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Who's Bankrupting America's Industry?
Why Did Senate Dems Join the Anti-Kerry Campaign?
Call for New Bretton Woods Now Published in Tehran

**LaRouche: Time Is Running
Out for the United States**



EIR

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From the Associate Editor

We've featured our *Editorial* on the cover this week, because in it, Lyndon LaRouche pulls together the central themes of the issue, demonstrating that "Time Is Running Out for the U.S.A." He hits hard at the cowardly retreat of most Senate Democrats from asserting effective leadership; the "Rohatyn/Synarchist problem" that has infested both industry and labor, holding the Democratic Party hostage by its purse-strings; and evaluates the efforts by Eurasian leaders to find a way to escape the effects of what they see as a likely dollar collapse—efforts which are understandable, but cannot succeed. Truly the fight against the Synarchists in the United States is the crucial one internationally, and unless it is won by patriots here, no other nation stands a chance of survival.

Our *Feature* is an explosive dossier on how Rohatyn's Lazard Frères and associated Synarchist financial firms have taken down the core industry of the United States over the past 25 years. Up to now, we had the story on Rohatyn's current role in the bankruptcy of Delphi Corp., the nation's principal auto-parts supplier, and of his squeezing both the auto industry and the United Auto Workers, for the profit of his Wall Street shyster cronies. This was exposed by LaRouche in a June 9 webcast, detailed in *EIR* on June 16, and is now in circulation as a mass pamphlet. But digging deeper, our intelligence staff uncovered the core Rohatyn-Lazard role in dismantling steel, the airlines, the rubber industry, pension funds—you name it. We also have new documentation on U.S. wartime intelligence services' keen understanding of the links between the Nazis, the Synarchists in Vichy France, and André Meyer, Rohatyn's mentor, who considered Felix "as my son." (Meyer, of course, was also the father of the late Katharine Graham, publisher of the *Washington Post*.) Widest possible distribution of this exposé can ensure the defeat of the Synarchists in the Democratic Party, clearing the way for ouster of Bush and Cheney.

Let me also call your attention to two articles imbued with optimism for the future: the LaRouche Youth Movement's videoconference forum in Mexico and Argentina, and Jonathan Tennenbaum's report on the resurgence of "technological optimism" in Russia.

Susan Welsh

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EIRNS/Chris Lewis

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Time Is Running Out for the U.S.A.

by Lyndon H. LaRouche, Jr.

June 22, 2006

The seemingly incredible anarchy and reckless disregard for reality within the Democratic Party's Senate contingent, will cause knowledgeable U.S. citizens, and foreign observers, to wonder if the U.S.A. will still be a functioning nation at the close of this calendar year. Since mid-February of this year, there is very little within the Democratic caucus in the Senate which resembles the lovely quality of leadership which that same caucus showed on—many, but not all—crucial issues of the time, during 2005.

At the center of this breakdown-crisis in the Democratic Party's national leadership, is the complicity of many leading members in accepting the pressure of the Synarchist international's Felix Rohatyn et al. Since mid-February of this year, many among those members have evaded, stubbornly, repeatedly, my warnings, now fully confirmed, that negligence in the matter of immediate rescue of the machine-tool-design capacity lodged within our auto industry, would create an existential threat to the continued existence of the U.S.A. as a first-rank nation of the world. Now, with recent developments within the auto industry itself, the global monetary-financial system has been careening, obviously into an onrushing, global breakdown crisis of the world economy.

Obviously, as any qualified sociologist would assess the patterns of behavior in the Senate itself, the problem with the Senate is a reflection, at least in very large part, of some very rotten backroom deals. To the Classical historian, the vividly visible deals in view have the smell of the Sophistry of Pericles' Athens, when it elected to perpetrate that genocide against its ally, the island of Melos, which turned out to be the beginning of that self-destruction of Classical Greece called the Peloponnesian War.

A leading, crucial part in this has been the continuing refusal of leading elements of the Senate to resist what Felix Rohatyn and his Synarchist international cronies have plainly stated, repeatedly, as their intention to destroy the sovereignty of our republic. A destruction of our republic, which the Rohatyn representing the Nazi legacy of World War II veteran Lazard Frères and Lazard's Bilderberger-style cronies, promotes to the declared advantage of a medieval-



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The rotten backroom deals currently under way in the U.S. Senate have the smell of the Sophistry of Pericles' Athens, whose genocidal war against the island of Melos sparked that self-destruction of Classical Greece called the Peloponnesian War (right).

like system of so-called “globalized” empire, is like that which collapsed into Europe’s Fourteenth-Century New Dark Age: a folly worse than treason against the very existence of our republic.

From many leading quarters of our present political establishment, the reply to me often seems to be: “You may be right in what you say, but, for that very reason, I am jumping ship now!” It is as if the members of an army which sees itself as already defeated, simply ran in an act of random mass-desertion, leaving no leader behind to negotiate the terms of surrender. The high-ranking leaders, the political generals, regimental commanders, and the like, have, mostly, deserted the field of battle, leaving their abandoned legions to deal, anarchically, with the thus-created chaos as they might.

So, we have the disgusting spectacle in the circles of the Democratic Leadership Council and its fellow-travellers.

The recent meeting of the Shanghai Cooperation Council is to be viewed against that historical backdrop. The majority of the human race, as now represented by that Council and its friends represented at that meeting, has written off the continued existence of the U.S.A. as a lost cause. They are convinced by the behavior of the President

and the majority of the elected opposition in the U.S. government, that the U.S.A. will not, and therefore can not save itself from self-inflicted destruction. The other nations, the intended survivors of this hecatomb, are trying to stay out of the way of the onrushing general breakdown crisis, while making plans for a new future for the surviving majority of mankind. The assumption that Eurasia, for example, might outlive the presently accelerating, physical collapse of the U.S. economy, is a poorly founded assumption. If the United States goes down, as the present U.S. leadership seems dead set on doing, it is doubtful that the rest of the planet would escape an ensuing, planetary new dark age.

To whose advantage are we being, thus, so awfully betrayed? We are betrayed by those, such as Rohatyn’s Synarchist financier cronies, who hate the United States, and especially its Constitutional tradition so much, that they would rather destroy the planet than live on a planet governed by the tradition of 1776. There is a realm, like that of Adolf Hitler, so evil that it lies in a domain far, far beyond mere treason. That is where the international cronies of Rohatyn and the Synarchists’ Bilderberger cronies of radical Anglo-Dutch Liberalism lie today.

WHO IS BANKRUPTING AMERICA?

Felix Rohatyn's 'al-Qaeda' Destroyed American Industry

by EIR Staff

What international investment bank has consulted in the disappearance of every formerly major American steel company? Felix Rohatyn's Lazard Frères.

What investment bank set up the infamous United Airlines employee ownership plan of 1994—which lost each employee's every dollar of stock—and has “consulted,” altogether, seven major airlines into bankruptcy and/or liquidation? Lazard Frères.

What investment bank put together the mergers that created, and then advised, the monster Enron? Lazard.

What investment bank has been the strategic advisor to each of the big auto supply companies which has gone into bankruptcy; has advised both GM/Ford *and the UAW* on the ongoing shutdowns of auto plants and jobs; and developed the strategic bankruptcy plan for Delphi Corp., the worst industrial outsourcing in U.S. corporate history? Rohatyn's Lazard Frères, again. And, in the case of the Delphi outsourcing plan, the crime was done by Felix Rohatyn personally (see *EIR*, June 16).

But don't get the idea that this is a project by one greedy individual. Rohatyn himself is simply the front-man for a tightly-knit network of private financier institutions—investment houses, commercial banks, and their allied law firms and consulting firms—that have systematically moved to shut down the entire industrial base of the United States over the past 30 years, and have now nearly succeeded in wiping it out altogether. They have implemented globalization-through-fraud, taking advantage of a corrupt rewriting of America's bankruptcy laws, which, in effect, hands life-or-death decision-making power over to this financial cartel, and a new

generation of thieves they've created, like Delphi chief Steve Miller, and “former” Rothschild agent Wilbur Ross.

In effect, what has occurred is a foreign take-down of the United States, led by an international Synarchist network which has always hated the United States, and set out to destroy the legacy of Franklin Delano Roosevelt as soon as his heart stopped beating in 1945. We have published documentation on Rohatyn's Nazi roots before, and we provide further evidence in these pages. Those who collaborate with such a network, are, as LaRouche has emphasized, acting as traitors, or worse. At the point where the last bastion of productive machine-tool capability, including skilled manpower, is about to be destroyed, there is no excuse for not acting to reverse this process. We are at the crisis point, where the future of our nation will be determined.

The Rohatyn Record

Like an al-Qaeda of Wall Street, Felix Rohatyn's investment banks and their network of partners have closed and destroyed more factories, firehouses, and police stations in the past 35 years than terrorists have ever dreamed of—while adopting the pose of Democratic Party funders, and friends and advisors to labor unions.

Ever since taking control of New York City in 1974 and shrinking its municipal services by 25-40%, and taking hold of its unions' pension funds to pay out to its bank creditors, Felix Rohatyn has claimed that this looting job was a model for all of industrial America. He and his Democratic Leadership Council friends have claimed that New York emerged stronger and better, for having been looted by Rohatyn. With

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EIRNS/Dan Sturman

Felix Rohatyn's Lazard Frères investment bankers have been the "consultants" in almost every step in the deindustrialization of the U.S. economy, from the airlines, to steel, and now to auto.

partners and protégés pulled out of the socialist labor movement and made into bankers, this leading synarchist fascist has made Lazard, and his own Rohatyn Associates bank, the top deindustrializers of America.

As the saying goes, "You can look it up." With Lazard as bank consultants and strategists, the interlocked Rothschild, Inc. as the bankruptcy specialists, and JP Morgan Chase bank organizing the "debtor-in-possession" financiers who have ruled corporate bankruptcy courts since 1978, Felix Rohatyn's network have been the bank consultants in almost every airline bankruptcy, pension liquidation, every aerospace/defense shutdown, every step of the disappearance of the steel industry, and now every major auto bankruptcy. They amused themselves along the way, by creating Enron and electricity deregulation.

Over the past decade or so, Rohatyn's and Lazard's industrial terrorists have been joined by a new species of "foreign fighters." These are hedge funds grouped around Rothschild funds and banks, which have specialized in attacking, buying, and looting industrial companies and unions weakened by global low-wage competition—and by taking Felix Rohatyn's advice.

With these monsters as allies, Rohatyn's network are now "advising" the dismantling of the auto industry—the last bastion of machine-tooling and deep industrial capability left in the United States. If Congress doesn't rapidly intervene to stop their feast on auto—a necessary first step in reversing the destruction of the economy by globalization—the United States will be left with the industrial capacity of a Third World country. In order to stop this, Democratic Congressional leaders, in particular, will have to stop taking the money and

advice of "Rohatyn Democrat" moneybags like Wilbur Ross, Michael Steinhardt, Steven Ratner, and Felix himself. Seen through the eyes of citizens of Ohio, Indiana, or Michigan, watching factory after school after hospital shuttered, machines auctioned off, plants knocked down by wrecking balls, these Congressional leaders might as well be taking money and advice from Osama bin Laden.

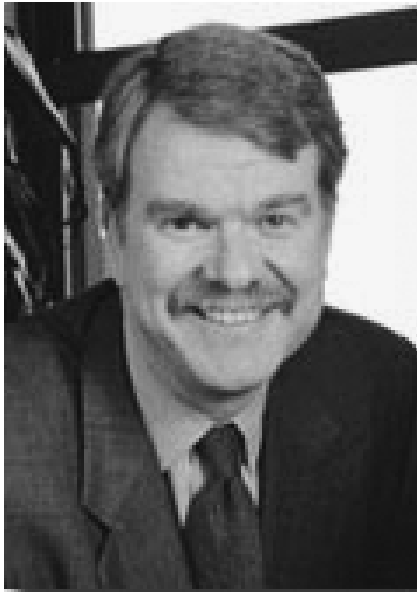
We present, here, a shorthand picture of just three areas of U.S. industry and infrastructure: airlines and aerospace, steel, and auto. These sectors of the economy represent the core of the machine tool capacity of the economy, and their destruction would spell death for the U.S. economy. There can be no delay in neutralizing the immediate, mortal threat to the U.S. economy posed by the actions of the Rohatyn/Lazard gang.

Airlines and Aerospace

Overall results: Aerospace employment in the United States fell from a peak of 900,000 during the late 1980s to 550,000 now, a 40% drop; 60 million square feet of aerospace/defense capacity was shut down from 1990-97 alone, and its machinery sold off at auctions.

The Case of Joshua Gotbaum

During the 1980s, there were about 20 prime military contractors, and more than 130,000 scientists and engineers working on aerospace research and development, according to the Aerospace Industries Association. With the end of the Cold War as the pretext, there took place a drastic downsizing



Joshua Gotbaum led the dismantling of the defense/aerospace sector.

of both the high-technology, machine-tool-rich defense/aerospace industry and U.S. military forces, initiated by Dick Cheney, when he was Secretary of Defense from 1989 through January 1993.

Today, there are only five major prime military contractors, and only about 30,000 scientists and engineers working on aerospace R&D.

In the mid-1990s, the downsizing and dismantling of the defense/aerospace sector was led by the little-known Joshua Gotbaum, a protégé of Felix Rohatyn at Lazard Frères, and the son of New York City labor leader Victor Gotbaum, himself a close collaborator with Rohatyn in the razing of New York City public services in the 1970s under “Big MAC”—the bankers’ Municipal Assistance Corporation.

During 1975-82, Rohatyn, with the indispensable cooperation of the senior Gotbaum, brutally cut vital public services—fire, police, hospitals, and transit—by 15% to 40%, driving out much of the city’s poorer population in the process. As a reward for his father’s collaboration, Joshua Gotbaum was made a banker by Lazard Frères in 1981. By 1990 he was a general partner, and was entrusted to serve as the Managing Director of Lazard’s London office from 1989-92.

In 1994, Joshua Gotbaum was suddenly named to a newly created Pentagon position, Assistant Secretary of Defense for Economic Security, with a 260-person staff and considerable powers. At a time when defense expenditures were being slashed, Gotbaum applied pressure to shut down aerospace factories. During the 1990s, more than 250,000 aerospace production workers were axed, and more than one-third of the aerospace sector was liquidated in the process of “consolidation.” With it, went much of the industry’s irreplaceable advanced machine-tool capacity.

Gotbaum outlined his mission in an interview in the November-December 1995 issue of *Program Manager* magazine, headlined: “Survival of the Fittest,” and “Which Defense Firms Will Survive—Meet the Man Who Helps the Pentagon Decide.”

Asked about his experience at Lazard in putting through mergers and bankruptcy restructurings, Gotbaum stated, “As the defense industry itself restructures, companies that have been our suppliers for years are combining; they are restructuring, combining plants, laying off employees, etc., so there is an industry restructuring. Similarly, as the defense budget declines, the Department of Defense is itself restructuring. . . . [W]hat we’ve discovered now is that in some respects the defense industry is undergoing restructuring that other manufacturing industries . . . began in some cases, 10 or 15 years ago.” He couldn’t help but boast: “I spent a lot of time in restructurings.”

Gotbaum also pushed to implement Cheney’s 1992-initiated policy of outsourcing and privatizing military functions. He led the Pentagon’s development of the list of base closings that were sent to the Base Realignment and Closure Commission (BRAC) in 1995, and he then implemented the closings approved by the BRAC and Congress. In the *Program Manager* interview, Gotbaum pontificated, “The BRAC is another arena in which the Department of Defense is reconciling itself to the new realities. The way we fight wars is changed. . . . So we consider base closing to be necessary—but very painful.”

Airlines Shot Out of the Sky

Closely related to the aerospace industry, is the commercial airline sector, whose destruction was also crafted and facilitated by Lazard Frères and Joshua Gotbaum. Listen to the description in the Jan. 7, 2004 *Honolulu Star-Bulletin*: “Gotbaum was an investment banker with Lazard Frères & Co. in New York and London, providing advice to airlines on mergers, acquisitions, bankruptcies, and restructuring. He consulted with Eastern, Braniff, Pan American, British Airways and Air France.”

This is quite a record: Eastern, Braniff, and Pan American each went bankrupt and was eventually liquidated.

In addition, in 2003 Gotbaum was appointed the operating Trustee for Hawaiian Airlines, after it filed for reorganization under Chapter 11. His was an extremely rare position; normally, the existing management continues to operate a company (as “debtor-in-possession”) in a Chapter 11. Hawaiian was *not* bankrupt; its reason for filing bankruptcy was to force concessions from its employee unions and to renegotiate its aircraft leases with Boeing. The head of the Air Lines Pilots Association correctly called it a “sham bankruptcy.”

The outcome, for which Gotbaum demanded almost \$10 million in fees, was that 1) creditors got paid in full (very unusual); 2) shareholders saw their stock actually increase in value, instead of being wiped out, as is normal; 3) employees made concessions and give-backs in wages, benefits, and



Airplanes in a storage yard in California, grounded by the bankruptcy of the airlines.

Air & Space magazine.

work-rules; and 4) pilots had their pensions frozen and re-vamped.

That's only part of the picture. Overall, there were at least nine airlines to which Lazard and Gotbaum were consultants. Seven of the nine ended up in bankruptcy, most of which included "restructuring" consulting by Lazard.

Here we must introduce the role of another Rohatyn protégé at Lazard, also a close associate of Joshua Gotbaum: Eugene Keilin.

Keilin started as a lawyer working in the New York City budget office, and first represented the City in its negotiations with Big MAC and New York State during the budget crisis of the mid-1970s. Rohatyn then picked up Keilin and installed him as Executive Director of Big MAC in 1976; two years later, Rohatyn offered him a position at Lazard, where he became a general partner in 1984, specializing in employee buyouts of bankrupt or near-bankrupt companies—known as Employee Stock Ownership Plans (ESOP).

As a Lazard partner, Keilin was an advisor to the pilots' union at United Air Lines (UAL), and was the architect of the employee buyout of UAL, which was implemented in 1994, after a number of failed earlier attempts starting in 1987. UAL pilots and machinists received shares of stock, in exchange for major salary and work-rule concessions, while Keilin and other advisors were allegedly getting huge under-the-table payments in connection with the ESOP negotiations. Additionally, Stephen Wolf, the United CEO who had hired Lazard to advise United's Board of Directors during the buy-out negotiations, was in turn hired by Lazard as a consultant, after the ESOP deal was consummated.

All illusions about "employee ownership" evaporated over the next few years, and in December 2001, United went into what was to become the biggest and longest U.S. airline bankruptcy. The stock held by employees, for which they had taken significant wage cuts, ended up worthless.

After the UAL deal, Keilin officially left Lazard Frères, to start up his own "labor-friendly" investing and consulting firm, specializing in ESOPs and corporate restructurings, on behalf of hedge funds and private equity firms.

Steel

Overall results: U.S. steel production has fallen 35% since 1975, from 145 million tons to 95 million annually; the per-capita production drop was 50%, and most of what remains is produced from recycled scrap in electric-arc "mini-mills." Employment in the industry has fallen more than 50% over the same period.

Lazard and its operatives continually appear and reappear in the take-down and reshaping of the U.S. steel industry, and in their wake follow layoffs, reduced benefits, and a decline in steel production—a process which culminated in the foreign takeover in 2005 of 40% of the U.S. flat-rolled steel capacity, used in manufacturing military equipment, trucks, and automobiles.

Weirton

In 1984, Lazard and the Keilin-Gotbaum team played a key role in crafting the employee buy-out at West Virginia's Weirton Steel; this became a model for the methods which Lazard and its spin-offs have used to cannibalize workers' pensions and other resources to this day.

The buy-out was precipitated in 1982, when National Steel announced that it would not invest further in its Weirton branch. Lazard VP's Keilin and Gotbaum were the advisors to Weirton management and the Independent Steelworkers Union on the ESOP plan. When the deal was concluded, Weirton Steel became the nation's sixth-largest integrated steel mill, and the largest wholly employee-owned steel com-



EIRNS/Andrew Spannaus

An abandoned Bethlehem Steel plant in 1999. Scavenger Wilbur Ross picked up parts of the company, which once employed 13,000 workers.

pany, with over 6,000 employees.

From that point on, the basic trajectory of Weirton was downward, punctuated by layoffs and cutbacks. When the company finally filed for bankruptcy in 2003, it was down to 3,500 employees, and it had gone through two major reorganizations, which reduced wages, froze pensions, and slashed health benefits.

What remained of Weirton was ultimately acquired by senior Rothschild figure Wilbur Ross's predatory International Steel Group, and was then handed over to the London-based Mittal Steel, which promptly shut down the mill's blast furnaces and reduced the work force to under 900.

Weirton's parent company, National Steel, declared bankruptcy in January 2003, and was subsequently acquired by U.S. Steel, which then announced that it was planning to lay off over one-fifth of the employees of the augmented company, and would not assume the contractual obligations for retiree health benefits. Lazard was National Steel's investment advisor during the bankruptcy proceedings.

LTV/Bethlehem

Lazard's early involvement with Cleveland-based steel-maker LTV is of particular interest, since this paved the way for Wilbur Ross's purchase of LTV, as his first step toward creating the International Steel Group (ISG).

LTV Steel was the nation's second-largest steelmaker in 1984, a result of Ling-Temco-Vought's takeover of the Pittsburgh- and Cleveland-based Jones & Laughlin steel company, and then a merger with the Cleveland-based Republic Steel. In 1986, the United Steel Workers of America hired Lazard to initiate an audit of LTV—conducted by the Arthur

Young accounting firm—which pronounced the company bankrupt! By the end of the year LTV had filed its first Chapter 11 bankruptcy. While in Chapter 11, LTV pioneered the practice of dumping its pension obligations onto taxpayers, as well as cutting back on health benefits.

In 1989, Lazard, working with the USWA, designed an ESOP for the bar steel division of LTV, which was then spun off as Republic Engineered Steel.

After LTV emerged from bankruptcy in 1992, it took a U.S. Supreme Court decision to force it to reassume its pension obligations. Over the decade after its 1984 bankruptcy, LTV reduced its steel-making capacity from 24 million tons a year, to 10 million.

Bankruptcy Code Revamped To Wreck Industry, Labor

Reorganization of a distressed company under Chapter 11 of the U.S. Bankruptcy Code—once an instrument for the protection of the General Welfare—has become perverted in recent years into a tool by which “vulture capitalists” and foreign financiers such as Felix Rohatyn's Lazard Frères, can take over industrial firms, dump their pensions and health-care programs, tear up union contracts, and then sell off the assets at a handsome profit.

The modern form of corporate reorganization under Chapter 11 came into being as part of New Deal legislation under Franklin Roosevelt. The intention was to provide an equitable mechanism, by which the dead weight of old debt could be put aside, allowing an otherwise-viable firm to continue in business and to keep its employees working—for the benefit of the common good. The priority was put on keeping the factory's doors open and its workers employed, if the company was viable but for the burden of past debt.¹

Today, as the case of Delphi shows, this has been turned on its head. The 1978 Bankruptcy Reform Act allows the management to continue operating a company

1. “A Short History of Chapter 11: Model for a Bankrupt Economy,” *EIR*, Jan. 25, 2002.

In 2000, LTV declared its second bankruptcy, and, as part of its liquidation, it sold its Cleveland and Chicago production facilities in 2002 to the vulture fund WL Ross & Co., which soon became the International Steel Group. Bottom-feeder Ross, executive managing director of Rothschild Investments LLC for 26 years, specialized in “distressed” companies.

In the short time that Ross owned ISG, it was used as an instrument to decimate what remained of the U.S. steel industry and its workforce. After Ross acquired the assets of LTV, the scavenger then rapidly picked up pieces of Acme Steel, Bethlehem Steel, Weirton Steel, and Georgetown Steel, all between 2002 and 2004.

Bethlehem was the big plum of Ross’s acquisitions, with its 13,000 workers and a large portion of the remaining U.S. integrated steel-making capability. Earlier, in 1996, when talk of at least a partial shutdown of Bethlehem was already in the air, the USWA had hired Eugene Keilin to represent its interests.

Lazard Is Steve Miller’s Daddy

In 1984, Felix Rohatyn co-authored, along with AFL-CIO President Lane Kirkland, and DuPont CEO Irving Shapiro, a policy paper called “Restoring American Competitiveness: Proposals for an Industrial Policy.” The report states at the outset that “Professor Lewis B. Kaden of the Columbia University School of Law served as the Director of our Study Group. We are also grateful to the assistance provided by Eugene Keilin and Josh Gotbaum, Lazard Frères & Co.”

Kaden, who joined the old-line Wall Street law firm of Davis Polk & Wardwell at that time (1984), was brought onto the Board of Bethlehem Steel in 1994; during his decade on Bethlehem’s Board, its stock price plunged from \$24 a share, to nine cents. Then, in 2001, Kaden recruited Steve Miller—now the CEO in charge of destroying Delphi (see below)—to become CEO and Chairman of Bethlehem Steel. Miller, naturally, knew nothing about the steel industry, but he knew a lot about what the bankers wanted. Within three weeks,

as a “debtor-in-possession” (DIP), rather than having a court-appointed trustee run the firm, and its gives an almost absolute priority for repayment, to interim loans made to a company in Chapter 11 reorganization, over all other creditors, including employees. Today, any big firm going into Chapter 11 reorganization already has new financing from major banks lined up at the point of filing its Chapter 11 petition.

Utilizing these changes in the law, Wall Street law firms and investment banks have taken over bankruptcy proceedings involving large industrial corporations. By using “debtor-in-possession financing,” and/or by buying up claims, they are scooping up manufacturing firms at the heart of the U.S. economy, trashing union contracts, dumping health-care and pension plans, and then stripping their assets and selling them off to the highest bidder.

In an interview last year with *EIR*,² professor and author Mark Reutter described how this looting process emerged. “This began in 2001 in the steel industry, and resulted in major changes in that industry, and then has spread to the airline industry—where today, four of the seven major U.S. carriers are in Chapter 11—and is now spreading, in recent weeks, to the auto-parts industry,” Reutter said. “And the people who are involved in the voluntary bankruptcy of auto-parts maker Delphi Corp., are the very same people who profitted enormously from the Chapter 11 bankruptcies of the steel industry three

years ago.”

Reutter spoke of “a new breed of corporate manager,” personified by Steve Miller, now the head of Delphi, who “makes his living taking large companies in and out of bankruptcy.” Reutter noted that Miller had previously put Bethlehem Steel in and out of bankruptcy, and that he was also instrumental in putting Eastern Airlines into bankruptcy.

And on the “receiving end” of the bankruptcy, Reutter pointed out, are “vulture capitalists” such as Rothschild’s Wilbur Ross, “a billionaire, who made well in excess of \$500 million buying Bethlehem Steel from Steve Miller, and then selling it, several months ago, to the Mittal Steel Corp. in the Netherlands.”

“Delphi has millions of dollars of cash flow coming through its system every week,” Reutter said. “These vulture capitalists want to get that flow directed to them.”

In the accompanying article, we cite the case of the bankruptcy of Hawaiian Airlines, run by Joshua Gotbaum, where the *sole purpose* of the bankruptcy was to break existing leases and contracts; creditors got paid in full, stockholders saw their shares *increase* in value, and Gotbaum and other parasites running the reorganization walked away with millions in their own pockets.

But there is more than mere greed at play here.

In the case of Lazard’s Rohatyn, and Rothschild’s Wilbur Ross, we are looking at evil operatives who are literally agents of a foreign power: the Synarchist financial oligarchy which is strategically committed to destroying the United States as an industrial power.

—Edward Spannaus

2. “The Delphi Case and the Misuse of Bankruptcy Law,” Interview with Prof. Mark Reutter, *EIR*, Nov. 11, 2005. An expanded version of the *EIR* interview is posted on Prof. Reutter’s website: www.makingsteel.com.

Miller had put Bethlehem into bankruptcy.

In 2003, Miller sold Bethlehem's steel-mill assets to Wilbur Ross's ISG, only after the bankruptcy court had allowed Miller to scrap employee health-care benefits, and to dump its pension costs on the Federal government.

Following major layoffs in his newly acquired companies, Ross bragged before a March 2003 hearing of the International Trade Commission that ISG was producing a ton of steel in one man-hour, whereas two years earlier, with essentially the same plant and equipment, it took 2.5 man-hours. This was attributed not to the introduction of new technologies, nor to investment in new plant and equipment, but to radical streamlining of the workforce—meaning collapse of job classifications, changed work rules, and other speedup practices.

Ross identified as a key aspect of the ISG revolution in the steel industry, the introduction of "profit-sharing" into all areas traditionally subject to collective bargaining by the unions. For example, the much-trumpeted voluntary health benefit plan, which ISG set up for retirees of its predecessor companies, is entirely dependent on certain levels of profit being reached. Wage scales for current workers are also increasingly tied to a "bonus" system. And, as Ross indicated, this new model was not limited to ISG, but was incorporated into all the new contracts negotiated by the Lazard-penetrated USWA and its International President Leo Gerard, who claimed credit for pioneering this at the same hearings, and who did not dissent from Ross's observation that the model should be extended beyond steel, to all of U.S. manufacturing.

By 2005, Ross had done his job on the U.S. steel industry, with the continuing help of Lazard and its stable of graduates like Keilin. In this short 2003-05 period, the Bush Administration adopted steel tariffs, with the strong proviso that the steel industry take the opportunity to rationalize and restructure, in order to eliminate the alleged over-capacity in world steel production. Steel production in the U.S. declined by 10 million tons.

