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From the Associate Editor

Our issue this week constitutes a package of organizing materials for those assembling in Washington, D.C. to build for Lyndon LaRouche's webcast on Oct. 12; at the same time, we are reporting to the rest of the world on the revolutionary developments that are occurring—and must still occur—in the nation's capital. The webcast will be at www.larouchepac.com starting at 1:00 p.m. Eastern Time, and will be archived shortly thereafter. About 100 members of the LaRouche Youth Movement are in town to spread the word, and the LaRouche PAC has purchased radio and print media advertising for the D.C. area, to make sure that this is an occasion comparable in historic import to the Oct. 12, 1988 press conference that LaRouche gave in Berlin, 17 years ago, forecasting the early reunification of Germany. (We publish on pp. 39-42 the text of that earlier address.)

Leading our issue is LaRouche's strategic evaluation, "End-Game 2005," which highlights his role as the world's premier economic forecaster—and the fact that the global economic-financial system is now unravelling, just as he said it would. Fed Chairman Alan Greenspan's tricks, put into place after the October 1987 stock market crash, have run their course, and hyperinflation is now setting in. Articles on the looming hedge-fund bankruptcies, the threat to pensions in the auto sector, and the collapse of the airlines, fill out the picture with news updates.

Our *Feature* and the lead to the *National* section present the unprecedented rebellion against the Cheney-Bush policies that is now going on, within the U.S. military and retired military, as well as the Senate and even the House of Representatives. LaRouche's message is characteristically blunt: Cheney and Bush must go. They may go quietly, as Nixon did when he lost the confidence of his country and his party; but they must go. We document what lies behind the stunning 90-9 vote in the Senate to force the Administration to standards of human decency and international law in the treatment of enemy detainees—a powerful blow to an administration which *opposes* that. See also our exclusive report on Ray Blunt, the Interim House Majority Leader, who turns out to be made of the same cloth as the now-twice-indicted Tom DeLay.

Susan Welsh

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Gloom, yes; but doom, no! "I have never predicted inevitable doom, and do not predict inevitable doom now. It is the human free will, not statistics, which shapes the course of history. I have always, as now, presented nothing other than policies which represent the solutions needed to avoid oncoming economic catastrophes."

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THE GREAT CRISIS OF 2005

End-Game 2005

by Lyndon H. LaRouche, Jr.

October 6, 2005

It may now be said, that the great End-Game of 2005 had already begun in October 1987, when the U.S. was struck by the great new, 1929-style New York stock-market crisis. The incoming, new Federal Reserve Chairman Alan Greenspan said, in effect: “Hold everything until I come on board.”

Now, that inflationary cycle, which was launched by Greenspan then, is coming to an end. This cycle, which has recently, already entered its hyperinflationary phase in the market for primary commodities, will be the greatest international, hyperinflationary, financial-monetary collapse in modern history, unless U.S. and other policies are suddenly changed radically from the U.S. trends of the past thirty-five years.

I know; I speak with the authority of one who, on the public record, has been the most successful of the publicized long-range economic forecasters since the 1960s. Look at some highlights of that heavily documented record.

During the Spring and early Summer of 1987, in repeated, public announcements as a Presidential candidate, I had forecast the near inevitability of a major New York stock-market crash at some point during the first two weeks of the coming October, just as I had forecast the virtual inevitability of the 1971 crash of the U.S. dollar under President Richard Nixon, and had warned, beginning 1979, of the threatened inevitability of the process which led into the conditions of the 1987 New York stock-market crash. Similarly, in February 1983, I had warned the Soviet government’s “back-channel” representative that its economy would collapse “in about five years,” if it rejected the policies which President Reagan was to name, the next month, as the U.S. Strategic Defense Initiative (SDI). When I forecast medium-to-long-term things like that today, serious economists listen respectfully, whether they agree entirely, or not.

In fact, I repeatedly made two major forecasts during that time. First, I continued to restate my warning of 1983, that if President Reagan were to present what would soon become known as his proposal for a Strategic Defense Initiative, and the Soviet Andropov government were then to reject that proffer by the President, the Soviet economy would collapse “within about five years.” On Oct. 12, 1988, a year after the October 1987 U.S. stock-market crash, I warned, in a nationwide U.S. network television broadcast, that the world was on the verge of a breakup of the Soviet economic system, a breakup which would probably begin soon in Poland, and would lead to the reunification of Germany with Berlin as the designated future capital. [See text on p. 39—ed.] Most leading circles in the U.S.A. had wrongly rejected my warning of a probable October 1987 crash, as, still, a year later, they rejected, as more or less absurd, my combined political and economic forecast of an impending, now inevitable, early collapse of the Soviet economy.

For example, although Republican candidate Ronald Reagan earned his defeat of rival George H. W. Bush in the 1980 New Hampshire primary, he had won, in significant part, because of Bush’s record as an associate of the same, Brzezinski-led Trilateral Commission whose policies also sent President Jimmy Carter down to defeat in the general election that year. It was the Bush campaign’s attacks on my campaign for the Democratic Presidential nomination that year, which brought Bush’s Trilateral record to nationwide attention, and thus aided Ronald Reagan in sending Bush to a humiliating defeat in that primary.

The normal members of my generation hated the Trilateral Commission for the great economic catastrophes which the advocates of a shift from a productive, to a “services” economy, had caused. Many among the traditional Democrats of my generation, which was still alive and frisky at that time, temporarily left the Democratic ranks to become “Reagan

Republicans” as a result of the Carter Administration’s shockingly destructive transformation of the U.S. from a producer economy based on “fair trade” principles, to a post-industrial “services” economy. The reasons for that change then, are similar to the causes for the catastrophic collapse of the current Bush Administration’s base of popular support today.

Unfortunately, the same policy-trends set into motion under the Nixon and Carter Administrations, have defined a continued trend in thinking of both leading political parties, from that time, until the recent, shocking developments of late 2004 and early 2005 moved the Democratic Party back in the direction of the policies of President Franklin Roosevelt. The mistakes of the 1970s and 1980s accelerated the decline of the U.S. economy; the trends under the Greenspan 1990s and the present century to date, have virtually destroyed much of the potential for economic recovery which had still existed as of 1989.

If we limit the comparisons to the records of those who have made long-range public forecasts, there would be no reasonable doubt that my known record is by far the best of recent decades. Given the present, increasingly desperate economic situation in the Americas, Europe, and elsewhere, that record is a crucial feature, an important standard for comparisons, in measuring the competence, or incompetence of the calculations of any public forecaster today. You may dislike that fact, but your family’s future now probably depends upon it.

Gloom, Yes. Doom, No

On the public record, I have been the most successful long-range economic forecaster of the past forty years. Yet, I have never predicted inevitable doom, and do not predict inevitable doom now. It is the human free will, not statistics, which shapes the course of history. I have always, as now, presented nothing other than policies which represent the solutions needed to avoid oncoming economic catastrophes. Just so, there are things we can do right now, to bring the present global financial-monetary catastrophe under control. However, politicians, or economists, who are afraid of being accused of “negative political thinking,” are their own worst enemies, and not do much good for the rest of human as a whole. If you do not denounce bad policies by name, you will not eliminate them. If you do not name and eliminate bad policies, and if you are an influential person, you are part of the problem which needs to be corrected, out of regard for the welfare of the human species today. I am about to explain that here and now.

In effect, what Ayn Rand-style Social-Darwinist Greenspan has done, has been to use his outrageous influence over U.S. economic and monetary-financial policy, to create the biggest John-Law-style bubble in world history. “Atlas” Greenspan shrugged, and the U.S. economic world collapsed, as, perhaps, he had wished. This Greenspan bubble, has been largely based on a form of “gambler’s side-bets” known by such cover-names as “financial derivatives” and “hedge

funds.” He and his accomplices created what has turned out to be a financial bubble, far more menacing today than the Germany hyperinflation of 1923. “Bubbles” Greenspan and his accomplices may, indeed, take much of the credit for postponing the day of doom as long as they did; they did this by postponing the virtually inevitable collapse, by making everything far, far worse today than if it had never existed.

The end of that new financial cycle, which Greenspan’s swindles had only postponed and worsened, has now arrived, with our assets largely destroyed, and with a vast accumulation of Enron-style, compound interest-charges richly added to the bill now presented to our republic. We are now caught in the end-phase of that 1987-2005 “Alan Greenspan” cycle of Mandevillean vice.

As a result, what we are experiencing right now, is the effect of a ride along the road toward what is becoming the biggest financial collapse in the history of European civilization since the medieval New Dark Age. That was the New Dark Age which wiped out one-half of the parishes, and one-third of the population of Europe during the middle of Europe’s Fourteenth Century. That Fourteenth-Century collapse had been the biggest in all European history since the collapse of the Roman Empire in the west. The threat today is comparable to that precedent.

Do not take that to suggest that the situation is hopeless. As economist John Kenneth Galbraith once said, what collapsed in New York City’s Wall Street in 1929, was, after all, “only paper.” Society is run by human individuals’ free will, not statistics; it is free will which is to be praised, or blamed for every man-made success, or catastrophe.

What cut the U.S. economy in half under President Herbert Hoover, was not the ’29 Crash. What collapsed the U.S. economy by half, were the “free will policies” which Andrew Mellon and President Herbert Hoover continued after that ’29 Crash, when the measures to be taken should have been successful policies of recovery like those introduced by President Franklin Roosevelt beginning the day of Roosevelt’s March 1933 inauguration. George W. Bush’s policies are like those of the famous “Crazy Eddie”: insane. They are far, far worse, and more dangerous to mankind than those of the Coolidge, Hoover, and Andrew Mellon, who gave us the Great Depression of the 1930s.

The New Dark Age of the Fourteenth Century was not a hopeless case, either. The rise of the Italy-centered, Fifteenth-Century Renaissance, was the beginning of modern history. Prior to the U.S. Nixon regime, despite all of the horrors which European civilization has experienced since the great achievements of A.D. 1439 Florence, the net progress of the condition of mankind in Europe and the Americas over the centuries since the 1648 Treaty of Westphalia, had been, despite some serious setbacks, along a net upward, long-term course in economy and related conditions of life. Since the radical changes in policy which began with Nixon, the world as a whole has been gripped by the long-term perspective of a threatened decline into a New Dark Age.

In short, there is no statistically hopeless condition for mankind, if a sufficient portion of humanity resolves to discover and apply the remedies which experience shows us always to exist.

In short, if we choose to dump those changes in policy which have ruined our economy since the middle to late 1960s, and if we return to the kinds of policy thinking which had prevailed over the 1940-1964 interval, this economy could recover. However, if we stick to the “greasy kid stuff”-like policies of the so-called “cultural paradigm-shift” of the Nixon Administration and following, our situation would be hopeless. If we are willing to reverse those mistakes of the recent forty-odd years, then we could say, as Roosevelt said, we have nothing to fear so much as fear itself.

The Present Situation

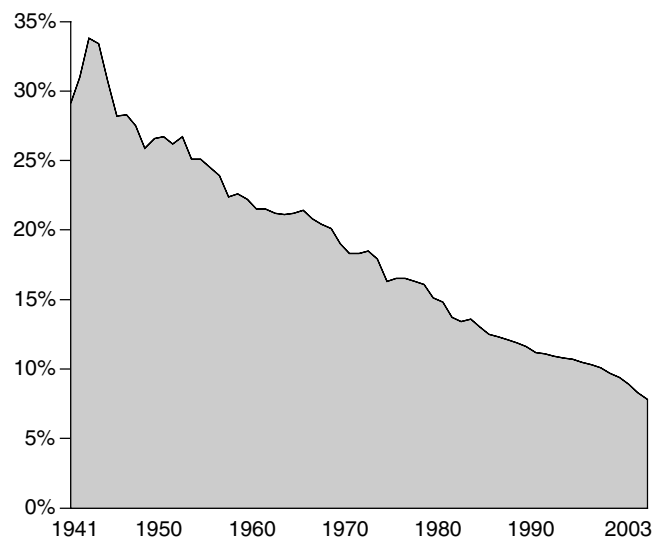
The presently onrushing, hyperinflationary mode of financial-monetary crash did not begin recently. The roots of the present crisis go back to certain changes in U.S. policy made early and often during the Harry S Truman Administration; but, the net change from continued growth under the original Bretton Woods system of Franklin Roosevelt, did not become a net physical-economic decline until the late 1960s, a decline which has accelerated, on the average, since the 1971-1972 shift to a floating-exchange-rate system, the shift from a producer-oriented economy to a so-called “services economy.” Prior to Alan Greenspan’s reign, the worst effects had been those launched under the influence of figures of the Nixon and Carter Administrations such as George Shultz and Henry Kissinger, and by Zbigniew Brzezinski’s Trilateral Commission. “Bubbles” Greenspan made it all much worse.

In effect, Greenspan’s methods in chairing the Federal Reserve System, merely masked the rate at which the economy was moving toward Hell throughout the 1990s, up to the time of the successive collapse of the “IT” bubble and the inauguration of President George W. Bush, Jr. The latest phase, toward runaway hyperinflation in primary commodities markets, erupted in the form of the explosive crisis in hedge-fund speculation during the Spring of 2005. This outbreak of hyperinflation in primary commodities prices, unless governments end it, will lead, very rapidly, into effects on a global scale like those which Germany experienced in the Summer and Autumn of 1923. The Greenspan phase of the long-term economic decline of the past thirty-five years is about to come to a sudden, explosive end. The world is in the closing episodes of that concluding phase of the present global End-Game.

The situation of the U.S. economy today is far, far worse than the situation which Hoover’s mismanagement had created; but, nonetheless, the methods needed for successful recovery, will be, in the end, approximately the same as those used by Roosevelt in transforming a bankrupt U.S. economy of 1933 into what became, in 1945, the greatest economic power the world had ever seen. It was not the war which made our economy powerful; it was the economic machine created

FIGURE 1

U.S. Manufacturing Production Workers As a Percentage of Total Labor Force



Sources: U.S. Department of Labor, Bureau of Labor Statistics; U.S. National Center for Health Statistics; U.S. National Center for Education Statistics; U.S. Department of Commerce; *EIR*.

The manufacturing labor force, particularly its most skilled sectors, such as machine-tool workers, is nearing extinction.

over the interval 1933-1940, which gave us the economic power which we shared with our allies, to ensure the defeat of Adolf Hitler. We could accomplish that kind of apparent economic miracle again, if we chose to do so.

Compare our situation today with that of the final week of February 1933, when Hermann Göring had set fire, “9/11”-style, to the German Reichstag building, at the time a concert of British and U.S. Wall Street bankers and French Syndarchists, helped by firebrand Göring and Professor Leo Strauss’s sponsor Carl Schmitt, had just made Adolf Hitler the dictator of Germany. This was the threat which President Roosevelt and our U.S.A. faced, at home, and abroad, at that instant.

In physical terms, the U.S. population of February 1933 suffered from the terrible effects of mass-unemployment, but we had immediate, vast riches stored up in our idled farms, our factories, and in our railroads and other basic economic infrastructure. Today, there are various tricks used to conceal a terrifying level of real unemployment, but we have lost, or are losing most of our farms, our factories, and our basic economic infrastructure. Roosevelt’s reforms mobilized an idled productive labor-force, and the idled potential of other resources. Today, as Hurricanes Katrina and Rita have shown, over the course of the recent forty-odd years, we have lost a great part of our former resources since President Nixon, acting on the advice of Arthur Burns, George Shultz, and others, sank the U.S. dollar in 1971-1972.

FIGURE 2

More Than 40% of U.S. Farmers Rely on Off-Farm Jobs for Income To Continue Farming Operations (2002)



Source: U.S. Dept. of Agriculture, National Agriculture Statistics Service.

In large numbers of counties across the country, farmers have to rely on non-farm jobs to be able to continue farming. The degradation of family farming threatens the U.S. domestically produced food supply.

Today, unfortunately, many among our citizens actually believe a great lie, the lie which says that the economy is doing “just great,” as long as the Wall Street speculator’s market is apparently happily soaring—into a looming doom waiting for us in the stratosphere of hyperinflation. Look at the facts. Go back to the 1970s, and trace some hard physical facts from that time up to the present. Take manufacturing (**Figure 1**). Take farmer-operated agriculture (**Figure 2**). Take basic economic infrastructure (**Figure 3**). Take the downshift of the economy’s productivity as measured in the replacement of skilled productive labor by very, very cheap “services” employment (**Figure 4**).

These awful effects of the downshift of our national economy, from a production-oriented economy of the 1945-1966 interval, to an ever poorer “services economy,” are reflected when we look, without illusions, at the economies which some people ignorant of economic realities consider our leading “rivals” abroad, such as India and China. Seventy percent of the population of India, and a comparable ration of the population of China lives in awful poverty. Why?—because they produce at present export prices on world markets, that are far, far below the real cost of production incurred by those exporting nations. By relying on these foreign markets for goods which we have ceased to produce for ourselves, through a brand of economic syphilis, or “AIDS,” called “globalization,” we have created a situation in which a collapse of the U.S. market for goods from Asia means an awful collapse of the economies of those export-dependent economies.

Meanwhile, we in the United States have been financing a war in Iraq, not out of our national economic resources, but on unpaid loans from foreign nations, loans whose repayment is now vastly overdue. Western Europe is currently operating below breakeven levels under the economic choke-hold known as the “Maastricht conditionalities.”

Like mid-Fourteenth-Century Europe under the heel of Venice’s great Florentine usurers, such as the House of Bardi, we, today, in the U.S.A., throughout the Americas as a whole, and in Europe, are being throttled economically by the choke-hold of a general collapse being brought about by the usury of a horde of international parasites called by such names as “hedge funds”: the pestilence of “financial derivatives” which Alan Greenspan’s leadership of the U.S. Federal Reserve System has foisted upon us.

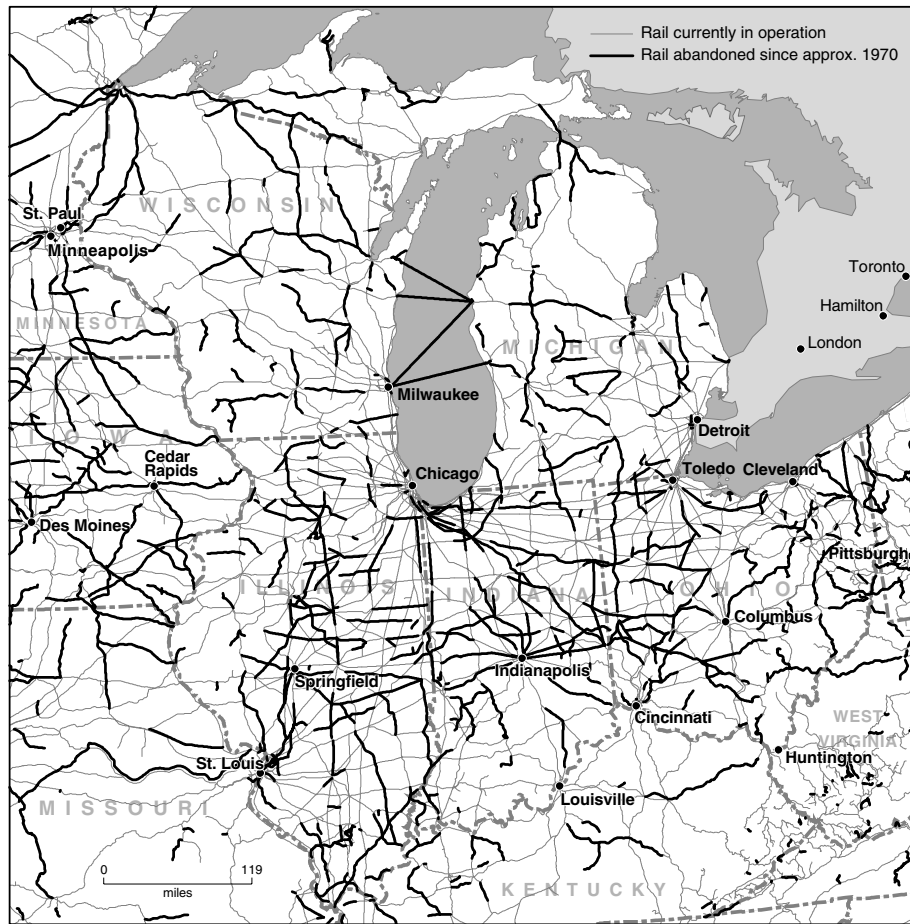
What Is Competent Economics?

Not all leading economists are wholly incompetent. A significant ration among leading professional economists, and those of related skills, have a certain competence in dealing with some aspects of the economic process as a whole. Among that minority of economists who are relatively competent within the bounds of their specialties, there are three commonplace problems which cause them to fail in their attempts to understand certain among the most crucial of the determining factors in major economic crises of past and present history.

First of all, nearly all of them have been conditioned by education to assume, mistakenly, just as London-trained Karl Marx did, that the kinds of monetary-financial systems which have dominated world markets since the February 1763 victory of the Anglo-Dutch Liberals at the Treaty of Paris, are the basis for defining the principles of functioning of modern national and world economies. With extremely rare exceptions, they all commit the professionally fatal error of attempting to explain the workings of physical economies from the standpoint of monetary-financial systems, rather than, as competent economists would, studying the functional disorders of financial-monetary systems by the standards of physical economy.

Like such Anglo-Dutch Liberal ideologues as John Locke, Bernard Mandeville, the obscene François Quesnay, Adam Smith, and the utilitarian Jeremy Bentham, they seek to explain the physical behavior of economies on the assumption that the rules of economy are being set by extremely immoral, imaginary “little green men” casting dice under the floor-

FIGURE 3

The Abandonment of Rail in North Central U.S., 1970-2000

In the East North Central region—Ohio, Indiana, Michigan, Illinois, and Wisconsin—one-third of the Class I rail trackage of 1970 had been shut down by 2000. The map shows abandonment of lines to major cities like Chicago, Indianapolis, Toledo, and St. Louis. The rail abandonment starkly reflects the manufacturing collapse of this vital industrial region.

boards of the universe. For Locke, the dice were known as “property”; for Mandeville, the unbridled enjoyment of private vice; for Quesnay, the magical powers of property titles to feudal estates; and for Adam Smith, the invisible hand of greed reaching, Enron-style, into other people’s purses.

On a slightly higher level, virtually all popular economic theories of modern times, including the wild-eyed statistical recipes of hedge-fund lunatics today, assume, axiomatically, that economic processes are Cartesian kinds of mechanistic processes, rather than dynamic processes such as the real Biosphere and societies are.

On a still lower moral and intellectual level, it is assumed that economic values are money values, or even, by those such as fanatically fascist madman Ezra Pound, that there is a natural value for some kind of “honest money.”

Most statistical practices in the abused name of economic

forecasting, Marxist or other, are products of all three of these axiomatic elements of utter incompetence in what passes for them as scientific method. It is Merlins like that, whose advice leads once-great nations such as our own into the kind of Hell threatening the world today.

The typically university-mis-educated professional economist of today refuses to recognize the elementary fact, that anyone with a monetarist, or similar ideological approach to maximizing profit deludes himself, or his client, into denying the fact that cutting essential physical costs of production, including essential costs of hard and social infrastructure, actually shrinks the real economy, as this pattern has been the leading feature of the U.S. economy, in particular, since 1971-1972. The effect of the practiced thinking of such professional economists and their dupes in government and industry, is comparable to the behavior of the hungry man who adds meat to his diet by eating parts of his own body.

For example, in aircraft and automobile manufacturing, the essential long-term source of an inherently profitable product lies in the work of the traditional machine-tool-design specialist of the type which is trained to craft the kind of experimental test-equipment

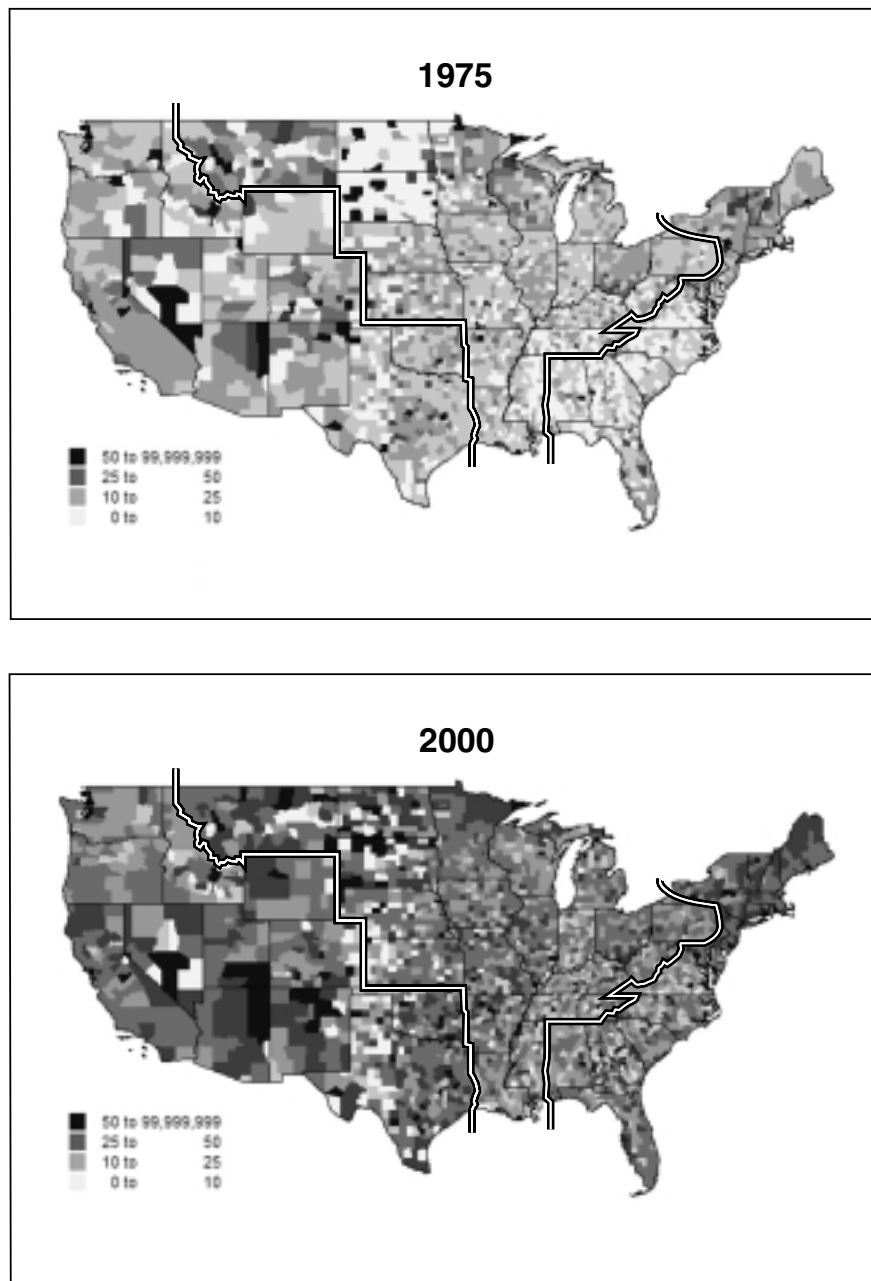
which proves the discovery of universal physical principles. That is where the inherent profit of production is determined over the medium to long term. Replace the mind of genuine engineers of that type by the imitation mind of the type of computer specialists who use mathematics packages as a way of avoiding physical science, and you have factored human creativity out of the equation, with inevitable losses incurred as a result down the way.

