**

More than 30 years later, Hertzberg says, he knows "beyond any shadow of a doubt" that Ben-Gurion was the true Zionist prophet in June 1967. Ben-Gurion saw that the origi-



*Rabbi Arthur Hertzberg was vice president of the World Jewish Congress, led for many years by his friend Nahum Goldman; he remains a tireless fighter for a secular, not messianic, vision of Israel.*

nal secular aim of founding a Jewish national state in Palestine was now being infused with messianic religious ideas, and thus doomed to failure.

Rabbi Arthur Hertzberg's decades-long thrust within Zionism has been to fight for its secularization. "Modern Zionism can succeed today only if it emphasizes its largely secular origins. It dare not walk down the path of religious certainty or the arrogance of power," he writes. He argues, rightly, that the entire Jewish/Palestinian conflict must be removed from the religious arena, pointing out the obvious—that it becomes impossible to discuss the issue, on the level of the incompatible religious beliefs of Jewish Biblical literalists, Islamic Koran literalists, and Christian Zionist Biblical literalists.

After the Six-Day 1967 war, there was a change in Zionism, Hertzberg says; the victory infused Zionism with a messianic enthusiasm, which Hertzberg found dangerous. The idea took hold that the 1967 victory was a sign that another miracle—that of the Messiah coming—was on its way. "[I]f the Jewish messiah had chosen the 20th Century as the time to appear, he would have come to Auschwitz," he writes. "I cannot believe that Jews can defy logic in Israel, and presume that the messiah will come to save them from the political and military debts they are running up in order to expand the settlements of the West Bank."

(It is not generally known today how secular the Zionist founding fathers of Israel were. Golda Meir, in her autobiography, describes the scene on May 14, 1948, when David Ben-Gurion was preparing to announce to the world the declaration of Israel's independence. Meir said that when Ben-Gurion read the prepared statement to his associates in the People's Council, "there was a last-minute argument about the inclusion of a reference to God." A subcommittee of the group that produced the draft had inserted in the first sentence the ambiguous phrase, "With trust in the Rock of Israel, we set our hands in witness to this Proclamation. . . ." But the repre-



*Hertzberg says that then-former Prime Minister David Ben-Gurion was the true Zionist prophet in June 1967, when after the Six-Day War, he heard Ben-Gurion publicly insist that Israel must immediately give back all the territory it had just conquered, except for East Jerusalem. Otherwise, Ben-Gurion warned, Israel was eventually headed for “a historic disaster.”*

sentative of the religious parties wanted something unequivocal, and a left-wing Labor Party member was adamant that there be no reference to God. Meir describes how it took Ben-Gurion most of the morning to bring about a compromise, noting the twofold nature of the phrase: It could signify God for many Jews, but for most it could be considered a “symbolic and secular reference to the ‘strength of the Jewish people.’ ”)

## **In Defense of Human Rights**

Hertzberg is a passionate defender of Israel’s right to exist. He sees Israel as the only place, after World War II, where hundreds of thousands of Jews were able to come and live in relative safety. Their families, homes, and livelihoods had been taken from them in Nazi-occupied Europe, and most had nothing to go back to. Some who did go back, found that they were persecuted by their former countrymen (a pogrom in 1946 in Poland, for example, killed 44 returning Jewish survivors). Other countries around the world would not take them; there were tight refugee quotas in the United States and elsewhere.

At the same time, Hertzberg, a founder of the Peace Now movement, writes compassionately about the 300,000 Palestinians who were dispossessed in the 1948 war, and who subsequently were forced to live in refugee camps and endure continuing injustice. He notes: “It was not just that the Zionists had either indirectly or directly pushed them out; it was equally painful that their Arab brethren would not take them in. In all the neighboring Arab states they were kept in refugee camps or left to their own devices or to the mercies of alms from the U.N. Only Jordan granted them citizenship.”

Hertzberg briefly reviews the history of the Jewish-Arab conflict, looking at some of the main events and personalities, and how the extremists on both sides have been allowed to define the situation—and prevent a solution. He notes that most accounts of the history of the conflict do not convey “the

profoundly angry effect” of the 1948-1949 war on both sides. Hertzberg is critical of the Israeli treatment of its Arab citizens, saying that, “Not even the most committed partisan of Israel can take much pride in this record. I do not know whether total equality for the Arab citizens of Israel would have fundamentally helped reduce the acrimony of the Israeli-Palestinian conflict, but one of the tragedies of this history is that it was never tried.”

