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## From the Associate Editor

We highlight this week, as we did last, the momentous fight that is raging in the U.S. Senate—where the history of the planet for years to come is being determined. As Debra Hanania-Freeman explains in our *Feature*, the work of the Senate has ground to a standstill, as Dick Cheney and his minions pull out every dirty trick and pressure tactic in the book, to prevent the emergence of a bipartisan coalition on vital policy issues—against the insanity of the Bush Administration. On the other hand, the Democratic Senate leadership and traditional Republicans are not budging in their principled insistence on the Senate’s Constitutional role to give “advice and consent”—not to be dictated to.

Lyndon LaRouche’s role in this battle has become decisive, as you can see by reading his dialogue with the Senate during and after his June 16 webcast. The questions posed to him by Senate offices reflect the utmost seriousness, grappling with the economic breakdown crisis, in particular, in a way that almost none of these people are yet willing to do publicly. The issue for them is not whether the crisis LaRouche has been forecasting is really here—they know that it is—but rather, what to do about it.

We also document the growing fractures in the Republican Party caused by Cheney’s sociopathic rampage (see *National*). The explosive *Investigation* section reports on the dirt that is coming to light in Ohio, on how the 2004 election was stolen by the Bush-Cheney-Rove machine. Adding to the earlier, well-documented reports of voter suppression, there is now the stench of financial corruption, as public funds found their way from the state Bureau of Workers’ Compensation into the coffers of the Bush-Cheney 2004 re-election apparatus. These and other developments make the Watergate burglary look petty by comparison.

Elsewhere in the issue, we show both the disastrous effects of globalization (as in the flood of Mexican immigrants to the United States), and the growing revolt against these policies. Notable are our interviews with Germany’s Prof. Karl Albrecht Schachtschneider on the European Constitutional Treaty, and Italy’s Hon. Antonio Parlato on the marginalization of the Mediterranean countries under “unbridled globalization.”

*Susan Welsh*

# EIR Contents

## Cover This Week

*Lyndon LaRouche:  
A bipartisan  
coalition in the  
Senate should say  
“Scat!” to Dick  
Cheney.*



Navy/Journalist 1st Class Kristin Fitzsimmons; EIRNS/Stuart Lewis

### **4 The Battle for the U.S. Senate: It’s Cheney vs. LaRouche**

President Bush’s tenuous grasp on reality is growing weaker in the face of mounting opposition from even his own party, while Vice President Cheney is trying to block bipartisan cooperation in the Senate by any means necessary. Lyndon LaRouche points out that Bush and Cheney have already provided sufficient grounds for removal from office, and that the time had come for members of the Senate to step forward and tell the American people the truth. “If a core of the Senate leadership go to the American people and tell them that this is the way it is, the people will listen,” LaRouche said in his June 16 webcast.

### **7 LaRouche in Dialogue With the U.S. Senate**

LaRouche’s discussion—both oral and, later, by e-mail—with Senate sources who sent questions after his webcast address on June 16.

## National

### **24 Senators Battle White House on Issues of War, Torture, Vets**

While the most dramatic confrontation between the Senate and the White House is on the issue of the nomination of John Bolton as UN Ambassador, the points of contention, on a bipartisan basis, are expanding daily. At least a dozen Senate Republicans have “crossed” the Cheney-Rove team, by challenging Administration policy on various issues.

### **27 Hysteria in the Shultz Camp: The Incredible Shrinking Governor**

California’s Arnold Schwarzenegger is plunging in the polls, and has announced a special election to try to boost his “reform” agenda.

### **29 Save Walter Reed Medical Center From the Scrapheap**

An interview with John R. Pierce, M.D.

### **32 Congressional Closeup**

## Investigation

### 34 Ohio Funding Scandal Leads to Bush-Cheney Election Theft

Federal and state investigators are probing whether missing and lost funds from the Ohio Bureau of Workers' Compensation were used to help the Bush-Cheney ticket steal the November Presidential elections in that state. Without Ohio's electoral votes, Bush would not be President.

### 35 Missing Funds

### 36 Voter Suppression in Ohio

### 38 Privatization: A Model for Corruption

## Interviews

### 29 John R. Pierce, M.D.

Dr. Pierce, Colonel Medical Corps, U.S. Army (ret.), is the Medical Inspector for the Veterans Health Administration and an expert on Walter Reed Army Medical Center.

### 42 Prof. Karl Albrecht Schachtschneider

Professor Schachtschneider has filed a lawsuit against the European Union's proposed Constitutional Treaty. He is Professor of Public Law at Erlangen-Nürnberg University, and a specialist in European law, who has battled the supranational EU structure.

### 62 Antonio Parlato

A leading member of Italy's National Alliance party, Hon. Parlato is a former parliamentarian and former Undersecretary of the Budget Ministry.

## International

### 40 It's Time for Maastricht's Control Over Europe To End

At the European Union summit on June 16-17, leaders had to acknowledge that the proposed Constitutional Treaty is at an impasse, after the rejection of the plan by voters in France and the Netherlands. Scrapping the Constitution altogether is in Europe's best interests.

### 41 Zepp-LaRouche's Campaign: What Schröder Didn't Say

### 42 Europe Should Establish Itself As a Republic of the Republics—Not As a Super-State

An interview with Prof. Karl Albrecht Schachtschneider.

### 53 LaRouche Replies to Ibero-American Queries Provoked by his Webcast

### 58 Iran Elections: Are the Neo-Cons Backing Extremists?

### 60 Russian Editor: Revive 'National System of Political Economy'

### 62 Italy Is Endangered by Unbridled Globalization

An interview with Antonio Parlato.

## Economics

### 64 Free Trade Means Slave Labor: What's Behind the 'Hispanic Immigration Crisis'?

The cause of the immigration flood from Mexico is the collapse of that nation's physical economy, under free-trade policies.

### 69 Sometimes, Nature Conspires

Lyndon H. LaRouche, Jr. comments on the supposed paradox respecting U.S. interest rates.

### 70 Will Congress Help Bush Kill Passenger Rail?

## Editorial

### 72 A Very Powerful Weapon

## The Battle for the U.S. Senate: It's Cheney vs. LaRouche

by Debra Hanania-Freeman

With just days to go before the Congress adjourns for its traditional July 4 recess, the U.S. Senate has been rendered almost dysfunctional because of unrelenting White House pressure on Senate Majority Leader Bill Frist and the GOP leadership, in the face of intractable opposition to the Bush Administration's agenda.

Lyndon LaRouche, in his June 16 webcast, placed tremendous responsibility on the Senate, as the key institution of government under the U.S. Constitution, with the authority to act and provide systemic leadership during this time of great crisis, when the United States is faced with the greatest financial and economic collapse in modern history, and at a time that the inescapable truth is, that the President is mentally and intellectually incompetent to serve.

LaRouche stated: "[George Bush] has shown that mental incompetence: A man who says, as President of the United States, in a time that the national credit of the United States is in jeopardy, that U.S. government bonds are worthless, nothing more than worthless IOUs, that man is obviously mentally ill. And I think that mental illness is sufficient cause to remove him from office. The only problem in removing George from office is that, you've got to get rid of Cheney, too! Because Cheney is a sociopath, a killer! And you cannot have *that* guy in the White House."

At the time that LaRouche delivered his address, a bipartisan coalition of U.S. Senators, representing the majority of that body, had just successfully put down what was explicitly recognized as an attempted coup d'état by Vice President Dick Cheney and company, by defeating Cheney's so-called "nuclear option." LaRouche identified that group as the nucleus of a bipartisan concert of action that could be mobilized under his leadership to launch an economic recovery.

However, as George Bush's already very tenuous grasp on reality grows weaker in the face of mounting opposition from even his own party, Cheney is being increasingly driven to try to hold the situation together, and block the emerging bipartisan cooperation by any means necessary.



White House photo/Tina Hager

*Senate Majority Leader Bill Frist is under crushing pressure from Vice President Dick Cheney and White House political guru Karl Rove, not to give an inch toward compromise with the emerging Senate bipartisan coalition. Seated here with President Bush are Frist (right) and Speaker of the House Dennis Hastert (left). Cheney looms in the foreground.*

Majority Leader Frist found himself repeatedly overruled by Cheney when Frist was engaged in negotiations with Democratic leader Harry Reid to avert a showdown on the nuclear option. Since then, Frist has faced repeated public humiliation at the hands of Cheney's outright thuggery.

Immediately after the defeat of Cheney's nuclear option, it was common knowledge on Capitol Hill that the Vice President had demanded, against Frist's personal judgment, that Senate Republicans escalate the fight to confirm John Bolton, Cheney's personal pick for U.S. Ambassador to the United Nations. Democrats had moved to block the Bolton nomination from coming to a vote, because of the White House's arrogant refusal to turn over certain information that Democrats believe is crucial to determining Bolton's fitness for the post. On May 26, acting under orders from the Vice President, Frist forced a vote to end the debate on Bolton and proceed with an up-or-down vote. For the second time in a week, Frist was dealt a humiliating defeat, when he couldn't muster the needed 60 votes to end the debate.

At the time, Democratic Senators Joe Biden (Del.) and Chris Dodd (Conn.) made clear that the White House could have their "yes-or-no" vote on Bolton "within 10 minutes of Dick Cheney's agreement" to turn over documents that the Senate is constitutionally entitled to. The White House, in another arrogant snub to the Senate's institutional rights, said no.

By late in the week of June 13, Frist's position hadn't improved. But, despite the fact that the Republican leadership could not identify even a single vote changed in favor of

cloture, Cheney—in an absolute refusal to face reality—insisted that a cloture vote be scheduled. The Senate voted on the question again on Monday, June 20, and again, the measure failed. In fact, this time, Republican George Voinovich (Oh.), who publicly opposes Bolton's nomination, but who was willing to let the nomination come to a vote, changed his vote and voted with the Democrats opposing an end to the debate.

Democratic leader Harry Reid (Nev.) made clear that the issue was no longer merely one of the merits of the nomination, but had emerged as a vote in defense of the Senate's institutional responsibility of advice and consent. "They put partisanship ahead of the Constitution and the Senate's right to receive information from the executive branch of government," Reid said. "Unless the President comes forward with information which we're certain we're constitutionally entitled to, Bolton will not get enough votes" to end debate on his nomination and move to a decisive vote.

The Administration threatened to follow its failure with a "recess appointment" of Bolton, which would put him at the United Nations until the end of 2006. Secretary of State Condoleezza Rice, speaking on behalf of an Administration that has repeatedly violated the Constitution, preached to the press that such an appointment was the President's Constitutional right. The statement infuriated the Democrats, and met with near uniform opposition by Senate Republicans, who rightly asserted that such an appointment would be a glaring sign of Bush's weakness. Frist issued a public statement that he would not seek another cloture vote, instead

favoring some negotiated agreement on the documents in question. Then, on June 22, Sen. Trent Lott (R-Miss.) called on the White House to give the Democrats the documents they are demanding. There were growing rumors that Republican leaders were urging the President to make another nomination for the post.

Within hours, Senate Republicans were dragged back to the White House. According to Administration sources, Cheney personally persuaded Bush to order Frist to keep fighting for an up-or-down vote and, indeed, at the meeting the Tennessee Republican was told in no uncertain terms that the White House would tolerate no compromise and no backing off. Frist emerged from the meeting and once again humiliated himself by reversing the position he had taken just hours earlier.

The same meeting produced an elaborate scheme to protect Bush from conceding defeat on his obsessive commitment to privatize Social Security, by introducing a package of new legislation that Democrats slammed as nothing more than an elaborate bait-and-switch gimmick.

As even Frist acknowledges, Cheney, as President of the Senate, has usurped the role of meeting with Senate Republicans every Tuesday to dictate the week's agenda. And, although such an overt role by Cheney makes him more vulnerable to a fall, it has also created a situation in which the Democratic leadership is increasingly questioning whether there is any point at all in talking to Frist and the GOP leadership, who have been rendered virtually impotent. The situation is not only contentious, but has brought deliberation to a virtual halt.

## **Roving Idiots**

Despite growing discontent from members of its own party, the Administration seems intent on plunging deeper into the abyss. On June 22, President Bush's chief political advisor, Karl Rove, delivered a speech at a Conservative Party dinner in New York City, just a few miles from Ground Zero, in which he blatantly lied and mischaracterized the Democratic response to the events of Sept. 11. Rove said that Democrats "saw the savagery of the 9/11 attacks and wanted to prepare indictments and offer therapy and understanding for our attackers." He said that the Democratic Party called for "moderation and restraint" after the terrorist attacks. "We saw the savagery of 9/11 and the attacks," Rove said, "and we prepared for war."

Democrats were outraged by the vicious dishonesty and partisan nature of the comments. Sen. Charles Schumer (D-N.Y.) immediately issued a statement saying that New York has been unified regardless of party affiliation since Sept. 11, and "to inject politics into this and to defame a large number of people is not only outrageous, it is not what New York and America is all about." Sen. Frank Lautenberg (D-N.J.) said that nearly 3,000 Americans died on Sept. 11 and "we should not dishonor their memory by using that

tragic day for political trash talk."

During a hearing before the Senate Armed Services Committee, in which Defense Secretary Donald H. Rumsfeld and other military leaders testified, Sen. Hillary Rodham Clinton (D-N.Y.) read Rove's statement and urged them to reject the remarks. "I would hope that you and other members of the Administration would immediately repudiate such an insulting comment from a high-ranking official in the President's inner circle," she said. The hearing became so contentious that before it was over, Sen. Edward Kennedy (D-Mass.) called on Rumsfeld to resign. And, before the day was over, Clinton, Schumer, and Sen. Jon Corzine (D-N.J.) held a press conference, again calling on the President to repudiate the remarks.

They pointed out that three days after the terrorist attacks, the Senate voted 98-0 and the House voted 420-1 for a resolution authorizing President Bush to use all necessary and appropriate force against those responsible. After the votes, Mr. Bush issued a statement which said, "I am gratified that the Congress has united so powerfully by taking this action. It sends a clear message—our people are together, and we will prevail."

As Democratic outrage mounted, Democratic Party Chairman Howard Dean called Rove's remarks divisive and damaging. Senate Democratic leader Harry Reid, in a stinging rebuke, demanded a full and complete apology from Rove and stated on the Senate floor that Rove should resign.

The White House rejected the demands. At a White House press briefing, Press Secretary Scott McClellan defended Rove and insisted that Rove was just "telling it like it is."

Although the opposition to the Administration's increasingly desperate behavior is growing among Republicans, and Democratic opposition is hardening, the immediate problem is that Senate deliberation has come to a virtual halt.

Lyndon LaRouche, whose leadership since the November election has become increasingly decisive, was in no mood to compromise. Reiterating statements he made in his June 16 webcast, LaRouche stressed that with a President who has proven to be thoroughly incapable of coping with the current crisis, nothing can be allowed to impede the ability of the U.S. Senate to function. LaRouche said, "The American people have the right to know that all aspects of this nation's domestic and foreign policy have been rendered dysfunctional because of White House pressures on the Senate, applied in the person of Dick Cheney." LaRouche pointed out that both Bush and Cheney have already provided sufficient grounds for removal from office, and that the time had come for members of the U.S. Senate to step forward and tell the American people the truth. LaRouche said, "If a core of the Senate leadership go to the American people and tell them that this is the way it is, the people will listen."

*Some questions and answers from LaRouche's webcast immediately follow.*

# LaRouche in Dialogue With the U.S. Senate

*Here is Lyndon LaRouche's discussion with Senate sources who sent questions following his webcast address on June 16. A few additional questions and answers have been included, where they pertain to issues of immediate concern to the Senate. Other questions came in from labor leaders, state representatives, youth, and others, and can be viewed in the archive at [www.larouhepac.com](http://www.larouhepac.com). The dialogue was moderated by Debra Hanania-Freeman, LaRouche's spokeswoman.*

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## Recognize the Synarchist Enemy

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**Freeman:** We have a great number of institutional questions that are coming in either by phone or by Internet, and I will read those and Mr. LaRouche will answer them. . . .

Lyn, the first question, similar to the webcast in April, has come from the Democratic leadership of the United States Senate. And the question is as follows:

“Mr. LaRouche, as I think you know, we were very relieved on May 23, and consider that to be a great victory, not for one party or another, but for the nation. We were extremely hopeful that with the so-called ‘nuclear option’ behind us, that we could move forward with the nation’s business, because, to be sure, there is no shortage of issues that require urgent attention.

“Unfortunately, that has not occurred. And, in fact, it may be the case, that the situation has worsened. Because the GOP leadership in the Senate has not been able to deliver on what the White House was demanding, they’ve been largely rolled over. And what most Americans don’t know, is that the Senate’s agenda is now being largely dictated directly from the Vice President’s office. The spirit of bipartisanship is on the way to being completely squelched.

“I don’t know if you’re familiar with the President’s remarks in Washington two days ago, at a Republican fundraiser.<sup>1</sup> Those remarks were not only extreme, but they were reiterated and emphasized by the White House the following day. From where we sit, those remarks made clear that there is absolutely no interest on the part of this White House in working out any mutually agreeable solutions to the grave and urgent problems that we face. And although we do have some very specific questions on matters of policy, that hopefully will be addressed during the course of the question and

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1. Speech to 2005 President’s Dinner, June 14, 2005.  
See [www.whitehouse.gov](http://www.whitehouse.gov).

answer period, this is really a very specific question, in terms of overall strategy or tactics, because, from here, I’m beginning to have some doubts as to whether we really did succeed on May 23.

“Very specifically, I understand what you’re saying in terms of the approach we have to take to policy. But how do we approach this very immediate problem that we face, with a White House that seems to have no desire to work anything at all out?”

**LaRouche:** Well, I told people, you have to think like the great military commanders of modern history, and older history also. You’re in a war. The war is not with Cheney as such, though he’s a figure on the field. I think you’d probably ask his wife who’s running him, because I don’t think he knows.

But in any case, I know where the problem comes from: We all *should* recognize where the problem comes from. If we don’t recognize what the real authorship of the problem is, we’re going to make mistakes. And I think one of the problems you have in politics is, you know what I do, those of you in the Senate, who’ve had a good chance to see what I do and how I’ve acted recently in this matter: That I say things you would never consider saying publicly—and I say them publicly. And I speak like a commander in warfare, because I think I should have been President anyway: We wouldn’t have had this mess to begin with. But, times being what they are, pay-in being what it is, that’s past. Now, I’ve got to get you guys, in positions of leadership, to do what I would have been willing to do, earlier.

And therefore, I use the language of a commander in warfare. Because, if we have to think that way, then we put ourselves in the right frame of mind for dealing with a situation of the type that we face. We don’t face an issue: We face an existentialist threat, of the type otherwise associated with major war. It’s a situation like World War II.

We’ve come into a time, in which the planet has been increasingly dominated by groups of financier interests, of a certain type. These are the people who you were warned against by President Eisenhower, going out of office, who warned you against a “military-industrial complex.” Now, at the time, that was an appropriate term for describing the situation, appropriate term by him. But it didn’t capture the essence of the situation.

What happened was this—let me just go through this, and I’ve said it before; I’ve written it before. But I think in answer to this general question, that by my answering it again, here, on this occasion, with this questioning from this source, I will make clear what the general problem is. And I think if we have it clear about the general problem, the other problems become manageable, at least, conceptually so.