In April 2005, with ISG the largest steelmaker left in the United States, with 40% of the nation's flat-rolled steel capacity, Ross sold ISG to the London-based Mittal Steel Company, headed by Lakshmi Mittal, an India-born, British-based buy-out artist. Upon completion of the deal, Mittal announced that "Mittal Steel is now the world's premier steel producer and also the largest producer in the North American market."

Ross now sits on the Mittal Board of Directors, along with Lewis Kaden. Kaden also became Citigroup vice-chairman shortly after the ISG-Mittal merger; since then Citigroup has loaned Mittal \$9 billion. Also on the Mittal Board is Nathaniel (the 5th Baron) Rothschild, a Lazard banker. Today, Kaden and Nathaniel Rothschild are promoting the merger of Mittal and Arcelor, Europe's largest steelmaker; if successful, the merged companies would control 10% of world steel production, making this the most dominant steel cartel in world history.

Auto: Always the Same Wrecking Crew

Overall Results: the automobile industry has lost 240,000 (20%) of its jobs, net, since 2000, and will lose approximately 300,000 more by the end of 2008 at latest, if the announced shutdowns of 67 major plants are not reversed. 75 million square feet of capacity is being shut—more than in the past 30 years combined—and its machine tools sold off at auctions.

The actions of Felix Rohatyn in making the strategic plan for the complete outsourcing of Delphi—its "globalization by bankruptcy"—were exposed by *EIR* in its June 16 edition, and in a special White Paper distributed by LaRouche PAC beginning June 9. *EIR* published the May 1, 2005 proposal to Delphi management signed by Rohatyn personally, and other proofs that Rohatyn—now through his own bank, Rohatyn Associates, and working with Rothschild—is responsible for the ongoing destruction of Delphi's plant, machine tools, and workforce and the transfer of its American production overseas.

This is but the worst example of Rohatyn's wrecking operations in auto, and those of his Lazard "al-Qaeda."

In the first major elimination of jobs, benefits, and capacity in the industry—the 1979 reorganization and "government bailout" of Chrysler Corp.—Lazard advised both Chrysler CEO Lee Iacocca, and UAW head Doug Fraser, as bank consultant. Felix Rohatyn personally handled the planning for Chrysler during 1979 until, according to Robert Reich in his book *New Deals*, Chrysler management forced Rohatyn to withdraw because he was demanding that he run the company, as de facto CEO. (He had, after all, been acting as dictator of New York City.)

Lazard Bank remained Chrysler's and the UAW's consultant, however; under Lazard's advice, Iacocca had brought in from Ford the then-obscure, but now well-known, Robert "Steve" Miller as his general factotum for "sacrifice from everybody." It is notable that Lazard's advice, again, brought Miller onto United Air Lines' board 15 years later, during the disastrous UAL "employee buyout"; that Rohatyn's collaborator Lewis Kaden brought Miller in as CEO of Bethlehem Steel in 2001, in order to quickly take it bankrupt, tear up its employee benefits, and sell it off to Rothschild's Wilbur Ross; and that Felix Rohatyn's strategic plan for Delphi brought Steve Miller in as that company's CEO in July 2005, for the same purposes.

Rohatyn himself, in 1979, after withdrawing from direct advice to Chrysler, worked through Fed Chairman Paul Volcker and Treasury Secretary G. William Miller, to make sure the Carter Administration put excruciating pressure on Chrysler for deep cuts—it did—in exchange for the eventual \$1.5 billion "bailout" loan announced at the end of 1979.

The results, from 1980-83: The UAW gave up \$1.2 billion in wage and benefit "givebacks"; Chrysler closed 30 U.S.

Delphi Corporation
As of May 1, 2005
Page 13

If the foregoing correctly sets forth the understanding and agreement among the Advisors and the Company, please so indicate by signing the enclosed copy of this letter, whereupon it shall become a binding agreement between the parties hereto as of the date first above written.

Very truly yours,

ROTHSCHILD INC.

By: _____
David L. Resnick
Managing Director

ROHATYN ASSOCIATES LLC

Felix Rohatyn
Name: FELIX ROHATYN
Title: PRESIDENT

Accepted and Agreed to as of
The date first written above:

DELPHI CORPORATION

Felix Rohatyn is the chief architect of the Delphi bankruptcy, as indicated by his signature here on the company's May 1, 2005 bankruptcy filing.

plants, reduced its production workforce from 98,000 to 45,000, cut its salaried workforce from 40,000 to 22,000, and wiped out 40,000 jobs in the Detroit Metropolitan Area alone.

In 1997 it was Daimler-Benz which hired Lazard to advise on its 1998 takeover of Chrysler, which resulted in the second, 1999-2001 wave of Chrysler shrinkage.

'Bring Me Your Bankrupts . . .'

In the current wave of bankruptcies of major auto supply companies, all have the same virtual al-Qaeda of consultants taking the companies, union contracts, and workforces apart. In the Tower Automotive bankruptcy in February 2006, Rothschild, Inc. is investment banker, Lazard are bank consultants "for strategic issues," Kirkland and Ellis the restructuring law firm, and JP Morgan Chase the lead bank providing debtor-in-possession (DIP) financing. Tower has demanded the bankruptcy court throw out its contracts with the UAW and other unions, and has declared bankrupt only its U.S. operations. Sound just like Delphi's strategic plan? All Delphi's consultants are exactly the same, except that its law firm is Skadden Arps.

Collins & Aikman, for its bankruptcy, is advised by Lazard, Kirkland and Ellis, and Rothschild, with JP Morgan Chase providing DIP financing. Again, "None of the company's affiliates outside the U.S. were included in the filing," said its bankruptcy announcement on May 17—the same "strategic bankruptcy" strategy.

Dana Corporation, for its bankruptcy, was advised by Lazard, Kirkland and Ellis, and JP Morgan Chase for DIP financing. It is now largely controlled by Rothschild veteran

Wilbur Ross's private equity funds.

Not to be outdone, the UAW hired Lazard on July 21, 2005 to consult on GM's demands for retiree health insurance give-backs; it hired Lazard on Nov. 1, 2005 to consult on Delphi's bankruptcy; and it hired Lazard on Nov. 4, 2005 to consult on Ford's demands for give-backs. In each case, *the company paid* for Lazard's advice to the UAW. A Dec. 8, 2005 UAW letter to members and retirees makes clear that it took Lazard's advice to give in to Ford's demands; it apparently got the same advice from Lazard on the demands of GM and Delphi.

Lazard's own SEC filing at the end of the first quarter of this year, shows that just at that moment, it was simultaneously running: the restructurings of Tower, Collins & Aikman, and Meridian (another large auto supplier); advice to the UAW on all three cases noted above; the Cerberus hedge fund's takeover of GM's finance arm, GMAC; and the bankruptcy of Northwest Airlines, which has broken its pilots' group, slashed its employees' salaries, and dumped its pensions on the Pension Benefit Guaranty Corp.

At the same time, March 31 of this year, Lazard was also advising Whirlpool on its takeover of Maytag, a vicious operation in which the company took over its competitor solely in order to close it down almost completely. In the process, 5,000 skilled industrial jobs were wiped out in Iowa at a stroke.

And while Rohatyn Associates had, by then, "withdrawn" from the Delphi outsourcing/restructuring which Felix had planned, Rothschild, Inc. was continuing to plan that disaster, while the group of hedge funds and equity funds associated with Wilbur Ross was waiting to pick up the "distressed pieces" and combine them into new, entirely global, auto supply companies.

Stop the End-Game

When you look at this picture of the destruction of U.S. industry—which is now at end-game—you have to conclude that Synarchist banker Felix Rohatyn, Wilbur Ross, and Steve Miller make al-Qaeda look like pikers. These Synarchist financiers are inflicting far greater destruction on the United States, than any terrorist gang, or war-time saboteurs, could ever hope to do.

If we do not stop this treason against America now, very soon there will be no United States economy left, only colonial outposts of the international Synarchist cartel.

By Edward Spannaus, Paul Gallagher, Patricia Salisbury, and Richard Freeman, with additional research by Mark Bender and Roger Moore.

Looking Behind The Venetian Curtain

by John Hoefle

In the world of international finance, there are those who steer events, and those who react to events. While the latter are often better known, greater in number, and seemingly more powerful, true power rests with the former. At the center of the global financial system, squatting like a spider at the center of its web, are the ultramontane imperialists, the Venetian financier oligarchy and its Norman chivalric partners. The wealth of these oligarchic families is historically concentrated in tangible things—land, oil, precious metals, strategic minerals—and in controlling the financing and trade of those items and other necessities and conveniences of life.

In the Venetian system, the perpetuation of the power of the group over world affairs is paramount. The families' funds, or *fondi*, are pooled for maximum effect, and deployed through a network of financial institutions which hide their origin from an unsuspecting public. This network includes insurance companies like Assicurazioni Generali of Venice, central banks like the Bank of England and the U.S. Federal Reserve, and merchant/investment banks like Rothschild and Lazard Frères, whose individual power is but a reflection of the power of the system as a whole.

The Con of Globalization

The post-World War II activities of Lazard (the Frères has been dropped) is indicative of the way this *fondi* system works. Lazard has been at the forefront of the mergers and acquisition business, which itself is a euphemism for the creation of a global network of giant cartels more powerful than nations, which control the necessities of life, and set the terms for their availability. This process, which is explicitly designed to destroy the United States and the very concept of the nation-state, is Felix Rohatyn's life's work.

The oil industry is perhaps the best example of how this process works. It is dominated by a cartel of giant companies which control the distribution and processing of crude oil and its byproducts, and a network of financial institutions which set the price through manipulations of the futures markets. This system, which reaches deep into the pockets of people around the world, was set up by Royal Dutch/Shell and its investment banks, Rothschild and Lazard, using the manipulated oil crises of the 1970s and people like the notorious Marc Rich. (Rothschild and Lazard were also behind Enron, which was part of an operation to do to electricity and natural gas pricing, what they had already done to oil.)

Rothschild, in particular, has a long history with Royal Dutch/Shell. By the early 1900s, grabbing control of newly discovered oil fields and the oil trade was a major concern of the *fondi*. Rothschild, acting for its masters, bought oil interests in pre-Soviet Russia and built up a fleet of tankers. In 1911, Rothschild consolidated its Russian oil interests into Royal Dutch and Shell Transport and Trading, making the House of Rothschild the largest shareholders in each of those since-merged companies. The close relationship between the bank and the oil company remain to this day, as both push globalization. Lazard has its own connections to Royal Dutch/Shell, representing the company in France, and both Lazard and Rothschild have been active in Houston. Lazard, through its investments in the business enterprises of the Bush family, has played a key role in inflicting two Bush Presidents upon the world, and it was Rothschild's George Soros who bailed George W. Bush out of his failed oil venture.

Both Lazard and Rothschild are tightly connected to the international metals and minerals business. Rothschild was involved in the financing, and with it, ownership interests, in Cecil Rhodes' De Beers diamond operations and Rio Tinto, now one of the world's largest metals companies. Lazard counted among its clients Philipp Brothers, then the world's largest metals-trading company, and Englehard Industries, the world's largest refiner of precious metals, which it merged into a company 22% owned by Anglo American. Lazard is also closely tied to the shadowy Société Générale de Belgique (SGB), a company with extensive raw materials holdings. SGB's chairman is Viscount Etienne Davignon, who is also the chairman of the Bilderberg Group and a former European Union steel czar, who launched the global restructuring of the steel industry.

Déjà Vu

Lazard's role in destructuring the U.S. automobile industry is nothing new. The bank has long represented Italy's Fiat, holding a seat on its board and assisting in its international operations. Lazard has also been intimately involved with France's Citroën. It was a major shareholder of Citroën in the 1920s, and arranged the spin-off of Citroën's SOVAC financing subsidiary, in much the same way and for the same purposes as today's spin-off of GMAC. Lazard helped push André Citroën out of his own company by starving it of credit and then selling the troubled company to Michelin, then later arranging the merger of Citroën and Peugeot.

Lazard also has close ties to the two largest private water companies in the world, France's Vivendi and Suez, while Rothschild has close ties to the privatized military world. The investment bank Dillon Read, identified by a former partner as a Rothschild bank, is a thread which ties the Rothschild interests to the protection of the German cartels after World War II, to Bechtel, and to Brown Brothers, the founders of Halliburton's Brown & Root.

Rohatyn's Fascist Roots Are Showing

by Jeffrey Steinberg and Pierre Beaudry

During and immediately following the Second World War, U.S. intelligence agencies, including Military Intelligence, the State Department, and the Office of Strategic Services (OSS), developed exhaustive files on the Synarchist International, the international financier and industrial cartel behind the Fascist and Nazi Axis.

To appreciate the depth of understanding of the Synarchist International among U.S. intelligence professionals of that era, just consider the following brief summary of a 100-page July 1941 U.S./French dossier on the French Synarchist organizations—the Synarchist Movement of Empire (SME), the Synarchist Revolutionary Convention (SRC), and the Secret Committee of Revolutionary Action (SCRA), the military leadership arm of the SME, also known as the “Cagoulards” (“the hooded ones”):

“The Synarchist movement is an international movement born after the Versailles Treaty, which was financed and directed by certain financial groups belonging to the top international banking community. Its aim is essentially to overthrow in every country, where they exist, the parliamentary regimes which are considered insufficiently devoted to the interests of these groups and, therefore, too difficult to control because of the number of persons required to control them.”

The dossier continued, “SME proposes therefore to substitute them by authoritarian regimes more docile and more easily maneuverable. Power would be concentrated in the hands of the CEOs of industry and in designated representatives of chosen banking groups for each country.”

Vichy France

In France, the United States maintained diplomatic relations with the Nazi puppet Vichy regime, in part, as a means of maintaining links to French resistance circles, including military resistance networks inside the Vichy government. Thus, the U.S. had extensive access to intelligence on the French Synarchist apparatus, which dominated the Hitler collaborationist Vichy government in southern France (Hitler directly occupied the north of France, including Paris, and, in 1942, grabbed all of France, sending the remnants of Vichy into exile in North Africa).

In 1943, President Franklin Roosevelt assigned William Langer, the Director of the Research and Analysis Branch of the OSS, to prepare an official account on the complex and controversial U.S. diplomacy toward Vichy France. His re-

port was published in declassified form in *Our Vichy Gamble* (New York: Alfred A. Knopf, 1947). Langer drew upon thousands of pages of classified wartime documents. He would later take a leave of absence from his post as chairman of the History Department at Harvard University to organize the CIA's Office of National Estimates, the premier U.S. intelligence community analytical agency, and he served on the President's Foreign Intelligence Advisory Board from 1961 until his death in 1977.

Langer's *Our Vichy Gamble* carefully delineated the Vichy regime factions, and identified “the Banque Worms clique” as the most hard-core of the pro-Hitler elements. In discussing Adm. Jean François Darlan, at one point a leading Nazi collaborator, Langer wrote: “But Darlan's henchmen were not confined to the fleet. His policy of collaboration with Germany could count on more than enough eager supporters among French industrial and banking interests—in short, among those who even before the war had turned to Nazi Germany and had looked to Hitler as the savior of Europe from Communism. . . . These people were as good fascists as any in Europe. They dreaded the Popular Front like the plague and were convinced that they could prosper even under Hitler's iron rod. Many of them had long had extensive and intimate business relations with German interests and were still dreaming of a new system of ‘synarchy,’ which meant government of Europe on fascist principles by an international brotherhood of financiers and industrialists.”

Langer continued: “But peculiarly identified with the Darlan regime was the Banque Worms et Cie, headed by Hippolyte Worms, with Gabriel Leroy-Ladurie and Jacques Barnaud as the dominant figures. To realize the extent to which members of the Banque Worms group had been taken into the government by the autumn of 1941 a brief survey of the council and of the Secretaries of State will be most profitable. . . . Pierre Pucheu (Interior), and Yves Bouthillier (National Economy) were members of the Worms clique. General Bergeret (Secretary of State for Aviation) was included by some among Pétain's personal following, by others among the Worms group. Excluding Bergeret, the Secretaries of State were almost to a man associates of the same clique. They were Jacques Barnaud (Delegate-General for Franco-German Economic Relations), Jerome Carpopino (Education), Serge Huard (Family and Health), Admiral Platon (Colonies), René Belin (Labor), François Lehideaux (Industrial Production), Jean Berthelot (Communications), and Paul Charbin (Food Supply). . . . From this list it appears at once that practically every ministry or secretaryship touching economic affairs was in the hands of one or another of the Worms clique.”

A Coordinator of Information (the forerunner to the OSS) report from late 1940, titled “Synarchie and the policy of the Banque Worms group,” further underscored the links between the “Banque Worms group” and the most hard-core Nazis in the Vichy regime: “The reactionary movement

list included “Barnaud,” unquestionably a reference to the same Jacques Barnaud who was named in the earlier COI report on the Banque Worms clique. Barnaud was the Director General of Banque Worms prior to the war, and was also a director, along with several Lazard Frères officers, of Raffineries Françaises de Pétrole de l’Atlantique, which handled all French oil dealings with Royal Dutch Shell. Barnaud was also on the board of the Central Company of Land Credit of Amsterdam, which was a joint Worms-Lazard venture, and another point of intersection with the top echelons of the Anglo-Dutch oligarchy. Royal Dutch Shell, of course, was one of Paris Lazard’s biggest clients.

Royal Dutch Shell, Lazard, and Banque Worms

It is no surprise that the managing director of Lazard Frères, André Meyer, should show up on a 1944 U.S. Military Intelligence list of known wartime Synarchists. Banque Worms, from its inception, was virtually a creation of Lazard, and both Lazard and the Worms group were leading French assets of the Anglo-Dutch combine, centered in Royal Dutch Shell and in the Rothschild banking organization. Hippolyte Worms, the founder of Banque Worms, was a shipping magnate, whose business was built on its contracts to deliver Royal Dutch Shell oil. He was also one of 12 founding members of the Synarchist Movement of Empire (SME), the secret organization behind the delivery of France over to Hitler and the Nazis. Lazard Frères was the French investment bank for Shell, and it was in that capacity that Lazard was instrumental in the creation of the banking arm of the Worms group, Banque Worms et Cie.

A 1954 French intelligence report on the activities of the Paris branch of Lazard Frères further detailed the bank’s pivotal role in paving the way for the Franco-Nazi wartime collusion: “When Von Ribbentrop came to Paris on December 6, 1938 to sign a ‘good neighbor pact’* with Georges Bonnet, there was a dinner at the Quai d’Orsay that evening attended by Daniel Serruys of Lazard Bank. At that time Mr. André Meyer, new associate manager of Lazard Frères, had excellent relations with Georges Bonnet, Minister of Foreign Affairs of the Daladier government and is said to have supported him at the time of Munich.

“The Lazard managers,” the document continued, “did not want to burn all their bridges with Germany because they still had friends in the German world of finance. Furthermore, the Lazard house in France was the official bank of the Royal Dutch, a Dutch company with British capital. Furthermore, the president of Royal Dutch, Sir Henri Deterding, after having served England for a long time, had shown a certain sympathy for Hitler’s Germany and provided funds to the National

Socialist Party without breaking with the business world of the City of London. At the time of Munich, Deterding contributed to ‘expediting’ Mr. Chamberlain before Hitler in Godesberg in September 1938. Because of the position of Deterding, the directors of Lazard and especially André Meyer, had to adopt an attitude of expectation vis à vis Hitler, regardless of his anti-Semitism. It appears that they approved of Munich.”

The André Meyer of the Munich treachery and the promotion of the Worms clique, would, at the close of World War II, adopt Felix Rohatyn as his protégé and successor as managing partner of Lazard. Meyer once described Rohatyn in a *New York Times* interview: “In some respects, I consider him as my son.”

Postwar: The Worms Crawl Out

Following the liberation of France, a number of leading Synarchists, including top Banque Worms officials who were among the leading collaborationists within the Vichy regime, were jailed for their treasonous activities, only to be later exonerated, and incorporated, wholesale, into the Cold War anti-Communist crusade.

At the close of the war, Georges Villiers, the leader of the French National Employers Council, a hotbed of Synarchist bankers and industrialists, approached Hippolyte Worms to bankroll an anti-Communist front group, to target particularly the European labor movement.

Worms hired Georges Albertini, the head of the openly pro-Nazi RNP party, and the staff director of the Ministry of Labor in Vichy. Albertini was ostensibly hired to run the “labor department” at Banque Worms, but his actual assignment was to establish the Institute of Social History, which served as a hiring hall and front for wartime Nazi collaborators. Albertini had been arrested on Sept. 25, 1944 by the de Gaulle government and sentenced to five years of hard labor. After spending four years in the Prison of Poissy, he was freed in February 1948 by a Presidential pardon—specifically to lead the anti-Communist front group. Hippolyte Worms had also been arrested during the liberation, but had been released after several months. Jacques Barnaud, Banque Worms’ top official in the Vichy regime, was arrested on Oct. 18, 1944 and spent four years in jail, until charges against him were abruptly dismissed in 1948. Barnaud had not only been the liaison between France and Germany on all economic policies. He had also been Director of Cabinet in the Vichy Ministry of Labor, under the Nazi Marcel Deat. In effect, Barnaud had been Albertini’s boss under the Vichy regime. Barnaud returned to work at Banque Worms, and remained there until his death in 1962.

The Banque Worms-funded Institute of Social History was fully integrated into the umbrella anti-Communist agency, the Congress for Cultural Freedom. Boris Souvarine, a former leading French Communist, who was expelled from the Party in 1925, was one of the first people hired by Georges Albertini, to work at the Netherlands-headquartered Institute of Social History, which produced a flurry of anti-Communist

* This pact confirmed the Munich Accord of Sept. 29, 1938, about the invasion of France. It was at that dinner that the famous turnaround of Hitler’s policy of “going against Russia first” was agreed upon by the French Synarchist bankers.

and anti-Soviet tracts, and ran Synarchist penetration and disruption operations into the labor movement throughout Europe. This Amsterdam-based operation of French-pedigree Synarchists was an integral part of the Anglo-Dutch Cold War structures, centered out of the Bilderberg Group of wartime princely Nazis, Prince Bernhard of the Netherlands and Prince Philip of Britain. Souvarine was then deployed by this crowd to the French Institute of Social History.

This bankers' subversion of the labor movement is but one of the Synarchist tricks that Felix Rohatyn learned from André Meyer.

LaRouche's Warnings on Auto Crisis, Rohatyn

Although Lyndon LaRouche has repeatedly warned Congress to take emergency action to save the auto sector, as a crucial component of U.S. strategic machine-tool capability, no significant action has been taken. Here are some of LaRouche's key statements:

2005

March 23: At a LaRouche PAC town meeting in Detroit, LaRouche calls for a "reconstruction agenda" to save the nation's industrial capacity, in the face of the threatened collapse of General Motors. See "LaRouche Intervenes in GM Crisis: Save U.S. Industry," *EIR*, April 8.

April 9: In a meeting with labor leaders and elected officials, called to discuss a solution to the crisis, LaRouche calls for saving the auto industry as a crucial aspect for U.S. economic recovery. He proposes that the government intervene by placing the productive capacity of the industry into government-supervised receivership, and then funding the retooling and expansion of that capacity, to supply the components of national infrastructure projects. See www.larouchepac.com.

April 22: LaRouche's "An Economic Reconstruction Policy: Recreate Our Economy!" appears in *EIR*, and is subsequently circulated as a LaRouche PAC pamphlet. The only solution, LaRouche shows, is to move immediately to save vital productive capacities, such as General Motors, and then move to reorganize the bankrupt global financial-monetary system.

May 10: LaRouche issues a mass leaflet, "Guts and Government," calling for Congress and other leaders to stop vacillating on the GM crisis. See *EIR*, May 20.

May 14: LaRouche issues a memorandum to Congress, published in *EIR*, May 27, "Congress Faces New Turn: On the Subject of Strategic Bankruptcy." Highlighting the collapse of the airline industry, the efforts of GM/GMAC to dump auto workers' pensions, and the threatened collapse of GM, Ford, and others, he lays out the parameters for a strate-

gic bankruptcy, in the interest of the general welfare.

Oct. 12: Responding to a question at a Washington webcast, LaRouche calls for putting the auto industry under Federal protection. See *EIR*, Oct. 21, or www.larouchepac.com.

Dec. 30: LaRouche writes in *EIR*, "How Not To Build a Recovery: A Tale of Two Bozos," in which he dissects a piece of chicanery contributed by Felix Rohatyn and Warren Rudman to the *Washington Post*.

2006

Feb. 28: LaRouche in a press release warns the U.S. Senate to "stop flim-flamming and save the auto sector." The Senate has to act now, LaRouche says. "If it does not, it may be too late to stop an irreversible and chaotic collapse of the industry." See *EIR*, March 10.

March 31: Upon hearing of the outrageous action by Delphi Corporation management to rip up its contracts and productive capability, and Congressional inaction, LaRouche says: "Congress should examine its conscience. The Delphi action, and the overall auto collapse, is not just about the employees and their conditions, but about the structure of the U.S. economy. Anyone who doesn't act now, doesn't give a damn about the United States."

April 27: At his international webcast, "Americans Must Act Now To Stop Greatest Economic Crisis," LaRouche again stresses the importance of Senate action on the auto situation. See *EIR*, May 5.

On the same day, the LaRouche PAC issues a one-hour DVD, "Auto and World Economic Recovery Demands Fed Emergency Action," for wide distribution.

May 2: LaRouche issues a 12-page pamphlet addressed to "Economists, Legislators, and Labor," titled "Emergency Legislation, Now!" The purpose is "to prompt the immediate crafting of urgently needed emergency Federal legislation" to prevent the collapse of the auto industry from triggering the destruction of the U.S. physical economy, and mobilize the constituency demand to push Congress to intervene. See *EIR*, May 12 or www.larouchepac.com.

May 14: LaRouche proposes the "U.S. Economic Recovery Act of 2006" in a pamphlet that elaborates the crisis in the auto sector and the need to "retool" the unutilized capacity of the auto industry to produce new national infrastructure. LaRouche notes the vacuum in the Bush-Cheney Administration that requires Congressional action to restore confidence in the Federal system. The pamphlet includes a resolution to save the auto industry, variations on which were passed by several city councils and state legislatures.

May 17: LaRouche is interviewed for two hours on a national radio show hosted by Ambrose Lane, which reviews the proposed auto-retooling legislation and its importance.

June 7 and 8: LaRouche PAC places paid ads in two widely circulated Capitol Hill weeklies, *The Hill* and *Roll Call*, signed by scores of labor leaders and elected officials, urging Congress to enact the emergency Federal legislation called for by LaRouche.

Call for New Bretton Woods Now Published in Tehran

The publication of Dr. Abbas Bakhtiar's analysis of the U.S. financial crisis, and call for a New Bretton Woods, which we reprint below, from the English-language Tehran Times of June 19, reflects an accelerating debate and discussion within the Eurasian land-bloc about alternatives to the current bankrupt U.S. dollar-based financial system. Dr. Bakhtiar's article was first published in www.pravda.ru, and has appeared on a number of other websites as well.

It is especially relevant that the publication in this prominent Iranian paper, occurred in the immediate aftermath of the meeting of the Shanghai Cooperation Organization (SCO), which was attended by all the leading Eurasian powers, including Iran's President Ahmadinejad, as an observer. That summit meeting, comprised of countries amounting to more than half the human race, devoted a significant amount of attention to economic questions, including the development of infrastructure projects included in the great project called the Eurasian Land-Bridge (see EIR, June 23).

Among the heads of state playing prominent roles at the SCO meeting was Russian President Vladimir Putin, who stressed the group's commitment to the economic development of Central Asia, and then followed up with a bilateral meeting with the president of Kazakhstan, Nursultan Nazarbayev. Putin and Nazarbayev signed a joint statement and agreed to establish a Eurasian Development Bank headquarters in Almaty, Kazakhstan. The bank will have authorized capital of \$1.5 billion, which Putin said would be used to "start practical activity" in what they called the Eurasian Economic Community, which includes Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Belarus.

In the buildup to the G8 summit, scheduled to occur in St. Petersburg in July, President Putin is determined not to provoke the insane government in Washington, with direct confrontation. But the Russian government has held confer-

ences where new currency arrangements have been discussed, in the context of the weakness of the U.S. economy and dollar, and the pattern of Russian activity reflects the fact that President Putin would like to get the United States to accept a new relationship to the world economy.

The problem, of course, is that Putin and the SCO do not have a sane U.S. government to deal with. That is something which Lyndon LaRouche, who has been the prime mover behind the campaign for a New Bretton Woods based on national sovereignty, and the Eurasian Land-Bridge, is determined to provide.

The Coming Financial Crises?

by Dr. Abbas Bakhtiar

On May 17, the Dow Jones plunged 214 points to 11,206—its worst point drop since March 2003. The downward trend is a warning sign of troubles ahead.

This sudden drop came as a complete surprise to the unfortunate small investors and speculators. The so-called "experts" point at the sudden threat of inflation as the main cause of the recent reversals in the markets.

What is actually surprising is the surprise of the "experts." A cursory look at the United States' finances will reveal the amount of pressure that its economy is under.

When Bush became President in 2001, the United States' public debt was \$5.8 trillion. Today the public debt stands at \$8.3 trillion. Of this, over \$2.2 trillion is held by foreigners. The United States has a GDP of \$12.4 trillion. This gives the U.S. a debt/GDP ratio of 66%, placing it in 35th place (out of 113) on the ranking of the debtor nations. The current account

deficit of over 7 percent has long passed its danger levels of 4-5 percent. In 2005, the U.S. government paid \$325 billion in interest payments alone.