That said, look at two roughly comparable cases of special relevance to the discussion here: the case of the Germany collapse of 1923 and the 1987-2005 End-Game cycle set into motion under the direction of Alan Greenspan.

In any competent study of the principle of a modern economy, accounting mathematics has no independent authority in shaping policies of production. Mathematics is necessary as a way of coordinating the transactions among a large mass

FIGURE 4

Services Workers by County, 1975 and 2000, As a Percentage of Total Workforce



Source: Bureau of Labor Statistics. Maps produced by Mapinfo.

The huge increase in the number of services workers is startlingly clear in this comparison. The boundaries mark the 19 states in the Mississippi, Ohio, and Missouri River basins.

of groups of individual wills in ways which are intended to organize the flow of credit in the forms of money and money-like interactions in ways which tend to stimulate physical improvements in the productivity of an economy per-capita and per-square-kilometer. Socially, the object is to stimulate and promote individual and other forms of local initiative in

ways which increase the average rate of physical gain, per capita and per square kilometer, in the economy as a whole. Since the pre-1689 Massachusetts Bay Colony, money, as a monopoly of government, has been used by sane societies as a way of creating forms of credit known as capital, through which the relatively highest rate of increase of the physical productive powers of labor is promoted. This was, for example, the underlying intent of the U.S. Constitution's relevant provisions, as this practice was continued from the pre-1689 Massachusetts Bay Colony, via the writings of Cotton Mather and Benjamin Franklin on the subject of paper money, through Treasury Secretary Alexander Hamilton, to all of the clearest thinkers of the present day's version of a "fair trade," instead of "free trade" tradition.

The primary function of the competent professional economist, is to define the way the integrated system as a whole can be steered into optimizing the way in which the creative ingenuity of the population is mustered and organized to produce the highest rate of gain in society's power over nature, per capita and per square kilometer. The best method for integrating individual creativity and economy as a whole is a protectionist form of "fair trade" system which our republic sought to maintain, develop, and protect, in all the best periods of our nation's history.

No equivalent to a modern political-economy existed in any known place on Earth prior to Europe's Fifteenth-Century Renaissance. There were elements of economy in earlier times, in some places, but not national economies. The national economy came into existence in the setting of the great ecumenical Council of Florence and the work of such figures as the founder of the modern nation-state,

Nicholas of Cusa (*Concordantia Catholica, De Docta Ignorantia*) and the founding of the first modern nation-states defined as *commonwealths*, Louis XI's France and Henry VII's England. The modern nation-state economy is defined by the fundamental law set forth in the Preamble of the U.S. Federal Constitution, which is that Constitution's highest au-

thority respecting principles of law. The central principle of political-economy is the principle of the general welfare, a notion adopted from the agapē of Plato's *Republic* and the Christian Apostle Paul's *I Corinthians* 13. The establishment of France and England as commonwealths, was the birth of true political-economies, a quality of institution which did not exist earlier in any known place.

The science of economy was born with the work of Gottfried Leibniz, in work over the interval 1671-1716, in which the physical principle of power (i.e., discovered universal physical principles) defined the *science of physical economy*, my discipline. The systematic form of existence of actual economies is defined as a non-mechanistic, dynamic process, exactly as V.I. Vernadsky defined the Biosphere and Noösphere as organized as dynamic, rather than mechanistic (e.g., Euclidean, Cartesian-like) processes. It is only from this dynamic standpoint, that the crucial features of both the 1923 Germany hyperinflation and the hyperinflationary breakdown of "Bubbles" Greenspan's system can be competently understood.

From approximately 1987 on, Greenspan ran the Federal Reserve System as an implicitly hyperinflationary system. It was only prior to the Spring of 2005 that the hyperinflationary trends, such as the super-inflationary mortgage-based-securities bubble, were contained under management of the international monetary-financial system. A similar arrangement existed in Germany's potentially hyperinflationary system prior to Spring 1923. As long as the managers of the super-inflationary system were in top-down control of the system, the building potential for a hyperinflationary breakout was contained. However, once the dynamic limits of such containment were breached, as in the Spring of 2005, the hyperinflationary potential exploded into day-to-day actuality, as in the current explosion in prices of large categories of primary commodities, led by petroleum prices, and also the deadly bubble in inflation of housing prices.

In both cases, 1923 Germany, and the world today, the bubbles behaved, up to a point, as what may be described as self-bounded, dynamic systems of a hypergeometric type. Once the self-bounding was breached, the hyperinflation tore loose, careening as if with a will of its own.

Thus, economists and others who lack the competence to understand such dynamic systems do not recognize the implied rates at which the hyperinflation will proceed from here on out until a general collapse might occur. The danger is, that underestimating the explosive force of these bubbles would cause governments to wait too long before taking the radical reforms most urgently required to save civilization itself now.

Civilizations do not vanish because they lack options, but because they foolishly reject the changes which must be made if that civilization is to live out the storm, as many Democrats and others would still prefer to cling to ominous old habits too long, still today.

A New LTCM Is In the Making

by Lothar Komp

Seven years ago, the world financial system stood directly on the edge of collapse. On Sept. 23, 1998, the New York Federal Reserve called the heads of the 16 largest banks of the world together, overnight, in order to start an immediate joint rescue operation for the already sunk hedge fund, Long-Term Capital Management (LTCM). LTCM had come to this point by transforming around \$3 billion in investment capital, into \$100 billion in bank credit, and then issuing further financial bets with a nominal value of at least \$1.2 trillion. Other estimations of the derivatives obligations of LTCM place them at up to \$3 trillion.

Had one counterparty in all these LTCM two-way financial bets collapsed, this would have brought almost every large financial institution in the world into catastrophe, and the system would have imploded, as Michel Camdessus, then-head of the International Monetary Fund, had to admit at the time.

Today there are many more hedge funds than there were seven years ago, and they move ten times more capital around. On Sept. 22, the president of the German Institute for Financial Services (BaFin), Jochen Sanio, shocked bankers at a conference organized by Goldman Sachs in New York City, by warning that a new derivatives catastrophe, like the LTCM case, was immediately ahead: "It will happen. And nobody at the moment is prepared for it. That is why I am scared as hell."

But according to reports, Sanio's warnings were, once more, essentially written in the wind. The leading bankers themselves are pursuing the expansion of the hedge fund sector, in order to get into high risk ventures at arms' length, without being subjected to financial oversight. Already, on May 19 of this year, Sanio had pointed to the hedge funds as the "black holes of the international financial system." He asserted then that when he had spoken out after the LTCM catastrophe, at the Basel oversight committee, for the regulation of hedge funds, his efforts were systematically thwarted.

The close connection between the major banks and the hedge funds has been documented in a recent study by the European Central Bank, titled "Hedge Funds and Their Implications for Financial Stability." It's an established fact that over the last few years many thousands of leading derivatives traders from the major banks, with the express backing of those banks, have gone "independent," and established their

“own” hedge funds. These hedge funds then enjoy the full support of the “mother” banks, including the provision of credit or trading computers.

This new business area of the banks is called “prime brokerage.” According to the ECB study, three banks worldwide dominate in this area: Morgan Stanley, Goldman Sachs, and Bear Sterns. Morgan Stanley works at the moment with 398 hedge funds, followed by Goldman Sachs (341), Bear Sterns (299), UBS (98), ABN Amro (72), Citigroup (69), Deutsche Bank (67), Lehman Brothers (60), CSFB (53), Merrill Lynch (39), and Credit Agricole (34).

With regard to the combined capital of these hedge funds, the three American investment banks have the edge: Morgan Stanley with \$66 billion, Bear Sterns with \$52 billion, and Goldman Sachs with \$51 billion. If one takes LTCM as the standard, this puts the valuation of the derivative volumes of these funds at dizzying heights.

No Proposals for a Solution

In the European Central Bank study, the word “LTCM” is mentioned in 33 different places, each time with appellations like “debacle,” “crisis,” or “near-collapse,” but one waits in vain for concrete proposals for regulation. Instead, the report provides an overview of the worldwide “state of the discussion” in the financial establishment, and states that they want no direct regulation of the hedge funds. At best, they want indirect regulation over the current counterparties in derivatives contracts, that is, especially, the large banks. In previous years, there was an effort in Europe to pull down the current regulations on hedge funds, which today have opened up 60% of their headquarters in offshore centers such as the Cayman Islands, to bring them to European financial centers. And the European Commission has made it clear that it will in the foreseeable future undertake no initiative for regulation of the hedge funds.

An ever-larger part of the financial system has recently come under the control of the hedge funds, and the financial “bets” they carry out. Even the maintenance of the annual about \$800 billion of capital inflows, which are essential for financing of the U.S. trade deficit, is increasingly a matter for hedge fund activity. Thus, the U.S. Treasury reported on Sept. 16 that in the month of July a net \$87.4 billion in capital had flowed into the United States. Until then, one would have expected that the Asian central banks, especially those of Japan and China, had provided the lion’s share of this net inflow into U.S. government paper, in order to stop their currencies from appreciating too much.

In the meantime, however, the situation has fundamentally changed. More than half of the capital inflow in July—almost \$50.4 billion—originated from the City of London (\$25.8 billion) and the rest from offshore centers: Bahamas (\$8.6 billion), Cayman-Islands (\$4.5 billion), and Caribbean Islands (\$11.5 billion).

The capital flows out of Asia amounted to only \$27.8

billion, led by China (\$13.8 billion), Hong Kong (\$5.1 billion), and Japan (\$4.9 billion).

An Explosion of Credit Derivatives

Next to the speculation on the future price of oil and other raw materials, which decisively determine the actual price consumers must pay, there is another derivatives area that is growing explosively: credit derivatives. In this area, one bets on whether enterprises such as Parmalat, General Motors, or Deutsche Telekom will be able to fulfill their obligations on outstanding bank credits and loans. Also, via the downgrading of these enterprises by the rating agencies, one can win a lot of money through credit derivatives—or lose it.

Only five years ago, credit derivatives were hardly traded. On Sept. 28, the International Swaps and Derivatives Association (ISDA), a private organization of 650 of the most important banks and regular derivatives traders in the world, published its latest semi-annual report. According to this report, the volume of outstanding credit derivatives in the first half year of 2004 had risen from \$8.42 to \$12.43 trillion, an increase of 48%. In comparison to the previous year (\$5.44 trillion) this was a yearly rate of increase of 128%.

The bets with credit derivatives pile up, while at the same time the rating agencies prepare an avalanche of downgradings. Standard & Poor’s made known that it has at present a worldwide list of 623 large enterprises with a current rating of “negative outlook” or “credit watch,” which corresponds to a worsened outlook. Usually two-thirds of all enterprises, which are rated on this list, must count on a downgrading within a few months. According to S&P, the sectors which show the greatest vulnerability in this regard would be telecommunications, consumer products, and the automobile sector (including suppliers).

In all three sectors, the number of enterprises threatened with downgrading is greater than ever before. A new conflagration among credit derivatives and hedge funds, such as that which broke out after the downgrading to junk of General Motors and Ford in May, could break out very soon.

Within the financial establishment, the word is that the situation is “under control,” and that regulation isn’t necessary. Also, the head of the Federal Reserve, who is about to retire, hardly misses an opportunity to intone about the positive role of financial derivatives and the hedge funds as the “transmission of risk”—with one exception: Fannie Mae and Freddie Mac. Alan Greenspan wrote in his Sept. 2 letter to U.S. Sen Robert Bennett (R-Ut.), a member of the Senate Banking Committee, that one must very quickly do something to reduce the risk portfolio of the two mortgage financing agencies.

Of course, the housing bubble, gigantic as it is, does not compare to Greenspan’s beloved derivatives, in terms of its size or its potential to bring down the world financial system. Unless the Fed’s policies are changed, it’s only a matter of time before there’s a new LTCM.

A Delphi Bankruptcy Threatens To Trigger a Pension Blowout

by Paul Gallagher

The U.S. news media are consumed with accounts of many tens of thousands of Americans filing for bankruptcy in the last days before a new, more stringent Federal bankruptcy law takes effect Oct. 17. But those Americans, according to one recent University of Pittsburgh study, have an average personal income below \$25,000 a year, and credit card debt alone greater on average than the worth of their total assets, other than a home. The flood of filings is concentrated in the collapsed industrial heartland states of the Midwest; it simply shows the growing poverty and debt burden of the working population. With the ongoing collapse of real wages and explosion of household debt, these bankruptcies, only slightly accelerated, were a matter of time.

The critical significance of the shift to the new law, is rather the sight of major industrial companies diving into bankruptcy before the deadline; in particular, the menacing bankruptcy of Delphi Automotive Corp., based in Troy, Michigan, the largest U.S. auto-parts supply company with 180,000 employees. Delphi's threat to go into bankruptcy before Oct. 17 poses a major financial threat, in turn, to General Motors; could trigger many other bankruptcies among auto supply companies; and is sending shivers through the Federal Pension Benefit Guaranty Corp. (PBGC) because of potentially hundreds of thousands of employee pensions at stake.

As speculative hedge funds, vulture capital funds, and "turnaround" (bankruptcy) specialists move into the auto and airline industries in a major way, the question is posed whether a potentially criminal conspiracy is under way, to set a policy of using the Federal bankruptcy law to tear up labor contracts and abandon pension plan agreements on a scale far bigger than what has been seen in the pension crisis so far.

The speculative-bankruptcy threat to the major transportation industries also makes clear the urgent necessity of Congress implementing an industrial rescue policy proposed to them by Lyndon LaRouche in April and May. LaRouche's memos indicated how the auto sector, with its vital machine-tool capabilities, could be saved by "re-tooling" it to build infrastructure—such as new high-speed rail corridors—with Congressionally mandated credit issuance for that purpose. The destruction of rail, port, road, air, and navigation infrastructure by Hurricanes Katrina and Rita has given this policy additional urgency.

LaRouche's memos have since been backed by union locals and introduced and passed as memorials in a dozen state legislatures and county and city councils in the industrial heartland. During the same months since April, the auto industry's management, rather than pushing for such a national-interest mission, has attempted a suicidal "sales giveaway Summer," which had to be pronounced a money-losing failure when GM and Ford sales plunged back in September far below their year-earlier levels.

Hedge Funds Circling

On Oct. 3, Moody's further downgraded GM debt two levels below junk status; and Standard and Poor's put all GM/GMAC and "related credit activities" on negative credit watch, preliminary to downgrade further into the junk basement. On Oct. 6, they downgraded Delphi's credit to the seventh level of junk because its management was obviously preparing bankruptcy. Delphi has total debt of about \$6 billion, and total pension and other post-retirement employee benefits that are underfunded by about \$14.5 billion. It lost \$4.8 billion in 2004 and \$741 million through the first six months of 2005. According to the agencies' auto analysts, the failure of the "incentive Summer" sales campaign, with the collapse of particularly SUV sales in September, was only the lesser problem; the greater one is GM's \$6-10 billion exposure to the looming bankruptcy of Delphi Automotive, in which GM may have to absorb Delphi pension obligations.

Vulture-capital billionaire Kirk Kerkorian is demanding that GM appoint his lieutenant, "turnaround" specialist Jerry York, to its board. This is part of a general hedge fund move on the auto industry, featuring vultures Kerkorian, Carl Icahn, and Wilbur Ross in particular. Their targets include major auto suppliers Delphi, Collins and Aikman, and Federal-Mogul Corp., and of course GM itself. All of them, as a matter of practice, now attack firms with the help of allied hedge funds. And all of them have made it a practice, when acquiring ownership and influence over firms, to insist on stripping out pension plans and retiree healthcare benefits completely—as brutally demonstrated in the steel and textile industries, for example.

Big hedge funds are also moving to buy up both the distressed debt and the aircraft lease agreements of the major

airlines, looking for both drastic operating-cost cuts, and ticket-price revenue hikes from these airlines. A report Oct. 5 in *Forbes* focussed, in particular, on the recent purchase of a Daimler-Chrysler unit which finances 250 jet aircraft leases, by the “secretive \$16 billion New York hedge fund Cerberus Capital—which has also been reportedly buying auto-sector equities.

An economist with experience with the PBGC told *EIR* that insiders at that agency are getting extremely worried, because “corporate turnaround specialists, or vulture investors,” with hedge fund allies, are now targetting the equities and debt of many weakened companies in those sectors; and because those vultures’ strategy is to use bankruptcies, to axe pension plans, health insurance benefits, etc. The PBGC’s own deficit, last reported at \$23 billion in September 2004, could zoom to the vicinity of \$100 billion “overnight” with a wave of bankruptcies set off by that of Delphi.

A sign of PBGC’s worries was a “warning piece” in the Oct. 3 *New York Times*, based on an unusual release from the PBGC, of “closely held government data” showing the scale of GM’s actual pension deficit. The PBGC’s latest estimate is that GM’s pension plan—which GM’s own public reports say is fully funded—actually is underfunded by \$31 billion “on a termination basis”; that is, for example, if GM were to go bankrupt and abandon its pension plan. GM’s is by far the largest pension plan, covering 600,000 workers and retirees. On Oct. 4, a second *Times* article revealed a second PBGC release, this time on Delphi’s pension plan. While the company says it has a \$4 billion deficit, the PBGC estimates that underfunding at \$11 billion.

Delphi’s Brutal Demands

The Delphi bankruptcy “deadline” of Oct. 17 is being threatened by its new CEO, “turnaround specialist” Robert Miller, with vulture capitalist Wilbur Ross and his hedge fund allies threatening from the outside. The same deadline was used by Delta and Northwest Airlines to time their bankruptcies. The new Federal bankruptcy law which takes effect then will place more stringent requirements on companies in bankruptcy, requiring them to produce a plan to get out of bankruptcy within 18 months, and cut down the multi-million-dollar executive pay packages the likes of Miller can have during a bankruptcy.

On Oct. 6, Miller’s Delphi management team issued to the United Auto Workers, a set of “the most brutal demands in memory”—as one Detroit journalist called them—as the supposed price for Delphi *not* declaring bankruptcy within 10 days. Delphi demanded such drastic cuts in wages and benefits for workers that, “according to one UAW [United Auto Workers] local union, its members would no longer be able to afford to buy the cars they help build.”

Delphi demanded:

- Immediate wage cuts of up to 63%, forcing the average wage in Delphi plants down to the equivalent of an unskilled

entry-level job, \$10-12 an hour.

- Cuts in the benefit levels of the hourly workers’ pension plan.

- Complete replacement of the union retirees’ healthcare plan by a single, \$10,000 payment to each retiree—enough to buy a private health insurance for only one year, under current insurance costs. This amounts to the vulture-fund tactic of eliminating retiree health benefits in one stroke.

- Elimination of cost-of-living pay increases.

- The right to close, sell, or consolidate most of Delphi’s U.S. plants within three years.

- Elimination of the “job bank” which is universal in the UAW contract, and which provides pay and benefits to laid off workers during the life of a contract. This axes 4,000 workers from benefits.

- Increased pay for 21 Delphi executives—an outrage which the new bankruptcy law would not allow.

- If the UAW will not agree immediately to this wholesale abandonment of wages and benefits, Delphi will go into bankruptcy court and demand the court approve even worse cuts.

- In addition, Miller demands a capital infusion into Delphi from GM, of at least \$6 billion.

A leaflet circulated to members by one UAW local declared, “With that package, the UAW member would not be able to afford a vehicle that our products are assembled into.” But, the leaflet continued, “If Delphi files bankruptcy, the above proposal they made to the UAW will look better than the restructuring proposal it submits to courts.” That would add closing plants immediately and permanently, throwing thousands out of work, and would hit other companies in the auto supply chain with bankruptcy.

The role of the hedge funds and vulture capitalists like Ross, Kerkorian, and Icahn in such a killer corporate bankruptcy strategy, is that they sit ready to buy up bankrupt hulks of firms that result, and merge them into what would become virtually a minimum-wage auto-supply sector, stripped of much of its machine-tool capabilities and its reservoir of industrial skills. The costs of abandoned pensions which would fall on the Federal government would dwarf the scale of previous years.

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Fuel Spikes Trigger Contraction of Airlines

by Paul Gallagher and Anita Gallagher

Since simultaneous bankruptcy filings by Delta and Northwest Airlines on Sept. 14, continuing price spikes in jet fuel have triggered a wave of contractions in U.S. domestic air service—called “temporary,” but more likely to intensify and spread, as inflationary shocks buffet the airlines and other transportation industries.

Both newly busted airlines, through spokesmen and industry analysts, immediately made clear that they will shrink dramatically in size while in bankruptcy, shedding aircraft, routes and destinations, and employees. Northwest outsourced its entire plane cleaning/maintenance operation at the start of the mechanics’ strike during which the airline declared bankruptcy; Delta has announced a large October cutback in flight service, eliminated its air parcel freight service entirely, and has announced it will default on its next planned contribution to its employees’ pension plan. Rumors are circulating in the industry that the two bankrupts will try to merge; whether the report of a specific plan is true or not, it makes clear the airlines’ intention to downsize their air service.

The commercial airline industry’s major carriers had already eliminated 6% of their route capacity, measured by available seat-miles, from 2000-03, from 957 billion down to 893 billion seat-miles. The further shrinkage since can be indicated by the 16% drop in daily flight departures by US Airways during its second period of bankruptcy, which ended on Sept. 27 via a merger with America West Airlines. United’s capacity has shrunk by 5% during the past year in bankruptcy. Delta and Northwest, as bankrupts, are headed for the same, further shrinkage, whether they merge or not.

With railroad passenger and freight routes also steadily disappearing, America’s failing transportation systems—already shown grossly decayed and inadequate by the shocks of Hurricanes Katrina and Rita—threaten to cause the disintegration of the United States, as a nation from sea to sea.

American statesman Lyndon LaRouche noted—speaking at his Sept. 16 Washington, D.C. webcast about the role of hedge funds, and derivatives speculation, in the price of fuels—“Look at the effect of this; look at the airline industry: We’ve got two major airlines are going bankrupt. The entire *pension system* of the United States is now in jeopardy, because these two airlines are about to dump their pension responsibilities, which they had not been maintaining, on the Federal government! Now, this dilutes the ability of the Fed-

eral government to maintain the pension guaranty system. But, why do we have the problem? Because: Some people decided to rip off the airline industry. The danger is, if Northwest and Delta go, what’ve we got? We no longer have a way of transporting people from coast to coast, inside the United States!”

LaRouche illustrated the underlying reality producing effects such as the explosive price of petroleum, which has driven the deregulated airlines into bankruptcy, with a graphic of a “hedge fund-driven shock front,” available on his website, www.larouhepac.com.

The price of jet aircraft fuel has zoomed this year even relative to the inflating price of crude oil. Jet fuel reached the equivalent of over \$100/barrel, reaching 150% of the price of a barrel of oil, due to hedge fund-driven speculation (previously, the barrel-equivalent prices of refined fuels had stayed for years at about 110% of the price of a barrel of oil). These prices have kept spiking even as post-hurricane aid in the form of generous additional supplies of oil and refinery products have been offered the United States through the International Energy Agency and by the Persian Gulf oil-producing states.

Air Transport Association (ATA) CEO James May, at a Sept. 29 seminar, said, “No airline can survive sustained \$90-100 per barrel cost of jet fuel.” The previous day, a gallon of jet fuel had hit \$2.49, the equivalent of a 42-gallon barrel costing \$105; by Oct. 3, it reached \$110/barrel. A year earlier, jet fuel had cost \$1.51/gallon, or \$63/barrel-equivalent. The rise means airlines paying an extra \$15 billion a year, and it’s not over.

USAir Shrinkage a Marker

During its second bankruptcy, which began in early 2004, US Airways illustrated the ongoing loss of air service nationally. From January 2004 through the middle of 2005, USAir eliminated: 16% of its daily departures; six of its 190 airports served; 39 of its 302 jet aircraft; 5.36 million of its 54 million passengers boarded annually (a 10% shrinkage, and a reduction of 20% from its passengers boarded in the airlines’ *annus horribilus* of 2002); and 3,000 of its employees’ jobs. USAir also abandoned its employees’ pension plans, and a bankruptcy court cheerfully allowed it to emerge from bankruptcy leaving those plans in the dustbin. In striking contrast, in a crucial case in Canada, the government and an Ottawa bankruptcy court are enforcing resumption of a strict schedule of pension contributions, as part of the agreement to allow the nationwide steel company, Stelco, out of bankruptcy.

As part of its merger with America West, US Airways returned 25 *more* planes to GE Commercial Aviation Services, from which it was leasing them; earlier, it had announced its intention to give back 46 planes.

Hyperinflation in fuel prices is a proximate cause for the shrivelling; the underlying root of the decay is the insane *airline deregulation* policy in place since the 1980s, which

has caused nearly all the carriers to lose the revenue to operate efficiently. It is destroying not only the older “legacy” carriers, but also the waves of low-cost, no-unions airlines bred by deregulation. Independence Air, for example, which played a role in bankrupting both Delta and Northwest, by “covering” their routes with super-cheap fares, is itself soon to be bankrupted, and probably liquidated.

On Sept. 23, Northwest Airlines Corp., newly in bankruptcy, announced it hopes to eliminate, by abandoning or giving back, more than 100 aircraft in its fleet of 699 planes. And it has told its Memphis, Tennessee-based regional carrier, Pinnacle Airlines Inc., to ground 15 of the 139 small jets it leases from Northwest by Oct. 31. The *Detroit News* on Sept. 28 called this “a move that could foreshadow the shrinkage or elimination of Northwest’s Memphis hub.” On Sept. 21, Northwest had told its other regional carrier, Mesaba, that it will be taking back 35 of that airline’s regional jets, 69-seaters, and returning them to leasing companies. This cuts Mesaba’s flight service roughly in half.

Northwest itself projected a 4-5% reduction in its flights, nationally and internationally, in coming months. Its spokesman Kurt Ebenhoch had said on Sept. 15, that the airline would reduce the number of seats it flies, by 5-6% by the end of 2005. As well as U.S. reductions, it will eliminate New York-Tokyo flights, cut its Detroit-to-Paris flights from seven to five per week, and reduce the frequency of its flights from Minneapolis-St. Paul to Paris, and to London.

The dis-integration shown by USAir and Northwest is spreading throughout the industry, as it is now hammered by growing losses from fuel hyperinflation.

October Cuts ‘Temporary’?

On Sept. 30, Delta announced that it plans cancellation of up to 20% of its domestic flights—many permanently, attempting to gouge a full \$1 billion out of its operating expenses; and “proactively cancelled some . . . to conserve fuel,” its spokesman said. The same day, Northwest worsened its planned fourth quarter reduction of flights, from 5-6%, to 10%. And on Oct. 1, American—which actually reported a second-quarter profit—announced cancellation of 15 flights a day originating at Chicago and Dallas-Ft. Worth, “temporarily” until Oct. 29. From the standpoint of the eight destination-cities involved, American is cutting 10% of those flights; it is also eliminating service from Chicago to Nagoya, Japan. On Oct. 1, Continental Airlines announced it would be cancelling flights to save fuel costs. Said ATA chief economist John Heimlich, “I would expect cutbacks to continue as long as fuel is this high.”

The Pension Benefit Guaranty Corporation (PBGC), which insures pensions up to a limit, had an end-2004 deficit of \$23.3 billion, due largely to the bankruptcies of the steel sector, United Airlines, and U.S. Airways. PBGC spokesman Jeffrey Speicher told this news service that it could not, by law, disclose whether Delta’s and Northwest’s combined

\$11.2 billion additional pension underfunding, for which the PBGC would be responsible, is already included in the agency’s deficit. This figure includes projected, as well as actual, pension takeovers.