## Orchestrating Two World Wars

What happened in Versailles, was, a group of people who were called the Synarchist International—which is actually a



EIRNS/Claudio Celani

group of bankers, some of whom still exist today, as private banking interests—decided on a scheme for destroying Europe, and eliminating the factor of the United States in the time to come. What they did at Versailles—the bankers did—is, they created a system called the Versailles system. And you had a Secretary of State of the United States, who worked for a mental case, called Woodrow Wilson. Remember Woodrow Wilson? He reminds us of Laura Bush and George—that his wife was out there talking for him. George is hiding somewhere in the Oval Office, probably tricycling around there, and she’s out there around the world, Egypt and someplace, representing him as she did at this recent correspondents’ dinner, where she told a lot of jokes about George; I think sort of put the situation in perspective.

But so, the Woodrow Wilson of then, as opposed to George Bush today in his second term, had a Secretary of State, Lansing. And Lansing declared, in the Versailles proceedings, that from the standpoint of the United States, that Germany, and Germany alone, was the sole aggressor in World War I. Which is a lie. The sole aggressor in World War I was actually the then-deceased King of England, Edward VII; who got a war going between his two nephews, the Czar of Russia, and the Kaiser of Germany! These were his nephews. And they had a 1905 meeting on a yacht in the Baltic Sea, where this discussion came up, where the two nephews said, “Our uncle wants to get us to kill each other.” And what this uncle did, which was a repeat of something that happened earlier, in the 18th Century, called the Seven Years’ War, is that, what the British did—the British monarchy—put the crowned heads and others of Europe against each others’ throats in what was called World War I.

So, the principal guilt for World War I, was a man who was already dead, Edward VII, the Lord of the Isles, who orchestrated the war, which his suckers followed, and we

were drawn into it later.

But Germany was *not* responsible for World War I. The Kaiser was an idiot; but the Austrian Kaiser was a bigger idiot; and the Czar was a weakling. And they all went down, as a result of being fools. And the French suffered far greater casualties in World War I than they suffered in World War II, as a result of this.

So, at this point, Lansing says this. Why does he say this? By getting Germany assigned a war debt, which was far greater than Germany could ever pay under those conditions, and then using that war debt to fund the war debt of France and Britain, which in turn funded the bankers of New

York, who were the creditors of the British and French!

They set up a system. The system resulted in the collapse of Germany in 1923, and so forth and so on. And in the period they came into 1931, they established a new banking system, which resolved some of these debts, and these bankers put Adolf Hitler into power in Germany, just as the British monarchy had put Mussolini into power in Italy back in 1922. In Germany, Hitler came into power, strictly as a result *on orders from the Bank of England, from the head of the Bank of England*, through his friend Schacht and other people. This was intentional. The original intention, was to have Germany, under Hitler, march east against the Soviet Union. And then the French and British would pile on the tail of Germany and destroy it all over again, and thus, change the map of Europe.

What happened was, in the process during the 1930s, that Stalin, through Molotov, his diplomat, and Ribbentrop, the German Foreign Minister, held a series of meetings. There were negotiations between the French and the Russians and so forth, under the so-called Tukahachevsky Plan. When the French and British refused to accept the Tukahachevsky Plan, Stalin proceeded to have Tukahachevsky killed; because Tukahachevsky wanted a preventive attack on Germany. Then, Stalin, knowing that the British and French were coming after him, negotiated with Ribbentrop, an agreement that Germany would strike west first—against France and Britain, when the war broke out. So, the war was organized, that Germany invaded Poland, for the purpose of forcing Britain into a war against Germany. The French, the Belgians, and the Germans then went into the war.

Now, at that point, the bankers of New York, including the grandfather of President Bush, Prescott Bush and others, who had *funded Hitler*—as a matter of fact, Prescott Bush was key in putting Hitler into power, through funding—these



Bundesarchiv

*Adolf Hitler and his banker Hjalmar Schacht in 1934, at the laying of the foundation stone for the new Reichsbank building. Schacht's synarchist sponsors included Bank of England Governor Montagu Norman and Prescott Bush, the grandfather of the present U.S. President.*

bankers then changed sides. Or some of them, over the period. And the British, they changed sides too. And decided, at the last minute *not* to make a pact with Hitler, but to support Roosevelt to defeat Hitler.

So, Roosevelt was supported by Winston Churchill, among others—a very important action by Winston Churchill in 1940, in promising to send the British fleet to Canada, if Britain were invaded, and then the British fleet would fight on the side of the United States. That decision resulted in Hitler losing, in effect, the possibility of winning World War II.

So we fought the war, with American power. Aid to Russia; aid to other countries. We, in the United States, particularly with the Battle of Stalingrad and the Battle of Midway—we in the United States and other countries, opened up a two-front war against the Hitler machine, and we won that war, with American logistics and Franklin Roosevelt's guts.

## Right-Wing Turn After FDR's Death

At the end of the war, the same bankers who had supported Hitler before, but had turned against him because he wanted to go westward instead of eastward for his initial attack, went back to becoming fascists again. Because the issue for them, was *not* fascism. The issue was Hitler's policy. And they had been prepared to support Hitler if he'd accepted the policy they had intended for him.

They went back to the same policy. Truman, who was no good, when he became President discovered that we had two nuclear weapons, prototype weapons in the arsenal. And he was urged to drop them on Japan, in order to start a new conflict immediately, especially with the Soviet Union. So, he did that. What he did—there was a peace treaty negotiated with the Emperor Hirohito, under Roosevelt; it was negotiated through the Extraordinary Affairs section of the Vatican, by a man there who was later Pope Paul VI. The treaty involved, that the offer of surrender would be presented to Emperor Hirohito as the Emperor of Japan. And that Hirohito would accept it on that basis. As a matter of fact, the terms of surrender of Japan were the same, in principle, which were negotiated through the Roosevelt Administration, with the aid of a man who was a personal friend of mine who was involved in that negotiation at that time. So, they suspended and withheld proceeding with the peace treaty with Japan, in order to have an opportunity to drop the two nuclear bombs on Hiroshima and Nagasaki. That was the reason for it. To start the war.

The policy, under which Truman was operating, with Bertrand Russell as the author of the policy—the great peacenik, Bertrand Russell. He authored the policy, and he broadcast his authorship of the policy, in a publication he published in September 1946: To use preventive nuclear war against the Soviet Union, to establish world government. An empire of world government.

Now, *this is what we faced in the United States*, what I returned from war to the United States, then. That policy. The same banking circles, which had initially committed themselves to a coup against Roosevelt—a military coup against Roosevelt was planned in the 1930s: These same guys, who had changed sides, only because of this Hitler-going-westward question, now were going back on the right-wing policy, aimed for a policy of world government through our having a monopoly—the British and the United States—having a monopoly on nuclear weapons. And they were going to attack the Soviet Union with nuclear weapons as soon as we had an arsenal to deliver it. To make those weapons, and deliver them. That was the business.

However, in the meantime, the Soviet Union had developed its own nuclear weapons. And also in the meantime, developed a thermonuclear weapon, when we didn't have one.

So, we called off preventive nuclear war. Truman was told to quit, not run again. And Eisenhower stepped in, and



Harry S Truman Library

*Gen. Dwight D. Eisenhower with President Harry S Truman in 1945, before the Potsdam Conference. Eisenhower's warning later, on his way out of office after his own service as President, was to beware of the "military-industrial complex." It was apt as far as it went, but it missed the broader dimension of the problem.*

for two terms of Eisenhower in office, he saved us probably from nuclear war. And what he was warning against on his way out of office, was, "Watch out for these guys!" It was a good warning.

But then, we had what happened to us, with the Vietnam War, which was completely orchestrated. It was done the same way, for the same thing. It was a no-good war, with no-good purpose: It was to change the United States—and it gave us Nixon.

The problem we have, which we see with Karl Rove, who was part of the attempted fascist coup in the United States by Nixon! It didn't work. But, it was an attempted fascist coup. The things you heard about, were only the tip of the iceberg, of what the Nixon Administration was doing. And this is the Administration that gave us Rumsfeld, later in his career; that gave us Cheney. This gave us the new monetary system! We destroyed the Roosevelt monetary system—done by George Shultz, Henry Kissinger and Company. We started a war in the Middle East: It was done by getting rid of William Rogers, the Secretary of State, an Eisenhower man, and putting Kissinger in there. That's how it happened.

So, we have been under the domination, for this period of time, by a bunch of right-wing characters, who are actually the authors of fascism, and similar kinds of enterprises during the 1920s, 1930s, and afterward.

This is the right wing in the United States. *It is not* some meathead out there with crazy slogans or swastikas. *It is the*

*people who buy these, and trade them in, and throw them away, and use them when they want to.* What you have here, is the attempt to set up a dictatorship, in the interest of that kind of banking interest, that financier interest. And some of the banks are the same private bankers, who were involved behind Hitler, back then: The Synarchist International. That's the enemy!

### **What's Needed Is a Positive Counter-Policy**

Now, the question here, is *not* stopping bad activities. We have to stop them. But we have to understand, we're engaged in a war, as Roosevelt was—which was not just the shooting war. It was a war on the chessboard of grand politics, to try to save this nation, and save civilization, *by defeating this crowd.* Not to eliminate them—we're not killers. But to take the *power* away from them, by creating a new kind of power, which would *protect the nation and the world against such enterprises.*

We are, once again, engaged in that war. The war, the whole fight, is around financial-monetary issues. The present monetary system, which was launched officially in 1971-72, is now collapsing. It's collapsing, because the collapse was inevitable if we continued the system. It was *rotten*—it wasn't a mistake made here, a mistake made there: *The whole system was wrong!* It was part of the right-wing system. We may have defeated Nixon, but we didn't defeat the system. Cheney is still coming. This is the problem.



Nixon Library/National Archive

President Nixon (right) with Henry Kissinger, August 1971. Nixon's Administration gave us Karl Rove, Donald Rumsfeld, and Dick Cheney—as well as its destruction of the Bretton Woods monetary system.

So therefore, the question is, we have to have a policy, which is based on a positive counter-policy: *a declared and avowed counter-policy*. Because, as you know, in the Senate, you know that most people in the United States and most people in the world—even people in government—*do not understand these issues*. They're a bunch of amateurs, trying to play at government. The American people don't really understand these issues, either.

The problem is, is how do you get the American people to mobilize in their own defense, as Roosevelt did back in the 1930s and so forth after that? *You have to tell them the truth!* You try to say, "Let's limit ourselves to the issues, these specific issues." They don't understand what you're talking about! They say, "What difference does it make? They [Bush's team] got the majority, haven't they? Let them have the vote." They don't understand that the fate of civilization depends upon their *not winning the vote!* And when the issue is not civilization, you don't fight. When the issue is civilization: You fight! You don't go to war unless you have to—any kind of war.

And this time, the problem is, we are not doing two things: We are not telling the American people, and the people of the world, and the politicians, who don't understand this—we're not explaining to them what the problem is. We're not identi-

fying what the enemy is. It's not Cheney—Cheney's just a hired gun, and a fool. He's easily dispensable. He's not the problem. The problem is this Synarchist International, this current in history, which keeps coming back at us. It's come back at us again. It's responsible for the genocide in Africa—these guys are!

Everybody's afraid of them. They're afraid of the bankers; they're afraid of the financiers. I'm not afraid of them. I understand their power. I understand they could have killed me a number of times. Sometimes they tried. It didn't work.

But, you're in a war. And the war is, to take a stand, to say, "What are we going to do?" And the issue is, as President Clinton came close to making that decision once, back in September 1998 on a similar issue, on the LTCM crisis. And this present hedge-fund crisis is an echo of that crisis then. And he told the New York crowd: We need some new financial architecture. And then he backed off, and they tried to kill him, with the impeachment effort—they might have tried further. But that's what happened.

*These* are the issues. This is where you have to stand. That's why I said what I said, today: You have to say, "We are going to create a new monetary system, under which we are able to pledge, with the consent of other countries, that the monetary system will not collapse. The U.S. dollar *will not fall*. We are going to *save* the banking system, by taking it into receivership, where needed. We're going to *save* the world economy. We're going to give the world two generations to fix itself, and hope that those who come after us will do the rest."

We've got to make that the issue of war. We've got to make *winning* the war, winning the cause, the issue, and then people will mobilize. And what the problem in the Senate is, they don't have the support that they need from the people. The reason they don't have the support they need from the people, is because the people don't understand the issue. Maybe some of the Senators don't understand the issue fully. We have to make the issue clear. If we know what the war is about, and we're going to stick to this war until we win it, in this case in terms of the Senate, save our country, and take some countermeasures.

Take the case of the GM crisis. If GM and Ford go down, the United States loses a vital part of our machine-tool capability, in which case we're no longer a serious nation, economically. Therefore, we have to put through measures immediately, to make sure that the labor force, led by the machine-tool component of General Motors, Ford, and the auxiliary companies, that this labor force *stays in production*, and produces mass transit systems, alternatives to automobiles as well as automobiles. So that we maintain this labor force *in production*.

We have to give the American people the sense that somebody is behind them. We've got to give especially the lower 80% of our population the sense that the United States will fight to protect them, and to protect their interests. And

they don't now.

People say, people don't believe me. I laugh at it. I say, it's not important. They should believe me. The reason they don't believe me, is because they don't believe other people, the politicians. Because they think they have to kiss the butt of the politicians to get by. And therefore, they will say what they want to have those politicians, and other authorities—their prospective employers—overhear them saying. They don't want to know the truth. They want to know what they have to do, to get what they want, personally.

And only when political leaders stand up on their hind legs and make the issues *clear* to the people, then as Roosevelt did, will the people of the United States support you. The people of the world, in general, will support you, if you make the issues clear to them in terms they understand. And it's going to take a lot of work by a lot of us to do that. But once we do that, we're in this thing *to win*. We're on the march. *We are going to win this war to save this nation, and save civilization.*

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## Putting the People Before the Banks

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**Freeman:** There are several other questions that came in from Senate sources, that ask about the very question you just addressed. I may, because of the stature of the people who have asked the questions, I may read some of these questions in the course of the event that may seem to repeat things a bit. But if I do, it's because I don't want those guys to yell at me. I'll let you deal with it.

Okay, this is another question from the United States Senate. "Mr. LaRouche, popular wisdom tells us to put the people before the banks, especially if you're a politician. But the fact is that you can't run a modern economy without a functioning banking system. If all current indicators are accurate, and certainly your predictions are more dire than even those indicators, we're facing a banking crisis of unprecedented dimensions. 'Save the people, not the banks,' is a great slogan at a rally, but in order to save the people, we may have to save the banks. My question to you is, how do we approach this? What are your overall thoughts? And specifically, are there things we should be doing pre-emptively?"

**LaRouche:** Yes, there are. There are people who know me, who are in key positions in government and banking, and all that's required, which is what I have on my agenda, is for them to talk with me. Not to get me support, because I don't need any support. I'm right, therefore I don't need to be proven right.

What we have to do, is, I need them. Now, many of them are wrong. They've been wrong on the record on many issues. *But:* They're not useless people. They're the kind of people who can be assigned, or delegated, in various ways, to move

in on the banking situation, as an institutional force, and to craft the specific, concrete policies needed *for an overnight-type of operation to deal with any bankruptcy in the banking system.*

We have people that we know—and you, Debbie, know some of them, and some people we know, know others of them. We have enough skilled people in this country, in the United States, who know how to run banking operations, and who know economics, at least from the technical side, if not always on the theoretical side. Therefore, we have to create a strike-force in effect, which is largely to be a voluntary force of people who simply discuss with one another, because they know each other. And we're going to have to delegate some hands to take certain roles. And say, "We have a taskforce which is prepared to move in."

## Strategic Bankruptcy

You know, the principle is not that difficult. The principle is the same principle as a bankruptcy. Now, I call this question a "strategic bankruptcy." You have two kinds of bankruptcy, in which an institution may come in as bankrupt, and you may decide the best thing is to let it go, and just put it through an orderly dissolution. But, there are certain kinds of institutions or combinations of banks you *can't* let go! Because there are too many people who have got their savings involved in it, and other things of that sort. So therefore, you're going to have to put them into receivership, or some similar type of reorganization.

Now, my action, and the action we all should think about, is, we're going to put whatever has to be put into reorganization, into reorganization. We are going to mobilize people of the type I was alluding to, as part of this force which will actually craft—they're knowledgeable in these areas—will craft the detailed policies which need to be applied, to deal with the situation.

We'll have to create a structure—which I think the Senate should sponsor in large degree—a structure, for dealing with what I call "strategic bankruptcy." And this takes in all aspects of it, including the banking system: In other words, if Citibank, or Chase Manhattan (or whatever it is now), goes down tomorrow, we need somebody in place, and an institutional capability in place, which is going to keep that place functioning.

We're going to have to—say, categories. We're going to have to say things like, "If it's derivatives, it gets nothing." We simply *cancel* derivatives obligations. They're side-bets. We're going to go at the things that are not side-bets. We're going to deal with the question of how we reorganize mortgages that can not be sustained. We're going to kill people because they can't maintain a million-dollar mortgage on a shack they need to live in? We're *not* going to kill them, we're not going to throw them out in the street! We're going to do something to take care of that situation. It may not be what everybody wants, but it's going to be fair.

So therefore, we have to make those kinds of decisions. We have people, I'm sure, that I know of in this country, skilled people, experts, who know how to do that. But, we're going to have to make the policies. We're going to need policies, through the Senate, which provide for this kind of emergency. So that when a case happens, or we know a case is about to happen, or somebody knows their institution's about to go into that kind of pit, that we *move in*, right away—as a preventive measure, to prevent a chain-reaction collapse. The thing we must deal with, is the danger of a *chain-reaction collapse of the banking system*, a disorderly collapse. We must keep this thing functioning. We must use everything we know from the past on how to do that.

And, if we don't give that assurance, that we're going to do that, I guarantee you we won't get the agreements. If we can give that assurance, as it's largely—we have to use the authority of law. We need a special law for an emergency. Not a dictatorship, but a special law, to enable the existing institutions of government, as duly constituted, in their present form, to do the job, by bringing in whatever else we need to assist them in doing that job.

Our purpose is to keep our system functioning, to keep the dollar at parity, to prevent a collapse, and to go immediately into a role of expansion.

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## Preparing People for the Crisis

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**Freeman:** . . . Lyn, this is another question from the Senate: “Mr. LaRouche, the issues that it seems have to be addressed on an emergency basis, are truly overwhelming at times. The population has absolutely no idea as to the severity of the crisis, and they usually don't, until some particular problem bites them on the leg.

“My question to you is, how to proceed? Because obviously, one aspect that has to be addressed, is the adoption of the policies themselves, and trying to decide on policies that prepare to manage a crisis that could really cause tremendous chaos. But then, another aspect is actually to try to prepare the people themselves.

“My question to you is, what do you think becomes the priority? What has to be done to prepare the United States to manage this crisis? How do we prepare our people? Do we define an approach first? What's the order in which we address things? I know that the question is not as specific as it might be, but the overall situation just seems to be so vast, that I'm not sure whether to approach it specifically or generally.”

**LaRouche:** All right, let's talk about the Senate. Because the Senate is—. We don't have a President. We have a lame duck. Very lame. And he became lame real quick. And I knew he was going to be lame, the minute that somebody said he'd been elected, particularly after Nov. 9, when I did the webcast on Nov. 9 of last year, and I said we could turn this guy into a lame duck. And we did! We, Democrats and others, turned

him into a lame duck. And he's losing feathers all the time. Now, he doesn't mean a hill of beans right now, as a positive factor. He might say something nice, and it might be useful, and I would hope that would happen. But I don't expect to find a brain inside the Oval Office. I'm looking for Mrs. Wilson's husband there, on his second term.

What we have, therefore, by elimination—Cheney is less than nothing. You've got a zero as President, you've got a minus sign as Vice President.