Then there are the future obligations such as Medicare, Social Security, and government pensions. These obligations amount to \$54 trillion. This huge problem worried former Federal Reserve Chairman Alan Greenspan. In Autumn 2004, he told Congress: "As a nation, we may have already made promises to coming generations of retirees that we will be unable to fulfill."

One would think that this amount of debt would worry the President and the Congress. But apparently it does not. The U.S. Congress voted to increase the Federal debt limit to \$9 trillion in March 2006. Any other nation in similar circumstances would have had to approach the IMF for help. The IMF would then have forced that nation to cut spending and devalue its currency. But the United States does not need to do this. The U.S. can just print more dollars. But how long can this continue before the world loses faith in the greenback, sending it crashing to unimaginable levels?

The Asian Lender

Asian countries such as Japan, China, and others that hold most of the U.S. debts have been happy to indulge the American deficit spending. This has been a two-way street, as America has kept its market open to their products and they have financed the Americans' spending.

The value of the U.S. dollar so far has been kept artificially high by Japan, China, and oil-exporting countries. These countries, by buying U.S. debts, have kept interest rates relatively low in the United States and allowed Americans to keep spending even as their debts mount.

But there is only so much risk these lenders are willing to take. Any serious devaluation of the dollar will considerably reduce the value of their national reserves (mostly kept in dollars) and the value of their debt holdings (certificates, bonds, etc.). At the same time, the devaluation will affect their exports to the U.S. A weaker dollar makes their products more expensive in the U.S., thereby reducing their export earnings. Most Asian countries keep up to 70 percent of their reserves in dollars. China, with reserves of over \$800 billion, has already begun to slowly reduce its dependency on dollars by converting part of its reserves to other currencies.

If other Asian countries—with their vast dollar holdings—follow suit, then it will be disastrous for the value of the dollar. No one is interested in holding a weakening currency.

Another threat against the dollar comes from countries such as Iran and Venezuela. Iran recently put in motion plans to register an oil bourse to compete with bourses in New York and London. The threat comes from the currency in which the oil is to be sold, the euro. Iranians are going to make the euro the standard currency for oil transactions. Some sympathetic countries such as Venezuela and others may join in. If the

Iranians succeed in this, the pressure on the dollar will be catastrophic. Nearly every country has to hold a certain amount of dollars in reserve for oil purchases. If the dollar continues to weaken in value, and there is the possibility of purchasing oil in euros, then these countries would unload their dollars for safer currencies such as the euro. What will then happen to the value of the dollar?

As though there is not enough pressure on the dollar, the U.S. government keeps spending money in an unwinnable war in Iraq. The total cost of the Iraq war, including the future payments to disabled soldiers, the replacement of equipment, etc., is estimated to be between \$1 and 2 trillion.

The tense situation in the region will keep oil prices at uncomfortable levels, contributing to both a reduction in U.S. growth and an increase in its deficit.

The current American deficit and its long-term financial obligations, if left unanswered, will sooner or later lead to either a marked increase in interest rates or a substantial devaluation of the dollar. On one hand, a substantial increase in interest rates will lead to a major recession in the U.S.A. which will be felt immediately around the world. On the other hand, a substantial devaluation will cause global financial chaos. What is needed is a serious reconsideration of the international role of the dollar as the world currency. In other words, we need a new Bretton Woods Agreement.

At the end of World War II, 45 nations gathered at a United Nations Monetary and Financial Conference in Bretton Woods, New Hampshire to address the problems of reconstruction, monetary stability, and exchange rates. The delegates agreed to establish an international monetary system of convertible currencies, fixed exchange rates, and free trade. To facilitate these objectives, the delegates agreed to create two international institutions: the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (the World Bank). An initial loan of \$250 million to France in 1947 was the World Bank's first act.

Since then there has already been considerable criticism of the roles of the IMF and the World Bank. The abovementioned problems and the ongoing trade imbalance in the world have to be addressed by a similar gathering. Sooner or later, both the United States and the rest of the world have to address the existing problems. This problem is not the United States' alone. We can not ignore the largest economy on earth. It is said that if the United States sneezes, the world catches a cold. We have to either make sure that the United States doesn't catch a cold or vaccinate ourselves against it.

Dr. Bakhtiar lives in Norway, and is currently writing a book about the reasons behind the U.S. involvement in Iraq and Iran. He's a former associate professor of Nordland University, Norway, reachable at Bakhtiarspace-articles@yahoo.no. His article, written on May 19, is reprinted with permission.

Technological Optimism Returns to Russia

Jonathan Tennenbaum reports on exciting developments in high-speed transportation, aerospace, and nuclear energy.

During a visit to Moscow May 13-20, the author had the opportunity to see one of a remarkable series of films made for Russian national television by the young producer Ivan Sidelnikov, which take a fresh and upbeat look at Russia's past and future position in the world. The fourth in the film series, entitled "Russkaya Karta" ("Map of Russia"), focusses on the perspective for a "technological break-out" for the country: how to mobilize Russia's scientific-technological potentials, to lift the nation in a short time out of its present weakened and impoverished state, into that of a prosperous and leading world power.

Obviously aiming to rally Russian youth to that perspective, the film presents some fascinating examples of the kinds of technologies, already in advanced stages of development in Russia, which, taken together, could revolutionize the economic life of the country. Among them are the "flying saucer of Saratov," the Unitsky high-speed cable-rail transport system, and several other ingenious and (to my mind) typically Russian inventions in the areas of transport, energy, and construction, that are especially suited to the task of developing the vast Northern and Far Eastern regions of the country.

Building up a network of high-speed transport corridors criss-crossing the country's entire territory can transform one of the main disadvantages of Russia's economy—its extremely long transport distances—into a strategic advantage. Spanning nine time-zones from eastern Europe through northern Asia, all the way to touch the western-most tip of North America, Russia is predestined to become the heart of a worldwide system of transcontinental air, land, and water transportation in the 21st Century. "Russkaya Karta" puts this concept across to the viewers in a wonderfully pedagogical way, by showing what appears at first glance to be a typical colored schematic map of the subway system of a city like Moscow or New York; on closer examination, we see that the "stops" include Berlin, Stockholm, Beijing, Tokyo, Anchorage, etc., together with the main cities and northern outposts of Russia! A beautiful sight indeed to someone who, like the present author, has spent the last decade organizing for Lyndon LaRouche's strategy for the "Eurasian Land-Bridge"!

Sidelnikov's film typifies a noticeable shift in Russia toward a more optimistic outlook, reflected in the science orientation of President Putin's May 11 annual Message to the Federal Assembly (*EIR*, May 19), and accompanied by the

launching of nuclear energy projects and related high-technology endeavors. The present article aims at supplying a certain amount of detail and background on those efforts, whose strategic significance was underscored by the June 15 Shanghai Cooperation Organization summit meeting.

To avoid misunderstandings, I should emphasize that the concrete measures implemented by the Russian government in the indicated directions, are still very, very far from constituting an adequate response to the real situation in the country and the world generally. On the contrary, as I pointed out in a previous article (*EIR*, June 2), the so-called liberal reformers continue, as before, to dominate the Russian government and their destructive policies continue unabated, in glaring contradiction to the ostensible intentions of the President, as articulated in his May 11 address. The overall situation thus remains unresolved, and evidently depends not only on Russia, but most crucially on the outcome of the gigantic struggle going on inside the United States, over policies to be adopted in the face of the greatest global economic and financial crisis in history.

That being said, the pro-technology impulses emerging in Russia now, and reported in part here, cannot be overlooked. They point in the direction of a positive solution not only for Russia, but for the world as a whole.

Before going into the new developments in the nuclear field, I want to supply some detail on two of the technologies featured in "Russkaya Karta," which serve to illustrate the fresh approaches under discussion in Russia these days.

High-Speed Cable-Rail: A Revolution in Ground Transport?

Readers familiar with the Eurasian Land-Bridge concept put forward by LaRouche and his collaborators, will have noted the emphasis given to the technology of magnetic levitation. This technology has unique advantages, particularly for passenger and high-value freight transport in densely travelled corridors. But the coming era of transcontinent development will depend on the complementary roles of many different land, sea, and air transport technologies. This goes especially for the many areas of Eurasia where extreme natural conditions make existing modes of land transport difficult, if not impossible.

In the 1980s, the Russian Academician Anatoly Eduardovich Yunitsky began to think about a new type of ground

FIGURE 1

The Yunitsky Cable-Rail System



Source: Anatoly Yunitsky.

The high-speed passenger transportation UST model. According to Yunitsky, the cable-rail system can sustain speeds of 250-300 km/hour or more.



Source: Anatoly Yunitsky.

Presentation of a pilot UST route to the governor of the Moscow region, 2001.

transport system, specially suited to the development of northern Siberia, the Far East of Russia, and other areas with very low population density and extreme climate conditions. In the far north of Russia, ordinary rail and highway connections are extremely difficult to build and maintain, and are subject to frequent disruptions due to weather conditions. With this in mind, Yunitsky designed a novel, suspended cable-rail system, which could make possible the creation of a vast high-speed ground transport network for Siberia and the Russian Far East, and perhaps even revolutionize ground transport in general.

In the new system, the function of the railroad track is played by parallel pre-stressed cables, suspended 5-10 meters above ground by supporting towers and placed under high mechanical tension (500 tons per cable), rendering the "cable-rails" nearly completely rigid and able to sustain the weight of the vehicles without significant deformation (**Figure 1**). The vehicles run along the cable-rails on a system of wheels, powered by electric motors (with power supplied from the cable-rails) or on-board internal combustion engines, and supervised automatically by a central computer system. According to Yunitsky, the cable-rail system can sustain speeds of 250-300 km/hour or more. The high-speed functioning of the system depends on electronic control systems for the vehicles, as well as the cladding of the cable-rails with special material. The supporting structures consist of weight-supporting towers, located at intervals of 10-100 m and horizontal stress-supporting, anchoring towers spaced at intervals of about 1,000 m.

The greatest single advantage of this system, documented extensively in the Sidelnikov film, lies in the ease and rapidity

of construction, and in the 100% suspended mode of operation which makes travel independent of ground conditions. Assuming large-scale construction, the cost per kilometer for a double-tracked line, including all supporting structures, is estimated at \$1-1.5 million for level areas and \$2-4 million for hilly areas. That makes the cable-rail system three or more times cheaper than normal medium-speed rail, and about ten times cheaper than modern high-speed rail. An additional advantage, for less remote locations, is the very low use of land: The area between the towers is fully usable for other purposes.

As far as we know, the green light has not yet been given for the first cable-rail transport line. It does appear, however, that Yunitsky is receiving significant support for its perfection. The Sidelnikov film interviews Yunitsky on the backdrop of full-scale suspension towers and cable. (See also www.yunitsky.ru.)

The Flying Saucer of Saratov

Given the vastness of the territory of the Soviet Union, it is hardly surprising that the development of civil and military aviation received an extremely high priority. A vast industry grew up, which was unique in the world for the enormous variety of types of aircraft created, and for the genius and technical virtuosity displayed by its legendary design bureaus. Not least of all was the attention given to heavy-lift aircraft, including not only the gigantic Antonovs, but also a variety of innovative aircraft utilizing novel aerodynamic effects to provide additional lift. A particularly famous example was the Ekranoplan, known in the West from satellite photos as the Caspian Sea Monster, which flew over water at

heights of 5-100 meters, enhancing its lift by utilizing the so-called ground-effect interaction. Ekranoplans can combine the efficient cargo-carrying capability of ships, with the speed of aircraft.

The aircraft industry suffered a very heavy blow from the collapse of the Soviet Union, the separation of Russia and Ukraine (where a very substantial part of the U.S.S.R.'s aerospace capability was located) and the subsequent "shock therapy." Recently, however, President Putin has taken personal interest in this strategic sector, pushing forward the process of bringing Russia's aircraft-building capacities together into a powerful, unified structure.

At the same time, some of the revolutionary designs going back to the Soviet period, are reappearing again. One of them, the Flying Saucer of Saratov, has already become a legend in the international aeronautics community.

The basic design of the "saucer" was created by Academician Lev Nikolayevich Shukin, a student of the famous aircraft engineer S.P. Tupolev, in the U.S.S.R. in the 1980s. On account of its unique aerodynamic characteristics (see below), Shukin's saucer can carry 3-4 times more payload mass and a much larger volume of freight or passengers than conventional aircraft, relative to the weight of the vehicle itself. It is designed to fly at 500-700 km/hour at altitudes of 8-13 km, and to land at very low speeds (ca. 100 km/hour or less) on land or sea, using an air cushion in place of normal landing gear.

The Ekip, as it is called, incorporates a solution to one of the oldest and most central problems in aerodynamic design. When a solid body moves through air or water, it invariably leaves behind it a trail of vortices. These vortices are constantly formed at certain locations on the surface of the body, and then detach from the body in a process called "vortex shedding." Leonardo da Vinci studied this process in detail back in the 16th Century. Naturally, the formation and shedding of vortices constitutes work done at the expense of the forward motion of the body—an expenditure of energy that shows up as the main component of the drag, as well as much of the vibration experienced by the body in its motion through the medium. Much of the preoccupation of aircraft and other aerodynamics designers consists in trying to reduce the drag from vortex formation to a minimum, to realize some approximation to a smooth, "laminar" flow around the body. This practice of streamlining the design, leads naturally to elongated structures in which the attempt is made to minimize the cross section in the direction perpendicular to the motion, often compromising the expense of passenger comfort and freight-carrying capacity in aircraft.

The Ekip has a much "fatter" profile and larger cabin volume, and yet at the same time a relatively much lower drag, than traditional aircraft. How is this achieved? The main secret is to control and regulate the air flow around the vehicle, trapping the main vortex near to the aerodynamic body and preventing it from separating from the aircraft (**Figure 2**). As a result, a minimum of power is lost in the shedding of vorti-

FIGURE 2

'The Flying Saucer of Saratov'



Source: Ekip Aviation Concern.

A model of the Ekip vehicle, whose unusual "fat body" design reduces drag by controlling the air flow around the aircraft, trapping the main vortex near the aerodynamic body and preventing it from separating from the aircraft.

ces. The trapped rotational flows function something like wheels or ball bearings in a machine, mediating a stable and smooth air flow around the "fat" main body of the vehicle. The main body alone already provides 80% of the aerodynamic lift, making it possible to reduce the wings to short, stubby structures with very low drag. The relatively large area of the underside of the cabin, permits the use of an air cushion system like that of a hovercraft—in place of a conventional landing gear. The "saucer" takes off and lands at an extremely steep angle. It requires very little ground area, and can operate from unprepared land sites as well as from water.

The large body volume also makes it possible to mount the engines inside the main body of the vehicle, instead of on the outside, again reducing drag. In addition, the larger volume available for storage of fuels will allow the "saucer" to fly over long distances on low-density fuels such as hydrogen and natural gas, or low-cost liquid methane.

Unmanned scale models of the Ekip have been undergoing flight testing for several years in Saratov. A first, full-scale version of the Ekip is scheduled for its first test flight next year, as part of a Russian-American project. (More on [www. ekip-aviation-concern.com](http://www.ekip-aviation-concern.com).)

Nuclear Energy and Russia's Youth

Earlier this year, Sergei Kiriyenko, the head of the atomic energy agency Rosatom, announced that Russia would build 40 new nuclear plants by the year 2030. People close to the nuclear sector confirmed to *EIR*, that for the first time since the collapse of the Soviet Union, "serious money" is flowing into new, large-scale nuclear projects in Russia, supported in part by the financial power of Gazprom. In fact, there is hardly any alternative to a program of large-scale nuclear-power construction in Russia over the coming two decades. Much

of Russia's electricity-generation capacity, including many existing nuclear power stations, are coming to the end of their service life. At the same time, Russia faces the need to modernize its entire energy system, including not only electricity, but also the district heating systems which provide heat for most of the population in the urban areas. Recent government decisions reflect the simple fact, that modern nuclear power is by far the most economical electricity source available today, even for a nation with enormous reserves of fossil fuels.

An important issue, however, is to what extent the revived nuclear program will confine itself pragmatically to conventional nuclear reactor designs, or whether it will be broadened to embrace a "science driver" approach, mobilizing Russia's large nuclear scientific community to create entirely new technologies.

From this standpoint, one of the highlights of my recent Moscow trip was a visit to the Moscow headquarters of a rather unique institution, called the Young People's Nuclear Academy. Founded in 2002 and oriented to the age group 13-18, the Academy is not simply a pro-nuclear organization like many others around the world, but aims to preserve and to pass down to the younger generation in Russia, the enormous store of knowledge and experience in nuclear-related science and technology, embodied in the older generations that pioneered nuclear energy during the Soviet period. The Academy's leaders see this dialogue between the older and the younger generations, as a crucial element in a strategy to put the full potential of nuclear energy to work in developing Russia's entire territory, including especially her Northern and Far Eastern regions.

The Young People's Nuclear Academy has launched research projects on "The Role of Small-Scale Nuclear Stations for the Development of Russia's Regions," on "Nucleopolis—the Nuclear City," and on "Nuclear Consciousness in the 21st Century." An Internet magazine called *The Energy of Life* is published on the Academy's website (www.dya.ru), and every year the Academy sponsors an international competition for high-school-age pupils, for scientific essays related to "The Energy of the Future."

The Academy attaches a special importance to what they call "nuclear consciousness." I was told that despite the Chernobyl disaster, the vast majority of the Russian population does not attach the kind of stigma and irrational fear to nuclear energy, as is rather commonplace in Western countries. Nor does the Russian public generally regard the creation of nuclear weapons in the Soviet Union as a bad or shameful thing. Rather, "nuclear consciousness" (as I understand it) signifies the idea, that the emergence of nuclear energy and nuclear weapons in the course of the 20th Century, marks the beginning of a new era of human history. A "Manifesto of Nuclear Consciousness in the 21st Century," circulated by the Young People's Nuclear Academy, puts it this way: "We know that only the horror of nuclear weapons saved mankind from a new world war and guaranteed, for many

long years, a period of relative tranquility in the world. Now we are going to live in the 21st Century, and we want to make the world safe, happy, and promising for all the peoples of the world and for each individual.

"The history of peaceful uses of nuclear energy is connected with the emergence of the Noösphere, as the sphere of action of human reason.

"Nuclear consciousness is defined by the desire and ability to safeguard the environment, while at the same time building up the technosphere of man-made systems for transforming nature—in the interests of developing the world and the creative potential of Mankind."

In fact, the decisive role of nuclear energy for the future of mankind and for Russia in particular, was proclaimed by Vladimir Vernadsky already in the 1920s, long before the discovery of nuclear fission and the realization of the first nuclear fission reactors. Vernadsky saw the prospect of man's tapping the energy of the atomic nucleus as a turning-point in history, marking the emergence of the Noösphere, in which human reason would begin to take on the task of consciously managing and developing the Earth's biosphere. The fundamental significance of nuclear energy lies in the fact, that—by implication at least—it signifies man's beginning mastery of the processes of synthesis and transmutation, that created the periodic system of chemical elements as we find them on the Earth. Thereby, man begins to free himself from long subservience to the existing mineral and biological resources of the planet, and progressively develops the ability in a certain sense to create and to regenerate resources.

A Broad-Based Nuclear Industry

From the very beginning, nuclear energy has always had a very special significance for Russia, linked to the enormous expanse of its territory and the difficult climatic conditions which render much of that territory extremely difficult to exploit for economic purposes. On the other hand, the largest part of the enormous mineral resources of Russia, including not only gas and oil but also strategic metals, is located in the remote northern areas of the country, where the most difficult natural conditions prevail. Very early it was realized, that nuclear energy held the key to opening up the entire territory of Russia for settlement and development; and that without nuclear technology, such comprehensive territorial development would be virtually impossible. This statement remains valid today; it provides the organic reason, why the current period of intended consolidation of the Russian state under Putin, coincides with the beginnings of a renewed emphasis on nuclear energy in Russia.

Looking at the real future needs of Russia and the world as a whole, it is clear that the present generation of large, light-water-reactor-based nuclear power stations will not suffice. Many different forms of nuclear energy will be needed, including small reactors to supply electricity and heat to population settlements, mines, and processing industries in remote areas (see below); nuclear power systems for desalination of

water; high-temperature process-heat reactors for the chemical and metallurgical industries; breeder reactors and reactors "burning" nuclear waste and non-conventional nuclear fuels such as thorium. Over the medium term, fusion power needs to be developed, and technologies for the large-scale transmutation of elements.

Acknowledging the need for a broad orientation for nuclear energy, the Russian state nuclear energy agency Rosenergom announced the decision to push ahead with the construction of the fast-neutron reactor BN-800 in the Beloyarsk nuclear power complex, near Yekaterinburg in the Urals region. This 800 MW advanced-design reactor, incorporating a number of significant "inherent safety" features, is designed to burn plutonium processed from the spent fuel of civilian nuclear power plants, as well as weapons-grade plutonium from the former Soviet stockpiles. A smaller breeder-type reactor, the BN-600, has been operating at Beloyarsk since 1981. In both designs, the reactor and the recirculating pumps are immersed in a "bath" of molten sodium coolant. It should be remembered, that the world's first commercial fast-neutron reactor, the BN-300, has been operating in Aktau (formerly Shevchenko) in Kazakhstan on the Caspian Sea, providing the city with 80,000 tons of desalinated water every year since 1972!

Small-Scale Nuclear Reactors

Russia is faced with an ongoing depopulation of its northern and eastern territories, in large part as a result of lack of functioning infrastructure and resources to maintain the population in the more remote areas. Every Winter, with increasing frequency, come reports of freezing-over of water systems, collapse of district heating, and exhaustion of fuel supplies in northern towns and settlements. It was with such areas in mind, that Soviet scientists and planners very early recognized the special importance of small-scale nuclear reactors, that could be easily transported and operated without extensive infrastructure.

Back in the 1960s, numerous programs were launched for developing small nuclear reactors as sources of heat and electric power, especially for the Siberian and Far East settlements and adjoining mines and energy-intensive processing industries. For example, a prototype mobile nuclear power station mounted on four Caterpillar trucks and producing 1.5 MW electricity and 11 MW of heat, was constructed and operated. A special reactor called ARBUS (Arctic Modular Reactor System) was developed for Antarctica and for the Far North of Russia, based on an organic chemical coolant. A prototype ARBUS, produced in the form of modular components that could be assembled rapidly on any site, was built and operated in Dmitrovgrad starting 1965. In a first use of multiple small-scale reactors in a permanent installation, four modules of 12 MW(el) were put together in the mid-1970s to form the main power station for Bilibinsk in the Chukotka permafrost area. Unfortunately, although these and other

forms of small nuclear reactors were proven to be quite suitable for the northern regions, they did not find a large-scale use in the Soviet period. No doubt the reason lay in an overall shift in strategic priorities by the Soviet leadership, under pressure of the Cold War, away from earlier commitments to comprehensive development of the North. Meanwhile, the exploitation of small nuclear reactors for ships, and especially for submarines, reached a high degree of perfection in the Soviet period. Nuclear-powered icebreakers were key to the maintenance of population and economic activity in the northern coastal areas. The inventiveness and sophistication of Soviet submarine reactors, including extremely high-power liquid-metal-cooled units used to power some of the "monster" submarines, were unmatched in the West.

It is only now, 15 years after the collapse of the Soviet Union, that interest in small nuclear reactors has begun to be revived. The obvious idea, to exploit the dozens of now-unused submarine reactors directly for civilian power production, turns out to be impracticable for various reasons. Instead the know-how and technology of ship and submarine reactors is being applied to the construction of new systems, including above all floating nuclear power plants, which are mounted on barges and can be towed to coastal areas for rapid installation.

The contracts for construction of the world's first floating nuclear power plant have just been signed by Rosenergom and a consortium of Russian industries. The first plant, to provide both electricity and heat to the northern Russian city of Severodvinsk, should go into operation in 2010. The 70 MW plant, designated ATES-MM, will be powered by two KLT-40 reactors mounted on a single floating platform.

On the eve of the contract signing, the general director of Rosenergom, Sergei Obozov, proudly announced: "The fact, that Russia—as the first in the world—has initiated the construction of small-scale nuclear plants, signifies a true breakthrough in energy technologies. No one would suggest that such small plants should replace the large nuclear power plants. But it is exactly thanks to their unique characteristics that floating nuclear reactors have the greatest potential for application in a whole array of applications. Thus, the ATES-MM can become the ideal source of electricity and heat for conquering the northern territories, for exploiting new mineral reserves in the extreme North, for developing the northern sea routes—I have in mind the supply of energy to port infrastructure—and for the supply of large navy bases for the Northern and Pacific fleets."

In addition to the Severodvinsk plant, three more floating nuclear plants of the same type are planned, for Dudinka in the Krasnoyarsk region, Viluchinska in Kamchatka, and Peveka in the Chukotsk Autonomous Region. In all, the application of this technology is being studied in 11 regions in Russia. In addition, he noted that several countries of the Asian-Pacific region and the Near East had expressed interest in the Russian floating nuclear plants, above all for the purpose of seawater desalination.

LaRouche Youth Movement Organizes Continentwide for Nuclear Power

by Liza Niño (LaRouche Youth Movement) and Valerie Rush

The First International Forum on Nuclear Energy, keynoted by videoconference by U.S. statesman and economist Lyndon LaRouche, and held on June 15 simultaneously in Mexico City and Buenos Aires, was the opening salvo in an escalating campaign by the LaRouche movement and friends across the Americas to bring about the urgently needed industrialization of the continent, spearheaded by nuclear power.

Approximately 120 people came to the Mexico City event, and nearly 30 attended the forum in Buenos Aires, while another score of contacts gathered in Lima to listen to LaRouche's webcast, which was entitled "The Future Is Now: The LaRouche Plan for a Transition to a New World Economic Order with Advanced Technology." Other speakers included *EIR*'s Paul Gallagher, who spoke on the crisis in the U.S. auto sector, Argentine Congressional advisor and energy expert Ricardo De Dicco, and LaRouche Youth Movement (LYM) leaders Emiliano Andino in Buenos Aires, and Jonás Velasco in Mexico City (See below for the question and answer period with LaRouche. His speech appeared in last week's *EIR*). Among those attending the events were youth and trade union layers, which led to very lively dialogue following the presentations.

Oil for Nuclear

Organizing for the First International Forum on nuclear energy posed an exciting challenge for the LYM in Ibero-America, and has provided an excellent opportunity for continent-wide collaboration, as well. In Mexico, the campaign began in March, with the idea of providing urgently needed programmatic content to the Presidential electioneering then under way. The first phase involved the printing and distribution of a leaflet on the need to move to a nuclear-based economy, and the construction of a model of a nuclear plant cooling tower, with which the LYM organized across Mexico City. The impact of the campaign was felt immediately, and garnered early coverage in the national daily *El Universal*.

But the real organization and coordination of the campaign and the Forum began with Lyndon LaRouche's visit to Monterrey, Mexico in April. LaRouche emphasized during his numerous interviews and presentations in Monterrey, the strategic necessity of developing the Mexican economy with

advanced technology, especially nuclear.

To transmit this plan effectively to the population, LYM organizers decided that a visit to a nuclear plant was in order, and a group of LaRouche youth conducted an exciting tour of Mexico's sole nuclear plant, Laguna Verde. There they encountered engineers who were thrilled to discover that there are youth in Mexico who are both politically active and pro-nuclear power, and were able to address many of the questions and concerns about nuclear power that come up during organizing.

Upon their return from that tour, the LYM campaign escalated. A special edition of the LaRouche newspaper *Solidaridad de las Américas* was printed, dedicated to the idea that rebuilding the economy will require nuclear power. A trade union supporter printed 2,500 color posters for the campaign, some of which were sent to Argentina, and others to Sonora in northwestern Mexico, for parallel campaigns there. Traveling pedagogical mini-museums were prepared, accompanied by explanatory diagrams and graphics, along with more posters and banners, and even a new model of a cooling tower.

Some organizers went to university classrooms and plazas, while others visited metro stations, and still others set up at busy streetcorners, where they excited drivers and pedestrians alike with their proposals for a modern industrialized nation, with adequate water, energy, and transportation infrastructure driven by the latest nuclear power designs.

As more energy was put into organizing for the Forum itself, it was decided to pull as many of the country's institutions as possible into the event. Invitations went out to the Congress, the Senate, the news media, the Mexican Petroleum Institute (IMP), the offices of the state oil company Pemex, as well as to the trade union of Pemex workers, the director of Pemex Refineries, the Federal Electricity Commission (CFE), the National Federation of Popular Organizations (CNOP), the National Telephone Workers Union, the National Workers Union (UNT), the National Institute of Nuclear Research (ININ), the trade union of nuclear industry workers (SUTIN), numerous university research centers, and of course, to many academic and student contacts, as well as to subscribers to LaRouche publications and people met in street organizing. Invitations were sent out by telephone, e-



The Mexico City audience at the First International Forum on Nuclear Energy on June 15, organized by the LaRouche Youth Movement and keynoted by Lyndon LaRouche.

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mail, and by leafletting selected sites.

Finally, the original pamphlet on the campaign was re-printed, with an invitation to the Forum included.

