

# EIR

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## From the Associate Editor

In 1973-74, Lyndon LaRouche commissioned a study of the epidemiological effects, globally, of those changes in monetary policy which had been initiated under President Nixon in 1971. The published result forecast that if those monetary and economic policies were continued, the world would soon be gripped by a major epidemiological disaster.

Let those beef carcasses on our cover serve as an emblem of the fact that LaRouche was right! Not only did the AIDS pandemic emerge in the 1980s as a result of the very processes he described—an epidemic which is now wiping out entire nations—but now, the food supply of the United States itself is in jeopardy from new diseases that are “jumping the species-barrier,” such as the so-called Mad Cow disease. Our *Feature* provides the first comprehensive picture in the world literature, of the science behind these strange new disease-outbreaks; the economic policies of deregulation which made them inevitable; and the political fight with respect to *doing something* to protect ourselves. As Marcia Merry Baker points out, it is highly ironic that with all the Bush Administration’s talk about Homeland Security and protection against bio-terrorism, “the United States is in a state of outstanding lack of preparedness to handle a clear and present danger in the livestock/food chain.”

Our *Economics* section documents, through various current news developments, how the floating-exchange-rate monetary system ushered in by Nixon in 1971 is leading to a catastrophic blowout of the global economy today. The leading story is of course Argentina, where the International Monetary Fund was forced to back down in its confrontation with President Kirchner, out of fear of a chain-reaction of defaulting nations.

Also in the domain of LaRouche’s highly accurate forecasts, see Jeffrey Steinberg’s report on the Madrid terror bombings. Just last August, LaRouche warned that the most likely scenario for new terrorist assaults would emerge in Spain, as a result of the redeployments of the Synarchist International. That analysis left many readers puzzled at the time—but the events of March 11 show how very prescient it was.

*Susan Welsh*

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**Correction:** In last week's issue, the interview with Lyndon LaRouche on Argentine radio contained a typographical error on p. 15. LaRouche referred to the Synarchists' operations "with Hitler, Mussolini, and Franco" — not "and France."

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## Argentina Backs Down the IMF, But Pulls the Knock-Out Punch

by Dennis Small and Cynthia Rush

Early on the afternoon of March 9, after several days of tense negotiations, the Argentine government and the International Monetary Fund (IMF) stepped away from a total showdown on the issue of Argentina's restructuring of \$99 billion in public debt on which it defaulted in December 2001, and the two sides came to a time-buying agreement. Negotiations went down to the wire, with President Néstor Kirchner threatening to default on a \$3.1 billion payment due the IMF that day, and refusing to bend to fierce international pressure to pay more on the defaulted public debt than the 25% of face value he announced months ago.

Under the terms of the accord, the IMF agreed to lend Argentina \$3.1 billion, which will be used to cover Argentina's \$3.1 billion payment back to the IMF—a straight debt rollover—*without* imposing major new austerity requirements on the country.

The Kirchner government thus backed down the once-mighty IMF, and won this round of the battle by threatening to use its “debt bomb” if forced to the wall. But Kirchner failed to deliver the knock-out punch to the entire IMF system, which in all likelihood would have resulted if Argentina had outright defaulted on its \$3.1 billion payment.

It was, in fact, fear of such a financial chain-reaction which drove the U.S. Treasury to instruct the IMF bureaucrats to back off from the showdown. As U.S. Presidential candidate Lyndon LaRouche commented on hearing the news: “There was enough dynamite there, that the Argentine crisis could have been a detonator for all that explosive power. That's the secret of this thing: The U.S. Treasury and IMF had to side-step the confrontation, and try to buy time.”

LaRouche was referring to the latest Bank for International Settlements quarterly report (which documents the

multiple dangers of financial explosion internationally), and the looming bankruptcy of the U.S. giant Fannie Mae and Freddie Mac mortgage agencies (see article, p. 8).

### LaRouche Youth Linking Brazil, Argentina

A particularly important stick of financial dynamite is the debt of Argentina's neighbor Brazil, which owes some \$28 billion to the IMF. Together, Argentina and Brazil account for nearly 50% of all the debt owed the IMF. The London *Guardian's* Larry Elliott noted in the paper's March 9 edition that Argentine defiance of the IMF “raises the ultimate spectre: a domino effect of defaulters that could bankrupt it.”

The bankers' particular nightmare is an alliance of Argentina and Brazil to use this debt weapon to force a global financial reorganization around the specifications of LaRouche's New Bretton Woods proposal.

Precisely such action was called for by the international LaRouche Youth Movement, which issued an open letter to Brazilian President Lula da Silva March 8, and held rallies before the Brazilian and Argentine embassies in a half-dozen countries. The letter, published in the March 11 edition of *Listin Diario*, the leading newspaper of the Dominican Republic, urged Lula to support Argentina, and work with it and other nations to bring about LaRouche's New Bretton Woods to displace the IMF (see box).

But President Lula, so far, is waffling. Lula proclaimed his “solidarity” with Argentina, but insisted that Brazil is in a “very different” situation from Argentina. Lula had originally agreed to meet with Kirchner on March 10—the day after the IMF payments deadline—but chose to postpone the meeting by a week, so as not to be too closely identified with Kirchner.

Just under the surface, there is a battle raging inside the

Lula government over economic policy. Lula is still trying to figure out a way to manage his country's own impossible debt situation within the framework of the IMF. According to Argentina's *La Nación*, Brazil's Foreign Ministry, Itamaraty, is particularly cool to the idea of a close alliance with Argentina; but others show enthusiasm for just such an approach.

José Botafogo Goncãlves, Brazil's ambassador in Buenos Aires, reportedly reflects the Itamaraty line. In remarks that irked President Kirchner, he told *La Nación* that the agreement made at the Feb. 27-28 Group of 15 meeting in Caracas to define a "common strategy" toward the IMF, didn't mean that Brazil and Argentina were going to jointly negotiate their debt with the IMF. "The debts are different; we're not talking about negotiating together with our creditors. We're in very different situations," Botafogo said. He went on to stress the need to reform the IMF's lending criteria, which is what Lula is also discussing with European leaders such as France's Jacques Chirac and Germany's Gerhard Schröder. Lula is calling on the IMF to exclude public investments, particularly in infrastructure, from government calculation of their primary budget surplus—i.e., put that investment before debt payment. But he is not proposing radical changes in the IMF system as such.

But Kirchner's somewhat more aggressive strategy is popular inside Brazil, which is causing Lula headaches. According to the March 9 *Jornal do Brasil*, "As it is known that



*Near showdown with the IMF, Argentine President Kirchner (with Economics Minister Roberto Lavagna, left) spoke by phone with Brazilian President Lula da Silva. Argentina made the IMF blink; but Argentina and Brazil together could have forced a global monetary change.*

a wing of the Brazilian government is sympathetic to the stance on foreign capital defended by the neighboring country, an Argentine default could translate into greater pressure on Brazil's orthodox economic policies."

## Open Letter to Lula: Join Argentina

*On March 8, the LaRouche Youth Movement issued an open letter to President Luiz Inacio Lula da Silva, of Brazil, which read in part:*

### Dear President Lula:

The LaRouche Youth Movement (LYM) in various countries around the world is issuing this open letter to urgently call on your government to:

1. Firmly support the sister republic of Argentina in its current life-and-death battle against the International Monetary Fund (IMF) and the so-called "vulture funds"; and

2. Join Argentina and other nations in promoting the call for a New Bretton Woods to replace the current bankrupt and genocidal IMF system, as issued by the renowned economist Lyndon LaRouche, currently a Presidential candidate running in the Democratic primaries in the

United States. . . .

President Lula: Those who today attack Argentina, will tomorrow do the same to Brazil. Do not repeat the mistakes made in 1982 by the governments of Brazil and Argentina, when they did not support the heroic battle waged against the IMF and the voracious speculators by then-Mexican President José López Portillo, who had adopted the proposals of Lyndon LaRouche for the reorganization of the international financial architecture.

A decade earlier, LaRouche had a public debate in New York City with the most famous "Keynesian" economist of the time, Abba Lerner, in which LaRouche denounced those forces in the United States who were imposing fascist policies on Brazil, modeled on the policies of Hjalmar Schacht, Adolf Hitler's Economics Minister. Lerner defended Schacht, saying that, had he succeeded, "Hitler would not have been necessary." LaRouche defended Brazil. Today, those same fascist interests are assaulting Argentina. . . .

President Lula: As Lyndon LaRouche said, the key issue is: "Who are the leading personalities" who will make the necessary decisions?

—*The LaRouche Youth Movement*

## Vulture Economics

In their crazed attempt to prop up the crumbling global financial system, the IMF and the Group of Seven industrialized nations are determined to squeeze more blood out of every economy on the planet, and thus tried to make of Argentina a bloody example. They stepped in as collection agents for the vulture funds, and threatened that unless Kirchner capitulated to their demands, they would not approve the IMF performance review or reimburse the \$3.1 billion payment.

But Kirchner stood firm. Argentina's people and national interests must come before the banks, he said. To pay more than 25% would mean a "new genocide" against the country.

The bondholders were outraged that they didn't get their way. A Standard & Poor's director snarled, after the announcement of the 11th-hour deal, "The bondholders have every right to be disappointed." The *Financial Times* reported unhappily that Argentina remained "defiant towards private creditors." And Scott Grannis at Western Asset Management Co. bemoaned "the government's lack of respect for global capital markets."

Aware that even more brutal pressures will come in June, when the IMF accord comes up for review, Kirchner told his closest collaborators not to rest on their laurels, because "We're in a minute-by-minute, hand-to-hand combat."

He's right. Speaking at a March 10 U.S. Senate subcommittee hearing in Washington, U.S. Assistant Secretary of Treasury for International Affairs, Randal Quarles, stated unambiguously that Argentina must tighten its belt still further: "It is the responsibility of Argentina to work with its creditors to achieve a debt restructuring deal that will define the increase in primary surplus above [the current level of] 3%, that is needed to cover debt service on performing and restructured debt."

And speaking for the vultures themselves, Adam Lerrick, of the steering committee of the Global Committee of Argentina Bondholders, addressed the same Senate hearing, and bemoaned the fact that "we no longer live in an era where the governments of private sector lenders send the navy to collect on their bad loans." And he went on to express outrage at the very idea of putting the people and their survival ahead of speculative paper: "Argentina has made a pre-emptive decision. Payments to the country's lenders are now deemed discretionary expenditure, not fixed obligations. Government-sponsored posters of ragged children crystallize a new concept: The 'social debt' to provide a better quality of life for citizens takes priority over the financial debt to the nation's creditors. If Argentina even comes close to imposing the 90% debt reduction"—the vultures call it 90% by adding in unpaid interest charges—"how can Latin American leaders, or any developing-country politician, justify to their electorates stringent fiscal efforts to honor obligations to foreign lenders? Why not schools and hospitals instead of repaying rich foreigners? The resulting defaults will cascade through the international capital markets." This is the angry voice of fascism.

## Hyperinflationary Rise Spreads Worldwide

by Richard Freeman

During the past 8 months, a wide array of goods, from raw materials, to intermediate goods, in addition to some final goods, have undergone price explosions not experienced, in some cases, in more than two decades. A leading example of this is the case of gasoline. By the end of the week of March 1-5, at self-service gasoline pumps throughout California, the average price of gasoline had risen to \$2.11 per gallon, according to the Energy Information Agency (EIA) of the U.S. Department of Energy. The EIA reports that during the past 10 weeks, the price of gasoline in California has climbed 51.7 cents per gallon—or 32%. The price is within pennies of its all-time record of \$2.145 reached during the Summer of last year, and some analysts predict that the price will shoot to \$2.50 or higher by the Summer of this year.

On March 4, U.S. Energy Secretary Spencer Abraham said that the Bush Administration is "extremely concerned" about the impact of high gasoline prices. One of the reasons cited for the oil price rise is the sharp increase in the price of crude oil, the raw stock from which gasoline is made. On March 5, at the close of trading on the NYMEX (New York Mercantile Exchange), the price of crude oil jumped to above \$37 per barrel. But ascribing the increase in the gasoline price to the rise in the price of crude explains nothing. Why has the crude oil price spiked upward? Heavy speculation and geopolitical factors can account for some of the price increase, but there is much that they do not account for.

The same is true for dozens of commodities. Each has a particular explanation for its price increase, but this does not explain why all of these prices are shooting up simultaneously. Did the particular alleged trigger for each commodity's price increase, get activated at the same time 8 months ago?

The problem with economists' explanations is that they are desperately seeking to conceal what is going on. 2004 Presidential candidate Lyndon LaRouche has uniquely explained the deeper process that governs what is currently happening. Over the recent period, the disintegration of the hopelessly bankrupt world financial system has accelerated. In response, Federal Reserve Board chairman Alan Greenspan attempted to prolong the system: wildly increasing the emission of monetary stock to prevent the speculative financial aggregates—stocks, bonds, derivatives et. al—from collapsing. This process set off an hyperinflationary explosion in asset prices, led by real estate; and it has now spread to commodity and intermediate goods prices in general. It is proceed-

ing along the same path as the Weimar hyperinflation which ravaged Germany from March through November, 1923. Now, this Weimar process is extended to the whole world.

## The Case of Steel

What is unfolding with regard to steel is a marker for the system as a whole. U.S. steel prices have jumped at least 30% in two and one-half months; it has reached the point that suppliers can't predict from week to week what steel prices will be. This is affecting all those who buy and bend steel, from appliance makers, to tool-makers, to commercial construction companies.

Bob McDaniels, president of Oncore Construction LLC, reports that he is stockpiling, in anticipation of price increases, "I bought a tractor [trailer] full of nails, because I was afraid I would be paying more next month." During the past year, the cost of nails rose to \$25 a box, from \$12.

The Feb. 23 *Wall Street Journal* reported that toward the end of February, the spot-market price of hot rolled steel—an industry bench-mark—was running at about \$500, with surcharges included, up 30-50% from a month earlier, according to various steel buyers. Peter Fish, of MEPS Ltd, a British steel-market consulting firm, predicts steel prices will reach an eight-year high during March.

Steel is an intermediate good crucial to every economy: it is used in the construction of everything from machine-tools to bridges, to automobiles. Its price increase is transmitted, through the bills of materials, to every part of production. Its price increase (and those of other commodities) could do further damage to the U.S. physical economy and destroy the last remnants of the Bush-Cheney Administration's economic recovery myth. Nels Leutwiler, president of the Chicago, Illinois-based Parkview Metal Products, reported that he has already laid off 80 out of his 500 workers—16%. He stated that, for those metalforming companies that have survived the depression, "this sudden run-up in steel prices will be the last straw for many of them."

Most economists, to the extent they have said anything to explain the steel price increase, have attributed it to China's heavy buying of steel. China has bought large amounts of steel for its considerable industrial and infrastructural development, and in addition to that, for construction of the stadia and venues for the 2008 Olympics in Beijing. Indeed, during 2003, China consumed one-third of the world's rolled steel, a sizeable amount. But does this explain the sudden increase in steel prices by 30-50% between January and the end of February of this year? Hardly.

## Primary Commodities and Foodstuffs

One can only fully understand the jumps in the prices of steel and gasoline, from the standpoint of a worldwide process. **Table 1** shows that since the end of the second quarter of 2003, prices have exploded by 9-94% for a variety of goods needed for human existence—from metals, to energy sup-

TABLE 1  
**Raw Materials Price Increases**  
(\$ Per Metric Ton)

Commodity	2nd Q 2003	February 2004	Percent Increase
<b>Metals</b>			
Copper	1,641	2,752	68%
Aluminum	1,382	1,685	22
Tin	4,658	6,663	43
Nickel	8,372	15,099	80
Lead	456	885	94
Hardwood Logs	182	199	9
Softwood Logs	148	178	20
<b>Energy</b>			
U.K. Brent Oil*	26.1	31.3	20
Australian coal	25.4	43.5	71
Uranium**	10.6	16.1	53
<b>Foodstuffs</b>			
Wheat	137	161	18
Soybeans	246	370	50
Soybean meal	197	279	42
Palm Oil	419	534	27
Fish Meal	603	685	14
Olive Oil	3,618	4,669	29

\* Price of Brent oil is measured per barrel.

\*\* Price of uranium is measured per pound.

plies, to foodstuffs. The underlying reason for this, is a surge in Weimar-style hyperinflation. For example, for the metals group, the price of aluminum rose by 22%, that of nickel by 80%, and that of lead by 94%.

There are particular reasons that can be cited to partially explain why a particular commodity's price rose, such as perhaps a poor crop in the case of a foodstuff. The decline in the value of the dollar is another contributing factor: some raw material producers have partially raised the price of their commodities, priced in dollars, to compensate for the dollar's fall. However, these are not predominant forces.

Think methodologically. The world financial system is disintegrating, an underlying reality which nearly all economists and leading politicians have been frantically attempting to deny. In response to that disintegration, Fed chairman Greenspan has followed a wildly destructive money-printing process. The lawful result is that a hyperinflationary process is breaking out, that could soon reach the gale-force proportions last seen in Weimar Germany, eight decades ago.

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# 'Dynamite Is Everywhere' In Financial System Now

by Paul Gallagher

As Presidential candidate Lyndon LaRouche was addressing his Australian movement on March 5 ("This World Monetary System Is on the Way to the Burial Grounds," see below), alarm bells were indeed tolling very loudly for the global financial system, which threatened to explode before the U.S. Democratic Party holds its nominating convention in July in Boston.

While the bomb the International Monetary Fund (IMF) and monetary authorities were working hardest to defuse was the Argentine debt bomb, even bigger explosives lay elsewhere. One London banker told *EIR*, "Argentina may be a difficulty for the Fund and for the financial world, but if you're looking for the really big crisis, look at the United States. A giant crisis is coming there, sooner than most people think. It is now clear, that what has been keeping the system going, is just pumping of liquidity. . . . The United States is the place to look, for where the really big crisis will hit." A series of U.S. economic disasters were announced in early March, like blows which sent the stock markets reeling, made pathetic the Bush Administration's "recovery" bravado, and deepened the fears of Fed Chairman Alan Greenspan and his international counterparts about "systemic threats" of a collapse.

## U.S. Debt Bomb Gets Worse and Worse

The U.S. Labor Department's March 5 report on unemployment in February, though shocking in its major announcement of the complete lack of job creation in the economy, was much worse for its small print. Nearly 3 million Americans have dropped out of the labor force since March 2001, and *almost 400,000 abandoned the labor force in February 2004 alone*—in addition to the 8.2 million unemployed and 5 million forced to work only part-time—making real unemployment well over 10%. A steadily shrinking labor force has never appeared in any U.S. "post-recession" in 100 years—only in the first years of the Great Depression. The February report also revealed that the average American employee's wage had grown only 1.6% in a year, while his or her household's average debt had grown by 10.4%, and home prices were inflating at a 15% annual rate. The unemployment report was claimed, politically, to lock the Federal Reserve into "no rise in interest rates until 2005" from their current 40-year low. This is a fatal trap for the central bank, as some Fed governors clearly see, in an economy actually bursting with inflation as the dollar falls (see article, page 6).

Then on March 10 came the worst-ever trade deficit report from the U.S. Commerce Department, a \$48.4 billion trade deficit in January (approaching a \$600 billion annual rate), as U.S. exports fell during the month despite the dollar decline; and a \$43 billion current-account deficit in that month. This, and the \$5-600 billion Federal budget deficit, had scared Greenspan, during Senate testimony on Feb. 25, into demanding drastic austerity against government entitlements, including Social Security and Medicare, and other desperate measures, in order to preserve the system of free trade. One newsletter, published by a senior Republican Party figure, reported that Greenspan frankly "fears another great depression," and believes that all that has held off disaster so far "is the exponential growth of credit derivatives" which have "sheltered the banking system from a catastrophic collapse."

But a potential derivatives-driven collapse was the third major shock, a March 10 report involving the huge national mortgage company known as Fannie Mae. Greenspan had already, on Feb. 25, told a Senate committee that Fannie Mae—a giant Federally-subsidized corporation with \$2.4 trillion in mortgage-debt securities outstanding—had too much debt and could cause a "systemic" crisis if it failed. Fannie Mae was supposedly protecting its vast exposure with credit derivatives, but on March 10 the London *Financial Times* reported, "An independent analysis of Fannie's accounts suggests it may have incurred losses on its derivatives trading of \$24 billion between 2000 and third-quarter 2003. . . . The potential scale of the liabilities, which have yet to be recognized in the company's earnings or in the minimum capital adequacy required by its regulator, raise fresh doubts about the financial health of the mortgage finance giant. Regulation of Fannie Mae and its sibling Freddie Mac is rapidly moving up the agenda in Washington, amid concerns that the two government-sponsored entities have grown so big that they pose a systemic risk to the U.S. financial system."

Fannie Mae and Freddie Mac have been the huge bellows blowing up the tremendous U.S. real-estate mortgage bubble, which has become both the financial "lifeline" of American households' consumption, and the engine of their ruinous and rapidly increasing indebtedness.

Fannie Mae acknowledged the derivatives losses, though refusing to quantify them until a report to be issued on March 15. In Congressional testimony on March 9, Treasury Secretary John Snow had warned that the idea that the two mortgage giants were "too big to fail" was wrong, and that the Bush Administration did not want to be seen as guaranteeing a subsidy of their debt in order to bail them out in a mortgage-debt crisis. But should one of the mortgage enterprises fail, or be taken over by regulators as Greenspan had mooted, the shock to the super-heated American mortgage bubble would cause an explosion.

A City of London financial expert commented that the problem of the large derivatives losses was not limited to





*What does Ex-IMF Director Horst Köhler (left) fear? What does he know that others don't? Köhler suddenly, on March 4, fled his IMF position—one of the world's most powerful offices—supposedly to seek the largely ceremonial Presidency of Germany! Here he's pictured with one mooted candidate to fill his abruptly-vacated office, Brown of the U.K.*

Fannie Mae, but involved the very large number of counterparties to its derivatives contracts. If the government formally withdraws the implicit public guarantees of Fannie Mae's debt, the counterparties would most likely suffer huge losses. "Look at JP Morgan Chase, which holds 50% of these derivatives. And other banks are heavily exposed to this as well. Then you get into yet another 'too big to fail' situation." Then it would be up to the Federal Reserve to step in, and that's why Fed governors Susan Schmidt Bies and Mark W. Olson recently sounded alarm about the mortgage risk."

In other words, what threatens is another, and much larger, LTCM-style failure: When the large derivatives-dealing hedge fund Long Term Capital Management went bust in 1998, the global financial system nearly melted down, as Federal Reserve officials, including Greenspan, admitted—later. A Fannie Mae or Freddie Mac failure would dwarf the explosive charge of LTCM.

### **Fears at the BIS and IMF**

The Bank for International Settlements' Quarterly Review issued in March, also pointed to a rising number of "factors of systemic risk" in the financial system, including the rush of banks and investors worldwide into high-risk markets, and a 26% increase in just the past year in the turnover of financial derivatives contracts at the official derivatives exchanges.

The IMF itself was "hit like a bombshell" by the abrupt resignation of its Managing Director, Horst Köhler, on March 4, less than a week before the deadline at which an Argentine

default to the Fund was feared. The day after Köhler jumped ship, the IMF website put up a press release reporting on a Feb. 25 meeting of the Fund's directors, to discuss "financial risk" to the institution, and the need to bolster "precautionary balances" against the "risk of an income shortfall." Specifically, the directors "stressed that sound risk management requires the Fund to be prepared for the possibility of payments disruptions, which could arise from the increase and concentration of its outstanding credit."

The greatest credit risk to the IMF, its release said, "is mainly from large arrangements with middle-income countries and the Fund." Conveying urgency, if not panic, the directors agreed that the "adequacy of the level of precautionary balances, and the pace of their accumulation, as well as the application of the burden-sharing mechanism, will need to be kept under close review."

Argentina's *Pagina 12* newspaper put this a good deal more plainly in its March 7 coverage, "Who Will Save the Fund?" Argentina and Brazil alone account for 50% of the IMF's loans outstanding. Add Turkey, and three IMF debtors—all which have been suffering foreign-debt crises—account for 72% of its assets. "If the Fund were a private bank," *Pagina 12* stated irrefutably, "the central bank of any country would have already suspended it"; another way of putting LaRouche's insistence that it is the IMF, World Bank, and central banks which need to be put into bankruptcy reorganization in a New Bretton Woods.

This was the situation, of growing fears of a coming global financial blowout, in which some right-wing Synarchist financial forces in the United States and Europe were demanding a brutal confrontation with Argentina on March 9. These forces wanted an end to the IMF/Federal Reserve "wall of money" policy, which went into effect from 1997 on, with the debt crises of Asian nations, then Brazil, Russia, Mexico, Turkey, and Argentina. Ironically, these Synarchists were blaming this money-printing, debt-bailout policy on Argentina, which had had nothing to do with its formulation by their opposite numbers, "left-wing Synarchists" like George Soros and Felix Rohatyn. In this Argentine crisis, U.S. monetary authorities in particular, apparently decided they needed the "wall of money" for a while longer—to feed the debt bubble *in the United States*. But before long, it will look like the walls of Jericho after Joshua blew his horn, unless LaRouche's New Bretton Woods conference is urgently convened.

# ‘This World Monetary System Is On the Way to the Burial Grounds’

*Presidential candidate Lyndon LaRouche addressed 40 Australian recruits of his International LaRouche Youth Movement on March 5, at a weekend “cadre school” near Melbourne. LaRouche’s speech to the group by telephone conference was followed by two hours of questions and discussion, not published here, but available at [www.larouchein2004.com](http://www.larouchein2004.com).*

Okay, now we have a very interesting day, today, in Europe and the United States. It’s been building up over the past days, but it hit today, that in the wake of the Super Tuesday, that’s this past week, primary elections, there has been a significant phase-shift, not only in the election process in the United States, where John Kerry, the Senator, and I are the only leading candidates who are still in the race. There are some others, who are in there for delegates; not for nomination.

There is also some tremendous turmoil, in other issues: For example, you take the case which has caused much comment in Germany. You have the head of the IMF, who is sitting on top of the poor Argentines. And he was suddenly called back, in a sense, to Germany. That is, he was notified, that he was being appointed the President of Germany, to succeed the present President. And the fellow got on his plane, and left there, dropped the IMF, left his IMF post, and went back to Germany! The comment in Germany is, that Horst Köhler was getting out of the IMF, when the getting was good!

We have similar things like that: We have, Greenspan is mooted to be on the ropes; that Bush wants him fired. Gordon Brown, of the United Kingdom, is mooted as a possible successor for Köhler; and similar kinds of things are going on.

What you have is a general turmoil, around the world, which indicates that we’re on the edge of a phase-change. You have the gyrations in the relationship between the valuation of the dollar and the euro, and other things of that sort. In terms of my own experience, the response to me is suddenly greatly improved inside the United States, in the media, and so forth, in terms of contacts, people I’m talking to, and that sort of thing.

So, there is a phase-shift in world affairs. And this obviously reflects one thing, among others: And that is, that this shebang, this present world monetary system is on the way to the burial grounds. Exactly which direction it will take, where

the undertakers will lead it, and so forth, is not yet certain. But, it’s obvious, it’s a phase-change.

## Neo-Cons Being Pushed Aside?

You’ve got two things that are going on politically, internationally—especially, in the United States, but not just there. You have the neo-conservatives—these are the extreme right-wing animals, like Richard Perle and so forth—and contrary to the statements by some that Richard Perle is not out, the fact of Richard Perle’s withdrawing from his position with the Bush Administration *is* a part of the same process as the withdrawal of Conrad Black—the man who was the moneybags for a lot of the neo-conservatives—who is in trouble all over the place, because they’re sort of tired of his sort of funding of neo-conservatives.

This coincides with something else: Not only is the Bush neo-conservative phenomenon in trouble—and I probably must take the blame for a great deal of the suffering around the Bush camp, and others—but, the perception is that the Bush sort of right wing is not really going to work. It is not going to “carry the day,” so to speak. And therefore, the right wing of importance right now, in the United States, is situated in the Democratic Party, on the Democratic side!

In the Democratic Party, we have a major conflict, between two views, in which my view lies in there, somewhere. You have one view, which is typified by the circles around the former Treasury Secretary Robert Rubin, which recognizes the severity of the present international monetary-financial crisis, as very few others of that generation do. (Oh, he’s not actually a Baby Boomer; he’s a little too old for that.) But then you have, on the opposite side, you have the group around Lazard Frères, who has a pro-Schachtian position. And if you haven’t been told this already, Hjalmar Schacht was the man who—for the Bank of England chief—put Hitler in power in Germany in 1933. And [Schacht] is famous, not only for that, but as the Economics Minister of the Nazi system. And his policies, his economic austerity policies, are those which are associated with Nazism the way Hitler came to power. These policies are not only popular with the outright fascists, or the obvious fascists—like the neo-conservatives around the Bush camp; like the Richard Perles and the Conrad Blacks, and so forth.

But, there is also another variety of fascist, as there was



*LaRouche and Lazard Frères banker Felix Rohatyn (left) battle for the Democratic Party, over whether the response to collapse will be Rooseveltian led by LaRouche, or Schactian, fascist. "Not only is the Bush neo-conservative phenomenon in trouble—and I probably must probably take the blame for a great deal of the suffering around the Bush camp, and others—but, the perception is that the Bush sort of right wing is not really going to work. . . . And therefore, the right wing of importance right now, in the United States, is situated in the Democratic Party, on the Democratic side!"*

during the 1922-1945 period of the fascist heyday in Europe: These are the left-wing fascists, and they are typified by the Lazard Frères crowd, which was—during that period in European history—was very fascist, indeed. It's a hard-core Synarchist organization. Its typical expression in the United States, of that group, is Felix Rohatyn, an alumnus of Middlebury College in Vermont, where I had a funny experience some months ago. And he represents the pro-fascist economic policy alternative inside the United States. His group, inside the Democratic Party, is moving to replace George Bush as President, because they say he's hopeless. But they have their own brand of fascism: And their commitment is to keep me out, at all costs.

What has happened now, is there's a shift in the situation, and some people in Europe have put it this way: Felix Rohatyn's crowd is incompetent. What they intend to do, what they're willing to do, will not fly under the conditions of the present world international financial crisis. It just won't fly. For example, one thing that Rohatyn and so forth will be dead against, is capital controls. Now, what is going to happen, of course, as the crisis hits with fuller force—and that can be in days; we're on the edge of it now: It can be weeks. It can be days. It can even be a couple of months or more. But, we're on the edge now. It is going to happen. What is keeping the system alive, is a hyperinflationary bubble of money-printing. In other words, a hyperinflationary process is keeping this

bubble going, as long as the system will keep accepting the outpouring of this mass of money into the system, especially dollars and so forth.

### **The Schachtian Threat**

It's going to come down: When it comes down, and if the world is not going to go "On the Beach" so to speak (in line with your discussion yesterday), then, there're going to have to be some changes. First of all, we're going to have to put the IMF system into bankruptcy reorganization. That is, governments will have to take over, as they did during the immediate post-war period, with the founding the original Bretton Woods system, governments took over, and the banks had to behave themselves, at that time. At a later time, up through 1989, there were changes. The Bretton Woods system was cancelled in '71-72. And in 1992, essentially—the Maastricht agreements and so forth—Europe gave up sanity, in terms of monetary policy.

But, we're going to have to go back to that. We're going to have go back to what was changed. We're going to have to put the IMF system into bankruptcy. Central banking systems are going to be taken into receivership, for bankruptcy reorganization. Governments are going to have to take control, of the business of generating and managing credit, credit of states. Under these circumstances, we're going to have to go back to a *regulated* system, of international trade and finance. We're

going to have to go to *capital controls*: That is, governments are going to take responsibility for what are lawful priorities, in the flow of capital funds, and in what is allowable in the movement of capital funds. Because, in a crisis, we must manage, as you do in any bankruptcy.

Now, the Felix Rohatyn crowd, the Lazard Frères types, and similar types, *are dead set against capital controls, or anything like that. They're dead set against protectionist measures*. And protectionist measures are absolutely indispensable, for getting through the crisis that's coming on us now.

I represent that: But other people recognize that this kind of measure, which I represent, must be used—they may not agree with the way I want to use it, or the way I want to do it—but they agree it must be used, under conditions of this kind of crisis. And, they can see this kind of crisis coming on, now. And they see that the magnitude of the potential blowout is far beyond anything that would permit Felix Rohatyn's policies to be applied to the present situation.

For example, if the policies of Schacht are applied—and that's what you're looking at, in terms of the debt collection operation against Argentina—this is *pure fascism* in economic policy: The IMF is practicing *pure fascism* in its support for these collection policies. But, that's the policy that would be applied, to the *interior* of every country in the world!—including Australia, of course—if these policies were continued. These are Schachtian, pro-Nazi policies. They may not call them pro-Nazi, but that's what they are.

So, there's a big fight about that. And the general opinion, among informed people, is that the Nazi-like policies, the Schachtian policies, which are associated with Felix Rohatyn's proposals *will not fly*, in this period, unless you want to have a general collapse of world civilization: a new dark age.

So, today, in the past couple of days, especially today, there's a rumbling, a rumbling, like the pre-shock of an earthquake. And that's what I was experiencing, during the course of the day, and overnight. *There's a big change coming*. And, I don't know what's coming. I think the monotremes of Australia will survive, but I wonder if some of the still more primitive animals, such as your local breed of neo-conservative, will also come out of this thing intact.

So, that's the nature of the situation.

## **A Youth Movement Against 'No Future' Society**

Now, otherwise, on the subject of the youth movement: The key thing to understand this youth movement phenomenon—and this is something that's become empirically significant around the world, as in the United States, during the recent four years. About 40 years ago, in the United States, and in the United Kingdom, following the assassination of President Kennedy and the ouster of Macmillan in the United Kingdom, as Prime Minister—it was a coup—with the first Harold Wilson government in the United Kingdom coming along shortly after the ouster of Macmillan; and what happened with the United States, after Kennedy was killed, and

President Johnson was terrified (at least on these questions); we went into the Vietnam War, Indo-China War.