Prime Minister Ariel Sharon comes under Hertzberg’s fire for his previous, as well as current, misdeeds. For example, in the Begin government, Sharon, as Minister of Defense, “misled” the government on the situation in Lebanon, allowing the Falange of “his favorite Christian ally,” Bashir Gemayel, then President of Lebanon, to massacre Palestinian men, women, and children at Sabra and Shatilla refugee camps near Beirut. In a demonstration in Tel Aviv, 400,000 Israelis protested Sharon’s complicity in this massacre, and the independent commission set up to investigate, stated that General Sharon should leave the government. (He left the Defense Ministry, but he went on to another ministry in the government of Menachem Begin, to spread new settlements in the West Bank.)

This “creeping annexation,” as Hertzberg calls it, is now an “unabating drive for increasing settlements,” with 250,000 Jews settled across the border. “The most enraging element” of this, Hertzberg says, is “the increasing dominance of a religious motif among the Jews—that the ‘will of God’ is on their side.”

Rabbi Hertzberg takes on the still current arguments that Israel has “no right to exist,” and expresses particular anger against the “intellectual” critics of Israel, both Arab—such as Rashid Khalidi and Edward Said—and non-Arab, most especially the U.S.-hating Noam Chomsky, who was formerly a socialist Zionist who tried to settle in Israel on a kibbutz in 1952, but found that he wasn’t cut out for agricultural labor. In Hertzberg’s view, the European intellectuals attack Israel because they are resentful of being told that they were passive collaborators of Hitler during World War II.

## **Can There Be Peace?**

Given the devolution of the current situation, can there be peace, in Rabbi Hertzberg’s view? His answer is yes; but he is pessimistic about whether any of the peace plans—Oslo, Geneva, Road Map, etc.—can be successfully carried out and enforced at this point. Peace is possible, he says, if the United States sits on the extremists in Israel, and if other nations ensure that the money for terrorism— Hamas in particular—dries up. He advocates, as part of “sitting” on the Israelis, that the United States deduct any money that Israel spends for new settlements from the aid it gives Israel. This money would have been better spent on Arab Israelis, he says, who get a smaller proportion of state services per capita than do Jewish citizens.

Hertzberg notes sadly that peace won’t come from having

## Rabbi Arthur Hertzberg: A Jew in America

Born in Poland in 1921, Rabbi Hertzberg came to the United States with his family in 1926. Morality, justice, and “defending the defenseless,” as he puts it, were part of his early training. In his memoir, *A Jew in America: My Life and a People’s Struggle for Identity* (San Francisco: HarperSanFrancisco, 2002), he tells the story of his father, a Hasidic rabbi and scholar, who, in 1931, walked out on his Baltimore congregation with his arm around a visiting black Jewish rabbi, because the congregants objected to a black man leading the service.

Hertzberg later broke with the Hasidic orthodoxy of

his childhood, although not with the principles of justice and morality that he grew up with. He was ordained as an Orthodox rabbi, and is now Rabbi Emeritus in a Conservative New Jersey synagogue. In his long career, he taught Judaism courses at Columbia and Dartmouth Universities, wrote several books, served in many ecumenical groups, and was an official of major Jewish organizations.

Most notably, Hertzberg was the right-hand man for Nahum Goldmann, who struggled against the extremist Zionists here and in Israel. When Goldmann retired as head of the World Jewish Congress, Hertzberg was his chosen successor. But political maneuvers intervened, and Hertzberg instead became the vice president of the Congress, where he continued the policies that he and Goldmann shared.

—Marjorie Mazel Hecht

both sides sit down at the negotiating table and setting up two states; there has to be outside intervention. The United States must play a “decisive, but limited role,” Hertzberg says, in defusing the Mideast situation, but should not remain on the scene as an imperial “policeman.” This kind of imperial policy, epitomized by the rhetoric of Donald Rumsfeld and William Kristol, among others, will be disastrous everywhere in the world, he says, Real peace will only come in a few generations, once the Palestinians have been able to develop an economy and negotiate across the table with the Israelis on a more equal basis.