On the eve of the “oil-for-nuclear” forum, Mexico’s nationwide “Radio Formula” network interviewed LYM leader Ingrid Torres on the work of the Movement. Questions ranged from how the LYM was founded in Mexico and what LaRouche proposes, to how the LYM organizes and why it promotes nuclear power. These allowed Torres to discuss LaRouche’s programmatic ideas, including his emphasis on the need to challenge the corruption of the Baby Boomer generation, so that today’s youth “does not make the same mistakes that the generation of the 1960s did.” Torres emphasized that “LaRouche’s philosophy is based on applying new technologies for the benefit of society . . . to create better living conditions for the population,” with a special emphasis on transportation, water, and energy infrastructure. She explained how nuclear power, for example, could be used to desalinate water currently unavailable for human and animal consumption.

Nuclear Organizing Expands

In Argentina, breakthrough levels of activity were achieved around the campaign. LYM members distributed leaflets on the subway, visited municipal workers trade unions, and deployed at nerve centers of Buenos Aires. Through contacts inside the Congress, particularly in the Energy Committee, invitations to the June 15 event were circulated to all Congressmen. They went as well to engineering departments at the University of Buenos Aires and the National Technological University. Posters were put up on these campuses as well.

The LaRouche youth in Buenos Aires arranged to be interviewed by a news radio station, and also on a television program which broadcast the details of the Forum invitation and

a discussion of the ideas behind the LaRouche movement, regarding integration of the continent through advanced technology. The television program had also invited the president of the Chamber of Industry and Trade of the South American trade bloc Mercosur, who agreed on the need for a new financial system worldwide that would permit the rebuilding and integration of infrastructure.

On the day of the event, 22 contacts attended the Buenos Aires forum, in addition to five LYM members. Attendees included an energy-science professor from the National Technical University (UTN) who also works at the Argentine Nuclear Energy Commission (CNEA), a Congressional advisor who is an expert on foreign debt, and Prof. Ricardo De Dicco, who gave the presentation on energy. De Dicco, from a research institute based at Salvador University, is an advisor to the Energy Commission in the Lower House and has written extensively on the need to develop nuclear power.

Three UTN students also attended. One engineering student, in particular, readily acknowledged the importance of nuclear power and, anxious to transmit what he had learned to others, asked to be able to go out on the streets and organize with the LaRouche Youth Movement.

And in Peru, the live transmission of the forum was attended by 15 youth from the La Molina Agrarian University, along with their professor, as well as three young professors from the National Engineering University (UNI), and a UNI student. So enthusiastic was the La Molina crowd, that by the end of the event, they had already begun planning a conference at their school and were asking how to link their event up with the LaRouche movement in other countries.

The successful First International Forum was but the first phase of the campaign. The next immediate goal will be to convince the next President of Mexico, who will be elected on July 2, to announce a nuclear program for that country, as the LaRouche movement is urging.

Leaders Must Tell People What To Do

Here are questions posed to Lyndon LaRouche, along with his answers, after his June 15, 2006 videoconference on “The Role of Oil in the Transition to Nuclear Energy,” organized by the LaRouche Youth Movement and EIR, with audiences in Mexico and Argentina. The session was moderated by Mexican LYM leader Ingrid Torres. Subheads have been added.

Torres: Mr. LaRouche, we would like to thank you very much. We’re going to proceed with a question period. We will first take a question from here in Mexico City, and then there will be a question from Argentina.

Leadership Is Lacking

Q: I have known and respected you for 12-14 years through *Resumen Ejecutivo* [EIR’s Spanish-language magazine—ed.]. My question is about the electoral process in Mexico. We know that the PAN is a Synarchist party. And I have recently come to back the López Obrador candidacy, not so much because I think he has a solution, but because I feel that by trying to support LaRouche here in Mexico, by stopping the PAN and the Synarchists, we can contribute to the work you’re doing there in the United States against Bush and Shultz, in trying to change the way people think. So, I’d like to know what you have to say about Synarchism internationally?

LaRouche: Mediocre leadership, which is what your problem is with López Obrador, will not be adequate to deal with the threat to civilization now. For example, in the United States, in the Democratic Party, that is, among elected Democratic Party officials and activists within the party, in both the Republican and Democratic Party combined, you have a sufficient basis for overthrowing the policies of the George Bush Administration. What’s the problem, then? Why is it that Democrats, who sometimes cooperate with me, sometimes even accept my leadership, suddenly seem to fall on their faces and not do the job? Why does a López Obrador, whose reforms in Mexico City and some of his policies were excellent, at least in part, why does he suddenly seem to become weak in the face of the run-up to an election? Why do we see this around the world? Why do we see what is actually impotence among people who represent the constituency, or the leadership of the constituency, which would be willing to undertake the solution to the problem?

I’m very familiar with this problem—the problem of leadership. Sometimes the idea of democracy, the way it’s spread,

is the enemy of freedom. Because freedom always occurs, and has always occurred in history, by leaders who have insight into what needs to be done, and the courage to clearly present and mobilize people around that insight.

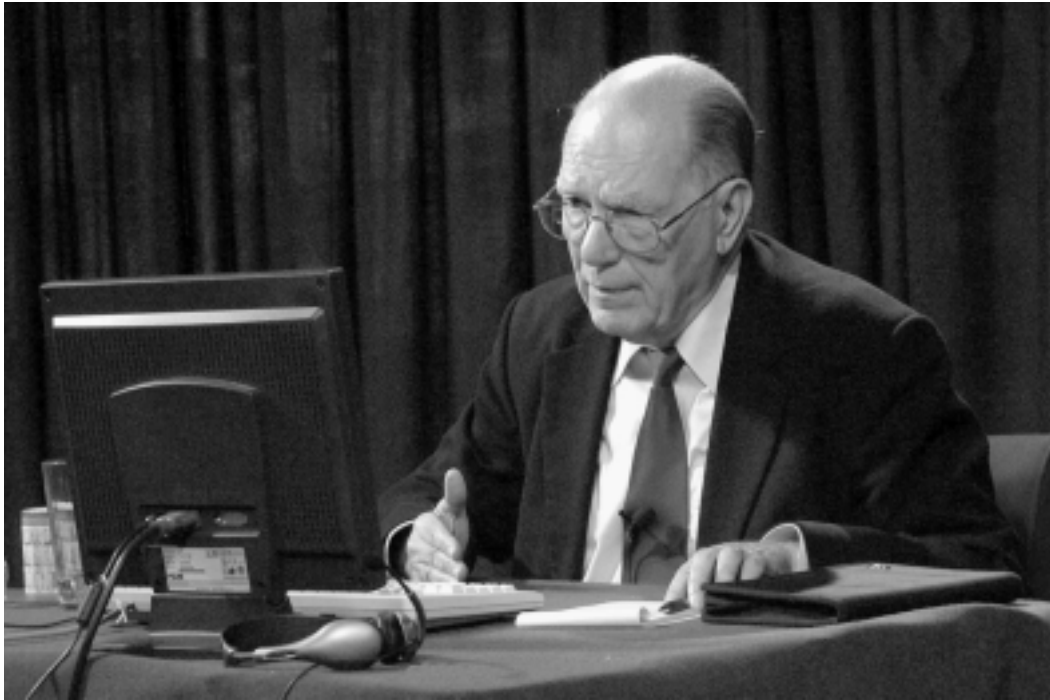
It’s the same thing as command in war: A great people can lose a war, because of a lack of leadership. In the case of the saving of the United States, which had been a hellish country during the 1920s, under Coolidge and Hoover, Roosevelt saved the United States with his leadership! Now, it wasn’t just his personal leadership. He wasn’t a dictator, he was a President of the United States, and he had with him people who were leaders. And together, they worked and they organized. And they transformed a broken United States in a period of less than ten years, into the most powerful economy, the most powerful nation on this planet, by more than doubling its strength! And without what the United States did under Franklin Roosevelt, Hitler would have ruled the world. It was the U.S. intervention alone, which prevented a Nazi domination of the world, long before 1945! Hitler would have won the war by 1943, without what Roosevelt did. Without question.

So therefore, the problem you face is the problem of leadership. And the problem we have in the United States, is the lack of leadership. And that’s what my role is, is to provide an image of what leadership represents, to push leading people.

Now, the same case happens to Mexico. If you don’t have a strong leader who actually provides leadership, a perspective of building the country, not merely as a reformer who’s going to do some nice things, who’s not a bad person, then against a determined opposition, a powerful opposition, they’ll crush you! Because the problem in Mexico is that the pressure is from the United States, and some other sources; the pressure to *do* to Mexico what they *plan* to do to Mexico. And the problem that people in Mexico are seeing, is a leadership which is, in its populist standard, a decent leadership, which would resist some of the worst things. Are they capable of providing the whole people a sense of leadership, which would mobilize the people to defend themselves?

The big problem around the world today, is that the lower 80% of families, adult families in the world, do not have a sense that they are part of the government. They don’t have a sense of themselves as being treated as citizens. They see themselves as people who are trying to blackmail government, by strikes or other demonstrations, or other means; or choosing among their enemies for leadership.

We need leaders who inspire the great masses of people to stand up for themselves. When people believe that they have leaders who will actually identify and solve the problems of life that they are suffering, in a time of crisis, people will mobilize. And it is precisely a lack of that kind of leadership, you see in the United States today, you see in Europe today. And you see it also in parts of the hemisphere. The lack of confidence of leaders to lead fights, the lack of confidence of people *in* their leaders. You have good signs, for example, in



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Lyndon LaRouche, speaking to the June 15 videoconference on high-technology transfer held in Mexico City and Buenos Aires.

Argentina. You see where a sense of good leadership has strengthened a country, and has been a very useful part of trying to bring cooperation among the member-states of South America together. Not perfectly, but bringing it together. You have a process in South America, which on the surface, is very promising. It is not strong enough to change the world situation. But if we in the United States were to cooperate, change our policies, and cooperate with what is emerging in South America now, you would have a change in the hemisphere, you would have a change in the world.

What is needed is leaders, leaders who have a clear understanding of what has to be done, and approach politics as you would expect a general to approach politics on the battlefield: That is, not to kill people, but to provide the kind of leadership which mobilizes a people to act effectively in their own interests. And that's where the problem lies.

My struggle in the United States, is to find among the leading people in the United States, real leadership. And to find a possible replacement, Presidential replacement for the present President: Soon! Quickly! To get Bush out of there, and get Cheney out of there first. Without that, civilization's in danger, for all of us.

Now, I'm getting somewhat older now. I'll be 84 years of age in September, and my prospects for running the United States, say for eight years are not very good, biologically, though I still may be around for the coming eight years. But I know what needs to be done: I'm trying to find, and groom, and encourage, people in the United States' system, who would have a chance of being elected as President, or performing other functions of political leadership. And to pull to-

gether a group in the United States, which will represent the leadership which will *respond* to the challenge of these times. And to the responsibilities of the United States, not only to its own people, but the historic responsibility of the United States for the people of the Americas, and for the people of the world. We have to provide the spark, which encourages the world to believe that they can do something to fix their problems. And that's where the problem lies.

The problem is, the populism is a problem, always, as in Mexico. The idea of being a populist is not bad; it's better than the alternative. But in a time of crisis, it is not an adequate leadership. Adequate leadership means taking dramatic action, mobilizing the people to support dramatic action of reform, especially today, economic reform. We must provide mass employment in productive industry, in agriculture, in manufacturing, in technology. We must introduce a higher standard of education and availability for university education. We must build up infrastructure, we must build up water resources, power resources. We must develop agriculture back to a higher level of strength. *We must do these things!* And we must have a leadership which boldly acts, and says to the people, "If you agree, we will do the following; if you agree, we will do the following; if you agree, we will do the following." And mobilize the people themselves, *to move* in their own interests.

It's the same way you move an army: You move the army to fight in its own national interests. You move a people in peacetime, to fight for its own national interests. But you must convey to them, very clearly, the kind of action which must be taken, *by them and by others*, to save their situation. If



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What is needed, said LaRouche, "is leaders who have a clear understanding of what has to be done . . . and mobilize a people to act effectively in their own interests." He pointed out that this is how Franklin Roosevelt (shown here) transformed and "saved the United States with his leadership!"

you're sitting back, and you say, "Well, I'm going to give you this, and I'm going to give you that, I'm going to give you this," that is not leadership. Leadership is mobilizing the people to act *in their own interests*. Tell them, "You have permission to act in your own interest. You have our support to act in your own interests."

And people will respond to that. They did under Roosevelt. I saw it. I was living, you know, as a young fellow, back in the 1920s: I saw the Hoover and Coolidge Administration, especially the Hoover Administration. I saw what happened under Roosevelt: The people of the United States changed in response to the leadership of Franklin Roosevelt. And what they did, was not what he told them to do, though they did that, but they did it because *they were acting in their own interests*, to get out of the Depression, and in their own interest to prevent the world from being taken over by Hitler.

So, we require leaders who have the courage, the intellectual insight, for an accurate assessment of the situation; who share that assessment with the people; who tell the people what the *people* must do! Not what they're going to promise the people, but *what the people themselves must do*, in order to change the situation. And that's where the weakness lies.

And I would hope that people in the Americas, based on what I see with the tendency toward unification on common interests, among the states of South America in particular, I would hope that that would be seen as a force which can be used to shape the emergence of an appropriate leadership among the nations of South America, to open up the great opportunity there.

And I, of course, am immediately, automatically, allied with whatever that leadership is, whatever that proves to be, because that's what we need in the Americas as a whole. The problem here, is a lack of a sense of leadership among politicians; a lack, a loss of understanding among political parties of what leadership is; a false conception of democracy

which means that you deliver things to the people as charity, rather than getting the people to rise on their hind legs, as human beings, and take what is theirs by acting in favor of the actions which they must do, with the support and assistance of their government to change their situation.

We Are in Danger of a Dollar Collapse

Torres: Are there any questions in Argentina? Go ahead, Argentina.

Q: What's your view of Iran's announcement of the creation of an oil bourse denominated in euros?

LaRouche: I don't think it's too significant—don't think it's too important. You have a process under way now, which is actually accelerated by the meeting of the Shanghai Cooperation Organization this week. The problem lies in the aftermath of an intention by Dick Cheney and others in the United States to launch a probably three-day total aerial attack on Iran, from the combined U.S. fleet—that is, aircraft carriers, three of them—from B-2 bombers, from B-52 bombers and so forth, and missiles, on Iran.

Now, the problem here is people don't understand it, because they look at it too narrowly. They look at it from a press standpoint. They say the problem is there's a conflict between the United States and Iran. Well, there is a conflict between the United States and Iran, because the United States is threatening to attack Iran! That is a conflict.

But the *cause* of the problem has nothing to do with Iran. It had nothing to do with Iraq. It had nothing to do with Afghanistan. There was no reason to go into Iraq. There was no reason to go back into Afghanistan. There is no reason to go into Iran. And these are not the only targets. The targets of this policy include China, Russia, and other countries! It includes countries of Africa, as well,

So what you have is a group, an Anglo-American group, with a French Synarchist alliance, which is moving for a *world empire*. And what they're doing, is, they're picking targets which they think they can handle, in order to create chaos on this planet, and create a Synarchist empire of the type that the friends of Hitler wanted back in the 1930s.

So you have an imperial thrust, from international financial interests *behind* the Bush Administration, and behind the Blair Administration in government, for example. And elsewhere. Also some people in France. They're pushing for conflict. Their targets include the destruction of China, the destruction of Russia, the destruction of other parts of the world.

Iran was not the cause; the existence of Iran, or a condition in Iran, was not the cause of the crisis. There are problems in Iran, there are problems with Iran, as there are problems in most parts of the world, among most countries, on one basis or another. These are not necessarily the causes for a military or related major conflict. We've come into a period where negotiation and diplomacy are to be preferred to warfare. And

the question of the euro, denominating the Iran currency in euros, rather than dollars, is a result of a collapse of the U.S. dollar. And a feared collapse of the U.S. dollar, and a shift by some Europeans, like the French in particular, to try to get a euro-bloc of currency for whatever assets may be found in the world.

However, the problem, the question of the Iranian oil, is a question of: Can we come to an agreement, with Iran, of the type that Russia and China are working to facilitate, that Germany is interested in facilitating? If that agreement is established, we have no problem. But then, we have a dollar problem, not a euro problem. The euro won't last very long. The euro is about to be broken up anyway. It's a failure. It's a bad idea, whose time to die has come! What is needed is to deal with the dollar problem. The dollar is now virtually bankrupt. I could deal with the problem, if I were President, or if people in the United States would do what I tell them we have to do, we could deal with it. It's not a real problem.

See, the problem is today, in the U.S., with the dollar, is that interests led by the French Synarchists are presently determined to destroy the U.S. automobile industry, by ruining it; and destroying the ability of the United States to have a machine-tool capability. At that point, if that were to occur, the United States would become a joke. If the auto industry is shut down, as Felix Rohatyn and other people are determined to do—the Synarchist Felix Rohatyn—then the U.S. dollar is worthless. If we defeat them, if the U.S. auto industry is saved with its machine-tool capability, and if other reforms are made which are consistent with that, the U.S. dollar will be the strongest on the planet.

Because, well, look: The Chinese hold, what? Dollar assets. What do other parts of the world hold? Dollar assets. If the dollar collapses in value, what happens to those economies that have dollar assets? Or whose debts are denominated in dollars? What happens to them? What happens to those who depend upon the market which the U.S. dollar represents in the world? U.S.-based credit?

So the problem today, is the dollar—not the euro, not Iran. The problem, today, is you have people like Cheney and his masters, who are determined to plunge the world into war. The problem today is the lack of leadership, to act on the understanding that this is the problem. You have more and more people in the world who recognize that this is the problem. But you don't have enough of those people who recognize the problem, who are willing to act and put their necks out, on that issue: That's what I'm doing! I stick my neck out. I get into trouble once in a while, as you may have heard. And I get into trouble, because I'm a political threat to my enemies. Or the enemies that have chosen to be my enemies. And that's the problem.

So, yes, there is disorder, a sense of disorder in this idea of the euro market for the Iran oil. But that is really not a major problem. The major problem is the fact that the U.S. dollar is threatened with a major collapse.

You have to realize, that we're at a point, that between now and September, we are in danger of *a collapse of the dollar!* A tragic collapse of the dollar, which will be tragic for every nation in the world. It will start a general collapse beyond anything we experienced in 1928 to 1933. *That's* the danger.

Nuclear Power and the Environment in Mexico City

Q: I'm from the University of Guadalajara. One of the problems that Mexico City has is the environmental factor. What would be the impact of the development of nuclear energy? How could it help deal with the ecological issue?

LaRouche: Well, there are three problems associated with this in the case of Mexico. Number one: Mexico City is overcrowded. You look at the whole area, it has certain characteristics, and you have the fog comes out of its sleep in the morning, and envelopes and chokes the population during the course of the day. And people at the highest levels in skyscrapers have the least choking. It's a horrible situation!

It's an overcrowded city. It's typical of colonialism, in which you have entire nations in which the territory is very little developed outside of a major capital, or one or two major capitals. And you have great congestions in slums, and great poverty in one major capital.

The problem in Mexico has been, first of all, the breakdown of the railway system. Mexico needs a high-speed rail system for freight as well as passengers. It needs the development of Mexican industries, which draw off some of the population of Mexico City into new opportunities for development inside the Mexican territory itself. This is not possible without improvement in the water problem.

Therefore, the first thing you have to have, is you have to have a lot of—you need desalination. In part, there are ways in which some of the water resources in the south of Mexico can be brought north, either across the mountains or along the coast, as to the PLINHO operations in northern Mexico. But in general, without water, and without transportation, the problem of Mexico City will tend to become worse, and not improve. It will become a crisis. Therefore, *all* the problems of Mexico City require *decentralizing* Mexico to a significant degree.

Now, you had a policy, back in 1982, of 20 nuclear plants, major nuclear plants, for Mexico. Twenty major nuclear plants would have meant 20 centers for development. It would have meant redeveloping the railway system, which had been destroyed in Mexico. Because you need a very efficient, modern railway system in Mexico itself, to develop the territory. You need large amounts of water management, to take territory which is arid, take the northern area of Mexico between the two Sierra Madres, this area has to be developed; it needs water. The only way we can get a sufficient amount of water, is with nuclear desalination.

So therefore, to solve the problems of Mexico, we have to

Proposed Locations of Some Agroindustrial Nuclear Complexes (Nuplexes) by the Year 2000

(1981 Proposal)



Large agroindustrial complexes based on advanced energy sources are essential for Mexico's overall development. Nuclear reactors—optimally, high-temperature gas cooled reactors—and magnetohydrodynamic power generators will provide the base for chemical fertilizer plants, steel plants, desalination plants, and electricity grids.

This map and caption were published in 1981 by Lyndon LaRouche's associates in the Fusion Energy Foundation and the Mexican Association of Fusion Energy, at the time that it was the policy of Mexican President López Portillo to build 20 nuclear plants, to industrialize Mexico.

take a medium-term to long-term view. We must take certain objectives, we must build a transportation system, so that we can build up new population centers, new high-technology population centers, throughout the territory of Mexico, in appropriate locations.

We must improve the conditions of agriculture, particularly in northern Mexico. We must! Because, if we don't raise the productivity of agriculture, you can not deal with some of the problems. For example, migration to the United States is a reflection of this problem: You have families which are being broken up, and sent into misery in the United States, as the alternative to no employment, or misery in Mexico.

And Mexico City is the capital city of Mexico. Therefore, it must be looked at as a functional part of Mexico. But as you see, in many countries which have been underdeveloped countries, or colonial economies, where major metropolitan centers occupy the population, and the countryside is in mis-

ery—and that's the problem. Mexico has been treated as a colonial nation, not as a republic.

And this has increased greatly since 1982. In 1982, there were still aspirations to change this. There were still impulses, when the PRI was in power then, to change the direction in Mexico, in this direction. I met with many leaders in Mexico, during this period and earlier, who were thinking in this direction. In the 1970s, there was the idea of bringing new steel industries to Mexico, the idea of changing many things. These things have been thrown to one side. Then, Mexico had a national banking system, which was Mexican-controlled. No longer Mexico-controlled.

So these are the problems. And what you see in Mexico City as crises, are reflections of the crisis of Mexico as a whole. And the way to look at this, is to look at it, by saying, "We'll fix the problem of Mexico City, by fixing the problem of Mexico as a whole." And the first thing: high-speed mass

transport, freight as well as passengers; development of new cities, probably 20 new centers in Mexico, based on the selection of certain industries, or combinations of industries which are natural; the improvement of agriculture, by providing power and water, in particular, and other assistance to Mexican farmers. To begin to build up the entire territory, so you have a higher level of productivity per square kilometer, throughout the entirety of the Mexico territory.

You do that, and the Mexico City problem will solve itself.

Nuclear Power Is a ‘Higher Order’ of Power

Q [from Argentina]: I wanted to ask Mr. LaRouche if you could briefly explain your concept of energy flux-density, so that we can understand more clearly why nuclear energy is qualitatively different than other power sources, and why it’s indispensable for the phase of accelerated growth which humanity needs to ensure its survival.

LaRouche: It’s a matter of physics. The idea that you can measure energy in watts or calories, and define energy topics in those terms is a fallacy, which is widely circulated. But it’s utterly incompetent, scientifically.

The more competent measure, as a crude measure of what we should call “power”—don’t use the word “energy,” that’s a bad term; use the term “power.” And the best measurement of power is in terms of watts per square centimeter of territory. Now, what that means is, for example, you have three levels of common reaction in ordinary physics, that is basic physics; not living processes, but basic physics. One, you have chemical reactions, which are molecular reactions. Then you have a higher order, which are called atomic reactions, the relationship between electrons and protons in the combination of molecules and things of that sort. Then you have a still higher level, which is nuclear forces. In other words, you have the chemical forces, which have a certain limited power. When you get into the power of combination, of atomic action, you get to a higher order; that is, the forces which bind electrons and their core nuclei together, this is a higher order of power. This is nuclear power, what we call nuclear power. Then you have, also, the thermonuclear processes, which go into the forces within the core of the atom, the core of the nucleus of the atom, intranuclear forces.

These forces, these densities, or what we might call power densities, reflect the capacity and efficiency of action in the universe. If you want to, for example, desalinate water effectively, you can—the plants do it rather well, in terms of what they do, in terms of turning sunlight into atmosphere.

You have burning wood, burning coal, typical chemical reactions of sources of power. Burning oil, burning natural gas, typical chemical sources of power. Then, you get to a layer which is nuclear power, nuclear fission. Then you get to the point where you get nuclear fusion, thermonuclear fusion. These are relatively higher orders of magnitude of power.

Conversely, if you want to do something, and do something efficiently in the universe, you must go *to a higher*

order of power. Therefore, mass desalination requires nuclear power. Ordinary chemical processes can not do that efficiently on a mass basis. You may, by exception, you may use plants to do things like that, but you won’t do it effectively. If you want to get changes on a still higher order of power, you have to go to thermonuclear fusion. For example, we are running, on the planet, toward the point at which the rate at which we’re using up rich natural resources, mineral resources, is outrunning the supply available. That is, readily available. Therefore, either the cost of production is going to rise catastrophically, which will lower productivity per capita, or else we have to find a way of improving raw materials supplies, artificially. That we can do through the aid of thermonuclear fusion.

We have a population now on the planet of over 6 billion people. This will grow soon to 8 billion people, unless there’s a dark age. At that point, we are using up the richest available resources, immediately accessible resources, under present methods, more rapidly than we can replace them. Therefore, we have to think about the management of raw materials, so-called, which means we require thermonuclear fusion processes to deal with this challenge.

Therefore, anyone who cares about the human race, now requires nuclear energy as the primary energy source. Let’s take the case of petroleum: What we will do, we will cease to use petroleum as a fuel for power, gradually, and natural gas in a sense. We will use a form of synthetic natural gas for fuels as in combustion engines. Synthetic natural gas is called hydrogen-based fuels. Hydrogen-based fuels can be produced, en masse, with nuclear reactors of the high-temperature gas-cooled mode, in the order of magnitude of 800 MW. Therefore, we are going to shift from shipping oil into various parts of the world in order to get power, we’re going to shift to using nuclear power to generate hydrogen-based fuels locally. If we have a nuclear economy, in which nuclear power is the primary source of power in the economy in localities, as in cities, then you’re going to generate the hydrogen-based fuels which are more efficient—even than the so-called natural gas, or even the best natural gas—than petroleum. So we will use petroleum and natural gas and things, as sources as feedstock largely for fertilizers and things like that, for chemical products.

So the change is, the change in the concept of what is our power supply? We want to go from a relatively low-density power source, to a high-density power source. Which means going beyond simple chemical reactions, to nuclear reactions, and to thermonuclear reactions. And that’s the way the human race has to go, if we are going to meet the requirements for the human beings’ decent living standards, in time to come.

How Can We Resume Nuclear Development

Q: I’m from the Hispano-Mexican University, and I’m studying international affairs. Some people might think that



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An irrigated area in Sonora stands out in the great plateau which runs from Central Mexico up into the U.S. Western Plains states. This area would have an enormous agricultural potential, if nuclear-powered desalination were developed to provide water for irrigation.

the way to go. Use petroleum in the best way it can be used, where it's most efficient. And petroleum, like natural gas, is very good as a chemical feedstock for making fertilizers and plastics and all kinds of things.

So do that. So you build up your industries. So, building up the petroleum development of Mexico is not a contradiction to the need for nuclear energy: quite the contrary, the two go together. Look at petroleum as a feedstock for your chemical industry. And where you have petroleum, in the meantime, you may use it for fuels, until you get your nuclear power system cranked up. But, your long-term objective is to use it as a chemical feedstock for various kinds of things, while building up a nuclear context as a basic power source for the economy.

a student of international affairs wouldn't be interested in nuclear energy, but I want to say that this is very important to me, because it is the basis of the economy, and of international affairs. My question is, coming back to the question of Mexico in 1982, where there was a policy for nuclear development and then a setback to that. How can we resume our nuclear development? What's the best way to develop this, to benefit the country? In light of the problems that exist with the unfortunate Bush Administration, how do we go towards nuclear, especially because oil is running out?

LaRouche: Well, we probably should do what many people who are experts in Mexico think we should do on this question. And that is, first of all, we should have a recovery of the petroleum policy that existed in 1982, before the change. Because there are other things we can use petroleum for, besides power, besides burning it for power. Petroleum can also be a feedstock for fertilizers and for chemicals and things of that sort.

So we will want to recover the industry. Now this may take five to seven to ten years to fully realize the potential which existed in Mexico with Pemex, back in 1982. That's a fair estimate. But at the same time, we want to develop, go back to the idea of at least 20 nuclear plants very quickly, for Mexico, and put them in places where they become centers of production, power for agriculture, and so forth and so on. That's the first policy.

And in this, the petroleum then will shift its function from being consumed as a source of power, and will become a chemical feedstock for various kinds of products. And that's

Pay for Nuclear Power out of Future Income

Q: Good afternoon, Mr. LaRouche. I'm from Mexico City, and I'm a representative of a sales company. I have a question with regard to what the cost of investment would be to implement nuclear energy. Obviously, what you invest in Mexico for such a technology, you would have to cover in dollars. And if we're talking about an imminent collapse of the dollar, what possibilities might there be, or how would we be strengthened, if we were to establish a currency in Mexico which would be based on silver?

LaRouche: No, it wouldn't function. The idea of a monetary unit, such as a gold or silver, does not function as a basis for defining the credit system of a nation. This is a European idea, not an American idea. But unfortunately, the British influence throughout the world, is such that—or the British Empire's influence, shall we say, is such that the idea of monetary systems of that type prevails, and the false medieval conceptions of the role of gold and silver also prevail.