At that point, there was a cultural paradigm-shift in the generation of university age, those particularly who were going into universities at that time. This represented a cultural paradigm-shift away from an idea of a producer society—which the United States had been the leading example of, up to that point—and against technology; an anti-technology, post-industrial movement, of which the most colorful form was the rock-drug-sex counterculture. But the rock-drug-sex counterculture was only the most extreme, the most radical, the most carnival-tent-show-type part of this process of cultural change.

During the past 40 years, the culture of the United States has changed, and of the United Kingdom. And this has spilled over into continental Europe, especially with the 68ers. It spilled into Central and South America. So, around this part of the world, and other parts of the world, the generation now in their fifties or early sixties, the so-called Baby-Boomer generation, all around the world, are dominated by a *generational phenomenon*: In other words, even if people are not smoking pot, and having sex with strange animals, they are still Baby Boomers, in the sense that most of them accept the values which are common to that generation. And the values which are common to that generation, are acceptance of the leading role of cultural policy-changes, which have occurred during this 40-year period.

Now, what has happened as a result of this, over 40 years: The culture of Europe, Australia, New Zealand, and of the United States, the Americas generally, has changed: to a post-industrial policy. As a result of that change, and what goes with it, the present world monetary-financial economic system is finished! It's gone, to the point, it can no longer stand on its own legs. It is about to collapse.

Now, younger people, who were entering adulthood during the recent four years—that is, going from adolescence to adulthood—looked around them and said, "What we are going through is a no-future society. That is, what our parents' generation has done to us, is give us a no-future society in which to live—and not live it very well, and perhaps, not at all." So therefore, you had a conflict between young adults—that is, people who are young, but who think like adults; they don't think like adolescents or children. They think about their responsibility for being "mama" and "papa"; not being the children of the household, but being the parents in the household, or thinking in that direction. So therefore, they tend to be somewhat independent, and say, "Well, I'm not going to accept—I'm not going to Hell! I don't care what my parents tell me to do, I'm not going there. I don't want the place. I'm going to change things, if possible. I'm not going to accept no-future, as a perspective."

What you have, therefore, is you have a conflict between the parents' generation, and the younger generation, the young adults. This is not a conflict of prejudice: this is a conflict of reality. The older generation is still clinging to

those values and habits of behavior and belief, which mean no future for humanity. The younger generation's conflict with its parents' generation, is *not* the usual kind of thing, of the young people quarreling with the parents. It's not "leaving the egg," so to speak. This is real.

The younger generation represents a potentially healthy generation, for turning society *back*, away from a no-future society perspective. Whereas the older generation is imbedded with habits—habits of thinking, prejudices, knee-jerk reactions, emotional reflexes—all these things which would prevent a future for the younger generation, and their children. So, this is the nature of the conflict.

Thus, under these circumstances, what is needed, is that the younger generation, while it may not know everything it needs to know, is instinctively right, in sensing that their parents' generation's values—the people in their fifties and early sixties—are wrong. They may not know exactly why they're wrong, but they know they're wrong, because the parents' generation is living in a no-future fantasy. And they know, that they've got to find their way *out* of this no-future end-game. That's the nature of the conflict.

Therefore, at this time, the kind of youth movement which we've organized in the United States, spread into Europe; and we have some seeds down there in Australia. This is absolutely essential—*not* to stage a generational quarrel, per se. The problem is, the older generation is habituated to those habits, those ways of behaving, which mean a no-future society. And therefore, young people must have *the independence*, which is their independence of the Baby-Boomer ideology. Because, if we don't get the world freed of the grip of Baby-Boomer ideology, the world is not going to make it, except plunging into a new dark age. Therefore, the development of a young generation, *which will lead* their parents' generation out of madness, is the key to civilization.

## Facing a Dark Age

This is not entirely uncommon in human history: Often cultures go down, not because they didn't have the magic elixir, or something of that sort; but, because they got into cultural habits, which in practice, led to acceptance of, or caused, a collapse of civilization. The Roman Empire is an example of a long process of decadence. Medieval European society, the so-called "ultramontane society," of the Welf faction, and similar people, is an example of that: That these cultural trends destroy civilization. They may not destroy everybody in it, but they put us into a dark age or a relative dark age, repeatedly.

So therefore, when you come to a dark age, the problem is not that a dark age is natural—except for accidents, natural accidents, which are beyond our reach—every catastrophe mankind faces, is imposed by mankind itself. It is not imposed by one or two leaders, usually—very rarely: It is imposed by the fact, that the majority of the population has become culturally addicted to habits of behavior and thinking, which have led, over the course of time, to a collapse of civilization.

That's what we face now, a collapse-of-civilization crisis. Not a mistake, which has to be fixed. Not a gimmick. You don't go to the store and buy a new costume, and solve this problem. You have to go to a store, and get a new mind! A mind free of these cultural habits, which were developed with the Baby-Boomer generation, as the post-industrial, pleasure-society ideology which has come to dominate Europe and the Americas in the recent period. And, of course, it has had not pleasant affects on the possibilities in Australia.

And therefore, the younger generation—those of us who are wise enough, will support the younger generation's efforts to get out of this mess, and to lead their parents' generation, and others, under the pressure of crisis, into going back to ideas which worked. And building the future, by going back to the fork in the road where they made the wrong turn. And make the proper turn this time, and get their reluctant parents' generation, to go along with the journey. Under those circumstances, there is no reason we should not come out of this crisis quite well, with a little suffering and hard work. But, if we don't make that change, there's no chance.

And therefore, in times like this, it is sometimes a generation of young adults which makes the turn. Take the case of the history of the United States: If you look at the age of the people who became the leaders of the United States—those who formed the Declaration of Independence; those who created the Constitution, and so forth—these people were recruited around a fellow, a scientist, a leading world scientist at the time, Benjamin Franklin, who was influenced from Europe. Influenced by, in part, people like Priestley, in England; Watt, who was recruited by Franklin and Priestley, who developed the famous Watt steam engine—in France; with the assistance of a great Frenchman, Lavoisier, who was killed by the French Revolution; by Leibniz's influence, directly, through his writings.

## The Secrets of Rebuilding Nations

So, these young people, around the best ideas from Europe, grouped around Franklin, from the middle of the 1770s on, became a leadership which created the United States. They were, with few exceptions, a youth movement. George Washington was not exactly a youth at that time; nor, of course, was Franklin, who died at a ripe old age. But, these guys—the Hamiltons, the Madisons, the Jeffersons, and so forth—these were part of a youth movement.

Now, you have to think of yourself, today, as being typical of youth who are making this kind of turn. You have to think of yourselves as people who are reaching out to find the so-called secrets of society—sometimes, the lost secrets of society—which are needed to rebuild nations, to rebuild civilization. And, you are acting in that way, and in that degree, as the conscience of your nation, and the conscience of civilization, to turn the world back to where we made the wrong turn, especially the wrong turn of the 1960s: In that way, we shall come out all right. Not perfect, but all right.

And, that's, I think, what you are implicitly doing.

# Who Was Schacht, and What Is Schachtianism?

by Michael Liebig

With a world economy in the throes of a deep systemic crisis, Democratic Presidential candidate Lyndon LaRouche has stressed that only two fundamental alternative policies exist: reorganize the international financial system along the lines of his proposal for a New Bretton Woods conference, in the tradition of Franklin Delano Roosevelt's actions against the Depression and the effects of war; or adopt the policies of Hjalmar Schacht, Germany's central banker in the 1920s and Hitler's Economics Minister in the 1930s—policies that today are represented, typically, by American banker Felix Rohatyn. How might one best characterize what are known as Schachtian policies?

A Schachtian first insists that the population, not the banks, must pay the costs of the crisis. Today, that means the material living standard of most of the world's population must be sharply cut, so as to use available means to feed the inflated paper holdings of private financial interests.

This becomes all the more pressing when the contradictory forces of grossly inflated paper holdings, on the one hand, and the real economy on the other, lead to outright crisis. That is what transpired in Germany from the hyperinflationary period of 1923, to the world economic crisis of 1929-33, and that is precisely what we see today, although in an order of magnitude far greater.

While Reichsbank chairman in the 1920s and 1930s, Hjalmar Schacht reported that almost every morning he would speak on the telephone with the Bank of England's Governor, Sir Montagu Norman (1871-1950), to take his instructions. Under so-called normal conditions, Schacht might not have taken on much importance. But under conditions of a grossly hyperinflated financial bubble, and collapsed real production, he came to the forefront of world politics at a time when the political, economic, and financial situation had reached a critical stage. Under those circumstances, Schacht, the prototypical Synarchist, was emphatic: Let the financiers do as they will! Let us remove at any cost the obstacles thrown up by a democratic republic which remains somehow tied to the common welfare.

On March 7, 1930, six brief months after the stock market collapse of October 1929, Schacht resigned as Reichsbank chairman because, he said, the Weimar Republic's political system would not allow him to properly discharge his responsibilities. In September 1930, Schacht travelled to England



*Hitler with his Economics Minister Hjalmar Schacht in 1934.*

and the United States, and discussed the German crisis with Anglo-American financiers for weeks on end. Immediately upon his return in December, Schacht met with Hermann Göring. Göring was to become, after 1933, Minister of Interior, Commander in Chief of Police and Gestapo, and Commissioner for Aviation. On Jan. 5, 1931, Schacht dined with Göring, Hitler and Fritz Thyssen.

Schacht called himself "a non-party political economist," which was indeed the case—

his true loyalties were always to the financial oligarchy, the Synarchists. The latter had come to the conclusion that even Heinrich Brüning's austerity policy, rammed through with Emergency Decrees, would not suffice. Schacht had nothing against Brüning's policy of slashing wages and public expenditure, as that was what he himself intended. But he thought it not enough. The Weimar Republic's constitution itself made it impossible to destroy living standards to the degree demanded by the financiers.

In a notorious speech at Bad Harzburg on Oct. 11, 1931, Schacht spelled out the endless catalogue of financial demands on Germany: "foreign debts, that cannot be paid on time"; "illiquidity of our financial institutions and the State"; "public finances, such that even the Finance Minister cannot say how we shall get through the coming months." So Germany must set aside "the misconceived basis on which the system has rested to date." Never did Schacht consider a moratorium on Germany's crushing domestic and foreign debt. To the contrary! He knew the peril the financial oligarchs would have to face, were the Weimar Republic to last: a freeze on debt repayment, and a program to relaunch the physical economy by the issuance of state credit.

Schacht had been designated to head off that option, which was the "Lautenbach Plan" of economist Wilhelm Lautenbach. When, in December 1932-January 1933, the government of Chancellor Kurt von Schleicher announced that it would adopt the Lautenbach Plan, Schacht got Kurt von Schröder's Anglo-American-linked bank to inject several million reichsmarks into the Nazi Party, thus saving it from bankruptcy. Chancellor von Hindenburg was blackmailed into dismissing von Schleicher and appointing Hitler as Chancellor. On March 17, 1933, Schacht stepped back into his role as chairman of the Reichsbank.

# In Italy, Crisis Brings Crackdown on the Banks

by Claudio Celani

On March 2, the *Neue Zürcher Zeitung* published an alarmed report from Rome: In Italy—wrote the newspaper of the Swiss financial community—a dangerous witch-hunt is developing against the Italian banking system. The Italian banks are targeted by public opinion, by the judiciary, and even by Parliament, because they are considered responsible for a series of corporate failures and other events which have severely hit hundreds of thousands of small investors. Almost daily, leading bankers are crucified in television talk shows, while the ongoing investigations on the Cirio and Parmalat bankruptcies expand to some excellent names from the financial community, like Rainer Masera (Imisanpaolo) or Cesare Geronzi (Capitalia). Even Bank of Italy chief Antonio Fazio has come under the scrutiny of the judiciary, as it was announced that prosecutors in the small city of Trani, in Apulie, are investigating the missing control of the Banca d'Italia in the context of a local banking fraud, Banca 121.

But most alarming, it seems, for the Swiss financial newspaper, is that the Italian Parliament—the same Parliament considering motions for a New Bretton Woods monetary system—is discussing, in a bipartisan process, a reform bill which will put severe regulations on banking activities.

## Crisis Threatens Italian Bond Market

Indeed, the popular resentment in Italy against the banks is real and well-grounded. There is a dramatic crisis of confidence in the banking system, determined by the fact that hundred of thousands of Italian families have lost savings which most of them thought had been safely invested by their bank. A flight from Italy's capital market, which Finance and Economy Minister Giulio Tremonti warned against before Christmas, is already under way, threatening a severe liquidity crisis of the whole Italian bond market.

Italy, with Japan, has historically been at the top of world saving rates. In the 1980s, family savings bailed out Italy's huge public debt through purchases of treasury bonds. In the 1990s, as Italy joined the Maastricht agreement and implemented "convergence" policies to join the Eurozone, falling state bond yields moved Italian families to invest their savings in the then-booming stock market. This was a conscious policy, discussed in a secretive meeting of Italian and British

bankers and public officials on board the British royal yacht *Britannia* in June 1992, and implemented by a series of technocratic cabinets. The idea was that the Italian family savings, appropriately leveraged, should become a bellows for the regional expansion of the world financial bubble, as part of the euro project.

Some \$300 billion in privatizations of Italy's huge public sector was used to lure those savings into the stock exchange, whose capitalization zoomed from 11% of GDP in 1992, to 70% of GDP in 2000. When, in 2001, the stock market collapsed, Italian families lost, in one shot, Eu216 billion. The banks then offered a "safe" investment in state bonds, and convinced their customers to buy Argentine debt titles! As Argentina went insolvent in 2002, about 450,000 Italian small investors lost Eu12 billion. And this was not the end: 40,000 lost Eu1.2 billion in the insolvency of the Cirio food company; and finally, the Parmalat bankruptcy has pulverized the savings of 100,000 more investors.

Few among all these investors knew that they were putting their money in high-risk enterprises. In most cases, bank customers discovered that their money had been invested in something they could never imagine. Many pensioners just trusted their bank clerk; in some documented cases, banks sold Parmalat bonds to unknowing customers on the very day the Parmalat concern officially defaulted. The Rome regional department of the Finance police has delivered a thick report to prosecutors, establishing that in the Cirio case, the responsibility for dumping insolvent bonds on retail customers lies at the level of the "general director" of the banks involved. Leading target of the Cirio investigation is Capitalia Bank, whose chairman, Cesare Geronzi, is accused of "organized crime association."

The Cirio and Parmalat cases are connected. The house bank for both firms was Capitalia. To help Cirio to avoid bankruptcy, Capitalia pulled in Parmalat, which bought overpriced parts of Cirio. Also, Capitalia organized swaps between the two soccer clubs owned by Cirio and Parmalat, Lazio AC and Parma, in order to improve the budgets of Lazio, a club quoted on the stock market. And in both cases, Capitalia is suspected of having forced the two firms to replace their debts to the bank with bond issues, so that the bank customers, and not the bank itself, would suffer from the coming insolvency. Furthermore, the report of the Rome financial police clearly states that the bonds were illegally sold, to retail customers, using guidelines intended only for institutional investors.

The largest Italian banks—Intesa-BCI, Unicredito, Sanpaoloimi, Capitalia, and Monte dei Paschi di Siena—are facing investigations.

## The LTCM Disaster Returns

However, if one wants to know where the climate of deep mistrust against the banks all started, it all goes back to one word: "Maastricht." The banking reforms introduced by the

minister known as “Mr. *Britannia*,” Mario Draghi, are mostly responsible for the present situation. The Capitalia case is the most instructive.

One of the persons investigated for the Cirio fraud case is Alberto Giovannini, who from 1999-2001, led the brokerage department of Capitalia, then still called Banca di Roma. Giovannini leads us directly to the international technocratic mafia responsible for the euro project, and for international speculation. He was on the board of Long-Term Capital Management (LTCM), the famous hedge fund that went bankrupt in 1998, and was bailed out by central banks to avoid a collapse of the international financial system. LTCM had hired Nobel Prize winners Scholes and Morton to develop sophisticated mathematical models for derivative contracts. It went broke because it was not able to forecast the Russian debt crisis. According to the *New York Times*, inspectors who examined the LTCM records found out that \$4.75 billion in investors’ capital had been used as “collateral for purchasing \$125 billion in assets, which were then used in turn as collateral in exotic financial transactions amounting to \$1,250 billion.”

In Banca di Roma, Giovannini did exactly what LTCM had done: He hired young graduates in physics, and put them to work developing mathematical models for operations on the capital market. It was during the Giovannini period at Banca di Roma that the Cirio bonds were sold to customers.

Giovannini had also been head of the expert group which, on behalf of the European Commission, prepared the technical transition to the euro—the “Giovannini group.” He owed this to his mentor Robert Mundell, the economist who pursues the synarchist project of a single world central bank. In its report to the Commission, the Giovannini group stressed that the future perspectives for the euro were bound to a change: developing a broad derivative market in Europe.

Now, reports published by the Italian media on the international aspects of the Parmalat swindle, as leaked by investigators in Milan, are completing the picture. After many days of interrogations of former Parmalat officials Calisto Tanzi, Fausto Tonna, and Alberto Ferraris, and its attorney, prosecutors have reached conclusions that confirm those of *EIR*: The international banks forced Parmalat to issue bonds in order to cover the banks’ own losses.

In one case involving bonds issued on the U.S. market for a value of Eu3.6 billion, Bank of America’s chief European official, Shahzad Shahbaz, is being investigated as mastermind of the scheme. In this, as in other cases, Parmalat would issue a bond, only to *immediately buy back* part or most of it—unknown to the market—so that the new liquidity would appear on Parmalat’s books, but in reality it had been loaned little or nothing. Bank of America is not the only bank involved in such schemes; prosecutors are also investigating JP Morgan Chase, Citicorp, Deutsche Bank, Crédit Suisse First Boston, Banco Santander—all the main placers of Parmalat bonds on the international markets. Pros-

ecutors now demand that those banks’ claims as Parmalat creditors be cancelled.

No wonder that the political class, feeling the pressure of public opinion, has searched for the one responsible for all that, and found him in Italian central banker Antonio Fazio. As ultimate banking supervisor, the Banca d’Italia should have known what was going on. And indeed, the central bank is one of the authorities which could have stopped the bonds issued on the Italian market—the other being the Stock Exchange Authority (Consob). But the Bank of Italy, whose independence has been always celebrated, is really a private entity controlled by those very same banks it is supposed to control!

### **Solution Is a New Bretton Woods**

The demand for a correction of this highly anomalous situation has found bipartisan support in the Parliament, where a reform bill is currently being discussed, prepared by hearings of the Joint Parliamentary Finance and Industry Committees dedicated to Parmalat case.

Although the idea of establishing Parliament control on the central bank is correct, the reforms which the Italian Parliament will enact, risk the effect of closing the barn doors once the cows have escaped.

The real issue to be addressed is the reform of the international financial and monetary system, as the motion presented on Feb. 12 in both houses of Parliament states. That motion was co-authored by Italian LaRouche representative Paolo Raimondi, and introduced in the Chamber by Representative Mario Lettieri, and in the Senate by Sen. Oskar Peterlini. Seventy members of Parliament of both government and opposition parties support it. It puts work of the Joint Parliament Committee on the Parmalat case in the context of the bankrupt international financial and monetary system, and calls on the government to promote an international reorganization on the model of the 1944 Bretton Woods conference.

On Feb. 27, German Chancellor Gerhard Schröder was confronted with the Italian initiative at the press conference with U.S. President George Bush, at the White House. *EIR* correspondent Bill Jones asked Schröder whether he would support the proposal for a New Bretton Woods, and Schröder answered: “I can make an evaluation of it only once I have seen it directly. Similar proposals have been made already in the past, I say that with all respect due to the Italian Parliament.” Schröder’s comment has been picked up by the Italian Agenparl news agency, which reported a statement by LaRouche representative Raimondi under the headline “The Head of the German Government Wants To Study the Italian Parliament Proposal.” “After Schröder’s words,” Raimondi is quoted saying, “it is even more urgent that the Italian Parliament and government solicit European countries and institutions to promote . . . initiatives to reform the bankrupt financial system.”



# As Dollar Falls, China Seeks National Economic Security, Internal Development

by Mary Burdman

The annual meeting of China's national congress became the setting for the Chinese government to assert its policy on two critical issues of national economic security: Stopping big international speculative operations trying to force an up-valuation of the renminbi (RMB); and dealing with the problems of poverty and infrastructure shortfalls in China's developing economy of 1.3 billion human beings.

In his opening speech at the National People's Congress March 5, Prime Minister Wen Jiabao said his government wants to slow down the rate of "GDP-measured" growth, to 7% this year. In 2003, it was 9.1%. China is concerned not only about the risk of inflation, but also about too much unbalanced and "low level" investment, Wen Jiabao said. The focus on "GDP" had not succeeded in resolving the long-standing problems of China's economy, especially the disparity between the rapidly growing eastern coast, and the vast interior. These disparities are growing, and this is a big risk for China's welfare.

China must continue its national investment policy, Wen Jiabao said, for "expanding domestic demand." It will keep up the "pro-active fiscal policy"—the program of special construction treasury bonds—although the government contribution will be somewhat reduced. At the same time, China "will work to basically balance international payments and keep the exchange rate for the renminbi basically stable at a proper and balanced level."

The Chinese government is striving to introduce an idea of "common wealth" in its policy, as the well-known economist Hu Angang has just said. But this is a challenge. In trying to improve conditions for China's 800 million farmers, the government will be losing revenue, and increasing its deficit. Economic bottlenecks, especially in infrastructure, are making development extremely difficult; the challenges are enormous.

And the international situation is making the challenges much greater. Since last year, extremist factions in Washington and Tokyo have been trying to force China to break the RMB's fixed exchange rate with the dollar, which has existed since 1994. During the international turmoil of that fateful year 1998, China, despite heavy pressure, kept its capital controls and fixed exchange rates intact—and was able to win its

fight, in the famous "battle of Hong Kong" that year, against the attacks by international currency speculators which were devastating every other nation in Asia.

Now, with cries of "It's 1998 all over again" echoing on every side—as the dollar, hedge funds, and markets all tremble on the edge of the abyss—China is responding to renewed pressures, this time from *inflows* of an estimated \$30-50 billion in "hot money." (Some sources point to as much as \$85 billion.) This would account for about *half* of the highly controversial ballooning of China's dollar holdings in the past year.

At a press conference March 11, Zhou Xiaochuan, governor of the central People's Bank of China (PBOC) affirmed, as every leading official had done before him, that China will keep the exchange rate of the RMB "basically stable." China will also "strengthen coordination of its domestic and foreign currency policies, and better monitor and manage short-term capital flows," *People's Daily* reported from the press conference. The PBOC pledged to "improve" how it determines the RMB exchange rate—as ever—in the interests of China's national economy.

Last week, at a bimonthly meeting of "G-10" and "emerging" central bank governors in Basle, PBOC deputy governor in charge of international affairs Li Ruogu, had told the world's financial officials and bankers the same thing. "We have always stated that the RMB will be maintained at a reasonable level of stability," Li said. "Unless we can have satisfactory results on all these [financial sector] reforms, we don't think we can move fast on the exchange rate." Asked if he thought the yuan was correctly valued now, he replied "Certainly I do."

As a well-informed Beijing banker told *EIR* March 10, China has very closely studied, and learned the lessons of what happened to Japan after the 1985 Plaza Accord, when the United States forced Japan to let the yen rise sharply against the dollar, to save the badly threatened U.S. currency and eliminate huge U.S. deficits to Japan. Germany was given similar treatment.

Last September, after the Dubai G-7 meeting demanded "more flexibility in exchange rates," the *People's Daily* published a commentary stating that in 1985, "the U.S. forced the



*The disparities between the rapidly growing eastern coast, and the vast interior, is still a big risk for China. With 800 million of its 1.3 billion population living in less-developed rural areas, the government intends to maintain its program of special construction treasury bonds. To facilitate this development perspective in the face of pressures due to the falling dollar, China wants to keep its capital controls and fixed exchange rates intact.*

Japanese yen to revalue,” in order to artificially eliminate the huge U.S. financial and trade deficits with Japan. Postwar Japanese economic growth, “which depended heavily on foreign resources,” was thrown into a “yen revaluation depression.” Now, Japan is bankrupting itself, weekly investing billions to maintain the yen against the dollar.

Beijing is also fully aware, that were it to give in to “market pressure” to revalue the RMB, that pressure would only get much worse.

It must be emphasized that many U.S. and European officials and economists also completely reject the demands for RMB revaluation, acknowledging that it would have devastating effects, especially on the fate of the U.S. dollar.

### **The Income Gap**

Amidst the international turmoil, China is also facing an economic challenge on a scale only approached by that of India—how to bring a nation of 1.3 billion people, which, only 50 years ago, was among the poorest on earth, to general prosperity. Nothing like this has ever been done before, and China’s new generation of leaders, who came to power only a year ago, is certainly aware of that. Two decades of “reform and opening up to the world,” launched by the great reformer Deng Xiaoping, have brought enormous growth to China. But a huge problem remains. Some 800 million Chinese live and work in the rural economy, where living standards are barely

*one-third* the level of urban living standards. For some 285 million people in interior China’s “poverty belt,” conditions are far worse.

This yawning “income gap” is a challenge to the current stability, and entire future, of China. In his NPC speech, Prime Minister Wen Jiabao emphasized that China must solve these “long-standing and deep-seated problems.”

“Rural incomes have grown too slowly, the task of increasing employment and improving social security is arduous, development in different regions of the country is not balanced, the income gap is too wide among some members of society, and pressure on resources and the environment is mounting,” Wen Jiabao said. The rural economy will be the “top priority of all our work.”

### **Fighting Speculators**

Already last Summer, leading Chinese officials and economists rejected any “shock therapy” (i.e. Plaza Accord-style) exchange rate “reform.” This would, they warned, allow speculative “hot money” to rush in, sending the RMB into gyrations, which China’s economy cannot handle.

As early as August 2003, the State Administration of Foreign Exchange (SAFE) announced that hot money was “sneaking” into China, speculating on a sharp up-valuation of the exchange rate, as U.S. Treasury Secretary John Snow was demanding. China’s foreign exchange, overall, shot up

by \$116.8 billion last year, to \$403.3 billion. The speculative funds got into China through trade, foreign direct investment, borrowings by foreign banks now operating under China's agreement with the World Trade Organization, and from overseas Chinese.

Last Autumn, the SAFE began a special investigation. The results were announced Feb. 26 in a special interview to the official news service *Xinhua*, given in Beijing by Guo Shuqing, who is both vice-governor of the PBOC—the central bank—and director-general of SAFE. Those who would bet on a rise of the RMB rate, he warned, should “be on the alert against risks in order to prevent unnecessary losses. [They] are likely to pay enormous prices.”

It is notable that recently, the central bank of Russia has also been warning of hot money flows. In contrast to 1998, these are flows into the country, not capital flight, and the pressure is to force currencies up against the dollar. But the results would be just as dangerous. The Russian central bank warned of the rising exposure of big Russian corporations to foreign debt, and upward pressure on the ruble, which has actually been rising against the dollar.

On March 9, the China Banking Regulatory Commission (CBRC) announced a crackdown on foreign banks operating in China. It will now demand twice-yearly operations reports from the branches in China. Before, the foreign banks only had to report on their global operations. As of October 2003, there were 62 foreign-invested banks in China; as of December, about 40% of branches could provide Chinese currency services, increasing their economic influence.

“This has posed a challenge to continued effective supervision, and requires regulators to be clear about every foreign bank's overall operations and risk levels, and properly assess their business strategies and risk management capabilities,” the CBRC spokesperson said. These foreign-owned banks have been heavily increasing foreign loans in China. They borrowed \$58.6 billion in foreign loans in the first nine months of 2003, to lend to foreign companies in China, about 80% of China's total new foreign liabilities!

These were mostly short-term debts, making forex regulators suspicious that the foreign banks were speculating on a revaluation of the RMB. This process has been driving dollar inflows into China, pushing its foreign exchange reserves to unprecedented levels, and it fuelled monetary expansion last year, reported *Xinhua*.

The foreign banks will now have to account for lending activities, affiliated transactions, cross-border fund flows, bad loan provisions and capital adequacy ratios. The CBRC spokesman said that: “Implementing consolidated supervision on foreign-invested banks is of great significance.”

Chinese firms are also implicated, some of them borrowing dollars abroad and selling them to Chinese banks for RMB. Higher domestic interest rates are also causing Chinese to dump dollars onto the central banking system in favor of RMB, all of which has increased China's dollar reserves.

## Rational Trade Balance

As part of an effort to bring overall “exuberant” growth under control, China will also be slowing the expansion of its foreign trade this year, the Minister of the State Development and Reform Commission, Ma Kai, said in his annual report to the National People's Congress March 8. He emphasized that China had slowed down its foreign trade growth rate from 37%, to just 8% last year. Growth had been in double digits for many years.

Guo Shiqing had the same message. China will strive to balance its international payments this year, “before the negative impact of persistent surpluses comes into play,” he told *Xinhua*. This would not be done via changing the exchange rate: the government will support higher value Chinese exports, increase quality imports into China, and tighten supervision of capital inflow.

China has been increasing imports since last year, and in addition, the soaring prices of commodities, including oil, has brought its previous trade surpluses into deficit in the first two months of 2004. The deficit was \$682 million in January, and this rose sharply to \$7.9 billion in February.

The trade policy has broader implications for China's national economic security, as a National People's Congress deputy from Guangdong province, Fu Hanxun, wrote in an article published in the *Peoples Daily* March 9. China, which is at a “turning period of strategic opportunity,” should look at the fate of the nations of Latin America, he wrote.

Since the 1980s, countries such as Brazil and Argentina, striving to expand GDP, allowed all-out transfer of U.S. and EU processing industries into their countries, but did not have profit-and-asset-transmission laws. Foreign capital now dominates 90% of Brazil's enterprises, Fu wrote. Many of these industries have been sent to China, leading to economic collapse in Latin America.

The key question for China is, “Do Chinese or foreign enterprises dominate its economy?” For the past 25 years, foreign enterprises have been given “super-national treatment” in China, unlike domestic enterprises. Some 60% of China's foreign trade was from foreign-controlled processing industries last year, and over 50% of manufacturing exports are from joint ventures. Such foreign dependence could well threaten China's economic security, Fu Hanxun warned.

## Financial Risks

However, while asserting control, warned Guo Shuqing, China should not “overshoot” the goal, lowering its forex reserves too far. It must be prepared for speculative attacks, and “there is the possibility of a turnaround in the international balance of payment situation,” were there to be a shift in U.S. interest rate policy. China maintains its foreign reserves primarily to guard against international financial risks, he emphasized.

During the Asian financial crisis, there was a hot debate

in China, on whether it was the capital and currency controls, or its large forex reserves, which was most critical in protecting the national economy. Former Prime Minister Zhu Rongji was committed to expanding foreign exchange, and Guo Shuqing would appear to support this view, by citing the statements of Republic of Korea officials, that the more the forex reserve a country held, the better. This does not, however, mean any softness on the currency and capital controls front!

“Provided China was in a serious financial crisis,” Guo said, “the country would need perhaps several hundred billion U.S. dollars, as tens of billions of U.S. dollars (in emergency aid) is not adequate, as its economic scale is very big.” There is no lender under the current international financial system that can provide such a huge amount of money, and China must depend upon its own self-reliant efforts, he said.

### LaRouche’s Policy

China, like the rest of the world, is caught in the crashing U.S. dollar system. This creates more pressure in Asia than Europe: most European trade is within the EU, and is conducted in euros, but China has to use dollars. Its currency and capital controls are a vital line of defense for its national economic sovereignty, but this is not enough.

Amidst all the other financial pressures, certain institutions, including the likes of Goldman Sachs and HSBC, the current manifestation of Hongkong-Shanghai Bank, have been promoting the view that China will make a “small” revaluation of the RMB, and then peg it to a “basket of currencies.” When this view was published in the *Chinese Business Post*, it was immediately denied by the PBOC.

The Beijing banker affirmed that China had no intention to re-peg the RMB to a “currency basket”—for very good reason. In the daily financial turmoil, world currencies are frantically gyrating against each other, making any “currency basket” unworkable.

There is *no* solution possible, other than that proposed by Lyndon LaRouche—a new Bretton Woods system. In August 1998, as the “Asia” crisis was careening towards its second, and worst phase, LaRouche warned that China should not yield to pressure, then, to *devalue* the RMB in the wake of the collapsing yen.

There is only one option: that “China, the U.S.A., and other relevant nations, . . . establish, as early as possible, a new international monetary order, eliminating the present ‘floating exchange-rate’ system, and establishing a set of adjustable, but approximately fixed parities, similar to the pre-1959 form of the Bretton Woods agreements,” LaRouche wrote. Financial and trade relations must be based on fostering “development of basic economic infrastructure and advanced technologies of agriculture and industry from the already industrialized to the so-called developing nations.” Here lies the answer for China.

## Austerity Hits Hungary On Eve of Entry to EU

by Birgit Vitt

Hungary will, on May 1, become a member of the European Union (EU), along with Poland, the Czech Republic, Slovakia, Slovenia, the three Baltic states, Malta, and Cyprus. But a Schiller Institute delegation that visited Budapest in February received the impression that the country has not been well prepared for this step by its political leadership: People are facing a kind of reality-shock.

Two years ago, the Socialist/Liberal government coalition under Prime Minister Peter Megyessy came to power, having made many electoral promises to the effect that the new government would improve living standards. They increased the wages of 800,000 state employees, and raised pensions. This led to a short-term improvement for the people, but it also increased the state’s expenses and inflation. The government tried to get its money back through other means. In 2003, inflation was at 5.3%; but, according to official statistics, the cost of living in January 2004 had increased by 6.6% in comparison to the year before. From December 2003 to January 2004, basic living costs rose by 2.1%. This must be seen in the context of the increased value added tax and consumer taxes. Hungarians had to pay 3% more for food, while costs for public transport, waste disposal, energy, alcohol, and tobacco also increased. Given the 5% value added tax, Hungarians had to pay 16% more for medicine.

This is only the beginning. On Feb. 11, Tibor Draskovics was nominated as the new Finance Minister. He has assured EU headquarters in Brussels that he will do everything he can to consolidate the budget, and announced a draconian austerity program of 570 million euros in cuts for 2004. This still means a budget deficit of 4.6%, and is far from fulfilling the criteria of the EU’s Maastricht criteria, which limit the deficit to 3%. Hungary’s entry into the Eurozone will therefore most probably not occur before 2010.