Hertzberg stresses that the current situation is urgent. His friends (unnamed, but judging from the circles he has moved in, they are top-level policy makers) tell him that soon the Palestinian extremists will make use of “dirty bombs,” using material stolen from Russia. (This is, of course, the same type of propaganda used here, in the U.S., to scare people into accepting police-state measures.) There is also the question of demographics, and the fact that if there is no “two-state” solution, Israelis will have an growing Arab population within the state of Israel, because of the higher Palestinian birth rate.

The right wing in Israel, and in the United States, would object to a two-state solution, Hertzberg says, “[b]ut an American government that would have the courage to force the end of settlement activity would find far greater support in the Jewish community both in Israel and in America than many of the people in Washington imagine.”

Rabbi Hertzberg has spent decades in the thick of the battle for Mideast peace, often on the outs with the Israeli government, because his judgments were always moral, and not made for political advantage or to “go with the flow,” in Israel or in the U.S. Thus, his analysis is that of a thoughtful insider, who personally knows the decision makers, and who

speaks his mind.

There are points on which I would argue with Rabbi Hertzberg’s analysis and omissions—for example, he does not mention the bloody role the British played in the first half of the 20th Century in setting the Arabs and Jews at each others’ throats, and their continuing promotion of terrorism. And, he does not elaborate on the necessity for economic and infrastructure development for the region.

More important, after reading this book, I was intrigued enough to read his autobiographical work, *A Jew in America* (see box), and I would advise readers to read this first. This memoir is a real treasure, giving an inside view of how Rabbi Hertzberg’s fine mind works, the thinking that guided him as he was growing up, and as an adult, his sense of humor, and his courage to uphold unpopular stands. Plus, for younger readers, it is a vivid picture of what life was like for Jewish immigrants in the first half of the 20th Century.

Having gained this appreciation of the man and what he has accomplished, I think that *The Fate of Zionism*, by itself, does not present an adequate view of his outlook and his ideas. Nevertheless, his message in *The Fate of Zionism* is rational, moral, and human. He has worked for peace for many decades, and he wants to solve the problem of bringing economic development and peace to both the the Arabs and the Jews. And this sanity is exactly why you don’t see him called on by the Administration as part of a “peace team”; or why he isn’t featured on the nightly news to counter the extremism of Ariel Sharon and his U.S. supporters.

Rabbi Hertzberg concludes by reiterating his call for secularism in the ecumenical spirit: “Let neither side keep invoking its supposed right to attack the other in the delusion that each is doing God’s work. Let them hear the deepest teaching of the Biblical faith that we are all God’s children. We are a family that must find ways of making peace.”

# Delegate Harold James' Endorsement of LaRouche Inspires Fight To Save the Party

by Nancy Spannaus

"I take my hat off to you, Rep. James, to show such courage—*coeur*, "heart" in French; *courage*; "heart-strength"—and surely you have that strength. . . . So, I give you all the kudos, and all the praise that's due to you. And let's push out there, and let's have everybody vote April 27. Let's pull our neighbors, cousins, in-laws, everything else."

Such is the most welcome response, among many, to Rep. Harold James's (D-Phila) April 7 endorsement of Democratic Presidential candidate Lyndon LaRouche, now sweeping through the Philadelphia area and beyond. James's bold move is serving as the planting of a guidon, around which to rally the forgotten men and women of the United States, in order to save the Democratic Party, and the nation, from the disastrous course set by the Cheney Administration.

Rep. James held a press conference in the Scottish Rite Tower Building on Monday morning, April 12, a location within the 186th Legislative District in South Philadelphia which he represents, to broadcast his endorsement for LaRouche in the April 27 Democratic Presidential primary. The conference was attended by a number of local political officials and ministers, as well as members of the LaRouche Youth Movement, who are currently engaged in an all-out effort to mobilize the vote.

Although only one reporter attended the press conference, the *Philadelphia Tribune*, the oldest and largest-circulation black newspaper in Philadelphia, followed up by conducting an exclusive interview with Rep. James. That interview then appeared as the banner headline in the paper's April 13 edition, complete with a large photo of LaRouche, and a smaller one of James, under the headline "Unexpected Endorsement: State Rep: 'LaRouche is the best candidate.'" The publication has already caused shockwaves throughout the city.

The *Tribune* quotes James: "I don't think the Democrats want controversy; but, in dealing with issues, we have to take bold steps, that are not addressed by the mainstream."

"I've been a Democrat and I'm going to continue to be a Democrat," James added. "But [the party] still takes our vote for granted. I think there's always going to be backlash when people have the courage to take leadership in addressing issues. But truth always wins over might."