But we now should be out of medieval society, in which we consider gold and silver as the basis for currency. We may consider it as a reserve standard, for international currency relations. But we would never consider, an intelligent economy today would never consider a monetary metallic unit, as the basis for *value* of a currency. They would use gold as a way of regulating the relationships among different currencies, but you would never use a monetary unit as a basis for value in an economy. Because it is *not* the basis of value, except in a slave economy. But in a human econ-

omy, gold and silver as monetary units are archaic conceptions which do not belong to modern civilization.

The basis for civilization, is the U.S. system, as prescribed by the U.S. Constitution. The U.S. Constitution prescribes a monopoly on the issuance of money by the Federal government, with the permission of the Congress: that's our system. No currency can be issued in the United States, except by an Act of Congress, which authorizes the Federal government to make that issue of U.S. dollars. Any other system is insane.

Now, under that system, when the U.S. government issues a currency, or utters a currency, that currency can either be distributed immediately in banks, or it can be put into reserve accounts through the banking system, as credit. The government may spend that currency as investment in basic economic infrastructure—such as, for example, nuclear plants! Now, the issue, when the government does that, by creating credit, either for use as loans, government expenditures or loans through private banking, this is capital. It is credit used as capital.

Now, let's take a nuclear plant. Today, nuclear power is so efficient, much more efficient if properly used, than any other source of power, you have no problem. If you need the power, use nuclear power. It's superior to any other source of power, in terms of requirements of humanity. The idea that it was not, was simply an artificial arrangement to prevent it from being proliferated. But we need it.

The investment you're making in nuclear power, you're making an investment which is approximately 30 to 40 years' capital investment in a nuclear plant. That means that you're going to amortize your capital advance for this plant, over a period of 25 to 30 years; which means that you do not have to have a pay-as-you-go approach to buying nuclear power! If Mexico has a credit system, and is part of a credit system which is tied to the United States which has returned to the U.S. credit system, then Mexico has no problem. If it's in the interest of the United States, that Mexico have nuclear plants of its own, the United States can use its power as a credit instrument to assist Mexico in raising, through its own banking system, enough national credit to finance the construction of nuclear plants—or anything else that's required: rail systems, *obviously*, in the case of Mexico in particular.

You're going to require long-term investment in rail systems, in power systems, in water systems. These are 30- to 50-year investments. Some longer, as in major water systems. Therefore, they need to be made. The capital has to be raised to construct these facilities. The government must regulate the thing. The banking system must be regulated so this can be done.

So you don't have to pay for capital investments out of current income. You must be able to *repay* capital investments out of future income! That is a credit system. That is the U.S. Constitutional system. That is the way we're

going to rebuild the world, out of the mess that the world economy is in today.

We're going to have to freeze the existing monetary systems, which are hopelessly bankrupt. They can not be saved. We have to put the banking systems into receivership by governments. We have to have cooperation among governments, in creating international credit which is used for the development of all the participating nations. And therefore, you will have a situation in the Americas, under which the states of the Americas will probably reorganize their debts through cooperations among the member governments of the Americas. This credit will then be used to assist governments who are members, in getting the capital financing, at low interest rates, 1-2%, in a fixed-exchange-rate system.

Under those conditions, there is no limit to what we can provide in investments within what we can do physically. And since Mexico needs this, it's cheaper to help Mexico have nuclear power, and agricultural development, and water development, and rail development, now, than to wait, and watch the population go down the tubes through lack of development along the line.

You invest in the future! You invest in the wealth you're going to create in the future! You invest in the power of the human mind, to make inventions, to make improvements, which will increase the productive powers of labor. You promote that. That is the American System. That is the system under the U.S. Constitution. That is the model which was used by many countries in Central and South America at various points over the past century or so, especially since the middle of the 19th Century. The American System of political-economy was understood by most of the patriotic circles of places like Argentina, and then later, in Mexico, and so forth, as the system to copy. And there was *hope*, that the United States as a nation would be a friend of these nations, and cooperate with them in their exercising their right to this kind of system. And that's the way it has to be today.

Torres: We've just received a telephone call from Mexican Congressman Agustín Rodríguez, expressing his regrets that he will not be able to be here with us today, as scheduled. We have another question from Mexico City.

Trade Unions Must Fight the Enemy: Globalization

Q: Good evening, I'm the secretary general of a trade union here in Mexico City. My question is, Mr. LaRouche: What is your point of view about trade union organizations in light of globalization? Here in Mexico, we're seeing certain setbacks, a kind of paralysis, in labor rights. What's happening? Are we modernizing, or is globalization leading to organizational stagnation? What should our position be, as trade union leaders, given this crisis?

LaRouche: I would say, that, first of all, you start with one word: "Fight." And then, you look at the situation we're



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The conditions of agriculture in northern Mexico must be improved, or people will flee from poverty in Mexico, to misery in the United States, LaRouche said. Here, a child is carrying a sack of hand-picked cotton to be weighed, in Sonora state.

in, strategically.

Today, the trend has been, since 1971-72, toward the elimination of the sovereign nation-state as an institution, and the establishment of a new form of empire, called globalization. The model for this form of empire, is of course, in a broad sense, the Roman Empire. But it also is more particularly, the kind of empire that was set up between about 1000 A.D. and about 1400 A.D.: That is, an empire which was run by the Venetian oligarchy, with the assistance of a bunch of bandits called the Norman chivalry, who ran the Crusades, which were systems of mass murder, of Muslim-hating and Jew-hating mass murder! And these systems are the model for what is intended by the Synarchist International today.

Remember, the Synarchist International is a collection of private financiers, which is the group that put Hitler into power in Germany, which brought the Synarchists into Mexico and into South America, and so forth; which were the authors of what you had in Chile under Pinochet—the same thing. These guys are fascists. They are the authors of fascism. And their intent, as typified by Felix Rohatyn in the United States, who's actually, although he's a U.S. citizen, he's a French Synarchist agent; the same French Synarchists who brought Hitler into power in Germany, and in France! And these people are determined to have a global system in which nation-states do not exist as sovereign nation-states. If nation-states exist, they are merely to be puppets of international bankers, bankers of the Synarchist type, like Lazard Frères, and banks of that type.

That's what's been done to Mexico. Mexico has been deprived of its national banks, and it's controlled by foreign banks which have Mexico branches. And this controls the Mexico banking system. This is the problem! This is consented to and approved by the United States, which was an accomplice in this operation. You have also, for example, the British Empire in South America: The British Empire, through the Royal Bank of Scotland, controls the Banco Bilbao and the Banco Santander [both in Spain], which is involved in controlling much of the raw materials supplies and so forth in South America.

So you have the gradual buildup since 1971, especially through the floating-exchange-rate monetary system, of a predatory system which has looted the Americas, looted South America, looted Central America. The crisis of 1982, for example, in Argentina and Mexico, was caused by these people! I know these people: They have been my enemies for a long time! They hate me more than I think anybody else does.

So, this is the enemy. And therefore, we have to fight. The first thing we have to fight for, is to fight for the defense of the sovereign nation-state, as a famous President of Mexico did, back during the 1930s, against the Synarchists, then. You have to preserve and defend the sovereign nation-state, as a true sovereign. And you have to subordinate the authority of banking systems to obey the laws and regulations set by governments, by sovereign governments.

Now, if you don't consent to that, if you don't agree to

that, you have no sovereignty! And if you have no sovereignty, they will *crush* the trade unions like flies. It's what they're doing in the United States, today. Look what is happening to General Motors! Look at what's happening to Ford. Look at what's happening to Chrysler. They're being crushed. They're being looted. By whom? Well, we have it on paper: Felix Rohatyn! Felix Rohatyn, representative of the Nazi International, as typified by Lazard Frères, for which Felix Rohatyn is an agent, are looting and destroying the United States, and crushing the unions of the United States in those sectors! That is the destiny of trade unions! As long as these bankers control, they'll crush the trade unions! And therefore, the trade unions' interest is to be patriotic institutions, which defend the principle of sovereignty of their country, and negotiate within the framework of a sovereign nation-state, to obtain the conditions and improvements they require for their people, as representatives of their people. So that the people have an instrument on the economic level, as well as at the ballot box, to control their own government. And that's the role.

We must defend trade unions, even when they become corrupt sometimes, as we do in the United States. Because it's necessary to have institutions which represent the individual working person and their families; which fight for their special interests, in the special conditions in which they live. And this must be recognized by government. And government must encourage negotiations between employers and employees, negotiations which have become *rational*. And which correspond to national interest. And to assist in informing employers, informing trade unions, what the perceived national interests are. And to meet with them, and work through joint plans, among the employers, the trade unions, and government, so that we have a system which is stable.

For example, the key thing that Roosevelt introduced in the United States, was the Social Security system. Now, no private employer actually can provide guaranteed security, social security, health care, and so forth, for people. Someone has to be there to stand behind the employers, and stand behind the employment, to ensure that a system like the Social Security system in the United States is maintained. To maintain that a health-care system which is available to people, to ensure they have the right to health care, they have the right to these needs. And therefore, this is an essential part, also of the interest of trade unions, to defend social security systems. To look for national social security systems, as opposed to merely private ones; to look for national health-care provisions, in terms of hospitals and other systems, in place of merely private ones.

So the trade union has an essential function within a system of sovereign nation-states, as an integral organ within the institutional form of the sovereign nation-state. And it must be an active function. It's a political function, it's a non-governmental function, but it's an essential function, as proven by our experience in modern society.

Paul Gallagher

How U.S. Machine-Tool Sector Was Destroyed

Here are excerpts from a presentation by EIR economics editor Paul Gallagher to the the second panel of the June 15, 2006 Mexico-Argentina video conference on nuclear energy, exposing the shocking destruction of the U.S. machine-tool sector. Subheads have been added.

Beginning in February 2005, economist Lyndon LaRouche publicly forecast that the major United States automobile companies were in a profound debt crisis and headed for collapse. Within 30 days, LaRouche had written a memo, "Strategic Action by the Senate," which warned that preventing the virtual disappearance of the U.S. auto sector, depended on a Congressional intervention to use the discarded capacity of that sector, for large-scale modern infrastructure projects desperately needed by the nation. In April 2006, in a meeting with state elected officials and heads of auto union locals, LaRouche introduced an outline of Congressional emergency legislation, to create a Federal Public Corporation, and to act through it to take the scores of auto plants being closed down, and issue credits for their retooling for building rail transport, power, water and other infrastructure.

Arsenal of Democracy

Here is the way Lyndon LaRouche described the auto/machine-tool sector, the "last line" of such technological capability left in the United States:

"We have in society, certain categories of people who are associated with the machine-tool sector of industry. If you want production, if you want progress, science is not enough.

"For example: Suppose you're a scientist, you make a discovery: How do you certify a discovery? Well, you have to design a test apparatus, which actually is a test-of-principle apparatus. Now, in that apparatus, you will have built in something, which actually is new. It tests the principle you have never consciously used before. You're testing to see if it actually works, the way you have conjectured it would.

"Now, once you've done that, and it does work, now you have a secret you've discovered: That test apparatus, that you designed, is the basis for what we call, a 'machine-tool design.'

"Now, this is the way you take a population which has moderate skills, moderate scientific skills, and through the machine-tool approach, you produce product and systems whereby a large population, thousands of people, can work

around a few hundred people, who are involved in machine-tool design. In a sense, the machine-tool designer, by introducing innovation into the productive process, and employing thousands of people in using the innovation, increases the productive powers of labor of the entire population. So, what they're trying to do by destroying General Motors, and the rest of the auto industry, and the aircraft industry, is destroying the machine-tool capability of the United States! Which means, what? We no longer have the ability to develop technology, we can only copy other people's. We're being destroyed."

Already today, the United States: has only two domestically owned potential builders of nuclear plants, and those builders have *no suppliers at all* in the United States, should they receive contracts to resume building nuclear plants at home; has no builder of any kind of railroad cars, and only one maker of railroad locomotives; has no domestically owned producer of modern tanks for warfare; does not domestically produce guidance elements for space rockets and missiles; has outsourced production for the majority of parts content for civilian aircraft, and a large fraction of parts content for military aircraft. As the Machinists union's president Thomas Buffenbarger told a Washington, D.C. conference in May, "the United States doesn't produce the means of its own prosperity; and now, it can no longer even produce the means for its own military security."

The lathe is one of the oldest and most common of machine tools. The "potter's wheel" of production of industrial machinery, the lathe's flexibility and precision determines the exactness and the variety of machine shapes that can be made, symmetrically around an axis. In the production of high-speed electric rail locomotives and cars, wheels, magnets, springs, and many other parts must be "turned" to within tolerances of one-tenth or one-twentieth of a millimeter—for magnetic levitation systems, even greater precision in relatively large mechanical parts is required. And these tolerances must be optically measurable over an entire assembly—say, of a rail car's wheel-and-axle truck, or its suspension.

Lathes capable of this precision are found in the auto supply plants now being closed down wholesale in the United States, along with the flash-optical systems to measure the tolerances—and these machine tools are being auctioned off over the Internet, at pennies on the dollar, as the plants close.

This is but one example. If Congress takes this priceless unused capacity, and preserves the workforce which is experienced in using it, and issues credit and contracts, it has taken hold of the basis for a new national infrastructure for the United States. If not, the completely post-industrial economy crashes in the ongoing collapses of its financial bubbles.

During World War II, the leadership on whom the entire anti-fascist world of nations depended for production of the sinews of war—President Franklin Roosevelt, and his chief production aide Harry Hopkins—showed the number-one importance they gave to the number and quality of machine tools America's factories and machine shops possessed, by

referring to the entire nation's productive capacity as "machine tools." Following major wartime conferences, Hopkins would issue summaries: the orders for military operations which had to go out to each of the top U.S. and British commanders, would be listed; and then, "and orders to be given to Machine Tools, that priority is the production of light warships for transport. . ." or something similar.

"Machine Tools," to Hopkins and Roosevelt, referred immediately to the Defense Plants Corporation; and to the national machine-tool reserve which they had deliberately called into being, stored at various armories and military bases, immediately available for lease to any corporation that was retooling for a war-industry production mission. "Machine Tools," to Hopkins and Roosevelt, meant the ability to retool, to shift production to what was urgent to the national economy and military capability—and the ability to produce entirely new types of facilities, for new breakthroughs like the nuclear Manhattan Project. Thus, to them, "Machine Tools" were the primary potential to defeat the fascist powers.

From at least October 1940 onwards, the United Auto Workers union founder and leader Walter Reuther had called national attention to the fact that the strongest retooling capacity the nation had was in its auto and auto supply plants—the country's most technologically progressive industry, and the creation of just the previous 25 years. As Reuther foresaw, these auto plants became the nation's retooling reserve for military production, its Arsenal of Democracy.

Roosevelt's and Hopkins' national defense reserve of machine tools became the definition of what policy planners call "surge capacity," the key to national survival.

The United States, today, has no surge capacity. It can recreate one out of the auto industry, which must be saved to do so.

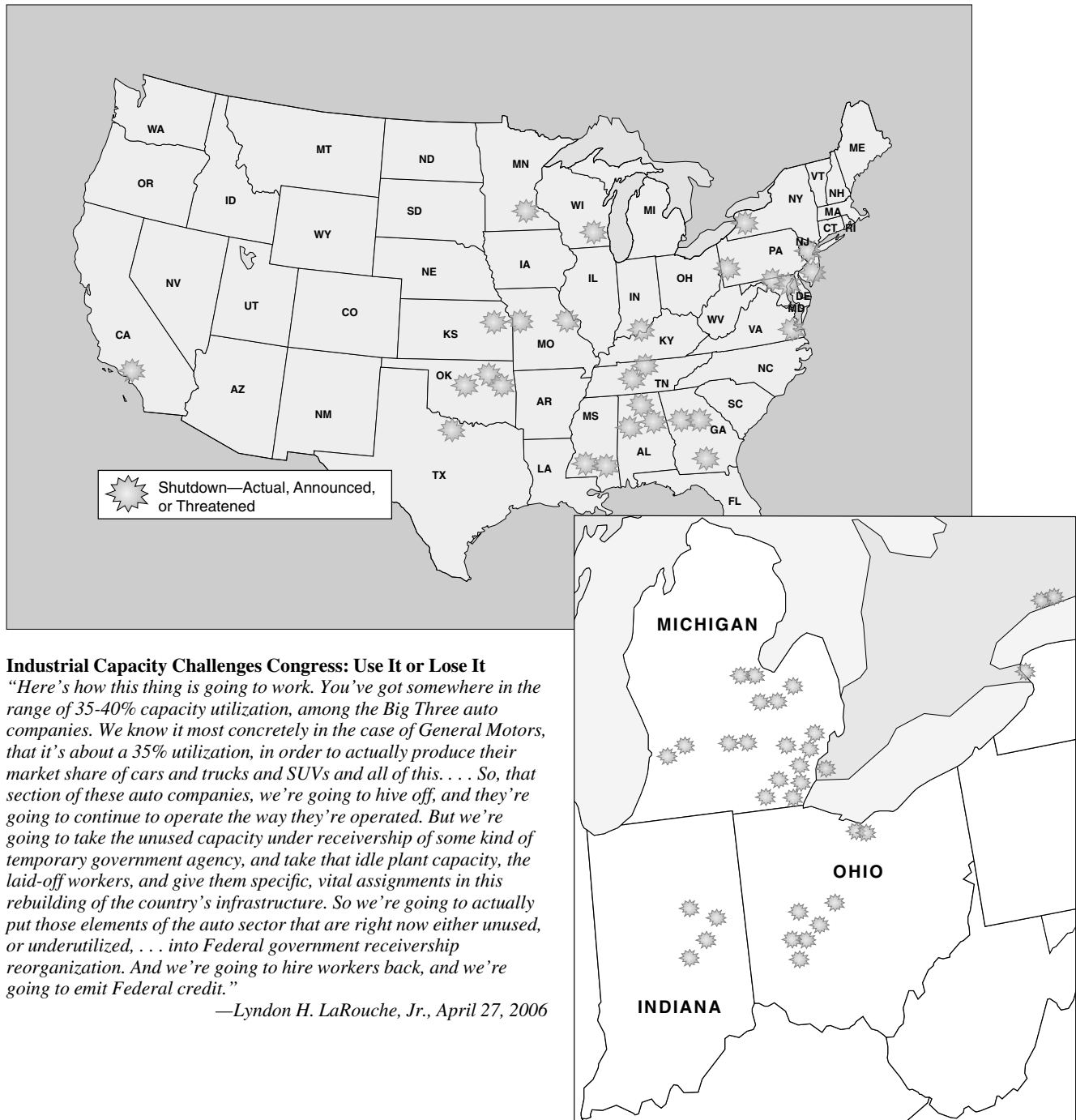
Idea of a Century of American Empire

What has happened under globalization, that LaRouche declared war upon in his Party Platform, and is fighting to reverse? Here are the most important parameters.

In 1989-90, "the Berlin Wall came down," and the economic/national security competition between two superpowers, the United States and Soviet Union, quickly lost all approximation of a balance. Around the United States Administration of George H.W. Bush, father of the current White House resident, an explicitly "imperial" faction emerged toward power, epitomized by current Vice President, then Defense Secretary Dick Cheney, his controllers in the Project for the New American Century (PNAC) and Committee on the Present Danger (CPD), notably George Shultz, and others. This faction believed that global, "imperial" looting of poorer nations' workforces should take the place of national production, even as they fatuously believed the United States would keep hold of a permanent "technological advance" through secrecy and denial of "dual use" technology. Globalization, from that policy shift onwards, no

FIGURE 1

64 'Excess' Auto Plants Available for Operation by a Federal Infrastructure Corporation



longer knew any bounds.

From 1990-97, an incredible 65 million square feet of industrial space in the American defense/aerospace industries, was closed down and the advanced machine-tool reservoir within it, auctioned off. National employment in the aero-

space industry fell from 900,000 to 550,000—by 40%—in those few years, and has fallen more slowly but continuously since. We know this from our data; I also know this from talking to the auctioneer companies who sold off the machine tools, who say, "This was a scary time" for the nation.

During 2004, Internet auctions were held at military bases in California, by which most of the “national defense reserve” of the United States was sold off, as if on E-Bay. This national defense reserve consisted primarily of a reservoir of advanced machine tools “packages” for various lines of industrial production. After World War II, it had been preserved and maintained by act of Congress—the National Industrial Reserve Act of 1948—expanded by the 1973 National Defense Reserve Act of 1973; modernized in Defense Appropriations annual bills. But amendments in 1992—when Dick Cheney was Defense Secretary—and then in 2002, focussed instead on the Defense Secretary’s responsibility to declare this reserve surplus and sell it off, relying instead on private machine-tool capabilities—which had themselves been auctioned off continuously during the 1990s. Under Defense Secretary Rumsfeld’s “military modernization” doctrine, the machine-tool reserve was surplus and was sold off.

The third leg of the United States’ once-pre-eminent machine-tooling capabilities was auto.

Now, in 2006-07, we face the scheduled closing down of at least 65 major auto plants, taking into account closings announced *only* by General Motors, Ford, and their biggest suppliers Delphi Corp., Visteon Corp., and Tower Automotive Corp. Many of the other major suppliers have been thrown into bankruptcy in the crisis, such as Dana Corp., Collins and Aikman Corp., and Johnson Controls, as well as Delphi and Tower Automotive—but their shutdowns are not shown here.

Although there have been periods of layoff and shutdowns in auto for 25 years, this is a completely new order of magnitude. These closing plants—some have already closed down—are shown on the national map you have there (**Figure 1**), and particularly in the inset map of the three central upper Midwest States Michigan, Indiana, and Ohio.

More major plants are being closed down in two years, 2006-07, than in the previous three decades. Some 75,000 skilled industrial jobs are being eliminated directly, and including the indirect effects on the supplier industries, 300,000 skilled jobs will disappear if this is allowed to proceed, representing a third of the entire auto sector.

The closing plants constitute nearly 80 million square feet of capacity, most of it full of versatile machine tools. This is more than the frightening shutdown of 60 million square feet of aerospace capacity in eight years during the 1990s. And it is the only large, diversified reservoir of machine-tool capability—and matching workforce skills—which remains to this country.

The immediate factor closing these plants is the global fall of real wages of workforces, in the globalized economy. Indeed, this fall in real wages is the objective of globalization, and it is working. Real wages are falling throughout North America, Europe, and Japan, while the lowest-wage nations and regions are looted of their labor. In the United States, for example, the consumer price index of inflation against which

these wages are measured, is full of obvious frauds. *EIR* has exposed them since the 1990s. It does not, in fact, measure the actual rise in the cost of living. But even against this fraudulent official index, real wages have fallen every year from 2001-05. They have fallen every month but one in 2006 thus far. And in May alone, the U.S. real wage fell 0.7%, so the pace is accelerating. Under these conditions, auto sales steadily fall; they are very sensitive to drops in real household income. So despite the major auto companies’ cheapening of cars by outsourcing and globalization, they are cheapening the wages at the same time, and their sales crisis gets worse.

What is happening to these plants? Their machinery content is being sold off within months of their closing, in auctions of entire plants at once, from floor to ceiling. The machine tools, even if new, are usually sold for 15-20 cents on the dollar of their replacement value. Those that are not scrapped are then, for the most part, shipped out of the country, because the majority of the buyers in these, largely Internet, auctions are foreign firms, and in some cases, foreign divisions of the same auto companies which are selling them off. The destinations, most often, are in Asia, or in Mexico and a few other Ibero-American countries.

This Internet auction process—tens of millions of square feet of the most productive capacity which U.S. industry still has—has caused shock among those in Congress, and other elected officials, who have learned about it from LaRouche PAC.

Although elected officials are being moved by discovering at the very last stage, a destructive process which has been accelerating for 15 years, this can be the shock which stops and reverses it.

At the beginning of June, we delivered another shock—the revelation that the Delphi Corp. bankruptcy—the centerpiece of the unraveling and outsourcing of the entire industry, with 25 auto plants of that company closing down—had been “strategically planned” for Delphi by the fascist banker Felix Rohatyn, personally. Rohatyn is Lyndon LaRouche’s leading enemy for influence in the Democratic Party in the United States.

Felix Rohatyn is perhaps the most active “mergers and acquisitions” banker in the world; he has represented the Lazard Frères bank group, and was trained there by André Meyer; this places Rohatyn in the center of the heritage of synarchist fascist bank circles in Europe in the 1920s and 1930s, centered around Lazard Frères and Banque Worms. For ITT’s board, Rohatyn helped plan the Pinochet takeover in Chile. His public U.S. roles have been in planning bankers’ takeovers of government functions and infrastructure, including privatization of military logistics and warfighting, and including the bankers’ dictatorship established over New York City in its bankruptcy crisis of 1974-75.

Since Rohatyn has prominently opposed LaRouche on the entire auto crisis question, the revelation that he personally planned the worst outsourcing debacle in U.S. industrial his-



Niagra Falls Historical Society

Just a portion of the Lockport, New York auto plant complex now owned by Delphi Corporation, a part of which has been closed down—and other parts 50-70% underutilized. Served by railways (below) and highways, and heavy lifting machinery in one huge bay, the plants here have built aircraft in the past, and could build rail systems in the immediate future.

tory, has had a very healthy shock effect. Here is how Rohatyn's strategic plan was stated to the bankruptcy court by Delphi—exposing its very declaration of bankruptcy as a fraud:

“Delphi believes that a substantial segment of Delphi's U.S. business operations must be divested, consolidated, or wound down through the Chapter 11 [bankruptcy] process. . . . In the meantime, the Company will continue the strategic growth of its non-U.S. operations and maintain its operations as the world's premier auto supplier.” The objective—to reach a company with 150,000 employees outside the United States, and perhaps 15,000 remaining in America.

Mexico and U.S., Nuclear Power

On June 14, another shocking revelation in a Midwest newspaper is that Ford Motor Company's top management has been in secret talks with Mexico's government about moving a large part of the auto assembly it is closing down in the United States, to Mexico, with tax concessions and other subsidies from the Mexican government. It seems that with globalization, the United States private sector requires Mexicans to do everything, because at much cheaper wages—whether by importing the immigrants, or by exporting the industry.

Is this good for Mexico? LaRouche has said that the cooperation policy must be one of cross-border economic development, Great American Desert greening projects and other infrastructure, with a border open to migration. Here is how he has discussed this specific question:

“We have to think about upgrading the entire world population. . . . How do we do that? We create large projects, which utilize high technology, as expressed by science and by the machine-tool sector, to drive projects. We absorb the less-skilled layers of the population, into supporting roles, but being upgraded through their association with technological progress. We then take the United States and Western Europe, which still have advanced-technology and have the technology-driver capabilities. . . . And we insist that those areas which are capable of maintaining a high-technology driver program, commit themselves to specializing in things that are needed by the rest of the world which needs access to that technology. . . . They need a large infrastructure-development program, of cooperation among them, to be able to develop their countries, in concert.”

This is the role of nuclear technology—but also, of the retooling of the auto industry's advanced capacities. The United States still has advanced nuclear technology institutes and firms—the LaRouche Youth Movement in Southern California toured one of these com-

pany's facilities two weeks ago, seeing the entire potential process of constructing the pebble-bed type fourth-generation high-temperature nuclear reactor. But let us start building the reactors! Then it becomes obvious, the United States no longer has supply firms to build the pressure vessels, the heat-exchangers, the compressors and vacuum pumps, the mass production of pumps, valves, and piping involved. The constructing firm will have to turn to the military or the national laboratories for fuel assemblies.

These systems can be built in auto plants, especially in the auto supply plants which are much more rich in machine tools, than the assembly plants—in the past, in fact, auto plants in both St. Louis and Adrian, Michigan have built nuclear fuel assemblies; auto plants in many locations have built compressors and full aircraft jet engines; auto plants in Michigan and Louisiana have built rockets for the space program; auto suppliers in California have built satellites. Probably only for the nuclear pressure vessels' construction, will entirely new facilities have to be built.

The relationship LaRouche described is not only that between technology-driver economies and those nations which need nuclear technology. It is also the relationship, in infrastructure projects, between the skilled machining without which they can't be done, and the much larger number of semi-skilled and unskilled jobs which are always thus created.

As the financial markets crash, the demand for such projects will force the U.S. Congress to act, given that LaRouche and his movement have clearly shown them, what action must be taken.

Africa Needs DDT: World Bank at Fault

by Fiona Kobusingye-Boynes

I have been struck down by malaria dozens of times. The vomiting, high fevers, dehydration, headaches, joint pain, and disorientation were beyond belief.

If doctors hadn't helped me even when I couldn't pay, I would have been dead long ago—like my son, two sisters, and three nephews, all victims of this vicious disease. Like the husbands and children of women who work with me, making beautiful purses to earn money for malaria medicines. Like 50 of the 500 orphan children who attended the school that my husband and I help sponsor—all dead in a single year!



Fiona Kobusingye-Boynes

It is an unspeakable tragedy.

Malaria infects 400 million Africans every year, leaving them unable to work, attend school, cultivate fields, care for their families or build our nations. It costs Uganda over \$700 million annually in lost productivity, millions of hours spent caring for sick children and parents, countless potential Einsteins, Beethovens, and Martin Luther Kings.

We could end this suffering and death, if we use every available weapon—not just insecticide-treated bednets, but insecticides, too, especially DDT. Unfortunately, too many politicians, environmental activists, and bureaucrats promote programs that don't work and tell Africans they can't use DDT, which keeps deadly anopheles mosquitoes out of our homes for six months or more, with just one spraying on their inside walls.