In the second half of 2003, there was a speculative run against the Hungarian currency, the forint, as a consequence of which, the central bank had to increase interest rates to 12%. The areas in which cuts will be made are the following: Economics Ministry Eu138 million; Defense Eu46 million; Education and Culture, each Eu32 million; Information Technology and Telecommunications Eu30 million. According to Interfax, subsidies for the health-insurance fund will be cut

by Eu35 million, for city administrations by Eu38 million, and for railroads by Eu4 million.

## Agriculture Hit Hard

Hungary, as a new member of the EU, will not receive any EU subsidies for one year. This will hit agriculture particularly hard, and is expected to lead to an immediate wave of farm foreclosures. Twenty percent of the Hungarian working population is employed in the agricultural sector. At the end of February, hundreds of thousands of farmers demonstrated all over the country. Those most hard-hit by the crisis are pork and dairy farmers, whose costs of production are much higher than the income they make for milk, dairy, and pork products. State subsidies won't fill the gap. What makes the situation particularly difficult, is that Danish dairy producers are trying to sell cheap milk powder into the Hungarian market, as are Dutch farmers who want to replace the very tasty Hungarian tomatoes. There is also the Hungarian branch of the food conglomerate Parmalat, Parmalat Hungaria RT, whose future, after the bankruptcy of Parmalat in Italy, is unclear. Its market share is 5-6%, and it owes half a billion forints to the milk distributors.

While in the previous year, the Agricultural Ministry could give 230 billion forints in state subsidies to the agricultural sector, in 2004 it will be only 40-50 billion forints. The 160 billion forints in EU subsidies for agriculture will only be available next year. Many Hungarian peasants and farmers therefore will not have the money they need to invest in production. Because of last year's drought, animal feed prices rose by 12%.

The radical budget consolidation will have social consequences as well, particularly among the very poor—as suggested by the large-scale plundering of supermarkets at the end of February in Slovakia, after the Slovak government announced a 25% cut in social welfare.

## Schiller Institute Intervenes

The Schiller Institute team talked with economists, church leaders, intellectuals, as well as young people, about the global financial-economic crisis and Lyndon LaRouche's Presidential campaign in the United States. There was general agreement that the crisis must be solved on the basis of the principle of defending the Common Good. The interlocutors from the Hungarian side emphasized that the crisis will have cultural consequences for their country. Some pointed to the fact that Hungary's educational system, once among the most brilliant in the world, is being destroyed, and that this means destroying a whole generation of young people. Many emphasized how important a solid, Classical education is, in view of the fact that only a new generation of politicians—who will come from those who are today 18-25 years old—can give the country a future.

The Schiller Institute representatives presented LaRouche's strategic analysis, including the consequences of

the Bush-Cheney war policy and the role of the neo-conservatives in the Bush Administration. They discussed LaRouche's Presidential election campaign, and his program for reorganizing the bankrupt world financial system. This program is well understood, especially in light of a seminar which LaRouche gave at the Hungarian Finance Ministry at the end of 2002, on the need for a New Bretton Woods financial reorganization. Of particular interest to the Hungarian participants, is the need to orient Europe in the direction of a Eurasian economic development perspective.

During an event which was organized by the Schiller Institute at the Budapest Reformatory University, Elisabeth Hellenbroich made reference to the keynote speech which LaRouche had given on Feb. 14 at the Schiller Institute conference in Virginia (*EIR*, Feb. 27). There, LaRouche had emphasized that we are now at the end of a doomed system, and the question before us is one of power: whether we will succeed in bringing an end to the imperial policy of the neo-conservatives in Bush's Administration, and whether there will be a solution to the global crisis, based on an alliance of sovereign nation-states, which will lay the foundation for a new global financial system, a New Bretton Woods. She concluded with the challenge to the audience, that Europe can only fight for a new global system, if it defines its mission in terms of the need to feed 6 billion people on the Earth.

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## Report From Germany

by Rainer Apel

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### What Would Cause a Reality-Shift?

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*Members of the German parliament need the kind of courage which their Italian colleagues have shown.*

Could there be a German parliamentary equivalent to the spectacular Feb. 13 initiative in the two chambers of the Italian Parliament for a New Bretton Woods reorganization of the bankrupt global financial system? Generally, one would not think it possible, because of the depth to which ecologism and a zero-growth mentality have penetrated German politics. Members of the Bundestag (parliament) show more interest in the state of the Brazilian rainforests, than in the financial crisis in Argentina, for example. Recent meetings of the Bundestag's foreign relations committee, financial affairs committee, and developing sector committee all ignored the Argentine conflict with the International Monetary Fund, showing how much the parliament is out of touch with reality.

German resistance to the Iraq War in 2003 was one of the rare moments in which the Bundestag showed some interest in international affairs; but after the end of the U.S. official military operations, that interest eroded, and boring budget-balancing routine has taken over the minds of the parliamentarians, along with proposals for new austerity measures.

Discussions this author has had in recent days with Bundestag members and their aides in Berlin, however, do show that with the U.S. Presidential primaries, a certain interest in developments outside of Germany is re-awakening. Some said they would not rule out that President Bush would try a propaganda trick, such as "finding" Osama bin Laden or starting a new military intervention somewhere; but they were dubious as to whether even

this would secure Bush's re-election, because of the worsened economic and social situation in the United States. They pointed out that in the election of 1992, Bush's father lost to Democrat Bill Clinton, on the issue of the economy.

When briefed about Democratic Party pre-candidate Lyndon H. LaRouche's ongoing campaign, and LaRouche's intervention to educate his rival Sen. John Kerry on economic issues, including the Argentina crisis, several Bundestag politicians suddenly showed more interest in American developments. The fact that the German economy is very much connected with that of the United States, and very much influenced by the ongoing collapse of the dollar, all of a sudden moved to the center of discussions.

One Social Democrat, for example, said that the main incentive for the German economy in 2005 would not come from within the European Union—where more than 50% of German exports are currently going—but rather would be provided by a shift in U.S. economic policy, "putting an end to the militaristic approach of the Bush Administration, beginning with long-overdue domestic investments in the civilian economy, and stopping this dollar policy. It would also help our exports to the States, which have been shrinking visibly."

This politician, who first said he did not like LaRouche, but then admitted that he did not know much about him, conceded that "if Kerry would win and invest in transport projects, as your man there advocates, there might be a chance also for German high-tech

products like the Transrapid [maglev system] in the U.S.A. This would be good."

A Free Democrat said that he still has not figured out whether LaRouche is "more a leftist or more a rightist," but that if LaRouche is campaigning against the neo-conservatives, that is welcome news. He said that if the idea of the New Bretton Woods is that the U.S.A., especially, should return to a reasonable economic and financial policy of constructive cooperation with other countries, this would be more than welcome and necessary. This politician was impressed by the fact that LaRouche has a broad network of supporters among the U.S. electorate, having more individual contributions even than Kerry.

With a keener understanding of U.S. developments, a first step toward improvement of the political debate in Berlin would be taken. But still, is it realistic to expect German politicians to show as much courage as their Italian colleagues, on the New Bretton Woods issue?

It is realistic, on the condition that Social Democrats stop insisting, as they did when discussing with this author, that the top priority is to carry out the government's budget-cutting Agenda 2010 and sell it to the electorate. It is realistic, on the condition that parliamentarians begin dealing with fundamentals of economic policies and stop repeating the budget-balancing slogans. Numerous parliamentarians have some of LaRouche's proposals stuffed away in their desk drawers, and have been made acquainted with them during numerous LaRouche movement political interventions in Berlin in the recent period. It would be a relatively easy job to finally pull them out from those drawers; but it could certainly be a big step forward for mankind.

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# Business Briefs

## *Machine Tools*

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### **American Consumption Plunged in January**

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A March 7 report by the American Machine Tool Distributors' Association and the Association of Manufacturing Technology said that U.S. machine tool consumption in January plunged 23.9% from December's depression level, as manufacturers are hit by soaring steel prices. Industry consumed only \$161.19 million worth of machine tools, up 19.4% from the near-record low of a year ago. But January was down 23.9% from the level in December, which had been propped up by year-end tax incentives. Geographically, machine tool use fell in all regions of the nation, with the largest drop in the South.

During 2003, annual U.S. machine tool consumption had plummeted 64% from the level of 1997.

## *Labor Force*

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### **Many Immigrants Are Virtually Indentured**

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Northern Virginia, particularly its home construction industry, is one clear example of the condition of virtual indentured servitude of many workers who are recent Hispanic immigrants to the United States.

According to first-hand reports, many Hispanic construction workers in Leesburg, Ashburn, Arlington, and Alexandria, Virginia, work for contractors who hire 5-10 workers to work on a project; receive \$2,000-3,000 per week; but pay the workers of the crew only a small fraction of that. Hispanic families under these arrangements sometimes have to live in houses that the contractor owns, with up to 4-6 families living in one home.

Whether living in contractors' homes or not, many immigrant families pay \$600-800 per month for just one, or at most two rooms, and the right to use a kitchen and toilets. Sometimes several families combined are paying more than \$3,000 per month in rent for a house. Some Hispanic construction workers pay \$500 per month just to rent a single bed and the use of a bathroom. In some cases, 2 or 3 families are wedged into a single apartment.

In one construction project in the Greater Washington, D.C. area, which has been repairing a bridge, two Peruvian workers and one Bolivian worker died in accidents last year. When it is cold and windy, Hispanic workers are sent to the highest point of the bridge. Some of the same construction or landscaping workers, in December, work ten hours a day, six days a week selling Christmas trees, for which they are paid \$50 per week.

## *Germany*

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### **Exports Rose to Asia, EU; Dropped to U.S.**

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A March 9 preview of a German Office of Statistics report on 2003 shows that German exports to Asian, Eastern European, and Eurozone countries continued to increase moderately, whereas exports to the United States saw a considerable drop. The most spectacular single increase was reported in exports to China (up 24.9%), and to Russia (up 6.5%); European Union (EU) member countries imported 3.5% more. "EU plus 10" (the expanded EU from May 2004 on) accounted for an increase of 3.8%. Exports to the United States dropped by 9.1%.

Generally, market dependency on Europe increased for Germany, which sold 55.5% of its exports to the EU, and 64% to the "EU plus 10." All in all, the Eurasian Land-Bridge countries played an increasing role for German exporters.

## *Asian Bond*

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### **22 Nations' Finance Ministers To Meet**

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Finance ministers of the 22-nation Asian Co-operation Dialogue (ACD) will meet in May to consider establishing a \$10 billion (393 billion baht) fund to invest in government bonds issued by ACD members. The May 2 finance ministers' meeting in Bangkok will be followed by a summit in China to ratify the concept.

Sirote Swasipanich, director-general of the ACD's Fiscal Policy Office, said the Asian Co-operation Dialogue Fund (ACDF)

would invest in local currency sovereign bonds issued by the members. Thai Prime Minister Thaksin Shinawatra, the main proponent of the ACD group, had previously announced that Thailand was ready to commit \$1 billion in foreign reserves to the ACDF, with a similar commitment made by Indian leaders.

Sirote said that whether reserves invested in the ACDF could still be counted as official reserves, depended on whether authorities were able to convince the International Monetary Fund of the stability of fund investments. "As a result, investments need to be in investment-grade securities that trade with adequate liquidity. It's not as if all 22 ACD members will be able to issue bonds for the fund to buy," he said.

## *Railroads*

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### **Shanghai and Siemens May Expand Maglev**

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Shanghai's government and Germany's Siemens and ThyssenKrupp are discussing extending the Shanghai-Pudong magnetic-levitation train to Hangzhou, a city 200 km southwest of Shanghai in Zhejiang province. Shanghai government spokeswoman Li Rong said on March 8 that the "governments of the two sides are discussing such a project." It is awaiting approval in Beijing. "Shanghai can't start such a big construction project without central government orders."

The Shanghai Maglev Transportation Co., which operates the 30-km existing commercial maglev, said that it is doing feasibility research on extending to Hangzhou. German radio reports on March 8 claimed that Transrapid International is about to complete an agreement to build the new section. No decision has yet been made on what rail technology will be used for the longer, Shanghai-Beijing high-speed railroad.

A report from the Overseas Chinese Affairs Office of the State Council said that Zhejiang Province officials are to present their proposal for the new maglev line to the central government by December. If it is approved, construction would begin in 2005. The maglev, which can reach speeds of 430 kilometers per hour already on the short Shanghai-Pudong line, would reduce travel time between Shanghai and Hangzhou from two hours to 30 minutes, beginning in 2008.

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## Rovers Find Proof, Mars Was Once 'Soaked' With Water

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*Scientists have long thought that there was once water on the surface of Mars, based on orbital photographs. Now they have on-the-ground proof. Marsha Freeman reports.*

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A planet-shaking announcement was made on March 2 at a special briefing held at NASA headquarters in Washington. Scientists announced that data returned by the two Mars Exploration Rovers confirmed that at one time in its history, there was water on Mars. Photographs of canyons and dried-out riverbeds taken from orbit had shown evidence of water there in the past, but now there is “ground truth.” The presence of water, science leader Dr. Steve Squyres stated, means this site “was a habitable place.”

Water is the only known *necessary* ingredient for life. On Earth, simple life forms have been found in the most extreme environments—even those similar to Mars—and even if there is no sunlight or air, if there is water, there is life. Although the Mars rovers *Spirit* and *Opportunity* will not be able to answer the question of whether there has been, or is, life on Mars, they have now answered the question of whether the prerequisite, liquid water, was present.

Meridiani Planum, the Oklahoma-sized plain where *Opportunity* is exploring, was chosen as the landing site because orbital measurements had revealed a layer of gray hematite on the surface. This mineral forms in the presence of water on Earth, and so would provide a footprint for the existence of past water on Mars. Fortunately, *Opportunity* missed its prime target by a few miles, and did not land on the open plain, but inside one of a number of small craters in the area. The crater is 72 feet in diameter and nearly 10 feet deep.

Lying only tens of feet from the landing site, within easy reach, was an outcrop of rocks that scientists immediately recognized as having formed in the very early days of Mars, billions of years ago. The bedrock sits on the wall of the rover’s small crater, and was thrown up near the rim when the crater was made by a meteor impact. The bedrock, since

named Opportunity Ledge, tells the story of the ancient history of Mars.

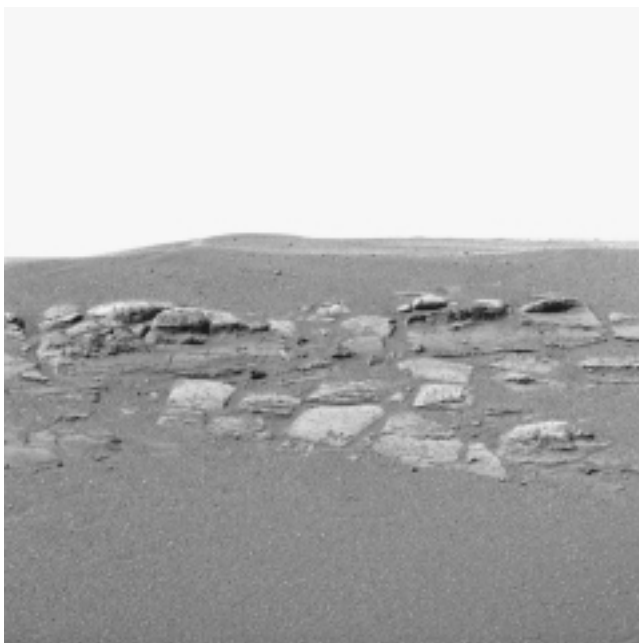
### The Chemical Evidence

The data that led the scientists to make the categorical statement that Meridiani Planum was once “soaked” with water, was returned from three of the scientific instruments located on a deployable arm on *Opportunity*. Each set of data from the spectrometers takes at least 10 hours to collect, and then two or three days to transmit back to Earth. The scientists have been patiently waiting for the results of their experiments.

It is only natural that the scientists studying the features on Mars rely on what they know about the geology, chemistry, and history of the Earth to try to inform their understanding of Mars.

Lyndon LaRouche has posed the possibility, however, that chemistry on Mars may not be entirely comparable to that of the Earth. In his article titled, “On the Subject of Tariffs and Trade” (*EIR*, Feb. 13), he discussed the challenge faced by the human race, to overcome the limited supply of indispensable minerals natural to Earth, that will be increasingly depleted as population grows. “We need a physical chemistry which does not continue to rely upon blind faith in ‘magic numbers’ to seem to explain away how the Solar System actually generated the repertoire of what is already known as the naturally-found periodic table of the Solar System,” LaRouche wrote. “We must get out of the intellectual prison of our current textbooks, and go to Mars, hoping to find the different physical chemistry, which will help us to develop a physical chemistry—including a nuclear physical chemistry—beyond what we know from studies on Earth.”





The discovery by the Opportunity rover that Mars once had water, was made through the intensive analysis of this field of rocks in an outcrop of bedrock near the landing site.

The two Mars Exploration Rovers are providing the most detailed insights into the similarities, and the differences, between the chemistry of Mars and the Earth.

The rover's Alpha Particle X-Ray Spectrometer, or APXS, which reveals the elemental composition of rocks and soil, identified large amounts of sulfur in outcrop rocks. *Opportunity* spent a few days at the part of the outcrop called El Capitán; and in that region, a rock named McKittrick was found to contain the highest concentration of sulfur ever observed on Mars. The APXS uses radioactive curium-244 to bombard a target area with alpha particles and X-rays, causing a cascade of reflective fluorescent X-rays. Each chemical in the soil or rock is identified by a unique spectrum or footprint reflecting the energy level of the radiation produced.

If the sulfur concentration were found only on the surface of McKittrick as a coating, that would have been interesting, but not conclusive. In fact, the sulfur was found inside the rock, after the rover's Rock Abrasion Tool (RAT), drilled a circular hole about 0.16 inches deep and 1.8 inches in diameter. The spectra from McKittrick also showed the presence of bromine.

The examination of another section of El Capitán, at the rock dubbed Guadalupe, found similarly high concentrations of sulfur, but with very little bromine. The scientists report that this "element fractionation" typically occurs when a watery brine slowly evaporates and various salt compounds precipitate out, in sequence, over time.

In addition, data collected by the Miniature Thermal Emission Spectrometer (Mini-TES), which identifies the minerals present, showed that the sulfur is present in the form

of mineral sulfates. The scientists think the salt that is probably most prevalent is magnesium sulfate, which can be found at the local drugstore in the form of Epsom salt, on Earth. The salt content may be as much as 40%, an "astounding amount," which would mean the water it precipitated from is "like the Dead Sea," stated Dr. Benton Clark.

A third instrument, the Mössbauer spectrometer—contributed to the mission by the University of Mainz in Germany—specializes in identifying various forms of iron-bearing minerals. At the El Capitán site, the instrument detected the presence of jarosite—an hydrated iron sulfate, which contains water in the form of a hydroxyl as part of its structure. Typically, jarosite spends time in an acidic lake or acidic hot spring environment, on the Earth.

The scientists find no other explanation for these results, than that water was involved in the history of the ancient bedrock. Dr. Squyres reported that there are two possibilities: that the rocks were formed through the deposition of volcanic ash into layers that were porous, and that ground water later percolated through the rocks, changing their chemistry; or, that the rocks were formed out of sedimentary layers, when salts and minerals that were dissolved in water periodically precipitated out into solid form.

If there were a salty sea in the region of the crater where *Opportunity* sits, there is no topographic evidence for it today. There is no basin that could hold an ocean, or observable shoreline. But Dr. Squyres cautioned that does not mean that the topography was not quite different in the past.

At the March 2 special NASA briefing, another piece of new evidence for past water on Mars was discussed by Dr. Benton Clark, from Lockheed Martin. Very detailed photographs taken by the rover's Microscopic Imager reveal that inside the outcrop rocks are tiny holes, or voids, which Dr. Benton said are called "vugs." These voids, he explained, match the distinctive appearance of hollows that form in rocks on Earth, where crystals of minerals grow when the rocks sit in briny, or salty, water. Later, when the crystals themselves disappear, because they are eroded by the wind or dissolve in water, the holes or molds that they created are left behind.

Some of these Mars vugs have disk-like shapes, with wide midpoints and tapered ends. This is consistent with sulfate minerals that crystallize within the rock matrix, either pushing the matrix material aside, or replacing it.

### A Closer Look at the First Hints

Since it opened its panoramic-camera eyes on Mars a few hours after landing on Jan. 25th, *Opportunity* has been sending back intriguing hints that there may have been water in Mars' past. Additional data collected recently, which represent a broader-scale, yet more detailed examination of *Opportunity*'s small crater on Meridian Planum, are adding to the evidence for water which has been confirmed in Mars' chemistry.

When *Opportunity* first imaged the outcrop, geologists recognized that many of the rocks were made up of layers, different from the volcanic basalt rocks at the *Spirit* rover



Two of the rocks in the El Capítan formation that Opportunity targeted for detailed study, were the triangular-shaped McKittrick—in the center of this photograph—and Guadalupe, further up. Both have been drilled into with the rover's Rock Abrasion Tool, indicated by the circular drilling patterns seen in the photo.

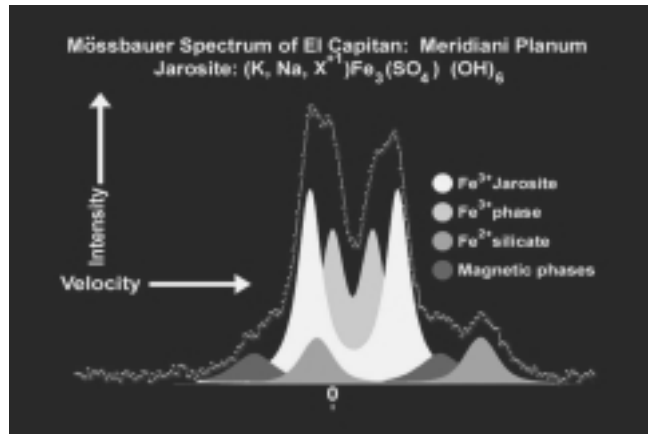
base in Gusev crater, halfway around the planet. The layering could have been produced by periodic depositions of volcanic ash, or sediments of minerals that precipitated out from a briny water solution.

On its 17th day on Mars, Feb. 10, *Opportunity* had rolled to within striking distance of the rocks at the outcrop, and the panorama photographs showed clearly that the layers in the bedrock were not always parallel to each other, like a perfect layer cake. Instead, the layers appeared to have cross-bedding, or different thicknesses within a layer, indicating their formation would have been from some sort of flowing motion. This motion could have been from wind, or water.

Standing water, such as a lake or ocean, could have created the layers, as the water evaporated, leaving the minerals behind. Or they could be the result of the same process, in the periodic action of water—in ebbs and flows.

One of the most interesting outcrop rocks for the study of rock layering, is called Last Chance. It appears to have evidence of a geologic feature known as ripple cross-stratification. The thin layers (0.4-0.8 inches thick) at the base of the rock are dipping down toward one side. In the upper right corner of the rock, layers also dip to the right, giving the rock a weak concave geometry. The combination of this thin, cross-layered bedding, combined with the concave geometry, suggest the action of small ripples with sinuous crest lines.

The scientists point out that although the wind can produce ripples, on Earth they rarely have crest lines, and never form steep, dipping layers at such a small scale. The most



The key data collected by the Mössbauer spectrometer at the El Capítan rock collection was the identification of the iron sulfate mineral, jarosite. Its spectral signature is seen in the two light-colored peaks to the right and left of center of this graph.

probable explanation is that the ripples were formed in the presence of moving water.

*Opportunity* will do an intensive, all-instrument investigation of Last Chance, and geologist and science team member Dr. John Grotzinger said at the March 2 briefing that he hoped the scientists will be able to narrow down the possibilities, and conclude that it was water that created these features on the ancient Mars rocks. At least they will be able to “narrow the range of possibilities,” Dr. Grotzinger said.

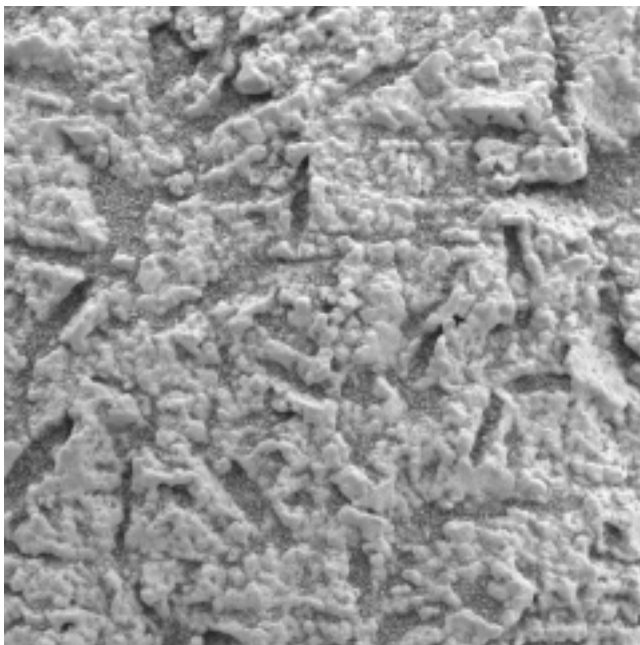
Another hint of the action of water that has been evident since the end of January, is the presence at Meridiani Planum of round, grey-colored particles. Since then, everywhere that *Opportunity* has looked, it has found these spherules. They are on top of the fine-grained soil, underneath the surface, and on, as well as inside, the outcrop rocks.

Until early March, the scientists were entertaining three possible processes for the creation of these curious spherules: droplets of molten volcanic glass, called *lipilli*, cooled into a “volcanic hailstorm,” and dropped from the sky; droplets of soil material that became heated and tossed into the atmosphere from a meteor impact, fell from the sky; or, concretions were formed inside the rocks around small grains of material that were dissolved in water, and precipitated out.

At the March 2 briefing, the science team members presented new material concluding that concretion, in a water environment, created the rounded spherules. They observed that the spherules found in the rocks, when the rover's Rock Abrasion Tool drilled down inside, did not deform the rock layers in which they reside. This indicates that the spherules did not come bounding in from the sky. Similarly, their presence throughout the rock's interior indicates they formed inside the rock and were not imported.

### ***Spirit* Finds Water, Too**

The *Spirit* rover is working inside a large crater the size of Connecticut, named after 19th-Century Russian astronomer



Peering inside the rocks at El Capitán, scientists found voids created by crystals that have since disappeared, called vugs. The Microscopic Imager took this picture on Opportunity's 28th day on Mars, which highlights these hollows inside the rock. The area in the picture is about 1.2 inches across.

Matvei Gusev. This site was chosen for the rover's landing because orbital photographs suggest Gusev crater was once filled with water, as there are outflow channels, and what appear to be beachheads there.

As *Spirit* was first on the scene, landing on Jan. 3, three weeks before *Opportunity*, it returned the first *in situ* data on the characteristics of Mars soil, soon after it rolled off its lander. Just as the Apollo astronauts left their footprints on the Moon, *Spirit* left its wheel tracks on the Martian soil.

Navigation engineers, responsible for safely guiding the rover around its terrain, noticed from the first post-drive images that the soil seemed to be sticking to the rover's wheels. It is possible, scientists believe, that this cohesion in the soil could be from layers of dust that have been compacted; or, that brine, or salty water, has created a kind of cement. It seems the soil could be "sticky" from salty water oozing from underground.

At the end of February, as engineers and scientists were examining *Spirit's* tracks, Dr. Lutz Richter of the German Space Agency, who is a rover science team member, said, "I would compare the rover tracks to the boot prints of geologists walking around on Earth. They immediately give us information about the nature of the material on which we are roving." He explained that "the material we are on has given way to the weight of the rover in some places. We can measure the amount of sinkage, and that tells us the strength of the material we are on. . . . So far, we have seen a lot of variation."

Their analysis has led the scientists to believe that the



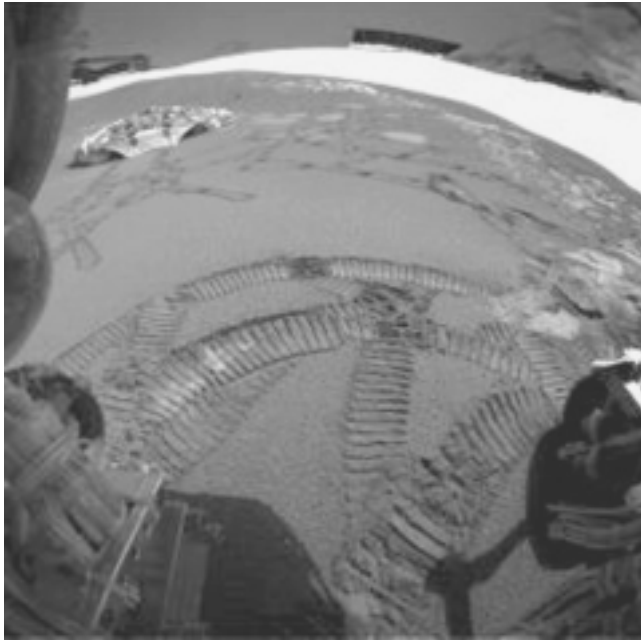
This image, taken at the outcrop rock named Last Chance, shows layers making up the rock which are not parallel, or which are cross-bedded. Scientists say the most probable explanation of the ripples in the layers is the presence of moving water.

surface material at Gusev Crater contains a thin crust covering the soil. Dr. Richter reported that preliminary chemical analyses indicate high amounts of chlorine and sulfur on the top-most layer of the soil. He said that there must have been at least trace amounts of water at work, to produce this chemistry. There are a few possibilities. "Perhaps a few hundred thousand years ago," he proposed, "the atmosphere might have been saturated, and could have been responsible for this recent crust at the Gusev site."

On its 45th day on Mars, on Feb. 17th, *Spirit* returned images of fine-grained soil it was studying in a small depression called Laguna Hollow. Inside the Hollow, scientists could see irregular patterns of lines and polygons. Such patterns are found on the Earth, Dave Des Marais from the science team explained, when you have freeze-thaw activity, "such as in tundra. You can also get that in a salt flat, where the salt, by warming, or by wetting and drying, expands and contracts. This forms a very characteristic polygon pattern. You can do it with mud flats, with mud cracks."

Des Marais speculates that because these patterns are still visible on the surface today, they could be due to an active, ongoing process on Mars.

At a briefing at the Jet Propulsion Laboratory on March 5, scientists discussed another hint from *Spirit's* adventures, that small amounts of water existed at Gusev Crater. The interior of a dark volcanic rock named Humphrey, which was examined after the rover's Rock Abrasion Tool had scraped away the surface, contains bright material in cracks and crevices that looks like minerals crystallized out of water, reported Dr. Ray Arvidson. "If we found this rock on Earth," he explained, "we would say it is a volcanic rock that had a little fluid moving through it." The amount of water suggested by Humphrey's crystals is far less than what is indicated in the mineral structures found by *Opportunity*, but could be a hint of more extensive findings, soon to come.



*The tracks the rovers make in the soil are a result of their rolling on their six wheels to their next target. But the tracks provide information about the cohesion and other characteristics of the soil, and can also be a marker for water. This clear set of tracks was made by the Opportunity rover, and photographed on its 37th day on Mars. The outcrop of rocks is visible on the horizon, and on the far left is the lander that the rover has left behind.*

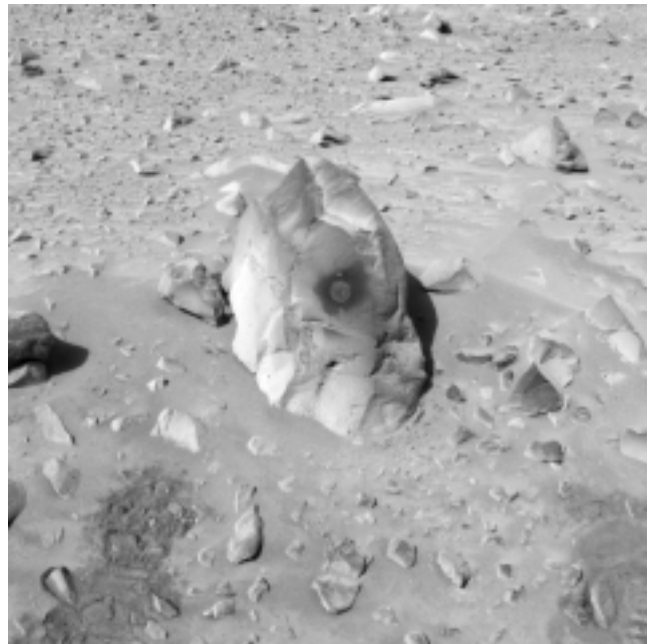
## What Could Live There Now?

At the March 2 briefing, Dr. Clark threw out the intriguing idea that there are micro-organisms that could live in the high-sulfur environment that the rovers have found on Mars. They would have to be able to hibernate during the colder, winter spells, perhaps in the form of spores, and then re-animate in the warmer weather.

Dr. Clark believes that one Earth-bound, sulfur-reducing microbe that could make a home on Mars is *Desulfotomaculum*, which could live off the sulfate found in the Martian rocks. Terrestrially, it is found in soil, water, and geothermal regions, and also in the intestines of insects and animal ruminants. It reduces sulfur compounds to hydrogen sulfide. Sulfur is its energy source, so “it can work independent of the Sun,” Dr. Clark explains. It can also form spores, “so it can hibernate” over the Martian cold spells.

It does need some hydrogen for its metabolism, but there is ample evidence of the existence of hydrogen on Mars, probably in the form of water ice, under the soil of a large area of the planet. In equatorial regions in the summer, some of that ice may melt. There may also be supplies of liquid water residing underground.