House Budget Chair Jim Nussle (R-Iowa), commenting on the Congressional Budget Office pension report of Sept. 15, said, “Based on this report, the choice is either for pensioners to lose over \$100 billion . . . or for taxpayers to get slapped with \$100 billion for failed private pension plans.” By Sept. 28, closely comparable pieces of “pension reform” legislation had been reported out of a House committee and agreed on by leaders of two Senate committees, with claims that a final bill will become law by Thanksgiving. Senate Finance Committee Chair Chuck Grassley, Senate Labor Committee Chair Mike Enzi, and House Education and Workforce Chair John Boehner all now agree that the pension legislation has been separated from its dead twin, Social Security privatization. But the “pension reform” bill, if passed, will set the stage for the collapse of the pensions of hundreds of thousands of American workers, in particular, those in the auto and auto supply sectors.

Delta has already sent letters to 3,500 retired pilots announcing that it will not pay their pensions in October, ignoring PBGC Chair Brad Belt’s huffing and puffing on Sept. 14, that “Nothing in the Bankruptcy Code requires companies to skip their pension payments.”

All the bill’s versions jack up companies’ pension insurance premiums to the PBGC by 60%. They all set a new, more conservative rule for companies’ calculating what their pension plan assets are worth for the future. (For example, bankrupt Delta Airlines says its pension plans are \$5.2 billion underfunded; the PBGC says they’re \$10.6 billion underfunded, a huge difference.) They all require companies to have their plans fully (100%) funded within 3-5 years, depending on the type of plan. And companies with poor credit ratings must pay additional penalties and premiums—*especially those in junk-bond status*, such as the automakers. All these provisions are what the Cheney-Bush White House announced it wanted in “pension reform,” in March.

The Senate version makes an exception for airlines, giving them 14 years to get 100% funded by the new rules. The House committee may accept such an airline exception. This legislation will be a “pension killer” for large companies in other industries—above all, in auto. The auto pension defaults will probably begin with that of UAW members at the big auto supply parts maker, Delphi Corp., which is in junk-bond status and on the edge of bankruptcy.

To save the airlines, re-regulation, and a new monetary system which writes off speculative assets before they write off the United States, must be implemented before it is too late. Airline service in America is shrinking back toward the levels of the 1960s; and airline bankruptcies are being freely used to eliminate employees’ pensions *en masse*, threatening the end of private retirement pensions entirely.

Lyndon LaRouche Says: Cheney Must Go Now!

by Jeffrey Steinberg

Just days before his widely anticipated Oct. 12 international webcast, Lyndon LaRouche issued a call for the immediate removal of Vice President Dick Cheney from office, “for the good of the country and the world.”

LaRouche’s call for Cheney’s ouster came in the context of reports from senior military sources that the U.S. and British occupation of Iraq “has already been defeated,” and any prospect of averting a new Thirty Years War engulfing the entire Southwest Asian region requires a demonstrable change in policy and leadership in the United States. That change, LaRouche insisted, must start with the Vice President stepping down.

LaRouche pointed to two recent high-profile public statements by senior American and British military figures as evidence that the military establishments in Washington and London share his own view that there is no longer any basis for Anglo-American forces remaining in Iraq. Gen. William Odom (ret.), former head of the National Security Agency, issued a point-by-point refutation on Oct. 3 of the Bush Administration’s arguments on why the United States cannot withdraw its forces from Iraq. Odom made a powerful case that the mere presence of American troops in Iraq is the leading factor expanding the insurgency and creating a new generation of anti-American international terrorists.

Col. Tim Collins, a decorated retired British officer, told the Oct. 2 *Sunday Telegraph* that Britain has suffered its most stunning military defeat in memory in southern Iraq, where British troops can no longer operate in the main Shi’ite city of Basra.

Other sources have told this news service that there is already a full-scale civil war under way in many parts of Iraq, with Kurdish forces conducting ethnic cleansing of Arabs in

the Kirkuk area; Shi’ite forces carrying out revenge killings in the Sunni western provinces; and car bombings claiming more lives than at any point since the U.S. invasion in March 2003.

According to one U.S. Marine officer, just back after a year in the Anbar province near the Syrian border, the situation in Iraq “is like France under the Nazi occupation.” The entire country is being organized into a resistance against the American and British occupation.

A Political Tsunami

At the same time that the situation on the ground in Iraq has reached these desperate conditions, in which American GIs may soon find themselves fighting their way out of the country, the political climate in Washington has suddenly changed dramatically. Both the Bush White House and the Tom DeLay-led right-wing cabal in the House of Representatives are facing a barrage of criminal charges, and a political revolt from within the GOP ranks.

On Oct. 3, a Travis County, Texas grand jury handed down a second criminal indictment against House Majority Leader DeLay, charging him with conspiracy to launder money. When the initial indictment was issued on Sept. 28, DeLay was forced to resign his post as Republican leader.

A string of other indictments also have DeLay ensnared, including a Florida criminal indictment against DeLay’s chief financial backer, Jack Abramoff, and an Oct. 5 indictment of another close ally, White House aide David Safavian, who was charged with five counts of lying about his ties to Abramoff.

The implications of the DeLay and Abramoff indict-

ments radiate throughout the right wing of the GOP, from Congress to state houses, where Abramoff's and DeLay's financial patronage created a vice-grip over Republican Party politics.

Dick Cheney was personally hit with two other big shocks, with the Oct. 5 plea agreement by Pentagon analyst Larry Franklin, and the Sept. 30 grand jury appearance of *New York Times* reporter Judith Miller, who testified for five hours about her relations with Cheney's chief of staff, Lewis "Scooter" Libby. Libby and Cheney are at the center of a two-year probe by independent counsel Patrick Fitzgerald into the leaking of the identity of undercover CIA officer, Valerie Plame, the wife of former Ambassador Joseph Wilson IV.

Franklin Will Cooperate

Larry Franklin, the former Iran desk officer at the Pentagon Office of Special Plans (OSP), the propaganda and operations hub of the Cheney-led Iraq War drive, pled guilty to three conspiracy counts in Federal Court in Alexandria, Va. on Oct. 5. The plea agreement, which was unsealed in court, pledged Franklin to fully cooperate with an ongoing investigation into Israeli espionage in the United States, which was centered in the Pentagon civilian bureaucracy. OSP head William Luti, who moved to the DOD from Cheney's office in mid-2001, boasted to staffers that he actually reported to "Scooter" Libby.

Both the Franklin and Plame cases heavily implicate Cheney and his closest Executive branch allies, including Libby

and acting UN Ambassador John Bolton. Bolton's name has come up repeatedly in the Plame investigation, and a CIA officer who served as Bolton's chief of staff at the State Department, during the first Bush-Cheney term, is widely suspected of passing Plame's name on to Libby and others in the VP's office, prior to the leaking of Plame's identity to syndicated columnist Robert Novak.

The Fitzgerald probe could be completed this month, creating a further pile-up of scandals and crimes for Cheney.

A New Iraq Policy

LaRouche has described the Iraq situation as reaching a turning point, which requires immediate and dramatic U.S. action, "a fundamental change in direction." To safely withdraw American and British troops from Iraq, as many leading retired military officers are demanding, there must be a demonstrable shift in the Bush Administration. Since, LaRouche emphasized, Cheney's name is most clearly associated with the disastrous Iraq policy, from day one, no credible policy shift can occur without his removal. Once Cheney is out, even President Bush can go to regional Iraqi leaders, and to all sections of the Iraqi people, and propose a fresh start. With a shift towards full involvement of the Sunnis, including many former Ba'athist military and political figures, not from the Saddam Hussein inner circle, Iraq can be saved from disintegration. All of Iraq's neighbors, including Iran and Syria, will cooperate with such an effort, which aims to prevent a regional explosion that will benefit no one, LaRouche asserted.

Let Cheney-Bush Go Quietly Now

The Lyndon LaRouche Political Action Committee issued the following statement on Oct. 2.

Suddenly, recently, the White House Cheney-gang seemed to shift away from their lust for an immediate attack on Iran to target Syria. Then, the answer became clear, in Defense Secretary Rumsfeld's fit of hysteria at the blackboard, as Rummy attempted frantically to deny the rapidly deteriorating position of the U.S. military forces in Iraq. An attack on Syria would be an obvious cover for a desperate attempt to allow the U.S. forces to shoot their way out Iraq.

So, in *EIR*'s weekend intelligence round-up in Leesburg Oct. 2, the facts we had been accumulating during the past two weeks clicked into place.

The key fact we needed to put the evidence as a whole

into place came together as we conducted our weekend report on the status of the current strategic situation globally.

The bottom line for all this and much more besides, is that the current Bush-Cheney administration is the worst, most incompetent, and also most brutish government in all of U.S. history to date. This is a view which is largely shared by those who are my personal leading adversaries as much as friendly circles. We agree on one thing: this administration is a disaster which our republic could not survive for three more years of the present trends.

The time has come to tell the President and Vice-President to go quietly, for the sake of the nation, and also, like Nixon, to avoid the legal consequences of continuing to attempt to "tough it out." We could be most generous to them in their early retirement years, if they would kindly assist us in expediting the urgently needed return, by the established constitutional route, to the sane government we so urgently needed in this time of the gravest kind of global monetary-financial and economic crisis.

—Lyndon H. LaRouche, Jr.

'The Greatest Strategic Disaster in U.S. History'

by Michele Steinberg

Eyewitness reports from U.S. soldiers returning from Iraq, as well as from exiled Iraqis who have just visited Baghdad after many years, establish, without question, that the United States must immediately initiate the process to leave Iraq now—while such an exit is still possible. The only question remaining, one retired Special Forces officer told this news service, is whether the United States can “walk out of Iraq,” or whether it has to “fight its way out.” The U.S. occupation has destroyed the nation of Iraq, and has so botched the drafting of a so-called “constitution,” that one retired Army officer and specialist on Iraq, told *EIR*, that the United States had better hope that the constitution is voted down, so that there is another chance to draft a new one. The present constitution is so divisive, and punishing toward the Sunnis, that the result will be civil war. These officers are only two of a number of high-ranking officers, both British and American, who say the Iraq War has not only become a quagmire, but that the Bush Administration has already *lost* the war.

Since the end of September, Washington has been the scene of powerful interventions by top military and retired military figures, saying it is necessary to force the White House to withdraw. At the same time, polls show George W. Bush's Iraq War policy with only a 33% approval rating. And, an increasing number of Republican members of the Congress and the Senate are breaking with the White House on that war policy. In the House of Representatives, the number of Republican co-sponsors of legislation to force Bush to draw up a withdrawal policy, is now five, out of a total of 60 co-sponsors. The Republicans are: Walter Jones (N.C.) and Ron Paul (Tex.), who were both original co-sponsors, and Jim Leach (Ia.), Wayne Gilchrist (Md.), and John Duncan (Tenn.). In the Senate, the backlash against the Iraq policy was reflected in the landslide vote of 90-9, to ban the U.S. use of torture on military prisoners, and put the treatment of these prisoners under international law (see article, p. 28).

But, it appears that the more the American population, and the President's own Republican Party, weigh in against the war, the more fanatical are the warmongering speeches given by President Bush and Vice President Cheney, as demonstrated in their respective speeches on Oct. 6 and Oct. 5. The Administration's fanaticism, including Bush's Oct. 6 call for further wars against Syria and Iran, makes the intervention by the military against the Iraq War all the more urgent.

'Why Not Cut and Run?'

On Sept. 28, retired Lt. Gen. William Odom, the ex-head of the National Security Agency (NSA), joined Rep. Walter Jones (R-N.C.), Rep. Neil Abercrombie (D-Hi.), and other members of the House of Representatives, at a news conference in Washington, to support their *bipartisan* legislation to withdraw from Iraq. Odom not only supported the legislation; he called the invasion of Iraq “the greatest strategic disaster in United States history.” Odom added, “We need a broad coalition of Europeans and our allies in Asia to put things in order. . . . We cannot do that as long as we are in Iraq. The precondition for a serious and effective strategic engagement to stabilize this region requires withdrawal and admittance to others that we may have made an error.”

But that was not all. On Oct. 3, General Odom wrote an article titled, “What's Wrong With Cutting and Running?” (See www.Antiwar.com.) “If I were a journalist,” he wrote, “I would list all the arguments that you hear against pulling U.S. troops out of Iraq, the horrible things that people say would happen, and then ask: Aren't they happening already? Would a pullout really make things worse? Maybe it would make things better.” Odom refutes in a devastating way, the arguments that the Administration usually puts forth as its only reason for “staying the course.” For example: Leaving would “risk civil war,” and would “encourage terrorists.”

But, Odom says, there already *is* a civil war. “Iraqis are already fighting Iraqis. Insurgents have killed far more Iraqis than Americans. That's civil war. We created the civil war when we invaded; we can't prevent a civil war by staying.

“For those who really worry about destabilizing the region,” Odom adds, “the sensible policy is not to stay the course in Iraq. It is rapid withdrawal, reestablishing strong relations with our allies in Europe, showing confidence in the UN Security Council, and trying to knit together a large coalition including the major states of Europe, Japan, South Korea, China, and India to back a strategy for stabilizing the area from the eastern Mediterranean to Afghanistan and Pakistan. Until the United States withdraws from Iraq and admits its strategic error, no such coalition can be formed.

“Those who fear leaving a mess are actually helping make things worse. . . .”

There is a similar groundswell against the Iraq War, in Britain. On Oct. 2, the London *Sunday Telegraph* published a chilling article, citing British military historian Col. Tim Collins (ret.), who says that British forces have been decisively defeated in southern Iraq, and may soon be chased across the border into Iran.

Collins, described in the article as a respected officer



Gen. William Odom (ret.)

whose “eve of battle address during the Iraq war has been praised as among the greatest in British military history,” warned that the “incompetence and lack of direction” of the political leadership has created a situation in which “the danger is that we could face defeat in the field. We could be overwhelmed. The Army could be chased over the border into Iran.” Asked how humiliating that would be for Britain, he answered, “It would be historic.” He called on Prime Minister Tony Blair to “fall on his sword” for presiding over a “right rollicking cock-up.”

These two military leaders are just the latest voices of warning. On Sept. 15, at an informal hearing called by Rep. Lynne Woolsey (D-Calif.), Gen. Joseph Hoar (USMC-ret.), and former Sen. Max Cleland (D-Ga.), a decorated Vietnam War vet, testified that not only is the situation in Iraq getting worse and worse, but the Army itself is “broken,” and the United States is going bankrupt, paying for the no-win war. After the four-hour hearing, in which about 30 members of Congress questioned Hoar, Cleland, and other expert witnesses, the Administration could be likened to Hitler in the bunker in the early part of 1945, when World War II was lost for the Nazis, but Hitler dreamed up ever wilder expansions of the war.

U.S. Creates Failed State

The reality of what is happening in Iraq is that the U.S. and U.K. forces have *already* been defeated. From a military standpoint, it is already a hopeless situation. *EIR*’s reports from a number of highly qualified military sources match precisely what Colonel Collins told the *Sunday Telegraph*. The situation in Iraq cannot be salvaged, so long as American and British forces remain there.

The main exit routes out of Iraq—to Jordan and Kuwait—will soon be totally in the hands of insurgents. We may soon be faced with the need to literally shoot our way out of the country. Already there are reports, in western Iraq, of Shi’ite atrocities against Sunni villages. There is no longer any area where the U.S. military is in control. The British have withdrawn from Basra, the largest city in the south, and cannot control the region. Even worse, there is a likelihood, with the continuing threats by Cheney to attack Iran, that the Iraqi Shi’ites will launch their own insurgency against the United States, in the event of a U.S. and/or Israeli attack on Shi’ite Iran.

It is already an ugly civil war. U.S. Marines who recently returned from Anbar province in Western Iraq, say that the U.S. is facing a “widespread, hard-core, nationalist insurgency,” which should be understood as analogous to the French resistance to the Nazi occupation. Eventually, these returning Marines warned, the entire population opposed the Nazis, and that is what is happening now in Iraq. The hatred of the U.S. occupation is also fueled by revenge killings being carried out by Shi’a troops accompanying the U.S. forces. These Shi’a forces are not under U.S. military “fire control,”

and have been killing Sunnis in their villages, as revenge for the Sunni massacres of Shi’ites during the failed, U.S.-backed Shi’a uprising under President George H.W. Bush.

The brutality of the civil war—with the U.S. clearly involved in allowing pro-occupation gangs to carry out mass murders—is beginning to find its way into media reports. On Oct. 5, the website TomPaine.com noted recent reports by CBS News and the *Chicago Tribune*, about Iraqi Shi’ite commandos, working for the new Iraq government, who have targeted Sunnis, terrorizing families in the middle of the night, and killing Sunni men on a mass scale. Much better known, and reported sensationally in the Western media, are the actions claimed by the al-Zarqawi terrorist group that have killed hundreds of Iraqi Shi’ites in bombings of mosques and marketplaces. It is, as General Odom reports, already a civil war. But the report in TomPaine.com notes an additional element: The Shi’a forces involved in targeting of Sunnis are officially working for, and trained and equipped by the United States, in the name of stability.

Meltdown in the Washington Command

On Sept. 28, at a hearing of the Senate Armed Services Committee, all hell broke loose, when U.S. Army Gen. George Casey, Commander of the U.S. and coalition forces in Iraq, said that there is only one battalion of “fully capable” Iraqi troops. After months of hearing reports from Defense Secretary Donald Rumsfeld, and speeches by President Bush that there are 150,000 to 170,000 “trained” Iraqi security forces, the Senators went ballistic. After all, a battalion unit is approximately 300 to *maximum* 1,000 personnel, according to the Army’s official site.

Republican Sen. John McCain (Ariz.) blasted General Casey, who was testifying, demanding to know: “*You had three battalions, now we’re down to one. . . .*” And a distraught Sen. Susan Collins (R-Me.) told Rumsfeld and the generals that these numbers cause a “loss of public confidence. . . . It doesn’t feel like progress when we hear . . . that there is only one Iraqi battalion fully capable.”

Rumsfeld tried to dismiss the Senators’ criticism with a sneer, saying, “I think reality is these folks are not going to end up at a level of U.S. forces, period.” But, for once, the Senators closed ranks and continued to demand answers. Pressed by Sen. Ted Kennedy (D-Mass.), about reports that insurgents are joining up for the Iraq police to get training, equipment, and weapons, Rumsfeld admitted it was true, then babbled, “It’s a problem faced by police forces in every major city in our country, that criminals infiltrate and sign up to join the police force.”

This showdown at the Senate sent the White House and Secretary of Defense’s office into a panic. On Sept. 29, the White House announced that Bush would dedicate “all” his time and effort to the war in Iraq, with major speeches to be made by him and Vice President Cheney. On Sept. 30, Rumsfeld called a special briefing at the Pentagon, where he



White House/Eric Draper

President Bush gives his address on “the war on terror” on Oct. 6, fulminating against “Islamic radicalism” and threatening war against Syria and Iran.

literally shoved General Casey aside, when reporters were pursuing questions about why the number of “capable” battalions had shrunk, and how long it would take to build them up.

According to the Defense Department transcript, Casey replied, “I think it will be a while. I think before we see much movement from one to two, it’s going to be a couple of months. . . .”

Then, as another reporter began his question, a frantic Rumsfeld abruptly took over:

Q: “General —”

Rumsfeld: “You know, this is—just a minute. This is—there are an awful lot of people chasing the wrong rabbit here, it seems to me. And let me put up this chart; it’s illustrative. I don’t want you to write anything —”

Q: “The reason I ask is much was made of this on the Hill yesterday —”

Rumsfeld: “That’s my point. I think folks are chasing the wrong rabbit.”

Needless to say, Rumsfeld’s “wrong rabbit” response did nothing to stanch the criticism of the war, but what followed from Cheney and Bush, was far worse.

According to media reports, and *EIR*’s sources in the Washington intelligence community, there were high-level meetings at the White House that were a combination of damage control, and flight-forward planning for attacks on Syria, to be conducted in “hot pursuit” of “terrorists” who would be fleeing an American offensive in the western Anbar province of Iraq. U.S. military strikes against Syria, and the overthrow of Syrian President Bashar Assad, remains high

on the agenda of Cheney and his neo-con cabal.

While no military action has been announced against Syria, as of Oct. 6, the speeches by Cheney and Bush indicate that they fully intend to expand the Iraq war to Syria and Iran.

Speaking at the Association of the U.S. Army, on Oct. 5, Cheney shamelessly pledged more American blood for his perpetual war policy, while claiming his policy had made Iraq more secure. Cheney raved that “the only way the terrorists can win is if we lose our nerve and abandon our mission. . . . We will help Iraqis build a nation that is free and secure and able to defend itself; we will confront our enemies on this and every other front in the war on terror. . . .”

And Bush’s “major speech on Iraq,” delivered to the National Endowment for Democracy on Oct. 6, was a fanatical call to return to the domino theory approach of the Cold War, while threatening immediate war on Syria and Iran. Bush’s speechwriters

deftly morphed Iraq into the home of Osama bin Laden, and Bush warned that if Iraq falls to Zarqawi and bin Laden, there will soon be a “radical Islamic empire that spans from Spain to Indonesia.”

In response to calls to get out now, Bush said there would be “no concession, bribe, or act of appeasement,” and that only “complete victory” would be accepted.

He then went into a psychotic litany attempting to prove that the war on terror is just like the war on communism. Five times he repeated: “Like the ideology of communism, our new enemy Islamic radicalism. . . .”

Most ominously, included in the speech is a description of Syria and Iran, by name, as “state sponsors” of terrorism, who “share the goal of hurting America and moderate Muslim governments,” saying that “they deserve no patience.” In the most blatant threat of more war, he said, “The U.S. makes no distinction between those who commit acts of terror and those who support and harbor them, because they’re equally guilty of murder. . . . And the civilized world must hold those regimes to account.”

There is no question that Bush and Cheney feel the walls of reality closing in on them, as the multiple criminal investigations are coming to a head, particularly the possible indictments of top White House personnel for the revenge leaking of the identity of covert CIA agent Valerie Plame Wilson, and the indictments of House Republican Majority Leader Tom DeLay.

But, feeling the political squeeze, Cheney and Bush, are planning new wars to get themselves a little “Lebensraum.”

Will There Be an Iraq?

by Hussein Askary

A closer look at the situation in Iraq during a recent visit to the region filled me with the fear and anxiety that the Iraq that I once knew, from my childhood to adult years, is no longer the same, and could become something else other than an Iraq. Iraq today is a divided nation physically and mentally. Civil wars, not only one civil war, are now an immediate and live threat. Iraq's different provinces are not run by "the government," but by different sectarian and ethnic militias that are fighting for dominance against both organized crime gangs and militant groups—whether part of the "Sunni" insurgency or newly created terrorist groups—and against the U.S. and British troops.

To save Iraq, as a united nation and source of culture and ideas with its deep and ancient grounding in history, an immediate, concerted effort is required by a new and prudent leadership in the United States, in collaboration with the nations of the region without discrimination. A clear exit strategy for the U.S.-British Coalition forces from Iraq has to be drawn up. In this context, a national reconciliation conference and campaign has to be launched to heal the wounds of what is threatening to become the bloodiest civil war in the country's history. This should be done with the sponsorship and cooperation of the neighboring nations, especially Iran, Saudi Arabia, Egypt, Turkey, and Syria. The exit strategy itself has to be coordinated and guaranteed through a security agreement with Iraq's neighbors. A withdrawal under fire by the U.S. troops will only turn Iraq into a situation worse than Somalia in the early 1990s.

In the meantime, all discussion of the drafting and ratifying of a new Iraqi constitution has to be postponed, until the security and economic situation is stabilized and new, legitimate elections are held. This situation is not only a threat to Iraq itself, but also to all its neighbors, who will face similar sectarian and ethnic struggles if Iraq is divided. Saudi Arabia, in the first place, and other Gulf states as well, are deeply concerned that the sectarian struggle in Iraq would spill into their oil-rich eastern region where there is a majority of Shi'a Muslims living in the Sunni-dominated country. This has prompted Saudi Arabia and other Arab states to finally make certain political moves to intervene in the Iraqi situation, as reported below.

Blind Terror

Iraq's leadership and political elite today resemble a ship of fools. The population is held hostage between blind terror that strikes anytime, anywhere, and U.S.-British military at-

tacks and "dirty war" tactics. The population, both Shi'a and Sunni, are being pushed to the edge of madness, through terror, assassinations, massive military attacks, lack of water and electricity and basic services, and massive brainwashing propaganda through dozens of private satellite TV channels pushing sectarianism and desire for revenge against fellow Iraqis. All that, while the real cause of the disaster in Iraq—i.e., the Bush-Cheney-Blair neo-con war strategy—is being obscured and covered up.

The lines between disgusting terrorist acts against innocent civilians, mainly Shi'a, and legitimate resistance against the occupation are being erased. Any intelligence service can open shop in the country and hire car bombers or suicide bombers, and order assassinations and kidnappings. In late September, British special operations soldiers were arrested in broad daylight in Basra, disguised as Arab terrorists, carrying explosives, detonators, guns, and sophisticated communication devices, driving a civilian car. What were they up to? Nonetheless, they were freed by British tanks that smashed the Iraqi prison where they were held for interrogation, and their traces were covered up and removed.

One of the most dangerous developments in the country has been the use of ethnic militia in U.S. military operations against the "Sunni" insurgents. Following the dismantling of the Iraqi army and security forces by U.S. Administrator of Iraq Paul Bremer in 2003, the only organized militant forces left there were the Kurdish militias and the Shi'a Badr Brigade, which belongs to the now governing Supreme Council of Islamic Revolution in Iraq (SCIRI). The newly created al-Mahdi Army of Shi'a cleric Muqtada Assadr, has remained against the sectarian division and focussed its attacks on U.S. and British troops. The recent military actions in Western Iraq have been carried out by the U.S. forces with the support of the Kurdish and Shi'a militias that form the bulk of the new "Iraqi Army."

This has led to the deepening of the hostilities between the different sects. Extremists of both sides have called for revenge, and terrorist groups, such as the al-Qaeda of Abu Musaab al-Zarqawi, whom many Iraqis actually suspect to be the creation of U.S., British, or Israeli intelligence, have been carrying out blind terrorist acts against Shi'a civilians in marketplaces and mosques. In the meantime, death squads, dressed as Iraqi army troops and police, have been kidnapping and killing Sunni young men and religious leaders, in addition to prominent figures in the former regime of Saddam Hussein.

In certain periods, waves of assassinations against specific groups of Iraqis are organized by mysterious forces. For example, early in September, a wave of assassinations targetted school teachers and then university professors. Before that, engineers were hit. The simple explanation provided by the official media is that these are groups of former Ba'athists and Sunni insurgents, who are accusing anyone going to his job of being a collaborator with the U.S.-British occupation.



EIRNS

Lyndon LaRouche is being interviewed by EIR correspondent Hussein Askary, on April 24, 2004.