Thankfully, President Bush, and the U.S. Congress and Agency for International Development have begun spending more money, and using DDT and other insecticides in Uganda, Tanzania, and Angola. Other agencies are also revising their policies and programs. But one is dragging its feet.

World Bank Makes False Claims

Six years ago, the World Bank promised to spend \$300-500 million on malaria control in Africa. However, according to a study in *The Lancet*, the Bank has bungled the job.

The malaria experts who conducted the study said that the Bank actually spent perhaps \$100 million worldwide, cut the number of recipient countries in half, and claimed progress where there was none. By counting eight months as a year, the Bank made it look like its programs had suddenly slashed malaria cases by 60% in Brazil. Refusing to provide evidence to support claims that are sharply contradicted by other data, it also said that Bank programs had dramatically reduced India's malaria deaths in just one year.

It refuses to spend Bank money on DDT in Eritrea, where thousands die from malaria every year, even though this chemical has reduced malaria by 75% in at least four African countries. The Bank bought 100 million doses of chloroquine for use in India, where this drug fails to work 15-45% of the time and children die as a result. Just imagine the malpractice charges and criminal indictments that would result if doctors did something like that in the United States.

World Bank staff then argued that chloroquine is 10-20 times cheaper than Artemisia-based combination drugs—when even Bank documents specifically acknowledge that artemisinin-based drugs are the only first-line anti-malarial drugs appropriate for widespread use that still work against chloroquine-resistant malaria parasites.

The study also states that the Bank eliminated its entire malaria staff, but says it now has three full-time professionals working on malaria—for all of sub-Saharan Africa! This is completely inadequate and does nothing to alter the incompetent policies that continue to sicken and kill Africans.

Another study found that indoor spraying with DDT slashed malaria rates by nearly 75% in just a few years in Madagascar's highlands. Indoor DDT spraying, combined with insecticide-treated curtains had similar results elsewhere in the country. Despite this life-saving success, the World Bank and Roll Back Malaria have pressured Madagascar to progressively phase out DDT and replace it with an "environmentally friendly" insecticide, even though no chemical has yet been found that is nearly as effective as DDT. I can only conclude that, in their minds, environmental considerations and international criticism about DDT take precedence over African lives.

Against all this and more damning evidence, the Bank's response to *Lancet* asserts that its approach is driven by results. Just imagine what would happen to doctors and corporate CEOs who got such results!

The Bank's *Lancet* response did get one thing right. It said that, compared to the Global Fund for the Prevention of Malaria, Tuberculosis, and HIV/AIDS, the Bank has a comparative advantage in development economics, financing capacity building, and implementation support.

Put another way, the Global Fund is more competent than the Bank in disease control, and more transparent about its funding and results. It has superior staff, policies, programs, and therapies. And it gives grants, which are attractive to African countries already saddled with debt—instead of loans

like the Bank does. Instead of pretending to be a disease expert, the Bank should focus on its comparative advantages. It should build new hospitals and clinics, get them electricity and clean water, support Global Fund malaria programs, and provide stipends for doctors and nurses, to keep them from leaving Africa for countries where salaries are higher, and obstacles less overwhelming. Let the Global Fund handle malaria control.

World Bank president Paul Wolfowitz has an opportunity to change this dismal situation, end the Bank's shamefully defective malaria programs, refocus it to what it does best, improve health-care delivery, and save lives.

I'm not a doctor or politician. I'm just an African woman with a dream: that we finally end a disease that is wiping out the future of Africa—our precious children. I truly hope Mr. Wolfowitz will rise to the occasion.

Fiona Kobusingye-Boynes is coordinator of the Congress of Racial Equality's Uganda office. A farmer and businesswoman, she is a tireless advocate for human life, human rights and effective malaria programs. She can be contacted at fiokob@yahoo.com.

Who's Stopping DDT From Saving Lives?

by Marjorie Mazel Hecht

As malaria continues to kill one child every 30 seconds in sub-Saharan Africa, and 500 people per day in Uganda alone, officials in the European Union have threatened to ban agricultural imports from Uganda if the country begins to spray the indoor walls of houses with DDT to combat the mosquito-borne disease. Indoor spraying with DDT is by far the most effective preventive against malaria. Ironically, some of these EU officials might not be alive today, if their parents and grandparents, soldiers and civilians, had not been dusted with DDT to kill the lice that spread deadly typhus, during and after World War II. The pre-World War II generation was not so fortunate. Without the benefit of DDT, typhus killed 3 million people, and sickened 20-30 million more just after the World War I.

Malaria is Africa's biggest killer. Ninety percent of the world's 1-2 million malaria deaths per year are in Africa, and most of those are women and young children. Another 500 million people suffer a malaria attack every year, enduring suffering and debilitation. Yet, the major funders of anti-malaria campaigns, such as the World Bank, spend nothing for DDT or pesticide spraying. (See accompanying op ed by Ugandan activist Fiona Kobusingye-Boynes.)

Until this year, the same was true of the U.S. Agency

for International Development's anti-malaria program, the World Health Organization anti-malaria program, and that of various other United Nations organizations. But after Congressional hearings in 2004 and 2005, and persistent lobbying from Africa Fighting Malaria, the Congress of Racial Equality, malaria scientists, and others, in December 2005, the USAID reversed a 34-year U.S. policy of not funding any program involving DDT use or pesticide spraying in Africa.

USAID spokesmen also insisted, in response to criticism, that the agency never had any official ban against DDT use. This is not true. After the 1972 U.S. ban on DDT, USAID policy was not to fund any development projects using a pesticide that was banned in the United States.

In 1986, Secretary of State George Shultz reinforced this policy in a telegram to all embassies stating: "The U.S. cannot, repeat cannot, participate in programs using any of the following: (1) lindane, (2) BHC, (3) DDT, or (4) dieldrin." As entomologist and DDT champion J. Gordon Edwards noted in his article "DDT: A Case Study in Scientific Fraud," published in the *Journal of American Physicians and Surgeons* (Fall 2004), "Millions of poor natives in tropical countries died as a result, from starvation or from malaria and other insect-transmitted diseases. The term 'genocide' is used in other contexts to describe such numbers of casualties."

Entomologist Donald Roberts, Professor of Tropical Public Health at the Uniformed Services University of the Health Sciences, in his testimony to the Senate Committee on Foreign Relations in October 2004, reported that when Vietnam ran out of DDT for its spraying program, the USAID, international organizations, and foreign donors refused to fund the purchase of DDT.

The truth here is not just USAID's non-funding for DDT: Of the \$80 million in the USAID budget for malaria control in 2004, 80 percent went to "consultants" and 5 percent to purchase of bed nets.¹ Nothing was spent for pesticide purchase, or malaria medications! The World Bank record is similarly abysmal, as an article in the British medical journal *The Lancet* documents. Millions of dollars, and none that purchases pesticides²

Another critical factor in the return of malaria is the policy of the World Health Organizations and other agencies to insist on decentralizing the aid, and eliminating national public health infrastructure programs, such as that in Vietnam. Roberts reports that this destructive action followed a World Health Assembly resolution in 1985, which called on countries "to decentralize their malaria control programs by moving malaria control into primary health care systems."

1. Roger Bate and Benjamin Schwab report on USAID funding in "The Blind Hydra: USAID Fails to Control Malaria," published by the American Enterprise Institute, April 22, 2005.

2. Amir Attaran et al., "The World Bank: False Financial and Statistical Accounts and Medical Malpractice in Malaria Treatment," *The Lancet*, April 25, 2006

Today, a handful of African countries is receiving USAID funds to purchase pesticides for spraying programs, including Ethiopia, Mozambique, and Zambia, with Kenya, Uganda, and Tanzania scheduled for funding, although anti-DDT protest remains, spurred on by non-governmental organizations, and the EU threat of an import ban.

Indoor Residual Spraying Works!

The effectiveness of indoor residual spraying with DDT—or other more expensive and often less effective pesticides—in reducing the incidence of malaria is unassailable. A tiny amount of DDT sprayed on inside house walls and under the eaves, in a carefully controlled program, stops the lethal cycle of malaria. The effectiveness of DDT continues for 8 months to a year, whereas other pesticides have to be applied every two weeks or so. There is no DDT sprayed outside, although in such small amounts, it would have virtually no effect on the environment.

In his 2004 testimony to the Senate Foreign Relations Committee, Dr. Roberts stated his surprise that there could be any debate about spraying versus bed nets. “There is no scientific basis for stopping or preventing indoor spraying of insecticides. On the contrary, replacing spraying with nets defies a *fundamental lesson* of preventive medicine.” He goes on to explain that a “fundamental truth” of preventive medicine is that “the least desirable preventive measure for reducing environmental risk is reliance on personal protective measures.” The most desirable method for reducing environmental risk, Roberts said, is “to engineer risk out of the human environment.”

Roberts concluded his testimony with a direct attack on the environmental ideology that “strives for an environment free of man-made chemicals,” which has “created a colossal public health and humanitarian disaster.” In particular, he said, he and others in the malaria control community “object to the use of public funds to pressure developing countries to comply with policies and strategies that increase the risk of disease and death. . . . The world has already paid an enormous price in lost life, lost economic vitality, and lost human welfare as a result of those practices. It is time to stop this flagrant use of public funds to force compliance with a scientifically fraudulent and immoral ideology.”

The mosquito vectors that carry malaria (in South Africa it is *Anopheles funestus*) rest on the inside house walls and bite human beings at night. Even if the DDT doesn’t kill them, researchers have found that the mosquitoes are repelled by the DDT and leave the house. This latter effect is known as “excito-repellency,” and has been shown to be a dominant way that DDT controls malaria-bearing mosquitoes, in addition to killing them on contact.³

The anti-DDT activists propagandize that mosquitoes will



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DDT house spraying in Burma (now Myanmar) in the 1960s, when the policy was to use DDT and develop infrastructure to eliminate the malaria scourge. The abandonment of these policies after 1972 is responsible for the malaria deaths of 50 million people worldwide.

become resistant, but researchers have found that this is not so; the DDT continues to repel the mosquitoes. A case in point, which has done much to influence other African nations, is South Africa, where the incidence of malaria and deaths soared after it stopped using DDT in 1996. Under pressure from environmentalists, South Africa had substituted a synthetic pyrethroid insecticide for DDT. But the mosquitoes became resistant to this pesticide, and between 1996 and 2000, the number of malaria cases in South Africa increased by more than 450 percent, with an increased mortality rate of nearly 1,000 percent.

South Africa resumed the use of DDT in 2003, and within one year, the incidence of malaria in the worst-hit province, KwaZulu Natal, fell by 80 percent. In two years, the number of malaria cases and deaths dropped by 93 percent. What African government, knowing these statistics, would continue to watch the death rates of its people climb?

In Uganda, the malaria death rate climbed 15 percent in the last five years, and is now above 500 per day. In Kenya, malaria kills about 34,000 children every year. Yet business interests in both places are worried that the European Union, the chief importer of food products, flowers, and organic produce, will boycott their exports. And the chorus of misguided environmentalists continues to perpetuate the myth that DDT is harmful to human beings and wildlife.

Ugandan President Yoweri Museveni, to his credit, has strongly supported a DDT program. “Why should we look on

3. See, for example, the article by D. Roberts et al., in *Emerging Infectious Diseases*, July-September 1997, p. 300.

and watch our people die, when it is within our means to make a difference?" Museveni said on Africa Malaria Day, April 25, 2006. Other political figures have also spoken out.

Countries using DDT include Madagascar, Ethiopia, Eritrea, Sudan, South Africa, Namibia, Solomon Island, Papua New Guinea, Algeria, Thailand, Myanmar, India, and Ecuador.

The Malaria Cycle

There are three types of malaria, all caused by a genus of protozoans called *Plasmodium*, the most lethal being *Plasmodium falciparum*.⁴ In brief, the *plasmodium* is picked up by a biting female *Anopheles* mosquito, when she sucks the blood of a person with malaria. The plasmodia in the blood mate in the mosquito's stomach and produce hundreds or thousands of young plasmodia, which travel through the mosquito's body, including to the salivary glands. When the mosquito bites again, it injects young plasmodia (called sporozoites) into the human victim.

These plasmodia reach the human liver where they reproduce, forming a new phase of plasmodia (merozoites), which enter the blood stream, burrow into red blood cells, reproduce, and in 48 hours, burst out to enter new blood cells, repeating the process in 48 hours.

When the number of merozoites reaches about 150 million in a 140-pound person, the victim has a typical malaria attack every 48 hours. As Dr. Gordon Edwards describes it, "When millions of red blood cells are simultaneously destroyed, the victim suffers a chill. As the cells are ruptured, toxins are released, resulting in alternating chills and fevers. If a large number of plasmodia invade the brain, death quickly follows."

The malaria cycle is most effectively stopped, when the *Anopheles* mosquito is prevented from biting people who already have malaria in their blood. This vastly reduces the incidence of new cases of malaria.

DDT is not a magic bullet in eradicating malaria, but *no anti-malaria program can succeed without it*. The sad case of "Roll Back Malaria," the program initiated by the WHO, World Bank, and various United Nations groups in 1998 makes this point. The malaria death count has increased steadily during the years of Roll Back Malaria. The main reason for this disaster is that Roll Back Malaria focussed on bed nets impregnated with a non-DDT pesticide to protect children at night—a nice idea, although costly. Despite millions of dollars spent, only a tiny percentage of Africans now use bed nets. Roll Back Malaria, in its zeal to please the environmental lobby that prefers protection of wildlife and "Mother Nature" to people, is organized to fail.

What will it take to eradicate malaria in Africa? Central-



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Malaria is a horrible, debilitating disease that kills more than 1 million people a year, most of them women and young children. Every 30 seconds, one child in Africa dies from malaria.

ized, DDT house-spraying programs are a first step—just as they were in the 1950s and 1960s, when malaria began to be put under control. But to fully conquer malaria, and other mosquito-borne diseases, Africa needs public health infrastructure: public health centers, hospitals, nurses, doctors, and technicians who can carry out a comprehensive public health program, treating malaria and other disease victims with the most effective medications. A successful program also requires draining the swampy areas near population centers, adequate housing with window screens, good diet, and education—all items that a World Bank and other organizations could be funding.

Combatting Malthusianism

DDT was banned in the United States in 1972 solely for political reasons: Bringing malaria under control was allowing populations to thrive in Africa and other tropical countries.⁵ Alexander King, founder of the Malthusian Club of Rome, wrote in a biographical essay in 1990, "My chief quarrel with DDT in hindsight is that it has greatly added to the population problem." Others of that view were no less subtle. Secretary of State Henry Kissinger in 1974, in the infamous National Security Study Memorandum 200, bluntly explained that the United States needed the raw materials of the African continent, particularly precious metals, and therefore had to combat population growth there, because a greater population would lead to more nationalism

4. J. Gordon Edwards provides these and more details about malaria in "Malaria: The Killer That Could Have Been Conquered," in *21st Century Science & Technology*, Summer 1993, pp. 21-35.

5. Documentation of the political nature of the ban on DDT can be found in articles by legendary DDT fighters Gordon Edwards and Tom Jukes in *21st Century Science & Technology*. Some of these are available on line at www.21stcenturysciencetech.com.

and hence to less U.S. control over resources.⁶

In this context, the DDT ban was seen as essential to maintain oligarchical control over raw materials. The DDT ban also became central to the buildup of the environmentalist movement. In the early 1970s, science and technology in the Western world were being deliberately infected with an anti-science philosophy to wean the American population away from its enthusiasm for progress, the Apollo Program, and eliminating poverty. The rock/drugs/sex counterculture recruited the youth out of scientific and cultural optimism, into anti-Vietnam war protest, and then into the green arms of “Mother Nature.” When leading scientists proclaim in a third-of-a-page ad in the *New York Times* that all living things—plants, animals, and mankind—should have “genuine equality,” it is easy to see how environmentalists could be made to believe anything—including that DDT is dangerous.⁷

To turn this around, requires more than funding of indoor residual spraying with DDT—although that is a life-saving start. The World Bank under neo-conservative Paul Wolfowitz, USAID under the Bush/Cheney Administration, and the American Enterprise Institute under the philosophy of Friedrich von Hayek are emphatically opposed to the kind of changes required: We need a fundamental change in the oligarchic control of the world financial system, so that sovereign nations can protect the general welfare of their populations and pursue development policies, including infrastructure building. Only then will Africa—and the people in the rest of the world—be able to eliminate diseases like malaria and bring a now dying population up to the highest level of living standards.

6. The NSSM 200 document is discussed at length in *EIR*, Dec. 8, 1995. An online summary can be found at http://www.schillerinstitute.org/food_for_peace/kiss_nssm_jb_1995.htm.

7. Among the signers of the “Morelia Declaration,” published in the *New York Times* on Oct. 10, 1991, were F. Sherwood Rowland, a professor at the University of California and inventor of the “ozone hole” scare (for which he won a Nobel Prize), and 1993 president of the American Association for the Advancement of Science. The last paragraph of declaration reads: If the latter half of the 20th century has been marked by human liberation movements, the final decade of the second millenium will be characterized by liberation movements among species, so that one day we can attain genuine equality among all living things.”

European Auto Sector On the Chopping Block

by Rainer Apel

European labor union leaders have long been in denial about the future of their industry, insisting that the kind of massive job cuts occurring in the United States “won’t happen here.” But times are changing, as the axe is beginning to fall. It is dawning on some union officials that management is no longer interested in producing cars, but only in financial speculation.

For a short period in October 2004, everybody in Germany was aware of the bitter fact of the crisis in the automotive sector: At that time, a wildcat strike by workers, in defense of jobs at the Bochum plant of Opel, the German daughter firm of General Motors, created sympathy throughout Germany, far beyond the car-making sector as such. The strike, staged against the policy of the factory labor council under chairman Klaus Franz, who favored discussions with the Opel management, went against an ultimatum posed by the European section of GM, for eliminating 12,000 jobs, mostly in Germany. In a joint coercive move by the management, the factory council, and the media, the strike was crushed, and the managers “conceded” to axing only half of the jobs in Germany, and the other half were to be cut elsewhere in Europe. A job guarantee was granted until 2010, and many of those who had been scheduled to be laid off, were offered buy-outs.

The deal was praised by the afore-mentioned Klaus Franz, who henceforth kept spreading the line that if there was a crisis at GM in the U.S.A., the jobs in Germany and Europe were “safe, because we have it on paper.” Franz kept saying that, for 18 months, thereby contributing his part to the establishment’s effort of putting labor to sleep.

Portuguese GM Plant Hit Hard

But dramatic developments in early June 2006 forced him to change his line. Upon directives from the GM headquarters in Detroit, the European management of GM announced plans to shut down production in Portugal, axing 1,200 jobs at the Azambuja plant there, one of the most modern GM plants in Europe. Production of the Combo light transporter there, was to be transferred to the GM plant at Zaragoza, Spain, thereby compensating the Spanish site for losing a major percentage of its own streetcar production to a site in Poland. Several weeks earlier, the GM Europe management had already announced plans to eliminate 900 jobs at the Ellesmere Port plant in Scotland. And, as became known, Portugal was just

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There was great sympathy throughout Germany for workers at the Bochum plant of Opel, the German daughter firm of GM, in 2004, when Opel wanted to eliminate 12,000 jobs, mostly in Germany. But then denial set in, as labor leaders promised that things were under control. They weren't, as workers are now learning. Shown here is a demonstration at Bochum in 2004.

one country on the list of the management, as the plants in Germany and Sweden were to be targetted next. Unrest among GM workers kept growing, and the strike of the Portuguese GM workers was supported by sympathy strikes at all other GM sites in Europe.

Once things had developed that far, even Klaus Franz felt compelled to change his line, telling the *Financial Times* on June 15 that the shutdown threat to Portugal, was one to be taken seriously throughout the rest of Europe. "Everybody knows the shutdown at Azambuja is the first step towards losing the manufacturing footprint from western Europe to eastern Europe." Franz added that a shift eastward has the potential to hurt not just car workers, but western Europe's economies as a whole, because the car-making sector was the core of industry in Germany and Europe. "From a company standpoint, you can say OK, it makes sense to go to the east, but if this is the mainstream, you will damage the western economies—then who will buy the cars?"

Layoffs at Volkswagen

At the time Franz said that, other news from the auto sector made clear that the rest of the car-making industry was entering a new round of massive shutdowns and layoffs, as well. For example at Volkswagen, the management reiterated plans already mooted at the beginning of the year, to axe 20,000 out of 103,000 jobs that VW has at its six plants in Germany. The managers posed an ultimatum to the workers at the main plant in Wolfsburg, demanding that they work one day more a week, but for the pay of only four days, or production of the popular Golf, the main VW model, would be transferred to a "less costly" site in Europe's east—Slovakia, for example. Growing unrest among VW workers was answered by leaks from the management, threatening that 30,000 jobs would have to be axed. At the same time, the management of VW do Brasil confirmed plans to lay off at least 25% of its workforce of 22,000, because the Fox car produced in Brazil, would henceforth "have to be produced elsewhere, because of the necessity to cut costs."

As for the alleged "necessity to cut costs," one has to see that the 500 euros more which management claims has to be spent in Portugal, than in Eastern Europe, does not by itself explain why the plant in Azambuja has to be shut down. 500 euros for a single car is a ridiculously small margin, which could easily be compensated by restructuring the production process without cutting any jobs, according to metal worker union officials called by this author. The cost factor is not the real reason, something else is going on, the metal worker unionists said, and it has to do with the prevalence of the aggressive shareholder mentality: At the present time, the European Commission in Brussels is offering generous subsidies for new plants in Eastern Europe and in Russia, which together with tax rebates and additional subsidies by the respective national governments and regional authorities, are covering a large part of the investment costs. That "pays off" for shareholder interests, who have no interest in the production of cars, but rather only in the revenue they can accrue. The managements in place today, at GM as well as at other car producers, are no longer "car people" but "experts in extracting money," a metal worker unionist said. With such people in the managements, one cannot have a future for car production in Europe.

One metal worker union official even went further, telling this author that at Volkswagen, there are people in the management who would rather, at the next best opportunity, walk out of producing cars altogether, and concentrate on financial deals. Indeed, the financial services section of the Volkswagen group has been the "most profitable" of all sections, in the recent period. One has to see, however, that this profit has been made on the financial markets, not in the auto sector as such. Pleasing the shareholders, has become priority for managers, over producing cars, and the "necessity to cut costs" has to do with problems of the financial market, rather than with anything related to the auto sector as such.

Business Briefs

Power

Two Nuclear Plants Proposed for Texas

If approved, two new nuclear power plants would come on line in 2014 at a Bay City, Texas site on the Gulf Coast. Together the plants would generate 2,700 megawatts of electricity.

The two plants are part of a broader plan announced by NRG Energy, Inc. on June 21, to expand the generating capacity by 10,500 megawatts over the next decade, using nuclear-, coal-, and gas-fired plants.

Building the nuclear plants would cost some \$5.2 billion. The entire project would cost about \$16 billion.

The plan must be approved by NRG's partners in the existing South Texas nuclear facility, CPS Energy and Austin Energy.

The new nuclear plants would be Advanced Boiling Water Reactors based on the certified GE design. The company says the units will each contribute \$9.2 billion of economic activity for Texas, and result in 5,600 new permanent jobs statewide, including 500 new operating staff for each unit.

Privatization

Pirates at Trough: Government-by-Contract

Government-by-contract is ballooning out of control under the Bush/Cheney regime. This is documented in a report released June 19 by the staff of Rep. Henry Waxman (D-Calif.), the ranking Democrat on the House Government Reform Committee. According to the report, Federal contracting grew from \$203 billion a year in 2000 to \$377.5 billion in 2005, an increase of 86%. "Under President Bush," the report says, "the federal government is now spending nearly 40 cents of every discretionary dollar on contracts with private companies, a record level."

Nearly half the growth in discretionary spending during this period was accounted for by the growth in contracting. The Penta-

gon accounted for most of this growth, going from \$133.5 billion spent on contracts in 2000, to \$270 billion in 2005.

The top five contractors in 2005 accounted for \$80 billion or 21% of all Federal procurement spending, with Lockheed Martin at the top of the heap with \$25 billion made from government contracting in 2005.

The fastest growing contractor, however, is Dick Cheney's Halliburton, which went from \$763 million received from contracting in 2000 to nearly \$6 billion in 2005, an increase of an astounding 672% over the six years. Abuse of the contracting process also climbed, with an even faster rate of growth of non-competitive contracts, which grew 115%, from \$67.5 billion in 2000 to \$145 billion in 2005.

The report identifies three major contracting "binges" since 2001, these being Iraq reconstruction, homeland security, and Hurricane Katrina. "Each initiative has been characterized by extensive waste, fraud, abuse, and mismanagement in contract spending," the report says.

Water

As London Dries Up, Speculators See Gold

The run-down, privatized water system in Britain is unable to deal with the current drought, which in the London area and other parts of southern England is having drastic effects on water availability.

Temperatures are unusually high, and ground water levels alarmingly low.

Firms which use large quantities of water face having their supplies reduced to the point that some may have to halt production.

The main private water supplier, Thames Water, which was bought in 2000 by German RWE, has officially applied for a ban on the use of water for gardens and car washing.

The present water shortages are the result of lack of investment, dating back particularly to the years of former Prime Minister Margaret Thatcher's water privatization

in 1989. Little has been invested in the pipeline system, in reservoirs, and water management.

Some leaking pipes date back to the era of Queen Victoria.

Since (government-regulated) prices could not be increased to high rates, as in the early period of privatization, the "incentive" to invest into repair, construction, and expansion of the system, dried up.

Thames Water's pipes lose about 915 million liters a day, about one-third of which is being pumped out of the ground. With that amount of water, a city with 2.5 million people could be supplied, according to research calculations. (In comparison: In 1995, the municipally run Hamburg, Germany water system had a loss of less than 5%.)

With the aid of Goldman Sachs, such financial speculators as Terra Firm, the Australian Macquarie Bank, and the Spanish giant FCC are now expressing interest in Thames Water.

Natural Gas

Italy, Hungary, Turkey In Deals With Russia

During Italian Premier Romano Prodi's visit to Moscow on June 20, agreement was reached by Gazprom and Italy's ENI, on joint development of gas fields in the Barents Sea, and Russian participation in the Italian consumer market.

Gazprom also published, on June 22, a strategic cooperation deal with MOL, Hungary's energy monopoly, on a gas and oil pipeline, storage, and investment projects in the Balkans and the eastern Mediterranean.

The announcement coincided with President George W. Bush's arrival in Hungary.

In a related energy cooperation development, the Turkish government announced on June 21, that it would stick to its plan to have a pipeline built from the Black Sea coast to the Mediterranean, for transporting Russian gas from the Blue Stream pipeline to Europe and the Mideast, replacing transfer through the Bosphorus Straits. This pipeline project involves Italy's ENI, as well.

Why Did the Senate Democrats Join the Anti-Kerry Campaign?

by Tony Papert

On Wednesday, June 21, the pustule of a weeks-old scandal broke open on the floor of the U.S. Senate, when it became plain that most Senate Democrats had either joined or condoned a strongarm campaign against John Kerry of Massachusetts, to try to force him to drop legislation requiring withdrawal of U.S. troops from Iraq within a year (subject to certain exclusions and guarantees).

But because Kerry persisted regardless, they trooped up one after another to denounce him from the Senate microphone, all insisting in effect that the war continue indefinitely. I, for one, could barely believe what I was hearing,—but if you doubt it, read the *Congressional Record*. (At the end, on Thursday morning, Kerry got just 13 votes, including his own and that of his cosponsor, Russ Feingold of Wisconsin.)

It is relevant to this fiasco that the proverbial baker's dozen of new Democratic think-tanks have sprung up recently, each with its website and its own statement of purpose. But all the statements of purpose are identical: namely, that of fostering and spreading the “big ideas” needed for a long-term Democratic majority, in imitation of the process by which Heritage, the American Enterprise Institute, and the other right-wing think-tanks supposedly paved the way, with their “ideas,” for the current failed Cheney/Bush Administration. (The notion of imitating the “neo-conservatives” in this way, has been promoted extensively by Ford Foundation-funded leftist groups.)

www.democracyjournal.org, led by the newcomers Kenneth Baer and Andrei Cherny features: “THE NEW BIOPOLITICS: . . . with a male baby boom in Asia and a baby bust in Europe, Americans now may need to worry about what's happening in foreign bedrooms, as well. . . . THE WEALTH OF NEIGHBORHOODS, by Gar Alperovitz:

What does it mean when more workers own their companies than belong to labor unions?” And so forth.

www.thedemocraticstrategist.org is led by the unlikely trio of Democratic Leadership Council (DLC) Straussian William Galston; a new name: Ruy Teixeira; and Democrat Jim Carville's partner Stan Greenberg. It features, inter alia, “REPLACING THE BATTLEGROUND MENTALITY WITH THE MAPCHANGER ATTITUDE IN THE DEMOCRATIC PARTY,” and “SWING IDEAS, NOT SWING VOTERS.”

www.ndn.org is a rechristening of the New Democrat Network, which is itself another name for the Democratic Leadership Council (DLC), a Felix Rohatyn-allied private group in the Democratic Party, which *EIR* has shown to be financed by two of the same megabucks right-wing foundations which brought you the Conservative Revolution and the Clinton impeachment: the Lynde and Harry Bradley Foundation and the Smith Richardson Foundation.

Lyndon LaRouche commented that they're hanging out their shingle, but they shouldn't be surprised if an undertaker answers their ad. After six years of this Administration, we don't need a new source of psychobabble. It proves once more: With our economic recovery legislation, the LaRouche Democrats and their allies are the only ones who are doing anything serious.