How would you know if you have found them? Dr. Clark says that you would have to be able to carry out isotopic fractionation. “When living organisms process sulfur, they tend to fractionate isotopes differently from geological or



*At the Spirit site, scientists have not found layered rocks; but Humphrey, seen here, which is volcanic, has its own interesting features. In order to examine what is inside, the Rock Abrasion Tool was used to dust off a small section of the surface, and then used its diamond-head drill to make a shallow hole.*

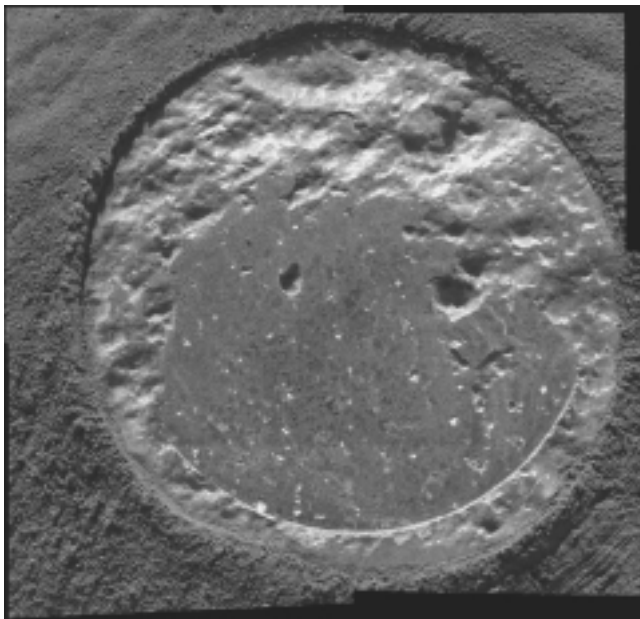
mineralogical” processes. To do that intricate examination, samples will have to be brought back to Earth.

Finding fossils would be no easy task on Mars. Dr. Grotzinger explained that on Earth, finding fossils preserved in ancient rocks is very rare, as they will likely be on Mars. But the signatures for past life, like the signature in Mars’ chemistry for the past presence of water, will be on the agenda as more and more sophisticated robotic missions, and finally people, make their expeditions to the Red Planet.

## What’s Next?

*Opportunity* is still in the midst of its investigations inside its small crater. It will be heading over to a different area of the outcrop where there is a rock that has a bowl shape. Inside, the panoramic cameras indicate, is a cache of the small, rounded spherules that rolled down the side of the crater and collected there. The scientists plan to take measurements of surrounding rock, and then of the bowl, and compare them. By subtracting out the minerals that are similar, they hope to see if there are any differences that can be attributed to the cluster of spherules.

More studies will also be done of the heavily layered rocks in another Ledge region called Big Bend, to see if more can be learned about the water history of the site. Dr. Grotzinger said that the cross-bedding there appears to be different, which could indicate a different mineralogy. He expressed optimism that the additional data will resolve



*This mosaic of images taken inside the hole drilled into Humphrey, is almost two inches in diameter. The Microscopic Imager can only capture a portion at any time of the area that has been ground away by the abrasion tool, so a number of images have been carefully stitched together to create this one. It shows sinuous veins inside the volcanic rock which could be evidence of water trickling through the material.*



*The next spacecraft bound for Mars in NASA's campaign, will be the Mars Reconnaissance Orbiter, to launch in 2005. It will be able to image the landscape to see details as small as a table, will scan for underground layers of water and ice, and will identify surface minerals. Scientists will use what they have learned from the rovers on the ground, to refine their search from orbit.*

some of the questions about water on Mars, over the coming weeks.

After it completes its intensive study of the ancient outcrop rocks, *Opportunity* will head toward the rim and then venture out of its small crater. As it crosses the plain, scientists plan to search for the hematite the rover was sent there to find. Crystalline gray hematite forms in the presence of water on Earth. Orbital data indicates Meridiani Planum should contain significant amounts.

To the east on Meridiani Plain is a larger crater, named Endurance, which is about 40 yards away. Endurance appears, from orbital photographs, to have brightly colored material on its rim, said Dr. Joy Crisp at the briefing. That material may be similar to the outcrop *Opportunity* has been exploring; but because it is nearly 100 feet deep, the material exploded up to the rim when the crater was formed may be even older than the outcrop at Opportunity Ledge.

*Spirit* will continue its excursions inside Gusev Crater, also heading toward a crater rim; that of a smaller crater within Gusev, to examine outcropped rocks there.

At the briefing, a string of reporters tried to pin the scientists down as to how much water existed at Meridiani Planum; when, and for how long it was there; whether it was underground or on the surface; and whether it was persistent, or came in ebbs and flows. Dr. Squyres insisted that these questions could not be answered with the suite of instruments aboard the two rovers currently on Mars.

In order to squeeze more secrets out of the rocks and soil on Mars, samples must be brought back to laboratories on Earth. In that way, trace elements, to the level of parts per billion, could be detected in the material. Isotopic differences in elements could provide further clues as to their age. An entire armamentarium of the world's most sophisticated scientific instrumentation would be brought to bear to investigate the samples.

NASA headquarters Lead Scientist for Mars and the Moon, Dr. Jim Garvin, outlined the next steps in the space agency's Mars exploration program at the briefing. More sophisticated orbiters, a lander that is a mobile laboratory, and additional infrastructure are planned. And a decade from now, samples from Mars should be reaching laboratories on Earth. Dr. Ed Weiler, NASA Associate Administrator for Space Science, said that as envisioned in President Bush's exploration initiative, these will be precursors for the first human missions to Mars.

Three kinds of missions will follow in the future, Dr. Weiler explained. These will include a sample return, both for scientific inquiry and in preparation for manned missions; *in situ* astrobiology, where instruments are sent specifically to search for past signs of life; and, the landing of equipment and infrastructure to prepare for the manned missions, and to test the environment for characteristics such as the toxicity of the soil.

Will it be possible to know conclusively, if life ever existed on Mars? Probably not until we go there ourselves.

# Beltway Ideologues Deny Mad-Cow Disease Threat

by Marcia Merry Baker

On March 5, at the Houston Rodeo and Livestock Arena, a show-hearing was held on Mad Cow Disease in North America, by the Agriculture Committee of the House of Representatives, for the Bush Administration to announce a “voluntary” program for identification and tracking of cattle. It is to be implemented in the indefinite future—maybe “sometime next summer.”

This Texas bells-and-whistles event was intended to give the impression that the United States is serious about implementing a disease surveillance and containment program. But on specifics, Keith Collins, U.S. Department of Agriculture Chief Economist, said only that his agency is still working on it; and as to when it will be ready for ranchers, “we are going by the seasons.”

“Pure ideology” was how one veteran farm state Congressman summed up the proceedings. To begin with, the Texas venue was chosen for the Committee field hearing, for the very purpose of pandering to what’s called politically, “Big Beef.” This refers, not generically to family farm cattlemen, but to financial and cartel interests in the beef commodity trade, aligned, to date anyway, with the Bush Presidency. In particular, these interests are infuriated that Japan, South Korea and Canada—the principal importers of U.S. beef—are retaining their ban on U.S. commodities, given safety concerns. Only Mexico has caved in to resuming imports. The other governments continue to reject the many “trust us” statements from Agriculture Secretary Ann Veneman, U.S. Trade Representative Robert Zoellick, and others.

The sorry Houston event is only the latest in a series of Administration policy actions that amount to both a denial of the nature of the disease threat, and a replay of the very deregulation-type ideology practiced by Margaret Thatcher, the original Mad Cow, whose administration (1979-1990) was associated with the outbreak and spread of BSE—bovine spongiform encephalopathy. It is thought that the disease made a species jump from sheep to cows in the early 1980s, under



*U.S. Secretary of Agriculture Ann Veneman (right) and former British Prime Minister Margaret Thatcher: Nothing to smile about, when it comes to USDA policy on BSE.*

deregulated livestock feed conditions, expressly warned against by scientists in the 1970s.

In the end, over 180,000 British cows were confirmed with BSE, two million cattle killed, and over 160 cases of human contraction of the bovine form of the disease—called in humans, variant Creutzfeldt-Jacob Disease (vCJD)—have been documented in Britain. The disease is fatal.

Part of the Thatcher Mad Cow legacy, is that infected animals inevitably made their way to other countries. In response, governments in Europe and Japan have instituted new testing and containment programs, while in the United States, only a pretense exists. In Japan, for example, *all domestically raised cows* are tested at slaughter, and meat held back until results are known. So far this year, some 10 animals have tested positive for BSE. No meat recall was required.

Other nations have differing, but serious programs. In Ireland, in the range of 40 BSE cases are found yearly, a number that epidemiologists expect to see falling as the diseased animals die out. In France, half of all cows going to slaughter are tested, using a pattern to maximize surveillance of the national herd inventory, in order to track and contain any disease presence.

But in the United States, only some 20,000 animals a year have been tested, out of over 30 million slaughtered; the meat is not held back. Veneman's order to, now, test 40,000 a year is no change in policy. The two BSE cows identified in North America over the past nine months (in June in Canada, and in December, Washington state), should not have come as a surprise.

What is required is a serious surveillance program of testing cows going to slaughter; and a tagging and tracking system, so that containment can be implemented in the case of

disease. Secondly, a live-animal test must be an R&D priority, to begin to go beyond containment to eradication. Thirdly, sanitation and decontamination technologies are required. It is an irony that with all the Homeland talk of bio-security against potential bio-terrorism, the United States is in a state of outstanding lack of preparedness to handle a clear and present danger in the livestock/food chain.

Most of all, a crash science research program is required to investigate the whole category of the pathology involved in TSEs—transmissible spongiform encephalopathies, now called “prion diseases” after the name given to the sub-cellular mutant protein matter, or “prion,” that is infectious but not a virus nor bacterium.

BSE is not the only TSE documented to exist in North America, in meat animals. Scrapie—the name for the disease in sheep—is present in U.S. flocks, as in many parts of the world. And in the wild, a TSE “wasting disease” is now spreading among white-tail deer, after a species jump from Western mule deer. The point is not that you must necessarily avoid eating lamb, mutton or venison for fear of infection. The point is, that there is a disease threat present, and there are many unknowns. Therefore, government's responsibility is to further the research and health measures required to protect the public interest.

One newly introduced bill in Congress nominally addresses the urgency of facing up to this threat. Senate Bill 2007, sponsored by Sen. Richard Durbin (D-Ill.), is the “BSE and Other Prion Disease Prevention and Public Health Protection Act” (H.R. 3714IH, in the House of Representatives). But the dominant ideology of denial in the Administration, and by the Congressional majority, is so far prevailing in Washington, D.C.

# Don't Underestimate This Public Health Enemy: 'Prion Pathology'

Colin Lowry, cell biologist and Associate Editor of 21st Century Science & Technology magazine, was interviewed on Feb. 12 on the danger of bovine spongiform encephalopathy—BSE, or mad cow disease—and the little-known science of prions. The interview, excerpted here, was conducted by Economics Editor Marcia Merry Baker and Science Editor Marjorie Mazel Hecht. The full interview will appear in 21st Century Science and Technology.



**EIR:** We have had two cases of BSE in North America over the past nine months, and from a scientific point of view, you have said that the Federal food and agriculture safety policy is outrageous. What is the danger?

**Lowry:** The Federal standards are totally inadequate. There's very little testing at all to identify cows that are slaughtered that might have BSE. There is absolutely no testing before an animal is slaughtered, which is a real problem, because if you find a BSE cow, you can't identify where it came from. And the only way to find new cases is to catch them at slaughter by chance.

The USDA is also misleading the public on where the prion pathogen, or BSE, is found in cattle. The press reports, and statements by Ann Veneman and others from the U.S. Department of Agriculture, are either the result of complete stupidity, or lying. BSE is *not found only in the brain and spinal cord*. In an animal that actually is symptomatic or infected, it will be in all nervous tissue, in the lymph nodes, in the blood, small amounts in the muscle, in the spleen, in the gut—just about everywhere. So, to think that you're protecting yourself by not eating brain and spinal cord, or somehow not recycling those parts into other animal feed, is just ridiculous—and potentially a lie, because they should know better.

**EIR:** What is the pathology of the "prion" and where does this name come from?

**Lowry:** The prion is a protein, sub-cellular in size, folded into a dominant conformation that is somehow infectious, in

that it causes incredibly horrible neurological complications, and can spread through the blood, person to person.

Prions themselves were recognized as such in the mid-1970s, originally by Carleton Gajdusek, and later by Stanley Prusiner and his research group. Gajdusek first found what came to be called prions in tribes in New Guinea, some of which were cannibals, others of which were not, but they had rather unusual rituals, which involved communing with the dead, and being exposed to their brains. And he saw neurodegenerative disease in very young people, which you would never expect to see.

This disease is called kuru, and is endemic in New Guinea, and probably a few other places. It is a neuro-degenerative disease, a prion disease. Basically, it causes massive cell death of neurons throughout the central nervous system. It has a long incubation time, on the order of years. It might take up to 6-10 years, to actually have someone die of it.

Its behavior is very similar to what we see in the inherited Creutzfeldt-Jacob Disease (CJD) and in the animal-to-human transmitted variant Creutzfeldt-Jacob Disease (vCJD), and how the disease progresses.

**EIR:** Was CJD known earlier?

**Lowry:** No. Prions were identified in the late 1970s. At that time, the prion was a really revolutionary idea that was resisted by most scientists. No one believed that anything except a virus or bacteria could be infectious or transmissible. Prions were just a protein, in a very dominant shape or conformation that was resistant to high heat, protease digestion, enzymes, chemicals—nothing could kill it, so to speak.

**EIR:** Did they actually take samples of the kuru, the prions?

**Lowry:** Yes, this is exactly what they did. At the time, they did not know what it was. The first assumption—which was a good assumption—is that it was some kind of rare virus. So they then used techniques that would obviously destroy viruses—autoclaving (sterilizing), high heat, chemicals, filtering, you name it. And they found that there was almost nothing they could do to the protein fraction of the extracts; it was always infectious, even when they used things that would destroy nucleic acids, RNAse, DNAse, so that there would be no nucleic acids left, or available for this thing to reproduce.



So they determined at that point, that this must be some kind of protein that's infectious.

**EIR:** Why was it named "prion?"

**Lowry:** I think, because we had virions, and we had proteins, and they wanted to make it an infectious protein. I don't know actually, who gave the name—whether it was Gajdusek, or Prusiner. It acquired the name in the late 1970s.

**EIR:** Is it known how much of the infectious protein it takes to infect another animal or person?

**Lowry:** No. That's part of the problem. The threshold is probably very low. There's no way to quantify that directly. But it will depend on three factors: whether the prions are bound to a metal, whether they are in solution, and what the genetics of the person are.

In the first case, if the prion is bound to a surface, such as steel, or any other metal, there is an *extremely low threshold* required to infect another animal. The experimental work was done on this by the French, and also by the British. One of the unfortunate transmissions of the variant Creutzfeldt-Jacob Disease (vCJD) occurred in France, the result of instruments that had been sterilized in the standard way, which did not do anything to defeat the infectivity of the prions; the prions bound tightly to the stainless steel.

What happened was that two other people on whom these instruments were later used in brain surgery, became infected.

**EIR:** So instruments, used on someone who had the disease, were sterilized and they still passed on the disease to the next patient?

**Lowry:** Yes, at the time they did not know that the original patient had Creutzfeldt-Jacob Disease.

**EIR:** Was this resilience to sterilization known before BSE transmission to humans came along; that is, at the time of the first knowledge of Creutzfeldt-Jacob Disease?

**Lowry:** Well, there had been other experiments, modelling this exact scenario in mice. These were much more precise, because they were laboratory-controlled. What they did is, to take a transgenic mouse, which is able to be infected with the same prion that causes BSE in cows. They took a stainless steel wire and passed it through a small hole into the infected mouse's brain. They then took this wire, dipped it in 10% formaldehyde, autoclaved it, did everything you would normally do to sterilize an instrument, and then put it into the brain of another mouse, that did not have any infection at all. They found that you can do this in series, and end up infecting maybe eight out of ten mice in a row.

**EIR:** So you sterilize it ten times—and it's still causing infection, from the very first case?

**Lowry:** Yes, potentially. In other words, it is not 100%, but eight out of ten, in this case. What they find is that the prion



*The prion binds tightly to stainless steel, and is absolutely resistant to destruction by heat, chemicals, and other standard sterilization techniques.*

protein is absolutely resistant, when it is bound to a steel surface. The only way to beat it in this case, is incineration.

**EIR:** Is this any steel surface, like a knife used in slaughter?

**Lowry:** Yes. Anything: slaughterhouse equipment, surgical instruments, wire, whatever is metal. The prion, in its normal form, binds to copper and other metal ions very tightly. And they found out, the hard way, that it binds to stainless steel *incredibly tightly*, and is absolutely resistant to treatment by chemicals, proteases, heat, whatever you want.

**EIR:** Irradiation?

**Lowry:** Even irradiation. The prion could care less.

**EIR:** Please discuss the other two factors regarding this low infectivity threshold.

**Lowry:** Factor two is whether the prions are in solution or not. We are talking here about a fluid, like blood—and this is the other large fear about human-to-human transmission, in cases in the United Kingdom and in France. There are documented cases occurring in Scotland, of a person who gave blood and later was diagnosed as having variant Creutzfeldt-Jacob Disease, which means that the person was actually exposed to BSE, and was infected from the original cow form of the prion, which then adapted into human form. And before the person was symptomatic, he was a blood donor, and this blood was then given to someone else.

Now, the person who got this blood—and I think there are two cases documented—these people then became infected with variant Creutzfeldt-Jacob themselves, through the blood. This is not a surprise because, since the late 1970s, we've known that, in the case of scrapie (which is the prion in the sheep), blood from one scrapie-infected sheep transfused into another healthy sheep, will cause that second sheep also to

get scrapie. The period of incubation could range from one year to three years in the sheep.

In the human cases, from what we've seen in the British cases, incubation time might be between three to six years, maybe as long as ten.

**EIR:** And the third factor of the threshold?

**Lowry:** The third factor, which is really unknown, has to do with the genetics of the host animal or person that is being infected. This means that because a prion is a protein—it's not a virus, it's not a bacteria—it does not infect in a classical sense. It actually binds to what we'll call the prion-precursor.

The normal form of this protein is found on the surface of the cell. It is basically stuck through the cell membrane, with its tail going back into the rest of the cytoplasm. So, what happens is that the prion—or the infectious form—actually binds to the native precursor, and then transforms this precursor through a series of events inside the cell, many of which are not understood at all.

Then it causes that cell to produce *only* the prion-infectious form of the protein, to stick that onto the exterior of the cell, and then to infect other cells. But, what happens is, that the genetic variation in the prion protein itself will determine the susceptibility of the host to infection.

So, let's say, if I had a large variety of mice of different strains and backgrounds, and infected 100 mice with a particular prion, I may find a group of maybe 10 to 15 mice that are resistant to it, because my infectious prion, of a certain type, cannot bind or cause the prion natural precursor of these mice, to transform into the prion type. So, in the human population, we always expect that a small percentage of the population will be resistant to a given prion, and a small percentage will be very easily infected by it.

In the middle range, it's very hard to tell. Basically, we don't know the genetic determinants, especially in human beings, that would cause us to be able to judge, whether one person will become infected, or another, not. We don't really know the answer to that yet.

**EIR:** Start back in the 1970s again, with the sheep form of what is now known to be a transmissible spongiform encephalopathy. Hasn't the sheep form of illness been observed for ages?

**Lowry:** Yes, this is scrapie, the name of the disease in sheep, which has been around for at least 100 years. In the late 1970s, scientists realized that sheep scrapie was a prion disease as well, and they determined that it was. Of course, sheep scrapie is endemic in Great Britain. There were a huge amount of sheep scrapie cases in the 1970s—probably in the hundreds of thousands in sheep at that point. And of course, at that time, there were very few rules about slaughterhouse excesses—what kinds of bonemeal and fats could be recycled from slaughtered sheep, and then rendered back into animal feed.

And so this was done—sheep parts got into the cattle feed.



*BSE is believed to have originated with the prion disease known as sheep scrapie, which underwent a species-jump into cattle in Britain. Lowry points out that there are other possible prion diseases yet to come.*

And this was thought to be the original source of BSE: a species-jump from sheep scrapie into cattle. It is not fully understood exactly how this happened. But there has been a lot of good research, especially concentrating on, whether BSE could jump to human beings. And the answer so far, is a definitive, yes. This has already occurred.

**EIR:** Where did it show up?

**Lowry:** The British experience is the best thing we have to go by, although, it is important to keep in mind, that this is one particular prion we're talking about, which doesn't mean that another epidemic couldn't occur from a different source.

The British epidemic is believed to be a single-source epidemic, from most available research. This means that scrapie is the original prion, which then passed into the cattle and became BSE. What happens is, that the prion must adapt to its host to be able to "reproduce."

It's not reproducing in the way a virus or bacteria does. What it is doing, is causing the cell to create only the prion form of the protein. Now, this has no genetic changes whatsoever; there are no genetic changes in the infected animal. The only change is in what we call the *post-translational processing of the protein*...

**EIR:** Can we go back to the British epidemic, and how it occurred?

**Lowry:** The British epidemic, as I said, was a single-source epidemic. When Margaret Thatcher became Prime Minister, deregulation of all the agricultural policies was introduced, along with cost-cutting measures. What used to be done in the United Kingdom before Thatcher (it was done less here), was that they would recycle from the slaughter house, mostly bone meal, brain, and every other fat and piece of garbage they could get off the floor. This was from cows, sheep, any-

thing that was slaughtered, all animals. They would then sell this to a rendering plant that would use high heat and organic solvents, to remove some of the fat, and to kill off viruses, immediately. The high heat will also kill off bacteria. So it was a relatively sane idea at the time, although with some risks.

Now, when Thatcher came in, the government said, “Well, we’re not going to have them adhere to these standards. They’re going to do whatever they want”—deregulation. And with the pressures on cost-cutting, the rendering plants started lowering the temperatures they were using, and most of them—in fact, from the British reports I’ve seen, all but two plants in Britain that did bonemeal and reprocessing—cut the use of organic solvents entirely.

And this was probably what doomed them. Because, the prion is a transmembrane protein, and it loves to be associated with lipids. And by not using organic solvents, lipids and fats are untouched.

So, researchers in Britain have gone back through the records and determined that the transfer of sheep scrapie to cattle—when it really took off—is probably about 1981. Now this change in the law was made starting, I believe in 1979, but not everybody went for it immediately. So what happened in 1981-82: There was some event, where the sheep scrapie basically came in contact with enough cattle, so that a small percentage of cattle in the population was infected by the sheep variety. Other cattle were resistant at that point.

But once the scrapie was in the cattle, it adapted to the cattle, and then it could go to almost any cow. At that time, the British were also recycling cattle parts into cattle feed. This is a key thing to keep in mind, because at that point, that’s what really burned them. If it had only been the sheep parts that were being recycled, there would have been only a small number of cattle that were susceptible to that species-jump, so to speak.

That’s not what happened. There were 189,000 cases documented of Mad Cow in Great Britain, by, I believe, about 1990.

**EIR:** So they were taking dead cow parts from the slaughterhouse to be rendered into animal feed.

**Lowry:** They didn’t discriminate: cows, sheep, pig, anything.

**EIR:** And after they stopped using sheep, they were still using cows and other animals?

**Lowry:** Yes, until 1989, when they did wise up, after the scientists screamed at them for ten years. It’s the early 1980s that really killed them. Because in the early 1980s, they were using recycled cow, sheep, pig, whatever, back to the cows via animal feed. The sheep were the initial event. But the problem was recycling the cattle parts, because the adapted BSE prion could wipe out potentially 80-90% of the cattle coming into contact with it.

Whereas, before, with the sheep scrapie, maybe only a



*Margaret Thatcher, as depicted in a 1996 French article, “A Mad Cow Called Maggie,” that blamed her deregulation policies for the spread of BSE.*

very low percentage—2-5% could do this. That’s the estimate they made. So then, what happened is, that the British realized that they had obviously exposed—at the lowest estimate—at least 2 million people to infected beef during this period. It’s probably higher, but let’s just go with that figure for a moment.

They got that figure by extrapolating the 189,000 infected cattle, and the ones that probably were slaughtered that were not recalled and went to market. It’s statistical; it’s not really scientific, but probably somewhat accurate. So the problem then is, that in about 1994, I think, they first recognized, they were seeing a variant Creutzfeldt-Jacob Disease in humans.

Now, let me clarify this. There is an original Creutzfeldt-Jacob Disease. This is a genetically inheritable disease, and this mutation is a mutation of the prion precursor protein itself. In other words, these people with the original CJD are born with a different set of amino acids in their prion protein, the normal protein. The bad news is, that the mutation they have changes the surface potential of their protein, changes

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*Obviously, replaying the same situation in the United States is a time bomb. We have absolutely no testing. We have no idea. So without even having the tests, if we say okay, what if we start seeing variant Creutzfeldt-Jacob in the United States, we have no way to backtrack it. We have no way to test it. We can't say the blood supply is safe at all.*

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its binding characteristic, and therefore, totally changes its function.

Unfortunately for these people, this kicks off the spongiform encephalopathy that basically is a time bomb. These people usually get the disease in their 40s, sometimes in their 30s. But what the British started seeing was what they thought was Creutzfeldt-Jacob in people as young as teenagers, and very old people. But a very old person could never survive with original Creutzfeldt-Jacob. So, they reasoned, this thing must be BSE in human beings. And testing it later, and with genetic analysis, they realized, yes, it is.

The way to confirm this was done secondarily in France, and there was some work in the United States as well. What they did, is take BSE—the original BSE prion, and infect primates—macaques, and other non-human primates—and they showed that these animals could easily be infected by BSE. And once BSE passes through the first primate, if you then take the blood of the primate who is infected—and the prion doesn't have to change much; just a slight alteration to adapt to the macaques—you can then infect 80-90% of the other primates that you inject.

**EIR:** Through blood transfusion?

**Lowry:** Yes. So this is the *real fear in Britain*. And this, of course, has come true in the two cases that we've seen, and there are probably many more that are not reported.

France is also worried about the same thing. They've seen a few of the variant Creutzfeldt-Jacob Disease cases themselves, so the blood transfusion question is definitely very important to them. And it will be here in this country, since we have absolutely none of the safeguards that they have.

Let's go back to one aspect of the British experience, the first documented case of the variant CJD from a blood transfusion. Now, the thing that has freaked out the British blood bank nationally—and they've written about this—is that, as a result of the lack of any good way to test the blood for prions, they have to track the cases individually.

And here's the bad news. Even if you assume that the British have the best epidemiology in the world—which they don't—and assume that they can find half of the actual cases, and we have 150-some-odd documented cases, that means that we missed 150-some-odd cases. So, if any of those infected people gave blood, we'll never know it, until we start seeing secondary transmission through the blood

banks to other people.

The other bad news is that once we have the variant Creutzfeldt-Jacob adapted in this form, the susceptibility is extremely high. In other words, the likelihood is that probably 90% or more, of the population will be susceptible to the human-adapted prion in the blood form.

Now, the original fear, of course, was, this transmission from the cows to the human beings. Eating infected beef, researchers thought, would have a relatively high transmission level, even 40%. By this measure they would have seen thousands of cases in the early 1990s, and they didn't. So, there was a false sense of security—which is being used in the U.S. press to say, "Well, the British had only 150 cases, and maybe 2 million people were exposed."

Ah, but they were exposed to the BSE agent through eating beef. What if you took those people and you exposed them to the new variant Creutzfeldt-Jacob, then you would have 90% efficiency of transmission. The problem is, they can't test, because there is no way to test the blood. We don't have a test sensitive enough for that. But if that's now in the blood banks in the United Kingdom, they could be sitting on a time bomb!

**EIR:** How long do they keep blood?

**Lowry:** It wouldn't matter. In other words, that exposure of the people went on for years. So you could have someone, even from five years ago, who may have been exposed, who isn't going to show symptoms of the disease until ten years later. So this is a very serious concern.

Obviously, replaying the same situation in the United States is a time bomb. *We have absolutely no testing. We have no idea. So without even having the tests, if we say okay, what if we start seeing variant Creutzfeldt-Jacob in the United States, we have no way to backtrack it. We have no way to test it. We can't say the blood supply is safe at all.*

The second point I want to make is that all disease models are based on the spread of the scrapie-BSE-to-humans in Britain. In the United States we have mule deer prions, we have white-tail deer prions, and we have scrapie itself. Well, people eat a lot of white-tail deer. If we see a different prion protein jump into humans from a different source, there is no way to model it, based on the British experience. You don't know what it's going to do. You don't know how infective it will be, from human to human. How efficient, right now, is the

white-tail deer prion—can it infect humans just as BSE did? We don't know.

Does anyone want to do a study to find out? No. So how can we model it? We can't. We can only model it in non-human primates, and I've never seen any of this work being done. I'm sure it's going to start being done. But, the assumptions being thrown around in the press about, "Oh, don't worry, the risk is very low," are based on assumptions that just may not be true at all.

And we're not talking about the flu, where you may or may not die. This is a 100% fatal disease. "Oh, if you catch it, maybe you'll be okay." No, you're not going to be okay. It's a 100% fatal disease. So, if you then start telling the people who die of it, "Oh, too bad. That was your risk," that just doesn't go over very well. "It's 100% fatal, but it's a small risk"—that's ridiculous. That's no way to run public health policy.

**EIR:** So we really need a very large program of research, monitoring, testing, education, a very broad program.

**Lowry:** We need a huge research program on prions themselves, and also, we need to be able to try to get an understanding of how species jumps do occur, and what could happen—because we have two other sources that it could jump from. We only know of one, in the British experience, from sheep to cow to human, that has occurred. But there is the opportunity for that to happen from other sources. And no one has a model of that, or any idea of what the impact of that could be. And we have to do that research.

And there's a ton that would have to be done on treatment interventions, because there is *no* good treatment at all right now. That's going to take the longest. And that's really the scariest.

It's under way, but a relatively small group of scientists are doing it. Because again, from the funding perspective, they would say, "Well, the risk is so low, why do you want to study that?"

**EIR:** Are there still people who say that prions don't exist?

**Lowry:** There are. There is still some resistance against it. People say, "Well, the prion exists, but it actually must be harboring a nucleic acid, and you just can't see it." I find this ridiculous at this point. And I think that, especially Prusiner's work in moving the prion associations in the cell, that is the final nail in the coffin.

**EIR:** In France they test routinely, 3 million cattle out of 6 million slaughtered.

**Lowry:** And the Japanese test all their slaughtered cattle. We test very little; about 30,000 cattle a year, I believe, and this is after slaughter.

We do not have a rapid test, which the Europeans have. I mean, we have it, but the USDA just doesn't use it. So, it might be eight or ten days after a cow is slaughtered, and the meat from it is already packed up and sent to seven states, that



*In pursuit of prions: Stanley M. Prusiner, M.D. is professor of neurology and biochemistry at the University of California at San Francisco, and directs the Institute for Neurodegenerative Diseases.*

you would then—if you found infected cattle—have to recall it, which is obviously very difficult. And it's going to cost a hell of a lot of money. Then you would have to decontaminate the slaughterhouse, and no one is even talking about that from the USDA.

The rapid test is currently in use in Britain, even though it's designed by American companies, which is rather ironic. It is an immune-based test, using antibodies to look for the presence of the prion protein in its infectious form. You can probably do it in a day or two. You could do it in the same day, if you actually had a lab set up to do it. This is what they also use in France, and probably Germany and elsewhere.

**EIR:** Is this done with a dead animal or a live one?

**Lowry:** This is with a dead animal. This is with samples of brain tissue or other such things.

**EIR:** The province of Alberta in Canada announced this February, that it will implement the French rapid test technique.

**Lowry:** France has a decent testing system; at least they use a rapid test, with results in one or two days. And they do it at the slaughterhouse, *before the meat is sent out*, which is smart. Now, they've not instituted a test on live animals because that is still being worked on. It certainly could be done.

Here in the United States, we also have to deal with prions in other animals besides cattle. We have mule deer, in the Western U.S., and we also have white-tail deer, which have become infected with the prion originally from the mule deer. This really is a challenge to the current science, because there is no model of the spread that fits this. The mule deer, a different species of deer in the Western United States, which co-exists with the white-tails in Colorado and elsewhere, has had a natural mule deer prion, probably for hundreds of years.



*In the United States, we have to deal with prions in other animals besides cattle. The white-tail deer became infected in a species-jump from a prion originally in the mule deer. But how, since no one is recycling feed to deer? Nobody really knows.*

But now we have seen it jump to white-tail deer.

Now the problem is, white-tail deer don't eat mule deer. And no one is recycling feed to deer. So the infected feed theory is moot. The question is, how did this happen? The researchers that look at this have some ideas. These deer in the West do live in the same habitat. They eat a lot of the same things. There could be feces contamination; there could be urine. Nobody has a definitive answer. . . .

**EIR:** Over decades, or a hundred years or so, is there occasionally subsidence of the scrapie?

**Lowry:** Not quite. What has happened in these cases are, either a lot of the scrapie-infected sheep die off, and so do their offspring. And they also, even in the old days, before anybody knew what these were, they would likely have culled these sheep out.

The problem is that scrapie is in the sheep; it can be genetic, in that it can just occur naturally, with a higher frequency than that of Creutzfeldt-Jacob. In a population like that of the United States, you might only see fewer than 100 CJD cases in a year. But if you look at a sheep population, the instance of scrapie is much higher.

There are also a lot of questions about how scrapie spreads in sheep, that are not fully known. We know it will spread obviously from mother sheep, through the milk, to its offspring. But again, sheep don't eat other sheep, so there are still some unanswered questions about how it really can spread. We do know the following about the sheep, though. In an animal that is symptomatic, or even just pre-symptomatic, the lymph nodes, and therefore the lymph system, and the tonsils, are loaded with an extremely high level of prions. So, it is potentially possible, that if they are eating from the same sources—and the salivary glands are loaded with prions—that they may be able to somehow spread the disease through their own salivation, onto the food the other sheep

eat. We don't know.

Now, also in the United States, the same researchers from Colorado Fish and Wildlife, who are working on mule deer, and white-tail deer prions, have developed a way to do a needle-biopsy of the tonsils of the mule deer, without killing the animal. They take that material, and do an immune-based test, and they can do that in a day or two.

It's not perfected; it has not been used in cattle yet that I know of; but the same technique certainly could be applied. Because we do know, yes, in cattle, the disease is very similar, in that the lymph nodes, and the tonsils become loaded with prion—even in an animal that doesn't show symptoms. And obviously when it does show symptoms it's very easy to test for. So this could be rapidly developed in less than a year, with no question. And it would be the best kind of surveillance test to use for herds.