Economic Conditions

In discussions with Iraqis, one can see the horror engulfing the population as a result of this security situation. The population is kept in a permanent state of anticipation of death at any moment. Most people are psychologically and practically crippled, because they can't move around in the towns, especially in Baghdad. Added to this hell, are the economic conditions. Clean water and electricity have become luxuries. Following the invasion in April 2003, electricity started to disappear for three hours and come back for three hours to Iraqi households. In 2004, this became what the Iraqis call 3 to 1. That is, three hours blackout and one hour of supply. This year, especially in the Summer, this became 6:1. As for the unemployment, it is still as high as 60-70%. National production is almost non-existent. Iraqis, who are living in a permanent semi-social-welfare state, buy everything from abroad: food, clothing, household devices, etc. The "free-market" policy introduced with the invasion has turned Iraq into a "flea-market economy." For example, relatives of this author who had been running a textile factory for three decades, had to shut down the factory and start importing Chinese cheap products to sell and make a living from, because the Iraqi market is flooded with such products of all sorts. The few dollars each family gets each month are supposed to keep a "consumer society" at a minimum living standard. But health care, electricity, clean water, and transportation are not things the Iraqi traders can bring from China.

The finances of the state, generated mainly by oil exports,

are being looted and moved outside the country. In early September, the "anti-corruption ministry" announced that \$1 billion had just "disappeared" from the former Defense Ministry of the transitional government of Ayad Allawi, which was functioning under the U.S. occupation. The money was allocated to phony weapons contracts with foreign firms. The same goes for almost all other ministries. So-called reconstruction contracts are offered without bidding to foreign companies such as Halliburton, which in turn hire Iraqi contractors to carry out some of the work, for a fraction of the real value of the contract.

Constitution Fraud

In the past weeks, one of the biggest frauds, called drafting the permanent constitution, was arranged. First of all, the text that has been agreed upon by dominant Kurdish Alliance and Shi'a Coalition is nothing more than the U.S.-imposed Transitional Administrative Law (TAL) of Paul Bremer, with slight changes to satisfy the special interests of some Kurdish and Shi'a political groups, better described as sectarian and ethnic militias. The main aspect of the draft is the division of the country along ethnic and sectarian lines, in a so-called "federation."

The mysterious text of the draft, which is supposed to be voted on by the Iraqi people on Oct. 15, has yet to be printed and delivered to the electorate, as of Oct. 5. But even as it was allegedly being sent for printing and distribution by the UN, the U.S. Ambassador, Zalmay Khalilzad, was



USAID/Thomas Hartwell

Iraqi local leaders from Abu Ghraib. Today the population is being pushed to the brink of madness, by the U.S.-British occupation, the daily threat of death by blind terrorism, and the lack of the basic economic necessities of life. This is driving sectarian divisions that could soon lead to civil war.

running around urging the Kurdish and Shi'a parties to make changes to the "finished" draft, in order to get it accepted by the Sunnis. The Sunnis have rejected the draft, because it threatens to divide the country into small pieces run by sectarian and ethnic warlords, and also deprives the previously privileged Sunnis in the west of the country of important revenues from Iraq's oil.

But rather than taking a stance on the basis of principle, Sunni political leaders are buying into the myth that what is going on in Iraq is an "Iranian conspiracy," and that Iran and the Bush Administration are working together to give Iran control over southern Iraq. The only effect this nonsense has is to mobilize Sunnis and Arab extremists in neighboring countries in support of the ongoing march toward a civil war. This was the same propaganda which was used by Iraq's former dictator Saddam Hussein to fan the flames of war with Iran in 1980-88. The Iraqi Shi'a and Kurds are being urged by their political and religious leaders to vote "yes" for the constitution, no matter what the content is, because it is alleged that this is the only guarantee that Saddam and his Ba'athist henchmen will never return to power. Many Shi'as are skeptical of this scare tactic, but under "group pressure" they might have to get in line. As for the Sunnis, they are being prevented from going to the ballot through a massive military operation, which expands throughout the so-called Sunni triangle in Ramadi, Salhaddin, and Ninevah. These are the three provinces that potentially could vote down the draft of the constitution, if two-thirds of the voters there vote "no." This is according to the established rules under the TAL itself.

Now, certain forces in the Iraqi Parliament tried at the last minute (on Oct. 4-5) to change the rules of the referendum to make it impossible for a "no" vote to be achieved. The change implies that more than two-thirds of the population is required to vote the draft down. However this move was defeated in the parliament.

Arab League Move

As the reality of the incredible quagmire the U.S. and British troops have found themselves in, and the imminent threat of civil war, became obvious, the Arab League, under urging of Saudi Arabia and Egypt, convened a meeting in Jeddah, Saudi Arabia, on Oct. 3 to discuss actions to be taken to avoid a civil war in Iraq. The foreign ministers of the Arab League decided to send Secretary General Amr Mousa to Iraq "immediately," to discuss with all the Iraqi forces the issue of convening a "national reconciliation conference" under the auspices of the Arab League. This conference is planned to be held on Oct. 25.

This is the first time the Arab countries have dared to intervene in Iraq since the U.S.-British invasion in March 2003. Observers in the region

had different interpretations of this move. Some said that it was prompted by the U.S. Administration to put pressure on the Sunnis, to get them to agree to the draft of the constitution. However, another interesting aspect of this is, that this is probably the long-awaited intervention by Iraq's neighbors to save the face of the U.S.-British troops, paving the way for an organized exit strategy. This move could be followed by the re-introduction of the idea of moving Arab armies into Iraq for peacekeeping, instead of the U.S.-British troops. This is the type of action that Lyndon LaRouche called for in his "LaRouche Doctrine for Southwest Asia" (see *Documentation*). Iran and Turkey are not members of the Arab League, but their participation in these efforts would be crucial. The two countries are members of the "Group of 6" including all Iraq's neighbors. In collaboration with prudent forces in Iraq such as Ayatollah Ali al-Sistani; the Association of Muslim Clerics; Sheikh Ahmed al-Kubaisi, the Iraqi "Sunni" religious leader who publicly supported the LaRouche Doctrine; Mohammad Jawad al-Khalisi, leader of the reconciliatory Iraqi Founding Congress; and other patriotic and religious forces, the stabilization of Iraq internally would be possible. However, the initiative should come from the United States, through a shift of the U.S. policy.

Iraq has gone through many disasters in the past, but this one is existential. However, this is not only about Iraq; it is about the future of the whole region and the United States itself. Therefore, many forces have to be involved in stabilizing the country and establishing peace and reconstruction in the whole region.

Southwest Asia: The LaRouche Doctrine

by Lyndon H. LaRouche, Jr.

The statement excerpted here was released by the LaRouche in 2004 Presidential campaign committee on April 17, 2004.

On the War

. . . The immediate subject of my present policy-statement here, is the task of successfully and quickly extracting U.S. military forces back to safety, out of the hopeless Hell-hole of the presently disintegrating U.S. military occupation of Iraq. Neither President Bush, nor Senator Kerry currently, are competent to define a practical approach to the accomplishment of that withdrawal. Nor would even my policy work, were it not presented by the U.S. as my doctrine, as I shall explain here, and the U.S. government were to identify this as their adoption of my doctrine.

That doctrine itself is as follows.

U.S. Interest in Southwest Asia

1. Neither the causes, nor remedy for the present quagmire of boiling asymmetric warfare in Iraq can be found within the bounds of the present configuration of conflicting forces within Iraq itself. There could be no competent moral or military reason for maintaining a policy of keeping our forces within the territory of Iraq. We must, therefore, extricate our troops safely, and quickly, from Iraq itself. However, this can not be done without creating a larger strategic framework in which a workable solution could be brought into existence.

The trap currently gripping U.S. military forces inside Iraq, is that either a headlong flight forward, as a desperate Secretary Rumsfeld proposes, or reckless retreat, would inevitably create an infinitely worse mess there, and for the U.S. world-wide, than already exists today. Therefore, the present situation on the ground must be strategically outflanked.

2. To define a feasible solution, we must shift the agenda, from Iraq alone, to the subject of Southwest Asia as a whole. Only within an appropriate declaration of U.S. policy-interest in Southwest Asia as a coherently defined unit of U.S. policy-making, could we bring into play the concert of forces required to create a viable option for Iraq today.

3. For the purposes of U.S. foreign policy, Southwest Asia is to be recognized as bounded by four principal states, whose appropriate cooperation is indispensable for creating a zone

of stability among the nations and peoples of the region as a whole. These are Turkey, Syria, Iran, and Egypt (see map). The security of the northeast corner of the region so defined, depends on protecting its flank, by ensuring non-interference from outside interests, that by the exclusion of meddling outside parties from intrusion into current discussions on cooperation among Armenia, Azerbaijan, and Iran.

It is only through fostering the immediate establishment of an appropriate declaration of U.S. commitment to recognition of that reality of Southwest Asia, that the needed aid for the extrication of U.S. forces from Iraq could be accomplished. The acceptance of that U.S. declaration by those and other nations of that region, is the necessary flanking action. Therefore, action in the direction outlined here is urgent, and must be immediate.

4. The effort to establish such a zone of mutual security in Southwest Asia, would fail, unless the U.S.A. also took the boldest action toward bringing about the realization of an unconditional U.S. commitment to immediate negotiation of a two-state peace-agreement along long-standing, predetermined lines, between the Palestinian and Israeli states. No one in Southwest Asia or much of the world besides, would believe the U.S. to be an honorable party unless the U.S. came down hard, without its present and customary equivocation, on the long-overdue establishment of a kind of Palestinian-Israeli peace consistent in fact with the principled precedent of the 1648 Treaty of Westphalia.

If the nations of the Southwest Asia region accept such a settlement, with assured U.S. backing, the global influences needed can be brought into play.

5. However, no such policy proffered by the U.S., even if it followed to the letter what has been said here, would be accepted among the peoples of the regions, unless the U.S. government were to identify such a declaration as the adoption, by name, of this as a “LaRouche Doctrine.” No other notable political figure of the U.S. would be capable of enjoying the trust of the Arab and related parts of the world, for this purpose, at the time.

The included, and essential significance of this role of the name of “LaRouche,” is, chiefly, that the U.S. government under the thumb of such figures as Vice President Cheney and his Leo-Straussian neo-conservatives, has acted under a continuing commitment to a utopian doctrine known variously under the titles of “perpetual warfare” and “preventive nuclear warfare.” These policies are an extension of the Fabian Society doctrines of the U.S.-hating H.G. Wells and Bertrand Russell, the doctrines of “world government through terror of nuclear weapons,” the terror which ruled the world from the bombing of Hiroshima and Nagasaki, to the European events of 1989. Cheney, in particular, has targetted Syria, Iran, North Korea, and other nations as intended victims of such a policy. Were he to be reelected, the world must expect early action, including “preventive” nuclear attacks, on those and other targets, to begin soon after the November

Southwest Asia



election. No relevant declaration of U.S. stated policy will be considered credible by the world at large, unless that statement, as crafted by me, is considered as a systemic eradication of the Russell English-speaking “world government” tradition and of that tradition’s association with the doctrines of Vice President Cheney today.

6. At the present time, we must keep the Wall Street and kindred lawyers out of the policy-making. No attempt to develop a “detailed plan of withdrawal,” or negotiate a “contract” should be introduced prior to the achievement of a commitment to an agreement in principle among a relevant majority, at least, of the prospective partners to a new Southwest Asia security and development agreement. We must recall that the beginning of the ruin of the otherwise excellent agreements reached in the Oslo Accords occurred, once certain financial interests, such as those associated with the World Bank, were permitted to intervene, in the fashion of attorneys for banking interests, to distort the implementation of the agreements in such incompetent ways, that no serious economic-development measures were ever taken. That error created the vacuum of inaction in which the ensuing mischief by Netanyahu, Ariel Sharon, and others, ostensibly on both sides, took its toll.

a.) Only principles of intention which have a constitutional basis in natural law, rather than positive law, such as the great constitutional principle, “the advantage of the other,” of the 1648 Treaty of Westphalia, could succeed in

establishing a core-agreement in circumstances such as those of this region today. The positive law must wait upon the pleasure of the adoption of the relevant, ecumenical principles of natural law.

b.) The most crucial economic issues of the Middle East region, are water and power. In the immediate vicinity of Israel and occupied Palestine, for example, there is not sufficient water from presently available resources to allow the growing population of that region to live in peace. Artificial means, such as large-scale desalination, which are needed to increase the gross supply of potable water for the region, together with provision of associated power generation and distribution, could ensure the pre-conditions for a prospective, durable peace in the region generally. In general, peace were a durable prospect, only if the region were defined under the echo of the Treaty of Westphalia, as a zone of cooperation in development of sovereign states.

7. The United States must recognize the importance of stability of Southwest Asia, as a critical flank of the possibility of economic recovery through development throughout the Eurasia continent, and related areas, as a whole. It is vital U.S. interest that this region of the world develop in ways which uplift the conditions of life and cooperative relations among the peoples of that continent, creating a system of cooperation for progress in which the U.S. itself should desire to be accepted as a useful, active partner. If we set our neighbor’s house in flames, could ours be truly secure?



Arttoday.com

Ratification of the Treaty of Westphalia in 1648, which ended the Thirty Years' War in Europe. The treaty inaugurated the concept of "the advantage of the other" in diplomacy, and established the principle of national sovereignty in international law. This is the only basis for peace in Iraq and all of Southwest Asia today.

Relevant U.S. Military Policy

8. The judgment which the world will make, respecting my proposed new policy for Southwest Asia, will prompt relevant other nations to examine my military policy as such most closely. On that account I provide the following relevant points of clarification:

a.) I propose that the U.S. adopt as its intention my policy for the prompt, summary withdrawal of U.S. military forces from the Middle East. As President, I would pull the bulk of our military forces back to the U.S., for rebuilding those relevant institutions there. Therefore, I set forth the following exemplary points of a related military policy, which should become accepted among ourselves and nations abroad as our policy.

b.) The military policy of the U.S. henceforth, must be the affirmation of a military tradition of Strategic Defense, as that term was first defined in a significant, scientific way by the great Lazare Carnot who rescued a virtually doomed France from occupation and partition by the combined arms of virtually all Europe. This policy, as known to us, was enriched by the added contributions of Gerhard Scharnhorst for Prussia, as Scharnhorst's policy was expressed, both, in the destruction of Napoleon's Grande Armée in the strategic trap prepared under Czar Alexander I, and the subsequent Prussian initiative which destroyed the retreating Emperor Napoleon's power before he could return to France to build a new army. This was the magnificent principle applied by General of the Armies Douglas MacArthur to the Pacific War, and the policy of the U.S. of traditionalists Marshall and Eisenhower hampered by our extraordinarily difficult dealings with British ally Winston Churchill et al., in Europe.

c.) Strategic Defense is based on the securing and development of peace, not the pursuit of perpetual war. We must never again tolerate imitations of the original fascist, Robber-Emperor Napoleon Bonaparte, whose precedent set the ideological stage for Adolf Hitler's wars later. Thus, in war, and in peacetime, the military forces of the U.S.A. are intended to be essentially an engineering force, led by officers whose qualifications rest on the foundations of competence in science and engineering, and cohering comprehension of the related mission and tasks of the republic's military arms, and their related intelligence functions, that against a background of comprehension of the relevant history of statecraft, especially the history of European civilization since ancient Greece.

d.) Carnot's reference to Vauban, and to the intention of such fortifications as those at Belfort and Neuf Breisach, in his development of the leading tradition of France's notion of strategic defense, rather than the dogmas of the mercenary Jomini, was the foundation of the revitalization of West Point military academy during the Presidencies of James Monroe and John Quincy Adams. This was buttressed by the associated role of the great U.S. intelligence/counterintelligence arm of that time, the Society of Cincinnatus then led by our General the Marquis de Lafayette, and served by such heroes of our intelligence service as Washington Irving, James Fenimore Cooper, counterintelligence specialist Edgar Allan Poe, and others.

e.) During approximately forty years, since the launching of the U.S. official war in Indo-China, the U.S. and its military arms have undergone a long-term decline in quality as a force of strategic defense, toward an imperial mode. This transfor-

mation has been intertwined with a shift of our national economy, from the world's leading producer-nation, which it had been up to the 1966-1968 interval, into what was increasingly the "post-industrial," predatory economy which emerged during the 1971-1981 interval. During the latter interval, we shut down our essential basic economic infrastructure and good qualities of productive employment, transforming our nation into something resembling an imperial Rome which kept its ruined general population quiet with bread and Roman-circus-like entertainment, while looting subject slaves, and peoples and their nations abroad.

f.) The matching decadence of recent, politically superimposed forms of U.S. strategic doctrine and practice, is to be traced chiefly to agreements struck between the Nazi security apparatus and a U.S. faction associated with Allen Dulles and his associate James J. Angleton. Under this arrangement, the section of the Nazi security apparatus associated with Schellenberg and Italy-based Wolf, and with the international network of the Hjalmar Schacht who had put the Nazis into power in Germany, were absorbed as "a capable anti-Soviet entity" within the Anglo-American intelligence apparatus, and, thus, in due course, NATO. This coopting of a core of the Nazi apparatus into what became known as the "utopian" wing of the Anglo-American strategic establishment, was an integral part of the intended implementation of the policy of "world government through nuclear preventive war" by Bertrand Russell then, and also Vice President Cheney and his circles today. The new generations of that Nazi apparatus infest Italy, France, Spain, and the nations of Central and South America today, as they also infest the relevant utopian warfare capabilities of our own nation today. Vice President Cheney, and the neo-cons, such as Michael Ledeen, generally, are functionally ideological representatives of the current generation of that Nazi Allgemeine-SS ("universal fascist," pro-"globalization") legacy.

g.) This blending of that Nazi element into the utopian faction of Anglo-American establishment, was run through Franco's Spain, and that large component of the Nazi SS salvaged from SS-General Wolf's, nominally Mussolini-ruled Salò Republic of Italy. However, these elements, however nasty in their own right, were merely the instruments of the same Synarchist International network of private banking organizations which had put the fascists into power over all continental western and central Europe over the course of the 1922-1945 interval. It is that same network of Synarchist banking organizations which had been behind the fascist enterprises of 1922-1945, which is the financier interest behind the policies associated with both Vice President Cheney and the Fabian Society's matching control over London's 10 Downing Street today.

It is only through the exposing of these ugly facts that the U.S.A. would be capable of a competently self-interested strategic doctrine and institutionalized practice today. If the U.S. declares that those relics from the past will no longer be

tolerated, then, the needed reforms in policy and practice, to return to the tradition of the founding of our republic and its Constitutional forms, will be made possible.

9. The issues of peace and security today can not be separated from the rebuilding of the U.S. economy, back toward its former role as the world's leading producer society, a role expressed in levels of scientific progress and technology. This requires a rebuilding of our republic, in which institutions consistent with our military tradition of strategic defense must be enabled to resume their traditional constitutional orientation.

a.) As Prussia's great reformer Scharnhorst also understood, a policy of strategic defense depends upon an integration of the regular military with the general militia, the organized and unorganized reserves which might be mobilized for warfare or other emergency. The militia is able to fill its role as such, to the degree it is qualified as an engineering force, as the forces sent to occupy Iraq were not qualified in the role of an engineering force, and failed to engage the existing large militia of Iraq immediately as a partner in the engineering work which would facilitate our forces' early and successful withdrawal in essential part.

b.) The reconstruction of the presently bankrupt U.S. economy, could not be accomplished without a massive long-term investment of Federal government-created credit in leading national and statewide programs of rebuilding and developing basic economic infrastructure, probably in the order of \$6 trillions of capital formation to this effect set into motion during the coming four years. The problem this encounters is the lack of skill among the mass of combined unemployed and poorly employed sections of the labor force. During the 1930s, under President Franklin Roosevelt, we created the Civilian Conservation Corps, under, chiefly, military engineering guidance, producing thus entire divisions which were enlisted in war, but which also contributed greatly to the building of the peace-time civilian labor-force of the U.S. after that. Sargent Shriver's leadership of the Kennedy Peace Corps, is a relevant example. The orientation of the regular military forces to a complementary functional relationship with the reserves, and return to the legacy of a strong emphasis on science-driven engineering qualifications in training and work-assignment, will provide an integration of the economic tasks of reconstructing our presently gutted-out powers of production, and the maintenance of an adequate quality and quantity of regular and reserve forces.

c.) War should end with peace. A military force which goes to necessary war, must finish the job by building the foundations of durable peace, and must be qualified for the conduct of that mission.

10. Let us tell the world, boldly, clearly, without equivocation, that that is what we were created to become, and what we must return to being. Then we shall become unbeatable in any justified effort, and shall avoid scrupulously what we should not do.

Senate Defies Cheney, Passes Anti-Torture Measure

by Edward Spannaus

In an overwhelming—and thoroughly bipartisan—rebuff of Dick Cheney and the White House, 90 U.S. Senators, including 46 Republicans, voted to reiterate the U.S. ban on torture, and to establish uniform standards for the treatment of prisoners in the war on terrorism. In adopting the anti-torture amendment on Oct. 5, the Senate defied a threat of a Presidential veto which had been delivered personally by Vice President Cheney, who had claimed that any assertion of Congressional authority would “interfere” with the President’s conduct of the war on terror.

This, despite the fact that the United States Constitution, in Article I, Section 8, clearly confers upon Congress the authority, and the obligation, to “make rules concerning Captures on Land and Water.”

The White House veto threat, delivered personally by Dick Cheney in July, was repeated again prior to the Senate vote. According to the *New York Times*, the White House tried to pressure sympathetic Senate Republicans to work against the “McCain amendment,” so named for its primary sponsor, former POW Sen. John McCain (R-Ariz.). But whereas in July, under pressure from Cheney, Senate Majority Leader Bill Frist (R-Tenn.) had pulled the Defense Authorization bill from the Senate floor in order to block the amendments, this time, Armed Services Committee chairman Sen. John Warner (R-Va.) succeeded in obtaining Frist’s backing for the measure.

The McCain amendment contains two provisions. One requires all U.S. military personnel to abide by the Army’s Field Manual on Interrogations, and the other reiterates the U.S. ban on “cruel, inhumane, and degrading treatment” (the language of the Geneva Conventions), by any U.S. agency.

‘Rooted in History’

As has been pointed out throughout the whole torture controversy, especially by military writers and witnesses, the United States military has had a long and proud tradition of humane treatment of prisoners, which has been sullied by the policies promulgated by civilians in the White House and the Pentagon in this Administration.

This came up repeatedly during the recent debate on the McCain amendment. During the Oct. 5 floor debate, Sen. Richard Durbin (D-Ill.), stated:

“The prohibition on torture and other cruel treatment is deeply rooted in the history of America. . . . These principles have even guided us during the times of great national testing. During the Civil War, President Abraham Lincoln asked Francis Lieber, a military law expert, to create a set of rules to govern the conduct of U.S. soldiers in the Civil War. The result was the Lieber Code. It prohibited torture and other cruel treatment of captured enemy forces. It really was the foundation for the Geneva Conventions.” (See *Documentation*.)

Powell Intervention Crucial

A letter from former Secretary of State, and former Chairman of the Joint Chiefs of Staff, Colin Powell, was read on the Senate floor by McCain, in which Powell noted that the Senate has a constitutional obligation to regulate the treatment of prisoners captured in war. “I also believe the world will note that America is making a clear statement with respect to the expected future behavior of our soldiers,” Powell said. “Such a reaction will help deal with the terrible public diplomacy crisis created by Abu Ghraib.”

In December of 2001, through January 2002, Powell had



NATO Photo

Gen. Colin Powell (ret.) declared his strong support for the Senate amendment respecting the conduct of U.S. troops with respect to detainees.

waged a bitter fight against the forces in the Administration, centered in Vice President Cheney's office, who were determined to scrap the Geneva Conventions and give the Administration a free hand to abuse and torture prisoners.

In his letter, Powell also aligned himself with 28 other retired senior military officers who signed a letter to McCain supporting his amendment. The military signers include 25 retired flag officers, such as former CentCom Commander Gen. Joseph Hoar, and former Chairman of the Joint Chiefs of Staff Gen. John Shalikashvili; the three other signers are former Vietnam prisoners of war. (See *Documentation*.)

That 46 Republican Senators voted for the McCain amendment, far exceeded the expectations of the initial supporters of the provision. In the end, there were only nine who could be mustered to oppose the measure. Dubbed the "Torture Nine" by some, these were Stevens (Ak.), Sessions (Ala.), Allard (Colo.), Bond (Mo.), Coburn (Okla.), Cochran (Miss.), Cornyn (Tex.), Inhofe (Okla.), and Roberts (Kan.).

New Torture Disclosures

The latest revelations on prisoner abuse and torture, which figured prominently in the Senate debate, came from a U.S. Army Captain in the 82nd Airborne Division, Capt. Ian Fishback (a West Point graduate), and from two Army sergeants.

Their accounts first came to light in a Human Rights Watch report made public on Sept. 23. That report, based on extensive interviews of Fishback and the sergeants, shows that the abuse and torture of prisoners captured in Afghanistan and Iraq was widespread, and was carried out in the belief that this was U.S. policy coming from the top levels of the Bush Administration. The abuse of prisoners at Forward Operating Base Mercury, near Fallujah, which is described in the interviews, was very similar to what had gone on at nearby Abu Ghraib, even including photographs. "They [the soldiers at Abu Ghraib] were getting in trouble for the same things we were told to do, so we destroyed the pictures," one soldier had told the captain.

Fishback describes one category of beatings and abuse of

prisoners which was just done for the amusement of soldiers, and another category of abuse and torture which was ordered by Military Intelligence interrogators in order to "soften up" prisoners for interrogation. Significantly, although he doesn't note this, this pattern of abuses began about one month after former Guantanamo commander Gen. Geoffrey Miller was sent to Iraq in late August and early September of 2003 by Defense Secretary Donald Rumsfeld, and by Rumsfeld's Undersecretary for Intelligence, Stephen Cambone, for the express purpose to "Gitmo-ize" prisoner operations in Iraq.

Captain Fishback told Human Rights Watch that he knew that he was witnessing violations of the Geneva Conventions, "but I was under the impression that that was U.S. policy at the time." But after the Abu Ghraib scandal broke in the Spring of 2004, and Defense Secretary Rumsfeld testified before the Congress that the U.S. followed the Geneva Conventions in Iraq, and followed the "spirit" of the Geneva Conventions in Afghanistan, Fishback began seeking clarification, according to a letter he later sent to Senators Warner and McCain.

Fishback went up his chain of command, and was told to keep quiet and not to jeopardize his career. It was only after he wrote to Warner and McCain that the Army opened an investigation, and then, according to interviews Fishback made to the press on Sept. 27, the investigation seemed to be targetting those who came forward to expose prisoner abuse, rather than looking up the chain of command to those who authorized it.

"I'm convinced this is going in a direction that's not consistent with why we came forward," Captain Fishback told the *New York Times*. "We came forward because of the larger issue that prisoner abuse is systemic in the Army. I'm concerned this will take a new twist, and they'll try to scapegoat some of the younger soldiers. This is a leadership problem."

It has been reported that Fishback is being subjected to continuous threats from the Pentagon leadership and some fellow officers—including accusations that he is siding with the enemy and working for their cause—and that he could be subjected to charges.

A number of Democratic Senators, as well as Republican McCain, quoted from the letter to McCain from Fishback during the floor debate. But shamefully, the neo-confederate Sen. Jeff Sessions (R-Ala.), mocked and ridiculed Fishback's account. McCain then took to the floor to defend Fishback and to denounce Sessions' attacks on him. "Captain Fishback is a noble, brave young American," McCain said. "He does not deserve to be disparaged on the Senate floor by any Senator, and the Senator from Alabama owes him an abject and deep apology."