After noting some of the controversy James's move has unleashed, the article concludes: "James said he isn't fearful

of ruffling feathers within the Democratic Party and that he hopes any ill feelings about his support of LaRouche in the upcoming primary will not prevent the greater goal from being accomplished."

James concluded, "By allowing LaRouche to have some delegates at the national convention, all members of the Democratic Party will 'raise issues and concerns and come together to defeat [President George] Bush and [Vice President] Cheney.'" "

## A Democratic Party Rotten-ripe

As someone who has collaborated with LaRouche over the last 10 years, and been in the Pennsylvania legislature for 16 years, Rep. James knows very well what he is doing in stepping forward for LaRouche at this point. In pressing the drive to win delegates for LaRouche to the Democratic National Convention, he is going up against the *diktat* of the Democratic National Committee crowd around Terry McAuliffe, and their dirty moneybags, who have decreed that LaRouche and his delegates will not be recognized.

Yet Rep. James also recognizes that the Democratic Party, as currently organized, is not representing his constituency, which is primarily comprised of the "forgotten men and women," as FDR phrased it. He sees a vote for LaRouche as the only means by which his constituents can get their voices heard within the precincts of an otherwise suburban, money-oriented Democratic Party.

It is no secret, to friend and foe alike, that LaRouche's supporters represent the traditional FDR coalition within the population. This is not only evident by LaRouche's policy proposals on the economy—which start off by recognizing the reality of the depression—but also by the stunning breadth of his support. The \$7.5 million which the LaRouche campaign has raised (independent of matching funds received), comes from individuals who averaged individual itemized contributions of less than \$200 a piece, with the highest average, in the upcoming primary states, being only \$231. This contrasts with Senator Kerry's average, which, with few exceptions, hovers around \$800 or more.

In Pennsylvania itself, as of the February Federal Election Commission report, LaRouche had almost four times the number of individual itemized contributions as Senator



*A major Philadelphia newspaper reports the spread of support for Lyndon LaRouche's Presidential campaign in Pennsylvania, whose primary is scheduled for April 27. The Pennsylvania fight aims to prevent a Kerry "me-too" campaign pushed by bankers like Felix Rohatyn, and to represent the "forgotten men and women" of the Democratic Party at its National Convention in July.*

Kerry: 2774 versus 675. The two are fairly well matched in terms of absolute money raised, with LaRouche having raised \$420,926, to Kerry's \$469,854. As for the average contribution, LaRouche's was \$151.74, as compared to \$696.08 for Kerry.

As leading Democrats in Pennsylvania know, these figures reflect a political reality, including the ability of the LaRouche wing of the party to mobilize from among the base of the party around crucial political issues. This was nowhere more evident than in the November 2003 Philadelphia mayoral election, where Rep. James asked LaRouche to intervene, in order to mobilize against John Ashcroft's police-state attack against Democratic Mayor John Street. In the course of a week-long intensive street deployment, the LaRouche Youth movement turned Philadelphia upside down, and turned the backlash against the FBI, into a landslide victory for Street, beyond all pollsters' expectations.

Conversely, it is obvious to any thinking political person that the Democratic Party, without the LaRouche wing, does not have that in-depth mobilization capability. In fact, as LaRouche himself has stressed in his recent comments, the Democratic Party is virtually dooming itself to defeat in the 2004 general elections, if it does not bring LaRouche into the party process.

In 2000, the DNC shot itself in the head by seizing LaRouche's vote in Arkansas for Gore, and subsequently, lawfully, losing the general election to Bush. If the DNC moves to try to deny LaRouche his lawfully won delegates in Pennsylvania, it would represent an even more obviously suicidal move—which could result in an upheaval in the party, with unpredictable consequences.

### Mobilization In Depth

Over the next week and a half into the April 27 primary, the City of Philadelphia, in particular, and Pennsylvania as a whole, is going to undergo an earthquake of activity by the LaRouche Youth Movement, joined by those galvanized into action by Rep. Harold James. Already, South Philadelphia is a cauldron of political organizing, as youth organizers go door to door, and shops begin to sport Vote LaRouche posters in

their windows. One of the leading items being circulated is a pamphlet containing the transcript of LaRouche's March 29 event in Harrisburg, the state capital.