**EIR:** You've recommended what you call a "two-tier system" for testing.

**Lowry:** Yes. The way you would do it, is that if you develop the test for the live animals—because obviously the cattle farmers would not appreciate you killing off the herd to test it—you could just test a certain number of animals in a herd, regularly, to see if there is any BSE coming into this herd. If there is, you quarantine that herd, and test the rest of them.

And obviously, the second level would be, at the slaughterhouse, where you have to test a much, much greater number of animals.

**EIR:** How about all of them?

**Lowry:** Maybe. I don't know, because the amount of cattle slaughtered in the United States is on the order of 30 million a year. That might be a little difficult to do.

**EIR:** Of course, now there is hardly even a pretense of checking.

**Lowry:** Yes. It's less than a half percent. If you had a properly devised system of checking, if you could actually see it out in the field, so to speak—if you see it, then you would increase your testing at the slaughterhouse.

**EIR:** You could have animals slaughtered who had some prion that would be passed on through their meat.

**Lowry:** That is possible. But as I said, doing a live test, you would catch even pre-clinical animals. It all depends on how good the test is. That is still to be developed. If we could do a test of the blood—in this case, a pre-clinical animal would have thousands of times less prion in the blood, than an animal that is actually showing signs of the disease. This is a definite challenge that we're going to have to solve. At the moment, we couldn't do that kind of test.

**EIR:** But if you combine what you are describing, with what was announced in February, by Federal officials; that is, if

you had a true nationwide system of tagging-and-tracking, so that you know where the animals are, along with your testing systems, then you could go for containment.

**Lowry:** Exactly, classical containment.

**EIR:** But the USDA Veterinary head, W. Ron DeHaven, said, well, we're going to stop tracing the connections of the December 2003 BSE cow, and we are going to forget about the others in the breeding herd that we can't find.

If, instead, you had complete tracing and tracking and really good surveillance, then you could go for containment.

**Lowry:** Absolutely, because the current system is ridiculous. They can't even trace the other animals. They can't do it, even if they wanted to test the other herds, where these animals might have been. If you had the tracing system, plus the two-tiered testing, I think that would be adequate, depending on how sensitive your tests really are.

**EIR:** On a global scale, in terms of trade and regionalization, we've had 30 years or 40 years of dispersment, with the ethic being, "We want to be open-ended, not much testing, self-policing," and a lot of movement of animals, as opposed to local and regional-based livestock raising and slaughtering. So, we are in trouble.

**Lowry:** We know exactly where that will go. It will be the elimination of the entire beef industry in the United States. Because we can't afford to reproduce the British experience, and what if our case is worse than theirs? They had to slaughter 2 million cattle, and they basically annihilated the British beef industry in the 1990s, which is now barely coming back.

If you do that to the American beef supply, not only the United States is going to start starving, but the rest of the world depends on it as well.

**EIR:** And there are problems of scale at work. Britain has many more sheep as compared with numbers of cattle. In North America, we have many more cattle as compared with numbers of sheep. They may be widely dispersed, but given enough time, and no testing, it's inevitable.

**Lowry:** Yes, because there is so much transfer of animals around the world.

**EIR:** It's ironic, that their justification for not doing this, is to protect the cattle industry.

**Lowry:** Yes, but not taking these precautions will destroy the cattle industry.

**EIR:** They say they are saving money. That's called, the "markets speak."

**Lowry:** I think the smarter cattlemen realize that this is going to be suicide for them. None of the countries that actually do testing is going to lift the ban on the U.S. cattle, until the United States can do its own testing and prove that the meat is actually safe.

**EIR:** We've talked about public health, animal health and all. Now, what about the gear-up that we ought to be having at the level of science—laboratories and research collaboration?

**Lowry:** The problem with the prion diseases is that, because there is so much unknown, and because there are so many different disciplines involved, even within biology, there really isn't enough collaboration.

To deal with it at the cell level, you need experts from immunology, experts at looking at how the cell produces proteins and traffics them in the cell. And then, to go into the whole animal models of the disease, you need to know veterinary experts, pathologists, neurologists. And if you are eventually going to do interventions, you are going to have to have people in drug design. And if vaccines are ever an option, of course, you need people to be able to do that. And at the protein level, you need biophysicists, and molecular biologists. And there's not one of those scientific disciplines that can answer the question of how we can actually handle or control prions. All of them will have to work together.

In the United States and Europe, science is so cut up among the disciplines in little boxes of their own, without understanding what the others are doing, that there is no way to collaborate effectively to solve the problem. That's a big barrier.

**EIR:** Well, you're really quite unique in this, because no one else is saying this. Your training is double-barreled in that you have the biological training, but also you have a public health perspective and a political outlook that probably is not shared by very many.

**Lowry:** Not many. But I think some of the top scientists who deal with prions, would share the same or a similar view.

**EIR:** Are they afraid to speak out?

**Lowry:** They're not going to speak out, especially with the political repercussions in science.

**EIR:** Ann Veneman has fired more than one person in the last two years.

**Lowry:** Yes. The same thing occurred in Britain in the 1980s. There were many British scientists who were told to shut up by the Thatcher government, and later by the Major government as well, because this was a complete bombshell.

**EIR:** And then you also had big funding of the effort of the so-called friends-of-the-animals, to say, that prion disease is "revenge" on meat-eaters. . . . In Britain, they just cancelled the building of a new research lab, because of the animal rights people protesting, that they didn't want testing on animals. And yet, who is going to get hurt from this?

**Lowry:** The first casualty of prion diseases are animals.

**EIR:** Besides the Prusiner group, who else is working on this in depth?

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*And we're not talking about the flu, where you may or may not die. This is a 100% fatal disease. "Oh, if you catch it, maybe you'll be okay." No, you're not going to be okay. It's a 100% fatal disease. So, if you then start telling the people who die of it, "Oh, too bad. That was your risk. . . . "It's 100% fatal, but it's a small risk"—that's ridiculous. That's no way to run public health policy.*

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**Lowry:** There are large groups in France, of various types. Some from the national research center, people around the Pasteur Institute, and in Lyon. I would have to go look up where everybody is. In the United States, there is a huge group at the University of California at San Francisco—led by Prusiner, but there are many others. There is a large group in Colorado, which deals with mule deer and other wildlife; a fairly significant group at the National Institutes of Health, specifically within NINDS—that's National Institute of Neurological Disorders and Stroke. And there are other people spread out looking at different aspects of it—some in the pure biochemical work, looking at the X-ray crystallography of the protein itself. There is a very wide array of researchers.

**EIR:** On the engineering side, wouldn't you want industrial engineers, and others, to be working on the sterilization question? We've heard something about a plasma-furnace crematorium technology developed in Germany. This is a big challenge, for public health, How do you dispose of infected animals? What did they do in England? What is reliable?

**Lowry:** Decontamination is a serious question. At first, the British were mostly burning and burying carcasses, which works pretty well, as long as none of that actually gets back in the food chain. Designated dump areas are certainly not as good, nor as fool-proof as the German idea of high-pressure, high-temperature incineration is. . . .

**EIR:** On the veterinary side, and not strictly just the food chain, are there certain animals where efforts have focussed?

**Lowry:** There has been a pretty wide survey of animals that are used for human consumption. There is an interesting anomaly with regard to pigs. Pigs do have a prion disease. However, the spread of the pig disease is completely unique in that it cannot be spread by the oral route, or introduced through the gut. We don't know why we cannot introduce infection from pig to pig through the gut.

This is also again, lucky for us, because if this were not the case, we would have another source of prions in a major food source.

Now, this is very startling, in one sense. Because even among mammals, a pig is closer to a human, than a cow or sheep, because the latter are ruminants, and we're not. So, it's very strange. This shows you how detailed this work is.

If we take a pig that is infected with pig prion, and we take an extract from its lymph node, or from the brain, and *infect* it into another pig's brain, yes, that pig's going to get prion disease. But if we were to somehow, hack up the infected pig, and feed it to another pig, it's not going to be infected. We don't know why. There's a difference in the gut processing of the antigen in the pig that is affecting the prion, and we have no idea what's going on, at this point.

I want to get into another aspect of this, which is the prion theory of neural invasion, from the oral—or basically, the feed-contamination idea—and how this could work in human beings.

We do now have a better understanding of this phenomenon, although there is still a lot unknown. So, what is presumed to have happened—there used to be an old saying, well the immune system doesn't react to the prions at all, because the prion is just too much like your native normal prion precursor, so how could it differentiate between the infectious form? And that's not entirely true.

Yes, human beings do not have an effective immune response against prions. But there is a special situation in the human gut regarding any foreign antigens. You have a very high degree of tolerance in the gut, because you must. Otherwise, anything you eat from foreign proteins of meat, could not be recognized as it normally would.

If I took a piece of meat and cut it up and injected it into your skin, you would have a hell of a rash, and a large inflammation response. But if you eat that meat, the lining of your gut does not become inflamed, and you don't have an immune response, or you'd be dead if the immune system had this problem. So the gut has a special tolerance.

The gut uses a separate class of immunoglobulins, which are the major surface receptor, that the immune system uses to communicate. The gut has a special one, known as immunoglobulin A (IGA). It will basically tag with IGA, antigens that it wants to process. We're looking at all these antigens coming in. We know that many of them are foreign. We'd like to know if any of these antigens could potentially be dangerous, infectious, or from something we could be concerned about, like a bacteria or virus.

**EIR:** Like a referral system.

**Lowry:** Yes, a referral system. So what happens is that, we



coat them with IGA, and we send them to the spleen, or we send to the lymph nodes. But the primary lymph nodes that deal with the gut are first, along the small intestine itself—known as Peyer’s patches. And there is some processing done there. But the main processing is done in the spleen. Now, the lymph nodes in the spleen are very important, because they have the most contact with the sympathetic nervous system of the splenic nerves—direct contact, for good reason.

In the splenic lymph nodes, a large quantity of very special immune cells live here, called dendritic cells—not to be confused with neuronal cells. These are immune cells that are special because they can speak to both branches of the immune system at the same time. This means I can look at antigens that can be presented on the surface of the cell, such as from a virus, and I can look for loose stuff, that is around in fluids and in blood, and create antibodies to them if necessary. The first is cellular immunity, and the second is humoral immunity, or antibody-based immunity.

The dendritic cell could speak to both arms, and present the same antigen to both at the same time. It’s in charge of processing these kinds of antigens. So, what happens in the case of the prion from the gut, is that it is presented to the follicular dendritic cell in the spleen and lymph nodes, and unfortunately, the dendritic cell has no choice but to pick it up. Once it does, since it, itself, has prion precursor, it is one of the first cells to become infected. It then transfers the infection to other cells of the immune system.

So what they have shown in animal models, is that the first place where the prion from the oral contamination route, shows up, is in the lymph nodes in the spleen. Then, because these lymph nodes are in direct contact with splenic nerves, it is through the splenic nerves, that the prion gains access into the nervous system. And this is why you have a long incubation period in the animals. It’s not so easy for the prions to do this, to gain enough infected cells to actually get the ball rolling from the prion’s point of view, in the nervous system, to actually cause massive replication of the prion, and then eventually damage. This takes years.

**EIR:** So, the times are what you already said: 1-2 years in sheep; 3-6 years in humans—

**Lowry:** Yes. It can be quicker. Then again, there are lots of experiments looking at hamsters and mice and incubation times. The other thing that is very interesting, is that there are different strains of prions. We could have BSE, and have different strains, or variations of that. And each has different incubation times in different species. It’s very complicated.

Let’s say, in the transgenic mice model, what we’ve done to study BSE directly is to give the mouse the prion precursor from cattle. We make a mouse, basically; from the prion’s point of view, it’s binding to cattle; however, the cellular machinery is mouse. So it still has to adapt to the mouse to a certain degree, because it’s got to be able to turn on the mouse machinery to create BSE prion.

So what they found, is that there are varying incubation times, depending on what strain of prion we’re talking about, and this varies from hundreds of days, to potentially years.

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## Madrid Bombs: ‘Don’t Make a Furor, Get the Intelligence’

by Jeffrey Steinberg

Democratic Presidential candidate Lyndon LaRouche issued a statement on March 11 after being briefed on the bombings in Madrid that morning, which had claimed at least 190 lives, and left 1,500 people injured. A total of ten bombs detonated simultaneously aboard three trains at the Madrid train station and along local commuter lines during the morning rush hour. Three additional bombs, set to explode a short time later in the midst of rescue efforts, were found and defused.

LaRouche commented: “The recent atrocities in Spain remind me of the Bologna train station bombing of 1980. I am not surprised at this act of brutal terrorism. As a leading U.S.A. public figure, I present the following precise assessment to the government and to the Democratic Party.

“I warned of precisely this kind of development in August of last year, following statements, issued by Vice President Dick Cheney, in which he referenced new terrorist threats to the United States. I stated at the time that it was crucial to look at the Spanish-speaking side of the international Synarchist apparatus. I pointed to Italian, French, Spanish, and South and Central American networks targetting the United States. These networks were activated along the lines of Samuel Huntington’s new Clash of Civilizations efforts, aimed at provoking confrontation between the U.S.A. and the Hispanic population of the Americas and the Iberian peninsula.

“In this context, I appeal to President Bush: Do not—I repeat, do not—trigger some crazy furor over the events in Madrid. Instead, get on to the intelligence. We know where these terrorist attacks are coming from. Start with the international Synarchists, the international friends of the granddaughter of Mussolini—in Italy, France, Spain, and the Americas. Don’t let it happen again.”

### **LaRouche’s August 2003 Warning**

On July 24, 2003, Vice President Dick Cheney delivered a speech at the American Enterprise Institute in Washington, D.C., promoting the Bush Administration’s doctrine of preventive war on terrorism. He virtually promised that the United States would again be subject to catastrophic terrorist attacks, perhaps involving the use of weapons of mass destruction provided to terrorist organizations by “rogue states,” such as the Afghanistan and Iraq, that had already been militarily attacked and occupied as the first two “battles” of Cheney’s war on terrorism.

In response to the Cheney speech, as well as a recently-detected pattern of reactivation of European and Americas-based Synarchist terrorist networks, LaRouche issued an Aug. 9 memorandum, which circulated throughout the United States in multi-million copies, under the headline, “When Cheney Spoke of Terrorism: Which Terrorists, Dick?” The memo explained what LaRouche meant by the current upsurge in right-wing Synarchist terrorism, and how it might be exploited by Cheney and his neo-conservative allies in and around the Bush Administration.

LaRouche noted that Cheney had emerged, since the terrorist attacks of Sept. 11, 2001, as the most powerful figure in the Bush Administration, and that part of his expanded “Presidential” portfolio was the counter-terrorism policy. “Now,” LaRouche wrote, “speaking from that position, he has promised an early terrorist attack on the U.S.A., comparable in political effect to that of Sept. 11, 2001. He does so at a time when his own failing political position requires some lucky such event to put him firmly back in the position he had prior to the recent developments in the Iraq war. He

claims to be the expert in such matters. Is he bluffing, or do his advisors know something relevant? Are there any relevant kinds of possible terrorist attacks on the horizon? As, now, the myth of the Arab origin of 9/11 is in the process of becoming buried under a pile of fake yellowcake; what other alternatives exist?

“I know,” LaRouche continued, “of two cases which would fit Cheney’s requirements. One is typified by the formally deniable capabilities of Pollard Affair star and fugitive Rafi Eitan, currently a subject of concern for both relevant Israeli and U.S. circles. The Israeli fascist circles are masters of disguise. The second, is defined by the cover recently assembled under Spain’s leading fascist figure, Blas Piñar. Assess the potential for a relevant type of 9/11-like attack on the U.S. which would be traceable to Blas Piñar, as 9/11 was traced to Arabs. Blas Piñar’s current regrouping of international Synarchist forces does contain elements which fit the I.D. of the principal terrorist organizations deployed inside western Europe during the 1970s, in incidents such as the Bologna railway-station bombing and the kidnapping-murder of the Italian leader personally threatened by Henry Kissinger (during a Washington, D.C. meeting), Aldo Moro. These are Synarchist groups whose penetration of Mexico and other parts of the Americas was coordinated, during the 1930s, from Germany, via Spain, by Adolf Hitler’s Nazi Party offices in Berlin. They exist, actively, still today.”

LaRouche elaborated, “The most significant aspect of the new international regroupment under former Franco official Blas Piñar, is that it is muscular, but of an intrinsically ‘mayfly’ kind of political-operational potential. It is composed, inclusively, and significantly, of small but muscular groups representing a continuation of those which were used as cover for international terrorist operations in 1970s Europe. Through Blas Piñar’s recent action, there are presently ideal instruments for covering terrorist operations run against the internal U.S.A. through South and Central America. Muscular mayfly associations of international Synarchist profiles are, by their very existence, among the most likely sources of international terrorist actions; otherwise, they, like mayflies, die soon.”

LaRouche warned: “Think of the effect of a terrorist attack on the U.S.A., comparable in psychological effect to 9/11, but blamed, this time, on Hispanic, rather than Arab populations! Think of the great benefit of that for resuscitating Cheney’s re-election prospects!”

### **A Clear Remedy**

LaRouche next turned to the issue of how to respond to such a new terrorist threat of an “Hispanic 9/11”: “How should we deal with this? Let us not be stupid again. The methods of Straussians such as Ashcroft and Cheney only make bad matters worse. Use intelligent political methods; expose the Synarchist International. Let people learn from the

1920-1945 wars in Europe, and Nazi subversion of South and Central America, how President Franklin Roosevelt and his leadership dealt politically with such threats. Expose Synarchism for what it actually is. Strip it of toleration by governments and churches, and send quietly waiting counter-intelligence bushes into position, to catch them if they try to move in relevant directions. To make populations as well as leading institutions alert to existing dangers, is the first line of defensive counterintelligence against such dangers. The U.S. has the professional capability for its part in such precautions, were the interference of Cheney’s neo-conservative crowd to be removed.”

The documentation that accompanied LaRouche’s warning, in *EIR*, Aug. 22, 2003 and in two other dossiers on the same Synarchist terror capability (“Maritornes: New Fascist Threat in Old Bottles,” *EIR*, Jan. 9, 2004, and “LaRouche Blast Exposes Synarchist Pro-Terrorist Operation” *EIR*, Jan. 23, 2004), provided all the necessary leads for a comprehensive multi-national counterintelligence effort, involving the security services of the Americas and Europe.

Those three combined reports presented a time-line of the still-ongoing regroupment of the Synarchist-fascist circles into a new international apparatus, targeting specific venom against the United States. Indeed, one of the ideologues of the new Synarchism, Uruguayan writer Alvaro Pacheco Sere, president of the national branch of the Charles VII Traditionalist Brotherhood, wrote an Oct. 26, 2001 article in the Brotherhood’s bulletin, celebrating the 9/11 attacks. “The historic 11th of September of 2001 altered the march of world events,” he wrote. The United States, which “never was a Nation in the classic sense—they were children of an idea: Liberty, as conceived by the Revolution—felt the blows of the revolutionary groups which it itself had fomented against others. Seen from traditionalist thought, Sept. 11, 2001 appears as ‘The Day that the [Masonic] Columns Were Brought Down’. . . . The destruction of the columns and the wounding of the . . . Pentagon appear to mean that some high-level circles, secret and unrecognizable, decided that, there, the Revolution would now be disowned. . . . Anarchy reigns. The false premises of pacifism, ecumenicism, and the civilization of love preached by the modern masonized world, and with it, by the Church since Vatican II, have been questioned.”

Pacheco Sere later wrote, “The national republican States find not only their identity questioned, but their very existence, their independence, the legitimacy of their origin. The fracture of America could only be overcome by the convoking voice of that Crown which gave it being and life.”

### **Emergence of the Synarchist Threat**

Highlights of a counterintelligence time-line on this case include:

**January 2001:** Right-wing Italian terrorist Andrea Insa-

bato was caught, in a failed terrorist attack against a Rome newspaper office. In hearings, anti-terror police chief Ansoino Andreassi linked Insabato to Roberto Fiori, the head of the fascist terrorist group Forza Nuova. Fiori had fled from Italy to London in 1981, following his conviction for membership in a neo-fascist organization called Terza Posizione (“Third Position”), linked to a string of terrorist attacks, from the 1969 Piazza Fontana bombing to the 1980 Bologna bombing.

**November 2001:** A group of Ibero-American and European Falangists and Carlist restorationists launched a new publication, *Maritornes: Notebooks of Hispanidad*, at a founding ceremony in Madrid. The editorial board represented the nucleus of a new Synarchist International, including several individuals with past ties to the right-wing “strategy of tension” terrorism that destabilized all of continental Europe in the 1970s and early 1980s. Among the leading such figures were Blas Piñar of Spain, a former aide to Francisco Franco, and the founder of the Falangist revival group Fuerza Nueva; and Francesco Maurizio Di Giovine, a leading Italian neo-fascist “historian,” who had earlier led blackshirt youth gangs, and was a suspect in the 1974 “Rosa dei Venti” (“Points of the Compass”) right-wing terror rampage, that destabilized a succession of Italian governments. It culminated in the 1978 kidnapping/assassination of former Premier Aldo Moro and the December 1980 Bologna train station bombing.

**Nov. 16-17, 2002:** An international meeting in Madrid launched the new Synarchist International. Among the groups and individuals participating, co-hosted by Blas Piñar’s Fuerza Nueva and Falange Español, were: Roberto Fiore of Forza Nuova, who was a featured speaker; Thibault de la Tocnaye, of the French National Front of Jean Marie Le Pen; Udo Voigt of the German National Democratic Party (NPD); a representative of Final Conflict-Third Position of Great Britain; a collection of neo-nazi organizations affiliated with the Romanian Iron Guard; and Argentine retired Army captain Gustavo Breide Obeid, representing the Partido Popular por la Reconstrucción (PPR). Breide and two other PPR leaders toured France and Italy, under the sponsorship of Le Pen and Fiore.

**Jan. 26, 2003:** A followup meeting took place in Madrid, drawing a reported crowd of 3,000 people, addressed by Fiore and Voigt.

**Mid-December 2003:** Roberto Fiore announced that his Forza Nuova had formed an electoral bloc with several other neo-fascist splinter parties, including the party of Alessandra Mussolini, the Fascist dictator’s granddaughter.

The **Jan. 23, 2004 EIR** dossier characterized the Mussolini, Fiore, Le Pen, Blas Piñar apparatus as “a broader Synarchist operation now under way. . . . It is Spanish Carlist in roots, fascist in outlook, and terrorist-linked in current political strategic deployments.”

The **March 12, 2004 EIR** added one additional feature

to the dossier (“Huntington Raves Again: Watch Out for a New Cheney War!”). The March/April 2004 issue of *Foreign Policy*, the journal of the Carnegie Endowment for International Peace, featured a cover story by Clash of Civilizations promoter Samuel Huntington, this time promoting a civil war in the Americas between Hispanics and “the distinct Anglo-Protestant culture” of the United States. Huntington evoked a “white nativist” fascist movement to be born in the United States against Hispanic immigrants. “A plausible reaction to the demographic changes underway in the United States could be the rise of an anti-Hispanic, anti-black, and anti-immigrant movement, composed largely of white, working- and middle-class males, protesting their job losses to immigrants and foreign countries, the perversion of their culture, and the displacement of their language.” Pit the hatred of the Hispanics, promoted by Huntington, against the virulent anti-Americanism of the Blas Piñar/Roberto Fiore apparatus, and you have the perfect Synarchist mix: a recipe for precisely the kind of terrorism that exploded in Madrid on March 11.

### One Earlier Warning

LaRouche’s credentials as a seasoned specialist on matters of global irregular warfare appear by taking his 2003 warnings of a new Hispanic-linked 9/11, in the context of his Aug. 24, 2001 assessment that the United States was ripe for a major international terrorist attack, likely focussed on the nation’s capital. Indeed, as the attacks of Sept. 11, 2001 were taking place, LaRouche associates were out on the streets of Washington, D.C. and many other cities, mass distributing a LaRouche Presidential campaign statement, “Jacobin Terror Aims at D.C.” In it, the candidate said, “The world is presently gripped by the biggest, most deep-going, most deadly financial and monetary crisis since Europe of the middle-to-late Fourteenth Century. We are in a period in which economic and related circumstances have made the idea of regular modern warfare a sick joke; in which regional and other ‘little wars,’ terrorism, political assassinations, and other forms of destabilization, are leading items on the agendas of many of the strategic planners. The financial and monetary crisis in its presently advanced stage, drives desperate political forces to the brink, desperate political forces who would rather drive civilization itself to the brink, than tolerate the changes in financial and monetary institutions which the present crisis-situation demands.

“Washington, D.C. has become a very shabby sort of world power, but it is still the leading world power. Any movement which would terrify official Washington and its environs into fleeing under its bed, would be a major strategic threat to the peace of the world at large. Just as the Jacobin Terror of 1789-94 led fatefully to those Napoleonic wars, which dominated Europe until the conclusion of that Vienna Congress which sowed the seeds of the later catastrophes to come.”

# U.S. Lays Down 'The Law' In Iraq: Who Will Obey?

by Muriel Mirak-Weissbach

At long last, the so-called interim agreement for Iraq was signed on March 8, in Baghdad. Although U.S. proconsul Paul Bremer could be heard sighing with relief, there was little for the occupying forces to be happy about. First, the signing ceremony had been twice postponed: once, following the atrocities committed against Shi'ites on March 2; and again, following political complications raised by Shi'ite leaders, on March 5. And, even after having succeeded in bringing all sides to the table, Bremer had to face the fact that several of those who had signed, had done so more as a formality than as a sign of firm commitment. The "Law of Administration for the State of Iraq for the Transitional Period" is a piece of paper, and not worth much more than that.

The agreement is an outrageous piece of imperial pretension, delivered with the combination of arrogance and ignorance that has characterized the occupying powers' behavior since the war. Politically, they hailed the ceremony as a great historic breakthrough, in Washington as in Baghdad; but the deadlock among members of the Iraqi Governing Council (IGC), regarding important principles in the document, has not been broken. And for good reason. During the negotiations, led by Bremer, disunity and internal conflict among the 25 IGC members had reached such a pitch, according to sources close to the body, that Bremer had to hold one-on-one meetings, then try to patch together some agreement. When the IGC did meet as a body, disagreement over crucial issues led to a walkout of the Shi'ite members. After this had been papered over, and the signing ceremony scheduled for March 5, again the Shi'ite side rethought its position, and the ceremony was once again delayed for three days.

These shifts and postponements demonstrated that the leading Shi'ite authority, Grand Ayatollah Ali al-Husseini al-Sistani, is the most powerful national institutional force whom the occupying powers have to reckon with. It was al-Sistani's guidance throughout the process which shaped the Shi'ites' stance, and which stamped "Dead Letter" on the final document, once it had been signed.

Al-Sistani had made known his rejection of the entire process Bremer had thought up, back in November 2003, after an agreement had been announced between the Coalition Provisional Authority (CPA) and the IGC. At the time, al-Sistani issued a religious edict (*fatwa*), saying that any governing body, or constitutional assembly, which were not

elected democratically, would be illegitimate. This led to the abandonment, on the U.S. side, of the plan to hold unelected regional caucuses to select a body to draft a constitution.

However, the U.S. government went ahead with the draft of the law for administration of Iraq, known as "The Law," incorporating clauses which were not acceptable to al-Sistani. The two major clauses which were rejected relate to the role and power of the Kurds (or other minorities) and the shape of a future government. Both complaints derive from the fact that the clauses violate the principle of democratic elections. They also provide the basis for a future partition of the country.

This partition scenario was laid out explicitly by Henry Kissinger, in a commentary in the German weekly *Welt am Sonntag* on Feb. 15. Noting that Iraq, like Yugoslavia, was "created for geostrategic reasons," he said that the country "cannot be held together by representative institutions which desire an autocratic regime or which break up into groups." Thus, "events could make the partition in three states necessary."

## What Is 'The Law'?

"The Law" states that there are two phases to the transitional period: First, is "the formation of a fully sovereign Iraqi Interim Government that takes power on 30 June 2004. This government shall be constituted in a process of extensive deliberations and consultations with cross-sections of the Iraqi people conducted by the Governing Council and the Coalition Provisional Authority and possibly in consultation with the United Nations." In short, an unelected body, and therefore unacceptable to al-Sistani.

The second phase is to begin "after the formation of the Iraqi Transitional Government, which will take place after elections for the National Assembly." The elections should be held by December 2004 or, at the latest, Jan. 31, 2005. This phase is to end once an Iraqi government has been formed, "pursuant to a permanent constitution."

This National Assembly, of 275 members, should be elected according to "an electoral law and a political parties law" not yet in existence. This body is to elect, from its membership, a president and two deputy presidents of the Assembly. Furthermore, "The National Assembly shall elect a President of the State and two Deputies," which form "the Presidency Council." It is the National Assembly also which is to draft a permanent constitution.

Although Iraq is supposed to remain united, there are extraordinary powers allocated to the Kurds. For example, although the Law states in Article 27 (B): "Armed forces and militias not under the command structure of the Iraqi Transitional Government are prohibited, except as provided by Federal law," in Article 54 (A), it states: "The Kurdistan Regional Government shall retain regional control over police forces and internal security, and it will have the right to impose taxes and fees within the Kurdistan region." Further-



*Proconsul Paul Bremer, though greatly relieved when he finally succeeded in “getting an unelected body to sign a dead letter,” the so-called Iraqi constitution, has actually won a Pyrrhic victory. The real question is still: Will the U.S. transfer authority to the UN to allow election of a government; or try to stay and face a growing national resistance?*

more, (B) states: “With regard to the application of Federal laws in the Kurdistan region, the Kurdistan National Assembly shall be permitted to amend the application of any such law within the Kurdistan region. . . .”

In short, Kurdistan remains an autonomous entity. Not only: There are also provisions for altering the demographic composition of the region. Article 58 (A) states: “The Iraqi Transitional Government, and, especially the Iraqi Property Claims Commission and other relevant bodies, shall act expeditiously to take measures to remedy the injustice caused by the previous regime’s practices in altering the demographic character of certain regions, including Kirkuk, by deporting and expelling individuals from their places of residence,” etc. To remedy this, the ITG should “restore the residents to their homes and property. . . .” This means that major centers, like Kirkuk, which the Kurds claim as part of “Kurdistan,” and which is inhabited by a mixed population including a large percentage of Turkmen, is to be ethnically altered to have a Kurdish majority.

Finally, there is a clear veto power given to the Kurds over the constitution. The permanent constitution, which the elected National Assembly is supposed to draft by no later than August 2005, should be presented to the population in a referendum no later than Oct. 15, 2005. Article 61 (C) states: “The general referendum will be successful and the draft constitution ratified if a majority of the voters in Iraq approve and if two-thirds of the voters in three or more provinces do not reject it.” Then, if it is approved, elections for a permanent government are slated for Dec. 15, 2005 at

latest, and the new government should enter office no later than Dec. 31, 2005.

This Article 61 (C) is what triggered first the Shi’ite walkout, then, the postponement of the March 5 ceremony, and then, the *post factum* reservations. The article means that if two-thirds of the electorate in three provinces *reject* the constitution, then it is not passed. The three provinces immediately in question are those making up the Kurdistan region. If the Kurds were to exercise this veto power, then the National Assembly would be dissolved, and new elections would be held for it, and a new government would have to be formed. Thereafter, the new National Assembly would start again with drafting a constitution, and the process would be repeated. If, again, no constitution were completed by Aug. 15, 2005, and no extension of the deadline were requested by the National Assembly, the process would be repeated again.

This formulation of veto rights for the Kurds, theoretically making it possible to postpone a constitution *ad infinitum*, is what al-Sistani rejected outright. When the Shi’ite members of the IGC refused to sign on March 5, the reason given was the Kurdish issue.

Hamed al-Bayati, an advisor to one of the Shi’ite parties that refused to sign, pointed out, with reference to the Kurdish veto: “Some of these provinces have only 400,000 or 500,000 people. We cannot have that number of people rejecting a constitution for 25 million people.” An al-Sistani representative, Sheikh Abdel-Mehdi al-Kerbalai, reflected the concerns on March 5: “There is one article that gives a specific party the right to veto the permanent constitution if it fails to meet their demands, and this is a dangerous thing,” he said.

It should be added, that this is not an ethnic issue: The Law speaks of any three provinces, which means also that three Sunni provinces could shoot down the constitution.

Shi’ite IGC members held lengthy talks with al-Sistani March 6-7, after which they appeared at the signing ceremony and, at least *pro forma*, did their part. The reason was that, particularly in the wake of the bombing attacks against Shi’ite worshippers one week earlier, which had been orchestrated in an attempt to trigger civil war, the Shi’ite leadership (flanked by its Sunni counterparts) wanted to do everything possible to prevent such civil strife. In the name of national unity, al-Sistani recommended that the Shi’ite IGC members sign.

But, with reservations and conditions. Council member

Ibrahim al-Jaafari read a statement signed by 12 of the 13 Shi'ite council members, in which they stated: "We say here our decision to sign the document is pegged to reservations," centering on the Kurdish veto. Other Shi'ite IGC members said these contested clauses would be subject to further negotiations, and might be amended in an addendum to the interim constitution

A statement issued by al-Sistani's office made clear that his stance had not changed. It said: "His Eminence has previously clarified his reservation regarding the 15 of November accord, that any law drafted for the transitional period will not gain legitimacy unless it is approved by the elected national assembly. In addition, this law places obstacles to arriving at a permanent constitution for the country that preserves its unity and the rights of its people from all ethnicities and sects."

Following al-Sistani's statement, the leading Shi'ite on the IGC, Abdel-Aziz al-Hakim, who is head of the Supreme Council for the Islamic Revolution in Iraq (SCIRI), expressed his reservations to a press conference on March 9. "Our main problem lies with the imposition of restrictions set by an unelected body on an elected body," he said. He will be working on amendments to the document.

Another senior Shi'ite cleric from the holy city of Kerbala, Ayatollah Mohammed Taqi al-Modaresi, also criticized clauses pertaining to federalism in the document. He said the federalist system would be "a time bomb that will spark a civil war in Iraq if it goes off."