What has been demonstrated, as on the 23rd of May, is that what we have, as a real focal point of government, for purposes of crisis now, is, we have a growing bipartisan association, of people in the Senate, in particular; or, other people in Congress and so forth, gathered about a bipartisan assembly in the Senate—a group of Senators who stand up, representing the majority of the Senate, who with the special powers of the Senate—of advice and consent, and with the support of institutions—can move the institutions, at least of the Legislative branch of government, can move those institutions in ways which are needed at this time. If the American people see a bipartisan coalition of the Senate assuming its responsibility, which is implicit in the design of the Constitution for this kind of crisis—a crisis where you have a President that's a zero, a Vice President—both of whom are impeachable under the intent of impeachment. I mean, impeachment is not just for a crime. It's for when the President's *not competent*. And the President's not competent, and the Vice President is terribly *incompetent*, or *anti-competent*.

So therefore, the question is, we've got to preserve Constitutional government. Constitutional government in this circumstance, can only be preserved in the short term—in the long term, the Federal court can do something—but in the short term, *only by the Senate, taking its role of leadership in the agency which is Constitutionally responsible for providing advice and consent*. And if the Senate takes resolutions, which are pertinent to the situation, and makes statements which are pertinent to the reality of the situation, the American people will listen. The American people will support.

And you have the election campaign coming up for next year. Commitments are already made. Support this, and that, and so forth. But, if the politicians who are running for office, see the American people going against what George Bush typifies, those politicians are going to run the other way. And there you will begin to create the mood, in government as a whole, under pressure of emergency, to do the things that have to be done.

This is a question of leadership. Under all happy circumstances, the leader should be the President of the United States, who uses the Executive power of the United States as the key fulcrum for dealing with a crisis of this type. We don't *have* a functioning President of the United States. The man is a mental cripple, at best. His putative successor is a vicious character, who's more of a disease than he is a cure.

Therefore, what do you have left? You've got the relation-



snowe.senate.gov

*Since May 23, a bipartisan association has come into being in the Senate, which can move the institutions of the Legislative branch in ways which are needed at this time. Sen. Olympia Snowe (R-Me.), a signer of the May 23 bipartisan accord which averted the “nuclear option,” speaks here at a press conference on May 26 in favor of delaying the closing of military bases.*

ship of the other institutions of government to the American people. Under our Constitution, implicitly, that authority lies with the Senate. A coalition in the Senate, to save the nation—without changing anything, just that coalition—will mobilize the American people, and you can say, “Scat!” to Cheney, because he no longer has any power. The power lies with consent. And if he no longer has consent for his antics that he pulls, he won’t be able to pull them. People will just laugh at him. And he’ll go away. The bankers behind him are still dangerous.

But I say, the point is, if we can get a coalition, a majority in the Senate, to begin to take systematic leadership, of everything it can exert leadership on, now, and if it says the things that have to be said—because the people are going to say, “Is it true?” If a coalition of Senators say, “Yes, ladies and gentlemen, it is *true!*” the people will have confidence in them. Because they certainly are losing confidence in the Bush Administration, *rapidly*, now.

And then we have to do the right things.

### **This Is No Ordinary Circumstance**

But the questions I’m getting, are all in this direction. “What do we do, in an ordinary way?” This is not an ordinary circumstance.

Now, how do you use our Constitutional system, under these circumstances, in a crisis of this type? We already have seen the first step in that direction, on May 23, publicly: Where a bipartisan grouping in the Senate said “No!” to an attempted coup d’état against our system of government.

The same principle applies now. We need Senators and

others to stand up, as a coalition, which may not agree with each other on every issue, but we have to get the dialogue going. We have to get a dialogue going among a coalition—that is different than a dialogue of individuals who just run into each other. When the dialogue represents a commitment to come to an agreement, not based on who’s got the loudest voice, but agreement on the basis of *reason* and a sense of actuality; and when the people out there know that that’s what’s going on, then I think that our problem, is—while it’s still dangerous, our situation’s still dangerous—I think our problems are soluble. And I think we’ll keep coming back to that.

The question is: When are the members of the Senate, and others, going to realize that we don’t have a functioning President, and we have an extremely dysfunctional Vice President? Under those conditions, the Senate is the institution of government, through its powers of advice and consent, which must shape the environment, and appeal to the American people for support. Under those conditions, we don’t have to do a thing against our Constitution, to do what has to be done.

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### **Health Care vs. Shareholder Value**

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**Freeman:** Another question from the Senate. “Mr. LaRouche, I’m sure you’re well aware that GM’s management has already received assurances that they will be let off the hook on their pension obligations. At the moment, they have also delivered an ultimatum to the union on the question of contractually agreed-upon health-care benefits.

“There’s probably no more compelling issue for most Americans, than that of health care. It’s a question that has concerned this office for more than a decade, but past efforts that we’ve made to address it have failed miserably. Now, it has come to a point of crisis that it seems it must be addressed. The crisis in Medicare and Medicaid is far more compelling and immediate, than any anticipated crisis in the Social Security Trust Fund. Yes, we must begin to adopt policies of economic reconstruction in the United States. But it seems that the question of health care has such an immediate impact on people’s survival, that that has to be addressed too, and it has to be addressed now. The question is how to approach it.

“Additionally, one very special feature of the crisis is reflected in a recent report that over 1 million Americans are currently suffering from HIV. A disproportionate number of those individuals are located in the State of New York. The number, which I personally believe is a gross underestimate, is nevertheless staggering. Do we address this in the context of overall health care? Or do we need some special provisions, and if we do, what sort? But it seems these are questions that really can not wait.”

**LaRouche:** You’re dealing with the same thing, the right-wing problem. It’s the right-wing bankers, the Synarchists, the same thing that gave you Adolf Hitler. That’s what your problem is. A key problem is, you have Confederate members of the Supreme Court, who have laid down a policy, which is called “shareholder value.” And most of the fascist-tending law, including that which is used to destroy the health-care system and so forth, has come out of that kind of mentality, which is expressed by what is sometimes a majority of the Supreme Court: the support of the concept of shareholder value.

Now, shareholder value is unconstitutional. And this was a case in which those judges should never have been confirmed by the Senate. Never. Because that did more than anything else, to destroy our system of government.

*But:* The Constitution, especially its Preamble, still stands. Now, this becomes a big issue, a big legal issue. How? What happens is, the fascist tells you, or his dupe tells you that the Preamble to the Constitution is not law. It’s just an introduction to the Constitution. Whereas if you know history, and the history of modern law and statecraft, you know the Preamble to the Constitution is the *most important part of the Constitution, and is the highest authority of the Constitution!* And the principle of the Constitution which is most central, except for the defense of the nation, and our national sovereignty, as such, is the promotion of the general welfare: That prior to the adoption of that policy, even though this was actually argued as law by Plato and others in ancient Greece, it was actually the foundation of the Christian policy as laid down by Paul in 1 Corinthians 13—the concept of *agapē*, the concept of the general welfare. This is the principle on which the modern nation-state was established during the 15th Century for the first time: the responsibility of the government to

*promote the general welfare of all of the people.*

The first time we had a government of such a form was in France under Louis XI. You had someone at the court of Louis XI, called Richmond, who went from the experience with Louis XI’s court, and went over and overthrew a bastard—Richard III of England—and established the first form of commonwealth government in England! It was from this idea of commonwealth government, that the modern nation-state and modern society was formed.

This was the difference between feudalism in the medieval period, and modern society—this issue! Of the fact that the state is responsible *not to treat people as animals!* That all human beings have certain inherent rights. These rights are associated with the notion of general welfare, which is not simply taking care of them, but it’s also thinking about their children and grandchildren, and those who are coming after them. To promote the improvement, the betterment of the condition of mankind, is the first obligation of government, and the care for every individual.

The same principle stopped religious war. Europe was being destroyed by religious war from 1492, with the Expulsion of the Jews from Spain, continuing through 1648 until the Treaty of Westphalia. The first thing in the Treaty of Westphalia, the first principle that stopped religious war—the thing on which modern civilized society and European civilization depend, is the Treaty of Westphalia. And the first condition is that the individual state and the person must promote the advantage of the other. That we are responsible, each of us, to the others, as the others are responsible for us. It is our mutual responsibility for the well-being of others—among which, we are one of the others—which is the basis, the foundation, of our Constitutional system of government.

Now the same law, the so-called law of the general welfare or the common good, is also law, in particular, in the constitutions of various governments of the world, its intention. Shareholder value says that if you are slave, you are property, and you shall never be released from slavery; because you are *property*. And your children, being children of you, are also property. This is the law of slavery. This is John Locke! This is the law of the Confederate Constitution! As opposed to the U.S. Federal Constitution.

Now, the way we have to approach this thing, is on the question of Social Security, which is obviously not in the Constitution, but the principle under which it was established in the Constitution, and the *need* for it, was well defined by the conditions of the 1930s. And the success of it, is that. The only reason we stopped funding it—why? Because George Bush stole the money! His Daddy stole the money! And he stole the money. But he didn’t steal it, because he got the government to authorize a bond, a U.S. bond, to cover that money as returnable to the Social Security Fund. George Bush says it’s “just IOUs.” The idea of shareholder value.

So therefore, we’re in a situation in which we have everything—health care’s been systematically destroyed. We’ve

FIGURE 1.1

**1969: 15 States Had Federal Legislated Minimum Hospital Beds Per 1,000**



FIGURE 1.2

**1980: 21 States Had Federal Legislated Minimum Hospital Beds Per 1,000**

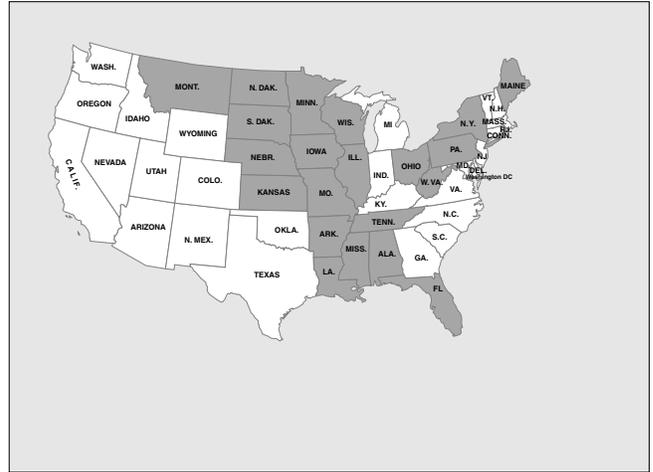


FIGURE 1.3

**1990: 14 States Had Federal Legislated Minimum Hospital Beds Per 1,000**



FIGURE 1.4

**2000: 5 States Had Federal Legislated Minimum Hospital Beds Per 1,000**



*The Federal Hill-Burton law of 1946, "The Hospital Survey and Construction Act," mandated a minimum standard of hospital beds per 1,000 people. The system has been dismantled.*

destroyed it. Why? To cheapen the cost of labor. We sank the economy. We said, "We don't have money." We stopped paying the doctors. We put whole categories of medical professionals out of work! They couldn't afford the insurance fees. And similar kinds of things.

Therefore, we have to put it back. We need a comprehensive conception of law, the law of the general welfare, as it applies to persons and to communities. Health care is part of that. We had a health-care system that worked. Nixon destroyed it, with the help of a Democrat who helped him in that

process. We had the postwar health-care policy of improving the health care, year by year, in every county in the United States. The New York City health system under that law, is an example of how it worked. Other states applied it more or less effectively. We destroyed that. We destroyed the Hill-Burton law, in 1973, under Nixon. We introduced this system, which is a system of *looting* our health-care system. Part of the Nixon policy, part of the neo-conservative policy.

Therefore, we have to recognize that the idea of shareholder value is a violation of the Constitution. It's a violation

of moral law. No one can call himself a Christian, who accepts the idea of shareholder value. And those who accept shareholder value should stop calling themselves Christians. Please, may we make a law about that? Will you please stop calling yourselves Christians, if you believe in shareholder value? You've got to choose. one of the two.

But, we need a general package, a general philosophy, stated clearly: policy on health care. Again, this has to come out of some kind of majority in the Senate. Because we have to have a statement of what the *intention* is, and then fight to get the laws adopted.

And I agree with you on your concern on this, I fully agree with you. But I think what we need is a strategic approach to the question: *We need to overturn the concept of shareholder value.* We can do it in the Senate. We can do it in the Congress. But we have to declare our intention to do so. Once we've declared open season on these kinds of things, then they become vulnerable. If we sit back and complain about them, they'll go on. You have to declare open season on bad things, and then people will mobilize to get rid of them.

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## Should Bush Be Impeached?

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**Freeman:** Lyn, we have a bunch more questions from the Senate, but I'm going to move to another segment of the population, and that is the questions that are coming in from labor leaders. We can come back to the Senate.

This is a question that was submitted by Scott Pulliam, who is the president of the IBEW in Louisville, Kentucky. He says: "Mr. LaRouche, since the emergence of the Downing Street memo,<sup>2</sup> it seems that more and more online political action sites are jumping on the bandwagon, demanding inquiries and hearings. Even more surprising, though, it seems that, now, some mainstream elected officials, including some Democrats, are joining the chorus. Do you think it's likely that we will see an effort in Congress to impeach this Administration for its high crimes? And do you think that that is a useful thing to pursue?"

**LaRouche:** I think that's too narrow. I'm not against it, because—that's not because I have some particular malice against poor George W. Bush. I mean, I think the guy's a wreck, and he may need medical attention, or something. But, I don't believe in lynching people.

But I think we should get rid of him, in a very nice way, by retiring him. Retiring him, because he's mentally incompe-

tent. I think he's shown that mental incompetence: A man who says, as President of the United States, in a time that the national credit of the United States is in jeopardy, saying that the U.S. government bonds are worthless, are worthless IOUs, that man is obviously mentally ill. And I think that mental illness is sufficient cause to remove him from office. The only problem about removing George from office is that, you've got to get rid of Cheney, too! Because Cheney is a sociopath, a killer! And you can't have that guy in the White House.

So therefore, I think what we need is a policy, stating what the problem is. It's not just the policy of an individual.

I don't think a single issue works. I don't think there is a single-issue victory in warfare. There's no place for single issues in politics. You have to have an issue of *principle*. And you do what you do on the basis of a statement of *principle*, which is adequate to cover the situation you're dealing with, and maybe some other ones as well. And win people to the principle.

Look, in the final analysis, we, the people, *are* the government. We delegate our power, as a people, *to our government*. We don't have total control of it, because we have people who came before us, who have a trust in this. We have people coming after us. We can not jeopardize them, simply because of our passions and will. But we are, as much as anything, we are government. Therefore, we have to have a principled response, to our problems and our opportunities.

What I think in this case is, we have to have a coalition that stands up, and tells the truth about the condition of our elected and associated government. We have to mobilize public opinion, of our citizens, to think about this, to participate: We've got to draw people into government. You know, what's happened to the citizen, the lower 80%, over the past period since 1971-72—especially since 1980-81—the American citizen of the lower 80% of family-income brackets, does not believe that he's really a citizen. He believes he's somebody who was given the right to beg and nag, and threaten, if he doesn't get his way. And it's usually on a single issue. "I'm going to go out and I'm going to burn down City Hall, if I don't get my wages on time." Single-issue stuff. Instead of having a conception of government, of what are the *principles* of government.

And what we need, are laws and principles which provide a structure, within which we can function: like the law of the general welfare. General welfare is a principle of law. And we have to make sure we are vigilant in enforcing the principle of the general welfare. We don't need some collection of this law and that law, single-issue. We don't need that.

So, what I think on this thing: Yes, we do need to put a merciful disposition, to get this President out of office. He's a danger to the environment. Resolve to get Cheney away with him, too. And I think we can find some kindly way to do that without abusing him.

But, what we need is some alternative. What's your alternative? You go to Canada to replace him? Anyone? Or, do

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2. The London *Times* on May 1, 2005 published a secret document reporting on a meeting of British Prime Minister Tony Blair and his top security advisors on July 23, 2002, on the subject of Iraq. The memo shows that the United States and Britain had secretly agreed to attack Iraq well before Bush sought Congressional authority for military action. Rep. John Conyers (D-Mich.) and other Congressmen are circulating an open letter to the President, asking for full disclosure of the facts of the case. See *EIR*, May 20, 2005, pp. 19-20.

you have a group of people who express the concern that we have a problem with this President? With his mental capabilities?

We should have raised it in the election campaign—people backed off from doing that. They came close to it, Kerry came close a couple of times, and Edwards did a couple of times. But they never stuck to it!

This man has got mental problems. He shouldn't be President, because he's got mental problems. He's not *capable* of doing the job. Under the intent of our Constitution, he shouldn't be President, because he's *mentally incapable* of the job! Do you want a six-year-old child flying a large airplane? There's nothing against the child, he's just not capable of doing that job (though I think he'd probably do a better job than George Bush would do).

So, I think that's the answer. We do have to have a policy on this. We do have to have an expression of opinion from leading people, who say, that's the case. I will say it any day; I have often said it. I will say it again. People like to have me say it, because that means they don't have to say it. They don't want to take the risk of incurring the displeasure of the President of the United States or his admirers, such as Karl Rove.

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## An Election Strategy for 2006

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**Freeman:** Lyn'll like this question. This is a question from someone here in Washington, Lyn, who you know well.

He says, "Mr. LaRouche, now that you've scared the crap out of everybody, I'd be interested in whether you think we should actually be working on a 2006 strategy? It's my business, of course, to do that. But it seems like it's an excellent way, and maybe the only way, to actually mobilize people to deliver a swift kick, so that we can get some of these policies acted on."

**LaRouche:** I agree with you totally. I think that we should have, in the D.C. area, in particular, as the national center, we should have some serious Democratic Party, and also outreach to the other side of the fence, the Republicans, the good ones—you'll find a good one here and there—we should actually be engaging in the politics of 2006, on the streets, *now*. The issues, now, are the ones which I referred to here today. Do we have the guts to take the truth about the present situation out to the hustings? Do we have a bunch of politicians, who will stand up and say, they want to hear this discussion? So the people have a reference point, among people they see as having *power*, who are responding on these issues. So we can get some people to start turning out and getting hot about the issues.

Yeah, you know, some people are talking about getting *money* now for the campaign! Well, I suppose that's fine. I see that's often needed. I've had some experience with that myself.

*But:* The key thing is, have you got the people, not the money? If you've got the people, you can win the election. And we are not, as a nation, we are not, politically, seriously, going after the people. My youth are going to the people. People working with me, are going to the people. I know other people around the country, are going to the people. You see it in these resolutions like Wayne County and Detroit City Council, and so forth. They're going to the people.

*We have to get organization out there going to the people.* In two directions: We need affirmation of support for the issue from a concert of leading politicians. We need, as much as possible, bipartisan support, because the party structure is changing in the country today. You're not going to have the same Republican Party you had before. Some people are going to go in the other direction, some people are going to join the human race and still be Republicans. And we have to have that kind of cooperation, that kind of dialogue, among rivals—but a commonality in the dialogue.

We have to carry that to the street, now. We have to bypass a national leading press which refuses—because it is controlled by financiers—refuses to face the issues. We can not sit back and complain about the press. You can complain about the press by denouncing it, because it doesn't do its job, it doesn't tell the truth; because it's controlled by financier and related kinds of considerations.

But that doesn't excuse *us* from telling the truth. And if we think about it, we have enough power to bypass the press. We have the ability to bypass the press, and get these issues out now, among the people, and don't wait for permission from the *Washington Post* to discuss something.