Already, Philadelphia's largest radio station, KYW, and the major African-American radio stations, are running dozens of one-minute ads, calling for citizens to vote for LaRouche. The campaign is alternating between ads featuring James's endorsement, and those featuring statements by LaRouche on how to get out of the current crisis.

In one of his two ads, Representative James says: "This is State Representative Harold James. To defeat Bush, we need a strong grass roots mobilization of the Democratic Party. This means we need delegates to the Democratic National Convention that will fight for the issues that are most vital to the African-American community, to other minorities, to labor, and others. That's why I am endorsing Democrat Lyndon LaRouche for President in the April 27 primary election. LaRouche led the fight for justice for black elected officials and others harassed by the Justice Department. He mobilized to defeat Attorney General Ashcroft's abusive police-state tactics against Mayor Street. He has organized forces world-wide against genocide in Africa. Lyndon LaRouche is a man we can rely upon to fight for our interests. Make your vote count. Send a message. Join me, Rep. Harold James, in voting for Democrat Lyndon LaRouche for President on April 27."

Rep. James reports that he is already receiving offers of radio talk shows, and many, many inquiries from residents who are intrigued, if not activated, by his bold move to endorse LaRouche.

As the political pace intensifies, and the word of James's action reaches around the country, there is little doubt that Representative James's endorsement will become a rallying point for Democrats around the nation, who want to see peace, prosperity, and the tradition of FDR and Martin Luther King restored as the basis for policymaking in the Democratic Party. The goal is to open up the party, for the desperately needed policy debate between LaRouche and Senator Kerry, in order to shape the Democratic Party as an instrument to revive the Constitutional principles of the United States.

# Has 'Daddy Warbucks' Soros Double-Crossed The Democrats?

by Our Special Correspondent

The Republican National Committee (RNC) and the Bush-Cheney in 2004 election campaign are laughing all the way to the Federal Election Commission (FEC), in delight over the fact that billionaire financier George Soros is helping himself to two Presidential campaigns in 2004: the Democratic Party campaign, whose nominee is not even decided yet, and the independent campaign of Ralph Nader—and the Democrats are apparently clueless.

No one in the Democratic National Committee (DNC) or in John Kerry's Presidential campaign has bothered to notice that Kevin B. Zeese, Soros' longtime #2 man in his main cause, the drive to legalize drugs, is also spokesman for Nader's Presidential campaign. DNC chief Terry McAuliffe has been entreating Nader not to run for President in 2004, while cheering billionaire Soros for his populist rhetoric that he will dedicate "his life" to defeating George W. Bush. McAuliffe's DNC'ers are complaining that Nader will split the "anti-Bush vote," but are stuffing their pockets with the same Soros dollars that built the drug legalization apparatus that is on tap, through Zeese, to put Nader on the ballot in at least 43 states as an independent.

Exploiting Soros' professed passion to defeat Bush in 2004, the RNC has filed a complaint with the FEC which charges that Kerry is at the center of "an illegal conspiracy of donors and shadowy groups to defeat President Bush," with a \$300 million "slush fund." The RNC says the Kerry campaign is using "527s"—groups organized under section 527 of the Internal Revenue code to raise money for political activities, including voter mobilization efforts, issue advocacy, and the like, to make up for an inability to raise enough "hard money" to defeat Bush. The Kerry conspiracy, says the RNC complaint, is "an unprecedented criminal enterprise designed to impermissibly affect a presidential election." The RNC succeeded in triggering the FEC to hold two days of hearings to redefine "the current definition of 'political committee,'" which could knock out the 527s, and subject the groups and their donors to major fines.

So, DNC chief McAuliffe has set the Democrats up for an attack, by cozying up to Soros, and the RNC moved in.

Even worse, at the same time that McAuliffe encourages Democrats' dependency on Soros dope dollars, he has been circulating a false, slanderous letter to Democratic Party state

chairmen, blackballing Democratic Party primary candidate Lyndon LaRouche. McAuliffe's actions against LaRouche are suicidal for the Democrats, since LaRouche has the broadest mass base of support of all the Democrats in the race. The March 2004 Monthly Reports filed with the FEC place LaRouche first, with 37,867 itemized contributions to Kerry's 35,337. Dennis Kucinich has 7,622 itemized contributions, and Al Sharpton has 2,486.