There is no exaggeration in this latter remark. Although al-Sistani's carefully worded declarations have avoided mention of disintegration of the nation, clearly this is the concern uppermost in his mind. If one studies the Law in detail, one notes that there are provisions for new "regions" to be formed, when "any group of not more than three governates outside the Kurdistan region, with the exception of Baghdad and Kirkuk," so desire, and approve by referendum.

This implies the possibility of setting up several "regions," which then would become independent. It is precisely this scenario that Kissinger has been promoting.

### **'Sovereign' But Occupied Iraq?**

One Arab source close to the Shi'ite community in Iraq, told *EIR* that, in his view, the interim agreement would not change anything, in itself. According to international law, it is utterly illegal, since it has been drafted by an occupying power and agreed to by a body, the IGC, set up by the same. Furthermore, it has de facto been declared a dead letter. The real issue, he said, is the occupation: Will the U.S. leave or stay? He noted that all the concessions the United States has made, thus far, have been made under the gun of the resistance, and the political power of al-Sistani.

According to press reports and official U.S. government statements, the new interim agreement is to hand over sov-

eighty to "the Iraqis," thus ending the occupation. However, the Law states in Article 59 (B) and (C), that "during the transitional period, the Iraqi Armed Forces will be a principal partner in the multi-national force operating in Iraq. . . ." And, "Upon its assumption of authority, and consistent with Iraq's status as a sovereign state, the elected Iraqi Transitional Government shall have the authority to conclude binding international agreements regarding the activities of the multi-national force," etc.

Nowhere in the Law is there mention of withdrawal of foreign troops. Indeed, there is no intention to do so anytime soon. On March 9, so much was stated by Brig. Gen. Carter F. Ham, the commander of Task Force Olympia, the 9,000-strong U.S. force that replaced the 101st Airborne Division in northern Iraq, headquartered in Mosul. In response to a question from *EIR*, Ham said that he didn't think his security mission would change much after the June 30 hand-over of sovereignty. Even after the hand-over, Ham said that he would still be getting his instructions from Combined Joint Task Force 7, the military command headed by Lt. Gen. Ricardo Sanchez. When Iraqi forces will take over the security mission, will depend on how quickly they are trained and equipped for the mission, he said.

Washington dreamers are moving ahead at breakneck speed to set up the new U.S. Embassy in Baghdad, said now to house 4,000 employees, making it the biggest embassy of any country anywhere in the world. It will be in Saddam Hussein's Presidential palace, inside the high-security "Green Zone." Meanwhile, the Iraqi resistance continues to develop new techniques, and launch audacious actions, including just prior to and during the ceremonious signing of the Law, when 11 rockets were launched against the Rashid Hotel, also inside the "safe" Green Zone.

The reality is, that the resistance will continue, and grow. The forces loyal to Ayatollah al-Sistani will appear to play along with the game, to see if elections will be held or not. They will not submit to phony elections; nor will they accept the occupation.

There is no way out of the Iraq quagmire, other than Lyndon LaRouche's call for the United States to officially announce its intention to withdraw, and hand over authority to the United Nations, to oversee the process of elections, and a constitution.

Scott Ritter, the former arms inspector who quit in protest against U.S. policy, echoed this view in an interview with the German publication *Junge Welt* on March 9. Asked how he thought the United States could restore its lost credibility in Iraq, Ritter said bluntly: "This war is already lost. My solution is then: Pull the troops out immediately! Consider Iraq like a burning nation, from top to bottom, east to west. The oil that is fuelling this fire, is the presence of American troops. In order to put out the fire, we have to cut off the oil."

# 'Dark Clouds' Gather Over Sharon's Regime

by Dean Andromidas

The Israeli mass-circulation daily *Ma'ariv* on March 3 launched yet another scandal against Prime Minister Ariel Sharon, one that could finally lead to his early demise. The affair involves Elhanan Tennenbaum, the reputed drug trafficker whose release from captivity by the Lebanese militant organization Hezbollah was secured by Sharon through a highly controversial prisoner swap. *Ma'ariv* revealed that Sharon was business partners with Tennenbaum's family, a vital piece of information Sharon kept from his government, the security services, and all the relevant authorities in order to ensure the deal's approval.

The new scandal arrives on Sharon's doorstep when no fewer than three criminal investigations involving bribery, breach of trust, and corruption could lead to his indictment within a few months. Already simmering, are the accusations that he took bribes from Israeli contractor and Likud party kingmaker David Appel; the so-called Cyril Kern affair, where millions of dollars were transferred to the bank accounts of Sharon's son Gilad; and the so-called "Greek island" affair, which also involves bribe-taking from David Appel.

Israeli intelligence sources report that Sharon's political position is starting to appear very shaky in the eyes of his great ally, the Bush Administration. Sharon is no longer being seen as an "asset" but a "very heavy weight" around Bush's neck. Certain Israeli factions are trying to use these scandals to oust Sharon, but they are not yet strong enough, one source said. Either Sharon's health or developments in Washington will lead to his downfall. "Sharon's fate," the source said, "is linked to that of Vice President Dick Cheney and his neocons." The source suggests that once Cheney's top ally, Deputy Secretary of Defense Paul Wolfowitz, is out, Sharon will soon follow. "When the first domino falls, they will all fall."

## Old Business Partners

Early last month, Sharon's government announced a spectacular prisoner swap with Hezbollah, an organization that is not only seen by Israelis as their great enemy, but is high on the U.S. State Department's list of terrorist organizations. Israel released 436 prisoners, including Palestinians, Lebanese, Egyptians, and other Arab prisoners, and 59 bodies of slain Lebanese guerrillas. In return, Israel received the bodies of three Israeli soldiers who died as a result of wounds they received when Hezbollah abducted them on the Israeli-Leba-



*Elhanan Tennenbaum's release is Sharon's latest disgrace.*

nese border in October 2000. Also released was Elhanan Tennenbaum, a reserve colonel in the Israeli Defense Forces, who was kidnapped by Hezbollah only a few days after the attack on the other three soldiers.

The deal caused outrage because even before Tennenbaum's release, it was being reported in the press that he was kidnapped while attempting to negotiate a drug deal with Lebanese drug traffickers. Furthermore, it was asked why Sharon was willing to release so many Palestinian prisoners in a deal with Hezbollah, building up the prestige of its spiritual leader, Sheikh Hassan Nasrallah; yet Sharon refused to release even one prisoner to former Palestinian Prime Minister Mohammed Abbas. This refusal contributed to the latter's downfall and the collapse of the Road Map for a Middle East peace. When Sharon's government gave Tennenbaum a plea bargain that would prevent him from standing trial and going to prison, in return for telling the truth of what he revealed to the Hezbollah, cries of outrage, for a public inquest, were raised across the political spectrum.

Then on March 3, *Ma'ariv* revealed that the 89-year-old Shimon Cohen, father of Tennenbaum's estranged wife, Esther, had been a business partner with Sharon for almost two decades, beginning when Cohen was a shareholder in the company that Sharon formed to manage his Sycamore Ranch in 1975.

Sharon immediately affirmed, "I did not know of the former family ties of Mr. Shimon Cohen, whom I have not seen nor spoken with for decades."

## 'Sharon Must Resign'

In launching the Tennenbaum scandal, *Ma'ariv's* senior political commentator, Ben Kaspit, wrote, "It is hard to know if his personal acquaintance with Tennenbaum influenced the prime minister when he decided on the steep price that he was willing to pay for the prisoner exchange. One thing is certain. He did not tell the government ministers, senior defense officials, or the public about the nature of his family's relationship with Tennenbaum. For weeks, Israeli citizens have been trying to figure out why Ariel Sharon worked so hard to have Elhanan Tennenbaum released from captivity. Why did he



release hundreds of terrorists for a drug dealer? Why did he pursue minister after minister in order to obtain a majority? Why did he tell investigators to treat him gently? Now, there may be an answer.”

Calling for Sharon’s resignation, Ben Kaspi declared, “Please put the keys to the state on the table and vacate your position . . . not tomorrow, not the day after, not next week. Today, now.”

The political storm turned into a hurricane after the *Ma’ariv* revelations, with opposition politicians calling for Sharon’s resignation.

Meretz party faction leader Zahava Gal-On tabled a “no-confidence” motion to be voted on in the Knesset. Gal-On said, “The Prime Minister had a lot of information and chose to keep quiet. He must resign immediately.” After Sharon claimed he was unaware of the family connection to Tennenbaum, Gal-On said, “It seems a little odd that the Prime Minister didn’t know. He didn’t know about the Tennenbaum affair, he didn’t know about the affair of Appel and his son, he didn’t know about Cyril Kern. There’s so much that he didn’t know, that the quantity creates the quality. . . . There’s a very dark cloud now hovering over the Prime Minister.”

The Labor Party’s Ophir Pines Paz, commenting on Sharon’s claims that he was not aware of the family connection, said, “His story is an offense to normal intelligence; just like his reactions to previous revelations, he sounds so shallow, so fallacious, so unbelievable; only a lie detector can substantiate his claims.”

Yossi Sarid of Meretz compared Sharon to the three monkeys: “See no evil, hear no evil, and speak no evil,” saying, “The new findings demand an additional two monkeys be added: Know no evil and remember no evil.”

In an emergency meeting held in the offices of leader of the opposition Shimon Peres, the Knesset members of the Labor Party decided to call for an independent inquest by Israel’s State Comptroller, the same Comptroller who discovered that Sharon had illegally financed his 1999 primary campaign and other acts that are now at the center of criminal investigations.

Peres declared to the press, “A most serious crisis of trust has been created in the Israeli public, surrounding the Prime Minister, due to a string of events that has peaked with the Tennenbaum release scandal.”

## Who Is Tennenbaum, Really?

In 1984, U.S. CIA station chief William Buckley was kidnapped by Shi’ite militants in West Beirut. Tortured to death, his decomposed body was not found until years later. By contrast, Tennenbaum, with the rank of lieutenant colonel, was not only the most senior Israeli officer ever captured by Hezbollah, or any Arab army, but was the only one to come away alive. After three years of captivity, Tennenbaum returned with every hair on his head, all his fingernails, and even a few extra pounds under his belt.

These facts have raised quite a few eyebrows in Israel. There is obviously something more behind the Tennenbaum scandal than Sharon using his power to help a the son-in-law of an old business partner.

Senior Israeli and European security sources who are very familiar with Lebanon and Israel, pointed out that Tennenbaum has all the makings of a high-level intelligence operative, and not a desperate businessman looking for quick cash to pay off gambling debts, as alleged in the press. Not only was Tennenbaum a lieutenant colonel in the reserves, but he worked as a consultant for Tadiran Communications, one of Israel’s most important manufacturers of military communications equipment. If anything, the drug story was only a cover. One source pointed out that no Israeli drug dealer would go to an Arab country to close a drug deal, especially if he was an officer in the Israeli army.

“Israeli and Lebanese drug trafficking is a highly structured business,” said an European security source who has worked in both Israel and Lebanon. “It’s just not done that way. Tennenbaum was on an intelligence mission, not a drug deal. What that mission was, we just do not know. Nonetheless, the drug story is just a cover.”

Furthermore, his drug-dealing partners-turned-kidnappers had, in fact, been Israeli agents. Kais Obeid was a Shin Bet agent-informant up until the time he “turned bad” and allegedly plotted to kidnap Tennenbaum for Hezbollah. The other kidnapper, Kayeed Biro, was linked to Israeli Military Intelligence’s Unit 504, which runs Arab agents-collaborators who are drawn from drug-smuggling networks operating between Israel and Lebanon.

Before he left Israel in October 2000, Tennenbaum left several boxes of documents at the home of his mistress. This source pointed out that this is exactly what an intelligence operative does before leaving on a highly controversial mission: “He leaves a box of documents as his ‘life insurance policy.’ They are usually left with a lawyer with instructions on when and to whom to reveal them. But he could also leave them with a friend.”

One source even suggested that this could have been an operation by Sharon to establish some sort of back channel to Hezbollah, as a way to making contact with Iran. Such back channels, which have existed in the past, would require an agent of Tennenbaum’s credentials—i.e., a senior reserve officer with a connection to Sharon. “Whatever the truth,” the source said, “this is going to end up having been a very dirty affair.”

Another factor is that *Ma’ariv* is owned by the infamous Jacob Nimrodi, the former Mossad agent and arms dealer who, in the 1980s, worked with then-Vice President George H.W. Bush during the Iran-Contra affair. He is no friend of Sharon, and would have access to the type of information that could sink the Israeli Prime Minister. In fact, the editors of *Ma’ariv* have promised to come out with even more damaging revelations over the next days.

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### Australia's 'Notverordnung'

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*Nazi 'emergency decree' legislation to ban organizations has been rammed through Parliament.*

A bill granting Australia's Attorney General sweeping powers to arbitrarily ban organizations was rushed into law on March 4, within hours of being tabled in the Federal Parliament. The Criminal Code Amendment (Terrorist Organizations) Bill 2003 provides for organizations to be proscribed simply if the Attorney General, with no requirement to test the evidence, is "satisfied on reasonable grounds that the organization is directly or indirectly engaged in, preparing, planning, assisting in or fostering the doing of a terrorist act (whether or not the terrorist act has occurred or will occur)."

The man granted these extraordinary powers, Attorney General Philip Ruddock, has spent the last few years honing his skills by running Australia's regime of concentration camps, where refugees fleeing to Australia, including children, are locked up for years without charge behind barbed wire, in the middle of the Australian desert, as a "deterrent" against illegal immigration.

In January, Ruddock visited the United States and Canada, where he met key police-state enforcers such as Attorney General John Ashcroft, Homeland Security Secretary Tom Ridge, and Canadian Attorney General Irwin Cotler.

Upon his return, he addressed a Feb. 19 session of Parliament—just two weeks before the bill passed—where he chillingly proclaimed a new era of fascism in Australia. "The conventional criminal law/due process model [innocent until proven guilty, the right to a fair trial, etc.] is not only

inadequate but inappropriate," he raved. "Dealing with terrorists and the terrorist threat requires pre-emption and deterrence, our approach must be preventative as well as punitive. This approach of course, flies in the face of a conventional law and order/prosecute and punish approach."

Ruddock's new executive proscription power is the Australian equivalent of the infamous *Notverordnung* (Emergency Decree) and Enabling Law that passed the German Reichstag in 1933, which handed Hitler his dictatorial powers. Then, the very opposition political parties who caved in under pressure and passed the laws, were among the first groups to be banned.

The passage of the Australian bill follows a similar cave-in by the "opposition" Australian Labor Party (ALP), which opposed the bill for two years, despite intense pressure from the conservative Howard government, and the synarchist Rupert Murdoch-owned media. Initially inclined to support the bill, out of a desire to be seen to be "tough on terrorism," the ALP's opposition was catalyzed by a nationwide mobilization which generated tens of thousands of calls of protest against the bill when it was first tabled in 2002. This mobilization was led by Lyndon LaRouche's Australian associates, the Citizens Electoral Council, which charged that it was a Hitler-like push to impose fascism, in the face of the deepening global depression.

LaRouche's CEC was the principal target of this law, as confirmed in October 2002 when Australian members of Her Majesty's Privy Council

and their front group, the Anti-Defamation Commission of B'nai B'rith, called for the CEC to be banned. (Crucially, that call came just five days after the CEC published a full-page advertisement in *The Australian* newspaper, which listed over 600 prominent Australians calling for the establishment of a national bank.)

The effectiveness of the CEC mobilization was reflected by Labor Party leader Simon Crean in June 2003, when he slammed the government's power-grab as politically motivated: "We will not agree to their *carte blanche* approach in giving the Attorney General the sweeping powers that John Howard always wanted but would only ever act on *if it suited his political purposes*, not for the protection and the security of the Australian people" (emphasis added). However, last December, the ALP dropped Crean as party leader, and with him, its opposition to the bill.

New leader Mark Latham, a Mont Pelerin stooge described to *EIR* by one member of his own party as an "evil right-winger," immediately announced his intention to form a Department of Homeland Security, modelled on the fascist Ashcroft/Ridge department in the United States, if he is elected as prime minister this year. But under questioning from the CEC and members of the LaRouche Youth Movement, Latham and his senior party spokesmen repeatedly lied about their intention to support the banning law, until the day the bill was tabled, thus short-circuiting any real chance for community opposition to be mobilized. Despite the CEC's best efforts to organize protest calls against it, the bill was passed in 24 hours. Latham's actions have won him the support of the Murdoch media, which is now touting him as the likely next prime minister, after the upcoming election—if his party isn't banned first.

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# International Intelligence

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## ***EIR Warned of Korea 'Regime Change'***

South Korean President Roh Moo-Hyun was suspended from office at on March 12 after an unprecedented parliamentary impeachment vote ahead of turbulent April 15 general elections. Prime Minister Goh Kun took over as interim president, calling an emergency cabinet meeting, although Roh retains the poorly-defined post of "chief executive." There are only very foggy rules in the Constitution for impeachment, which has never happened in the history of Korea.

The scenario went as the Oct. 24, 2003 issue of *EIR* had warned ("South Korea: Target for Cheney 'Regime Change'") and triggered panic in financial markets as foreign hot money poured out—also as *EIR* forecast then. Seoul's main index slumped nearly 5% in morning trading.

The impeachment was run directly by the American Enterprise Institute (AEI)-controlled Korean opposition Grand National Party, which *EIR* has exposed for some years as a front for Cheney's neo-con faction, given Cheney's extensive ties to AEI.

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## ***French Judge Blames Kagame for 1994 Deaths***

Judge Jean Louis Bruguière, the top anti-terrorist judge of France, will soon issue a devastating report on who shot down the Falcon 50 airplane transporting Rwandan President Juvenal Habyarimana and Burundian President Cyprien Ntaryamira to Kigali, Rwanda, in 1994, returning from a regional summit in Dar es Salaam. The downing of that plane ignited the Hutu genocide against the Tutsi in Rwanda. The report—which was finished Jan. 30, but will not be disclosed officially until after the ceremonies of the tenth anniversary of the genocide on April 6—was leaked to *Le Monde*, which put it on its front page March 10 and gave it a full two pages.

Bruguière's report blames present Rwandan President Paul Kagame as the main decision-maker behind the downing of

the plane. During his investigation—demanded by the families of the four French air personnel killed in the downing—Bruguière heard the testimony of hundreds, launched many foreign investigations, and benefitted from the support of several dissidents of Kagame's Rwandan Patriotic Front (FPR) now living in protected places, among whom was a member of the "Network Commando," operating directly under Kagame and in charge of shooting down the plane.

Beginning in 1996, Lyndon LaRouche had sponsored a worldwide campaign to expose the Anglo-American interests behind the genocide in the Great Lakes region of Africa, with Ugandan President Yoweri Museveni and Paul Kagame as their tools.

According to *Le Monde's* Africa correspondent Stephen Smith, France, in the course of Bruguière's investigation, has been actively impeding Kagame's military activities in neighboring countries, as well as smuggling some of its Rwandan sources to more secure locations. In retaliation, Kagame had several of Judge Bruguière's witnesses murdered, Smith charges.

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## ***CDC: Rare Diseases Could Become Global, Unstoppable***

Dr. Julie Gerberding, director of the U.S. Centers for Disease Control, warned at the Fourth International Conference on Emerging Infectious Diseases, in Atlanta, Georgia, that diseases that are now only a problem in local areas could become global; that diseases that today are rare could become widespread; and that new animal diseases could jump the species barrier and affect the human population.

The SARS outbreak, the flu, and other recent examples indicative of the danger were discussed, and Dr. Keiji Fukuda, an influenza epidemiologist at the CDC, said that a worldwide flu epidemic is "inevitable," noting that the recent run of emerging diseases has already "taxed and strained the entire international health system" beyond its capacity. "We are thin in terms of numbers of available experts, resources, and staff," he said, according to a March 9 *New York Times* article.

Experts at the conference said they cannot predict which infectious disease will hit next. One candidate is the Usutu virus, which had never been identified outside of southern Africa until 2001, when birds in Vienna, Austria suddenly started dying from it. It has apparently adapted to cold European Winters, and so far one person has become ill from the virus. Many others are possibilities. On top of these, there is the return to the United States, thanks to the policies of today's Schachtian budget cutters, of diseases such as malaria, which had been nearly eradicated through the use of the politically-banned DDT.

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## ***Chávez Alleges Bush Coup; Threatens '100 Years War'***

Venezuela President Hugo Chávez on March 5 charged that the Bush Administration was running a coup d'état against his government, and predicted that the opposition march planned for the next day would be an attempted repeat of April 11, 2002, when he was briefly overthrown. He called the opposition "a terrorist and coup-mongering movement dressed in democratic clothes, which is trying to unseat the government," and accused its leaders of causing the eight or more deaths that occurred at the end of February, despite the fact that the majority of the victims were protesters against his regime.

During a five and a half hour televised speech on March 7, Chávez repeated his claim that Haiti's President Aristide had been "express-kidnapped" by U.S. Marines, and warned Washington not to "even think about trying something similar in Venezuela." He insisted that "the Bolivarian revolution has enough allies on this continent to launch a Hundred Years' War, and not just on Venezuelan territory," and added that "U.S. citizens could forget about ever getting Venezuelan oil," if the U.S. tried to invade his country. At the same time, the opposition forces are pushing for a Hundred Years' War of their own, adding fuel to the planned conflagration that could soon hit Venezuela, before spreading throughout Ibero-America.

## Joseph Fouché and The French Insurrection

by Katherine Kanter

In October 2002, mosques and Muslim prayer halls in Seine-Saint-Denis, a department near Paris, received a letter from the local Directorate of the Political Police, the Renseignements Généraux (RG): “At the request of the Interior Ministry, and of the Prefect of the Seine-Saint-Denis . . . , in order to update our information relating to those who lead prayer halls, all individuals in charge of a prayer room are instructed to attend.”

The letter was on Interior Ministry letterhead, ordering the religious leaders to appear at the RG headquarters at Bobigny, and to bring with them the following papers: “passport, residence permit, national insurance documents, wage slips, rent receipt for their lodgings, family-benefit card, income-tax returns, identity photographs, and school-leaving or university diplomas.”

The ostensible concern was “Muslim radicalism.” In response to a telephone call from the Paris daily *Le Monde*,<sup>1</sup> the Religions Section at the Interior Ministry acknowledged that the letter had been “awkward,” but that “the intentions behind it were good nonetheless.”

France is, I believe, the only country in the modern world, where there exists, openly, and quite officially, a Political Police. They attend, on a regular basis, openly, and quite officially, political and, as we have just seen, religious events. And the RG is wont to boldly interfere with “dissident” political formations, without, it seems, ever giving rise to public outcry.

The present study of the founder of the modern concept of political police, though very summary, will shed some light on what must change, in the French political psyche.

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In 1789, there broke out an event that history refers to as the French Revolution, but were better known as the French Insurrection, being, as it was, more like the populist hysteria that preceded the fall of Salvador Allende in Chile in 1973, than to the events of 1777 in America.

Following the death of Foreign Minister Vergennes in 1788, France had scarcely a political figure of any stature. The scientific and engineering corps, not being, in the main, noblemen, were excluded from public life. As for the Church, both the Council of Trent faction, on the one hand, and the Gallicanists on the other, were equally reactionary. Unlike the American population in 1777—“Latin Farmers” as they were called—most Frenchmen were illiterate. Only a tiny

1. *Le Monde*, Oct. 17, 2002.



*The story of Joseph Fouché is published here as a contribution to our series on the Synarchist International: the “beast-men” who seize control of nations in periods of crisis, perpetrating unspeakable horrors for the sake of terrifying their opponents into submission. This pamphlet by the LaRouche in 2004 campaign committee is circulating in hundreds of thousands of copies.*



The bloodthirsty Fouché (left) has been described as a forerunner of Nazi SS chief Heinrich Himmler; but many in France today still leap to Fouché's defense, as they also defend the Terror of the French Revolution. Historian Jean Tulard's 1995 book on Fouché called the comparison with Himmler "unfair," adding that "Fouché was far cleverer than Himmler."



handful, outside the ruling elite, even knew what the word Republic meant, or had the remotest idea of what the program of the United States Revolution might have been, beyond the fact that it was anti-English.

## Enter Joseph Fouché

In the year that Friedrich Schiller was born at Stuttgart, 1759, unhappy France acquired a petty bourgeois bounder of a peculiarly energetic complexion, Joseph Fouché. Together with his alter-ego, Charles-Maurice de Talleyrand-Périgord, this man was, over the course of his forty years in politics, to alter the character of the French people, much for the worse.

Born at Nantes into a family of sea merchants, whose affairs involved, *inter alia*, slave-plantations in the West Indies, young Joseph was put in with the Oratorians to study, and, on finishing the *cursum*, became an extremely popular teacher of mathematics and physics at the Oratorian College at Arras. There he met Maximilien Robespierre. Many of the Oratorians' pupils were to become perfervid Jacobins, but at the time, Fouché's mask was a Catholic one.<sup>2</sup>

In 1789, as the Insurrection erupted, Robespierre was elected to the Estates General, while Fouché was transferred back to Nantes to teach. He got himself elected, in 1790, chairman of the Friends of the Constitution and became principal of the College at Nantes. On learning that the monarchy

had been overthrown, he began to agitate to become Deputy (Member of Parliament) for the Loire-Inférieure, astutely marrying in the process one Bonne-Jeanne Coiquaud, whose sole feminine attraction is reported to have been that her papa ran the province's Administration.

In the light of Fouché's later deeds, his electoral tracts are instructive. He describes himself as an "architect of policy," rather than a "revolutionist agitator." He praises the Oratorians for fomenting "those religious sentiments that are so needful, and so admirable, when purified by philosophy." He won the seat.

In 1792, we find him among the great Revolutionists, seated on the Committee of Public Instruction alongside Nicolas Caritat, Marquess of Condorcet.<sup>3</sup> By 1793, the "moderate architect of policy" of 1790 was pressing for the death of Louis XVI, for which he

voted, and publishing a pamphlet entitled "*Reflexions sur la Mort de Louis Capet*" ("Reflections on the Death of Louis Capet") in which he shrieks: "We are strong enough to bend to our will all powers, and all events. Time is on our side, against all the Kings on this earth."

As those words were written, the Kings of Europe (Prussia, Austria, Great Britain) were, in point of fact, preparing an onslaught on revolutionary France, then in the grip of civil war. The British, riding the wave of imperial victory in Canada and India, had stipendiary agents in every Paris faction and throughout the countryside, the scenario being to provoke inchoate uprisings, whereby France would be knocked out of the Great Game by civil strife, dissolution, and dictatorship.

At what point Fouché entered the service of the British, or the Austrians, or both, this author cannot say, not having access to primary sources in the relevant State Archives. But enter the service of a foreign power, he did. There is otherwise no explanation for how a complete mediocrity could have succeeded in his designs to cover the entire territory of France with the most finely-tuned network of political police and informants since the Assyrian Empire, a design, moreover, that served no positive national purpose whatsoever. Unless it were some other nation's purpose: At the end of the day, virtually every event in France during

2. It has been suggested that a Jansenist cell had developed within the erstwhile Christian-humanist Oratorians, and as for Arras, that town had itself been notorious as a center of the French Inquisition.

3. The Marquess of Condorcet (murdered 1794), was a central figure in the Committee, whose work was to lead, in 1795, to the Revolution's few real achievements, notably the Conservatoire des Arts et Métiers, the Ecole Normale, and secondary schooling.



*The storming of the Bastille, July 14, 1789. The French Revolution—better called an Insurrection—quickly degenerated into a brigand’s den of warring intelligence factions. Fouché was later dispatched by the Committee of Public Safety with the explicit mission of unleashing Terror.*

Fouché’s political existence tended to the advancement of the British Empire.

### **Fouché’s Career as a ‘Mission Agent’**

Lacking, as it did, any programmatic content, the French Insurrection promptly became a brigand’s den of warring intelligence factions. Within a fortnight of the fall of the Bastille, the Constitutional Assembly had set up the Committee of Information, renamed, in turn, the Committee of Research, the Committee of Surveillance, and finally, in 1792, the Committee of General Security (*Comité de Sûreté Générale*). By the time the Convention placed Terror “On the Agenda of the Day” (1793), the Committee of General Security had become a virtual ministry, with at least 160 official employees, and dozens (hundreds?) of six-man teams combing hill and dale, called agents of execution. The Committee of General Security could issue arrest warrants, and had access to secret funds.

In 1794, the Committee of Public Safety (*Comité de Salut Public*), the only known positive elements of which were Lazare Carnot<sup>4</sup> and Prieur de la Côte d’Or, set up a rival body, known as the Bureau of Administrative Surveillance and General Police.

One of the salient traits of this so-called Revolutionist period, is the entwining of the prosecution services with both the investigative agencies, and the administration of justice. In plain English, the same people were judge, jury, and executioner. For example, in 1793, the Convention placed the local authorities (district administrations) under its direct control. These administrations had full power to enforce “revolutionary law,” and could, in particular, arrest people. Each district had a National Agent, whose explicit mission was political surveillance of private citizens. This agent could issue the equivalent of *habeas corpus* writs, impound private property, and enter the jails unhindered.

Then there were the “spontaneous” grassroots grouplets, known as Surveillance Committees, Central Committees, and Revolutionary Committees, planted in every town and hamlet. They were “legalized” in 1793. Among the pastimes of these bucolic bodies: checking the identity of “outsiders” (persons foreign to the town, more often than not people fleeing Paris and the Terror), issuing arrest warrants and Certificates of Civic Virtue and passports, receiving informants’ reports, and bringing people up *manu militari* before the Revolutionary Tribunals. The latter were empowered to hand down summary judgment,

including in capital offences—of which there were many—without right of appeal.

Now, this seething mass of tittle-tattlers had to report to someone. By decision of the Committee of Public Safety, they were to tattle to what were known as “mission agents,” who had unlimited power to “maintain order.” As soon as the mission agents would arrive in a district, they would make contact with the local Surveillance Committees and Jacobin clubs, and could bring any citizen up before the Revolutionary Tribunals. They also ran the press-gangs. Some mission agents must have done their job in raising an army, because Lazare Carnot’s defense of France succeeded; others, like Fouché, were otherwise engaged.

Somehow, we know not precisely how, Fouché got him-

4. Lazare Carnot (1753-1823), mathematician, one of the greatest military reformers in modern history.

self appointed mission agent for the Loire-Inférieure and the Mayenne, with orders to raise a force of 300,000 men. On March 26, 1793, our subject wrote to the Convention that he had jailed all nobles and priests in the Nantes area, and had set up a Tribunal to judge them. He did not, however, succeed in raising soldiers, owing to the local population's anti-Jacobin sentiment. Empty-handed, he turned back to Paris, and veered toward the Hébertistes, a still-more extreme revolutionist faction. In June 1793, we find the ex-seminarist publishing a pamphlet entitled "*Reflexions sur l'éducation publique*" ("Reflections on public education") in line with the ideas of his new allies in the Commune. The pamphlet is an onslaught upon the clergy, and upon religion in general; "religion," he wrote, "sullies man, and degrades him." The revolutionists must create a "monopoly" over education—in other words, all schools run by the Church must be forbidden—in order to "combat the odious influence of religion."

By the end of June 1793, Fouché was sent out as mission agent yet again, this time to the center and west of the country. After a campaign of rabble-rousing against "the rich," he issued a Decree on Requisitions in October 1793, which recalls Stalin's *Ukazy* against the unhappy *kulaks*. Under Article 4, any "rich landowners or farmers" who were "declared suspect" of withholding wheat were to have, not only the grain, but all their private property, and *all their private papers and documents seized*. The same measures were to apply to factory owners whose machines were idle, and to landowners whose land lay fallow.

The impounding, continues the decree, was to be done by "patriots" of the Revolutionary Guard, endowed with a Certificate of Civic Virtue issued by the local Surveillance Committee. Under Article 16, those committees were to "effect the same" vis-à-vis all "rich men" in their districts, "in proportion to their fortune, and to their lack of civic virtue." Peering into one's neighbor's coffers, and accusing him of "lacking civic virtue," is what that boils down to. Meanwhile, Fouché amused himself with scribbling signed notes, that he put into the hands of the local riff-raff, authorizing them to turn up at the homes of the rich, and demand to be "clothed from head to toe."

Encouraged by the popularity that such acts of petty tyranny gained him with the Hells Angels of the day, Fouché, by September 1793, threw himself headlong into the Hébertistes' de-Christianization campaign. On Sept. 23 he issued an Order ordering "all priests on state pension either to marry, or adopt a child, within a month." At Moulins, he obliged the Bishop and 30 priests to renounce the faith, and tore down all signs of the Christian religion. At Nevers, on Oct. 9, he issued a decree stating that "all signs of religion on the roads, squares, and in all public places, shall be destroyed." At the gate of the cemeteries in his provinces, he had put up the sign: "Death is eternal sleep."

At the end of May 1793, the City of Lyons, which at that time held about 100,000 inhabitants, rose up against the Revolution, led by a coalition of Royalists, republicans opposed to the terrorists, Girondins, and the bourgeoisie. Lyons was accordingly besieged by the Convention from August to October 1793. When it fell, Fouché was dispatched by the Committee of Public Safety with the explicit mission of unleashing Terror. By the time he left, something like 2,000 people lay dead. He first set up a temporary Surveillance Commission, in November, and then a Revolutionary Commission to sentence the suspects. So many were shot, that gunpowder became scarce. Fouché thereupon brought in cannon. The insurrectionists of the lower classes—their betters were guillotined—were tied together in the Plaine des Brotteaux, and mowed down with cannon. Did the cannon miss, they were chopped to bits, or buried alive. Lyons was renamed Commune-Affranchie, the Liberated Commune. And Fouché wrote to the Committee of Public Safety—which gives one a good idea of the psychosis that reigned there—that his anti-British (sic) strategy was to "let their bleeding corpses, thrown into the Rhône, present to both its banks . . . the impact of horror, and the image of the French people's irresistible power."

"Irresistible" indeed, the power to slaughter most of Lyons skilled textile workers. A few decades back, the British had cut off the right arm of Calcutta's textile workers; but they had not, at the time, found so eager an Indian to command the maneuver for them.

A ceremony Fouché organized at Lyons at that time, gives one a flavor of his rule:

November 10th, 1793

A Sans-Culottist wearing a Bishop's Mitre and bearing his Staff, walks solemnly before a donkey, over which Papal garments have been draped, and a Mitre placed on his head. Round the donkey's neck, hangs a chalice, and attached to his tail, a Bible, and a Missal book. Bringing up the rear of the procession, another Sans-Culottist, dragging in the dust the Fleur-de-Lys.