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## The Home Mortgage Crisis

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**Freeman:** Lyn, I've got three more questions I'm going to ask you to answer. . . . The more particular question comes from the Senate in the United States. It says: "Mr. LaRouche, there is no real precedent in the United States for the regulation and management of home mortgage financing, and very importantly, of refinancing. Programs like the FmHA and others, were designed for a different purpose, mainly to allow young families without sufficient capital or established credit, to engage in home ownership. But the fact is that right now, if you look at the American real estate market, we're looking at a catastrophe that's waiting to happen. It seems to me that we have a responsibility to find some way to pre-empt it.

"Some members of the Senate are talking about regulating the industry. But the fact is, that even regulation of future lending, will do little to address the problem that we have already allowed to be created. Greenspan's babbling about frothing versus some other thing aside, the fact is that if this real estate bubble pops, we're going to have to deal with, not only a possible chain reaction of bank failures, but we're going to be looking at the total ruin of countless American



EIRNS/Dan Sturman

*“Do we have the guts to take the truth about the present situation out to the hustings?” Here, the LaRouche Youth Movement organizes and sings in the streets of Washington, D.C., June 1, 2005.*

families. How do we address this?

“I’m not talking about what we do in terms of legislation for the future. I’m talking about how do we deal with the problem that already exists.”

**LaRouche:** Well, it’s obvious to me it’s going to happen. I can see it in Northern Virginia. It’s clear. We have Loudoun County, which is going to be a center of this catastrophe, because it’s been one of the areas that has been the most heavily built, with the least infrastructure, built up around this operation; as other parts of the whole area.

It’s going to happen. The collapse is inevitable. Therefore, what do we do to prevent the collapse from becoming mortal? Rather than merely painful? Obviously, the thing is, you are going to have to have people who are working and living in houses, continue to work and live generally in those same houses.

Now, how you sort the thing out financially is, shall we say, a third question down the line. . . .

Look, you’ve got a situation where you’ve got these \$600,000-\$1-million shacks; they’re really not worth that. This was done on the basis of a speculative boom. And, a lot of it, of course, involves this area of second homes, where somebody has bought a home of questionable conditions, to try to make money on it, the capital gain, through the renting out of it, or something of that sort.

This catastrophe *is going to happen*. It’s going to happen; it’s just a question of when, and when is soon. Therefore, what do you do? Well, we can’t have social chaos. We can

not have social disorder. Those people are going to stay in those same houses, in general, for the time being. We’re going to find some way to sort this thing out, which is equitable.

And, we’re going to have to do it anyway, because the banks, which are ultimately involved in this, are going to threaten to go belly up. So, the banker is also in trouble anyway. And, the fact that these mortgages are not redeemable at their present price, is a fact of the matter. We are going to have to put the thing into order. And, it’s going to take a long time to sort the thing out financially.

What we need is the ability to freeze the situation, to continue the normal functioning of life in the meantime, and *sort it all out later*. But, in the process of sorting it out, we have to make sure that essential institutions, including the functioning of essential financial institutions—which are also our savings institutions, and so forth, as well as being lending institutions—that these institutions continue to function, under a strategic doctrine.

We’ve had this kind of emergency earlier. We haven’t had this particular *form* of this kind of emergency, but in principle, we’ve had this before. And we are going to have to deal with it. The principle of the general welfare is pre-eminent: *We must protect the people*. And, we must protect them in a just way. Shareholder value is not a primary consideration. If somebody invested, even in issuing a mortgage, as a gamble—they gambled. If they gambled on somebody’s ability to pay a certain amount for a place to live—they gambled. The person who took a place to live, was not gambling.

They needed a place to live. So therefore, the general welfare comes first.

Maintenance of good order in the general welfare, is the primary concern. Government must intervene, with this sense of law, to protect good order, and to postpone what can not be solved today. And we have to have good order on all sides. We provide protection to the person, to the householder; we provide protection to the banking institution, to continue that function; we provide protection to others, who are performing an essential function in the community, if they become financially embarrassed: *Because it's in our interest to do so.*

And, we can all agree that it is in our interest to do so. You think of the consequences. Do you want Joe thrown out in the dump? Do you want to close down a bank which you depend upon for a certain function, even though it is bankrupt? No. You are going to intervene, to say, "Hold it, boys. Let's freeze a few things here, for the time being. Let's keep good order. Let's get this economy going again, and *then we will sort it out.*"

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*These additional questions were submitted during the webcast discussion, but for reasons of time, LaRouche was unable to answer them orally, and instead replied by e-mail. The first four questions are from the Senate (the first being from the Banking Committee), and the last is from the Economic Policy Institute. See [www.larouchepac.com](http://www.larouchepac.com) for other written questions and answers.*

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## A Tax on Derivatives?

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**Q:** Democratic Senators on several committees have recently undertaken a renewed study of the efficacy of adopting a Tobin tax. My recollection is that you've favored such measures in the past, but do you think such measures are still effective? Or, is it a case of "too little, too late"?

**LaRouche:** Presently, the only actual utility of a "Tobin tax," or kindred measure, would be to afford relevant public and private institutions a degree of oversight which is of crucial importance, but not otherwise available currently. Government and prospective and other investors must have the advantage of the financial transparency this affords—without the implicit frauds of "Enron Accounting" and kindred "Snow jobs." It may be too late for the prospective victim; but, it is not too late to convict the violator. Hopefully, the victim will be forewarned, and the prospective violator, too.

The principal purpose of such a tax as the Tobin tax, should be as an aid to much-needed regulation of what are presently unregulated practices which have been repeatedly demonstrated, since the relevant 1997-98 international crises, to represent a grave threat to international monetary stability. In many cases, the mere existence of a properly crafted form of such a tax would forewarn entire categories of prospective

investors of the highly dubious, characteristic features of the kinds of schemes which are coming to the surface in such a menacing way today.

Otherwise, taxation is not an available source of revenue for promoting a reversal of the presently onrushing general economic collapse. We require sufficient margins of new volumes of increased medium- to long-term new capital formation to bring the collapsing U.S. economy back above breakeven. The aftermath of the 2000 collapse of the Y2K financial bubble, and the consistently ruinous effects of the net measures taken under President George W. Bush's terms thus far, are reflections of the fact that only the application of public credit to sound long-term capital investments could produce increases in employment which would be sufficient to bring the economy of the nation and its states back above annual breakeven levels again. Any other general approach would be worse than regressive under recent national and global trends.

Under the needed use of public credit, the use of the form of gamblers' side-bets known as financial derivatives must be effectively outlawed, in any case. If we are to recover from what is already an accelerating, deep plunge into a worldwide economic depression of the world's present world monetary-financial system, we must protect public credit from the ruinous pollution inherent in such use of side-bets. We will require an added surtax in corporate incomes and the upper levels of personal income, but we must offset those higher rates by use of tax-investment credits in those categories of investment deemed essential to promoting the needed economic recovery.

The success of any attempted recovery measures requires the return to a fixed-exchange-rate monetary system akin to the successful post-World War II Bretton Woods system.

We must manage such urgently needed changes with an accompanying understanding of the deep fears and associated wishful delusions gripping a population which wishes to be in the relative comfort-zone of a state of denial of the reality of the present world economic and monetary-financial crisis. The U.S. citizens, broadly, especially those of the "middle class" strata of the "Baby Boomer" and "Tweener" generations, have, generally, not yet come out of the form of denial which had been promoted by the belief in the "Santa Claus" associated with the mythical features of their experience with the world of the Y2K bubble.

Politically, this means that we must do what must be done, but we must not lose sight of the difficulties of comprehension which the majority of the citizens suffer when faced with a reality which demands that they give up certain consoling delusions accumulated during the period of a past generation.

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## The Loss of Manufacturing

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**Q:** As I'm sure you know, we now have a bipartisan Manufacturing Caucus in the U.S. Senate which seeks to address

the overall crisis in U.S. manufacturing. The most frequent explanation for the enormous loss of manufacturing jobs in the U.S. has been 1) changing demand patterns, and 2) rapid productivity growth. Arguing against this view, a recent policy document by the Economic Policy Institute argues that the blame is, in fact, the rising trade deficit and the inflated value of the dollar. I don't find either explanation particularly useful. It would be helpful to hear your views on what, specifically, you believe is the cause of the dramatic loss of not only jobs, but also our manufacturing infrastructure.

**LaRouche:** The presently rather widespread attempt by propagandists, to explain the crisis in manufacturing on "changing demand patterns," is a reflection of a state of psychological denial of actual economic reality worldwide today.

The delusion has been spread, that we are living worldwide in the success of a new, "globalized," "post-industrial" model of economy. The fact of the matter is, that all of the leading economic problems of, most prominently, the Americas and Europe, are a product of a presently disastrous blunder, that blunder of the post-1971 "cultural paradigm shift" of the economies of the U.S. and Europe, from the previously relatively successful model of an economy based upon a balanced investment in basic economic infrastructure, agriculture, and industry, to what has been presented by propagandists as the virtually utopian model of a post-industrial, "globalized," "end of history" paradise.

In fact, "globalization," as it began in the form of export of production from previously developed, successful economies of Europe, and the U.S.A., Australia, New Zealand, and Canada, has produced the present global catastrophe now coming down upon the world as a whole.

"Globalization," as it is often labelled today, was essentially a post-1971 shift of world agricultural and industrial employment and output, from nations which had the highest standard of living, to cheaper production from "second-" and "third-world" nations, whose infrastructural development was vastly inferior to those of the developed economies from which production had been transferred. The apologists for "globalization" proceeded in ignorance of the well-established lessons of European civilization's rise to global preeminence during the period since the great, shaping developments of the Fifteenth-Century Renaissance, the aftermath of the 1648 Treaty of Westphalia, and the worldwide impact of the success of the American System of political-economy: especially since the transformation which occurred during the 1861-76 interval culminating in our first, Philadelphia, Centennial exposition, the point at which Europe and Japan, and others, began to adopt the American System model.

The success of that cumulative experience of the modern European "model" was rooted largely in the role of basic economic infrastructure in creating the essential preconditions for net national-economic productivity in agriculture and manufacturing.

What we, in North America and Europe (chiefly), did,

in emigrating from success, to the so-called "globalization" model of today, was to export the act of production of items for our consumption at home, to cheap-labor markets abroad. The cheapness of that production abroad depended upon the lack of basic economic infrastructure in the nations to which the production of those products was exported. Meanwhile, by exporting that production, we reduced the level of income from such production within North America, Europe, and Australia-New Zealand. We compensated for that loss of income here at home, by reducing our maintenance of the basic economic infrastructure on which our national income and productivity had depended. Thus, as a result of our foolishness in transferring production of our consumption-goods at home, from developed to underdeveloped regions, there was a net loss of global physical income produced in the world as a whole abroad, we ruined both our economy and the world economy, taken as a dynamic whole process.

That catastrophic, self-inflicted decline in U.S. productivity, is the principal source of the growing inflation of the U.S. dollar. That commitment to "outsourcing" in a "globalized" world economy, is the principal cause of the inflation of the U.S. dollar.

It is the ideological commitment to presume, a priori, that "globalization" through a change to a "floating-exchange-rate" system was right, which prompts ideologues infected with the delusory axiomatic presumption, to attempt to explain away the reality of today's crises, by praising the causes of the catastrophe, and blaming the neglected, needed remedies for the disease. They need not be picked out for abuse on this account; every systemic crisis of social systems has always seen the result of the popularity of the currently leading beliefs of the society.

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## The Disaster of 'Free Trade'

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**Q:** The Administration's current drive to force the enactment of CAFTA has moved the "free trade" question to the fore once again. A cursory view of the effect of the earlier NAFTA agreement, when assessed honestly, would seem to prove that the agreement has done the opposite of what it promised to do. We've suffered job losses in every state—in fact, a recent report shows that 13 million American jobs in many different sectors of the economy have been eliminated as a result of "free trade" agreements. We have also seen an accelerating rise in the trade deficit since NAFTA's enactment. During the fight against NAFTA, many argued that it was bad for American workers. However, in retrospect, it seems that it has been just as bad for American corporations. First, do you agree? And, second, what drives a continued commitment to a policy that doesn't seem to have helped anyone? Who, in your opinion, actually benefits from these arrangements?

**LaRouche:** As I have just written, in concluding a reply

to a preceding question from Senate sources, systemic crises in society occur only as the result of the persistence of false, but axiomatic presumptions.

In this case, the motive for the folly underlying our nation's, and the world's, presently erupting crisis, has been an ideological commitment of certain influential ideologues to the kind of world-outlook associated with the proposals for "world government" by H.G. Wells, Bertrand Russell, and other ideologues sharing that or similar presumptions. The Marxist varieties of ideologues were tame creatures compared with those who shared Bertrand Russell's frankly stated hatred, as a British oligarch, against the idea that the U.S.A. should have become a more influential force in world affairs than the Liberalism of Lord Shelburne's imperial British East India Company. The circles of the protégés of the Nashville Agrarians' and Harvard University's Professor William Yandell Elliott are merely typical, in today's world, of such proponents of the liquidation of the institution of the sovereign nation-state.

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## Who Should Finance Great Projects?

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**Q:** There were numerous instances during Bill Clinton's two terms in office that, although he favored certain bilateral development and/or reconstruction projects, there seemed to be little hope that he could win Congressional approval for them. Especially during Ron Brown's tenure as Commerce Secretary, the Administration attempted to get around the problem by bringing certain private interests together to craft such projects. The two that I am most familiar with are 1) Ron Brown's attempt to enlist the help of American companies to build nuclear power plants in China; and 2) his efforts to not only win the interest of American companies in a Balkan reconstruction effort, but also to persuade American financial institutions to bankroll it. As we all know, the plane crash that took his life occurred while he was pursuing this project.

Viewing the short clip you showed featuring the Shanghai high-speed rail line, questions that have been hotly debated here on the Hill came to mind. There has been strong bipartisan support on both coasts for various similar projects. But, in your little clip, your narrator talks about rebuilding the U.S. economy via the construction of these rail lines. The heart of the debate among people who actually support such projects is whether they are appropriately publicly or privately financed. Some have argued that many of FDR's greatest domestic projects were, in fact, financed by private financial institutions as opposed to by the Federal government. On the other hand, JFK's quest to put a man on the Moon was, I believe, largely government financed. Could you talk a little about this? It is extremely hard to explain to a population that suffers with no health care, declining schools, etc., that their government is

going to invest millions in high-speed rail, as opposed to meeting their most immediate needs.

**LaRouche:** The most frequent problem in official policy-shaping today, is the lack of understanding of the fact, that the special historical achievements of the U.S.A., as contrasted with the much poorer record of European economies, are that our constitutional system of self-government was not a variety of "capitalist" or "socialist" society, but the American System of political-economy, as identified by such most notable economists as our first Secretary of the Treasury, Alexander Hamilton, and by such leading, most influential exponents of the American System as Mathew Carey, his son Henry C. Carey, and the German-American Friedrich List.

Otherwise, the most notable of the principled differences in functioning between our system and the usual European systems since 1763-1848, is our Constitutional commitment to resistance to financial usury, and to control over our currency as a government-controlled instrument of creation of public credit, as through national-banking methods: versus the subversion of European parliamentary governments by the superimposed authority of so-called "independent" central banking systems which have been actually controlled by an intrinsically usurious, Venetian style of Europe-wide financier oligarchy.

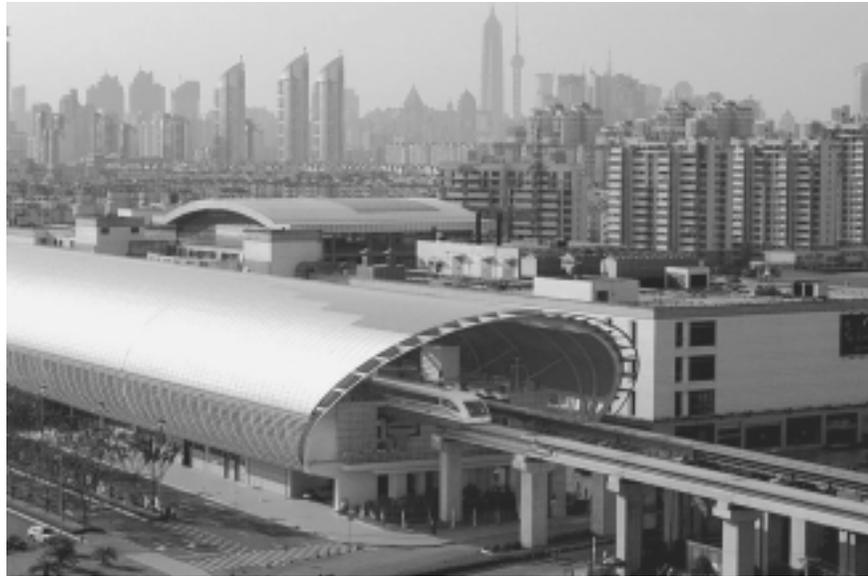
Thus, whereas, until the effects of the 1964 launching of the official U.S. War in Indo-China, we were, despite all other among the mistakes of our policy, the leading power behind the postwar, fixed-exchange-rate, Bretton Woods monetary system, we were taken over by what became the wrecking of the Bretton Woods system, that in favor of a floating-exchange-rate monetary system which is based axiomatically on the financier-oligarchical principle of Venetian-style usury prevalent in most of Europe throughout its medieval history, and in the implicitly imperial power of the Anglo-Dutch Liberal system of finance since the February 1763 Treaty of Paris and our nation's enemies' gathering at Prince Metternich's and Castlereagh's 1815 Congress of Vienna.

The fight between the two contrasted world-outlooks, has been an ongoing one during most of our nation's pre-history and history on this continent since the 1688-89 suppression of the relative independence of the Massachusetts Bay Colony, and, since the "American Tory" opposition to our independence since 1763-89. This was precisely the same axiomatic point of difference, as in the opposition of Alexander Hamilton and Isaac Roosevelt to the Aaron Burr who was an intellectual property of the British Foreign Office's Jeremy Bentham. This is the difference echoed in the contrast of the policies of the Presidencies of Coolidge and Hoover, which caused the U.S. side of the Great Depression of the 1930s, and those of the President Franklin Roosevelt whose leadership lifted us from despair to emerge by 1945 as the greatest economic power the world had ever known.

In today's circumstances, approximately half of the annual net output of the economy should be supplied under



Transrapid



Transrapid

Preceding the webcast dialogue with LaRouche, EIR's John Hoefle narrated a short video using the economic animations commissioned by LaRouche ([www.larouche.com/animations](http://www.larouche.com/animations)) and a promotional video of the world's only commercial magnetic levitation transportation system (shown here), which runs between Shanghai and its airport.

government supervision by Federal, state, and local creation and/or regulation of basic economic infrastructure. The rest of the economy should be based on a protected form of private entrepreneurship based on the notion of "fair trade" protection of all forms of private enterprise which are essential to the national interest. This system should be supported, as a matter of principle, by judicious use of that power to create public credit which is embedded in our Federal Constitution.

I add the cautionary observation, that the worst of the systemic blunders embedded axiomatically in virtually all currently accredited academic programs in political-economy, is the error of defining economic processes as mechanical, rather than dynamic systems. I have addressed this problem in various published locations, including a comparison of my own approach to that of scientist V.I. Vernadsky's systemic definition of the functional characteristics of the Biosphere (cf. "Vernadsky and Dirichlet's Principle," *EIR*, June 3, 2005).

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## What Kind of 'New Bretton Woods'?