## Soros and Nader

How big has the Democrats' dependence on Soros and the drug legalization lobby become? Records posted on the website of the Center for Responsive Politics show that the three funders of the decade-long drive to legalize recreational drugs in America—George Soros, John Sperling, and Peter Lewis—are the sugar-daddies behind the 527 groups. Soros Fund Management has put \$6,530,715 into 527s, according to records released by the Internal Revenue Service on April 12, 2004, reports the website [opensecrets.org](http://opensecrets.org). Soros is therefore the #2 donor in the whole 2004 election cycle, topped only by the AFSCME labor union. Drug legalization funder Peter B. Lewis, founder of the Progressive Corp., an insurance company, ranks fifth, with \$3,980,000. Sperling's donations did not rank among the top 20 donors to 527s, but in recent years, he has dropped his former allegiance to the Republican Party, and has already dropped about \$100,000 into the Democrats' committees for 2004, such as the Congressional and Senatorial Campaign Committees.

The Cheney-Bush forces are just as gleeful that Nader is running as an independent. And, in order to keep the game up, they are praising his "independence."

On March 4, shortly after Nader announced his decision to run for President, Accuracy in Media, a conservative website, claimed that Nader's campaign was a "setback" for billionaire Soros. "Ralph Nader cannot be bought," crowed AIM reporter Cliff Kincaid, providing cover for Soros' double-dealing.

There are signs that Nader's campaign is going to be *nothing but* Soros' dope apparatus, courtesy of Zeese. Already Nader surprised everyone by claiming that he will not accept the nomination of the three "third parties" which carry automatic ballot status in a few states: the Greens, with 23 states, the Reform Party, with 7 states, and the Natural Law Party with 12, even though that means he must gather signatures to get on the ballot. On April 3, the *Washington Post* quoted Nader's spokesman, Zeese, saying that "Ralph sees himself as an independent. . . . Rather than being defined by a party, we define ourselves."

There is no problem defining Zeese. The Soros-boy is president of Common Sense for Drug Policy, co-founder of the Soros/Ethan Nadelmann Drug Policy Foundation (the Lindesmith Center), former executive director of the National Organization for the Reform of Marijuana Laws (NORML), author of numerous books on drug legalization, and a lawyer in decriminalization and "medical marijuana" cases.



## Logjam Broken on JOBS Bill

The two parties in the Senate finally reached agreement on moving forward with the bill to make changes in the corporate tax structure to satisfy complaints lodged with the World Trade Organization. The bill, which is advertised by supporters on both sides as especially helpful for small and medium-sized manufacturers, was held up when the GOP twice filed cloture on the bill, in order to avoid a vote on an amendment, sponsored by Sen. Tom Harkin (D-Ia.), to overturn the Bush Administration's new rules on overtime pay.

Under the agreement, the bill was to be taken up after the Senate returns from its Easter recess on April 19, and each side will be limited in the amendments it can offer, the Republicans to 50 and the Democrats to 30, including the Harkin amendment.

The bill repeals a corporate tax break which was ruled an illegal subsidy by the WTO; and in return, gives manufacturers a break on their income taxes. Each side blamed the other for the logjam that resulted from the two failed cloture votes, and the heated rhetoric on the bill continued almost right up to the point that Majority Leader Bill Frist (R-Tenn.) announced the agreement.

## Durbin, Craig Would Tinker with Patriot Act

The so-called Patriot Act, passed in the aftermath of the Sept. 11, 2001 terror attacks, continues to generate opposition around the country. Sen. Richard Durbin (D-Ill.), who, along with Sen. Larry Craig (R-Id.), is sponsoring legislation to place limits on some of its provisions, reported, during a Senate floor speech on April 7, that 275 communities in 39 states have passed reso-

lutions expressing concern about the Patriot Act. "Many Americans," Durbin said, "are concerned that the Patriot Act is restricting their freedoms unnecessarily."

The Durbin-Craig bill, which the two Senators introduced in January, would place limits on roving John Doe wiretaps, so-called sneak-and-peek search warrants, and the FBI's authority to compel library and personal records. The bill would not make any other changes to the Act, nor repeal any of its provisions. Yet, the Department of Justice issued a veto threat against the bill upon its introduction, before any hearings have even been held. In a letter to Durbin and Craig, the DoJ complained that the bill would "eliminate" some Patriot Act tools, and "make it more difficult" to fight terrorism than before the act was passed. Craig, who followed Durbin to the floor, assured the Senate that their bill was drafted "to clarify and amend in a minor way the Patriot Act's most troubling provisions so that the whole or even piecemeal repeal of the law would be unnecessary," and to "safeguard the liberties of law-abiding citizens while preserving the law enforcement authorities essential to a successful war on terror."