The instant Fouché learnt that Hébert had been guillotined at Paris, he ordered a halt to the executions, and purged the Lyons Revolutionary Committees of all Hébertist supporters. This moment will likely emerge as the one at which Fouché came to the attention of the Austrians and the British, as a possible major asset. Just as one must commit a murder, in cold blood, to gain entrance into the Mafia, so Fouché had proven, through the de-Christianization campaign, and by his conduct at Lyons, that for his own advancement, no act was too vile. It is known that at a later stage in his career, Fouché became *Grand Conservateur* of the *Grande Loge Symbolique*, of which Napoleon's brother Joseph Bonaparte was the Grand Master, the latter's deputies being Murat and Cambac-



*“Contrary to official French historiography, the Terror was not a sacrificial flame, purging and purifying everything it touched, with a few collateral losses. It had no redeeming features.” Left to right: Robespierre, whose Reign of Terror drowned the Revolution in blood; Jacques Necker, who as Finance Minister in the pre-Revolutionary government, steered the plan to destroy France on orders from Britain’s Lord Shelburne; and Jean-Paul Marat, imported from London, who was the leader of the Jacobins.*

ères. The freemasonic Lodge would seem to have been the equivalent, perhaps even the direct ancestor, of Licio Gelli’s Propaganda-2 right-wing terrorist cell structure in Italy during the 1980s. Be that as it may, whether Fouché was already, in 1794, a highly-placed freemason, this author does not, at present, know.

In April 1794, a year known to the Revolutionists as Year II—the world was supposed to have begun afresh in 1793, Year I of the Republic—Fouché was recalled to Paris. Failing a worthwhile political or economic program, the Jacobins had let loose gang warfare in that city, dignified, in the history books, by the title of “Terror.”<sup>5</sup> The Committee of General Security was, in theory, in charge of “repressing plots by enemies of the Revolution.” To that end, it was empowered to issue arrest warrants. Arrests were also ordered by the Committee of Public Safety, the Police Administration of the Commune of Paris, and the Revolutionary Committees of the City’s 48 districts.

Each Revolutionary Committee was under orders to draw up a Schedule of Information on each citizen they arrested, which schedule was then put before yet another body, known as the Office of Prisoners. That Bureau was answerable both to the Committee of Public Safety, and the Committee of General Security. There was also established a Bureau of Administrative Surveillance and General Police, within the Committee of Public Safety, on which sat Robespierre, Couthon, and Saint-Just. *Nacht und Nebel*. The upshot was police

and secret intelligence warfare; arrest and release warrants contradicted each other while thousands of innocents were murdered without the shadow of a cause. In the meantime, myriad files on individuals were collected, an underground city of facts, like the East German Stasi’s labyrinth beneath Berlin, that were to turn up as blackmail against entire families, for two or more generations thereafter.

### No Redeeming Features

Thrashing through the impenetrable thicket of names, events and counter-events—we are dealing here with one of the most tumultuous epochs in modern history—one thing is crystal-clear: Contrary to official French historiography, the Terror was not a sacrificial flame, purging and purifying everything it touched, with a few collateral losses. *It had no redeeming features*. As with Pol Pot in Cambodia, anyone of quality, “anyone wearing eye-glasses,” was either murdered, or had to flee the country for his life. The dregs of society were given *carte blanche* to murder, loot, and ransack; 80- and 90-year-old aristocratic women were gang-raped and torn limb from limb. Informants ratted on informants in an infinite loop.

The Terror left the French population, down to our own day, with almost a genetic fear of any strong emotion, save for hatred, which is but another sign of deep-seated fear. Any appeal to Christian sentiment in its strongest forms, to higher moral ideals of any kind, is met by a cynical cackle, or a salacious remark. Then, as now, the population took refuge in pornography, one form of gnosticism in favor of which there was, and is, a broad national consensus.

5. See *Les Hommes de Londres*, by Olivier Blanc (Albin Michel: 1989), one of the few modern studies on the role of British intelligence in the Terror.



In the midst of the uproar, Fouché clambered over cadavers into the Presidency of the Jacobin Club, from which unsteady vantage point he was to effect the downfall of Robespierre (1794). Somehow weathering all attempts to unseat him from the Convention, when survivors of the atrocities at Lyons attempted to get him indicted, he wrote:

You have been coolly asked to contemplate the fate of four thousand men mowed down by cannon. . . . I refer to the fact only to draw serious reflections on the false and hypocritical mood of sensitivity that has become noticeable, in order to show how necessary it is to instill terror in the souls of the wicked . . . and that any thought of indulgence, of moderation, is a counter-revolutionary thought.

Although the Convention did in fact vote for Fouché's arrest, in 1795, on hearing reports from the provinces of atrocities perpetrated at his orders, he was never taken. He simply dropped out of view until an Amnesty was proclaimed on Oct. 26 of that same year, busying himself in the interval with making money, appropriately enough, from a fraud involving the fattening of swine for market, and thereafter, from military procurement. The Directorate, which held sway over France from 1795 to 1799, saw Fouché offering to serve Barras as police agent and informer. Barras thereupon introduced Fouché to a banker and outright British agent, one Gabriel Julien Ouvrard, with whom he was later to plot against the American Republic, and then catapulted him into his first major position, as Ambassador to Milan, in 1798. Talleyrand, also a British agent, but of a rather higher ilk, had become Minister of Foreign Affairs in July 1798, which conveniently made him Fouché's superior.<sup>6</sup>

As an aside, allow us to report here, that rumor has it that, on being recalled to Paris from Milan, in 1799, Fouché took care to remove with him the Embassy's stable of horses, and all its linens and furnishings.

Fouché's next assignment was as Ambassador to Holland, where he remained for some months, until the Directorate recalled him to Paris, this time, as Minister of the General Police, a position created in 1796.

This ministry was in charge of the National Guard, Legion of Police, and the gendarmerie, as well as the jails. When Fouché came to it, it was under the Directorate's fairly direct control, and had few men and less power. He was astute enough to see that, in his own words, "all personal advantage that could be got from the Revolution, had been got," and that *the next stage, was dictatorship*, in which the police, through his own person, were to become the core institution.

6. That being an acknowledged fact, it is quite extraordinary how, in our own day, there flourish a number of French societies, several of which have websites, bearing names like "Friends of Talleyrand."

## Joseph, Joséphine, and the Slaves

Fouché's political faction of king-makers, appears to have toyed with General Joubert, who was killed in action, and with General Bernadotte, before lighting upon Gen. Napoleon Bonaparte. Fouché's assignment was to use police measures to paralyze any Royalists or Jacobins likely to obstruct Bonaparte's coup; Fouché was, in point of fact, personally responsible for the measures taken against Lazare Carnot. To sweeten Joséphine de Beauharnais,<sup>7</sup> the General's mistress, she was given a cut on the capital city's gaming tables.<sup>8</sup>

In the Bonapartist coup d'état (1799), the two emeritus agents of foreign powers, Charles-Maurice de Talleyrand-Périgord and Fouché, each played their assigned role. Talleyrand forced Barras to resign from the Directorate, leaving a power vacuum. Fouché organized the technicalities: transferring the Parliament by force to Saint-Cloud, for "security reasons," under the "protection" of Bonaparte's troops, and closing the Barriers of Paris, thus preventing anyone from entering or leaving the capital without his personal authorization. On learning, at seven in the evening, that Bonaparte's coup had succeeded, Fouché announced that "an assassination attempt against General Bonaparte" had been successfully foiled, and issued a truly Orwellian proclamation to the citizenry:

Events are at last upon us, for our own felicity, and that of future generations . . . let the Weak rest assured; they are with the Strong. Let everyone return to their own business and homely practices. Let there be feared, and checked, only those who foment disquiet, sow confusion, and store up disorder.

Coming from a man whose only credentials were his own unchecked propensity to shed others' blood, one can only imagine how the proclamation may have been received by fellow citizens, on hearing from a Terrorist that their physical survival henceforth depended on refraining from all public or political activity.

## Haute Couture, Haute Cuisine, Haute Police

We are now come to the point in Fouché's history, where he was given *carte blanche*, officially, to alter the character of the French nation. Here, emerges the concept of the so-

7. Joseph Fouché and the courtesan Joséphine de Beauharnais, a French creole who later married Napoleon, had more in common than their Christian name. As we have seen, Fouché's family's fortunes lay, at least in part, with the progress of the slave trade in the West Indies, from whence came the lily-white Joséphine. In 1802, slavery was *restored* in Guadeloupe, Martinique, and French Guyana. Ten percent of the population of Guadeloupe, over ten thousand people, were shot or deported, by Napoleon's troops. An attempt to restore slavery *manu militari* on the island of San Domingo (Haiti today), by Napoleon's brother-in-law, General Leclerc, failed.

8. Fouché may have been the first to have seen the advantages to official, institutional control over gaming.

called Haute Police. You, dear reader, have heard of Haute Cuisine; you have heard of Haute Couture. But this may be the first time you come across this sympathetic little expression, the Haute Police. The concept is Fouché's own. "The police is an agency that tracks down crime, and ensures that old ladies do not get themselves struck by vehicles hurtling at red lights?" Wrong! In the French tradition, the true, and central, function of the police, is a political police. Any other public-safety duties are anecdotal.

And what, pray, could the political police be up to? Might they be there to thwart foreign subversives? Might they be innocently reporting on all political meetings to their minister? Wrong again! The concept behind a political police, is terror *by other means*. The political police not only intervenes directly into others' political events, it creates events, and it even creates, dare one say it, candidates to highest office. The political police leaks privy personal information at its disposal to the press, to foreign governments, to interested third parties.

All this, and more, we owe, in its modern form, to Joseph Fouché, minister to a military dictator.

So here we have Fouché himself, installed as the Minister of the General Police. His first move, on the 22nd Brumaire (November 1799) was to purge the Paris Administration, and the Central Police Bureau. He had 37 "Jacobins" immediately deported, including a journalist, and placed 22 under house arrest. He had the leader of a so-called "Royalist" conspiracy shot. He bought newspapers, literally, with ministry funds. Sixty newspapers out of 73 were outlawed, and Fouché personally saw to it that they were closed down (January 1800). In the midst of all this, Napoleon Bonaparte had his own private, and highly unofficial, police force.

How Fouché saw his assignment is instructive:

The Paris police is, for a Republican Government, of far greater importance than it was before the Revolution . . . those who oppose the new political order, have now come to increase the number of those who oppose the social order.

And

the police, as I see it, shall be established to forestall, and prevent, offences, to contain, and check, whatever the laws have not foreseen. Its authority is *discretionary*.



*Charles-Maurice de Talleyrand-Périgord (left), Foreign Minister from 1798-1807 was Fouché's alter-ego and fellow British agent. From 1801 on, Fouché encrusted himself like a barnacle with Napoleon, surviving each successive convulsion in the French political wars.*

Eschewing, henceforth, the weapon of indiscriminate brute force, Fouché was utterly lucid about the impact that his very British, very modern, psy-war was designed to have on the politically-aware: One must, he wrote, keep the citizenry in an ever-shifting state of uncertainty. Few were exiled, still fewer killed, but one never knew who would be next, or quite why.

Bonaparte, who was wont to personally meet with Fouché to review his daily bulletins, greatly feared his own Minister of Fear, and set up a Prefect at Paris as counterweight, since he dared not do without him. According to a contemporary, Pelet de la Lozère, "Discussion with Fouché held its attractions for Napoleon, because he would report to him only matters pertaining to the political police, that which related to parties, diplomatic or intrigue, and never to the police on the streets or highways, in which neither took the slightest interest. Fouché would sign without reading everything relating to such lowly business."

From 1801 on, Fouché, who maintained throughout a tight, though in the main discreet, link with Talleyrand, encrusted himself like a barnacle with Napoleon, by orchestrating various assassination attempts on the dictator, all of which naturally failed, greatly redounding to the credit of the Minister of Police. Briefly disgraced in 1802, his Ministry dissolved into that of the Justice Ministry (a relative disgrace, since Fouché was made Senator of Aix-en-Provence, a highly lucrative position), Fouché was back in the saddle the following year, and this time, engaged, alongside Talleyrand, in one of the most blatant breaches of international law since the Peace of Westphalia.

The Duke of Enghien, a Bourbon Prince, was kidnapped

on the territory of a foreign state, Baden Wurtemberg, dragged to Paris, and executed in dead of night on March 20, 1804, the year in which Napoleon had himself crowned Emperor. The presence of both Talleyrand and Fouché at a secret parley where the murder was planned, was a signal to the world that France would no longer pay even lip-service to international law<sup>9</sup>: The Empire was to be, and it meant World War. A short week later, Fouché stood boldly before the Senate pleading for the Empire, in order that Bonaparte's "great work be brought to completion, by making it immortal." In return, Fouché's Ministry of the General Police was restored.

France had been prey to revolution, civil war, terror, repression, foreign wars, for over 15 years. There was no mood about in the nation for wars of conquest. Fouché set about creating that mood, by the application of force, using his return to the Ministry to crack down on playwrights, and on all forms of literary activity. All printed books were reviewed at the Justice Ministry, before they could be put out on sale.

Fouché thoroughly reorganized his ministerial fief. He had three state counsellors appointed to the Ministry, each responsible for one district (*arrondissement*). The first *arrondissement* was Northern and Western France, the second, the South, the third, Paris. In 1809 a fourth was added, *viz.*, those parts of Italy under French dominion. Increasingly, as the frontiers of France spread eastward, the activities of the police became entwined with those of military intelligence, and diplomacy.

A singular trait of the Age of Fouché, is the rise of what the French call, "the Administration." It had readily become clear to educated Frenchmen, that political activity would not be tolerated by the Life Consul, soon to be Emperor. Ambitious men accordingly flocked to become civil servants, where they expected to serve, not the public, but private particularist interests, and thereby enrich themselves at the expense of the nations that Napoleon crushed. Other scions of the bourgeoisie sought a "politically-correct" outlet for their stunted energies in *outré* focus on bodily pleasures, notably greedy feeding, of which Brillat-Savarin's *The Physiology of Taste* is a remarkable, and reliable, testimony.<sup>10</sup>

In 1808, Napoleon, advised by his Mephistopheles, Talleyrand, invaded Spain. Whilst the Emperor waged what one might today call "preventive" war on the Spaniards,<sup>11</sup> Fouché and Talleyrand "brought together," as Prince Metternich curiously put it, "by circumstances independent of their own voli-

tion," met to discuss how, and by whom, the Emperor should be replaced. The Austrians were to attack once the French Army collapsed in Spain. When Napoleon returned, he threw out Talleyrand, who promptly went over to the Austrians. Fouché, however, had the files. He intended to remain in place, and thus did not shrink from a little blackmail. In his bulletin dated March 13, 1809, Fouché wrote to Napoleon:

It is bruited about by intrigants that the Minister of the Police [Fouché himself] did burn many documents, since the Emperor's return [from Spain]. The Minister does indeed order the burning of many documents a week . . . there would otherwise be clutter and confusion. . . . Everything that relates the history of things, and individuals, is carefully kept. In that respect, no Ministry is kept in better order. But the . . . lies of every kind raised against the most honest of our citizens, and often, against members of the Imperial family, all such documents, once they have been reviewed, are put before the Minister, who has them destroyed.

### A Plan To Reconquer the United States

As the Emperor left for the Austrian front in June 1809, Fouché became interim Minister of the Interior as well, holding sway over the Prefects, and thus, over the economy. His first move was to grant licences to trade with England, despite



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9. In 1806, Fouché's men kidnapped at Hamburg the British Ambassador, and seized his papers.

10. While the wealthy flitted about in garments so transparent, for women, and so close-fitting, for men, that they would be frowned on even by theatrical artists today. Balzac has reported on this amusingly, in his "Physiology of Marriage."

11. The reader is referred to Francisco Goya's "Disasters of War" to appreciate the exquisitely tactful behavior of Napoleon's troops in Spain

the blockade that Napoleon had instituted. He then began to raise a National Guard in four provinces, and 30,000 men in Paris, commanded by acolytes of the exiled Talleyrand, including a known British middleman, one Montrond. Rumor had it, that Fouché had begun his maneuvers, aided by the British, to bring Prince Bernadotte to power.

Although Napoleon must have got wind of the Bernadotte maneuver, he authorized Fouché to negotiate with the British through a relative of the Barings, a Dutch financier named Labouchère. Baring (whom Fouché knew through a long-standing contact, the banker and intelligence operative Gabriel Julien Ouvrard [1770-1846]), was to deal with the British Cabinet. Fouché however, went well beyond the instructions given him by Napoleon: He put to Lord Wellesley, in 1810, a plan the details of which had been worked out by Ouvrard: *The French would help England reconquer the United States, and for one year, all the French Empire's ports would be open to English trade.*

No sooner had Bonaparte learnt of Fouché's *ultra vires* diplomacy, that he had Ouvrard arrested, and ejected Fouché from his ministries, but, fearing retaliation from the latter's allies, yet appointed him Governor of the Papal States. Before Fouché left for Italy, he *removed from the Ministry every scrap of paper of the remotest interest, and burned the rest.* His successor, Savary, found the cupboard bare.

Very briefly, Fouché fled Bonaparte's anger abroad, though his precise movements remain unclear to this day. It is said that he had intended to go to Naples, to meet there with Murat, the "King" placed by his brother-in-law Napoleon on that throne. Why? It would seem that through Murat's wife, Caroline Bonaparte, who had been at one time Prince Metternich's mistress, communications with that Prince were unfettered.

The year 1810 was, in any event, an upbeat one for any Frenchmen not enmeshed in one of Napoleon's foreign wars of aggression. As France annexed Rome and Holland, a new domestic Criminal Code came into force, instituting 30 capital offences, and other measures of a notoriously repressive character. The words "Liberty, Equality, Fraternity" were rubbed off public buildings, while police censorship of the press was greatly intensified.

Fouché appears to have put the years of his "disgrace" (1810-13) to good effect, as Prince Metternich and the Duke of Wellington gathered forces and moved to extinguish Napoleon.

Instrument of his own downfall, Napoleon Bonaparte, in 1813, appointed Fouché Governor of Illyria, an imperial province that covered roughly the territory of present-day Croatia. No better position could have been wished, from Fouché's standpoint, for dealings with the Austrians, to whom, a few short weeks later, that province fell. Fouché thereupon removed to Italy, where Bonaparte again issued to him unwise orders: to go to Naples, and there to act virtually as viceroy of the Italian peninsula, while Murat, King of Naples,



*After the abdication of Napoleon, Louis XVIII became King of France, and named Fouché as Secretary of State to the Ministry of Police, from which post the latter carried out the White Terror—a new orgy of bloodletting.*

Fouché's ally, was deep in turn-coat negotiations both with Lord Bentinck, and with the Austrians.

Chaptal, a former Minister, reports in his Memoirs that Fouché acknowledged to him at the time that he was in contact with Prince Metternich, and had decided to throw his weight behind General Bernadotte, a replacement for Bonaparte whom he believed might prove agreeable to the British and the Austrians.

Between 1813 and 1815, as Bonaparte's Thousand-Year Reich collapsed, and France lost something like half a million men in foreign wars, Fouché was the still, steady center of foreign intelligence in Paris. There was some sort of division of labor—Talleyrand more closely connected to the British; Fouché, to the Austrians. By 1815, Fouché had become so bold as to meet in Paris with Metternich's emissaries "by light of day."<sup>12</sup>

### **Wellington, Talleyrand, Fouché**

When Napoleon abdicated, it was to Fouché that he handed over the Act of Abdication. That Act stated that Napoleon's son, the so-called "King of Rome," was to reign in his

12. Cf. the "Eskeles Bank" affair, where Baron Ottenfels, Metternich's private secretary, had sent the clerk of the Bank to Paris with missives for Fouché.

stead. Fouché sped, Act in hand, to Parliament, where he read out a speech quite disregarding the existence of the little King. He rather proposed that a five-man commission be appointed to “negotiate” with the Allies, although those negotiations should, in point of fact, have been conducted by Parliament. Lazare Carnot, who lacked Fouché’s “international support,” was elected to the Commission, and promptly outmaneuvered.

The Duke of Wellington, Prince Talleyrand, and Fouché had long since agreed to bring a British puppet, Louis XVIII, to power. They met at Neuilly in July 1815, to decide what should become of France. Talleyrand proposed that an amnesty be proclaimed of all charges (treason, and so forth) raised against Fouché, and that he be reinstated as Minister of Police. In the chaos of Napoleon’s fall, Fouché thus got leave from Metternich and Wellington directly, to sweep away anyone associated with Lazare Carnot, and to thwart all attempts to institute a Republic. The Commission led by Carnot was dissolved that same July, a date that marks the last breath of Carnot’s political life in France.

Louis XVIII signed the order appointing Fouché Secretary of State to the Ministry of Police; and the ubiquitous Prince Talleyrand was made the new King’s Minister of Foreign Affairs, as well as President of the Council of Ministers, which met in Talleyrand’s private residence. Fouché’s first move was to issue to the Prefects a Circular calling upon them to intensify political repression: “The time has come to sacrifice Opinion, on the altar of the Public Weal.”

How ready Fouché was to set the example, and sacrifice Frenchmen himself, is shown by his interesting behavior during what is known as the White Terror. This refers to yet another episode of extreme violence, this time intended by Louis XVIII, during which anyone who had helped Bonaparte return to power during the One Hundred Days was hounded down, exiled, or executed. Fouché, who was, with Talleyrand, Bonaparte’s longest-serving Minister, drew up the list of suspects, and signed them himself. Although apologists of Empire, like the contemporary historian Jean Tulard, would contend that Fouché attempted to water down Louis XVIII’s vengeful zeal, the exile of Fouché’s bitterest enemy, Lazare Carnot, *inter alia*, can scarcely have been a slip of the pen.

The White Terror was Fouché’s final gift to the nation. Pricked by the people’s keen hostility, Louis XVIII could not keep on both Talleyrand and Fouché, lest his own head come off. He eschewed Wellington’s advice, and probably that of Castlereagh and Metternich as well, and decided, by Sept. 15, 1815, to pack Fouché off as Ambassador to Dresden. In January 1816, Louis went further, and had a sentence of exile pronounced against Fouché, *in absentia*.

Fouché died at Trieste in 1820, having declined to be harbored by his allies in England, Holland, and Austria. His last act was to order his private papers burnt.

That Fouché acted throughout his career, as a conscious

agent of foreign powers, is undoubted. What cannot but astonish, under the circumstances, is how certain Frenchmen will spring to his defense to this day. Witness the following extraordinary passage from Jean Tulard’s 1995 *Joseph Fouché*:

the imperial police’s reputation is not of the best. Some would have it to be a forerunner of that of the 20th Century’s totalitarian governments, and they would have us believe that Fouché was an early Himmler, an early Beria, an early founder of a Gestapo, an NKVD. How unfair a judgment! There is no such line of descent: [Under Fouché] there were no concentration camps, no deportation, no genocide planned under Napoleon. The scale of repression was simply not the same. What is more, Fouché was far cleverer than Himmler, far less cynical, less of a roué than Beria. . . . Himmler too, after Hitler’s death, thought to negotiate with the Allies. But comparisons stop there.<sup>13</sup>

13. Cf. Friedrich Schiller, fragment of a play, *The Paris Police*, he was working on at the time of his death in 1805, as well as *The Ghost-Seer*.

## For Further Reading

*Helga Zepp-LaRouche’s speech to the conference of the Schiller Institute and International Caucus of Labor Committees on Feb. 15, 2004, which deals with Joseph de Maistre and other Synarchist “beast-men,” will be published in a forthcoming issue of EIR. Other important articles from our archives include:*

Pierre Beaudry, “Jean Sylvain Bailly: The French Revolution’s Benjamin Franklin,” *EIR*, Jan. 26, 2001.

—, “Why France Did Not Have an American Revolution,” *EIR*, Jan. 18, 2002.

Anton Chaitkin, “Synarchy Against America,” *EIR*, Sept. 5, 2003.

Jacques Cheminade, “Time to Destroy the Mythology of Bonapartism,” Oct. 17, 1996.

Lyndon H. LaRouche, Jr., “How France’s Greatest Military Hero Became a Prussian Lieutenant-General,” Oct. 2, 1998. (On Carnot.)

Dino de Paoli, “Lazare Carnot’s Grand Strategy for Political Victory,” *EIR*, Sept. 20, 1996.

Jeffrey Steinberg, “Synarchism: The Fascist Roots of the Wolfowitz Cabal,” *EIR*, May 30, 2003.

Helga Zepp-LaRouche, “Empires Always Destroy Themselves,” *EIR*, Sept. 22, 2000. (On Napoleon.)

## LaRouche in Kentucky, Oregon: Primary Campaign's Not Over

by Nancy Spannaus

“People think the primary campaign is over. It’s not over. It’s not even close to ending. Because the issues which are going to decide what happens in the election are not decided, and Kerry has not decided what his program is. So, what’s going to happen is, the explosion of an international financial crisis is going to change the agenda, during the coming months, between now and the Convention in Boston this July. What will come on the agenda, is the fact that we have to go back to an FDR-type policy, to get out of what is going to be the biggest depression in anyone’s memory. This would mean that there’ll be a fight in the Democratic Party—which is already ongoing—and I am part of that fight.”

With this statement at a March 9 press conference in Frankfort, Kentucky, Democratic Presidential candidate Lyndon LaRouche sought to cut through the sports-arena atmosphere which lingers in the perception of the Presidential campaign. He identified the key issues which must be addressed. “It’s a fight between people, including Bob Rubin—who I generally am sympathetic to, although I have my own views—opposed to Felix Rohatyn’s policy, and Rohatyn, an associate of Lazard Frères, one of the kingmakers behind the scenes in the Democratic Party today. . . . If Felix Rohatyn controls Kerry’s election, Kerry will be an office boy for the bankers during the middle of a depression. The issue is to fight that out. I think Kerry personally is a man of good qualities, and courageous, but he’s ignorant of economics. My job is, among other things, to replace him—that would be the best option, because I know how to make the decisions—but the other option is to educate him, and therefore I’m running for those two purposes.”

LaRouche’s pursuit of this job has taken him to a wide variety of audiences in recent weeks, ranging from the Geor-

gia Association of Local Elected officials, to the Senate Democratic Caucus in Kentucky, and the Mock Political National Convention which is put on every four years in Portland, Oregon, by Portland State University and the Beaverton School District. Flanked by his Youth Movement, which is on a determined recruitment drive leading into the July Democratic National Convention in Boston, the only FDR Democrat in the race is seeking to provoke the dialogue required to rebuild the party, and save the nation.

### **Mobilizing the Youth**

LaRouche was the only Presidential candidate to personally address the Portland Mock Convention, a gathering of several thousand high school youth who engage in the kind of historical discussion, politicking, and give-and-take which used to characterize Presidential politics. The students, who come from Oregon, take on roles as representing different states of the union, and form caucuses, give speeches, and vote on the candidate.

From the start of the Convention on March 10, the environment was shaped by the intervention of a contingent of the LaRouche Youth Movement, largely coming from Washington State. Approximately 35 youth from the ages of 18-25 set up tables, distributed literature, put up pedagogical displays and showings of LaRouche’s speeches, posted signs, and provoked intensive discussion with the high school youth. By the end of the first day, numbers of convention delegates indicated that they wanted to set up a LaRouche caucus, and began to organize this effort.

It didn’t take long for LaRouche’s enemies to respond. Numerous teachers and other Baby Boomers “counseled” the high school youth that LaRouche was not a “real” candidate,

and instigated both the circulation of the slanders of pro-drug author and professional LaRouche slanderer Dennis King, and the ripping down of LaRouche for President posters. Essentially, what they accomplished was to heat up the political atmosphere, all of which must have served to build up interest in the speech that LaRouche himself was scheduled to give, on the evening of March 11.

LaRouche spoke immediately after the Governor of Oregon, and was introduced by a student posing as a “New Mexico” delegate, who presented the candidate as “the foremost economist of our time.” Approximately 1,000 youth delegates were present with some members of the public in the bleachers of the Portland Memorial Stadium, where the event was being held. During his 20 minute address, LaRouche identified the two major issues of the election campaign: how to stop the unconstitutional war launched against Iraq; and how to solve the financial crisis which is leading into depression collapse and breakdown. The Democratic Party must take up these issues, LaRouche said, and he is the only candidate with the competence to carry out the policies.

Several times during his address—in which he attacked NAFTA and globalization, and called for adoption of Classical educational policies, as opposed to the test-taking mania currently dominating “education”—the student audience broke out in applause. But the best response came from LaRouche’s direct appeal to the youth on their responsibility for bringing the world out of the current crisis.

How are we going to get a future for you? LaRouche asked them. Your parents, and the Baby Boom generation in general, have left you no future, so you have to act to secure one for yourselves. If you work with me, you can mobilize your parents to fight to change the nation’s economic policy, and save the country.

The LaRouche Youth organizers reported a largely positive response to the candidate’s address, with numerous youth indicating that they had never encountered such a direct and truthful challenge, both as to the real situation they face, and to their responsibility and ability to change it.

### **Addressing the Legislators**

LaRouche’s address to Kentucky’s Democratic Senatorial Caucus on March 8 was the flip side of his appeal to the youth. During an intense hour-and-a-half discussion, in which event sponsor State Sen. Joey Pendleton commented many of his colleagues were the most concentrated he had seen them in years, LaRouche challenged a number of State Senators and statewide labor leaders to deal with the problems that have led to their decline. (Ironically, the evidence of that decline was occurring as they spoke, with the legislature being convened to pass the latest budget cuts dictated by the predominant, incompetent response to the bankruptcy of the U.S. economy.)

The meetings with legislators and labor officials featured some of the most intense and provocative exchanges of

LaRouche’s campaign thus far. Many reacted with insightful shock at LaRouche’s straightforward identification of the core problem in the outlook of the Baby Boom generation. After he sketched out the cultural downshift of the country following the introduction of the rock-drug-sex counterculture, with all of its wild side-effects, one Senator blurted out, “I hate to admit it, but there are some of us here that are guilty of that behavior.”

There was a long give-and-take on the manifestation, in the economic crisis, of the effects of that cultural shift. LaRouche developed the horrible results of NAFTA, outsourcing, and the consequent massive budget shortfalls. The labor officials present, including the state presidents of the AFL-CIO and the American Federation of Teachers, wanted to know what LaRouche would do, and he discussed how the next President must be prepared to bankrupt both the Federal Reserve System, and the International Monetary Fund financial institutions, and return to a policy of re-regulation and job creation at home. LaRouche challenged the labor leaders on the need to build a mass movement in a time of crisis, comparing the current disaster to the postwar period when the labor movement—a youth movement of returning veterans—fought to achieve a higher standard of living for the nation.

Perhaps the hottest exchanges occurred on the twin ideas of the bankruptcy of the Democratic Party, and the need to recruit youth members to the party and the political movement. All the participants complained that the Democratic Party’s active organization was falling apart, and lamented the lack of younger members. LaRouche reviewed the shift in the party away from the ideals and organizing of Franklin Roosevelt around the theme of the “Forgotten Man,” and the turn of the last 20-odd years—by today’s Terry McAuliffe grouping and their predecessors—toward courting the white suburban vote.

Senator Pendleton asked LaRouche to describe how he had recruited the LaRouche Youth Movement over the past several years: “When I attend your conferences, there are 500, 600 young people there. . . . It’s great. . . . Tell these men how you do it.”

LaRouche responded that “we have become a society of lies, yet we are still a Christian society where some of us believe that Man is in the image of the Creator and capable of truth. The Youth Movement that I created was around that principle, of truth, and especially the breakthroughs typified by Carl Gauss’s 1799 attack on empiricism, his so-called Fundamental Theorem of Algebra. . . . [S]o the youth, in working through this and other similar ideas, come to discover what is true themselves, and no one can take this from them, and they develop a different conception of themselves in the process.”

LaRouche challenged the legislators to join this exciting process of recruiting young people and, in so doing, compel themselves, the Baby Boomers, to give up their fantasies and rejoin the fight to save civilization, even at this dark hour.

# DeLay Getting Desperate As Scandal Waters Rise

by Anton Chaitkin

Pressed by multiplying criminal investigations of his fundraising agents, and embarrassed by the wide circulation of a dossier on his mental life while under the control of religious psychopaths at “The Fellowship,” House Majority Leader Tom DeLay is flailing about for support to save his power. On March 10, DeLay presented, to a closed-door meeting of House Republicans, a new would-be agenda for the country, called wistfully, “Conservative Blueprint of Success.” His appeal got mixed reviews, according to a report by his political friends.

In December and January, the LaRouche in 2004 campaign brought out hundreds of thousands of the pamphlet, *Children of Satan II: The Beast-Men*—with its account of DeLay’s drunken fall and zombie rebirth—to all Washington, D.C. neighborhoods, and to Congressional and other government offices. The pamphlet pinpointed the role of Congressman Frank Wolf (R-Va.) in guiding DeLay into the Hitler-emulating Jesus cult called “The Family” or “Fellowship Foundation.” Stung, Wolf, in late February, tried to separate himself from DeLay by calling for FBI and Justice Department investigations of Jack Abramoff, DeLay’s chief lobbying/fundraising coordinator. Abramoff is accused of extracting huge payments from Indian tribes in exchange for promised or implied protection of their casinos by DeLay. The FBI was already probing related Indian-tribe lobbying activities. Under the heat of the national publicity, Abramoff resigned from the Miami-based law firm Greenberg, Traurig, for which he was chief Washington lobbyist.

Wolf and Sen. John McCain (R-Ariz.) also called for a Congressional investigation. They do not explicitly name DeLay, but Abramoff has been DeLay’s main manager for relations with money and power, ever since the two men created Americans for a Republican Majority (ARMPAC), using Enron funds, in 1994.