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**Q:** During the Clinton Administration-initiated debate about the need for a new financial architecture, the Congress agreed to funding for the IMF after an intense fight, but mandated an ongoing study, etc., etc. That led to the formation of a Commission, and later the issuance of a report. That report, the Meltzer Report, looked pretty good on paper. It called for debt forgiveness for the most indebted nations, capital

controls, and a change in development policies. However, a closer look at the Report raised issues that seemed to contradict their own recommendations. For instance, although Meltzer made a strong argument for debt relief, the relief was with conditions that included mandatory fiscal restraint, capital account liberalization, and flexible exchange-rate arrangements. In short, it seemed that the report actually favored greater financial market deregulation. I already know your view of such proposals, but, is it your view that this is what Clinton and Rubin were advocating when they talked about a new financial architecture? I'm asking because there are various proposals in addition to your own being floated for new Bretton Woods-style arrangements, and I know that at least one of them is directly based on the Meltzer recommendations.

**LaRouche:** I concur with your description of the difficulties implicitly posed by what you identified as the qualifying features of the Meltzer Report. The weakness of the Meltzer Report, or similar proposals, is that none of them could actually work. In fact, many of these have been concocted as explicit efforts to sidetrack my relatively successful proposals for adoption of a New Bretton Woods perspective by Italy's Parliament, and others. The price of submitting to such conditionalities as those typified by the Meltzer Report, would be a plunge of the planet into a virtually inevitable prolonged new dark age.

We have entered into a time, when the future of humanity will be determined by men and women who think like great leaders, not nasty, simpering sophists. Always, the truth is the best cause; in times of great crisis, it is often, as now, the only remedy which could prevent the greatest kind of disaster.

## Senators Battle White House on Issues of War, Torture, Vets

by Nancy Spannaus

“Mr. Bush now has to decide how to respond in a way that shows he’s not a lame duck,” wrote the pro-Administration *Wall Street Journal* in its June 22 editorial, reviewing the implications of the failure of the Administration to ram through the nomination of John Bolton as U.S. Ambassador to the United Nations. In fact, it’s already too late. Faced with intractable opposition to his agenda on multiple fronts—Bolton, the Iraq war, Social Security, the torture scandal, and the military base closings, to mention just the most prominent—President Bush is losing his already tenuous grasp on reality, and the Administration is being held together increasingly by the sheer thuggery of Vice President Dick Cheney.

Even the public record shows that Cheney is working overtime to try to ensure that the agenda of his synarchist banker bosses goes through. It is Cheney who has demanded that the Senate Republicans keep fighting to get Bolton, who was Cheney’s personal pick, confirmed. It is Cheney who has gone on television to try to counter the overwhelming evidence of U.S. failure in Iraq, by asserting that the insurgency “is in its last throes.” And it is Cheney—whose legal counsel, David Addington, authored one of the crucial memos legitimizing torture by U.S. troops at Guantanamo and Abu Ghraib—who has most adamantly refused to respond to the increasingly gruesome revelations about conditions at the U.S. prison camp in Cuba.

In fact, as Lyndon LaRouche said at his June 16 webcast, the Senate has to politically destroy Cheney *first*, as the Bush Administration falls apart. That is the only way that the Senate can effectively take up the urgent economic agenda which is needed to save the nation from impending disaster.

### Beyond the Bolton Impasse

While the most dramatic confrontation between the Senate and the White House continues to be on the issue of

John Bolton, the points of contention, on a bipartisan basis, are expanding daily. Minimal estimates are that at least a dozen leading Senate Republicans have “crossed” the Cheney-Rove team, by challenging Administration policy on various issues.

One of the major arenas of acrimonious debate is the Iraq war. As the insurgency against the U.S. occupation expands in bloodier and bloodier fashion, the war is becoming increasingly unpopular, and it’s becoming a political issue.

In a May 30 interview on CNN’s Larry King show, Dick Cheney decided to take the point on the matter by announcing that the United States was winning in Iraq. “I think the level of activity that we see today, from a military standpoint, I think will clearly decline,” said Cheney. “I think they’re in the last throes, if you will, of the insurgency.”

By June 16, after 47 American soldiers were killed in Iraq in the first 15 days of June—five more than were killed in the entire month of June 2004—and hundreds of Iraqis were also killed by the insurgency, Cheney’s remarks began to meet a backlash.

On June 16, Rep. Walter Jones, Republican of North Carolina, broke ranks with the White House, and introduced a bipartisan group of four members of the House of Representatives, including himself, to announce that they were sponsoring a binding resolution to begin the withdrawal of U.S. forces from Iraq. Jones, who voted for the war in October 2002, and who is credited with inventing the gimmick of “Freedom Fries” instead of “French Fries,” when the French opposed the Iraq war, introduced the other three sponsors, Ron Paul (R-Tex.), Dennis Kucinich (D-Oh.), and Neil Abercrombie (D-Hi.), as “a conservative, a libertarian, a liberal, and a moderate, who agree that our forces have done all they can do in Iraq.”

The bill mandates that Bush begin withdrawing troops



hagel.senate.gov

Sen. Chuck Hagel (R-Neb.): “The reality is that we’re losing in Iraq.”



Sen. Arlen Specter (R-Penn.) held Senate Judiciary Committee hearings on Guantanamo detainees.

on or before Oct. 1, 2006. It was modelled after the Mansfield Amendment of 1971, which had a similar message to President Nixon about bringing the troops home from Vietnam. Kucinich said: “Today is the beginning of the end of the war in Iraq. It is time to thank our troops and say, ‘Come home.’ ”

On June 17, in a hearing room of the U.S. Senate, at a forum of the Middle East Policy Council, the most competent, independent thinktank in Washington that deals with Southwest Asia, speaker Ivan Eland stated, “We lost, and we don’t know it yet.” The forum, which featured four speakers, was a grim but welcome dose of the truth. The Administration’s refusal to admit mistakes in the Iraq policy reflects “political autism,” said Policy Council president Chas Freeman, who was U.S. ambassador to Saudi Arabia under Bush 41. Freeman’s observation was prophetic—Cheney’s drivel was defended three times between June 18 and June 22 by the Administration—by the State Department, by the White House, and by Bush’s handler, Karl Rove.

In effect, all the Policy Council speakers concurred that the insurgency has not been crushed, that the United States has no clear objectives or exit strategy, and that Iraq is coming unglued. Colonel Patrick Lang (USA-ret.), former Defense Intelligence Officer for the Mideast, not only warned that Iraq’s insurgency is going through a phase of consolidation similar to the rebels in Vietnam against the French in the early Vietnam war, but said that Iraq has been turned into a school for terrorists by the Bush policy.

Then, on June 19, came a kind of *coup de grâce*, when *U.S. News and World Report* released its latest issue with an article called, “Hit With Friendly Fire,” quoting Republican Senator Chuck Hagel, a Vietnam War veteran and very senior member of the GOP. The article begins: “Nebraska Republican Sen. Chuck Hagel is angry. He’s upset about the more than 1,700 U.S. soldiers killed and nearly 13,000 wounded in Iraq. He’s also aggravated by the continued string of sunny

assessments from the Bush Administration, such as Vice President Dick Cheney’s recent remark that the insurgency is in its ‘last throes.’ ‘Things aren’t getting better; they’re getting worse. The White House is completely disconnected from reality,’ Hagel tells *U.S. News*. ‘It’s like they’re just making it up as they go along. The reality is that we’re losing in Iraq.’ ”

### Abu Ghraib Is Hurting Us

Republicans are also threatening to revolt against the White House when it comes to the related issue of the torture scandals. There has been growing pressure from outside the Congress to establish an Independent Commission to investigate prisoner “detainee abuses,” because neither the House nor the Senate carried out a full investigation. The effect of this pressure was reflected in the fact that Sen. Arlen Specter (R-Penn.) held hearings before the Senate Judiciary Committee on June 15, where the abuses at Guantanamo were extensively reviewed. Until this point, the Republican leadership had generally blocked this kind of disclosure.

The hearing was called by Specter, as he said at the outset, to consider the procedures used by the Defense Department for determining if detainees are to be held indefinitely, or tried before a military commission; the hearing was not for the purpose of considering the torture and mistreatment of prisoners, which Specter suggested could be the subject of future hearings.

The ludicrous efforts by Pentagon spokesmen and Administration defenders, such as former Attorney General William Barr, to portray the procedures used at Guantanamo as complying with traditional U.S. military practice, and with the Supreme Court’s requirements of due process, was blown out of the water by the two defense lawyers. (Sen. Jeffrey Sessions, an Alabama Republican, went so far as to assert that the setting for Guantanamo “would make a magnificent resort.”)

The first to testify was Joseph Margulies, who represents Mamdouh Habib, an Australian citizen who was picked up in Pakistan, taken to Egypt where he was held and brutally tortured for six months, and then taken to Guantanamo. Under



jones.house.gov

*Rep. Walter Jones (R-N.C.), sponsor of a binding resolution to begin withdrawing troops from Iraq.*

torture, Habib had “confessed” to all kinds of allegations, and then the Combat Status Review Tribunal at Guantanamo had relied on these “confessions”—and nothing else—to determine that Habib should be held as an “enemy combatant.” But five days after an account of Habib’s rendition and torture appeared in the *Washington Post*, the Pentagon released him without any charges and sent him back to Australia.

The second lawyer to testify was Navy Lt. Commander Charles Swift. The stage for his testimony had been set during the first panel, by Sen. Diane Feinstein (D-Calif.), who questioned Gen. Thomas Hemingway, a top official in the Pentagon’s Office of Military Commissions, about statements in Swift’s prepared testimony, that he had only been assigned to represent detainee Salim Ahmed Hamdan for the purpose of inducing Hamdan to plead guilty. Hemenway denied under oath that this was the case.

But when Swift testified, he made it clear that “the purpose in detailing me was to negotiate a guilty plea,” and that his access to Hamdan was contingent upon Hamdan making a guilty plea. What Swift did, instead, was to file a writ of *habeas corpus* on Hamdan’s behalf; a federal judge ruled last year in his case that the Pentagon’s procedures for military commissions were unconstitutional, and stopped the trials then under way.

Swift testified June 24 that the commissions are not “an independent and fair process,” and that “It’s not befitting of America.” At the end of the hearing, Swift firmly told the committee that “when you hold a trial . . . it says as much about the society that holds the trial, as it does about the individual before it. Our trials in the United States reflect who we are; they’re the models of the world.”

Throughout the Senate Judiciary Committee hearing, defenders of the Bush Administration’s practices at Guantanamo—both witnesses and some Republican Senators—repeatedly referred to the detainees at Guantanamo as “the worst of the worst,” and as posing a threat to the U.S. which is unprecedented in American history, such that the Geneva Conventions and the laws of war cannot possibly apply.

But when Sen. Patrick Leahy (Vt.), the ranking Democrat

on the committee, asked Lt. Cmdr. Charles Swift what advantages there would be to applying the Geneva Conventions, Swift responded by pointing to the experience of World War II — noting that the Japanese were certainly considered “fanatical, willing to die rather than surrender,” and that they had kamikaze pilots, the equivalent of today’s suicide bombers. Swift pointed out that the most effective interrogations of the Japanese were those conducted in accordance with the Geneva Conventions, in which the prisoners were treated kindly and humanely. Once the Japanese prisoners realized that the Americans were not simply out to annihilate the Japanese, they cooperated in their interrogations.

According to the *New York Times* June 22, Sen. Lindsay Graham (R-S.C.) a former Air Force lawyer and member of the Senate Armed Forces Committee, has now endorsed the idea of an independent commission to review accusations of abuse. The United States needs “to prove to the world that we are a rule-of-law nation,” Graham was quoted as saying. Similar statements have been made in recent weeks by Senator Hagel.

## **Social Security Plus**

No review of Bush’s lame-duck status would be complete without reference to his Social Security privatization drive. This was the flight-forward which Lyndon LaRouche said in late 2004 would sink the President, and it most assuredly has led the way in destroying his aura of power.

Republican plans for introducing Social Security legislation in both houses of Congress can only be described as foundering in face of unanimous Democratic Party opposition. At present, some Republicans are even claiming that the President will drop his “private accounts” scheme, in favor of a “mere solvency” bill, but this has been exposed by Democrats, like Sen. Max Baucus (Mt.) as a “transparent bait-and-switch” operation, which means it also is headed for oblivion.

Nor is it only Social Security on which Republicans are revolting against Bush. On June 23, Republican Senator Larry Craig (Id.), chairman of the Senate Veterans Affairs Oversight Subcommittee, joined with other Republicans and leading Democrats to protest the fact that Bush’s Veterans Administration has come up more than \$1.2 billion short for 2006 veterans’ health care. The VA had repeatedly assured the Senators that it had enough funds to deliver the needed services, and now that it is clear that the funds are not available to handle all the problems of soldiers returning from Iraq and Afghanistan, the Senators were angry. Craig said he planned Senate hearings soon, and declared, “We’re going to pound them like hell ’til we get them. Then we’ll make some judgments.”

Leading Republicans are also “up in arms” against the Administration’s proposed base closings. Speaking out against the Administration are Republicans Sen. John Thune (S.D.), Sen. Susan Collins (Me.), and Sen. Olympia Snowe (Me.).

# Hysteria in the Shultz Camp: The Incredible Shrinking Governator

by Harley Schlanger

In the time it takes to read this article, the popularity of California Governor Arnold Schwarzenegger may have dropped another point or two!

With his announcement on June 13 that there will be a special election on Nov. 8 to vote on his “reform” agenda, it became clear that Arnie’s string-pullers, headed by arch-fascist George Pratt Shultz, are prepared to go all the way to transform the state into a low-wage, deregulated, post-industrial looting ground, to benefit the financial and corporate interests which funded his election in the 2003 recall campaign.

This means that Schwarzenegger, on behalf of this gang of not-so-bright thieves, will be ramping up the volume in his drive to centralize power in his hands, so that he may proceed to cut county and municipal budgets, and slash funds to education, health care, the poor, and the elderly. He will escalate his efforts to demonize labor unions—especially those that represent teachers, nurses, and public workers, such as policemen and firefighters—while claiming that he is doing this for the “people.”

After all, he is the self-proclaimed “People’s Governor,” a perhaps unintentional nod to one of his early heroes, Adolf Hitler, who was dubbed the “People’s Chancellor” by Josef Goebbels.

## Arnie’s Support Crumbling

The release of the Field Poll on June 21 shows that, after Schwarzenegger’s announcement of the special election, support for him is collapsing. According to the poll, 53% of registered voters in California do not approve of his performance, while 37% say they approve. This is a drop of 18% since February.

As for the special election, 52% of those polled say they oppose the election, with 37% in support of it. When told that the election will cost between \$45 million and \$80 million, support falls to 28%, with 61% opposed to Arnie’s decision to hold a special election.

The poll also found that 42% oppose a state spending cap, and 46% oppose his redistricting initiatives. After widespread coverage of Californians’ disapproval of the has-been Terminator, a somewhat “chastened” and “subdued” Arnie, according to local press, spoke at a Sacramento press conference seeking compromise with legislators whom he has otherwise

called various forms of low-life.

This comes as no surprise to anyone closely watching the Schwarzenegger regime. As opposition to the Shultz agenda he is championing has intensified, he tells tightly prescreened audiences at selected diners and shopping malls that he is standing up for them, against the “special interests.” He throws out to these audiences the free-market, anti-government bromides of Shultz and the neo-con ideologues to these audiences, and seems convinced that all is going well.

Schwarzenegger’s nasty jibes and vituperative insults against his opponents in the unions and the legislature still play well when he speaks to the corporate elite at \$20,000 per plate fund-raising events, and among fawning media hacks, who are hoping for an invitation to smoke a cigar with the aging Hollywood mumbler. But among those who work for a living, and are being clobbered by increasing costs in housing, insurance, health care, utilities, and college tuition, because of Arnie’s dedicated service to those corporate elite, bemusement over having a clowning caricature as Governor is being replaced by anger.

The anger was there mid-June, when Arnie’s attempt to give a commencement address at Santa Monica college was interrupted repeatedly by boos and catcalls, with both professors and students joining the crowd in demonstrating their opposition to his policies. When a group of LaRouche Youth Movement (LYM) members interrupted his address by singing the canon “Enron Arnie,” with the closing refrain “Arnie is a Nazi,” he stood at the podium, a frozen smile on his reddening face, trying to pretend that everything is “fantastic.”

“He is in a fantasy world,” one leading Democrat said. “He thinks he is on a movie set, and all he has to do is follow the script, and the people will idolize him.” Recent statements from Arnie confirm this assessment. He told ABC’s “Good Morning America” show that his term in office has been like a movie script. “It’s now in the middle of the big struggle,” the delusional one-time muscleman said. “First Act, I have to stop the bleeding and turn the economy around. Second Act is reform. Third Act, then, is the rebuilding of California.”

## Reform, or Reform School?

The alleged plan to rebuild California, which Schwarzenegger says is the intent of his initiatives, has nothing to do



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*California Gov. Arnold Schwarzenegger (center), with some of his "special interests," has seen his already falling popularity plummet since he announced a special election, at the behest of his controllers, George Pratt Shultz chief among them, to turn the state into a deregulated, post-industrial looting ground.*

with rebuilding the state. Rather, he is a Golem, created by Milton Friedman and George Shultz, assigned the task of dismantling the institutions which were created to build up the state in the first place.

Shultz, who is the leading figure among Arnie's controllers, has a long record of imposing policies to destroy the ability of government's to protect the general welfare of its people. His "Chicago School" economics is little more than a modern form of feudal looting. Through advocacy of privatization and deregulation of basic services, under the slogan of "freeing the market from interference of the state," the Shultz gang has wrought havoc on the world economy. The impending hedge fund blowout, combined with the unwinding of trillions of dollars of derivative contracts, threaten to bring down the major banks. And the speculative orgy, which began with Shultz's actions in August 1971, to end the Bretton Woods financial system set up by President Franklin Roosevelt, has run its course, and the last bubbles it has pumped up are about to pop.

Fearful that saner forces would intervene to bring back regulation, and permanently shut down criminal looting operations, such as those which allowed Enron to wreck the California economy, through "gaming the market" and accounting fraud, the Shultz gang launched the "Schwarzenegger project" for the same reason they backed the incompetent former Governor of Texas for President: to finish the job of destroying government as a republican agency, through which citizens protect themselves and the future from greedy, power-mad oligarchs like Shultz.

The so-called economic reforms pushed by Shultz through his puppet Bush, with a thuggish hand from Lynne Cheney's Dick, are virtually identical to those Schwarzenegger is attempting to ram through in California. His effort to

privatize the public employees' pension fund has the same father as Bush's defeated plan for Social Security privatization. Both are products of Shultz and the Chicago School. Both would divert retirement funds away from employees into Wall Street investment funds, as was done in Chile, where Shultz first introduced this model, under the guns of the fascist military dictatorship of Gen. Augusto Pinochet.

But Shultz miscalculated. He believed that what was imposed by a dictatorship in Chile would be adopted happily by confused and deluded Americans. The defeat of both Bush and Schwarzenegger on this effort was catalyzed by the effort of Lyndon LaRouche and the LYM, with nearly 1 million pamphlets distributed, which exposed Shultz's dirty hand behind the attempt of Bush and Arnie to loot retirement funds.

Lyndon LaRouche has stated that the initiatives which Schwarzenegger has placed on the ballot in November are more of the same, part of a blatant attempt to divert an income stream from the poorest and most needy in California, to pour some money into the coffers of a financial system which is about to blow. Arnie is not interested in "reform," LaRouche said, only in stealing for his controllers. The best thing for him would be to send him to "reform school."