The Bush Administration, as recently as National Security Advisor Condoleezza Rice's April 8 testimony to the 9/11 Commission, apparently sees even such minor changes in reauthorizing the Act, as those proposed by Durbin and Craig, to be a threat.

## Hagel, Lieberman Introduce Middle East Initiative

On April 8, Senators Chuck Hagel (R-Neb.) and Joseph Lieberman (D-Conn.) introduced a bill to provide \$5 billion over five years "for economic and political development," as Hagel

put it, in the Middle East and Central Asia. The bill creates three new multi-lateral mechanisms to distribute this funding: a new development bank to promote private sector development; a development foundation to implement assistance programs; and a "public-private sector trust for democracy" to promote development of civil society and democracy. Hagel said "It is absolutely critical if we are to not only successfully engage, but win, over the great threats and challenges of our time, with a multi-faceted approach to these issues."

Lieberman argued that while use of force is necessary for defeating aggression, "ultimately, we are not going to win the war on terrorism unless we also use plowshares," which is what the new legislation is supposed to provide. He described the bill as creating a new generation of institutions to do what the Marshall Plan did for Europe in the late 1940's: "Not only to bring opportunity and freedom to the people of Europe, who suffered so during the Second World War, but to help in rebuilding and democratization as a response to the growth of communism."

Both Senators acknowledged the image problem America has in the Arab world, especially in the aftermath of the leaking of President Bush's Greater Middle East Initiative. "This is a participatory effort," Hagel said. "This is reaching out to the people of this area. . . . We are not attempting to impose a program or impose a government on anyone. That will never work. That has never worked in history. . . . The people of that area want to see more, and we know that we must overcome a number of these questions about our motives and our purpose." They plan to meet with all the ambassadors of the 33 countries covered by the bill, as well as representatives of other institutions, and the Bush Administration, in order to generate support.

### *'Conscience of the United States'*

There is no doubt in the minds of leading political, religious, and scientific figures internationally, that the changes necessary to prevent the outbreak of uncontrollable chaos and mayhem on the world scene, must occur in the United States. Even while suffering in dread of the next moves the Cheneyacs might make, the world looks to America for a positive alternative to the current rash of crises; and that positive alternative is personified in the figure of Democratic Presidential candidate Lyndon LaRouche.

Two striking examples of this reality came across our desk at *EIR* this week. The first arose from an *EIR* interview with a leading Sunni cleric in Iraq—one with great political influence in the “Sunni Triangle” where Al-Fallujah is located—with whom our correspondent spoke on April 13. In all his interviews and lectures, this cleric said, he repeats three facts: that a solution to the Middle East crises could only come from within America; that the true nature of the United States is not what is popularized; and that Lyndon LaRouche is an example of a true American statesman. He himself calls LaRouche the “living conscience of the United States.”

Almost simultaneously, LaRouche himself was being hosted in Moscow, where he was keynoting a speech at the Vernadsky Museum of the Russian Academy of Sciences, and holding discussions with students, academics, and other notables. The Russian media had rather prominently advertised the fact that LaRouche would be addressing this conference; and, upon his arrival, an interview with LaRouche on the potential for a new partnership between Russia and the United States was published in the financial monthly *Currency Dealer*. In each venue, LaRouche was introduced as a unique universal thinker, and, in the words of a press release written by his Moscow friends, “the conscience of America.”

At first blush, many Americans would appear shocked at this “foreign” perception of LaRouche, which is, we can assure you, shared by a myriad of leaders from Asia, Ibero-America, and Africa as well. It seems to be a total contrast with the way in which this

“prophet” is treated in his own country.

But this is only a surface contradiction. If you look more deeply, you will find that LaRouche is also understood within the United States—especially in the circles of civil rights activists and minorities, on the one side, and in the extended network of the intelligence community, on the other—as a representative of America’s finest historical tradition. In LaRouche, you have a genuine statesman, whose fight for justice, nationally and internationally, and whose willingness to tell the truth, put him in the league with our nation’s heroes.

Of course, there are many today who claim that the days for a “man of conscience” have passed. Nothing could be further from the truth.