## The Texas Case, and the Houston Mistake

Meanwhile in DeLay’s home state, Travis County (Austin) District Attorney Ronald Earle is investigating the illegal use of corporate donations, through ARMPAC’s spinoffs, Texans for a Republican Majority (TRMPAC) and Texas Association of Business (TAB), to grab control of the Texas legislature in the 2002 elections. The scheme allowed DeLay to redraw the Texas Congressional districts, so as to increase the hold of Republicans, and of DeLay personally, over the U.S. House of Representatives. One of the contributors to

DeLay’s Texas legislature caper was the Mississippi Band of Choctaw Indians, who have also paid Abramoff \$10 million in fees; legislation delivered by DeLay exempted their casinos from Federal scrutiny. Indictments are expected soon in the TRMPAC/TAB case. DeLay’s own daughter Danielle Ferro, who received over \$20,000 from TRMPAC to fundraise for state legislature candidates, testified to a grand jury, in answer to D.A. Earle’s subpoena. Tom Craddick, whom DeLay’s TRMPAC/TAB operatives made Speaker of the Texas House of Representatives in the 2002 scheme, is himself facing a dragnet of subpoenas from the prosecution.

DeLay also seems to have organized the illegal covert funding of a campaign against a November 2003 Houston urban transit funding referendum. This may prove to have been a big political, and legal, mistake. “Texans for True Mobility”—Republicans led by DeLay—spent around \$2 million in a failed attempt to defeat the light-rail proposal. The group set up a tax-exempt funding mechanism, for “educational” purposes, which allowed them to conceal their donors. But tax-exempt units are not allowed to fund political campaigns. Civil suits have been filed, with the potential for triple damages against illegal donors. Attorney Andy Taylor set the tax-exempt unit up, and also created the Texas Association of Business, an arm of DeLay’s ARMPAC/TRMPAC.

All these were DeLay’s personal projects. In both the TRMPAC/TAB case and the Houston referendum affair, the burning question is whether he personally will face criminal prosecution. DeLay is vulnerable in Houston because his anti-transit actions were widely resented. Besides trying to stop the bond funding for light rail, he used his Congressional clout to block the use of Federal funds for Houston’s program, and the available funds were redirected to other cities. DeLay represents a wealthy suburb of Houston, not the city itself.

Encouraged, Congressional Democrats are using DeLay as a foil in their 2004 electoral strategy. In the past, Democratic leaders have apparently so feared DeLay that they repeatedly refused even to support the Democratic nominees opposing him for his seat. But Minority Leader Nancy Pelosi (D-Calif.) told a leadership luncheon in early March, that DeLay’s extremism would be the topic of a broad array of Democratic campaigns. The Democratic Congressional Campaign Committee has proudly unveiled Cockroach Corner website, satirizing DeLay, the former pest-control man.

In the March 10 Republican closed-door session, DeLay reportedly spoke of increasing Homeland Security, doubling the size of the economy (by extending tax cuts for wealthy donor-lobbyists), and “Protecting The Family.” His Religious Right loyalists in the House applauded, but the *Washington Times* pointed to skepticism and grumbling in the conservative ranks: “Some members weren’t thrilled with the speech. ‘It was vague; there wasn’t much there,’ said one Republican, who asked to remain anonymous. . . . Many conservatives were bitterly disappointed that House leadership and President Bush” have not dealt with a growing fiscal disaster.



# Investigations Rip the Cheney-Pentagon Axis of Liars Behind Unending Iraq War

by Michele Steinberg

The Justice Department on March 11 opened up an investigation of Vice President Dick Cheney's former company, Halliburton, following a months-long Department of Defense probe into Halliburton's overcharging about \$61 million for gasoline the company supplied to the U.S. occupation in Iraq. The new investigation, which was referred to Justice by the Pentagon, will look into whether Halliburton violated the Federal False Claims Act, under which Halliburton could be forced to pay back up to three times the amount of fraud, reported the *Wall St. Journal* on March 11. There could also be criminal charges.

At the same time, on March 9, testimony elicited from CIA Director George Tenet during hearings of the Senate Armed Services Committee, confirmed that a unit of the Pentagon, the Office of Special Plans (OSP), and the related Policy Counter-terrorism Evaluations Group created and run by the neo-conservative cabal that reports to Cheney's office, gave secret briefings to the Office of the Vice President, and to the National Security Council, pumping up reports of links between al-Qaeda and Saddam Hussein, in order to justify the invasion of Iraq.

Given Cheney's close ties to Halliburton, it cannot be ruled out that an independent counsel will have to be appointed to look into possible criminal activities by the Texas oil firm. Cheney earned \$44 million during his five-year tenure at Halliburton; he still receives deferred salary payments, and holds options on 440,000 shares of Halliburton stock, whose price has skyrocketed since the Iraq war began in March 2003.

If that war—which has taken the lives of more than 550 U.S. soldiers, more than 15,000 Iraqis, especially civilians, and hundreds of forces of America's occupation allies—has been horrible for the United States and devastating for the entire Middle East, it has been a life-saving windfall for Halliburton, which won up to \$18 billion in contracts for Iraq reconstruction and security, most of them no-bid contracts.

And that is precisely why an independent counsel is not out of the question. It would be the second time an independent counsel was appointed since the Iraq war, and it may not be the last. The first, ongoing probe led by an independent counsel is looking into the leaking of the identity of a covert

CIA agent, Valerie Plame, to reporters. The leak was believed to be in retaliation for the role of her husband, former Ambassador Joseph Wilson, in discrediting the report that Iraq was purchasing uranium from Niger in order to build nuclear weapons. Cheney's chief of staff and national security advisor, I. Lewis "Scooter" Libby, has been questioned about his role in the leak.

## Cheney's Web Unravelling?

Halliburton's profiteering is just one facet of a much larger picture of Dick Cheney's web of deceit and corruption, which emerged the week of March 8 at two major Congressional hearings: the Senate Armed Service Committee's questioning of Tenet, when he appeared to present an assessment of the world terrorist threat; and the special hearing by the Republican-controlled House Government Reform Committee on March 11, which centered on Halliburton's overcharging and price-gouging.

As the Congress was investigating, several shakeups at the Pentagon occurred, suggesting that Cheney's web is unravelling. These include:

- The pending resignation of DoD Comptroller Dov Zakheim was reported on March 11, just hours before he testified to the Halliburton hearings. Zakheim has been an intimate of the Paul Wolfowitz Iraq war cabal at the Pentagon, after having been recruited by Wolfowitz to join the team of "Vulcans" led by war-crazy Straussians Wolfowitz and Richard Perle, the former chairman of the Defense Policy Board. The Vulcans "trained" candidate George W. Bush in 2000, especially on the Iraq war strategy. Fellow Vulcan Perle quit the Defense Policy Board on Feb. 18.

- The cancellation of a \$327 million contract for security and support services in Iraq, that had been awarded to Nour USA and Eriny's Iraq, companies which are linked to Ahmad Chalabi, leader of Iraqi National Congress (INC), and protégé of Wolfowitz and Perle. The contract was suspended by the U.S. Army several weeks ago, when it was revealed that INC associates of Chalabi, a convicted criminal who embezzled \$70 million from his own Petra Bank in Amman, Jordan in 1992, had been fabricating intelligence through INC-controlled "defectors" about alleged Iraqi WMD. Sources in the Washington intelligence community told *EIR* that the INC

“system” involved deliberate seeding of the defectors’ reports with known, verified information, such as serial numbers on Iraqi stockpiles of armaments, so that the reports would appear authentic. Reports in *Newsday* of New York, in February, said that Chalabi received \$2 million in payment for facilitating the contract to Nour USA and Erinys Iraq.

- Rep. Henry Waxman released new information from the Defense Contract Audit Agency (DCAA) and the General Accounting Office (GAO) on March 10, which revealed “systemic” problems in giving the Iraq contracts to Halliburton. At the House hearings, Waxman called the findings by the DCAA “a scathing indictment of Halliburton,” and declared that this “price-gouging and profiteering is serious and should never be tolerated.” Committee chairman Tom Davis (Va.), a staunch Republican, was under so much pressure that he was forced to repeatedly mention the Vice President in connection with Halliburton.

- Senate investigators from the Intelligence Committee were scheduled on March 11 to question Michael Malouf, a member of the Wolfowitz/Feith-created Counter-Terrorism Evaluations Group (CTEG), which was behind the creation of the trumped-up al-Qaeda/Iraq report. Malouf’s partner in the two-man unit was David Wurmser, who now holds a post on Cheney’s rump “National Security Council” in the OSP.

## Tenet’s Interrogation

On March 9, for the first time since their capitulation to the imperial war policy in October 2002, leading Senate Democrats used the occasion of Tenet’s annual appearance before the Senate Armed Services Committee to launch a coordinated assault against Vice President Cheney, for going outside official channels to create his own rogue intelligence pipeline, which played a pivotal role in disinforming the Congress and the public before the Iraq war.

Facing intense questioning by Democratic Senators Carl Levin (Mich.), Ted Kennedy (Mass.), Mark Pryor (Ark.), Bill Nelson (Fla.), and Jack Reed (R.I.), Director of Central Intelligence Tenet admitted that Cheney had peddled intelligence on Iraq’s alleged nuclear weapons program, its links to al-Qaeda, and allegations that Iraq had mobile bio-weapons labs in trailers and unmanned aerial vehicles capable of releasing biological and chemical weapons. All of that was false or unproven, according to the combined assessments of the intelligence community.

Even more damning was the revelation about Feith’s briefings to the OSP and NSC in August-September 2002 on Saddam Hussein’s alleged ties to al-Qaeda. Tenet admitted, under questioning, that he found out about the Feith briefing to top White House policymakers only “last week.”

Since June 2003, when he gave a hastily called press conference about the OSP, Feith had claimed—with typical neocon arrogance—that the unit never briefed policymakers. Feith is now caught in the trap of his own coverup efforts. In fact, Feith’s secret briefing only came to light because of

the five-month effort by Senator Levin to get answers to his questions about the OSP. Then, at the March 9 hearing, Sen. John Warner (R-Va.), the Senate committee chairman, released a copy of a letter from Feith in which he admitted that he had conducted the briefings, bypassing the CIA and other official intelligence agencies. The briefing itself, according to a *Los Angeles Times* account, consisted of a slide presentation of so-called “intelligence” about Iraqi links to Osama bin Laden; it featured attacks on the CIA, for failing to tout the supposed Baghdad links to the 9/11 terrorists.

The Senate revelations filled out an already damning picture of Cheney as the head of a rogue disinformation effort. William Luti, a retired Navy Captain who was in Cheney’s office at the start of the Bush 43 Administration, was sent over to the Defense Department as head of the Near East and South Asia policy planning shop, where he created the Office of Special Plans as a war propaganda unit. Luti ostensibly reported to Feith, but, according to former NESA staffers, boasted that he was really working for “Scooter,” referring to Cheney’s chief of staff.

To make sure that Cheney cannot easily dodge the revelations, Levin released his Feb. 12 letter to the Vice President, in which he demanded that Cheney provide the intelligence on which he based his claim that Iraq was close to having a nuclear bomb. He also demanded that the Vice President explain why he cited the *Weekly Standard*’s publication of a leaked Doug Feith memo to the Senate Intelligence Committee, as proof that links existed between Saddam Hussein and al-Qaeda.

That memo and has been denounced by intelligence community professionals as a collection of raw leads and disinformation. Tenet, too, concurred that the information about Iraq/al-Qaeda links in the Feith letter is not trustworthy; but then claimed he knew nothing about Cheney ever quoting the leaked classified memo. The Senators made clear that his claim that he is out of touch with what the Vice President—a key policymaker—says, is not to be tolerated. Levin and Kennedy pressed Tenet to explain *why* he had never corrected the “super-heated rhetoric,” such as the “mushroom cloud” specter used by Bush, Cheney, and National Security Advisor Condoleezza Rice.

As more revelations surface about Cheney, he becomes a liability for Bush’s re-election campaign. The March 5 edition of Coleman/Bartlett’s *Washington Focus*, a political insiders’ newsletter, reports that many prominent Republicans, for the first time in their lives, are planning to vote for a Democratic Presidential candidate.

Author Charles Bartlett, a onetime close friend of President Kennedy, writes that one of the leading “political vulnerabilities” for the Administration is Halliburton’s “plush rewards” in the Iraq contracts. He adds that if Cheney’s other “judgments” are “as bad as the Halliburton record suggests, Bush will be sadly mistaken to run with him a second time.”

# Debates Rage in Congress On HAVA Computer Vote Act

by Edward Spannaus

*EIR* has obtained two “Dear Colleague” letters, now circulating in Congress, on the subject of whether or not to amend the 2002 Help America Vote Act (HAVA), to require the printing of a paper record, which would allow an election to be audited and ballots to be recounted. The first, opposing any effort to amend HAVA, is being circulated by its original sponsors. The second is being circulated by some of the many sponsors of a bill which would require a “voter-verified paper trail.”

*EIR* believes that computerized voting must be *banned altogether* on an emergency basis, and that the November election must be conducted entirely with paper ballots, as the best means of preventing vote fraud and the theft of the 2004 elections. (A fuller explication of the fraud of HAVA and the need for its banning can be found in *EIR*, Feb. 27 and March 12, 2004.)

Nevertheless, we believe that the Congressional exchange of letters (excerpted here) is useful in illustrating how defensive the original sponsors of HAVA have become, in the face of growing public and Congressional opposition to touch-screen voting.

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## HAVA Sponsors

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**March 3, 2004**

**Dear Colleague:**

As the principal authors of the Help America Vote Act (Public Law 107-252) (HAVA), signed into law by President Bush on October 29, 2002, we feel compelled to express our concerns about recent legislative efforts that promise enhanced electronic voting system security. Various proposals have been introduced in the House and Senate, but a common feature of these bills is they would amend HAVA to require that all voting systems, including electronic and computer-based systems, produce or accommodate a “voter verified paper record.” Not only are such proposals premature, but they would undermine essential HAVA provisions, such as the disability and language minority access requirements, and

could result in more, rather than less, voter disenfranchisement and error.

We are certainly aware of the alleged concerns that have been raised in recent months regarding security issues associated with computer-based voting systems and technologies, especially Direct Recording Electronic (DRE) voting systems. These concerns are neither new nor unanticipated by HAVA. To address security-related issues, HAVA creates a Technical Guidelines Development Committee, chaired by the Director of the National Institute of Standards and Technology (NIST), to assist the new Election Assistance Commission (EAC) in developing guidelines and standards to ensure the reliability of the computer technologies being employed in voting systems. These standards will focus not only on the security of computer and network hardware and software and data storage, but also on the detection and prevention of fraud and the protection of voter privacy. Additionally, HAVA provides that the testing and certification of voting system hardware and software must take place in accredited laboratories. NIST initiated this process with a two-day public conference this past December, 2003.

The goal of HAVA is to ensure that every eligible American has an equal opportunity to cast a vote and have that vote counted. HAVA does not mandate the use of DRE systems. It does require, however, that voting systems be enhanced to avoid the errors and accessibility problems associated with antiquated systems, such as punch cards. Computer-based voting systems have a demonstrated track record of achieving this goal, particularly for persons with disabilities. While there are risks associated with any technology, the solution is not to rush to judgment by returning to flawed systems. Rather, the answer is to allow the Commission, together with the active input of election officials, computer experts, and civil rights groups representing voter interests, to develop standards for ensuring the security of all voting systems, as required under HAVA.

The proposals mandating a voter-verified paper record would essentially take the most advanced generations of election technologies and systems available and reduce them



*Brave new world of HAVA: elections by computer without valid record or recount. Congressional critics of the Act, which again resulted in corrupted election results on March 9, in California, are still not aiming to repeal it, as is needed to save constitutional elections.*

to little more than ballot printers. While such an approach may be one way to address DRE security issues, it would, if adopted, likely give rise to numerous adverse unintended consequences. Most importantly, the proposals requiring a voter-verified paper record would force voters with disabilities to go back to using ballots that provide neither privacy nor independence, thereby subverting a hallmark of the HAVA legislation. There must be voter confidence in the accuracy of an electronic tally. However, the current proposals would do nothing to ensure greater trust in vote tabulations but would be guaranteed to impose steep costs on States and localities and introduce new complications into the voting process.

Questions regarding voting systems' security, as well as many others, need to be examined by the entity responsible for doing so under existing law, the Election Assistance Commission, before Congress begins imposing new requirements, just months before the 2004 Presidential and Congressional elections, that have not been fully considered. The security of voting technology is a non-partisan issue. We encourage you to allow HAVA to be implemented as enacted and provide those who are charged with ensuring the security of voting systems the time and flexibility needed to get the job done effectively.

**Sincerely,**  
**Representative Robert W. Ney (R-Ohio)**  
**Representative Steny Hoyer (D-Md.)**  
**Senator Mitch McConnell (R-Ky.)**  
**Senator Christopher J. Dodd (D-Conn.)**

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## HAVA Critics

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**March 9, 2004**

**A vote count with integrity—before it's too late.**

**Dear Colleague:**

Recently, a letter circulated by Representatives Robert Ney and Steny Hoyer, and Senators Mitch McConnell and Chris Dodd, argued that legislation to amend the Help America Vote Act of 2003 (HAVA) to require a voter verified paper trail is "premature" and could be detrimental. It is understandable that the authors of the Help America Vote Act would be sensitive to amending that legislation. We supported it, and we still support it. But we do not support the suggestion that Congress should continue to sit by as an election after election is conducted with no meaningful way to audit the results.

The Voter Confidence and Increased Accessibility Act (H.R. 2239 and S. 1980) has bipartisan support and more than 120 bipartisan cosponsors. Seventy organizations have endorsed the companion bills, including chapters of political parties from one end of the political spectrum to the other. Dozens of newspapers from across the country have editorialized in their favor. In addition to S. 1980, two other bills on the subject are pending in the Senate. The breadth and depth of support for H.R. 2239 and S. 1980 are due to their promise to restore confidence and accountability to our elections. Without an independent, voter-verified paper trail, we will be able only to guess whether votes are accurately counted.

HAVA's authors have suggested that we are advocating "a return to flawed systems." This is not the case. The Voter

Confidence and Increased Accessibility Act requires paper ballot systems in November 2004 only in the jurisdictions whose electronic equipment is not yet capable of producing a voter verifiable paper record. More importantly, paper ballot systems are not “flawed.” A 2001 Caltech/MIT study found paper ballot systems have lower error rates than all other voting methods, including direct recording electronic (DRE) machines. By 2006, all jurisdictions would be required to deploy the certified voter-verified paper trail system of their choice. . . .

Notwithstanding the foregoing concerns expressed by HAVA’s authors, there is broad support for the requirement of voter-verified paper trails among public interest and disability groups. The following statement, in fact, has been endorsed by more than forty civil rights, public interest and disability advocacy groups:

“New voting machines should provide a ‘voter-verifiable paper audit trail’ and incorporate ‘data-to-voice’ technology to ensure full access by all.”

In addition, the United States Department of Justice issued an opinion in October 2003 that, although it did not mention the Voter Confidence and Increased Accessibility Act, confirmed the legal soundness of what the bill seeks to mandate. It concluded:

A direct recording electronic voting system that produces a contemporaneous paper record, which is not accessible to sight-impaired voters but which allows sighted voters to confirm that their ballots accurately reflect their choices before the system officially records their votes, would be consistent with the Help America Vote Act and with Title II of the Americans with Disabilities Act, so long as the voting system provides a similar opportunity for sight-impaired voters to verify their ballots before those ballots are finally cast.

HAVA’s authors urge you to wait for the Election Assistance Commission (EAC) to empanel the required Technical Guidelines Development Committee, which they suggest will “ensure the reliability of the computer technologies being employed in voting systems.” But how can it? HAVA required jurisdictions to request funding to replace obsolete equipment by April 2003 and, without a waiver, deploy their new equipment by November 2004. Millions of dollars in HAVA funding to replace obsolete voting equipment were requested, and disbursed, in the early part of 2003. Purchasing decisions were being made, equipment was being deployed. And all the while, there was no EAC, and there was no Technical Guidelines Development Committee.

The EAC Commissioners themselves were not appointed until December 2003, and to this day there is no Technical Guidelines Development Committee. Even if there were, it is not required to produce guidelines until nine months after its members have been appointed. Even if it released guidelines

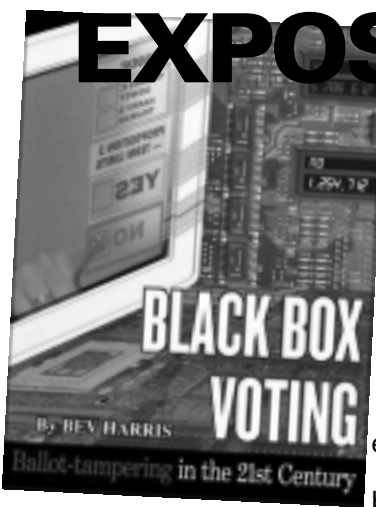
tomorrow, the guidelines are voluntary, as determined by HAVA’s authors, and could be changed with the stroke of a pen.

We believe that the Technical Guidelines Development Committee has an important role, and we look forward to the day it is empanelled. We are working, in fact, to ensure that the EAC receives all the funding it needs as expeditiously as possible. But the core of the solution to the electronic voting security crisis is already on the table, and a broad cross-section of the voting public has already spoken out in its favor with a resounding voice. They want a vote count with integrity. They want a voter-verified paper trail.

Unless Congress addresses this problem immediately by requiring voting machines to produce a paper record that voters can verify, November 2004 will make November 2000 look like a fond memory. Indeed, we have already seen elections across the country suffer from one irregularity after another after implementing unauditible electronic voting machines. Allowing ourselves to repeat these mistakes in 2004 would be bad for the public, bad for our democracy, and bad for both political parties.

That is why we have introduced H.R. 2239 and S. 1980, The Voter Confidence and Increased Accessibility Act of 2003, bills to amend HAVA to require a voter-verified paper record for all votes cast in Federal elections. . . .

Sincerely,  
**Representative Rush Holt (D-N.J.)**  
**Senator Bob Graham (D-Fla.)**



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### Democrats Pressure GOP on Manufacturing Jobs

Further evidence that Democrats intend to use the collapse in manufacturing jobs against the GOP this election year, was provided by Rep. Bernie Sanders (I-Vt.) and House Democrats who appeared with him at a press conference on March 3, introducing legislation to discourage American companies from outsourcing jobs overseas. The "Defending American Jobs Act" targets those companies that receive loans, loan guarantees or grants from the Federal government, by prohibiting such aid if they lay off more American workers than workers from their overseas operations.

Sanders told the press conference that "in my view, it is an insult to the middle class of this country, that American taxpayer dollars are being used to provide loans . . . and subsidies to huge and profitable corporations who then say to the American people: 'Thanks for the welfare, chumps, but we're closing your plant and taking your job to China.'" Rep. Peter DeFazio (D-Ore.), a co-sponsor of Sanders' bill, complained that jobs are now America's number one export, and said, "We not only need to change these policies and bring the jobs home and put a moratorium on further free trade agreements, but, the number one no-brainer is we should not be asking the American taxpayers to subsidize the export of these jobs."

Meanwhile, in the Senate, Carl Levin (D-Mich.) and Byron Dorgan (D-N.D.) announced on March 4 that they would be introducing legislation to eliminate the tax breaks that U.S. companies get from setting up offshore subsidiaries in order to avoid paying U.S. taxes. In their announcement, they particularly targeted corporations that get U.S. government contracts while hiding the profits they make from those contracts in offshore tax havens.

### Senate Begins Debating Budget Resolution

The Senate began 50 hours of debate, on March 8, on a Fiscal Year 2005 budget resolution that maintains the previous year's \$814 billion discretionary spending cap, and reduces the 2005 defense budget by \$7 billion. The resolution, passed out of the Senate Budget Committee on March 4, by a party-line 12 to 10 vote, also promises to reduce the Federal deficit by half, one year earlier, by 2006, than President Bush's budget submission. It promises a deficit of \$209 billion by 2009. The resolution also provides for \$30 billion for military operations in Iraq and Afghanistan, for 2005. It provides for \$126 billion in tax cuts that include extending provisions that expire at the end of 2004 and an extension of relief from the alternative minimum tax.

Democrats spared no effort in blasting the resolution. In a March 4 statement, Sen. Kent Conrad (N.D.), the ranking Democrat on the Budget Committee, declared that the resolution "closely follows President Bush's reckless budget proposal. It would explode deficits and debt at the worst possible time, just as we approach the retirement of the Baby-Boom generation." Conrad added that while the GOP claims that the resolution would cut the deficit in half in three years, "the reality is that under their plan, large deficits would continue as far as the eye can see." Even if it could keep its promises regarding the deficit, the resolution would still add \$2.8 trillion to gross Federal debt between 2004 and 2009.

The Democrats are hoping to find a few moderate Republicans to—if they cannot derail the resolution—at least modify it. Republicans in both Houses are divided over the budget plan. Some defense hawks are unhappy with the defense budget cuts included in both the House and Senate versions of the resolution. The massive deficits in the

budget are also making some moderate Republicans nervous and they believe that all discretionary programs, including defense, ought to be on the table.

### Reed, Hagel Bill To Increase Army Strength

On March 4, Senators Jack Reed (D-R.I.) and Chuck Hagel (R-Neb.) introduced a bill to increase the Army's end strength by 30,000 soldiers, to 512,400. Last October, Reed and Hagel had sponsored an amendment to the \$87 billion supplemental appropriations bill to do the same thing, which was adopted by the full Senate, but dropped in the conference agreement under White House pressure. Reed noted that Secretary of Defense Donald Rumsfeld had authorized a temporary increase in Army strength last January, an acknowledgement that the Army does not have enough people for all of the missions it is being called upon to perform. "What they still have not recognized," he said, "is paying for these troops in a straightforward, candid fashion, so that the American public recognizes the costs associated with Iraq and Afghanistan, and we provide for these costs, not simply kick the can down the road."

Under the Pentagon's current plans, the temporary increase in Army strength will be paid for out of the supplemental. Under Reed and Hagel's legislation, the increase becomes part of the regular budget. "I believe we can't afford for our long-term success to rely on these budgetary gimmicks," Reed said. "We have to put the money in the budget. And that's what we will do." Secretary of Defense Donald Rumsfeld, speaking to reporters on March 9, declared that there's no need for the Reed-Hagel bill and that the stress on the force is being adequately managed with the authorities that the Defense Department has, now.

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# National News

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## Soros Gang Joins Perle Crusade vs. Saudi Arabia

The Democratic think-tank Center for American Progress (CAP), funded by financial wizard George Soros, is joining neo-conservative Richard Perle's campaign to bash Saudi Arabia. CAP's "Progress Report" of March 11 launched a multi-layered assault on Saudi Arabia, presented as an attack on the two Bush Presidents, 41 and 43. With Perle out of the Defense Policy Board, it appears that the Soros Democrats are being dragged out to do some of his dirty work.

The attack on "The Saudi Connection" quotes from a new book called *House of Bush, House of Saud*, accusing G.W. Bush of spiriting Bin Laden family members and other suspicious Saudis out of the United States after 9/11, among other allegations.

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## Huntington's Racist Ravings Spark Debate

Harvard professor Samuel Huntington's diatribe against the "threat" posed to "Anglo-Protestant" America by Hispanic immigrants (see last week's *EIR*), has set off a "debate," as intended, over his racist provocation. The Carnegie Endowment's *Foreign Policy* kicked off the campaign with its splashy March/April cover story, "José, Can You See?" on Huntington's new book, which maintains that the new enemy image for the United States is the 15% of its population who are of Hispanic origin.

*Business Week's* March 15 cover screams: "Hispanic Nation. Hispanics are an immigrant group like no other. Their huge numbers are changing old ideas about assimilation. Is America ready?" The article rehashes Huntington's absurd arguments, including questioning whether people who speak two languages fluently, rather than only English, can really be patriotic Americans.

London's *Economist* magazine of March 4 thinks Huntington "has some serious points on his side," but warns with understated British pragmatism, that "the cost

of closing the borders would be far bigger than keeping them open, by starving the economy of some of its most energetic workers." These immigrants are, after all, "a wonderful source of cheap labour."

The *New Republic* on March 3 published University of Chicago professor Daniel Drezner's commentary, that while some of Huntington's points are "dubious," he does, indeed, make "some provocative and worthwhile points."

Not all press coverage was so favorable, however. A blast against Huntington's "pseudo-academic xenophobic rubbish," written by the *Miami Herald's* Andres Openheimer and titled "Racists Will Love New 'Hispanic Threat' Book," was published on Feb. 26 in a number of Knight-Ridder papers around the country.

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## LaRouche Dems Win in Los Angeles Primary

The election of five supporters of Lyndon LaRouche to the Los Angeles Democratic Central Committee in the "Super Tuesday" primary election on March 2, is drawing attention from the regional press. The *Los Angeles Times* on March 9 reported the news under the snide headline, "Winning an obscure race. Committees of local parties are not well known but play important role in drumming up support for area candidates." While the article tried to play down the significance of the LaRouche victories, by claiming that no one knew who they were voting for, the paper was nonetheless forced to recognize that something seismic had happened.

Four of the five winners are members of the LaRouche Youth Movement.

"Among the candidates elected, Anna Claire Shavin, who lives in Glendale, got the most votes in Burbank and Glendale," notes the author, who adds, "Of the seven seats up for grabs in the 43rd [Assembly District], also voted in was a slate of five Lyndon LaRouche supporters. LaRouche, a Democratic primary candidate for president, and his supporters are running a campaign based on stopping a government that they say caters to bankers, and one in which the Democratic Party has not shown leadership."

Limari K. Navarrete, described as "a Glendale resident and LaRouche supporter who won a seat on the committee," is quoted, "We're taking back the Democratic Party to represent the forgotten man and woman."

"The slate is significant," said Andrew Westall, a community college professor and local party activist who also won a seat. "There is the possibility that they could control the 43rd Assembly District delegation in the County Central Committee," Westall said, adding they would have a say in making endorsements, "now that they have a majority on the 43rd."

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## Computer Vote Fraud In California Election

The national scandal over computerized voting continues to build, as 7,000 ballots were wrongly recorded in California's Orange County alone. According to the *Los Angeles Times* on March 9, of the votes cast on electronic touch-screens in Orange County in the March 2 primary, 21 precincts counted more ballots cast than there are registered voters. At these polling places where turnouts exceeded 100%, an estimated 1,500 voters had their ballots tabulated for the wrong precinct. Tallies at 55 other polling places with artificially high turnouts, suggest that at least 5,500 ballots were incorrectly counted.

Five of the county's six Congressional races, four of its five state Senate elections, and five of the nine Assembly races were affected. Election officials claimed that none of the results was in jeopardy.

Hart InterCivic, which manufactured Orange County's computerized voting system, said it would be impossible to get an exact account of miscast ballots, because of measures the company had taken to ensure "voter secrecy."

Each voter was given a four-digit code to enter into the electronic voting machine, but for several thousand voters, the wrong ballot appeared on the screen. More than one precinct had been assigned to some polling places.

As a result, voter turnout figures in some precincts were inflated—even to nearly triple the number of registered voters—while neighboring precincts recorded artificially low turnouts.

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## Editorial

### *The Battle Among the Democrats*

While some might think that the fight for who will be the Democratic Party nominee in the 2004 Presidential elections is “over,” in fact, there is a raging battle going on for the soul of the Democratic Party, which will determine its future. The question is the following: Will the Democratic Party break from the suicidal policy of silencing and containing Presidential candidate Lyndon LaRouche; or will the party allow itself to be captured by a group of outright Schachtian fascist bankers, grouped around the person of Felix Rohatyn of the Lazard Brothers Bank?

Rohatyn, a leading light of the Democratic Party, is currently seeking to determine the policy of “frontrunner John Kerry” for his own Schachtian policies. These policies, like those which the same Felix the Fixer imposed on New York City in the mid-1970s, call for imposing draconian austerity on the U.S. population, in order to save the power, and much of the assets of the bankers.

Rohatyn’s firm, Lazard Frères, has a long history of promoting the Synarchist agenda of Schachtian fascism and war, especially in the 1930s and 1940s. It was Lazard Paris that helped launch the Banque Worms financial operations that were at the heart of the Synarchist takeover of France. After the American declaration of war against Hitler, Lazard agents penetrated the Gaullist resistance, and captured key posts in the postwar French government’s ministries. Andre Meyer was a key player in these events, allied with the Synarchist Harriman and Dillon Reed interests in the United States. Andre Meyer hand-picked Felix Rohatyn as his protégé, and made Rohatyn’s career.

If John Kerry is listening to Rohatyn, or to his friend Ted Kennedy under conditions that Kennedy is listening to Rohatyn, it will be a disaster of the first order.

The alternative tradition of the Democratic Party is that of Franklin Delano Roosevelt, which is represented today by LaRouche, the recognized nemesis of the Synarchist bankers, and their economist apologists, for more than 30 years.

The conflict was joined as long ago as December

1971, when LaRouche had a formal debate with Keynesian economist Abba Lerner at Queens College in New York City. When pressed by LaRouche on the fact that his “academic” economic policy recommendations would require the imposition of a fascist dictatorship, Lerner blurted out an endorsement of the economist who had set up the Nazi looting program, Hjalmar Schacht. “If the Germans had listened to Schacht, Hitler would not have been necessary,” Lerner said, thereby exposing himself to all the students in the room as an advocate of fascist policies.

Since that time, the top financiers have put out orders that LaRouche is not to be given the recognition of being debated. But that has not saved them from the impact of LaRouche’s consistent organizing against Schachtian fascism. In the period of 1971-75, LaRouche came close to putting together a combination of nations, and of political leaders, who would have enforced a debt moratorium, and blown apart the genocidal austerity schemes that were being imposed by such agencies as the IMF, internationally, and Big Mac and the Emergency Financial Control Board in New York City. Felix Rohatyn has undoubtedly not forgotten these political battles; and today, with the world financial system hanging by the proverbial thread, he is all the more determined that LaRouche’s solution be kept off the table.

This conflict will have to be decided by the time of the Boston Democratic Party Convention. A party dominated by Rohatyn will lead the Democrats toward a new program of budget cuts and national destruction—sold as being “fairer” than President Bush’s, but disastrous just the same. A party which has opened up to LaRouche, and his discussion of an economic alternative, can lead the Democrats into once again taking on the role of FDR, with his commitment to using the government, and government credit, to promote the general welfare and prosperity again.

Right now, the battle of LaRouche vs. Rohatyn is occurring behind the scenes. It’s time to bring it into the open, for the sake of the party and the nation.