Arnie's collapse in the polls is a good sign that Californians are beginning to awake from the stupor which was caused by the combined effects of the Enron-sponsored, deregulation-induced looting of the state, and the recall election, which placed the ambitious actor with the mentality of a juvenile prankster in the office of Governor. In the four-and-a-half months leading up to the special election, Californians will have the opportunity to end Shultz's dangerous experiment, as a defeat of the initiatives in November may convince the once-invincible action figure that he has no future in politics.



# Save Walter Reed Medical Center From the Scrapheap

*Dr. Pierce, Colonel Medical Corps, U.S. Army (ret.), has been the Medical Inspector for the Veterans Health Administration since November 2004. He was on active duty in the U.S. Army Medical Corps for 30 years, stationed in Hawaii, Germany, Colorado, and Washington, D.C. His assignments included Chief, Department of Pediatrics, Residency Program Director, Deputy Commander for Clinical Services, and Director of Medical Education—all at Walter Reed Army Medical Center. He also served as Consultant in Pediatrics to the Surgeon General for seven years.*

*An Assistant Professor of Pediatrics at the Uniformed Services University of the Health Sciences, and a Fellow in the American Academy of Pediatrics, Dr. Pierce has numerous publications in the area of infectious diseases in the neonatal, health-care services, and practices in the Department of Defense and the role of pediatricians in the military. As the historian for the Walter Reed Society, he has written many articles on the history of Walter Reed Army Medical Center and the life and work of Maj. Walter Reed. He also wrote a book on yellow fever and the role of the U.S. Army in its conquest.*

*His military awards include the Legion of Merit (three awards), the Meritorious Service Medal (three awards), the Joint Service Commendation Medal, the Army Commendation Medal (three awards), the Army Achievement Medal (four awards), the Surgeon General's "A" Proficiency Designer, and the Order of Military Medical Merit.*

*Dr. Pierce was interviewed by Pam Lowry.*

**EIR:** On May 13, the Pentagon made the astounding proposal to close the doors of Walter Reed Army Medical Center. How did this come about?

**Pierce:** There was a Congressional mandate in the early 1990s to close and consolidate bases. This cycle of Base Realignment and Closure (BRAC) started in 2002. There were several Joint Cross-Service Working Groups. The Army's representative to the medical group was Major General Kenneth Farmer, who was the Army Deputy Surgeon General at the time. Last year, Major General Farmer was named Commander of Walter Reed Army Medical Center.

**EIR:** The Working Group's report recommends that new multi-million-dollar hospitals be built at the National Naval

Medical Center in Bethesda, Md., and at Fort Belvoir, Va. It says that most of Walter Reed's functions will be transferred to the new building in Maryland. Will these hospitals be built, and what will happen to Walter Reed in the meantime?

**Pierce:** This is like throwing Walter Reed on the scrapheap. Even if the Bethesda hospital is built, building at Walter Reed will be ignored for the next five years. They will start to close Walter Reed down. Doctors who need specialized training and many of the medical researchers may choose to go somewhere else. Employees will leave, and patients, knowing they'll lose their doctors, will go someplace else. The place could go to pot.

**EIR:** I saw a press release for the November 2004 groundbreaking for a new state-of-the-art training facility for amputees. But when I asked the Public Affairs Office if the construction was on target for its completion date this coming December, I was told that nothing has been done on the building. Is this an example of what you're talking about?

**Pierce:** Yes, no building has been going on for the amputee center. We do have an excellent program for amputees—we take all comers from all the services. They are fitted with computerized prosthetics, which are called C-arms and C-legs. They cost \$40,000-50,000 apiece. There are two [guest] houses and a hotel on our campus to house the families of these amputees, as well as those of other patients. Walter Reed gave C-legs to a double amputee who had been an excellent lacrosse player and captain of the West Point team. After he completed his treatment, I saw a newspaper article which said he had played in the Army-Navy Alumni Lacrosse Game and even scored a goal!

**EIR:** When the base closings were announced in May, the Air Force Surgeon General said that the proposed new "Walter Reed National Military Medical Center" at the National Naval Medical Center in Bethesda would "rival Mayo Clinic, Johns Hopkins, and the other great medical institutions of the world." What do you think?

**Pierce:** Walter Reed already is the Mayo Clinic and Johns Hopkins of the military hospitals! It is a national and international resource, but the measurements that are used in the BRAC do not take that into account. Walter Reed has Congressionally mandated research programs in breast, prostate,



CDC/Dr. Edwin P. Ewing, Jr.

*The original Walter Reed General Hospital at the Walter Reed Army Medical Center. You'd think they decided first which bases to close, and then picked the justification for the decision, said Dr. Pierce of the Pentagon's methodology.*

and gynecological cancer. It also has a vaccine health center that deals with vaccines for military personnel and tracks their side effects. There is also a special secured unit which is used for medical care for the President, Congress, and foreign dignitaries. Heads of nations have come from all over the world to be treated at Walter Reed.

**EIR:** That makes Walter Reed a diplomatic resource as well.

**Pierce:** Yes, but that apparently does not count in the military value of the base-closing equation.

**EIR:** What kinds of measurements are used when the bases are evaluated?

**Pierce:** You'd think they decided first which bases to close, and then picked the measurements. There is what they call a "Metric of Military Value." They have put a cap on the score you can get for patient care. Using this measure, Walter Reed lost credit for 39% of its inpatient care and 60% of its outpatient care. The medical center got absolutely no credit for its graduate medical education training in regards to health care delivery, its medical research, or its three Congressionally mandated cancer programs.

In addition, there is a rating system which compares all military bases. Part of this is another measurement called "Relative Weighted Product." For example, a heart operation may count for 3-5 points, while a simpler procedure, such as an appendectomy, counts for one point. Walter Reed provided 1.15 million outpatient units and 16,500 inpatient units per year, and it has 50 graduate education programs. It received an overall rating of 54.

The National Naval Medical Center in Bethesda received

a rating of 63. The DeWitt Army Community Hospital at Fort Belvoir, which has 43 inpatient beds and one training program in Family Medicine, received an overall rating of 58. Even Hurlburt Field in Florida, which provides 52,000 units a year in an outpatient clinic, and has no inpatient care or graduate medical education, was considered to have a higher military value—56—than Walter Reed.

**EIR:** What is going to happen now with the BRAC recommendations?

**Pierce:** The BRAC Commissioners visit the bases that are slated to be closed, and check to see that the evaluation figures are correct. The Commission has already complained that the Department of Defense has not released all the data the Commission needs. The BRAC Commission also holds hearings around the country. In past years, the BRAC Commission has taken around 15% of the bases off the closing list after

this phase. Then, the final list is sent to the President, and this will happen in early August. He must accept either all or none of the closings. Then the list goes to Congress, and they also must accept all the closings or none. My goal is to get Walter Reed Army Medical Center off the list.

**EIR:** Before the base closings were announced, what was the development plan for Walter Reed's campus?

**Pierce:** They had planned to refurbish the hospital building, which was opened in 1978. The plan called for doing it over a ten-year period at a cost of \$500-600 million. Some people accuse Walter Reed's hospital of not performing up to capacity, because of its large number of wards. But the wards that were not needed for patients have been turned into specialty clinics, so the space is definitely in use.

**EIR:** Is there any room on the present campus for a new hospital?

**Pierce:** I think there would be room for a new building if the 70-year-old medical supplies warehouse were torn down. Walter Reed has gone to a just-in-time policy on supplies, which means only a week's worth of medical supplies are stored at any one time, so such a large storage building is not needed.

**EIR:** I can't help thinking that Walter Reed's situation is somewhat comparable to the threatened sell-off and dispersion of General Motors' machine tool capabilities. What would happen if this projected new building in Maryland wasn't ready in five years, or was never built, and Walter Reed was closed?

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*A critical mistake that cannot be made is for the soldier on the battlefield not to have a military physician when needed. Realigning (actually closing) Walter Reed will decrease the likelihood that military physicians will be there when needed.*

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**Pierce:** Then the different medical services would have to be broken up. The Bethesda Navy facility now provides 10,500 inpatient units of “Relative Weighted Product,” but it has the capacity for 13,000. Therefore, 2,500 units of service could be transferred there. If the new hospital at Fort Belvoir were built, other services could be sent there as well. Overall, the BRAC study projects 11,000 new employees at Fort Belvoir and this does not include the additional 2,000-3,000 patients a day that would be going to the new hospital. Local politicians are concerned about the traffic; there are no plans to put a new Metro station there. The cost of a new Metro stop may be too astronomical and that area may not be able to handle the traffic—have you seen where it is? Other patients who were left over would have to go into the system called TRI-CARE, which is like an HMO and consists of facilities and providers that accept military payments.

**EIR:** Let’s say that Walter Reed is closed. What happens to the buildings and land?

**Pierce:** Everything on the main Walter Reed campus will be closed. The internationally known Armed Forces Institute of Pathology, known as the AFIP, will be closed. The National Museum of Health and Medicine will be moved but it is not clear where or if there is enough money to provide proper quarters for the museum. The only thing now slated to remain is the Walter Reed Institute of Army Research, which is on an auxiliary campus.

The land and buildings would be offered to other government agencies. If government agencies don’t want the other buildings, then the buildings and land are given to the local government. They can sell it to make money. For example, they could sell it to developers who will build condos. Local governments have mixed feelings about BRAC—they don’t like to lose bases and the jobs that go with them, but on the other hand, they want tax-paying residents.

**EIR:** In summary, what would you say are the primary reasons that Walter Reed Army Medical Center should not be put on death row for five years and then closed?

**Pierce:** Who is bearing the brunt of current casualties and will bear the brunt of future casualties? Clearly, the Army. No one can challenge the United States on the seas or in the air, and as always, the foot soldier will bear the brunt of injuries and death. Therefore the Army, even more than the

other services, needs the capability to care for the complex wounded. The lethality and destruction of the improvised explosive device (IED) is obviously well known and will be copied by future enemies of the United States. Thus, a critical mistake that cannot be made is for the soldier on the battlefield not to have a military physician when needed. Realigning (actually closing) Walter Reed will decrease the likelihood that military physicians will be there when needed.

Where do Army docs come from? Most come from Army graduate medical education programs. The majority of these programs and trainees are in the major medical centers. Why are the majority of trainees in the major medical centers and not the community hospitals? Because that is where the patients are, who are needed to train these docs.

The major medical centers like Walter Reed are the exact facilities that were devalued by the BRAC military value metric. The reason major military medical centers exist, is to provide the complex care needed in war and to provide a platform for training and skill competency during peace. Without major tertiary medical centers and the environment they provide, the Army would not be able to retain the cadre of senior experienced medical officers needed in war. Poly-trauma casualties (amputation, fracture, head injury, burns, etc.) from the current conflict are surviving in numbers not previously seen, and major tertiary medical centers such as Walter Reed are needed to care for them.

It is well known that currently the vast majority of these patients are brought to Walter Reed. Over the years, Walter Reed has purposely developed this capability to care for very complex patients by seeking out that capability in patient care, as well as graduate medical education and clinical research. This environment of cutting-edge care, medical education, and research has attracted a highly motivated, experienced, and skilled group of senior officers who are daily fulfilling the promise to our soldiers, on the battlefield as well as in the medical center, of providing them every chance to recover to lead a full and rewarding life.

This capability exists during war because it was developed and maintained during peace. Tertiary medical centers committed to complex care, education, and research during peace are part of the cost of having a competent medical force during war. The reason the worst of the injured come to Walter Reed is, because years ago, Walter Reed chose to be that place.

### **F**ight Looming On CAFTA

If statements by Democrats and nervous Republicans are any indication, the drive by the Bush Administration to pass the Central American Free Trade Agreement may be a tough row to hoe. On June 14, Sen. Max Baucus (D-Mt.), who has generally supported free trade agreements in the past, noted that "In recent years, agreements have been less controversial and amendments correspondingly less common. That may change, today." He was speaking at a "mock markup" of CAFTA implementing legislation, held by Finance Committee chairman Charles Grassley (R-Ia.). Baucus also reported that in recent weeks, there have been efforts by the Bush Administration and business circles to discourage senators from offering amendments to the legislation. "To those who delivered this message," he said, "you're making a big mistake."

Speaking at the same hearing, Sen. Kent Conrad (D-N.D.) noted that CAFTA comes in the context of the largest trade deficits in U.S. history. "I've concluded," he said, "it is time to slow down and carefully review the trade strategy of our country because, if there's anything that's clear, it's that this strategy is not working." He also noted that with each successive trade agreement since NAFTA of 1994, the trade deficit has worsened, reaching \$618 billion in 2004. "That is an unsustainable course, utterly unsustainable," he said.

On the House side, the *Washington Post* reported, on June 22, that House Minority Leader Nancy Pelosi (D-Calif.) is pressuring House Democrats not to support CAFTA, arguing that what's at stake is Republican control of the House. So far, only five Democrats have declared support for the agreement. If the Democrats hold

firm, there may be enough Republicans to defeat the agreement. Rep. Walter Jones (R-S.C.), whose state has lost thousands of textile jobs in recent years, told the *Post* that there are between 20 and 23 Republicans solidly against the agreement.

### **H**ouse Bucks Bush On Patriot Act

On June 15, 38 Republicans joined with 199 Democrats to pass an amendment to the Fiscal 2006 Science, Justice, State, and Commerce appropriations bill, which prohibits the Justice Department from spending any funds to apply for an order, under the 2001 USA Patriot Act, for the production of library or book store records. Rep. Bernie Sanders (I-Vt.), the sponsor of the amendment, called it the "Freedom to Read" amendment, and told the House that Americans should be able to go to the library or the bookstore "without Uncle Sam becoming Big Brother and spying on them." He also noted that seven states and 379 municipalities have passed resolutions expressing their concerns about the Patriot Act. He argued that the FBI doesn't need secret subpoena power, because under long-established judicial safeguards "the FBI must demonstrate that its need for information is legitimate. They cannot get it just because they want it, and that is what this amendment is about."

Republican supporters of the Patriot Act claimed that Sanders's amendment actually carves out "safe havens" for terrorists in U.S. libraries and bookstores. Rep. Dan Lundgren (R-Calif.) went so far as to claim that if Sanders's amendment passed, it "would surely restrict intelligence investigations designed to protect

against international terrorism and clandestine intelligence activities," explicitly in cases where no crime has yet occurred.

### **H**ostettler Wages Religious War on Democrats

Rep. John Hostettler (R-Ind.) set off an uproar on the floor of the House on June 20, when he accused Democrats of providing "aid and comfort to those who would eradicate any vestige of our Christian heritage. . . ." Hostettler's outburst came in debate on two competing amendments to the Fiscal Year 2006 defense appropriations bill, addressing the scandal at the Air Force Academy around aggressive religious proselytizing on campus by members of the Academy staff. The first amendment, sponsored by House Armed Services Committee chairman Duncan Hunter (R-Calif.) deleted language in the bill expressing the sense of Congress that "coercive and abusive religious proselytizing . . . by officers assigned to duty at the Academy" is "inconsistent" with military standards. Rep. David Obey (D-Wisc.) responded, with an amendment to Hunter's amendment to restore the bill's original language.

Hunter told the House that the problem with the original language in the bill is that it "concludes, based on news accounts, that officers and others" at the Academy "are engaged in 'abusive and coercive religious proselytizing. . . ." He said that rather than the House passing judgment, it ought to wait until the Air Force completes its own investigation. Obey replied that every member of Congress has an obligation to see that the environment at the Academy is free from any religious pressure or ridicule, because cadets are appointed by members of

Congress. He argued that all his amendment does is “say that the activities which have already been described and admitted by the Academy as having occurred . . . that conduct is inappropriate to the military.”

Hostettler’s outburst followed several more minutes of debate, in which members spoke on each side. In addition to the above quote, Hostettler also charged that “Like a moth to a flame, Democrats can’t help themselves when it comes to denigrating and demonizing Christians.” Obey immediately objected, calling on the Speaker *pro tem* to take down Hostettler’s words. Hostettler, instead, withdrew his words, because, had they been taken down and stricken from the record, he would have been unable to speak again, on the floor of the House, for the rest of the day.

Obey’s amendment was rejected by a 198 to 210 vote, and Hunter’s was adopted by a voice vote.

## **H**ouse Passes Intelligence Authorization

On June 21, the House voted 409 to 16 to pass the Fiscal 2006 intelligence authorization bill, the first since last year’s passage of the reform bill that created the position of Director of National Intelligence (DNI). While the bill itself was crafted as the result of bipartisan efforts by Intelligence Committee chairman Peter Hoekstra (R-Mich.) and ranking Democrat Jane Harman (Calif.), it was held up by a dispute among Republicans. House Armed Services Committee chairman Duncan Hunter (R-Calif.) reportedly persuaded Hoekstra to include language in the bill that would have limited DNI John Negroponte’s authority to move personnel among the agencies under his purview, which includes

Pentagon agencies. Both the White House and Negroponte objected, and were backed by Harman, which held up consideration of the bill for two weeks, until Negroponte agreed to inform Hunter before he moves any specialists in a Pentagon agency to new duties.

Once the bill got to the floor, the Democrats objected to the fact that the rule for debate excluded two amendments by Rep. Henry Waxman (D-Calif.), one to set up a select committee to investigate abuses of detainees held by the U.S. military, and the other to set up an independent commission to do the same. The Republicans, Waxman charged, “do not want an investigation inside the House of Representatives or outside by an independent group.” Waxman noted that President Bush has said that the allegations of abuse at the U.S. prison in Guantanamo Bay, Cuba are “absurd.” However, he said, “we will not know what is true and what is not true unless we investigate, and when we refuse to conduct thorough, independent investigations, the rest of the world thinks we have something to hide.”

## **H**ouse Opposes Bush on UN Reform

On June 17, the House of Representatives voted 221 to 184, on a bill sponsored by House International Relations Committee Chairman Henry Hyde (R-Ill.) that would withhold 50% of U.S. dues to the United Nations in 2007, unless the UN implements a laundry list of reforms specified in the bill. The White House, although not threatening a veto, issued a statement saying that the bill could “undermine” U.S. efforts to reform the UN, and that it did “impermissibly in-

fringe on the President’s authority under the Constitution to conduct the nation’s foreign affairs.” The vote on the bill broke down along party lines, with only seven Republicans voting against it and eight Democrats supporting it.

That party line split, however, largely did not reveal much philosophical difference with respect to the UN between the two parties. The only real difference between the Hyde bill and the Democratic substitute was that the Hyde bill made the dues-reduction automatic, whereas the Democratic version left the cuts to the discretion of the Secretary of State. Democrats made little effort to demonstrate the hypocrisy of the Republicans in demanding full accounting of management of the UN Oil for Food program in Iraq, but refusing to conduct any oversight of the Bush Administration’s stewardship of that same program, which it took over as the Development Fund for Iraq after the U.S. invasion.

Perhaps the strongest argument against the bill came from one of the few Republicans who voted against it, Rep. Jim Leach (Ia.) who warned that the bill violates U.S. obligations under the UN charter, a treaty to which the United States is party. The bill “presumptuously implies that the United States is free from an international obligation to pay its assessments,” he said, a notion which runs counter to international law. He added that while the Congress has every reason to push for reforms at the UN, “This domestic lawmaking body does not embellish its reputation by refusing to honor our country’s treaty commitments.”

Among the reforms demanded in the bill are whistleblower protections, an independent oversight board with broad investigative authority, and an ethics office to thwart possible conflicts of interest.

## Ohio Funding Scandal Leads to Bush-Cheney Election Theft

by Richard Freeman and Edward Spannaus

Investigators in Ohio are probing whether missing and lost funds from the Ohio Bureau of Workers' Compensation, were used to help the Bush-Cheney ticket steal the November Presidential elections in that state. Without Ohio's electoral votes, Bush would not be President.