The next battle will be in the House-Senate conference committee, since the House Defense Appropriations bill does not include the anti-torture amendments. But, the highly respected senior Democrat on the House Appropriations Defense Subcommittee, Rep. John Murtha (D-Pa.), has announced his support of the McCain amendment, and with

the demise of House Majority Leader Tom DeLay (R-Tex.), prospects look much brighter than a few weeks ago for passage.

Documentation

Military Leaders Back Anti-Torture Bill

This letter, from 28 distinguished retired military leaders, was posted on Sen. John McCain's (R-Ariz.) website, dated Oct. 3.

Dear Senator McCain:

We strongly support your proposed amendments to the Defense Department Authorization bill concerning detainee policy, including requiring all interrogations of detainees in DOD custody to conform to the U.S. Army's Field Manual on Intelligence Interrogation (FM 34-52), and prohibiting the use of torture and cruel, inhuman and degrading treatment by any U.S. government agency.

The abuse of prisoners hurts America's cause in the war on terror, endangers U.S. service members who might be captured by the enemy, and is anathema to the values Americans have held dear for generations. For many years, those values have been embodied in the Army Field Manual. The Manual applies the wisdom and experience gained by military interrogators in conflicts against both regular and irregular foes. It authorizes techniques that have proven effective in extracting life-saving information from the most hardened enemy prisoners. It also recognizes that torture and cruel treatment are ineffective methods, because they induce prisoners to say what their interrogators want to hear, even if it is not true, while bringing discredit upon the United States.

It is now apparent that the abuse of prisoners in Abu Ghraib, Guantánamo and elsewhere took place in part because our men and women in uniform were given ambiguous instructions, which in some cases authorized treatment that went beyond what was allowed by the Army Field Manual. Administration officials confused matters further by declaring that U.S. personnel are not bound by longstanding prohibitions of cruel treatment when interrogating non-U.S. citizens on foreign soil. As a result, we suddenly had one set of rules for interrogating prisoners of war, and another for "enemy combatants"; one set for Guantánamo, and another for Iraq; one set for our military, and another for the CIA. Our service members were denied clear guidance, and left to take the blame when things went wrong. They deserve better than that.

The United States should have one standard for interrogat-

ing enemy prisoners that is effective, lawful, and humane. Fortunately, America already has the gold standard in the Army Field Manual. Had the Manual been followed across the board, we would have been spared the pain of the prisoner abuse scandal. It should be followed consistently from now on. And when agencies other than DOD detain and interrogate prisoners, there should be no legal loopholes permitting cruel or degrading treatment.

The amendments proposed by Senator McCain would achieve these goals while preserving our nation's ability to fight the war on terror. They reflect the experience and highest traditions of the United States military. We urge the Congress to support this effort.

Sincerely,

Gen. Joseph Hoar, USMC (ret.)

Gen. John Shalikashvili, USA (ret.)

Gen. Donn A. Starry, USA (ret.)

Lt. Gen. Ron Adams, USA (ret.)

Lt. Gen. Robert G. Gard, Jr., USA (ret.)

Lt. Gen. Jay M. Garner, USA (ret.)

Vice Adm. Lee F. Gunn, USN (ret.)

Lt. Gen. Claudia J. Kennedy, USA (ret.)

Vice Adm. Al Konetzni, USN (ret.)

Lt. Gen. Charles Otstott, USA (ret.)

Vice Adm. Jack Shanahan, USN (ret.)

Maj. Gen. Eugene Fox, USA (ret.)

Maj. Gen. John L. Fugh, USA (ret.)

Rear Adm. Donald J. Guter, USN (ret.)

Maj. Gen. Fred E. Haynes, USMC (ret.)

Rear Adm. John D. Hutson, USN (ret.)

Maj. Gen. Melvyn Montano, ANG (ret.)

Maj. Gen. Robert H. Scales, USA (ret.)

Maj. Gen. Michael J. Scotti, USA (ret.)

Brig. Gen. David M. Brahms, USMC (ret.)

Brig. Gen. James Cullen, USA (ret.)

Brig. Gen. Evelyn P. Foote, USA (ret.)

Brig. Gen. David R. Irvine, USA (ret.)

Brig. Gen. Richard O'Meara, USA (ret.)

Brig. Gen. John K. Schmitt, USA (ret.)

Brig. Gen. Stephen N. Xenakis, USA (ret.)

Ambassador/Former Vietnam POW Douglas "Pete"

Peterson, USAF (ret.)

Former Vietnam POW Commander Frederick C.

Baldock, USN (ret.)

Former Vietnam POW Commander Phillip N. Butler,

USN (ret.)

Support From Colin Powell

Senator McCain read the following letter from Gen. Colin L. Powell (USA, ret.), former Secretary of State and former Chairman of the Joint Chiefs of Staff, on the Senate floor on Oct. 5.

Dear Senator McCain:

I have read your proposed amendment to the Defense Appropriations Bill concerning the use of the Army Field Manual as the definitive guidance for the conduct of our troops with respect to detainees. I have also studied your impressive statement introducing the amendment.

I fully support this amendment. Further, I align myself with the letter written to you by General Shalikashvili and a distinguished group of senior officers in support of the amendment.

Our troops need to hear from the Congress, which has an obligation to speak to such matters under Article I, Section 8 of the Constitution. I also believe the world will note that America is making a clear statement with respect to the expected future behavior of our soldiers. Such a reaction will help deal with the terrible public diplomacy crisis created by Abu Ghraib.

Sincerely,
Colin Powell

Scott Horton: Shirking Responsibility

The following are excerpts from a Sept. 25, 2005 article by international law expert Scott Horton, posted on the blog "Balkinization," maintained by Prof. Jack Balkin of Yale University, balkin.blogspot.org.

"Command is a sacred trust. The legal and moral responsibilities of commanders exceed those of any other leader of similar position or authority. Nowhere else does a boss have to answer for how subordinates live and what they do after work."

—Dep't of the Army, Field Manual 22-100, sec. 1-61.

With a sense of timing that can only be described as exquisite, the Secretary of the Army, Francis J. Harvey, and the Army Chief of Staff, General Peter J. Schoomaker, have published a defense of the Army's handling of the torture and prisoner abuse scandal in the National Review Online, just as another, particularly gruesome, chapter in this seemingly endless saga breaks across the front pages of the nation's newspapers. . . . We are rapidly arriving at the point where the denials of military senior brass and political appointees who supervise them can only be viewed either as shirking responsibility or as confirmation that torture and abuse are official U.S. policy. It is hard to judge which of these alternatives is more harmful to the nation and its armed forces. . . .

Army Values

The Army is the oldest of the nation's institutions, antedating the Presidency, the Congress and the courts. It played a unique role in defining and unifying the nation and in fixing

the traditions with which the country has been associated since its founding. First among these may well be the tradition of humane warfare, articulated by George Washington after the Battle of Trenton, December 24, 1776. "Treat them with humanity," Washington directed with respect to the captured Hessians. He forbade physical abuse and directed the detainees be quartered with the German-speaking residents of Eastern Pennsylvania, in the expectation that they would become "so fraught with a love of liberty, and property too, that they may create a disgust to the service among the rest of the foreign troops, and widen the breach which is already opened between them and the British." (Things unfolded exactly as Washington envisioned.) Washington also set the rule that detainees be given the same housing, food and medical treatment as his own soldiers. And he was particularly concerned about freedom of conscience and respect for the religious values of those taken prisoner. "While we are contending for our own liberty, we should be very cautious of violating the rights of conscience in others, ever considering that God alone is the judge of hearts of men, and to Him only in this case are they answerable." I provide a more extensive account of Washington's doctrine on treatment of detainees and its philosophical underpinnings here.

Under Abraham Lincoln, in 1863, Washington's orders were expanded in the world's first comprehensive codification of the laws of war, General Orders No. 100 (1863), also called the Lieber Code. [See below.] Among other points, Lincoln clarified what was meant by "humane" treatment. It could under no circumstance comprehend torture, he directed in article 16.

This tradition has been a source of pride for our nation for over 200 years. The pressing question today is whether this legacy has been betrayed by those in the highest positions of our Government and in the Department of Defense. The evidence to this effect is now overwhelming. . . .

Washington's Admonition

The nation's first commander-in-chief had a firmer and more comprehensive grip on these issues than his successor 230 years later. Washington engaged in no equivocation on the concept of treatment of those under our power. He ordered that "should any American soldier be so base and infamous as to injur[e] any [of them]. . . I do most earnestly enjoin you to bring him to such severe and exemplary punishment as the enormity of the crime may require. Should it extend to death itself, it will not be disproportional to its guilt at such a time and in such a cause." Any officer who failed to heed this direction, he said, would bring "shame, disgrace and ruin to themselves and their country." Departure from this injunction was a grave mistake.

If Harvey and Schoomaker are right, and a "small number" have failed to live up to the values that Washington and Lincoln fixed, it is increasingly clear that that "small number" sits at the top of the chain of command, not at the bottom. The time has come for accountability.

Lincoln's Regulations For Armies in the Field

"Instructions for the Government of Armies of the United States in the Field," prepared by Francis Lieber, promulgated as General Orders No. 100 by President Abraham Lincoln, 24 April 1863.

Article 1. A place, district, or country occupied by an enemy stands, in consequence of the occupation, under the Martial Law of the invading or occupying army, whether any proclamation declaring Martial Law, or any public warning to the inhabitants, has been issued or not. Martial Law is the immediate and direct effect and consequence of occupation or conquest.

The presence of a hostile army proclaims its Martial Law.

Art. 4. Martial Law is simply military authority exercised in accordance with the laws and usages of war. Military oppression is not Martial Law: it is the abuse of the power which that law confers. As Martial Law is executed by military force, it is incumbent upon those who administer it to be strictly guided by the principles of justice, honor, and humanity - virtues adorning a soldier even more than other men, for the very reason that he possesses the power of his arms against the unarmed.

Art. 11. The law of war does not only disclaim all cruelty and bad faith concerning engagements concluded with the enemy during the war, but also the breaking of stipulations solemnly contracted by the belligerents in time of peace, and avowedly intended to remain in force in case of war between the contracting powers. . . .

Offenses to the contrary shall be severely punished, and especially so if committed by officers.

Art. 15. Military necessity admits of all direct destruction of life or limb of armed enemies, and of other persons whose destruction is incidentally unavoidable in the armed contests of the war; it allows of the capturing of every armed enemy, and every enemy of importance to the hostile government, or of peculiar danger to the captor; it allows of all destruction of property, and obstruction of the ways and channels of traffic, travel, or communication, and of all withholding of sustenance or means of life from the enemy; of the appropriation of whatever an enemy's country affords necessary for the subsistence and safety of the army, and of such deception as does not involve the breaking of good faith either positively pledged, regarding agreements entered into during the war, or supposed by the modern law of war to exist. Men who take up arms against one another in public war do not cease on this account to be moral beings, responsible to one another and to God.

Art. 16. Military necessity does not admit of cruelty - that is, the infliction of suffering for the sake of suffering or for revenge, nor of maiming or wounding except in fight, nor of torture to extort confessions. It does not admit of the use of poison in any way, nor of the wanton devastation of a district. It admits of deception, but disclaims acts of perfidy; and, in general, military necessity does not include any act of hostility which makes the return to peace unnecessarily difficult.

Art. 29. Modern times are distinguished from earlier ages by the existence, at one and the same time, of many nations and great governments related to one another in close intercourse.

Peace is their normal condition; war is the exception. The ultimate object of all modern war is a renewed state of peace.

The more vigorously wars are pursued, the better it is for humanity. Sharp wars are brief.

Art. 56. A prisoner of war is subject to no punishment for being a public enemy, nor is any revenge wreaked upon him by the intentional infliction of any suffering, or disgrace, by cruel imprisonment, want of food, by mutilation, death, or any other barbarity.

Art. 68. Modern wars are not internecine wars, in which the killing of the enemy is the object. The destruction of the enemy in modern war, and, indeed, modern war itself, are means to obtain that object of the belligerent which lies beyond the war. Unnecessary or revengeful destruction of life is not lawful.

Art. 71. Whoever intentionally inflicts additional wounds on an enemy already wholly disabled, or kills such an enemy, or who orders or encourages soldiers to do so, shall suffer death, if duly convicted, whether he belongs to the Army of the United States, or is an enemy captured after having committed his misdeed.

Art. 75. Prisoners of war are subject to confinement or imprisonment such as may be deemed necessary on account of safety, but they are to be subjected to no other intentional suffering or indignity. The confinement and mode of treating a prisoner may be varied during his captivity according to the demands of safety.

Art. 80. Honorable men, when captured, will abstain from giving to the enemy information concerning their own army, and the modern law of war permits no longer the use of any violence against prisoners in order to extort the desired information or to punish them for having given false information.

Art. 148. The law of war does not allow proclaiming either an individual belonging to the hostile army, or a citizen, or a subject of the hostile government, an outlaw, who may be slain without trial by any captor, any more than the modern law of peace allows such intentional outlawry; on the contrary, it abhors such outrage. The sternest retaliation should follow the murder committed in consequence of such proclamation, made by whatever authority. Civilized nations look with horror upon offers of rewards for the assassination of enemies as relapses into barbarism.

'We Don't Have a Government Willing To Do the Job'

Lyndon H. LaRouche, Jr., was interviewed Oct. 5 by Henry Raines on "America AM," broadcast over air on WWPR-AM, and also streamed over the Internet. WWPR is based out of Bradenton, Florida with an audience in the Bradenton-Sarasota-Tampa Bay area of Florida's West Coast. Raines was joined by Manatee County Democratic Party Chairman C.J. Czaia, and aired all the commercials before LaRouche went on air, in order to have an uninterrupted interview.

Raines: Well, perhaps George Bush had the wrong plan at the wrong time, but we have a distinguished gentleman joining us who does have a plan: Mr. Lyndon LaRouche, Jr. is a well-known defender of justice and civil rights. He's an internationally known economist, author, and statesman. He is an architect of an emerging new economic order, modelled on the Bretton Woods system developed by Franklin Roosevelt. He has been a controversial figure in the past, including his efforts to destroy the international drug traffic—I think that is referring to the Iran-Contra era, and the drug-smuggling that went on there. And he currently has campaigned to force the resignation of Vice President Richard Cheney. Mr. Lyndon LaRouche, thank you very much for joining us on American AM.

LaRouche: It's fun to be with you.

Raines: Yes. Well, before we get into the substance of some of the issues at hand, for our listeners that aren't familiar with Lyndon LaRouche or your organization, could you please just give us a quick synopsis of how you founded the movement, and a brief history?

LaRouche: Well, of course, my qualifications are largely [in] economics. I'm a physical economist; I'm a specialist in the area—actually the best at it, in this area—and the most successful long-range forecaster.

Among the other things which I'm taking up on Oct. 12th, again, is, I gave a forecast on Oct. 12, 1988 in Berlin, at the Bristol Kempinski Hotel. This was later rebroadcast as a televised broadcast, later that month in October, in the United States, as a national network broadcast: In which I forecast the impending collapse of the Soviet system; saying that it would start in Eastern Europe in the immediate period ahead; it would start in Poland, it would spread throughout Eastern Europe, and the Soviet Union. And the result of this would be

the reunification of Germany, with the designation of Berlin to become, again, the nation's capital.

Now, this was not too popular, and was not believed. For example, the incoming President didn't believe it, that is, Bush 41. Most people in Germany didn't believe it. In France, they didn't believe it. In Britain they didn't believe it. But it happened!

So, I have a little reputation, not only in that case but others, for accuracy in forecasting—which does not mean predicting, but it does mean defining the situation, which we're going to face and we will have to make decisions about.

Raines: Well, on the basis of that success, we should be very worried about what you're predicting for the economic future of the United States. What do you see on the horizon?

LaRouche: We're going into the worst crash in all modern history. Right now. It's worse than the 1929 crash, for us, because we already had the 1929 crash repeated, in 1987. But since that time, we've been operating on the basis of Alan Greenspan's financial derivatives bubble. And so, we have been spending our way with imaginary money, called financial derivatives, spending our way into glory! Now we're totally bankrupt. Every major bank in the world, essentially, in Europe and the Americas, is bankrupt right now.

We could save the system, the way FDR did. That's the job: Put the Federal Reserve System into bankruptcy reorganization by government, and force the banks to keep their doors open. And rebuild. We could do that. But, at present, with the present government, there's no inclination in that direction, and therefore, unless the government is changed, rather radically and soon, we have a major catastrophe on our hands. But that's the "if." Can we change? That's the question.

Raines: Let me ask you a little bit more about the statement you just made, when you said virtually all the banks, or national banks in the world are bankrupt, and the derivative bubble is about to pop, if it hasn't already: If you were to just go into undergraduate economics or international finance, they would tell you that, well, you know, the derivatives such as future contracts and things like that, actually reduce the risks for the major players in that industry or sector. You know, for example, somebody may have a future contract on oil or cocoa or something like that, and they're just smoothing

out their business. Where does the roulette wheel come into play?

LaRouche: Well, it didn't—it's in there. The point is, that the people who are teaching this stuff in universities—there are some competent economists in the United States (believe it or not), but they're not the ones that are quoted generally in the press on this thing! What's being taught in universities is bunk. It doesn't work that way. The financial derivatives, the systems that they praise, are killing us.

Look, one has to get real. They talk about figures. Now, let's go out into the street. Let's look at county-by-county in the United States: Let's look at what's there, now, physically, as opposed to what was there years before. You'll find that most of the country is in far worse condition, and is becoming consistently in worse condition, since the second half of the 1970s. [See **Figures 1 and 2**. Animations of these maps can be seen at www.larouchepub.com/animations.] So that, all this stuff about "everything is good, it's getting better, we've got a better system, it's not going to crash," it's bunk! And the people who teach this stuff are teaching bunk. But, they're teaching it, themselves, at the highest rate of tuition ever in human history! It's worthless education!

Czaia: We had [*EIR* Counterintelligence Editor] Jeff Steinberg on, whom we love. He seems to be so knowledgeable on issues—part of your organization—was talking about the infrastructure. And it reminded me of when the whole power grid went, up in the north, remember, about a year or two back? It seems like when—and here's my question and comment, and comment and question: If you privatize everything, and the job of privatization is to make a buck, you know—you're a corporation, you have a board of directors you have to answer to—is to make dollars for your stockholders, and you squeeze as much out of the system and you don't reinvest in the system, the system eventually, once it's bled to death, it will die. And the same thing with the power grid—everything. Can you comment on that? I know you—

LaRouche: Yes, this is crazy. Franklin Roosevelt took over a government, which had just experienced a collapse by *one-half* under Hoover. Now the collapse was not caused by the 1929 crash: The collapse was caused by the Hoover policies in response to the '29 crash. Those policies were insane. Had the policies of Franklin Roosevelt been applied in October-November of 1929, instead of what Hoover did, we wouldn't have had a Depression.

So, the point now today, since the middle of the 1960s, but especially since the beginning of the 1970s, we, on a world scale, have been bleeding ourselves to death in terms of *physical economic* values. Now, what happens is, people say, "No, that's not so bad. Look, we're a services economy now, instead of a production economy!" Well, being a services economy means you use your neighbor for a slave, but you don't have much to go on: You don't have the industry, you don't have the infrastructure; we don't have safe water

systems for drinking-water out of the faucet; we don't have mass transportation systems; we lost most of our railroads; our airlines are crashing; our insurance policies aren't worth much for our people—they're losing value on their Social Security. Everything is worse!

And some people say, "This is good"! I mean, some people really are masochists, if they like this.

Raines: We're speaking with Mr. Lyndon LaRouche. To find out more about his political action committee, you can call 800-929-7566. Or, you can go online and check out <http://www.larouchepac.com>, and we'll be giving you that information again, in the half-hour.

I'm your host, Henry Raines. C.J. Czaia's in the studio. C.J. you had another question.

Czaia: Yes. Mr. LaRouche, you know, we're active here in local Democratic politics, and we've always waited for the trickle-down from the national and state party—never got down here—and so we're trying to "trickle up." My question to you is, you know, we see all this doom-and-gloom on the horizon; we've been up on the news with what's going on. What can the people do? What can we do? I mean, do we do it through Democratic politics? What do we do, to take our country back, to make a difference, to get us back on track?

LaRouche: All right. We're going to have to get rid of the present Presidency. We're also going to have to clean out what is associated with DeLay in the House of Representatives. Because, we do have a bipartisan group of sane Republicans and a majority of the Democrats. Now, as we've seen, especially since May 23 of this year, when the so-called "nuclear option" of Dick Cheney was defeated, we've seen a partnership between many Republicans and Democrats, in the Senate. We could see it in the House, if what Cheney's boy DeLay represents, were out! And he might be on the way out.

So, what we have to think about, is the following: The key thing right now, is the Iraq War—not the way people think about it usually, or talk about it, but it's much more serious: We're on the verge of a point, where the U.S. troops don't stay—they shoot their way out of the place, because that's the only way they get out. This thing is collapsing and disintegrating.

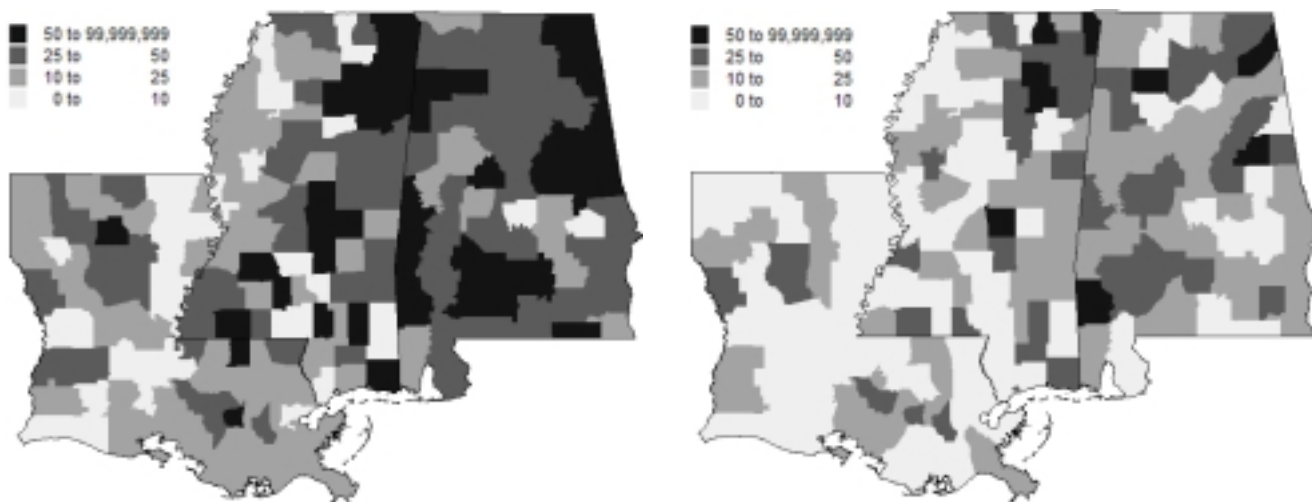
Now, if this goes down, the chain-reaction effect of that kind of humiliation of the United States is something which has incalculable effects. But we're not going to get out of there, unless we get Cheney out of the Vice Presidency. And I think there's a possibility of getting Cheney out. Because, no one's going to deal with us, while Cheney's in there. No one's going to trust us—and we need a lot of trust, to get our troops safely out of Iraq. It's not a matter of keeping them in there—they've got to be taken out—it's a *losing, lost situation*.

The idea of trying to evacuate U.S. troops from Iraq, is now a serious danger! We've had General Odom, a distin-

FIGURE 1

Manufacturing Employment Decline, by County, 1975 and 2000

(Percent of Total Workforce Engaged in Manufacturing: Louisiana, Mississippi, Alabama)



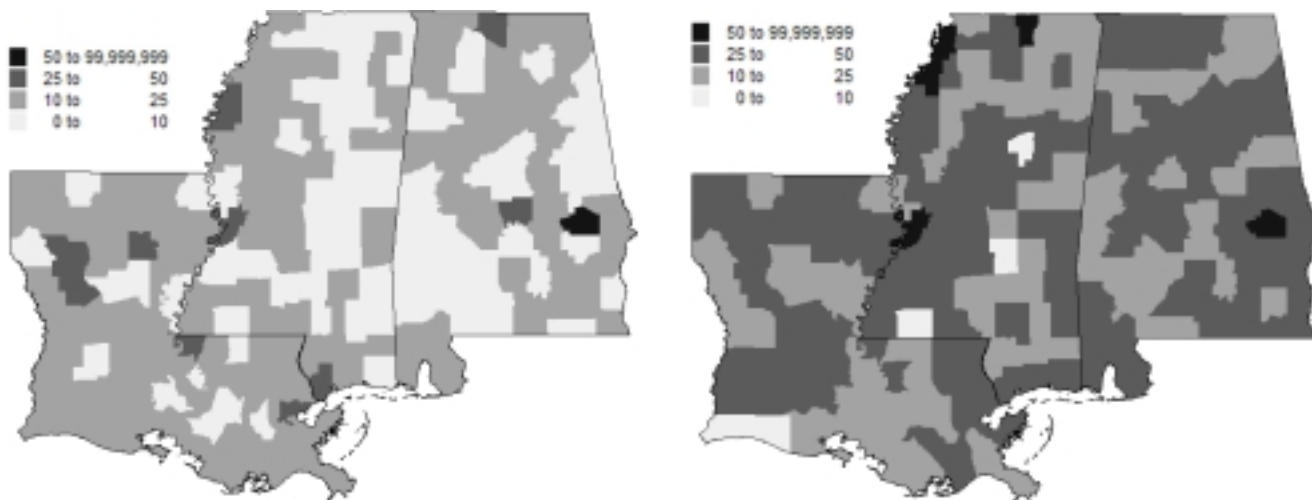
Source: EIR 2005, Map by MapInfo.

These maps, illustrative of the county-by-county destruction of the U.S. physical economy, are taken from the animations at www.larouchepub.com/animations. The decline in percent of the workforce in manufacturing in the states hit by Hurricane Katrina, reflects the mass shutdown of industries in the three-state region—principally textiles, agriculture processing, and pulp and paper. The “Sunbelt process” of siting new factories here in order to pay relatively low, non-unionized wages, in no way altered the dramatic pattern of regional de-industrialization.

FIGURE 2

Service Employment Increase, by County, 1975 and 2000

(Percent of Total Workforce Engaged in Services Jobs: Louisiana, Mississippi, Alabama)



Source: EIR 2005, Map by MapInfo.

Service jobs of all kinds, with low wage rates, came to dominate what employment existed in these three states by 2000. In the so-called “hospitality” sector, casino work led the way, as these states were among the first nationally to legalize riverboat gambling. These states’ average individual weekly wages and salaries have been about 85% of the national average (including industrial and services combined). Of 12 million citizens in the three states, 3.6 million are black; nationwide, the median income of black households is below 70% of the national median.

guished general in the United States, [who] has made the point, publicly. You have Tim Collins, a British colonel, [who] has made the same thing from the *Daily Telegraph* in London. The warning is, from the military, and I've checked this myself, it's accurate: *We are about to be kicked out of Iraq*—if we're lucky.

And so, this is the big issue which is going to determine much of politics. *If* we change politics, then we're going to get a shift back in the direction of a pro-Roosevelt direction, the way that, say, serious Republicans would want that. And you know about them—they're not all crazy; they're not all Tom DeLays. But we're going to have to put this country back together again, fast, get a recovery program going. It *can* be done. The question is, are we going to do it?