As our interview with Rabbi Arthur Hertzberg reminds us, the pathway of short-term expediency, or simply the assertion of power, is not a pathway to prosperity and security for any nation. Only if a nation maintains its commitment to the general welfare of its own people, and ensures that this commitment coheres with the welfare of other nations, will it advance on the road to peace and progress. That commitment requires leaders who will move the population in that direction, through steady, long-term efforts, regardless of setbacks along the way.

The United States has had no such leaders, since the days of Franklin Delano Roosevelt, or Martin Luther King, except Lyndon LaRouche. From at least the early 1970s, he has emerged as the leading fighter for the Constitutional principles on which our nation was founded to become the premier republic of the world. He has fought to reverse the destruction of our economy, to reverse the drive toward racism and slave labor, to re-establish the commitment to a community of sovereign nation states which had once been the hallmark of American foreign policy.

So far, Americans have been too immoral, or frightened, or stupid, to listen to their conscience. But, as our friends in other nations are pointing out, the time for such foolishness is running out. Only by listening to LaRouche, will the United States make the course changes which will save us, and the planet.



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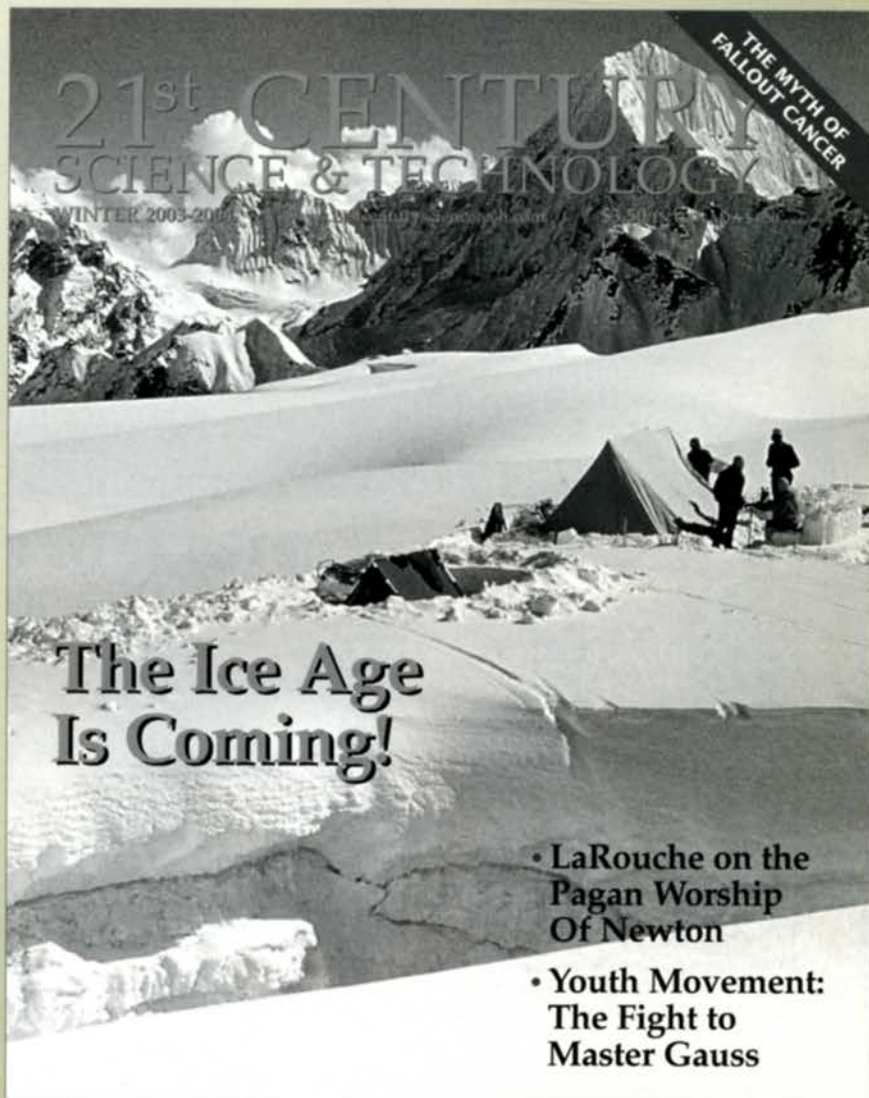
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