Indeed, Stan Greenberg (in **www.thedemocraticstrategist.org**) shows a kindred awareness: After reviewing the contributions to his site, he says he is “not at all sanguine that Democrats will accept the challenges,” pointing, in somewhat more polite language than this, to their record of total indifference to the plight of the lower 80% of income brackets. It's true. In fact, they don't give a damn about them; they're only

concerned about the campaign contributions of the upper 10%, especially the upper 2%.

The Fraud of the Opposition's Arguments

Take Wednesday's Iraq debate, for example. One might ask, "How many more of your constituents, Senator, all from the lower 80% of income brackets, will be permanently *maimed* in Iraq, because of what you did Wednesday? Added to how many maimed already? And does that bother you? Not unduly, apparently."

Wednesday's Senate charade was closely related to all of this. Kerry had been placed under enormous pressure to back off his bill to withdraw from Iraq in a year; all kinds of maneuvers were made against him. He persisted. Finally, he was not permitted to speak until 6:00 p.m., to minimize press exposure.

The excuse for the pressure was that Kerry's amendment would hurt the party in the elections; that it's not what the American people want. But as Kerry's friends point out, that's ridiculous on its face. The one point which has people most angry against Bush is Iraq; everyone agrees that it's the factor which is most responsible for his abysmal poll ratings.

But that's not the point in any case, as Kerry has said: It's not the electoral consequences,—it's that this is a key policy question. It's a disastrous strategic situation; and the Carl Levin (D-Mich.)-Jack Reed (D-R.I.) "sense of the Senate" resolution, put forward to counter Kerry, was ridiculous on its face.

Kerry's approach followed along his stated intent in a much-publicized speech at Faneuil Hall on April 22: "Truth is the American bottom line. Truth above all is fundamental to who we are. It is no accident that among the first words of the first declaration of our national existence it is proclaimed: 'We hold these truths to be self-evident. . . .'"

But Democratic Senator after Democratic Senator, led by Joe Biden of Delaware,—who spoke knowledgeably and eloquently about Iraq, until he finally got to his point,—stood up on June 21, to tell the Senate that we must not "cut and run" in Iraq, and words to that effect. (Recall that Biden was originally an Averell Harriman protégé.) The ambitious Sen. Barack Obama of Illinois simply railed directly against Kerry without even the pretext of any higher motive or broader view.

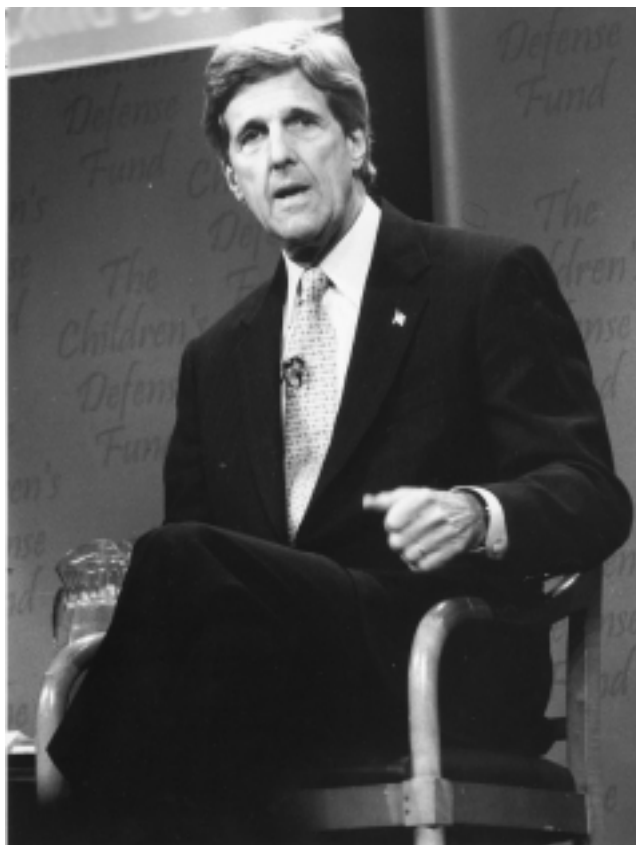
Like nothing so much as a bunch of whores!

Furthermore, the issue is not really Iraq. As important as that is, the real issue was something still more important which subsumes it: The issue was leadership. Kerry, with the support of his allies, was actually providing leadership,—and for that, he was targetted to be brought down.

This, when we're at two minutes to midnight, and without clear, decisive leadership, Americans will be cut down like grass in the cataclysms triggered by the onrushing financial collapse.

Something else has to be going on, rather than simple electoral opportunism. What is it?

Look at the list of think-tanks ("don't-think" tanks?) ad-



EIRNS/Stuart Lewis

Sen. John Kerry is providing real leadership on Iraq, but his effort to pass a resolution for a July 2007 pullout was sabotaged by Democrats who have been comed into thinking that they can build a Democratic majority by imitating the psychobabble approach of the neo-conservative think-tanks, while abandoning the lower 80% of the population.

vising the Democrats. There's not one brain among them,—it's a brainless group!

"Brainless" is the *best* way to characterize the actions of most Senate Democrats. Their whorishness will produce a strategic disaster, as well as a disaster for themselves in the elections, on top of it. The Senate Democrats are listening to a gaggle of think-tanks which are mostly infested by the DLC.

Indeed, the DLC sent out an e-mail on June 22, which endorsed and laid its own claim to *Democracy Journal*, disclosing that co-editor Cherny is former editor of the DLC magazine *Blueprint*,—and similarly endorsed and claimed *The Democratic Strategist*, describing its co-editor Ruy Teixeira as a "DLC alumnus."

Is it really that new Democratic think-tanks are springing up, or is it only that the DLC is metastasizing?

It's not the American people, nor an electoral calculation, which caused the fiasco of June 21. We're in a quagmire, and the Senate Democrats are acting brainless—stupid—in a way which can only lead to destruction. There is no intelligent explanation for what they're doing.

The Iran Offer That Cheney Sabotaged

The following letter was sent in May 2003 from the Iranian government to the U.S. government. Vice President Cheney intervened to sabotage its implementation. Its text was leaked by Iranian government officials within days of the Bush Administration's June 2006 decision to resume talks with Iran. Several Bush Administration officials have confirmed its authenticity.

Iranian aims:

(The U.S. accepts a dialogue “in mutual respect” and agrees that Iran puts the following aims on the agenda)

- *Halt in U.S. hostile behavior and rectification of status of Iran in the U.S.:* (interference in internal or external relations “axis of evil,” terrorism list.)
- *Abolishment of all sanctions:* commercial sanctions, frozen assets, judgments (FSIA), impediments in international trade and financial institutions
- *Iraq:* democratic and fully representative government in Iraq, support of Iranian claims for Iraqi reparations, respect for Iranian national interests in Iraq and religious links to Najaf/Karbala.
- *Full access to peaceful nuclear technology, biotechnology and chemical technology*
- *Recognition of Iran's legitimate security interests* in the region with according defense capacity.
- *Terrorism:* pursuit of anti-Iranian terrorists, above all MKO, and support for repatriation of their members in Iraq, decisive action against anti-Iranian terrorists, above all, MKO and affiliated organizations in the U.S.

U.S. aims:

(Iran accepts a dialogue “in mutual respect” and agrees that the U.S. puts the following aims on the agenda)

- *WMD:* full transparency for security that there are no Iranian endeavors to develop or possess WMD, full cooperation with IAEA, based on Iranian adoption of all relevant instruments (93+2 and all further IAEA protocols)
- *Terrorism:* decisive action against any terrorists (above all Al Qaida) on Iranian territory, full cooperation and exchange of all relevant information.
- *Iraq:* coordination of Iranian influence for activity supporting political stabilization and the establishment of democratic institutions and a non-religious government
- *Middle East:*
 - 1) stop of any material support to Palestinian opposition groups (Hamas, Jihad, etc.) from Iranian territory, pressure

on these organizations to stop violent action against civilians within borders of 1967.

2) action on Hizbollah to become a mere political organization within Lebanon

3) acceptance of the Arab League Beirut declaration (Saudi initiative, two-states-approach).

Steps:

I. communication of *mutual agreement on the following procedure*

II. *mutual simultaneous statements* “We have always been ready for direct and authoritative talks with the U.S./with Iran in good faith and with the aim of discussing—in mutual respect—our common interests and our mutual concerns based on merits and objective realities, but we have always made it clear that, such talks can only be held, if genuine progress for a solution of our own concerns can be achieved.”

III. *a first direct meeting* on the appropriate level (for instance in Paris) will be held *with the previously agreed aims*

a. of *a decision on the first mutual steps*

- *Iraq:* establishment of a common group, active Iranian support for Iraqi stabilization, U.S. commitment to actively support Iranian reparation claims within the discussions on Iraq foreign debts.

- *Terrorism:* U.S. commitment to disarm and remove MKO from Iraq and take action in accordance with SCR 1373 against its leadership, Iranian commitment for enhanced action against Al Qaida members in Iran, agreement on cooperation and information exchange

- Iranian general statement “to support a peaceful solution in the *Middle East* involving the parties concerned”

- U.S. general statement that “Iran did not belong to ‘the axis of evil’ ”

- U.S. acceptance to halt its impediments against Iran in international financial and trade institutions

b. of *the establishment of three parallel working groups* on disarmament, regional security, and economic cooperation. Their aim is *an agreement on three parallel road maps*, for the discussions of these working groups, each side accepts that the other side's aims (see above) are put on the agenda:

- 1) *Disarmament:* road map, which combines the mutual aims of, on the one side, full transparency by international commitments and guarantees to abstain from WMD with, on the other side, full access to western technology (in the three areas),

- 2) *Terrorism and regional security:* road map for above-mentioned aims on the Middle East and terrorism

- 3) *Economic cooperation:* road map for the abolishment of the sanctions, rescinding of judgments, and un-freezing of assets

c. of agreement on a time-table for implementation

d. and of a *public statement after this first meeting on the achieved agreements*

Support Broadens For Congress To Save Machine Tools

by Anita Gallagher

Since the publication of back-to-back three-quarter-page ads in the Capitol Hill weeklies *The Hill* and *Roll Call* on June 7-8, and the lobbying wave of some 25 local elected officials and union officers in teams with about 25 LaRouche Youth on the Hill, June 8, support for Lyndon LaRouche's Emergency Recovery Act of 2006 has grown. One sign of the spreading support is more than 100 new endorsers of the statement published in the ad, demanding that Congress enact this legislation at once.

To stop the destruction of the auto industry, and the machine tool capacity embedded in it, LaRouche has proposed that "The Federal government intervene by placing the productive capacity of the industry into government supervised receivership, and then fund the retooling and expansion of that capacity to supply the components of desperately needed national infrastructure projects."

The ad also quotes LaRouche that "any liquidation of the present structure of the physical productive capacities of the auto industry, especially its machine-tool sector, would do irreparable damage to our physical economy," and irreparably damage the physical economy of the United States and the whole world. move by word

During May, two complete auto plants were auctioned off online, Daimler-Chrysler in Toledo, Ohio, and Delphi, in Irvine, California. In May, the ongoing demolition of the Delphi Battery plant in Anderson, Indiana was begun by wreckers. A half-million-square-foot plant is being smashed up for scrap metal, causing some earthquake symptoms—both physical and economic tremors—in the town.

As of June 22, General Motors has bought out 28,000 of its workforce, and expects that number to climb to 30,000 by June 23, while Delphi, with GM money, has bought out 9,000 of its workers, and has targetted another 10,000 in the second phase. The number of workers who have taken the retirement buyout is heading for 60,000, at least, by August. The demise of auto is rapidly advancing.

As it does, the reality of this situation is hitting on the ground in the nation's Congressional Districts. In three Midwest State Democratic Conventions that occurred in June, scores of local leaders—the kind of Democrats who deliver election victories—added their names to the call on Congress to enact this legislation. Endorsements also resulted from the



LaRouche Youth Movement intervention into the United Auto Workers Annual Convention in Las Vegas, the week of June 11.

At the UAW Convention, including the speeches of the leadership, there was recognition of the "doom" facing the auto sector. The circulation of the LaRouche Call for Emergency Legislation there, was a proof that there is a solution. When someone would say, "Globalization is inevitable," the youth, and UAW local leaders working with them, would counter, "It isn't. Why not fight it?" The LaRouche White Paper, "Rohaytn: The French-Nazi Connection," was grabbed up in the hotel lobby, and "Filthy Felix" Rohaytn's role in taking down the industry of the United States was a prime topic of conversation. The UAW Convention took place immediately on the heels of LaRouche's June 9 webcast in Washington, "Felix Rohatyn and the Nazis." Many contacts were made, and a number of them signed the resolution on the spot. Many at the United Steel Workers of America "Rapid Response" Conference in Washington, D.C. on June 19-22, readily endorsed, recognizing that the Rohatyn group bankrupted steel.

The same "no illusions" attitude about the future of auto was apparent in the Democratic State Conventions held in Wisconsin, Minnesota, and Iowa June 10 and 17. In Minnesota, a number of prominent Democrats, including labor officials, signed. The Ford Assembly plant in St. Paul, located on 2.1 million square feet of industrial space, with 1,800 production workers, is slated to close.

The response to an initiative to save auto in Wisconsin, where the Delphi Energy and Chassis plant in Milwaukee is to be closed, was also wide open. At the Iowa Democratic Convention on June 17, thirty-four people signed the call after discussion. One of them was a UAW official who had seen the LaRouche contingent in Las Vegas.

It is very clear that the base of the Democratic Party "gets it" on saving the machine-tool capacity of the United States, and they intend to use this Call for Action to have the Congress "get it" and "get on it" immediately.

Bipartisan Worries Grow Over Bush Iran Policy

Echoes of Lyndon LaRouche's warning about the dangers of a U.S. strike on Iran have sounded in the U.S. Congress, from both sides of the aisle. On June 8, a group of 11 conservative Republicans sent a letter to President Bush calling for opening direct talks with Iran on the matter of its nuclear program. The letter notes that there have been no direct talks with Iran in 26 years, and that the "no negotiation" stance "has not yielded positive results." The letter also notes that, on at least two occasions, the Iranian government has attempted to open contact with the U.S.: in March of 2003, and in President Mahmoud Ahmadinejad's letter of May 2006; and yet, neither of these two approaches resulted in U.S. moves towards dialogue.

"If we hope to convince the American people, our allies, and the international community that we are serious about resolving this matter diplomatically, the United States must be open to direct diplomatic channels to Tehran," the letter says. "No diplomatic approach that rejects direct talks with Iran can be regarded as a serious effort to seek a peaceful solution." Signers of the letter include Reps. Walter Jones (R-S.C.), Jim Leach (R-Ia.), Wayne Gilchrest (R-Md.), Ron Paul (R-Tex.), Roscoe Bartlett (R-Md.), Howard Coble (R-N.C.), John J. Duncan, Jr. (R-Tenn.), Philip S. English (R-Pa.), Scott Garrett (R-N.J.), Gil Gutknecht (R-Minn.), John N. Hostettler (R-Ind.), and C.L. Otter (R-Id.).

On the Democratic side, Rep. Barbara Lee (D-Calif.) introduced a resolution of inquiry on May 25, which garnered 24 co-sponsors, requesting from the Bush Administration certain documents relating to plans and strategies for either regime change or mili-

tary strikes against Iran. When the House International Relations Committee met, on June 21, to mark up the resolution, Lee noted the May 31 announcement by Secretary of State Condoleezza Rice regarding pursuing diplomacy with Iran, but warned that the Bush Administration policies of regime change and preemptive war are still on the table. "Diplomacy," she said, "is not simply a check box that we mark off on the way to war."

Not surprisingly, the committee perfunctorily disposed of Lee's resolution with a voice vote to report it adversely. However, it also exposed a split among the Democrats because it was not supported by Rep. Tom Lantos (D-Calif.), the ranking Democrat on the committee.

Under Probe, Jefferson Dumped From Committee

The House Democratic Caucus voted 99-58 to recommend that Rep. William Jefferson (D-La.) be removed from the House Ways and Means Committee. The vote came after what was described as a "grueling and emotional" three-and-a-half hour caucus meeting on June 15. Most of the contention appears to have come from the fact that while Jefferson is the subject of a Federal corruption investigation, he has not been indicted. Caucus rules do not provide for the removal from a committee assignment of a member who has not been indicted. During the meeting, Rep. Steve Rothman (D-N.J.) introduced a motion to table the matter to allow time to change the rules, but he was defeated in a 91-61 vote. "In the absence of any rule, I felt this was extremely arbitrary and invited potential abuse," he told reporters afterwards.

House Minority Leader Nancy Pe-

losi (D-Calif.), who was pushing to remove Jefferson from the committee, has made the GOP's "culture of corruption" a central feature of the Democrats' campaign to retake the House in November, and Pelosi was determined to make Jefferson an example to "prove" the Democrats' superiority on ethics. Jefferson himself noted this when he spoke to reporters after addressing the Democratic caucus. "I've pointed out that it's important that we follow the rules, and not, subjectively and on an ad hoc basis, find cases that we think we can make certain points on, and then use those in ways which I think are unfair and unwise," he said.

On the day after the caucus meeting, Democratic Caucus Chairman Rep. James Clyburn (D-S.C.) brought to the House floor a privileged resolution removing Jefferson from his committee assignment, and it was agreed to without objection.

Senate GOP Feints at Federal Spending Control

The Senate Budget Committee, on June 20, approved a package of budget process reforms that, in the words of committee chairman Judd Gregg (R-N.H.), "try to put controls on Federal spending so that we can pass on to our children a budget that's balanced and a government they can afford." The Republicans call it "Stop Over Spending," or S-O-S, for short; it were better termed a recipe for disaster.

The package consists of eight provisions that, together, Gregg also labels "the Big Bang approach to controlling Federal spending." The first is a modified version of President Bush's line-item veto proposal. The second, is a mechanism that ties entitlement spending and how much it affects the deficit to the Gross National Product.

Third, is a point of order against new entitlement spending if 45% of Medicare spending comes out of general funds. Fourth, is discretionary spending caps; and the fifth item is what amounts to a BRAC (Military Base Closure Commission) for the rest of the government. Sixth, is a commission to reform entitlement programs. The seventh provision is for a two-year budget cycle; and the last provision is a reform of the reconciliation process to make it "more effective."

Sen. Kent Conrad (D-N.D.), the ranking Democrat on the Budget Committee ridiculed the Republican plan, after it was announced on June 14. "This S-O-S plan might be better termed 'Save Our Seats' because what they have come up with is a political plan," Conrad said. "It has nothing to do with a budget plan and I would submit to you the reason for that is they have been the architects of the greatest fiscal failure in the history of our country." He warned that "They would seek to create a fast track process to shred Social Security and Medicare; something they couldn't do in the normal process they seek to do with a special process."

GOP Prevents Vote on Increase in Minimum Wage

On June 21, House Majority Leader John Boehner (R-Ohio) followed through on a vow not to allow an increase in the minimum wage. A week earlier, the House Appropriations Committee had passed an amendment to the Labor, Health and Human Services, and Education Departments appropriations bill, increasing the minimum wage from \$5.15 to \$7.25 per hour, by Jan. 1, 2009. Seven Republicans joined with Committee Democrats to approve the amendment. The

bill was scheduled to go to the House floor on June 21, but Boehner pulled it from the calendar. Democrats then tried to attach the amendment to the Commerce, Justice, State Departments and the Judiciary appropriations bill, on June 20, but that effort failed in committee when five of the Republicans who voted for it the first time, voted against it the second time.

A proposal for a minimum-wage increase, sponsored by Sen. Edward M. Kennedy (D-Mass.), was also defeated in the Senate. Although seven Republicans joined with Democrats to add the amendment to the defense authorization bill, the 52 votes fell short of the 60 required under an agreement worked out earlier during consideration of the bill. Sen. Mike Enzi (R-Wyo.) offered a compromise amendment that would have provided for an increase of \$1.10 over 18 months, but even that paltry offer was rejected on a 53 to 45 vote.

Republicans trotted out the tired argument that an increase in the minimum wage would cost jobs and cause inflation. Kennedy countered that the minimum wage has not been increased for nine years, while Senators' salaries have risen by 30%. House Minority Leader Nancy Pelosi vowed to reporters on June 21 that the Democrats will show the "stark contrast" between the refusal of the GOP to increase the minimum wage, and their eagerness to permanently repeal the estate tax.

House Rubber-Stamps Bush-Cheney Iraq Quagmire

The House GOP leadership continued its tradition as a rubber-stamp for Administration policy, by bringing to the floor a resolution, without allowing any amendments, declaring its support for the Bush-Cheney war on terror—

a resolution that Democrats charged might have been written by Karl Rove, himself.

Democrats responded to the Republican ploy by denouncing it as a blatant political act. They also gave Rep. John Murtha (D-Pa.) wide latitude to shape the Democrats' response by allowing him to control the Minority's floor time, and by endorsing his opposing resolution for the redeployment of U.S. troops out of Iraq. "There's only one battle plan," said Rep. Jim McDermott (D-Wash.), "the Murtha resolution, and that's what we should be debating."

The Republicans cast the issue as if there were only two choices, "stay the course" or "cut and run." The only Republican who expressed disagreement with this line was Rep. Jim Leach (R-Ia.), who warned that the "neo-con desire for a permanent presence in a divided Muslim country is foolhardy." He further warned that continued fighting in Iraq could actually increase the likelihood of further attacks outside the region. Instead of "staying the course," he said that we should "avoid overstaying."

Prior to the debate, a number of other Republicans denounced the whole exercise. Rep. Wayne Gilchrest (R-Md.) was quoted in the June 15 *Washington Post*: "While you were in combat, you had a sense of urgency to end the slaughter, and around here we don't have that sense of urgency." Rep. Thaddeus McCotter (R-Mich.) called the resolution "strategically nebulous and morally obtuse." Rep. Walter Jones, Jr. (R-N.C.) said: "This is nothing more or less than really a charade."

The resolution passed on June 16 by a 256 to 153 vote, with 42 Democrats voting in favor, and three Republicans, John Duncan (Tenn.), Leach, and Ron Paul (Tex.), voting against.

Shultz Brings ‘Operation Condor’ to the Philippines

by Mike Billington

Although there may be no apparent direct connection between the recent wave of assassinations of “leftist” political activists in the Philippines, and the similar mass executions of communists, trade unionists, social activists, and others during the “dirty wars” of the 1970s and 1980s in Argentina, Chile, and other-Ibero American nations, the international banking figures who orchestrated these atrocities are identical. George Shultz, in particular, was a leading controller of the fascist Pinochet regime in Chile, and the murderous “Operation Condor” which wiped out thousands deemed a threat to that regime. So, too, is Shultz the key figure over the past 20 years in destroying the sovereignty of the Philippines, and forging the emerging political dictatorship in that nation.

In the Philippines, however, unlike Chile under Pinochet, the republican institutions of the nation-state are not yet destroyed. If the Shultz/Cheney regime in Washington can be removed in the near term, the patriots of the Philippines may be able to restore their republic.

Since the beginning of the Presidency of Gloria Macapagal Arroyo in 2001, between 231 and 690 (depending on who is counting and who is being counted) political and social activists, as well as 69 journalists, have been murdered. Most of the murders are by masked assassins who arrive on motorcycles, unload multiple bullets into their target, and escape untouched. Ninety-two of the murder victims were members of Bayan Muna, a group with three elected members of Congress, while 23 were members of Anakpawis, which has two members of Congress. Both are considered “front groups” for the Communist Party of the Philippines (CPP). A Police Task Force investigating some of the murders has acknowledged that military and paramilitary networks are likely responsible for many of the assassinations.

Amando Doronila, a columnist for the leading establishment newspaper in Manila, the *Philippines Inquirer*, joined his voice to the sentiments expressed regularly in the opposi-

tion newspapers, when he wrote on May 29: “Fifty years onward, past the era of military juntas in Latin America and the low-intensity anti-left insurgency campaigns in Nicaragua, Chile, and Argentina, an ostensibly civilian government is throwing back Philippine democracy to the benighted era of the white terror of an anticommunist witchhunt.”

Doronila pointed to the recent promotion of Maj. Gen. Jovito Palparan, who is suspected of a role in the extrajudicial killings, to be the Army Commander in Central Luzon, the heart of the insurgency by the New People’s Army (NPA), the armed wing of the CPP. Palparan has called for a return of the Anti-Subversion Law, to stop the Communist “infiltration of the government,” referring to the leftist organizations with elected members of Congress. Palparan has pulled 3,000 troops from around the country to add to his regular force, to deploy into 118 towns and 12 cities in Central Luzon, supposedly to achieve President Arroyo’s plan to wipe out the insurgency in two years. Perhaps a close look at the ongoing disaster of a similar plan in Iraq would be in order.

Catholic Church leaders and others have expressed outrage at the new “war on the left,” arguing that the process will only intensify the insurgency, and pleading for the peace process to be renewed. In fact, the peace process was ended by Washington, when, in 2002, it placed the CPP on its “international terrorist list,” against the wishes of the Philippines government, and despite the fact that the CPP does not carry out military operations outside of the Philippines.

Sources in the Philippines tell *EIR* that the extra money will be used to pay informers to identify civilian backers of the insurgency—targets for death squads—in the manner of British colonial counterinsurgency tactics. General Palparan largely confirmed this report when he told the press that the NPA has a small number of fighters, but that it has “a large intelligence network and support system from the civilians.” President Arroyo’s Executive Secretary, Eduardo Ermita, then made it definite, telling the press on June 22: “Anyone



PRNewsFoto/National World War II Museum

George Shultz has been the key figure in destroying the Philippines, as he was in Ibero-America during the 1970s and 1980s.

who abets the insurgency, anyone who gives comfort to the enemy, will be within the ambit of the counter-insurgency operations.”

The Push for Dictatorship

Even more damning is the fact that President Arroyo, with the backing of her Svengali, Fidel Ramos—an asset of George Shultz and the synarchist international since the 1980s—has blatantly implemented dictatorial mandates, denying the right to peaceful protest, preventing government officials and military officers from testifying before the Congress (including in regard to an impeachment effort against Arroyo), and ordering arrests without warrants. Although the Supreme Court has ruled against all three of these unconstitutional measures, the policies have continued unabated—sometimes openly, sometimes under the cover of “rogue” military operations.

For example, on May 22, five supporters of former President Joseph Estrada (who was deposed in a military coup, directed by Ramos, in 2001, placing Arroyo in the Presidency) were kidnapped by military police forces, who at first denied that they knew anything about the men’s disappearance. The military finally admitted its role, and, for whatever reason, the five were released after several days of physical and mental torture. Although some officials have been placed under investigation, the message delivered was clear.

Then, on June 16, President Arroyo authorized an additional \$20 million for the military to launch an all-out offensive against the continuing insurgency by the NPA. While fighting the insurgency is a laudable goal, Arroyo stated at the same time that, “The fight against the left remains the glue that binds.” In the context of the expanding death-squad murders, her statement is viewed as a carte blanche for terror against the “left.”

University of the Philippines Professor Randy David responded to Arroyo’s statement by noting that “equating the ‘Left’ with armed rebellion . . . sanctions the use of death

squads to silence political dissenters. . . . Our Constitution outlaws armed rebellion, but it resolutely protects freedom of thought and of speech.” The *Inquirer* issued a stark editorial on June 18: “Surrounded by a Senate that would not die, a Supreme Court that can say no, an impeachment threat that refuses to go away, and a legitimacy crisis that won’t disappear, President Gloria Macapagal Arroyo has decided to put all her political eggs in the military basket: she has declared all-out war on the left.”

The Drive To Eliminate the Presidential System

The reference in the *Inquirer* editorial to the “Senate that would not die,” refers to the effort by Arroyo, again with direction from the ubiquitous Fidel Ramos, to do away with the Senate altogether, by changing the Constitution to eliminate the Presidential system, along with its “checks and balances” between the Executive, the Legislative, and the Judicial branches of government, in favor of a unicameral parliamentary system. Lyndon LaRouche, asked recently by a Philippine official what he thought of this campaign in the Philippines, warned that, “in a crisis, the Parliamentary system tends to give you a dictatorship.” He pointed to the European parliamentary nations that fell, one after another, to fascism in the 1920s and 1930s, while in the United States, the Presidential system allowed for the emergence of a true patriot, Franklin D. Roosevelt, who not only saved the United States from the threat of fascism, but built an “arsenal of democracy” out of the ashes of the Great Depression, and saved the entire world from the fascism imposed on Europe by the synarchist banking institutions.

The institutions within the Philippines are beginning to recognize the prescience of this warning. The *Inquirer*, which generally represents the financial and political elite, published an editorial on June 13 stating unequivocally: “We believe, especially at this time when there is a growing tendency toward authoritarianism, a vigilant Senate can serve as an effective check on the Executive. The nation has seen how a politically smart President can bend the House of Representatives to her will—to kill an impeachment move, or make it pass a general appropriation bill that promotes their selfish political interests. Without a Senate, what will serve as a check on an Executive-House combine?”

In fact, the Senate is moving to block the constitutional change, drawing on the relevant constitutional provisions, such that Arroyo and Ramos will have to attempt to circumvent the Constitution in order to change it!