Raines: Mr. LaRouche, before we go into the topic of how to get Dick Cheney to leave office, we have a caller that's been waiting for days for a chance to talk to you. I think his question is probably going to speak to your prediction of a collapse of the U.S. dollar. Matthew, please go ahead with your question, please.

Caller: Thank you, Henry, and good morning, Mr. LaRouche.

I have three questions. They're fairly simple questions, and I'd like to know what your thoughts are on these. I don't know as much about you as I'd like to, and maybe I will get to know you better.

My first question is, whether or not you are in favor of the Federal Reserve Bank being nationalized by the government, and becoming basically owned by the people of this country, and no longer being owned by private individuals, who may live, or not live, in this country?

LaRouche: Well, first of all, that's too simple a question. We are going to have to—actually, the Federal government is going to have to take the bankrupt national banking system, and put the Federal Reserve System itself into receivership, by government, for reorganization. The purpose will be partly to keep the doors of banks open, because the banks are bankrupt. We can't have them closing their doors. It's a much more aggravated version of what Roosevelt had to deal with back in 1933.

All right. But that does not mean we're going to nationalize the private banks. That means that we're going to take over the Federal Reserve System and set the rules more like FDR rules. But our intention must be to get the private banking system, that is, actually the national banking system, functioning as it was functioning once upon a time. And functioning at a basic low interest rate, long-term interest rate. And actually using it as a vehicle for Federal credit, which we're going to have to create: to get the credit out for infrastructure, to get the credit available, *through* the banking system, for worthwhile kinds of investment, to get our employment and

our production going again.

So, it's not really "government, or not government." Government has a responsibility under our Constitution: We have to manage our national banking system, our national system. But the banking system is largely a private banking system, of state and Federally chartered banks.

Raines: Matthew, you can give us your next two questions, quickly please, together.

Caller: So, you are not against private ownership of the Federal Reserve Banks, is that correct?

LaRouche: I'm not against private ownership of the banks which are under Federal Reserve control. It's the money system, and its regulation that has to be under Federal control. The banks will operate privately within those rules.

Caller: Okay. Well, I would have to respectfully disagree, as it relates to the nature of money as a medium of exchange. I believe money should be created as the greenback was, debt free, and it should be created by government, elected officials only.

Raines: All right. Matthew, we're going to open the line. Thank you for your questions.

Any comments to that before we move on, Mr. LaRouche?

LaRouche: Yes, well, he doesn't understand it. The greenback is exactly what I'm talking about. It was what Lincoln did. Lincoln did not privatize the banks. Lincoln organized a system of greenbacks, which were repealed under British influence, and by the same kind of people that did this under Nixon and so forth, today.

Czaia: Mr. LaRouche, you called for upwards of \$6 trillion to upgrade our national infrastructure. How would we find the money for that?

LaRouche: You create it. Look, you've got to start—don't start with money. Start with physical reality. Now, money is necessary as a medium of exchange. It is not the source of wealth. Money is only paper. Even when it's in gold or silver, it's still only money.

So, you have to have money in order to engage in local transactions among parts of the economy. But the overall credit, is the national credit. Now, we're talking about investments of 25 to 50 years—that's the general average life-cycle of a physical basic investment in infrastructure. What we do is, your objective is, immediately, to make sure that you are currently, on current account, [that] the nation is earning more and producing more than it's costing. To do that, you have to bring the level of productive employment up, to a level at which you're above breakeven. The immediate objective is to do that with Federal credit: We invest in things that we need—basic economic infrastructure, power systems, water

systems, rebuilding the economy. We also invest in providing credit for private-sector things that we think are worthwhile, and make sure they have the credit available to invest in buildup, industries, agriculture, so forth.

If we're operating above breakeven, in terms of current account, that is, we're producing more than we're consuming, we're in good shape—we can manage for the long term. If we're not doing that, we're in deep trouble.

Raines: Well, Mr. LaRouche, I promise you we're going to get to talk about Vice President Dick Cheney, in just a moment. But I have another person that you sparked their interest. Bill, please go ahead.

Caller: I have a simple question, really. We have somebody else on your program saying that we're going to default on the debt. We've got Mr. LaRouche saying that we're heading for a catastrophe. Could I ask: If these things come about, what's it actually going to be like?—if you see what I mean.

LaRouche: You're talking about Hell on Earth. Because, we're in a situation globally, especially in Europe and the Americas, which is worse than Germany faced in 1923. That's the kind of problem. Now, we could handle this problem. The problem is, we don't have a government, in terms of the Executive branch, that is *willing* to do the job. So, we're going to have to decide that we're going to make a change in the way the Executive branch of government functions. And I think that what's going to pull it down, is the Iraq question, together with the general economic question.

If we're on the verge—and the British and the Americans are on the verge—of being *kicked out* of Iraq, if they can shoot their way out of the place: This is going to bring down the power, or the authority, of the present Bush Administration. And it's going to open the door for reconsidering many other policies.

So, I'm optimistic in that sense. The options exist to solve the problem. The crisis exists, which demands a solution. We just have to fight, and hope we win and get the solution.

Raines: Mr. LaRouche, you recently issued a press release, "Let Bush and Cheney Go Quietly." Could you tell our audience the message you were putting forward there?

LaRouche: Well, the point is—the DeLay crisis in the House of Representatives means that, as [this] thing unravels, and you look what is tied to DeLay, Gingrich, and so forth, if that crowd is exposed, the way it's being exposed in criminal proceedings and other things now, you're going to find a sudden change in the House of Representatives. And together with the Iraq issue—the way it's coming up fast, the way people are going to start seeing the reality there—there's going to be a mood, a pro-impeachment mood growing inside the House of Representatives. Now, an impeachment has to come out of the House of Representatives. Now, that doesn't

mean that Cheney's going out by impeachment. It does mean, that if it is obvious that the House is in a mood to think about impeachment, then some important people, including probably former President Bush, might go to Dick Cheney and say, "The President would like to have you to resign." And then Cheney would go out the way Nixon went.

That's our best shot, right now.

Raines: And what would—the first President Bush—what would motivate him to do something like that?

LaRouche: The man is not mentally all there. But you know how the Bush family, father and son, both operated. Senior Bush—who's actually my junior—but, Senior Bush, operated on the basis of having a group of advisors who were quite competent. He still does have access to those advisors. It was his intention that his son, becoming President, would have the same set of advisors inclusively, and would listen to them. The son is not capable of listening to his father—not really.

So, you're in a situation where, the national situation is hopeless. But, if Cheney's out of there, and Cheney is the control over Bush, the Cheney mechanism, and Bush finds himself defeated, he's going to change his behavior, and he will come more under his father's influence, or his father's circle of influence, than he is now.

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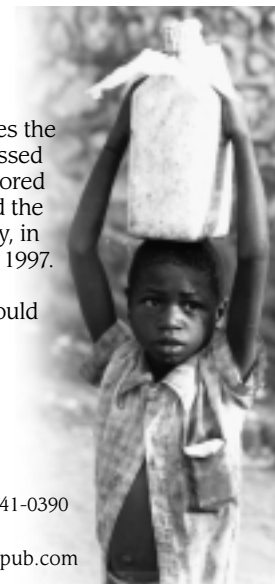
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Czaia: Who really runs the policy coming out of Washington, today? I mean, because of the corruption, that's so rampant—corruption and cronyism, and pork, and all this. Who runs the system?

LaRouche: Who runs Halliburton?

Czaia: Cheney.

LaRouche: Behind it, you have an international financier cartel, operating through George Shultz, who designed this entire current Bush Administration, including Cheney. And these guys have been ripping off the world, ripping off the United States, getting by with murder, and that was a key part of our problem: that we allowed this to go on.

Look, we're losing our industries! We're losing our airline system! We're losing our air industry; we're losing our automobile industry!

Czaia: Well, let me follow up a question. You had said to build infrastructure. . . . How do we get our corporations, our industry, back, if you build infrastructure? Is it tax incentives? What is it that you do to quit, if you will, pimping all our production to China and other countries? How do we get it back to this nation? How does Congress do that?

LaRouche: We go back to a—we go away from a free-trade system, and back to a fair-trade system, the kind of thing that we had still in the 1950s: We had a fair-trade system. We had a protectionist policy. It was not an aggressive policy, it was not a policy of rapine against other countries. We simply said: We're going to have our industries, our agriculture, and our infrastructure. And we're going to protect those citizens, or groups of citizens, in the United States, who are willing to do the job of giving us agriculture, giving us essential industry, giving us skilled employment places, and that's what we want. And we're going to have a protectionist policy, to build the United States back to what it was before.

Raines: We're speaking with Mr. Lyndon LaRouche. If you want to find out more about the political action committee, you can call 800-929-7566. You can also visit on the web, <http://www.larouchepac.com>. And I would also suggest, that if you want to find some writings from Mr. LaRouche and his staff, you go to <http://www.larouchepub.com> on the web.

And C.J., you had a follow-up question, and then I have one.

Czaia: Yes, real quick: About the lobbyists, and the absolute whoring out of our politicians in Washington, around the country, and campaign reform: We need this. How do we do it, if we do? What are you recommending?

LaRouche: Well, I think we have a good core in the Senate now, and I think we can get something pretty quick in the House of Representatives. Remember, you've got an election coming up next year. The entire House of Representatives is re-scrambled. I think that the present trend is, right now, that

everything that smells like Gingrich and Tom DeLay is likely to be out—including from the state of Texas. So, in that case, we'll probably get back to sanity with the House of Representatives.

Our mood, at that point, in cleaning up some of this mess, will be to take the kinds of actions which put things back together again. I talk to these guys, directly and indirectly, all the time. Especially the committees in the Congress, committees in the Senate, these kinds of people. We're discussing these kinds of things. The mood is there, on both sides of the aisle, to seriously discuss these problems and the answers to them. I'm confident that if we had a Presidency, which would allow us to consider these things properly, that we'd do it. I think we're on the edge of doing it—I think we're on the edge of success, *if* we can make this turn. It's going to be painful. It's going to be difficult, but we can make it.

Raines: We're speaking with Mr. Lyndon LaRouche. Let me give you those phone numbers one more time. . . . And Mr. LaRouche, in the last two or three minutes that we have here, I want to speak to someone that sent us an instant message, and maybe elaborate on it just a little bit. They wanted to know, in your proposal to rebuild the infrastructure in the United States, how alternative energy fits into that?

Also, I want to make sure I understand something that I've read from your articles: Is it—this expenditure by the Federal government, it's not to prop up uncompetitive industries in the global economy, is it? It's more to provide the tools and the hard things like roads and rails and things like that, that would allow businesses then to become competitive? Am I correct on that?

LaRouche: Well, that's partly true. But at the same time, we have to have a protectionist policy. For example—just real quick: India and China are considered great competitors of the United States industry. But look at China and look at India. In India, 70% of the population is living in desperate and worsening conditions of life. You have a somewhat similar situation—it's different, but similar—in China. The reason they're able to dump products on the world market at low prices, is because they're not paying enough, or not receiving enough payment for what they produce, to meet the requirements of 70% of their population.

Therefore, a fair trade policy internationally, a protectionist policy, protects both those nations and *protects us*. Instead of cutting our throats, in competition, we end the cutthroat competition, and prices will tend to rise. But that means we will be able to sustain *our* industries; they'll be able to sustain and improve theirs.

Raines: We've been speaking with Mr. Lyndon LaRouche. It's been a fascinating half-hour here, and we're very grateful for your time. And Mr. LaRouche, I hope we get to talk to you again very soon.

LaRouche: Thank you, Henry.

LaRouche's 1988 Forecast Of German Reunification

On Oct. 12, 1988, Lyndon LaRouche announced the impending collapse of the Soviet system, a collapse which he said would begin soon in Poland and would lead to the restoration of Berlin as the future capital of Germany. Not one leading figure of the world agreed with LaRouche then; but it happened the next year. The following is the text of his speech at a press conference at West Berlin's Kempinski Bristol Hotel. He was at the time an independent candidate for the Presidency of the United States.

I am here today, to report to you on the subject of U.S. policy for the prospects of reunification of Germany. What I present to you now, will be a featured topic in a half-hour U.S. television broadcast, nationwide, prior to next month's Presidential election. I could think of no more appropriate place to unveil this new proposal, than here in Berlin.

I am the third of the leading candidates for election as the next President of the United States. Although I shall not win that election, my campaign will almost certainly have a significant influence in shaping some of the policies of the next President.

Although we can not know with certainty who will be the winner of a close contest between Vice President George Bush and Massachusetts Gov. Michael Dukakis, it is the best estimate in the United States today, that Mr. Bush will win the largest electoral vote. Obviously, I am not supporting Mr. Bush's candidacy, and I am not what is called a "spoiler" candidate, working secretly on Mr. Bush's behalf. Nonetheless, should Mr. Bush win, it would be likely that I would have some significant, if indirect influence on certain of the policies of the next administration. How this result would affect the destiny of Germany and Central Europe generally, is the subject of my report here today.

By profession, I am an economist in the tradition of Gottfried Wilhelm Leibniz and Friedrich List in Germany, and of Alexander Hamilton and Mathew and Henry Carey in the United States. My political principles are those of Leibniz, List, and Hamilton, and are also consistent with those of Friedrich Schiller and Wilhelm von Humboldt. Like the founders of my republic, I have an uncompromising belief in the principle of absolutely sovereign nation-states, and I am therefore opposed to all supranational authorities which might undermine the sovereignty of any nation. However, like Schiller, I believe that every person who aspires to become a beautiful soul, must be at the same time a true patriot of his



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LaRouche delivers his historic press conference in Berlin on Oct. 12, 1988. "Under the proper conditions, many today will agree, that the time has come for early steps toward the reunification of Germany, with the obvious prospect that Berlin might resume its role as the capital."

own nation, and also a world-citizen.

For these reasons, during the past fifteen years I have become a specialist in my country's foreign affairs. As a result of this work, I have gained increasing, significant influence among some circles around my own government on the inter-related subjects of U.S. foreign policy and strategy. My role during 1982 and 1983 in working with the U.S. National Security Council to shape the adoption of the policy known as the Strategic Defense Initiative, or SDI, is an example of this. Although the details are confidential, I can report to you that my views on the current strategic situation are more influential in the United States today than at any time during the past.

Therefore, I can assure you that what I present to you now, on the subject of prospects for the reunification of Germany, is a proposal which will be studied most seriously among the relevant establishment circles inside the United States.

Under the proper conditions, many today will agree, that the time has come for early steps toward the reunification of Germany, with the obvious prospect that Berlin might resume its role as the capital.

For the United States, for Germans, and for Europe generally, the question is: Will this be brought about by assimilating the Federal Republic of Germany and West Berlin into the East Bloc's economic sphere of influence, or can it be arranged differently? In other words, is a united Germany to become part of a Europe from the Atlantic to the Urals, as



Lyndon and Helga LaRouche at the Brandenburg Gate in West Berlin, Oct. 11, 1988.

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President de Gaulle proposed, or, as Mr. Gorbachov desires, a Europe from the Urals to the Atlantic?

The Reality of the Worldwide Food Crisis

I see a possibility, that the process of reunification could develop as de Gaulle proposed. I base this possibility upon the reality of a terrible worldwide food crisis which has erupted during the past several months, and will dominate the world's politics for at least two years to come.

The economy of the Soviet bloc is a terrible, and worsening failure. In Western European culture, we have demonstrated that the successes of nations of big industries depend upon the technologically progressive independent farmer, and what you call in Germany the *Mittelstand* [Germany's small and medium-sized entrepreneurs]. Soviet culture in its present form is not capable of applying this lesson. Despite all attempts at structural reforms, and despite any amount of credits supplied from the West, the Soviet bloc economy as a whole has reached the critical point, that, in its present form, it will continue to slide downhill from here on, even if the present worldwide food crisis had not erupted.

I do not foresee the possibility of genuine peace between the United States and Soviet Union earlier than thirty or forty years still to come. The best we can do in the name of peace, is to avoid a new general war between the powers. This war-avoidance must be based partly on our armed strength, and our political will. It must be based also, on rebuilding the strength of our economies.

At the same time that we discourage Moscow from dangerous military and similar adventures, we must heed the lesson taught us by a great military scientist nearly four centuries ago, Niccolò Machiavelli: We must also provide an ad-

versary with a safe route of escape. We must rebuild our economies to the level at which we can provide the nations of the Soviet bloc an escape from the terrible effects of their economic suffering.

I give a concrete example.

Recently, in response to the food crisis, I sponsored the formation of an international association, called Food for Peace. This association has just recently held its founding conference in Chicago Sept. 3-4, and since then, has been growing rapidly inside the United States and in other nations represented by delegates attending that conference.

One of the points I have stressed, in supporting this Food for Peace effort, is that the Soviet bloc will require the import of about 80 million tons of grain next year, as a bare minimum for the pressing needs of its population. China is experiencing a terrible food crisis, too. As of now, the food reserves are exhausted. There are no more food reserves in the United States, and the actions of the European Commission in Brussels have brought the food reserves of Western Europe to very low levels. Next year, the United States and Western Europe will be cut off from the large and growing amount of food imports during recent years, because of the collapse of food production in developing nations throughout most of the world.

During 1988, the world will have produced between 1.6 and 1.7 billion tons of grains, already a disastrous shortage. To ensure conditions of political and strategic stability during 1989 and 1990, we shall require approximately 2.4 to 2.5 billion tons of grain each year. At those levels, we would be able to meet minimal Soviet needs; without something approaching those levels, we could not.

If the nations of the West would adopt an emergency

agricultural policy, those nations, working together, could ensure that we reach the level of food supply corresponding to about 2.4 billion tons of grains. It would be a major effort, and would mean scrapping the present agricultural policies of many governments and supranational institutions, but it could be accomplished. If we are serious about avoiding the danger of war during the coming two years, we will do just that.

By adopting these kinds of policies, in food supplies and other crucial economic matters, the West can foster the kind of conditions under which the desirable approach to reunification of Germany can proceed on the basis a majority of Germans on both sides of the Wall desire it should. I propose that the next government of the United States should adopt that as part of its foreign policy toward Central Europe.

Rebuild the Economies of Eastern Europe

I shall propose the following concrete perspective to my government. We say to Moscow: We will help you. We shall act to establish Food for Peace agreements among the international community, with the included goal that neither the people of the Soviet bloc nor developing nations shall go hungry. In response to our good faith in doing that for you, let us do something which will set an example of what can be done to help solve the economic crisis throughout the Soviet bloc generally.

Let us say that the United States and Western Europe will cooperate to accomplish the successful rebuilding of the economy of Poland. There will be no interference in the political system of government, but only a kind of Marshall Plan aid to rebuild Poland's industry and agriculture. If Germany agrees to this, let a process aimed at the reunification of the economies of Germany begin, and let this be the *punctum saliens* for Western cooperation in assisting the rebuilding of the economy of Poland.

We, in the United States and Germany, should say to the Soviet bloc, let us show what we can do for the peoples of Eastern Europe, by this test, which costs you really nothing. Then, you judge by the results, whether this is a lesson you wish to try in other cases.

I am now approaching the conclusion of my report. I have two more points to identify.

All of us who are members of that stratum called world-class politicians, know that the world has now entered into what most agree is the end of an era. The state of the world as we have known it during the postwar period is ended. The only question is, whether the new era will be better or worse than the era we are now departing?

The next two years, especially, will be the most dangerous



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The LaRouches at the Charlottenburg Palace in West Berlin, Oct. 11, 1988. Lyndon LaRouche expressed the hope that "the beautiful Charlottenburger Schloss" would become "the future seat of government" of a reunified Germany.

period in modern European history, and that worldwide. Already, in Africa, entire nations, such as Uganda, are in the process of vanishing from the map, biologically. Madness on a mass scale, of a sort which Central Europe has not known since the New Dark Age of the 14th Century, has already destroyed Cambodia, is threatening to take over the Middle East as a whole, and is on the march, to one degree or another, in every part of the world. As a result of these conditions of crisis, the world has never been closer to a new world war than the conditions which threaten us during the next four years ahead. What governments do during the coming two years will decide the fate of all humanity for a century or more to come.

There have been similar, if not identical periods of crisis in history before this, but, never, to our best knowledge, on a global scale, all at once.

I recall the famous case of a certain German gentleman of the Weimar period. This gentleman was persuaded that a Second World War was inevitable. He searched the world for a place to which he might move his family, to be out of the areas in which the next war would be fought. So, when the war erupted, he and his family were living in the remote Solomon Islands, on the island of Guadalcanal.

In this period of crisis, there is no place in which any man or woman can safely hide in a crisis-ridden world without food. One can not duck politics, with the idea of taking care of one's career and family, until this storm blows over. There is no place, for any man or woman to hide. There is no room for today's political pragmatists in the leadership of governments now. If we are to survive, we must make boldly imaginative decisions, on the condition that they are good choices, as well as bold ones.

The time has come for a bold decision on U.S. policy toward Central Europe.

If there is no Soviet representative here in this audience at the moment, we may be certain that the entire content of my report to you now will be in Moscow, and will be examined at high levels there, before many hours have passed. The Soviet leadership has said in its newspapers and elsewhere, many times, that it considers me its leading adversary among leading individual public figures today. Nonetheless, Moscow regards me with a curious sort of fascination, and, since President Reagan first announced the Strategic Defense Initiative, considers everything I say on policy matters to be influential, and very credible.

Moscow will read the report I deliver here today. It will wait, as Soviet political leaders do, to see what other circles around the U.S. establishment and government might echo the kind of proposal I have identified. Once they see such a signal from those quarters, Moscow will treat my proposal very seriously, and will begin exploring U.S. and European thinking on this.

Germany's Sovereign Choice

As far as I am concerned, it is Germans who must make the sovereign decision on their choice of fate for their nation. My function is to expand the range of choices available to them. So, I have come to Berlin, where the delivery of this report will have the maximum impact in Moscow, as well as other places.

I conclude my remarks with the following observation.

Moscow hates me, but in their peculiar way, the Soviets trust me to act on my word. Moscow will believe, quite rightly, that my intentions toward them are exactly what I described to you today. I would therefore hope, that what I am setting into motion here today, will be a helpful contribution to establishing Germany's sovereign right to choose its own destiny.

For reasons you can readily recognize from the evidence in view, I know my German friends and acquaintances rather well, and share the passions of those who think of Germany with loving memory of Leibniz, Schiller, Beethoven, Humboldt, and that great statesman of freedom, Freiherr vom Stein. If I can not predict Germany's decisions in this matter exactly, I believe that if what I have set afoot here today is brought to success, the included result will be that the Reichstag building over there, will be the seat of Germany's future parliament, and the beautiful Charlottenburger Schloss, the future seat of government.

If the conditions arise, in which that occurs, President de Gaulle's dream of a Europe from the Atlantic to the Urals will be the peaceful outcome of thirty years or so of patient statecraft, and that durable peace will come to Europe and the world within the lifetime of those graduating from universities today.

Heute, bin ich auch ein Berliner.

With a Blunt Instrument

by Anton Chaitkin

Rep. Roy Blunt (R-Mo.) has not yet summoned the nerve to move into the perhaps haunted office-suite of the House Majority Leader, in the second week after Blunt's appointment to replace Tom DeLay.

Tom "The Hammer" DeLay was indicted on Sept. 28 and again Oct. 3, charged with conspiracy and money laundering, for channeling \$190,000 in corporate political donations to the Republican National Committee and back into Texas state election races, thus apparently trying to hide the origin of contributions illegal in Texas.

DeLay's indictment followed the September indictment of his campaign fund managers Jim Ellis and John Colyandro for the same offenses. The financial godfather of DeLay's Congressional career, Jack Abramoff, was arrested on Aug. 11 in the massive SunCruz fraud case involving DeLay and others in the extended DeLay organization. Mafia-linked Abramoff "consultant" Anthony Mosciatello and two associates were arrested on Sept. 27 (the day before DeLay's indictment), charged with murdering the former owner of the SunCruz floating casino cruise line that Abramoff took over.

A review of Roy Blunt's career as an accomplice in the DeLay-Abramoff machine should make clear the cause of Interim Leader Blunt's trepidation.

Rep. Tom DeLay (R-Tex.) began clawing his way up after the 1994 Conservative Revolution in the House of Representatives, becoming Republican Whip, third in party power after the House Speaker and the Majority Leader. Lobbyist Jack Abramoff helped shape DeLay's alliances with corporations and rightist political and religious forces, giving the gang the power to grant or block membership and influence in Congress, in exchange for donations. The Abramoff era began with huge donations from Enron to DeLay's funding agency, Americans for a Republican Majority (ARMPAC).

When Roy Blunt first ran for Congress in 1996, Blunt went to Washington, met with DeLay, and pledged himself to serve The Hammer's powerful apparatus if he were elected.

In 1999, DeLay maneuvered to make his malleable Deputy Whip, Dennis Hastert (R-Ill.), Speaker of the House. DeLay chose the novice Roy Blunt, then in his second Congressional term, as chief Deputy Whip, assigned to manage the details of relations with the lobbyists.

DeLay held weekly strategy meetings, presided over by Blunt, with corporate lobbyists and political movers assembled by a DeLay "kitchen cabinet" consisting of Jack Abra-

moff, Grover Norquist, Ralph Reed, and DeLay staffers such as Ed Buckham (who was personally funded by Enron).

One of the team's projects was keeping immigrant garment workers in the Northern Marianas Islands enslaved at sub-minimum wages, on behalf of Abramoff's clients, the garment manufacturers and the Territory's government. Abramoff flew DeLay, Buckham, and others on junkets to the Islands, and conduited political donations, while DeLay and Blunt managed the blocking of minimum labor standards.

The Laundry Whirls

Roy Blunt stepped in as Tom DeLay's money cleaner soon after becoming Deputy Whip.

Jim Ellis, coordinator of DeLay's mighty ARMPAC, started up Blunt's own funding agency, called "Rely On Your Beliefs" (or ROYB or ROYBPAC) on May 26, 1999. That vaguely religious title might conjure up, for the astute observer, W.C. Fields' assertion that "a man has to believe in something—I believe I'll have another beer."

But the character of this entity is best suggested by the fact that it occupied the same Washington, D.C. townhouse at 132 D St., SE as DeLay's ARMPAC, managed, like ROYB, by Jim Ellis; the Alexander Strategy Group, a lobbying firm run by former DeLay chief of staff Buckham, which employed DeLay's wife; and the U.S. Family Network, a tax-exempt religious-theme group set up by former DeLay election manager Robert Mills, who owned the townhouse, and employed Buckham's wife as a Network staffer.

Follow the little pea under the shells! On Oct. 20, 1999, the National Republican Congressional Committee gave \$500,000, its largest contribution ever, to the U.S. Family Network. Buckham, running the Network, transferred \$300,000 to "Americans for Economic Growth," headed by Blunt's funding manager, Jim Ellis. Ellis bought \$260,000 in radio ads attacking Democratic Congressional candidates and supporting Republicans who favored privatizing Social Security. The Federal Election Commission later fined the National Republican Congressional Committee \$280,000 for this pass-through, as an illegal use of corporate money. The incestuous PACs and lobbyists were soon forced to leave the laundry-house when Washington zoning authorities caught up with them.

In 2000, DeLay's ARMPAC gave \$150,000 to Blunt's ROYB, two arms both headed by Ellis, who was paid by Blunt's arm as a consultant. This was the largest share of money received by Blunt's committee. In the same year, Blunt's ROYB contributed \$145,000 to Buckham's Alexander Strategy Group, and \$10,000 to the DeLay Foundation.