Last Nov. 9, in his first post-election webcast, Lyndon LaRouche declared that the vote-suppression operations run by the Bush-Cheney campaign in Ohio and elsewhere should be treated as a criminal matter. "The kinds of fraud which were perpetrated by the Republicans alone in this election, were sufficient to send these guys to jail, if not to un-elect them," LaRouche said.

With recent developments in Ohio, we may be nearing that objective.

Since October of last year, the Justice Department and the FBI have been investigating whether Tom Noe, a top Ohio Republican fundraiser and a dealer in rare coins, violated Federal election campaign laws by illegally funnelling money into the Bush campaign around a fundraising event in Columbus in October 2003, which netted \$1.4 million for the Bush campaign. This investigation came to public attention when it was disclosed this June that Noe, who had been entrusted with \$50 million of Ohio Bureau of Workers' Compensation (Bureau) funds to invest in rare coins, could not account for \$10-12 million of this \$50 million in state assets.

A second element of the growing Ohio scandal involves the loss of at least \$215 million of Bureau funds invested by a Bermuda-based hedge fund run by MDL Capital Management.

The one-time managing director of MDL was Rev. Joe Watkins—an associate of Ohio Secretary of State (and former State Treasurer) Kenneth Blackwell in the network of up-and-coming conservative African-American Republicans run by top Bush political advisor Karl Rove. Watkins is used by

Rove as a public spokesman to promote the Administration's "Faith-Based Initiative," plus its right-wing judicial nominees and other "hot-button" religious-right issues.

In what's been called the "Pay to Play" scandal, Blackwell was also one of the largest recipients of campaign contributions, over \$67,000, from the employees of firms in the Bureau's "emerging managers program," under which smaller fund-management firms are contracted to manage a portion of the Bureau's \$14-16 billion in assets.

Blackwell, in his corrupt dual role as Secretary of State overseeing elections, and co-chairman of the Bush-Cheney campaign in Ohio, was directly on top of the vote-suppression operation which gave the Ohio election to the Bush-Cheney ticket. Tens, even hundreds, of thousands of voters were prevented from voting because of lack of voting machines and long lines in predominantly minority and Democratic areas; thousands of other votes were suppressed by GOP-run campaigns of misinformation and disinformation about the location of polling places. Outright intimidation tactics were used in some locations.

Thus, the scandal, dubbed by the Ohio press "Coingate," shows the merging of the conduiting of illegal funding for the Bush-Cheney election, and voter suppression.

The fact that the Bureau is the object of skimming and, in some cases, outright looting of funds, brings to the fore a cruel irony. The Bureau's duty is to provide compensation for workers who are injured on the job, and have to miss work. However, United Auto Workers Local 969 President Mark Sweazy made clear to *EIR*, that the Bureau resists making many such payments to workers who qualify, hoarding the money. This simply magnifies the funds that can be managed by outside money managers; from their enlarged fees, they channel more funds into slush-funds overseen by the Cheney crew.

## Missing Funds

More than a quarter of a billion dollars of Bureau OWCF funds have been lost or are unaccounted for:

**The MDL Capital Management's hedge fund:** loss of \$215 million of the \$225 million in OWCF funds that it was entrusted to manage.

Lawyers for **Tom Noe's Vintage Coin and Collectibles** report that \$10 to \$12 million of the \$50 million of OWCF funds Noe was entrusted to it to manage, are unaccounted for.

**New York City-based money manager Alan Brian Bond:** loss of \$3.9 million out of the \$80 million OWCF funds he was entrusted to manage. Bond is now serving a 12-year Federal prison sentence.

**Baltimore-based financial manager Nathan Chapman:** loss of \$1.3 million out of the \$20 million OWCF funds he was entrusted to manage. He was convicted in August 2004 on Federal fraud charges.

Between June 30, 2000 and Dec. 31, 2001, the **Arlington, Texas-based Rupay Barrington Group** lost \$9.4 million of Bureau OWCF money.

**American Express Asset Management's Boston Equity Group:** loss of \$8.5 million of OWCF funds it was entrusted to manage.

The lame-duck Bush-Cheney Administration has proven its impotence to handle the world financial-economic breakdown, marked by a wave of hedge-funds failures. The Rove-Cheney-George Shultz machine suffered a stunning set-back on May 23, when the Senate stopped the coup-plotters' attempt to rip up the U.S. Constitution through use of the "nuclear option" to prevent Senate filibustering of judicial nominees. The new investigative phase to the Ohio voter suppression fight has the potential to bring this machine down.

### The 1996 Law Change

The starting ground for the present Ohio scandal can be located in a sweeping fundamental change in investment policies permitted to Ohio public authorities, Senate bill S. 82, which became law in late 1996. This made some bad changes in the Ohio Bureau of Workers' Compensation's investments.

Prior to the law's adoption, the Bureau managed the vast majority of its funds—called the Ohio Workers' Compensation Fund (OWCF) funds—by its own internal management team. It was required to invest the OWCF funds into bonds (U.S. government bonds, corporate bonds, etc.). Most years, this strategy worked: it produced sound and dependable, if unspectacular, results.

However, the 1996 law, supported by "free enterprise"



*Ohio Secretary of State Kenneth Blackwell with Barbara Bush. Blackwell chaired the Bush-Cheney 2004 re-election campaign in the state, overseeing widespread voter suppression—and apparently, much more.*

Republicans and several Democrats as well, proposed to "expand the investment authority" of the Bureau (and of five state pension systems which were also covered by the law), in two ways. The law authorized the Bureau to invest in equity, real estate, and even rare coins. Second, it said that the Bureau would no longer be allowed to manage its funds in-house, but would have to parcel out OWCF funds to external investment managers.

The Bureau's OWCF funds were one of the three largest exclusive state workers' compensation funds in the country in terms of assets. Investment managers deluged the state of Ohio in order to be cut in on a piece of the action. It appears that the Republican Party, which controlled most top state-wide offices, openly encouraged and expected that managers who got contracts with the Bureau—and who earned fees for managing these contracts—would skim off some of the fees for managing OWCF funds, and make them as contributions into the Republican Party treasuries. This became unofficially institutionalized as policy, to help create a one-party state.

A *Toledo Blade* review of campaign finances found that after the 1996 change in the law, owners and employees of firms that managed funds for the OWCF gave \$73,000 per year in political contributions for Ohio state office, whereas before the law change, they gave only \$12,200 per year. Moreover, since 1996, of the cumulative \$482,000 in contributions made by these owners and employees of firms that manage funds for the OWCF, a stunning \$425,000—88% of the total—went to Republicans. The person who received the most funds was Secretary of State Ken Blackwell, who, as Treasurer from 1994 to 1998, had direct responsibility for the Bureau's funds, and who supervised the voter suppression in the 2004 Presidential election.

The \$425,000 in contributions given by the personnel of



cosmos.bgsu.edu

*Tom Noe: a dealer in rare coins and top Ohio Republican fundraiser, now under Federal investigation.*

firms that manage OFCW funds is only the *publicly reported* amount that was given to the Republicans statewide. There was also more given to candidates on a national level. However, we will now turn to showing that once these skimming channels had been established and opened wide, many millions of dollars more may have been ripped off from Workers' Compensation, and channelled *illegally* into the Bush-Cheney 2004 election campaign.

### **Rove's Man in Ohio**

The man at the center of the Bureau investment scandal is Tom Noe and his "Vintage Coin and Collectibles" business operation. Noe is facing multiple Federal and state investigations, including a probe into whether he laundered money for the Bush-Cheney 2004 re-election campaign.

Noe, who had built a power base in Lucas County, Ohio (where the major city is Toledo), and was a national fundraiser for the 2004 Bush-Cheney campaign, became Karl Rove's man in Ohio. Noe chaired the Bush-Cheney campaign in northwest Ohio. The April 28 *Toledo Blade* reported, "As a regional chairman of the campaign, Mr. Noe had frequent contact with Karl Rove, the architect of the President's re-election. And Ohio, it turned out, was the pivotal state in the election, narrowly pushing President Bush to victory."

At one point, Noe was chairman of the Lucas County Republican Party, and during the 2004 elections, his wife was both the chairman of the Republican Party and chairman of the county Board of Elections. And Lucas County was the site of some very strange happenings around the November elections.

On Oct. 11, a few weeks before the election, the Lucas County Democratic Party headquarters was burglarized, and three computers, including the party's main system, were stolen. The Oct. 12 *Toledo Blade* reported, "The computers contained highly sensitive information, including the party's financial information, names and personal phone numbers of hundreds of party members, candidates, and volunteers. The

computers also stored e-mails from candidates that included discussion about campaign strategy."

And before the election, it was discovered that the county's Diebold voting machines were malfunctioning. Still, these Diebold machines were set up to be used in the November election in Lucas County, and some malfunctioned on Election Day, depriving people of their votes.

There were also a large number of provisional votes that were disqualified in Lucas County, because the voter had allegedly "voted in the wrong precinct," and others were disqualified for other reasons. After the election, it was determined that at least a third of those disqualified on grounds of voting in the wrong precinct, had in fact voted correctly.

Three of the four Lucas County Board of Election members were forced to resign after the election.

### **Playing With State Assets**

In 1998, Noe's Vintage Coin and Collectibles got a contract with the Bureau to manage \$50 million of OWCF funds. In late May-early June 2005, Noe's attorneys told authorities

## **Voter Suppression in Ohio**

On Jan. 5, 2005, Rep. John Conyers (Mich.), the ranking Democrat on the House Judiciary Committee, issued a 102-page report detailing the status of his investigations into vote suppression and fraud in the 2004 Ohio Presidential elections. The report, entitled "Preserving Democracy: What Went Wrong in Ohio," found intentional misconduct and illegal behavior, and numerous violations of the Voting Rights Act.

"We have found numerous, serious election irregularities in the Ohio presidential election, which resulted in a significant disenfranchisement of voters," the report states. "Cumulatively, these irregularities, which affected hundreds of thousands of votes and voters in Ohio, raise grave doubts regarding whether it can be said that the Ohio electors selected on December 13, 2004, were chosen in a manner that conforms to Ohio law, let alone federal requirements and constitutional standards."

"In many cases these irregularities were caused by intentional misconduct and illegal behavior, much of it involving Secretary of State J. Kenneth Blackwell, the co-chair of the Bush-Cheney campaign in Ohio," the report charged.

Documented instances in which votes were suppressed and voters disenfranchised, include:

- The misallocation of voting machines "that disenfranchised scores, if not hundreds of thousands, of predominantly minority and Democratic voters."

that \$10-12 million of the \$50 million in state assets were missing. Recall that the 1996 law contained an unusual provision specifically authorizing the Bureau to invest in rare coins. In fact, the *Toledo Blade* reported that it had not found an instance in any other state in which state investment in rare coins is allowable. Possibly the 1996 law's provision had been written with Noe in mind.

Once Noe received the contract to manage \$50 million of the Bureau funds, his level of campaign contributions increased, and his profile in the state increased. Noe was appointed chairman of the Ohio Turnpike Commission, and a member of Ohio's Board of Regents. One source reported to *EIR* that it is quite rare to be appointed a member to both prestigious state institutions at the same time. In the 2003-04 period, Noe became a "Pioneer" for Bush-Cheney, having packaged between \$100,000 and \$200,000 in contributions to the Bush-Cheney 2004 election campaign. He also contributed \$10,000 to Arnold Schwarzenegger's bid to become Governor of California in 2003.

However, questions were surfacing about Noe's contribu-

tions. The May 27, 2005 *Toledo Blade* reported that on April 27: "Federal authorities confirm[ed] that the FBI is investigating Noe for possible violations of campaign contribution laws. Federal agents are probing whether Mr. Noe gave people money in order for them to give to the Bush re-election campaign, allowing him to exceed Federal spending limits." An individual may give a maximum of \$2,000 to any Presidential candidate's campaign. Trying to skirt that limit by giving money to someone else in order for them to contribute to a candidate, is illegal, a practice called "conduiting." Subsequent *Toledo Blade* editions reported that the Federal probe focussed on one way Noe may have skirted campaign limits: giving money to individuals for them to purchase seats at a table at the Oct. 30, 2003 fundraiser in Columbus which generated \$1.4 million for the Bush-Cheney campaign.

Ohio press reports that a Federal grand jury has been convened on the above probe.

Simultaneously, the state undertook action. On May 26, the state Prosecutors of Franklin and Lucas counties, Ron O'Brien and Julia Bates, respectively, executed a search war-

- Blackwell's restrictions on provisional ballots, which also "resulted in the disenfranchisement of tens, if not hundreds of thousands of voters."

- The Ohio Republican Party's "selectively targeting 35,000 predominantly minority voters for intimidation."

- The Ohio Republican Party's use of thousands of partisan challengers, concentrated in minority areas.

- Blackwell's refusing to allow voters who requested, but did not get, absentee ballots, from receiving provisional ballots.

- Widespread instances of intimidation and misinformation on election day.

- Lack of uniformity in the standards for the recount.

- The Triad computer company providing "cheat sheets" to numerous counties, which "informed election officials how many votes they should find for each candidate," and how they could manipulate the sample recount to match the machines, thus avoiding conducting a full hand recount as mandated by state law.

## DNC Report

On June 22, 2005 the Democratic National Committee (DNC) released a report, "Democracy at Risk: The 2004 Election in Ohio," based on a comprehensive study of the November 2004 general election in Ohio, undertaken in December.

The summary findings are that 28% of Ohio voters reported problems in voting, including ballot problems, locating proper polling place, and/or intimidation. But the portion of African-American voters reporting problems was much higher, at 52%, compared to 25% of white vot-

ers. Voters in counties using DRE/touch-screen machines experienced far more problems than voters in other counties—56% vs. 28%. This was particularly acute in Franklin County (Columbus area), where 70% of voters reported problems.

Because of the shortage of voting machines in minority areas, Blacks waited an average of 52 minutes before voting; whites waited an average of 18 minutes. Sixteen percent of black voters reported experiencing intimidation, as compared to 5% of white voters.

Seventy-one percent of whites are confident their vote was counted correctly, vs. 10% of blacks. Overall, nearly one quarter of Ohio voters reported that their experience in 2004 has made them less confident about the reliability of elections in Ohio.

DNC Chairman Howard Dean was asked about the report on the PBS News Hour on June 22. "We did not find widespread fraud," Dean said. "What we did find was widespread voter suppression. That means essentially reducing or tactics aimed at reducing the number of voters. African-Americans were the biggest victims of this, but it also was young voters. Young voters and African-Americans were disproportionately asked for IDs, which is illegal in Ohio. The waiting lines for African-Americans were three times as long as they were for white voters. So we don't know that this would change the outcome of the election, but we do know there was a concentrated effort, or at least that was the outcome to reduce African-American votes and to a lesser extent young votes—the two groups which voted in the highest percentage for John Kerry."

rant which resulted in Ohio law enforcement officers raiding Noe's Vintage Coin and Collectibles premises near Toledo, and seizing hundreds of boxes of assets, as well as records and computer discs. Afterwards, Prosecutor O'Brien spoke of Noe's "misappropriation of state funds." Because the case is still in the investigative phase, charges have not been brought, but are anticipated.

As the investigations intensified, the question that arose is what has happened to the \$10-12 million that Noe's lawyers told state authorities that Noe cannot account for? Was a portion of those monies illegally diverted into the Bush-Cheney campaign, including through giving money to individuals to conduit into the campaign, as the above Federal probe is investigating?

On June 16, Ohio State Sen. Marc Dann (D-Youngstown) told *EIR*, "I think the hypothesis that some of the principal [\$50 million] that Noe was given by Ohio, may have been diverted into the Bush-Cheney campaign in 2004, will likely prove to be true." Dann said that the Democrats in the Ohio Senate and House are united in calling for the formation of a bipartisan Senate-House investigative committee, which would have lawyers and the power to subpoena, in order to investigate the case of Noe, and the MDL hedge-fund loss of \$215 million of OWCF funds.

One wonders if Tom Noe, Karl Rove's man in Ohio, or others with knowledge about this affair, are asked to testify under oath about the missing \$12 million, what they may say about Rove's role.

### **MDL Capital Hedge Fund's Big Collapse**

Another major element of the Ohio scandal is the MDL Capital Management hedge fund, which lost \$215 million in



*Rev. Joseph Watkins is one of Karl Rove's coterie of African-American neo-con Republicans, and one-time managing director of the MDL hedge fund.*

2004. These losses became known to Bureau and Ohio state officials—all Republicans—five weeks before the November 2004 election, but were covered up. This is an example of monumentally dangerous risk-taking.

In 1992, MDL Capital Management was founded in Pittsburgh by Mark Lay (he still runs the company today). By the first decade of the 21st Century, MDL was ranked as one of the ten largest African-American-owned financial investment companies in the nation.

In 1998, MDL Capital Management contracted to manage some of the Bureau's OWCF funds. By the late Summer of 2003, the Bureau had entrusted MDL to manage \$355 million of OWCF funds. It invested the monies in a "traditional long-

## **Privatization: A Model For Corruption**

The privatization of the Ohio Workman's Compensation Fund appears to follow a standard modus operandi for the Bush crowd. Exemplary was an operation pulled by George W. Bush when he was Governor of Texas: the privatization of the University of Texas Investment Management Company (UTIMCO).

One of the first bills signed by Governor Bush, following his election in 1994, was the privatization of the endowment, a fund of at least \$1.7 billion, for the University of Texas. Bush had already appointed his friend and business partner in the Texas Rangers, Tom Hicks, to the Board of Regents for the university. Hicks now worked with Bush to turn the fund over to the firm UTIMCO, which was not under public scrutiny, and could be used as a piggybank

for Hicks's and Bush's family cronies.

For example, in 1995, UTIMCO, under Tom Hicks's guidance, decided to place \$10 million with The Carlyle Group merchant bank in Washington, D.C. The Carlyle Group included some of President George H.W. Bush's foremost associates, including James Baker, III, who served as Secretary of State and White House Chief of Staff in the senior Bush Administration, and headed the vote "recount" team which helped get Bush junior into office.

UTIMCO also placed millions with firms such as Kohlberg Kravis Roberts, whose founding partner, Henry Kravis, was a leading Republican donor, and with Bass Brothers Enterprises of Fort Worth, Texas.

Not surprisingly, many of those who had received money "to invest" from UTIMCO, became part of George W. Bush's "Pioneers," those who raised at least \$100,000 each for Bush's election campaign war chest. What looks like a kickback often is.

term bond fund” (a fund that invested in bonds with ten years or greater maturity). During much of the period through 2002, the Rev. Joe Watkins was MDL’s managing director; Watkins was also an associate of Ken Blackwell.

But in August 2003, MDL’s Lay proposed, and the Bureau approved, for MDL to set up a hedge-fund subsidiary, which was incorporated in the hot-money haven of Bermuda, largely outside the reach of U.S. law. With apparent Bureau approval, MDL Capital transferred \$100 million of the \$355 million in OWCF funds that MDL Capital managed in its “traditional” fund, into the MDL hedge-fund/Active Duration Fund. MDL used leverage to make bets that long-term U.S. interest rates would rise. When the bet went bad, MDL’s Bermuda-registered hedge fund resorted to increasing its leverage, up to 1,900% of the value of its underlying assets, according to a June 10 lawsuit brought against MDL by Ohio’s Attorney General James Petro.

It should be noted, that up through 2004, the MDL Capital Management’s senior officers contributed \$9,000 in campaign funds to the Ohio Republican Party directly and to some of its foremost candidates.