It is here that the Supreme Court will likely play a role. The Court in recent years has been denounced by many in the opposition as a rubber stamp for the Arroyo/Ramos faction, especially in regard to its decision to grant legitimacy to the coup against President Estrada in 2001, a coup which blatantly exceeded all constitutional bounds. However, the Court has recently made several decisions directly challenging the Arroyo push for dictatorship: a ruling that the “state of emer-



Courtesy of the Embassy of the Philippines

EIR's Mike Billington (left) questions Fidel Ramos at a forum in Washington in May 2006. Ramos's demeanor became far more serious, when he heard the questions, and admitted to his continued allegiance to George Shultz.

gency" declared by Arroyo in February, while legal, had been used by the President, in violation of the Constitution, to order arrests without warrants and other measures; a ruling that the President had illegally ordered all government and military personnel to get her personal approval before responding to Congressional requests for testimony; and a ruling that Arroyo's order to the police to forcefully disperse peaceful demonstrations was unconstitutional.

There was a revealing demonstration of the institutional response to the threat of dictatorship on May 14, when Supreme Court Chief Justice Artemio V. Panganiban gave a public address at the Philippines Embassy in Washington, D.C. With Philippines Ambassador to the United States Albert del Rosario present, the spokesperson for the embassy introduced the Chief Justice by praising him for the three recent Court decisions against the Arroyo Administration's breach of the Constitution, especially in regard to the separation of powers. Just days later, Ambassador del Rosario, who has been in his position for five years, announced his resignation, although sources in the Foreign Ministry told the *Inquirer* that he had been recalled.

The Role of George Shultz

The role of George Shultz in this push for dictatorship is direct. It was Shultz, as Secretary of State in 1986, who personally orchestrated the coup against the Philippines' nationalist leader Ferdinand Marcos, through his asset Gen. Fidel Ramos, then head of the Philippine Constabulary. The purpose of the coup was made clear by the policies of the subsequent regimes, which systematically dismantled the ambitious agro-industrial projects initiated under Marcos—including the completed, but never operated nuclear power plant in Bataan, the first and only commercial nuclear plant in Southeast Asia—and the subservience of the Philippine economy to IMF dictates ever since. The result has been a loss of sovereignty which has rendered the Philippines a des-

perate, dying nation of mass unemployment, hunger, and a population fleeing overseas as the only means of subsistence.

That this was Shultz's intention is made clear by a passage from his autobiography concerning Chile under the fascist dictator Augusto Pinochet, another regime which Shultz and his allies created, through a U.S.-orchestrated coup against President Salvador Allende in 1973. Writes Shultz: "General Augusto Pinochet came to power, bringing dictatorship and repression to the political scene. But he did restore prosperity to the economy. Chileans trained in free market economics at the University of Chicago [where Shultz was Dean of the Business School in the 1960s—ed.] applied the ideas of classical economics, opening the Chilean economy to international competition, eliminating subsidies, relying on market signals to direct investment, seeking fiscal balance and a stable monetary policy. These policies worked."

Of course, they only "worked" for the synarchist bankers who looted the nation, killed off the opposition through death squads, and used Chile as a testing ground for fascist economic policies of the sort subsequently imposed around the world, including within the U.S. itself under the Bush/Cheney Administration.

Fidel Ramos, speaking at the Center for Strategic and International Studies (CSIS) in Washington on May 12, was challenged by this author to answer to three charges: that he had served as the leading Shultz hitman in the 1986 overthrow of Marcos and the mothballing of the completed nuclear plant; that he had used the subsequent energy shortage during his own Presidency (1992-98) to justify signing corrupt contracts with Enron and others, driving the nation into bankruptcy; and, finally, that he had maintained his alliance with George Shultz as part of the ongoing neo-conservative drive for imperial power.

Ramos pled guilty on the last two issues. He said that he had just played golf with Shultz the previous day, and the two had then met with another of Shultz's fascist creations, California's Gov. Arnold Schwarzenegger. He also admitted to the "necessity" of signing the many corrupt contracts with the foreign power companies, supposedly as the only means of getting the needed electricity. However, he foisted responsibility for the closure of the nuclear facility on former President Cory Aquino, failing to mention that he had placed her in power, and that she did as she was told by those in Washington who controlled them both.

If the Shultz cabal now running the White House can be removed, by resignation or impeachment, as it must be in any case, if the world is to survive the current onset of financial collapse and the threat of global war, then the institutions in the Philippines will likely find the Filipino people finally ready and willing to throw off the yoke of foreign control, forced upon them in 1986 under the guise of "People's Power." It is time for the Philippines to return to its historic mission as the mediating culture between East and West, and as a center for leadership in science and technology for all of Asia.

Cheney and Netanyahu Conspiring for War?

by Dean Andromidas

Benjamin Netanyahu, chairman of the Israeli Likud party, met with Vice President Dick Cheney during the World Forum conference organized by the American Enterprise Institute (AEI) in Beaver Creek, Colorado, on June 16-18. According to the *Jerusalem Post*, "Netanyahu spoke at great length on the Iranian issue" with Cheney. Also at the conference was Secretary of Defense Donald Rumsfeld. The fact that the Bush Administration's two top hawks, who have been leading the charge for a military strike on Iran, were meeting with Netanyahu raises the question of whether their rendezvous constituted a planning session for a U.S.-Israeli strike against Iran.

There is no doubt what Netanyahu's message was. On June 14, in an interview with Fox News, Netanyahu blasted the idea of U.S. talks with Iran, and insisted that the regime must be changed. He told Neil Cavuto about the Iranians: "They'll be happy to help you with Iraq, as long as you don't prevent them from acquiring nuclear weapons. Once they have nuclear weapons, they'll be able to bring down Iraq, bring down Jordan, bring down the Arabian Peninsula, and get their hands on the world's oil supplies," Netanyahu raved. He added that Iran has threatened Israel with being "obliterated with one bomb, one nuclear bomb," that this was not only "one man," Ahmadinejad, but "the regime" as a whole.

It is widely known that the 1996 policy paper drafted for then-Prime Minister Netanyahu, "A Clean Break: A New Strategy for Securing the Realm," was written by Richard Perle (then with AEI), Douglas Feith, and David Wurmser, among others. Not only did many of its authors later play leading roles in the Bush Administration, but the policy served as Cheney's war plan for Iraq.

The Colorado event was closed-door and largely unreported in the media. The participants also included other Bush Cabinet members and co-thinkers: Education Secretary Margaret Spellings, Veterans Affairs Secretary Jim Nicholson, Health and Human Resources Secretary Michael Leavitt, Federal Reserve Chairman Ben Bernanke, Securities and Exchange Commission member Paul Atkins, and former Speaker of the House Newt Gingrich (R-Ga.).

During the conference, Cheney met with Farid Ghadry, the head of the Reform Party of Syria, who is an AEI fixture, and the would-be Ahmed Chalabi of Syria (the neo-cons' favorite Iraqi exile, who had no domestic following, returning

to the country after the U.S. invasion, and who was unsuccessfully groomed to become a top Iraqi leader). Ghadry's group, which has zero support inside Syria, released a statement that "Mr. Ghadry urged the United States to increase its support for democracy and human rights in Syria."

When Cheney returned to Washington on June 19, he met Likud Knesset (parliament) member Natan Sharansky, a hardliner on Iran and a darling of the neo-cons. Sharansky, shy on the meeting's details, told the *New York Sun*: "Mainly this was about democracy and about American policy in Iran. We are now trying to engage Russia and Iran on the one hand, and weakening the opposition there on the other. We need to understand the opposition are our real allies and not repeat the mistakes of the Clinton Administration." Sharansky sees the recent openings to Iran as "dangerous," adding, "I don't think I should make judgments about this administration. My role is to bring this case to the people's attention. It is so easy to go from engagement and talks and the atmosphere to make it easier for Iran to make nuclear weapons and take tough measures against dissidents."

Sharansky was in the U.S. to build support for a hard line against Iran. He appeared with Sen. Rick Santorum (R-Pa.) at an event sponsored by the Middle East Forum, which is run by top neo-con Daniel Pipes. Santorum had recently authored an amendment—which was defeated—to authorize \$100 million for the Iranian opposition. Sharansky also spoke at an event sponsored by the neo-con Heritage Foundation.

Bibi Making a Political Comeback

Since Netanyahu's decisive defeat in the March 28 elections, in which Likud's Knesset seats dropped to 12 from 40, "Bibi" Netanyahu's political career has been as comatose as former Prime Minister Ariel Sharon. At first glance, Bibi, now leader of the opposition, appears an unlikely instrument for Cheney to use in launching a U.S.-Israeli strike against Iran or any other adventure. Yet Netanyahu's political fortunes, with a little help from his friends, like George Shultz and Dick Cheney, could change over the next months.

Israeli political observers see the cohabitation government, comprised of Prime Minister Ehud Olmert's neo-liberal Kadima and Defense Minister Amir Peretz's social-oriented Labor Party, and two other parties, does not make for a stable government, and will not serve out its full four-year term. Kadima, founded by Sharon, and made up of a mixture of opportunists and dissidents who split from the Likud and Labor parties, is even more unstable than Olmert's coalition. Although no one will put money on a new election for at least another two years, there are strong reasons for Netanyahu to hope for the break-up of Olmert's coalition, with the Labor Party exiting, and bringing Bibi into the government.

In the first two weeks of June, Netanyahu made moves to put himself back on the political map. First, just prior to meeting with Cheney, he convinced Olmert to convene a forum of former Prime Ministers to advise him on the danger posed by

Iran. The forum, which met soon after Olmert returned from the U.S., consisted of Ehud Barak, Shimon Peres, and Netanyahu. The *Jerusalem Post* of June 19 noted that, as Prime Ministers, these three were the only political leaders who were fully briefed on “certain historical aspects of the nuclear policy [of Israel], agreements and assurances that bind and secure Israel to this day and in the future.” The content of their meeting was kept secret, but it is widely reported that Iran was at the top of the agenda. In past statements, Barak has “counseled a cautious tack on Iran,” Peres is known to be willing to wait out the diplomatic process, and Netanyahu has “urged preemptive action.”

The meeting’s other purpose was to bypass Defense Minister Amir Peretz (Labor Party), who has become the victim of an unprecedented campaign of criticism since taking office only a few weeks ago. After the former prime ministers’ meeting, the daily *Yedioth Ahronoth* published a cartoon showing Olmert, Barak, Peres, and Netanyahu discussing “Getting rid of Amir Peretz.” For the hawks, it is an absolute necessity to get rid of Peretz. During the election campaign, Peretz was quoted in a press interview as saying if the military option against Iran came on the table, he would do everything in his power to prevent such a disastrous course of action.

Building a New Fascist Party

Netanyahu is now working to transform the Likud from a right-wing party into an all-out fascist party. In his first major interview since his election defeat, which *Ha’aretz* published June 3, Bibi laid out his new campaign line. This time it will not be Jabotinsky’s Greater Land of Israel, but a populist campaign around fighting corruption within Israel—not the small corruption of politicians giving out jobs to their cronies (which the Likud has been accused of), but the big corruption in which politicians took bribes for selling state assets to big private business interests, and in government procurement, and became millionaires while in government. He was obviously alluding to Sharon, who remains in a coma and unable to refute the charge, and to Sharon’s successor, Olmert.

Netanyahu borrowed his other theme from one of his mentors, British intelligence Middle East expert Bernard Lewis: the clash of civilizations between radical Islam and the West. Comparing radical Islam to Nazism, he said, “We are now facing a species of Islam that rejects compromise and coexistence and believes in the need to bend rivals to its will by force of the sword. . . . When the sword possessed by those Muslims becomes a nuclear sword, the world will be a different place. All of humanity will find itself at a different point in history. . . . We will find ourselves facing new barbarians. Facing a challenge the likes of which Western civilization has never before known. . . . Two demonic forces in human existence are about to merge: The dark side of human nature and nuclear weapons. . . . This is a turning point in human history.” He declared that Iran must be prevented from gain-

ing nuclear weapons at all costs, “We must be prepared for the possibility that we will have to defend ourselves with our own forces.”

Within ten days, the Israeli press reported that Netanyahu crony and Member of Knesset Yisrael Katz (Likud), was plotting to unite Likud with the ethnic Russian party Yisrael Beiteinu (Israel Our Home), led by fascist populist Avigdor Liberman, under the name “Likud Our Home.” If successful, the new party would have 24 seats, making it the second largest party in the Knesset.

“Liberman became more moderate than the Likud in the last elections,” one Likud official told Ynet on June 13. “I am not sure it will be that difficult to convince him to join Likud. This will be his chance to turn himself into the legitimate leader of a large political body. For Bibi, this could be his opportunity to ‘swallow’ Israel Our Home and lead a large party.”

What “more moderate” means for Liberman, is that he would support the withdrawal of some Israelis from the West Bank if Israeli Arabs withdraw from Israel. Moreover, Liberman had been a Likud member and served as chief of bureau in the Prime Minister’s Office under Netanyahu. It is believed Liberman left Likud to form his party as a stalking horse to build support in the Russian community for Netanyahu. His political advisor during the last elections was U.S.-based consultant Arthur Finkelstein, who had previously advised both Netanyahu and Sharon in Israeli elections, as well as New York Republicans, former Sen. Alfonse D’Amato and Gov. George Pataki.

On his return from Colorado, Netanyahu moved to split the World Likud Organization when its annual congress in Jerusalem failed to elect his candidate, MK Yuval Steinitz, in favor of the Likud youth group World Betar chairman Danny Danon, who represents the traditional Jabotinskyite line that rejects any withdrawal from the Occupied Territories, which is the position of many Likud members and supporters outside Israel. Steinitz, by contrast, is a straight Netanyahu crony and has a hard-line position on Iran. Netanyahu is expected to form a “New International Likud” with someone like Sharransky as head.

With Likud holding a huge debt of \$40 million, Netanyahu has been seeking new financial support from Russian-Israeli tycoon Arkadi Gaydamak, a reputed arms dealer, who is currently under investigation for suspected money laundering through Bank Hapoalim. Due to his unsavory reputation, Israel’s top politicians avoid him. But it did not stop Bibi from meeting him at the high-profile King David Hotel on June 13. Gaydamak owns two of the Israel’s leading football and basketball teams, and spreads his charitable contributions far and wide throughout Israeli society, to build a considerable base of support. Gaydamak—who tried to launch his own political party, Betar, a name often associated with Likud—would serve as a valuable asset to the type of fascist party Netanyahu is trying to build.

Alleviating Suffering, Or Preventing War?

by Muriel Mirak-Weissbach

Ninety percent of all victims of war are civilians, and the lion's share of them are women and children. They are counted among the dead and wounded, but also among the victims of rape, ethnic cleansing, and expulsion from their homelands. Cast off into foreign lands, they live as refugees or recipients of asylum, if they are lucky; if not they are condemned to live the life of "illegals," struggling to eke out a subsistence for themselves and their families. Children who are separated from their families, by war, or who are thrown into destitution, are recruitable as child soldiers, and find in their new combat brigades a surrogate family.

This is the picture of the ravages of war, painted as if by a Breugel or a Bosch, by speakers at a conference on "Enhancing Human Security," held in Kuala Lumpur, Malaysia, June 13-14. Organized by the Institute of Tun Dr. Mahathir's Thought (IPDM), together with the International Committee of the Red Cross (ICRC), the conference gathered experts, academics, and humanitarian aid organizations from Malaysia, Thailand, Japan, Singapore, and many European countries.

Not only the suffering was depicted, but also the valiant efforts made by humanitarian aid organizations, like the Red Cross, to alleviate the suffering of the civilian populations. As Werner Kaspar, head of the Kuala Lumpur Regional delegation of the ICRC, stated, "The concept of human security encompasses comprehensive protection of an individual or population from threats in armed conflicts and wars as well as poverty and impoverishment." He said the conference would address the "respect for human dignity, the protection of civilians in time of war, and . . . the needs of refugees." The ICRC, he reported, is active worldwide, in 80 countries, with 12,000 staff.

Yet, their work is not without hazard. As Florian Westphal, Regional Communications Advisor of the ICRC, noted, the ICRC is under attack in many localities, which makes it impossible for them to deliver aid. He further cited the danger of instrumentalization of humanitarian aid, saying that if military forces are used for such efforts, for example, the neutrality of such aid groups is called into question.

Another serious problem connected to such efforts, as identified by Malaysian Minister of Foreign Affairs Datuk Seri Syed Hamid Albar, is that interventions organized to

redress human rights violations, are often pretexts for violation of national sovereignty and territorial integrity. Here he cited the cases of Afghanistan and Iraq.

The conference participants explored in great detail these and other paradoxes faced by agencies committed to providing relief for victims of war. Political, as well as humanitarian considerations were addressed, for instance, how to provide health services to the "illegals" or migrant workers, how to deal with refugees and asylum seekers, how—in sum—to guarantee that international law, and the guarantee of human rights, be implemented for those victimized by armed conflict.

The tasks assumed by the humanitarian organizations and governments in this respect can be described only as Herculean. At the same time, the enormity of the human suffering documented, and the sense one inevitably gets, given the new conflicts that continue to break out almost weekly, that we are dealing with a tragic "fact of life," tends to reinforce a pragmatic acceptance of an unending spiral of violence, conflict, and social dislocation.

Would it not be possible to redefine the problem from another standpoint, and seek new avenues towards a solution? Would it not be possible to shift the focus of attention?

This author, who addressed the opening session of the conference, attempted to address this issue by identifying in the United States, that faction currently driving for war, and outlining the political fight ongoing in Washington and the nation, to deprive the Cheneys, the Rumsfelds and so forth, of their positions of power. So long as such a political cabal is in office, and so long as the leading superpower violates the Geneva Conventions respecting treatment of prisoners of war and civilians, there can be no meaning to international law. Those who are in violation must be removed from power. Furthermore, this author identified the causes for war—most immediately, the drive for an attack against Iran—in the financial-monetary-economic crisis: The international financial interests currently gripped by a breakdown crisis, are attempting to maintain their political power through military means. Thus, an effective war-avoidance policy must entail efforts to reform the system, to create a new, just world economic order, based on cooperation among sovereign nations, which therefore, have no cause for conflict.

Conflict Prevention

The issue of war prevention was touched upon at the conference, albeit obliquely. In one session, interfaith dialogue was discussed as a means for preventing conflict. In the final session, a round table dialogue of three speakers, including this author, with former Prime Minister Tun Dr. Mahathir bin Mohamad, conflict prevention was addressed. Dr. Mahathir stressed the state of human *insecurity* in today's world, citing the fact that heads of state (George W. Bush) cannot travel freely without massive security precautions, and ordinary civilians of certain nations (e.g., the United States) are targeted

by terrorism, because of their nationality. He also gave a bleak picture of the human insecurity situation in Palestine, and in Iraq.

Dr. Mahathir stressed that to prevent conflict, in the form of what is called “terrorism”—but is sometimes actually a struggle for liberation from occupation—the causes must be removed. To prevent war, Dr. Mahathir presented his concept—also to be elaborated in an international conference of his scheduled for June 20-22 on Global Peace—of organizing candidates for political office to sign pledges not to wage war, as a condition for their support. In a round table discussion, as well as in an interview with *EIR*, he cited cases in the United States, where mothers of soldiers killed in Iraq had launched such a movement.

But, no matter how noble the sentiments behind such a concept, reality—especially the brutal reality of the last five

years—teaches that pious commitments for the Good may be easily ripped apart by political pressure. How many “peace-loving, anti-war” Senators and Congressmen in Washington capitulated to the lies about Iraq’s presumed weapons of mass destruction, and voted for war?

In this light, one idea that might be presented to the organizers of the Kuala Lumpur conference for consideration, is to follow up their important exchange of ideas and deliberations, with a gathering dedicated to effective prevention of conflict, through the establishment of a world order of sovereign nation-states, committed to peace through economic development. Once such an order were realized, the ICRC and similar organizations would not be unemployed; rather, they would be faced with the happy task of repatriating displaced persons, illegals and refugees, reuniting families torn apart by war, and returning them to their nations, restored to peace.

Interview: Dr. Mahathir bin Mohamad

We’re Discussing Alternatives To the Bankrupt Dollar System

Tun Dr. Mahathir bin Mohamad is the former Prime Minister of Malaysia. Muriel Mirak-Weissbach interviewed him at a conference of the Perdana Leadership Foundation, Putrajaya, Malaysia on June 14, 2006.

EIR: We in the LaRouche movement are focussed on the very tumultuous developments in financial markets. Mr. LaRouche issued a forecast on April 20, saying that, unless current policies were radically altered, the entire dollar system could come crashing down by September. What is your view?

Dr. Mahathir: Well, whether or not it is that dramatic, it is certainly on the way. It will happen, unless of course measures are taken, if the U.S. were to cut spending and not live on borrowed money. The [U.S.] deficit is terrible, it cannot be paid. The only thing that keeps the U.S. going is that people still accept the U.S. dollar in payment for goods. But that is slowly being changed now. Many countries now would like to use other currencies—the euro or the yen or even gold. But the U.S. is threatening them. Even if a few countries refuse to accept the U.S. dollar, it will depreciate some more.

Considering that the U.S. is technically bankrupt, the money will have no value at all. Then the U.S. will be in a terrible state. And since the U.S. is also a big market for a lot of things produced in this world, the loss of this big market will have a terrible impact on the economies of Asia. Malaysia

is a small country, but it is the tenth biggest trading partner of the U.S.A. Our trade is valued at \$44 billion with the United States. This is out of a total of almost \$200 billion—more than 20%. So if the U.S. loses its capacity to buy, of course, it will affect all of us. It will affect a lot of other countries as well, for example, China.

EIR: In the U.S., many are pushing China to revalue its currency, which would devalue the dollar—

Dr. Mahathir: If you ask the Chinese to revalue the renminbi, you’re in fact saying that you want to devalue the U.S. dollar.

EIR: This is the reason why they’re doing it. Some in the Greenspan faction, think a weaker dollar would reduce the deficit. But since the system is a dollar system, it would have the effects you mentioned. It looks as though the dollar is doomed.

The other issue is the speculative flight into raw materials—not only oil, but also gold, silver, platinum—you name it. The prices have exploded in an inflationary spiral. This indicates in our view that speculators are thinking that if the monetary system is going under, and the dollar system is going to crash, then they want to have some “real wealth” in their hands.



EIRN/Muriel Mirak-Weissbach

Dr. Mahathir bin Mohamad at a conference in Cairo, March 2005, during an interview with EIR. The U.S. is no longer the dominant world trader, he said in his current interview. "This is something the U.S. refuses to admit. It's in a state of denial. This is what is causing the problems: The U.S. refuses to face the issue, and the issue is that the U.S. is going to become poor."

Dr. Mahathir: Tangible wealth.

EIR: Yes. So what should be done at this point? If the system collapses, as you said, this means that countries dependent on U.S. markets are going to be badly hit. Have you been in discussions about this, or thinking about overall monetary reform?

Dr. Mahathir: Not in organized discussion, but, of course, we all talk about the U.S. dollar, which basically has no value at all, except that people still use it. But when the U.S. keeps insisting that other people revalue their currencies, what the U.S. is saying, is, that it will devalue the U.S. currency. The U.S. is dependent, to keep its cost of living low, on imports. China is helping the U.S. to keep prices low. But if you revalue the renminbi, effectively devaluing the dollar, the U.S. will not be able to buy Chinese products or products from other countries. That will put a very heavy burden on the people of the United States. They will then demand higher pay, in order to be able to continue to buy.

The U.S. could reduce its huge expenditures on defense. They're spending trillions of dollars on defense. These are non-productive things; they give no return. There is nothing you can get out of producing arms. You sell them to your military, you sell to other countries, but weapons give no return. So if you keep on spending money on weapons, obviously the economy will suffer. The value of your currency will be affected and eventually you must become poor. One of the things the U.S. cannot accept is to become poor. But if you devalue your currency, and tell others to devalue theirs, you're telling people, "Please make us poor."

EIR: The U.S. is poor, in terms of real economic productive capabilities. Look at what's happening to General Motors and Delphi.

Dr. Mahathir: Most of them are failing and they are not able to cope with the productivity of the rest of the world. What they want now is to have regulated trade—not deregulation, but regulated trade. This is what the FTAs [free trade agreements] are all about. They want to make money outside the U.S.A. The U.S. can offer very little. Unless the U.S. makes its industry competitive, it is going to go down, and down. There is no way you can stop it, unless they stop producing arms and concentrate on reviving industry and adjusting to the new environment in the world. The U.S. is no longer able to dominate the world market. It is no longer the dominant trader. It is actually now very far behind Japan, Korea, China, and even European countries. This is something the U.S. refuses to admit. It's in a state of denial. This is what is causing the problems: The U.S. refuses to face the issue, and the issue is that the U.S. is going to become poor.

EIR: There has been a great deal of discussion, in the midst of the market crashes, of the need for monetary reform. Even the financial press, like *Handelsblatt* in Germany, and others, have talked about the coming crash, something bankers usually don't like to talk about in public. And this financial dynamic is what is fueling a drive for war. There are forces in the U.S. who see war as a means of maintaining their power. I saw in the wires the other day that you too were talking about war, about "World War IV."

Dr. Mahathir: If you take the Cold War as the Third World War—there was some fighting during that period; it was not entirely a peaceful period. The present attacks against Iraq and the planned attack against Iran, and the huge amount of money spent on what constitutes a war on terrorism—. But there is a basis for this terrorism, which the U.S. refuses to acknowledge. And because you refuse to acknowledge the causes, you cannot deal with it. They believe strongly that, by using military force, they can deal with everything. But Iraq is a disaster. I pointed this out. I wrote to President Bush, not to attack Iraq; I wrote to Blair; I wrote to Chirac—because it would worsen the security situation, terrorism. But you can see, they can't get access to [Iraq's] oil, and the oil price still goes up. The amount of money they spend in Iraq is enormous.

And that is going to be the pattern. These days you don't conquer a country, defeat it, sign a peace treaty, and everything is over. You may conquer and defeat the government, but the people will continue to fight, and you will have to keep up a huge military presence, in order to get something out of your sacrifices.

What's the good of going into Iraq? Okay, you remove Saddam Hussein, but the country is still against you. So this is costing the U.S. huge sums of money. And there is the dilemma: If you leave, you will revert to the same kind of regime; if you stay there, the cost is prohibitive.

So if you try to solve your *financial* problems through another war, it may divert attention, but this financial problem is going to get worse.

EIR: What do you see as the solution to the financial crisis? You know we are calling for a New Bretton Woods.

Dr. Mahathir: I think we have to sit down and discuss, we have to think in terms of something which has intrinsic value. Pieces of paper with figures on them actually mean nothing. You call it one dollar today; the next day it is really not one dollar. I've got a note with me, of 500 billion dinars, issued by Yugoslavia. You can print anything you like on these pieces of paper. Nowadays, you don't even have paper currency notes: It is figures on the computer screen. And you talk about selling this and buying that, and transferring money and all that. It's all figures on a computer screen. There's nothing tangible; if anything happens, you can't cling to it.

But if you have, say, full backing by gold, or some other precious metals, and the gold is there, and it is backed by the government, and the trading is valued in gold, then people will feel much more secure. The value is there; it is tangible.

Money is not a commodity. This is where the currency traders are wrong. It is not a commodity. You cannot trade money. You can trade coffee, tea, sugar, whatever. If anything happens, you have the tea or coffee. That's why I keep this bill of 500 billion dinars with me. It's ridiculous.

EIR: Has there been further discussion of the gold dinar? or other arrangements on an Asian level?

Dr. Mahathir: We have time. Many countries, the moment they talk about a gold dinar, come under pressure. They are unwilling officially to make use of the gold dinar. But privately, people are actually valuing their transactions in gold—not governments, and it's not currency, because only governments can issue currency. But they have gold equivalents, and they are trading using this.

EIR: In Asia?

Dr. Mahathir: Largely Asia and the Arabs. But these are private. They're trading on the Internet, also giving the values in gold. It's trade between entities, private companies.

EIR: What about Malaysia? How has the ringgit been affected since the reintroduction of a relatively floating exchange rate?

Dr. Mahathir: You know that, to overcome the financial crisis of 1997-98, we decided to peg our ringgit to the U.S. dollar, at 3.8 ringgit to the dollar. This was done by the government, not the market. The government can change the exchange rate if it wants to. And I thought that, since the U.S. dollar is obviously depreciating, then the ringgit should be pegged at a higher value. But the present government has different ideas: They decided to float the ringgit. Of course, it has strengthened; not as much as it should, because it is much stronger than the market was willing to accept. And also because I think the Central Bank regulates it, because it is kept within a certain range.

When you find that it is not strengthening to the degree it

should, two things happen. Number one is that the depreciation of the U.S. dollar results in the depreciation of your currency, and therefore the price of imports goes up, including oil, whereas if you fix the ringgit at a higher value, the price of the oil will not go up so much. That is one of the things that happen when you allow a float. When a currency is not given its real value, you have to pay the price, in terms of the currency to which it was tied, and that is the U.S. currency, which has devalued.

Secondly, if you fix the exchange rate, you are in a position to manage your economy better. Because people tend to profiteer. When the currency strengthens, they do not give the benefit of the stronger currency to the price of goods; they still sell at the old price. Which means that you are paying the old price with a stronger currency, and then you lose money. But if it is fixed by the government—say it is strengthened by 10%, it follows that imported goods must be cheaper by 10%. But because this is the market—you don't know when it is going up, when it is going down—the government cannot insist that the prices of goods should be cheaper. So you lose that maneuverability. You lose that power to gain from the movement of your currency.

In Malaysia today, there is a lot of unhappiness, because the price of goods has gone up, but the currency itself has actually strengthened. So you're paying much more than the actual price. . . .

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