The Marianas project was grinding away, though such Abramoff clients as Concorde Garment Manufacturing had been fined in the 1990s for notorious sweatshop conditions. On April 14, 2000, Concorde gave \$3,000 to Blunt's ROYB. On Nov. 27, 2000, Abramoff's firm charged his Marianas clients for meeting with Blunt's aide Trevor Blackan. On

Septemre 5, 9 and 30, 2001, Abramoff representatives met with Roy Blunt and his aides to discuss strategy for keeping slave labor conditions legal in the Marianas.

Abramoff flew boss DeLay to Scotland in May 2000, for a week of golf and a talk with Margaret Thatcher, followed by DeLay's legislative intervention for Abramoff's and Norquist casino clients.

Flush with DeLay's cash, much of it from Abramoff's casinos and sweatshops, Blunt's ROYB gave \$100,000 to the Missouri Republican Party on June 15, 2000.

The Missouri Republican Party turned around on July 25 and gave \$11,000 to Roy Blunt's son Matt's campaign for Missouri Secretary of State, the first of \$160,000 the state party was to donate to that campaign. Matt Blunt later moved up to Governor, his present post. Shortly before the 2000 election, DeLay's ARMPAC, headed by Ellis, gave another \$50,000 to the Missouri Republicans.

For the 2000 Republican National Convention, DeLay's ARMPAC and Blunt's ROYB jointly sponsored the most exotic events and perks for politicians and lobbyists under their spell. A car and driver for every Republican Congressman, a rock concert, a luxury five-car hospitality train, 24-hour concierge service, all costing an estimated million dollars. Jim Ellis ran the show for DeLay and for Blunt.

Ellis then coordinated a notorious thank-you event in Las Vegas: partying for those who contributed \$50,000 or more to the DeLay/Blunt convention activities. Blunt's big backer, United Parcel Service, donated a chartered flight between Washington and Nevada for Blunt and 50-60 lobbyists, aides, and political supporters. At DeLay's Las Vegas suite, a reveler poured champagne over DeLay's daughter, the hostess in the hot tub.

It was all business for corporate contributors. In 2003, the normally free-trade fanatic Blunt inserted a clause in the Iraq War appropriation, that military cargo must be carried only by companies, such as PAC donors United Parcel Service and Federal Express, with no more than one-quarter foreign ownership.

Meanwhile Philip Morris jumped ahead as Blunt's sponsor. When DeLay became Majority Leader, and just hours before Blunt was elevated to Whip, Blunt tried to secretly stick an anti-smuggling clause benefitting Philip Morris into Homeland Security legislation. Blunt soon divorced his wife of 31 years and married Philip Morris's lobbyist, Abigail Pearlman.

Following the indictment of ARMPAC/ROYB fund manager Jim Ellis, Blunt contributed \$10,000 for Ellis's legal defense—from the corporate-donations fund ROYB that Ellis had been paid to manage.

Now warily looking over his shoulder, Interim Majority Leader Blunt declares that news media accounts of his money washing for DeLay, Inc. are "thin reporting" and that it is "irresponsible" to say that his acts are similar to what got DeLay and others indicted.

One Thing Clear in Germany: Less Merkel, More FDR Needed

by Rainer Apel

The Oct. 2 vote in the Dresden-I district completed the national election in which the other 248 districts had voted on Sept. 18, but the election result is still as inconclusive as it was before the Dresden vote. Although the candidate of the Christian Democrats (CDU) won the direct mandate in Dresden district 160, the Social Democratic Party (SPD) of Chancellor Gerhard Schröder won the vote for party slates. This party vote is the so-called “second vote” that every German voter has, in addition to the district vote.

The two Christian Democratic parties, the CDU and its Bavarian partner, the Christian Social Union, CSU (which form a group in the parliament) together have 226 seats in the Bundestag, against 222 of the SPD. However, the SPD remains the strongest single party in parliament. As for the Chancellorship: Schröder’s challenger, neo-con CDU party chairwoman Angela Merkel, cannot become Chancellor with her own 226 votes, plus the 61 votes of the parliamentary group of the Free Democrats (FDP), because for that, she needs the absolute majority of parliamentary votes, namely, 308 out of 614 votes. So, she falls short by 21 votes. But neither does the incumbent Schröder have a majority: His SPD alliance with the Greens has only 273 seats in the parliament. So, unless the parliament elects another Chancellor, Schröder will remain Chancellor, and there is no time limit for him to step down (unlike the limit set by the constitution for the newly elected parliament, which has to convene four weeks after the election, at the latest).

Therefore, at least for the period of coalition talks among the various parties, Germany’s Chancellor will be Schröder, and he will still be in office for the next few weeks—which are crucial weeks in terms of the international crisis hot spots like Iran and Iraq, and the increasing volatility of the

global financial system.

Thus, Germany lives, for the time being, with a paradox: For domestic policies, where the role of the parliament is crucial, there will be several weeks of indecision, until a new government is formed. But for diplomatic and international relations, including international economic and financial relations, Chancellor Schröder will continue to run the government. To a certain extent, his maneuvering room will, however, depend on his ability and willingness to link up with the LaRouche factor in U.S. politics.

Linking With LaRouche in the U.S.

The preliminary assessment made by U.S. statesman Lyndon LaRouche, shortly after the Dresden vote results were in, the night of Oct. 2, addresses that point. LaRouche said that with the German vote being inconclusive, the issue now on the table for Germany is establishing a viable government, likely a Grand Coalition government among the SPD, CDU, and CSU. What is clear, LaRouche said, is that any such Grand Coalition under the control of Angela Merkel would be a disaster, as there would be no confidence in any Merkel-led coalition. It would rapidly disintegrate. The outcome of the current U.S. political crisis is going to determine the context in which the German situation is resolved. The Bush-Cheney Administration is about to disintegrate, LaRouche added, and that is the framework for judging what will happen in Germany.

The Dresden vote consolidated the status of the LaRouche movement’s party, the Civil Rights Movement Solidarity (BüSo), as a factor to be reckoned with in German politics, from now on. The BüSo still is a small party, but it has, as the citizens of Dresden, among others, came to recognize,

“seismic qualities,” which means that it can stage political earthquakes of a scope far above its actual size. It can do so, because it is the only party in Germany that is directly connected to the LaRouche factor in the United States, and because it is not working on the basis of pragmatism, but on the principle of changing the situation with revolutionary new concepts whose time has come. It is exactly because of this revolutionary character, that the LaRouche movement in Germany is increasingly attracting youth to become active in politics and to engage in the political campaign work of the BüSo.

In Dresden, the LaRouche Youth Movement carried out an excellent special campaign during the two weeks before the Oct. 2 vote, in the face of a strict media blackout. This blackout was apparently decreed by establishment editors as a shock reaction to the fact that BüSo candidates received between 1% and 2% of the vote in numerous districts in the election on Sept. 18—twice as many as in the last election, three years ago. The 0.6% of the vote which BüSo candidate Kasia Kruczkowski received in the Dresden-I district on Oct. 2, is a respectable achievement, especially in view of the fact that the recognition of the party is much higher—the “seismic” phenomenon. For whatever direction the situation in German politics takes now after the election, the BüSo will be there, and it will intervene on the most critical issues—such as the ailing state of the global financial system, which other political parties are still afraid to address in public.

Merkel: The Big Loser

The big loser of this early election in Germany is Angela Merkel, whom the BüSo attacked frontally for her neo-con positions, long before the Social Democrats did so. The intense BüSo campaign against Merkel posed the alternative to the voter that either the principle of the common good, or the principle of the inhuman radical free market, would prevail, and this thrust succeeded. Merkel came out of the election with a crucial 7% less than she expected. Also, the mere four-seat margin that her Christian Democrats have over the Social Democrats, is evidence of a big failure, and many in her own party also see it that way.

The main blame for the CDU election defeat lies with Merkel, for her radical neo-con positions that scared millions of potential CDU voters away. Merkel is trying to squeeze a “psychological advantage” out of the fact that the Dresden-I district was won by her CDU, but this will not shield her from the heavy attacks from inside the Christian Democrats. Several prominent Christian Democrats have attacked her: former CDU Defense Minister Volker Ruehe; CDU vice party chairman Jürgen Rüttgers, who is also the state governor of North Rhine-Westphalia, the largest state of Germany; former CSU Health Minister Horst Seehofer; and others, notably in the CSU, the autonomous Bavarian state section of the Christian Democrats.

Criticism of Merkel was voiced also by Karl-Josef Laumann, chairman of the the CDU’s influential labor commission and the Social Affairs Minister in North Rhine-Westphalia, who said that Merkel’s campaign strategy failed, because the voters disliked the emphasis on neo-liberalism at the expense of the social aspect. “Those who hailed the de-social-democratization of the [CDU] party, have awakened now in a Grand Coalition,” Laumann said. Günther Beckstein of the CSU, who was in charge of domestic security policy in Merkel’s election campaign team, also spoke out. He urged that the CDU-CSU should discuss where the line should be drawn regarding privatization, deregulation, and competition. Why, for example, said Beckstein, “should public utility companies and water supply companies be open to multinational companies? Why do we only judge treatment for a patient according to cost-benefit criteria, rather than seeing what we have to do to help the patient? People with a Christian social conscience, said Beckstein, should ask themselves some time, ‘What would Jesus have to say?’ and not always, ‘What would [radical free-market ideologue] Friedrich Hayek think?’ The Union parties should distance themselves from the thinking which says that the common good is bad, egoism is good, or that the state is bad. This is the effect of an Anglo-American ideology which is liked by neo-liberals, but not by us.” Another prominent member of the CSU, social security expert Matthaeus Strebl, put it even more bluntly: “The main problem with this campaign was that we had a top candidate whom we did not want.”

Furthermore, Christian Wulff and Roland Koch, the CDU state governors of Lower Saxony and of Hesse, Merkel’s two main rivals inside the party, have distanced themselves from her (although Koch, a hardline neo-con himself, for tactical reasons only). If the criticism cannot be contained by Merkel in the near future, it cannot be ruled out that the party may sacrifice her, in order to get an agreement with the SPD for a Grand Coalition.

Because of the strong transatlantic relations that are a tradition among German Christian Democrats, one can assume that the most recent changes among the U.S. Republicans, with many of them seeking a clear distance from the Bush-Cheney team, are beginning to have an impact on German politics. After all, the Merkel group in the CDU is the one with the closest relations to Bush and Cheney, and the falling stars on one side of this transatlantic neo-con alliance, are also the falling stars on the other side.

Especially in view of the fact that a Grand Coalition government is most likely in Germany now, it would make sense for the Christian Democrats to establish direct contact with the LaRouche “New Deal” factor in the United States, because it is from there that the aforesaid changes among the Republicans have originated. “Less Merkel, more FDR,” is a reasonable slogan for programmatic discussions among the German Christian Democrats in the coming crucial weeks.

Quo Vadis Germany? For a New Atlantic Alliance in the Tradition of FDR

by Helga Zepp-LaRouche

This statement was issued by the chairwoman of the Civil Rights Movement Solidarity party (BüSo) on Oct. 6, following the election in Dresden.

How the configuration of personnel in the new government turns out, the “constraints” with which it will be confronted, will be dramatically different from the themes on which the politicians and the media spoke during the election campaign. These are the themes, about which only the BüSo spoke: 1) the hyperinflationary collapse-crisis of the global financial system, 2) the implications of the greatest strategic disaster in the history of the United States, the Iraq War; and 3) the effects of the storm of scandals in the Republican Party, and possible changes in the U.S. Administration.

No matter what, this next government will have to make decisions on which the very existence of Germany will depend. And it will have to face the reality which has up until now been “kept out of the media.” Whether it will be in a position to do this, will conclusively depend upon whether this government makes use of the analyses and solutions proposed by the BüSo.

The electoral result of the BüSo, which naturally, for the benefit of the country, should have been much better, nonetheless deserves the most intense recognition: 10 direct candidates in Saxony and Bavaria received between 1 and 1.8% of the vote, another 17 between 0.5 and 0.9% of the vote. Only if you take into account the total media-dictatorship, which would make Goebbels flush with envy, does the significance of these numbers become clear. Because there was not only an agreement among the media to report nothing of the content of the BüSo campaign, but if it did report, then it was only to make short, slanderous comments. When a youth member of the BüSo challenged a journalist of ZDF TV to report on the reality of the imminent financial crash, and the fact that the BüSo was the only party with solutions to this problem, this journalist countered: “What we report, is reality.” We can be totally confident that this arrogance will survive the coming storms just as well as the levees in New Orleans did.

But the BüSo had a very much greater influence in this campaign than was evident in the voting results: The BüSo

provided conceptual clarity from which politicians of other parties benefitted. The most important was clearly, that the attempted coup by the neo-cons against the German social state was shattered, at least for the time being. The two books by the BüSo, about the neo-cons in the U.S. and those in Germany, definitely provided the conceptual preparation, which served as the ammunition for bringing down Paul Kirchhof, who had threatened to smash the social state with his “sledgehammer.”

When the criminal negligence on the part of the U.S. government in the case of Hurricane Katrina made clear where the dismantling of the social state would lead in the event of a serious crisis, a BüSo leaflet warned of the not-too-distant consequences, namely, a near-term “catastrophe like that in Louisiana here in Germany,” to which a Kirchhof policy of “shrinking” the state would have led. When [Christian Democratic Chancellor candidate Angela] Merkel was asked by Mrs. Christiansen in the so-called TV duel, whether Bush had failed in the face of the Katrina disaster, the question was so unpleasant for her that she wouldn’t comment on Bush’s failure, and instead, spoke totally defensively about her policy for Germany. Chancellor Schröder, on the other hand, made his strongest point during the “duel,” when he took up the argument of the BüSo about the dangerous consequences which would ensue if the state were further dismantled.

Mr. Kirchhof passed away into well-deserved oblivion, and the attacks by von Lambsdorff and Merz on Mrs. Merkel showed, how unhappy the German neo-cons were about this defeated coup attempt, which would have turned Germany from a social state into an Anglo-Saxon economic model. “Merkel light” is not to the liking of the financial locusts.

But Chancellor Schröder, despite his remarkable catchup maneuvers, which allowed the Social Democratic Party [SPD] to recover from 24% after the North Rhine-Westphalia elections, to 34%, has not succeeded in demonstrating to the population that he has a real concept of how to overcome the economic crisis in Germany. The bitter after-taste of Hartz 4 and Agenda 2010 remains, and has given the so-called Left Party an uptick. Whether this hodge-podge of the PDS and diverse protesters, which has no coherent concept of the press-

ing problems, will have any lasting existence as a party, is highly questionable.

The Tasks of the New Government

The most essential factor, which is leading to the delaying action in putting together the government, is not to be found in the programmatic differences between the SPD and the CDU/CSU, but in three inherently interlinked weather systems. The first of these three “lows,” if one wants to call them that, is the substantial weakening of Mrs. Merkel’s political friends in Washington. The Republican Party is currently being convulsed by an artillery bombardment of scandals: the twofold criminal indictments on party financing offenses against the majority leader in the Congress, DeLay, have checkmated Dick Cheney’s sharpest whip. Already corruption charges have arisen against his successor, Roy Blunt. The neo-con agent Judith Miller, for whom the stay in prison got too long, has named Dick Cheney’s Chief of Staff, Lewis Libby, and Bush’s campaign manager, Karl Rove, as her sources of information in the Valerie Plame case. (Plame was the wife, working as an undercover CIA agent, of Ambassador Joe Wilson, who had exposed as a sham, the story of the so-called “yellow cake,” that Saddam Hussein would have allegedly used for his weapons of mass destruction.)

The *New York Times* has reported on rumors that further prosecutions against two White House associates are imminent, in this connection; one of them could be Cheney. Furthermore, Larry Franklin, already accused of betraying secrets, has declared himself to be a crown witness for the prosecution in a “plea bargain,” and will, over the next days and week, identify all the persons in the Pentagon who were betraying secret intelligence to Israel. It’s now come to the point: The Republican Party is shaken from an existential crisis, and the clouds of Watergate have long since risen over Washington.

The second complex, which touches on the framework for forming the government in Berlin, is the “greatest strategic catastrophe in the history of the U.S.A.,” that, in the words of the respected General Odom, the former head of the military intelligence service in the United States. According to reports by American officers on location in Iraq, the U.S. and Great Britain have totally lost military control in the country, and no longer have at their disposal the ability for an orderly retreat, because both the road from Basra to Kuwait, as well as the route by so-called Route One to Jordan, are controlled by the resistance forces. The damage to the image of the U.S., which is connected in the mind of the whole world with the Iraq War, is proceeding, in the estimation of the U.S. military itself, to that of the Vietnam War. Up to this point Mrs. Merkel has not addressed her brilliantly mistaken evaluation of the situation at the beginning of the Iraq War.

The possibility of an orderly retreat by foreign troops will only exist, if the Iraqi resistance and the rest of the world

perceive a clear signal of a real change in policy in Washington. My husband, the American opposition politician Lyndon LaRouche, has said, that only the dismissal or resignation of the author of the Iraq policy, Dick Cheney, could be such a signal. As long as Cheney remains in office, the danger remains that a renewed terrorist attack on the United States would be used as an excuse for the U.S., without further investigation about who was responsible, to launch airstrikes against Iran, including the use of “mini-nukes.”

The third aspect of the global context, which will determine the formation of the government and the challenges for the next government, is the hyperinflationary explosion and out-of-control derivatives bubble of the global financial system. The hopeless situation of the world financial system has long since been discussed in all meetings of boards of directors and governments with open and full panic.

In the face of this unparalleled historical and strategic situation, there is only one way out: The future government must assure, together with other leading institutions of Europe, that the growing bipartisan opposition against Bush and Cheney gains acceptance; that the government changes in Washington; and that the question of a new world financial architecture is put on the agenda. Only if a bipartisan coalition in the Senate and Congress returns to the policy of Franklin D. Roosevelt, the Bretton Woods system, and the New Deal, can there be a way out of the systemic crisis. That this changing tide is already under way, is evident by, among other things, the defeat of the White House when the Senate by a 90 to 9 vote approved the rejection of the torture of prisoners of war.

The decisive question will be, whether the new government will be conceptually and characteristically in a position to be ready to meet the existential challenges which we in Germany face. If nothing other than imposing a joint draconian austerity program occurs to the Grand Coalition, Germany will go under. Only if it succeeds in throwing out the window the neo-liberal, post-modern paradigm, that has brought catastrophe for the last 35 years of non-development, and returns to scientific and technological progress and Classical culture, will there be a positive way out.

Just as America has two traditions, that of the American Revolution and that of Anglo-American imperial thinking, so Germany also has two traditions, as is known: that of German Classical culture in art and science, and the ideology of the reign of terror of National Socialism. Today is the *punctum saliens* of history, where only if the America of the American Revolutionary tradition, and the Germany of the German Classic, work together, can the inevitable change in the times lead to a better future.

Therefore there lies the question of which identity America will have: the land of Benjamin Franklin, Alexander Hamilton, John Quincy Adams, Abraham Lincoln, FDR, and Martin Luther King, or the opposite; and which identity Germany will have: the land of Nicholas of Cusa, Leibniz, Bach,

Beethoven, and Schiller, or the contrary. The responsibility lies with us all.

There is, among many others, one very obvious reason why only the Classical tradition of the two nations can provide the basis for the solution to the world's problems. Reports are multiplying daily, of despairing Africans, who are trying, at great risk to their lives, to escape the hell of starvation and sickness which is ravaging their continent, and to reach safe Spanish enclaves in Morocco. If an uncontrolled collapse of the world financial system should occur, then these pictures are only a foretaste of the tragedy which will play out in a world plunging into chaos.

Therefore, we must put the realization of a new, just world economic order on the agenda: a Marshall Plan, or better, a New Deal for Africa, Latin America, other parts of Asia, but also for Europe and the U.S. itself! The BüSo has worked out the program a long time ago: the construction of the Eurasian Land-bridge as the seed-crystal of the reconstruction of the world economy. What does the Classical tradition have to do with that? Very simply, Nicolaus of Cusa was already of the view that harmony in the macrocosm would only be possible if all the microcosms could develop themselves; Leibniz already had very specific plans for the development of Africa and the Orient; John Quincy Adams had the conception of an American foreign policy of a community of principle among totally sovereign nation-states, who were united with one another by the higher interests of mankind.

As I already said, the BüSo succeeded, despite the open manipulations by the media, in making a deep impression on the population. An example of this rigging is that the *Sächsische Zeitung*, shortly before the election in Dresden in Election District 160, in an obvious attempt to deter potential BüSo voters, published a forecast for the BüSo vote of 0.0%—although the BüSo had on Sept. 18 received 1.2% in Election District II in Dresden, for direct candidate Galle. Obviously, the paper felt the need to try, through this laughable forecast, to counteract the unbelievably inspired election campaign of over 60 young BüSo members among the potential voters. More than anywhere else, the LaRouche Youth Movement was successful in Saxony, in appealing to the heart and pride of the people in their great Classical tradition.

The many choral interventions, where the works of Bach and Beethoven, but also many excellently sung canons with rewritten political texts were sung, have produced a resonance within the population, and made the BüSo in Saxony and a range of other places, an institution, which will remain and grow. That the BüSo succeeded in reviving the Classical tradition in Saxony and other places, is, from the standpoint of universal history in the sense defined by Friedrich Schiller, the most important accomplishment of this election campaign.

For the rest, the time which lies before us will prove that the BüSo has set all the important themes, around which things will now proceed.

Interview: Prince El Hassan bin Talal

U.S. Can't Ignore Arab-Israeli Conflict

His Royal Highness, El Hassan bin Talal, was born in Amman, Jordan, on March 20, 1947, the youngest son of Crown Prince Talal bin Abdullah (later King Talal) of Jordan, and is the younger brother of the late King Hussein of Jordan. He was educated in Britain, and has been deeply involved in humanitarian and social projects aimed at resolving the Arab-Israeli conflict and in improving the economic and social standard of



living for all peoples in the region. During the period of the Oslo Agreements, he had exerted his efforts, along with Israeli Foreign Minister Shimon Peres, in an effort to transform the brief period of political agreements by launching a program of economic development. Due to the short-sightedness of some of those Western financial interests involved in the economic side of the process, the economic cooperation never materialized, thus decisively undercutting the political progress that had been made. Prince Hassan is now working to create an Islamic World Forum among intellectuals in the Muslim world, as a Muslim movement for peace and a new humanitarian order.

Prince El Hassan bin Talal gave an interview to EIR's Bill Jones and to two other newspapers on Sept. 28, following his presentation at the Dwight D. Eisenhower National Security Conference, an annual event sponsored by several Washington-based foreign policy think-tanks and the Department of the Army.

EIR: I'd like to begin by discussing the situation in Iraq. Militarily, in spite of the upbeat propaganda coming out of the Pentagon, things are not going very well at all. Somehow there has to be a rethinking about how we're going to deal with this situation. Although it was a mistake to begin with, obviously we have to deal with it now. How do you view it, seeing it close up as you do from your position? What do you view as a possible resolution of the situation that now exists?

Prince Hassan: The recent visit by President Bush to the Pentagon again was a re-emphasis of the importance of not

taking a precipitate act of considering an untimely withdrawal from Iraq, because clearly a withdrawal would exacerbate the dangers, not only within Iraq, but the dangers of fragmentations in the region, but also the dangers in the region as a whole, given the fact that the Iranian issue is simmering, and that the Israeli-Palestinian conflict is also passing through a delicate phase. So I think what was important yesterday was to develop a concept, away from the cameras, of how the region can develop, as in the case of the Balkans, a stability pact for a regional commitment to international norms.

In that regard I was heartened by the Pakistani-Israeli conversation, simply because here were two important powers in the wider region opening conversations, which might, just might, lead to a conversation of MAS, mutually assured survival. And I think as far as Iraq is concerned, mutually assured survival is important *within* that country, for Kurds and Arab Muslims, before we get divided into the facile [labels]—Muslim Sunni/Muslim Shi'a, Arab Muslim/non-Arab Muslim Kurds, and so forth. So we're at the crossing point, either towards pluralism and the constitution, or toward fragmentation and conflict.

EIR: And how do you view the development of this "stability pact" with regard to the various countries in the region?

Hassan: The Japanese parliament, the Diet, in 1998 pointed to this important oil-producing region, and said there could be no stability in the oil region without stability in the hinterland. And this "hinterland," of course, includes the eastern Mediterranean, the Arab-Israeli conflict. And the West Asian conflict borders, in terms of its potential instability, on South Asia, India, and Pakistan, on the one side, and Europe on the other. So, I think that ad hoc politics and piecemeal solutions—let's look at Afghanistan today, Pakistan tomorrow, and Palestine the day after—are simply not taking us very far. They are taking us from one crisis to another.

And in that sense, we are giving the initiative to the violent oppositions in Iraq, for example, or in Palestine. The danger is that these people are almost being made cult heroes. Every time there is a new attack, the more popular they become with the populists. And let's not forget that most of the population of this region is under 25; that we need to create 35 million job opportunities over the next ten years, or else we will be hot-housing the violence that we fear. So I think now, before the United States gets back into domestic politics, there is a window of opportunity for a discussion among the EU-3, who are talking to the Iranians, on the one side; the United States; and the countries in the region.

Anyway, I am dedicating my time to talking to leadership, largely non-governmental leadership, within the region, and to developing a concept, not least of all on creating a multi-denominational, gender-balanced peace corps that can begin

to tend to some of the human sufferings, given the vast monies available as a result of the rise in price of a barrel of oil.

Los Angeles Times: How do you see the Sunni-Shi'a divisions affecting the ultimate outcome in Iraq? Americans are indoctrinated with baby-talk. When the Shah left Iran, we were told that Shi'as that took over were terrorists who would be hostile to the U.S. By implication, Saddam Hussein was seen as a Sunni who was keeping the Shi'a terrorists in check. Now that we've gone in with the idea of democracy in Iraq, the logical conclusion is that the majority Shi'a should rule Iraq. And it appears to me that the insurgents are basically Sunni, who I guess want to drive the U.S. out of Iraq and then impose Ba'ath-party control over Iraq. What is your take on how this Sunni-Shi'ite split affects the possible outcome in Iraq?

Hassan: The Sunni Arab population have no intention of re-establishing a secular Ba'ath regime. They are very clear on the importance of recognizing that there are in excess of 10 or 11 opposition groups, and there is a coming together of the Islamic groups and the nationalist groups. At the same time, as far as the Shi'a are concerned, they are not all pro-Iranian by any means. And let's not forget that when Khomeini returned to Iran, and Saddam Hussein launched his war on Iran, he saw himself as, and was in many ways, representing Western interest in the war on the Islamic Revolution in Iran. Most of his soldiers, given the fact that we now realize that a large percentage of the population was Shi'a, fighting in the front lines, were actually Arab Shi'a. And today I don't think that the Arab Shi'a or the Arab Sunni would want Iranian domination. But the fact that the Iranians are in fact talking in Muslim terms rather than in Shi'a and Sunni terms, makes their appeal more effective. Ahmadinejad, their new President, is talking about the dispossessed, the disenfranchised, the poor, and so he is appealing to the constituency that good governance and the supporters of democracy, including the United States, should not ignore. So I think the "baby-talk" is basically to break up Iraq in terms of Kurdish, Sunni, and Shi'a, mixing apples and oranges, because after all, Kurdishness is not a religion. Kurds are both Muslim Sunni and Muslim Shi'a.

As far as federation is concerned, I think that the worry is more about oil than it is about either Sunni or Shi'a. Most of the oil falls either in the Shi'a areas in the south, or in the Kurdish areas in the north. So the concept of federation or cantonization of Iraq should be a win-win formula. And I think that a national conference is required before the constitution is promulgated, whereby all Iraqis express their views. And I believe there is a meeting being prepared in Baghdad on the 28th of this month to begin that process.

EIR: Your Highness, you have been looking with cautious optimism to the withdrawal of Israel from Gaza, seeing it as a possible prelude to further withdrawals, leading ultimately to a comprehensive peace. While Sharon has survived an at-

tempted coup within the Likud by Netanyahu, the situation on the ground in Gaza is becoming more and more precarious, with an obvious need by the Palestinian Authority to assert some control. How do you see the situation developing now?

Hassan: Well, clearly the Palestinian leadership, Mahmoud Abbas, was faced with the dilemma of, on the one side, being expected to instruct the Islamists to lay down their arms. They challenged him with a public demonstration of their weaponry and then they used that weaponry, attacking Israeli targets. And today I think the response and the possibility of real involvement of Israeli troops in Gaza actually builds up the Hamas and Jihadi groups as potentially deep layers on the ground, and undermines, of course, the leadership of the Palestinian Authority, particularly before the January elections.

As you know, President Bush called upon King Abdullah of Jordan to host a meeting of Prime Minister Sharon and President Mahmoud Abbas, which the King of Jordan readily accepted to do. But I think that the substance of negotiations, further withdrawals, the issue of security controls, the Catch-22 is, it's going to be very difficult to put on the table while the violence continues. So it is a very difficult period, over and above which, and what we have been discussing earlier, there is always the possibility of changing the whole context, particularly if the Iranian nuclear file goes to the Security Council, or instability develops inside Lebanon or Syria. So it is not a period without its dangers, and although we sympathize with the American people given Katrina and Rita, and I say this quite genuinely, I hope that this is not going to be introspection at the expense of unfinished business in terms of the Middle East region. In fact, our destinies seem to be so intertwined.

EIR: Lastly, on the issue of water, which you emphasized at this conference. In the 1970s, we put forth a program, which we later called the Oasis Program for the Middle East, which involved the Mediterranean-Dead Sea canal, desalination, and other projects to provide a greater source of water and water utilization. This was common sense during the 1960s, but the United States has since gotten away from it. You seem to be involved in reviving some of these projects, which are so necessary for an underpinning of a real peace in the region. How do you see this going, especially with regard to the overriding importance of the water issue in the Middle East?

Hassan: I think that any projects, however inspired they may be, must fit into an overall concept. In the case of Europe, the concept was coal and steel. In the Middle East, the concept is water, energy, and the human environment. So I say again, we have to remove the brand names, as difficult as that is, of the political conflict, Palestinian, Israeli, Syrian, Lebanese, Egyptian, and so forth, and start talking of producers and consumers of water. Start looking at the economic, the natural, and the human resources as a package.

And, in that sense, I do think there is a need for the development of a regional commission. Given the fact that the whole conflict is only 70 miles in radius and 17 million people, it's essential to the well-being of people in that region or to the possible humanizing of that conflict, which for too long has been waged under security or political slogans, without any real consideration for the fact that, in reality, wars have become water and resources wars.

Los Angeles Times: It seems that Israel had gone with the disengagement of Gaza largely because of the demographic problem: They don't want to be ruling an area with a growing Palestinian population. The question is, what is going to happen to the people of Gaza? It seems to me that Israel is still responsible for these people. It's maintaining a border which includes Gaza, so the Israeli government is responsible for these people. But what will happen to Gaza? Can it have an economy with severed ties with Israel?

Hassan: I would like to recall to mind the call which is documented, and I would be happy to send you a copy, of an international protectorate called The West Bank and Gaza. Because it seems to me that negotiations are going to be very difficult between West Bankers and the Israelis, and Gaza and the Israelis over final status issues, while at the same time, the day-to-day existential issues are so difficult to face up to. [Special Envoy for Gaza Disengagement] Jim Wolfensohn, I think, has a very challenging task of establishing the economic viability of the Palestinian state in three years, but given the variables, in particular, the continued violence and tension, I don't see how it is going to be any more successful than it is, say, in the streets of Baghdad.

So I think that the concept of an international protectorate to attend to the rebuilding of infrastructure in the interests of, as I say, a win-win situation—Israeli needs, Arab needs—I think would facilitate the task of both Israelis and the Arabs. It has been suggested in the past. It is worth looking at again. And, at the same time, inviting the Palestinians and the Israelis to cool down the temperatures, to develop some form of a truce over issues which are basically a spin-off of the hatred industry. The level of hatred continues because of the continuous cheek-by-jowl confrontation. And therefore I think the concept of an international protectorate might give that needed breathing space.

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Ganging Up On the IMF: Will Ibero-America Get It Right?

by Dennis Small and Gretchen Small

On Oct. 23 of this year, two decisive votes will take place in South America's Southern Cone. On that day in Argentina, mid-term congressional elections will put to the test President Néstor Kirchner's political mandate in his battle against the International Monetary Fund and the international financiers' vulture funds. And on that same day, Brazil will become the first country in the world to hold a national referendum on whether the sale of all types of guns should be banned for everyone except the police and military.

In Argentina, synarchists of all stripes, both inside and outside the country, are working feverishly to politically damage the Argentine President—who, alone among the governments of the region, has stood up to the financiers' genocidal policies, and who has called for the formation of a New Bretton Woods to replace the IMF. Kirchner is now reportedly considering announcing a unilateral write-down of some portion of the large debt it owes to the IMF, much as he did in 2004 with private holders of government bonds. Whether or not Kirchner proceeds along that bold path may well depend on the outcome of the Oct. 23 elections.

In Brazil, one of the principal justifications for the proposed gun ban is the incredible level of violence in Brazil's impoverished and drug-ridden *favelas*, or urban shantytowns. Curiously, the arms ban is a cause that has been lavishly promoted by the country's major media, including the oligarchical TV Globo, whose Marinho family also runs the Brazilian branch of Prince Philip's Worldwide Fund for Nature, or WWF.

An Iraq-Style Civil War in Brazil?

"Those who are proposing to take guns away from the population in Brazil, are going to bring on a civil war," Lyndon LaRouche stated in no uncertain terms. "You have entire areas of Brazil, including the *favelas* in the big cities, which are *terra incognita*, armed camps. If they continue on this, if they disarm the poor, they will unleash asymmetric civil war."

In addition to the *favelas* in the cities, the Brazilian countryside is also becoming increasingly violent, with the nihilist MST, or Landless Movement, engaging in armed land seizures, while right-wing landholders deploy private militias

against them. The ravages of economic collapse, produced by adherence to IMF austerity policies, are the driving force of the looming social explosion in both the Brazilian countryside and cities.

"Under these circumstances, if you try to take their arms away with a referendum," LaRouche explained, "all sides will simply double their purchase of weapons and go for a confrontation, sooner rather than later. The government will be destroyed, because there will no longer be masses to control the national territory."

"Whoever in Brazil is ignoring this by proceeding with the referendum, is unleashing an Iraq in their own country," LaRouche added. "They should be told: 'Don't you know the lesson of the current Iraq disaster? Are you that foolish? You won't have a country left. This is the scenario of permanent warfare which is being promoted across South America by Dick Cheney, the Moonies, Banco Santander, Prince Philip's WWF, and so forth. You cannot walk in the footsteps of Henry Kissinger's policy of the 1970s, and his so-called special relationship with Brazil. Brazil may be a big country, but it will only become a big *failed* state, if this policy is pursued,' " LaRouche warned.

'End the Tyranny of Financial Capital'

There is an alternative policy for Brazil which can avoid such a slide into civil war, but it requires a radical break with the neo-liberal economic policies which have dominated the country for the past 15 years. That is precisely what is being proposed by a group of Brazilian nationalists who are organizing one of the country's largest parties, the PMDB, behind a program of government for the 2006 Presidential elections, which calls for "putting an end to the tyranny of financial capital" in order to achieve rapid economic development for the entire population of a sovereign Brazil.

The organizing drive is being led by a group of economists and political leaders which includes Carlos Lessa, the former head of the National Bank for Economic and Social Development (BNDES), whom the financiers fear because he has shown that he's prepared to fight to develop Brazil and raise the living standards and skills of every Brazilian. Lessa understands, as he explained in an April 2005 inter-

view with *Executive Intelligence Review* (see *EIR*, April 29, 2005) that to do this, we must “tame the financial dragon” internationally.

Thrown out as head of the BNDES last November, Lessa was asked by several Brazilian state governors from the PMDB Party to head up a team which would draft a program of government for the 2006 Presidential elections. That program, a revolutionary call to take on the financiers, was presented to the PMDB executive last August.

“To Change Brazil,” as the program is named (see documentation, below), warns that the continued existence of Brazil as a sovereign nation and organized society is in danger, unless it breaks with the “market rules” imposed by the international financial system. “This circular reasoning [of the market—ed.] has led to a collapse of thinking. Over time, societies become incapable of defining their own development agenda. . . . They abandon the idea of having a mission. They become used to living with chronic crises. They accept the tyranny of short-term issues.”

The document goes on to propose a cogent package of measures, that would actually work to shift Brazil’s internal economic dynamic. They include radical, urgently required policies such as:

- The imposition of capital controls, to put an end to speculative capital flows in and out of the country.
- Government intervention to manage the exchange rate, rather than the current disastrous floating exchange rate system.
- Drastically lowering domestic interest rates, in order to finance internal development.
- Using the \$35 billion per year of Primary Budget Surplus to foster that development, rather than to pay the foreign debt, as is the case today.
- Creating a “new architecture” under which the country’s Central Bank would be required to work with the government’s Treasury Ministry to achieve national development goals—a Hamiltonian banking policy.
- Dramatically increasing the average productivity of the Brazilian labor force by introducing advanced technology throughout the economy.
- And “to do that, it is essential to return to large-scale investments in infrastructure,” led by the central role of the State.

A Movement Taking Shape

Large meetings of PMDB leaders and members are now being held, state by state, to debate this program. The first meeting, held in the state of Paraná on Sept. 12, drew more than 1,000 people, including numerous national leaders and state governors. At the next meeting, in São Paulo, 2,000 people came to hear Lessa and others discuss how Brazil could secure its future. Paraná Governor Roberto Requiao told the São Paulo meeting that Brazil is not a market of consumers; it is a *nation*. Markets operate on an instantaneous

basis, and have no home or interest other than creating wealth for the speculators. A nation has a past, and is building the future. Nations have citizens, not consumers, he asserted.

A questionnaire has been circulated among party members, which asks, along with other questions, if the PMDB “should run the risk of challenging the financial system and big media” to develop the country. Of those polled so far, 85-90% have answered: Yes!

Lyndon LaRouche commented that what Lessa and the PMDB are proposing is the alternative to civil war: Brazil has no other sane option. “Lessa’s life is in danger,” LaRouche warned, “because he is telling the truth. Anyone who does, faces that—unless they gang up on the enemy!”

For his part, Lessa has been clear in his support for the battle being waged by Argentine President Kirchner. In a Sept. 18 speech in Paraná, Lessa said: “We have alternatives. The Brazilian state has many more instruments than Argentina, which is facing international pressure with dignity and success, while we are following a policy of retreat, concessions, and submission.”

Lessa’s support for Kirchner is all the more striking given the repeated refusal of Brazilian President Lula to give Kirchner any backing in Argentina’s life-and-death battle against the IMF and the vulture funds. To the contrary, Lula has gone out of his way to distance himself from Kirchner’s aggressive approach, and to politically support Kirchner’s factional party rival, former Argentine President Eduardo Duhalde, who is today a top official of Mercosur, the Common Market of the South.

Duhalde recently attacked Kirchner’s economic policies for being based solely on the “competitive advantage” created by the 2002 peso devaluation (overseen by then-President Duhalde), arguing that it will take “many years to emerge from crisis” if Kirchner’s policies continue.

In a public slap to Kirchner, Brazil’s Lula used a Sept. 30 summit of the South American Community of Nations, held in Brasilia, to praise Duhalde to the skies as a great leader of South American integration. Lyndon LaRouche commented incisively: “Duhalde is the Sancho Panza of the Southern Cone, although there is stiff competition from Brazilian President Lula.”

In 1982, LaRouche’s friend Mexican President José López Portillo broke publicly with the IMF, declared a debt moratorium, and nationalized Mexico’s Central Bank. But when he sought the support of Ibero-America’s two other major countries, Argentina and Brazil, to jointly defend their sovereignty and organize for a New World Economic Order, both those governments beat a cowardly retreat.

Now the shoe is on the other foot. Argentina’s Kirchner is taking a courageous stand—for which he is being denounced as “authoritarian” by the bankers’ foot soldiers, just as López Portillo and his legacy are attacked in Mexico today. Will the nations of Ibero-America get it right this time, and unite to follow LaRouche’s lead?

'To Change Brazil'

These are excerpts taken from To Change Brazil, a program of government issued by the PMDB party of Brazil in August 2005. It was drafted by a team of economists led by Dr. Carlos Lessa, the former president of Brazil's National Economic and Social Development Bank (BNDES). Subheads have been added.

... In the decade of the 1990s... we witnessed a conservative counter-revolution carried out in stages, something like a *coup d'état* extended over time. ... In the economy, the idea of a future built by a community which interacts democratically—a conscious and sought-after future whose focus is the greater well-being of all—was replaced by an opaque one created only by the interplay of the market, in which cooperation gives way to fierce competition of interest only to the strongest. The conception of a national enterprise disappeared from our legislation, and the role of the state was eroded and weakened. As for social concerns, with the announced “end of the Vargas era,” workers’ rights were threatened, and the social security system so subordinated to the logic of budget-balancing, that it was shredded beyond recognition.

No Brazilians decided any of this freely or consciously. Similar programs were imposed on other countries, always under the sponsorship and inspiration of the international financial system and the institutions it controls, with the connivance of local partners. What these all have in common is the dismantling of the agencies of social solidarity, the weakening of nation-states and increasing subordination of each economy to the ever more volatile flows of big capital.

The monumental failure of these policies is always attributed to the weakest links. ... The conclusion is repeated monotonously: Double the bet, keep at it, more of the same, because new so-called “reforms” still have to be implemented.

Widely promoted by the mass media, this circular reasoning has led to a collapse of thinking. Over time, societies become incapable of defining their own development agenda. They no longer recognize their problems or their potential. They abandon any idea of having a mission. They become used to living with chronic crises. They accept the tyranny of short-term issues and gravitate toward artificial or imported ideas. ...

The labor market disintegrated, with close to 25% of adult Brazilians forced into full unemployment or chronic underemployment, not to mention the large numbers thrown into the informal sector.

Hostage to the Financial System

The nascent attempt to build a nation-state based on social well-being was interrupted. The state lost its ability to carry out, encourage, or coordinate investments, instead becoming hostage to the financial system. It also lost territorial control, both in the country’s interior, as in the case of the Amazon region’s extensive border, as well as in the large urban centers. ...

The long-term history of the Nation became subordinate to financial capital’s short term. ...

The commitment to development reflects the decision to put an end to the tyranny of financial capital and our condition as a peripheral economy, asserting that we shall mobilize all of our productive resources and no longer accept the imposition of policies, either domestically or from abroad.

Naturally, this demands five interrelated measures: (a) the reduction and eventual elimination of the primary budget surplus, today above 5% of Gross Domestic Product (GDP); (b) control of capital inflow and outflow; (c) reduction of the basic interest rate to international levels; (d) management of the exchange rate at a level conducive to balancing our foreign accounts; (e) agreements on price stability.

Over the recent period, close to 40% of the nation’s resources have been used to pay debt, leaving less than 5% for investment. The disproportionate expenditures for debt service compared to other government expenditures, is shocking. In the current budget, one month of interest payments is equal to an entire year’s allocation for the national health-care system. Fifteen days [of interest payments] is equal to the annual education budget. ...

This leads to an irrational increase in the foreign debt. Projects under way, which are inadequate in any case, end up being financed by the World Bank or the Inter-American Development Bank (IADB). We take on dollar debt abroad to build railroads or sanitation systems, which require no import of goods or services. These could be financed entirely by national capital.

National Resources Trapped by Speculation

And the resources to finance these projects do exist—were they not trapped in a perverse machinery. The level of the current primary surplus is such that the government takes out of the economy—collects from the people—close to 80 billion *reais* annually to pay part of the interest on the debt. The worst part of this is the transfer of income from the poor (the largest taxpayers), to the rich (who hold the debt bonds).

But the creditors, primarily bankers, don’t want to keep the money gained as a result of their manipulations. Money doesn’t earn interest. Nor do they wish to invest it in productive activities; their most comfortable and lucrative alternative is speculation itself. The minute they get resources from the primary surplus, they run to the Central Bank to buy more bonds, which yield more interest. Since those bonds are as



Carlos Lessa (right) led the drafting of a plan to free Brazil's economy from the grip of the financial vultures, and institute a policy of development and investment in large-scale infrastructure.

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good as having cash in hand, having been traded daily on the overnight market, we can call them “financial money.”

... This machinery has to change. The 80 billion *reais* annually which are today immobilized in the primary budget surplus, must be instead carefully directed to finance public expenditures in education, health, low-income housing, agrarian reform, agriculture, sanitation systems, infrastructure, security, and defense. In this way, we can generate millions of jobs directly. The increase in government purchases and wages would lead to millions more jobs in the private sector. Financing these sectors would not be inflationary, as we're not dealing with a primary issuance of money. These are funds that were removed from the economy through taxation. . . .

The second measure of a new macroeconomic policy would be capital controls. In an economy like ours, whose foreign accounts have been historically fragile, when capital flows in and out without regulation, it changes, above all, the relation of power. The movement of unregulated financial wealth prevents both the control of, and even the calculation of, the exchange rate, and thereby threatens to undo the pricing system on which the real economy is based. Since the exchange market is exceptionally volatile and ultrasensitive to speculative flows, financial capital acquires a veto power over any decisions that society might wish to make. Cornered, the state becomes hostage to these capital flows. Sovereign power changes hands.

Once controls over foreign capital flows are re-established, like those that existed for more than 60 years in Brazil until 1992, thereby eliminating the possibility of a flight of the *real* to the dollar, the Central Bank once again will have the ability to fix low interest rates, easily reducing them to a level compatible with balanced public accounts and the restarting of economic growth.

Should the financial market reject the lower rates, and threaten not to buy public bonds, the Central Bank will buy the maturing or matured bonds to inject liquidity into the interbank market. The banks will have to accept the new rates

offered for the simple reason that they will have no better alternative to use their available resources. Capital controls won't demand any kind of legal changes, as the Central Bank is already authorized to apply them. . . .

The institutional architecture of economic policy is turned on its head. With the Central Bank as its agent—it operates autonomously, like a state within a state—the financial system subjugates the entire nation-state and productive sector. Democracy is subverted, because real power lies beyond the population's reach. In the new architecture we're proposing, the Central Bank will have to coordinate intimately with the National Treasury, with both pursuing combined goals not only for inflation, as is the case today, but also for employment, use of productive capacity and the volume of credit offered to the real economy. . . .

Relocating workers from the most backward sectors to the most modern, or modernizing those backward sectors, will greatly increase average productivity, the benefits of which will be felt throughout society as a whole.

Large-Scale Infrastructure Investments

To do this, it is essential to return to large-scale investments in infrastructure. Inefficiency and crises in energy, transportation and telecommunications, become systemic inefficiency and crises which affect every undertaking. These are sectors which demand large, long-term projects always related to strategic planning. Brazil is self-sufficient in the knowledge and use of technology in most infrastructure sectors. . . . The role of the state in the elaboration of this systemic vision is irreplaceable. . . .

In a word: we must increase at the greatest possible speed the average productivity of labor, retain within our own economic space the largest portion possible of the wealth created, and distribute that wealth in the fairest possible manner. . . .

Our maneuvering room in the international context would increase significantly, were South America to take up its own mission. It is a continent of enormous potential. . . . Our peoples can easily build a common identity. A South American mission is necessary and viable. Brazil plays a central role in this and, with no pretensions to hegemony, has a great interest in this integration. . . .

Large undeveloped countries, such as the United States of the 19th Century and China of the 20th Century, have already faced these kinds of challenges, each in its own way, and only became successful when they dared to apply internal reforms and rejected the station to which the international order of their time relegated them. They paid the price for those decisions. They suffered pressures. They made mistakes and learned from them. And in the end, they emerged from their underdeveloped status. . . .

History is now asking whether our generation and our institutions possess the greatness to unleash the civilizational promise which lies within Brazilian society. The PMDB calls on all Brazilians who desire this, to say “yes.”

LaRouche: Duhalde Is the Sancho Panza Of the Southern Cone

This statement was issued by the LaRouche Youth Movement in Mexico and the Ibero-American Labor Committees on Oct. 5, 2005.

Argentine President Néstor Kirchner's government has just called for a New Bretton Woods to replace the IMF system—and guess who is attacking him in response? It's a situation that the great Miguel de Cervantes would have understood perfectly.

In mid-September, President Kirchner opened a new flank in his government's battle against the International Monetary Fund (IMF) and the speculative vulture funds, the same global financial oligarchs that have brought the world financial system into the active phase of a hyperinflationary blowout of that entire system. Speaking to the United Nations General Assembly on Sept. 14, Argentine Foreign Minister Rafael Bielsa not only criticized the functioning of the IMF, but argued for "promoting a new call for an international conference of heads of state, similar to the 1944 Bretton Woods conference, to rebuild a more just global monetary and financial architecture which eliminates financial bubbles and concentrates on supporting the real economy."

The idea of a New Bretton Woods is most widely associated with U.S. economist and former Presidential candidate Lyndon LaRouche. It is also supported by numerous international forces, including the Italian Parliament and numbers of congressmen and other political leaders here in Mexico. But in Mexico, these nationalist forces have thus far only waged a rearguard battle to stall the worst policies of privatization and looting that the Synarchist bankers are trying to impose through their puppet Fox government. They have not yet taken up the urgent necessity of allying with the political forces headed by LaRouche in the U.S., nor of replacing the entire defunct global system, as Argentina's Kirchner has done.

It is reliably reported that Kirchner not only was involved in writing the speech delivered by his Foreign Minister at the UN, but that the President had originally planned to deliver it himself, but that scheduling problems made that impossible. Argentine media also report that Kirchner is actively considering declaring a sovereign and unilateral write-down of the enormous debt which Argentina owes to the IMF, similar to the 65% "haircut" delivered to public bondholders in 2004. Such a step could produce a domino-effect collapse of the

IMF itself, given the instability of the entire global financial system.

"That would be a positive step for Argentina to take," Lyndon LaRouche remarked. "Virtually the entire Argentine foreign debt—including that 'owed' to the IMF—is illegitimate in any event, and has been paid off the backs of the Argentine people many times over. It's time to put an end to the game."

LaRouche also took note of those forces inside and outside Argentina who are attacking the Kirchner government. In addition to the international financial oligarchy speaking in their own name, there are the local Synarchists, of both the left and right variety, that hyperventilate daily against the Kirchner government—the kind of Synarchists who identify politically and psychologically with Cervantes's mad feudalist Don Quixote, and even with the pathetic tavern whore, Maritornes.

Many of these forces are today rallying behind the figure of Eduardo Duhalde, the former Argentine President who is locked in factional battle against Kirchner, within the Justicialista (Peronist) Party.

"Duhalde is the Sancho Panza of the Southern Cone," LaRouche commented, "although there is stiff competition from Brazilian President Lula."

Students of Cervantes will recall what happened when Sancho Panza was given the opportunity to govern the Island Barataria. It is a lesson which Mexico—like the rest of Ibero-America—must quickly master.



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From Cervantes's novel Don Quixote: Sancho Panza (detail of a drawing by Gustave Doré).

Editorial

‘Have You No Sense of Shame?’

Delphi CEO Robert “Steve” Miller sent an ultimatum letter to Delphi’s UAW locals containing demands of immense concessions the week of Oct. 3. One source told *EIR* that Delphi is demanding that its UAW workers accept that their wages be slashed from \$26 to \$30 per hour, to \$10-12, a cut of one-half to two thirds.

He reported that Delphi is also demanding that medical benefits be slashed. The plan is that, for those workers who become Medicare eligible, usually at age 65, they will be given the benefits of salaried people: a \$10,000 lump payment. If they have a medical cost, and Medicare covers 70% of it, then the retired worker will have to cover the remaining part out of the \$10,000. He said, “Once the \$10K is gone, that’s it. Plus, if you have a catastrophic accident, the \$10,000 goes immediately.” The UAW workers had had full medical coverage for life. Delphi has also demanded drastic cuts in pensions.

The strategy of a hard-up company? Think again. At the same time, Delphi announced the restructuring of its executives’ termination compensation policies, to provide for “more competitive”—i.e., lucrative—severance payments for about 21 top executives. CEOs like Miller, who received \$3 million just as a bonus when he took the top position, already get millions in compensation per year. Corrupt corporate boards approve such payments because they put *shareholder* values—their own personal profits—above considerations for their workforce, or production itself!

Delphi, the world’s largest auto supplier company, and a spinoff of General Motors, which has \$6 billion in debt and \$14.5 billion in pension liabilities, has threatened that if its demands for concessions and assistance are not met, it will declare bankruptcy on Oct. 17, with its liabilities passed onto the Federal Pension Benefits Guaranty Corporation. Accordingly, on Oct. 6, S&P rating service cut its Delphi debt rating by two notches, to “CCC-minus,” which is nine levels *below* junk bond status. Delphi’s stock is trading at just above \$1 a share. Delphi CEO Miller announced that while he would put Delphi’s 23 U.S. plants into bankruptcy, he

would not do so with the company’s international plants, where workers earn slave-labor wages.

What we see playing out here is precisely what Lyndon LaRouche has called on the U.S. Senate to prevent. Back in April, LaRouche warned that the U.S. auto sector would be destroyed imminently, unless emergency action were taken. Various Congressmen, even those who agreed with LaRouche’s assessment, said that that wouldn’t happen for a few years. It is now unfolding within six months. Wall Street is using Delphi as a precedent, which would be immediately turned upon GM, Ford, and Chrysler, with the result of effectively *wiping out* the advanced machine-tool capacity of the United States, a capacity needed not only to rebuild the United States, but also the world economy.

In response to reports on the cynical looting and self-serving policies of the managements of Delphi Corp.—now preparing a massively destructive bankruptcy—and GM, LaRouche said on Oct. 7, “These people have cut their budgets, all right—they’ve cut *moral-ity* out of their budgets! Why should we allow self-dealing *increases* in the pay of mismanagement executives who are doing an incompetent job, and an immoral job? They couldn’t raise their pay under the new bankruptcy law; that’s why they’re sneaking fat bonuses in, under the old law, before it expires. I say we should cut their salaries, not raise them.

“I ask these mismanagers, at Delphi and at GM, ‘Have you no sense of shame?’ As Army counsel Joseph Welsh said to Joe McCarthy, at the Army-McCarthy hearings 50 years ago, ‘Senator McCarthy, have you no sense of shame?’ I ask the Delphi management that question now.”

At the same time, the question is posed to the U.S. Senate, and other political leaders in the United States: Will you act to defend the skilled workforce of the United States, or will you permit shameful activities such as that of the corrupt managers at Delphi? These are times which demand tough leadership. Do you have the guts to act?