In 2004, MDL hedge fund’s losses exploded. Between February and April 2004, the hedge fund reported losing \$41 million out of the \$100 million in OWCF funds that the Bureau had entrusted to it to manage. At this point, for sound precautionary reasons, the Bureau likely should have closed the hedge fund. Instead, in April, even as the losses swelled, it permitted MDL to transfer an additional \$100 million of the OWCF monies it had under its “traditional fund,” into the MDL hedge fund. Later, another \$25 million was transferred, so that cumulatively, \$225 million had been shipped into the hedge fund. By September 2004, functioning under reverse leverage, MDL’s hedge-fund losses were so extraordinary, that it had lost all but \$9 million of its original monies. (It is possible that a portion of these funds may have been illegally conduited as campaign contributions.)

The full losses were known by late September 2004, and should have been reported. Instead, leading Bureau administrators and the top-ranking Ohio state officers, who were Republican, like Gov. Robert Taft, apparently covered the MDL story up for eight more months. One extremely well-placed Ohio source told *EIR* on June 20, “If the MDL scandal had been made public many weeks before the election, it would have been very damaging to the Republicans in Ohio.” It could have badly hurt the Bush-Cheney election bid.

While Tom Noe and MDL Capital are the most notorious, several other losses or unaccounted-for funds were realized by the Ohio Bureau (see box, p. 35).

### Subverting Workers Comp

A prime casualty of the scandal is the Ohio Bureau of Workers’ Compensation itself. During the past decade, Ohio Workers’ Comp, which is supposed to supply compensation to workers injured on the job, had reneged on that mission, and denied claims, in order to build up a hoard of money.

Mark Sweazy, president of UAW Local 969 in Columbus, called the Coingate scandal “outrageous.” He told *EIR* on June 17: “Ohio is one of the worst states for a worker to collect from the Ohio Bureau of Workers’ Compensation. When a worker has an injury on the job, it’s several months before you get a hearing with the Ohio Bureau of Workers’ Compensation, and then after the hearing, he has to wait months to get compensation. They drag their feet. And the Bureau is denying compensation; it’s really hard if you have a back injury. There is case after case where workers are denied.”

Sweazy told of the sad case of a worker with an injury, who snapped after months of being denied compensation, taking with him gasoline and a gun down to the Bureau’s office. He is now serving time in prison.

Sweazy said: “The Bureau has \$15-16 billion of funds. They are making money off that, but not giving it to workers. The head of the Bureau tried to organize a rebate, to give some of the money back to the companies, and those companies, of course, would probably turn around and give the money as contributions to the Republicans. The UAW in Ohio sued to block the rebates, and we won the case. So now the money is being stolen.”

This nasty pattern, which is part of an over-arching pattern of thievery of funds and voter suppression, under the aegis of the Rove-Cheney-Shultz machine, may now be broken. Some of the participants may go to jail.

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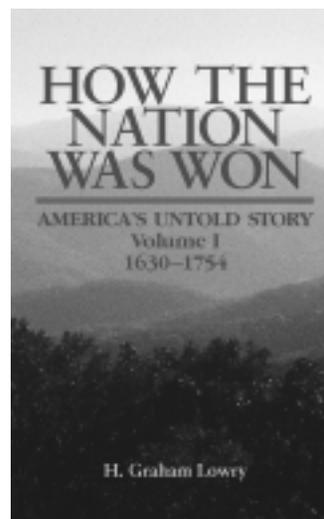
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## It's Time for Maastricht's Control Over Europe To End

by Rainer Apel

After the collapse of the June 16-17 European Union summit, it is evident that the EU is in a profound crisis. For several days after the June 1 "No" vote in the Dutch referendum on the EU constitution, European leaders were still trying to play down the fact that with this vote, and the "No" vote in France, May 29, the project is dead. Even when Britain, Sweden, Denmark, Ireland, and Portugal cancelled their constitution ratifications during the first two weeks of June, leaders were still trying to create the impression that "it is bad, but not a disaster," that some solution would be worked out, and the ratification process would continue.



EU/G. Boulougouris

*German Chancellor Schröder singled out Britain's Tony Blair government for obstructionism, at the June 16-17 European Union summit. But nobody offered a solution for the world economic crisis. Here, at the summit, French President Jacques Chirac (left), Prime Minister Blair (center), and French Foreign Minister Philippe Douste-Blazy (right).*

On June 16, when the EU heads of state/government summit began, the disaster became evident, when the summiters were forced to acknowledge that they needed a "pause for reflection" for at least 12 months. This decision was taken with the perspective of not reaching any solution by June 2006, a development indicated by the fact that of 13 EU member states that still have to ratify, only 4 were still committed, on June 16, to carry on: Poland, Belgium, Luxembourg, and Malta.

The third "no," feared by many but expected by most in the referendum in Luxembourg July 10, is certain to influence the mood also in the remaining three countries, and the most recent developments in Luxembourg already reveal a lot about the actual situation: The Grand Duke, the Prime Minister, and leading institutions convened secretly, as was subsequently revealed, to conspire on a massive last-minute propaganda campaign to secure a "yes," tiny as it may be, for the July 10 referendum. But this same approach was taken by the government and leading institutions of France, and it failed miserably, on May 29.

The abrupt halt of the ratification process, furthermore, is providing new arguments to all those who still want to stop the EU Constitution on the legal front. For example in Germany, which has already endorsed the EU Constitution, President Horst Köhler announced on June 16, that he will definitely not sign the ratification document voted up by the two houses of Parliament, but will wait for the Constitutional Court to rule on a complaint against the charter, by parliament member Peter Gauweiler and widely respected Erlangen University professor of law, Karl Albrecht Schachtschneider (see *Interview*, following). The ruling may take months, and it is not to be ruled out that the court may rule against the constitution,

because the “pause for reflection” adopted at the June 16 EU summit implies that the text of the draft constitution will be rewritten—if it is not scrapped altogether.

### EU Blowing Up on Budget Issues as Well

The other, related aspect of the EU crisis became evident on the second day of the summit: Even a last-minute compromise offer by acting EU chairman, Luxembourg Prime Minister Jean-Claude Juncker, failed to get majority approval for budgetary planning for the next eight years. Originally, 24 of the 25 EU member states had urged a reduction in the special “British rebate,” which, since its establishment in 1984, has given several billion euros from the EU common budget to Britain, free of any conditions, while comparable rebates of much smaller size have been denied to most other member states. Even the Netherlands, which usually sides with Britain in the traditional Anglo-Dutch alliance, considers this British rebate out-of-date. But the British government refused to discuss it at all.

On June 17, acting EU chairman Juncker presented his compromise formula, which would have frozen the British rebate to be at the present level until 2013, with the concession that from 2013, the EU would begin to discuss reductions in this and other subsidies as well, especially for the agricultural sector in France and other leading food producers of Europe. Britain’s Prime Minister Tony Blair flatly rejected the Juncker compromise, insisting instead, that the EU consider cutting agricultural subsidies to France. Dutch Prime Minister Jan Balkenende quickly sided with Blair, demanding, all of a sudden, that the Dutch be granted a rebate, or the whole plan would be dead.

Thus, the second day of the summit ended in disaster, and when German Chancellor Gerhard Schröder specifically referred to “obstruction by the British and the Dutch,” he was speaking the simple truth. On June 18, Schröder added that he saw “forces of destruction at work,” which were out to “ruin Europe,” and even though he did not name Blair or Balkenende, it was clear to everyone whom he meant.

On June 21, Schröder escalated his attack on the Anglo-Dutch monetarist alliance in remarks during a book presentation in Berlin. He said that the “special model of society and social state, as it has developed on the European continent, must definitely be kept alive.”

“Those who want to destroy this model on the basis of national egotism or for populist motives, commit a crime against future generations,” Schröder said, without naming Tony Blair, but apparently referring to Blair’s obstruction at the EU summit.

The crisis of the EU and its institutions poses the question, said Schröder, of “which kind of Europe do we want . . . ? Do we want a Europe that is united, capable of action, a real political union? Or, do we just want a free trade zone, going back from the European Union to the European Economic Community of the past?”

There must not be a “reducing of the notion of Europe, into the mere notion of market,” Schröder said, adding that the state must be a strong institution, “otherwise there would not be anything else but privatization of education, of public goods, and of infrastructure.” The “minimal state” as is being called for by the neo-cons, is no less a threat to freedom and democracy, than a dictatorial state, Schröder added.

With this unprecedented defense of the strong democratic state against the free marketeers, Europe has entered the post-Maastricht era, and its leaders have gained maneuvering room to build a new, better Europe that gives priority to production, to jobs, to science—and to the necessary precondition of that—state intervention.

### Zepp-LaRouche’s Campaign: What Schröder Didn’t Say

Immediately after German Chancellor Gerhard Schröder’s June 13 speech on economic policy, Helga Zepp-LaRouche, the leader of the Civil Rights Solidarity (BüSo) party in Germany, declared that she would run for Chancellor in the expected September national elections (see her full statement in *EIR*, June 24).

She said that that much of what Chancellor Schröder said in his speech “was good and urgently necessary,” such as that the state must play a strong role to protect the common welfare of the citizenry, as well as that the speculative hedge funds must be regulated.

But then she said: “The problem lies in what he did *not* say: namely, that the Common Good can only be defended under the currently exploding systemic crisis, if the government begins with a state investment program of at least 200 billion euros this year alone, and then continues this on a yearly basis, in order to again reach productive full employment. The other thing the Chancellor also said nothing about was the dramatic collapse of the international financial markets, and the resulting necessity for a new financial architecture, a New Bretton Woods system. And as I announced in my declaration of June 10, in the event that Schröder fell short of what’s required on these two points, I hereby officially declare that I will participate in this crisis situation, as a candidate for Chancellor in the coming Federal elections. . . .

“The most important governments must immediately convene an emergency conference, and, in the tradition of Franklin D. Roosevelt, establish a New Bretton Woods system.”

## Europe Should Establish Itself As a Republic Of the Republics—Not As a Super-State

*On behalf of Member of Parliament Dr. Peter Gauweiler,<sup>1</sup> Prof. Karl Albrecht Schachtschneider has filed suit against the Constitutional Treaty.<sup>2</sup> He is Professor of Public Law at Erlangen-Nürnberg University, and is a well-known specialist in European law and the European Union's (EU's) proposed Constitutional Treaty. In 1992, it was he who petitioned the Federal Constitutional Court of Germany,<sup>3</sup> in an attempt to prevent Germany from ratifying the Maastricht Treaty. In 1998, alongside Professors Wilhelm Hankel, Wilhelm Nölling, and Joachim Starbatty, he again entered a petition in the Federal Constitutional Court to prevent Germany from adopting the euro. This interview was conducted at Nuremberg on May 3 by Gabriele Liebig and Alexander Hartmann, and was translated by Katharine Kanter. All footnotes have been supplied by EIR.*

**EIR:** Professor Schachtschneider, you have just entered a petition before the Federal Constitutional Court, in an attempt to prevent Germany from ratifying the Constitutional Treaty.<sup>4</sup> What are the critical constitutional issues involved?

**Schachtschneider:** My essential motive in all of this, is that I must stand up for the *law*, when it comes to European integration. I accept the principle of integration as that appears in the German Constitution, but the law must not get lost in the process. This political point of view is one to which the Federal Constitutional Court has lent an ear in the past, as we saw during the debate over the Maastricht Treaty.

There is no such thing as freedom without law, but neither is there law without a state. The law, and conse-

quently freedom, and, most especially, the rights of man, are now gravely jeopardized, on account of this flight forward to European integration—indeed, many rights have already vanished. I intend to save what can yet be saved. I view that as a duty. There must be someone in Germany to force through a debate on the issue, and the Federal Constitutional Court happens to be the sole institution in a position to do so. There is no one else prepared to seriously debate the European Constitutional Treaty—with the happy exception of yourselves. But the mass media will not touch it, nor will the two chambers of Parliament, despite Dr. Peter Gauweiler's efforts.

During the Maastricht debate in 1992, I did succeed, despite all obstacles, in launching a serious debate. Of course, debating it will not suffice; the treaty needs to be changed, because it is wrong, and it will unleash enormous harm.

Among the principles that I stand for, freedom in the broadest sense, there is to be found property, as well as the principles that underpin freedom: democracy, the constitutional state (*Rechtsstaat*), a state that promotes the common good (*Sozialstaat*), and federalism. Those principles, laid down by Article 20 of the German Constitution, have tended to recede into the background, as the process of European integration marches on. The new Constitutional Treaty is a milestone in the emergence of what I call the *Unrechtsstaat*, the unjust or unconstitutional state.

Nor is this Treaty meant to be the final word! There will be further developments, included potentialities, that are frightening, such as the return of the death penalty. Not in all instances, but in case of war, or where the danger of war is imminent. Furthermore, it will be lawful to kill, should that be deemed needful to repress riot and insurrection. In other words, under the EU Charter of Human Rights, it would have been deemed legitimate to fire on the crowd at Leipzig in 1989!

**EIR:** That's scarcely to be believed!

**Schachtschneider:** I shall get back to this, in discussing fundamental rights. But when a German MP says *yes* to the Treaty, he hasn't the slightest notion of what he's actually doing! He is not properly acquainted with the Treaty.

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1. Dr. Peter Gauweiler is a lawyer and holds a Ph.D. in law. He is a former German Secretary of State for the Interior (1986-90), and former Minister of Development (1990-94). He is now a Member of Parliament in the Christian Social Union party from Munich.

2. In English, the document discussed in this interview is known, officially, as the Treaty establishing a Constitution for Europe. See <http://europa.eu.int/constitution/en>. We shall refer to it here as the Constitutional Treaty.

3. The Federal Constitutional Court, Bundesverfassungsgericht, is the Supreme Court of Germany. Its role is that of guardian of the Constitution.

4. As we go to press, the President of Germany, Horst Köhler, has announced that he will not ratify the Treaty until the Federal Constitutional Court has handed down its judgment. On May 27, the Bundesrat (Upper Chamber) approved the Treaty.



EIRNS/Gabriele Liebig

*Professor Schachtschneider, holding a copy of the European Constitutional Treaty. He said that he views it as a personal duty to “save what can yet be saved” of the rights of man, which “are now gravely jeopardized, on account of this flight forward to European integration.”*

For example, Clause IV-445<sup>5</sup> of the Constitutional Treaty simplifies the procedure for amending that same Treaty, and thus, for amending what purports to be a Constitution governing 500 million people. It covers a vast array of

5. Article IV-445 of Part IV (General and Final Provisions) reads as follows (excerpted from the official translation):

“Simplified revision procedure concerning internal Union policies and action—

“The Government of any Member State, the European Parliament, or the Commission may submit to the European Council proposals for revising all or part of the provisions of Title III of Part III on the internal policies and action of the Union. The European Council may adopt a European decision amending all or part of the provisions of Title III of Part III. The European Council shall act by unanimity after consulting the European Parliament and the Commission, and the European Central Bank in the case of institutional changes in the monetary area.

“Such a European decision shall not come into force until it has been approved by the Member States in accordance with their respective constitutional requirements. The European decision referred to in paragraph 2 shall not increase the competences conferred on the Union in this Treaty.”

endeavor, from the economy and the internal market, currency union, competition law, right down to consumer protection, Social Security policies, and domestic security policies, and the so-called Chapter entitled “Area of Freedom, Security and Justice.” The regulations at Title III, Part III, can all be altered by decision of the heads of state and government, that is, by a European decision. Neither the European Parliament nor the national Parliaments are to be involved in any way.

What this all adds up to, is that this particular piece of paper is not designed to last for any great length of time, but it does empower the governments to make changes in future, and thus amounts to an *Ermächtigungsgesetz* (a law of empowerment). It’s been done in quite a sophisticated way, and so has taken me some effort to unravel it. The ordinary politician cannot be expected to know how to read this Treaty. For example, a European decision to amend the Constitution “will come into force only once the Member States have agreed, and in accordance with their own constitutional provisions.” That sounds marvellous, but in Germany, only the German government need agree. The German Parliament, that is, Bundestag and Bundesrat, has the right of consent only where treaties under international law are concerned.

The Constitutional Treaty happens to be an international law treaty. Although it had to be voted into being by both Houses with a two-thirds majority, further amendment may be made by European decision. But such a European decision *does not* qualify as an international law Treaty! And since it is *not* a Treaty, in principle, as with the entire NATO jurisdiction, one will only need approval from the Foreign Minister. Foreign Policy is, in principle, the domain of the Federal government.

What this means is that European decisions are to be taken without the democratic political process. No referendum will be held on such issues, neither in France, nor in Great Britain, nor anywhere for that matter. The German Parliament will not be involved. Alongside the President of the European Council and Commission, the heads of state and government will keep it all in the family, and decide among themselves. They will be able to alter the Treaty or important parts of the Treaty. And I am led to believe that they will do so, far sooner than one would imagine.

**EIR:** Provided the constitutional order be respected, there is nothing wrong with agreements between governments. But does the title “Constitution” itself not suggest that the German Constitution will take a back seat—all the more so, since the rule is that European law shall prevail over domestic law?

**Schachtschneider:** Indeed. The entire body of European law, including secondary and third-level law, in other words, every minute directive, will override the Constitutions of the member states. The Federal Constitutional Court will not just wave that one through, just as it cut back the Maastricht Treaty

in favor of the national Parliament.

I am very much in favor of holding referenda. In such a party-political state, we will find our way back to democratic structures, only by holding referenda. The right to do so has long been established.

**EIR:** The Constitutional Treaty is a voluminous tome, that one cannot simply thumb through and understand. How can one hold such a referendum, when you say that even our MPs haven't got it?

**Schachtschneider:** I am aware of that objection, and it is justified. The MPs do not know what the Treaty contains. It's a great pity, because they would, if they'd only hear me out for two or three hours. But they've chosen not to! They've roped in integrationists, who are purblind to the problems, let alone prepared to deal with them! I know the ins and outs of the Bundestag Commission on Europe. These people are not stupid, but they most certainly are ill-informed. Wrongly informed, actually. For example, with respect to the Federal Constitutional Court's decision in the matter of Dr. Peter Gauweiler's petition. Although the Court dismissed it at the time, it did nevertheless virtually invite us to return on May 27.

**EIR:** The Court declined to hear your petition against the Treaty, until both Houses of Parliament had voted.

**Schachtschneider:** Precisely. In filing the petition, we had hoped to prevent the Treaty getting a second and third reading in Parliament. The Federal Constitutional Court declined to entertain that part of our petition, the which, I can understand. The Court referred back to its Maastricht decision, one I'm well acquainted with, as though to say: "Professor Schachtschneider, you *must* know that, since you were yourself Counsel for that Petition." So, I see it as a very broad hint: "Turn up on May 27, and we shall stall the Treaty ratification process until we've come to a decision. And that can take a full year."

**EIR:** When the Maastricht decision was handed down by the Federal Constitutional Court, what did you actually achieve?

**Schachtschneider:** For the Federal Constitutional Court to have acknowledged an erstwhile-neglected fundamental right, namely, the citizen's right to be substantially represented by the Parliament, was, if I may say so, fairly sensational. The people's representatives must, however, have something to represent, they must have prerogatives worthy of the name. "Substantial prerogatives" was the term the Court used. In my petition to the Federal Constitutional Court, I had argued that through the Maastricht Treaty, Germany's statehood would be so voided of content that Article 38 of the Constitution,<sup>6</sup> a fundamental right, whereby MPs are to

6. Article 38 of the German Constitution of 1949: "The deputies to the German Bundestag are elected in universal, direct, free, equal and secret elec-

represent the entire people, would become, to all intents and purposes, otiose. And the Federal Constitutional Court held that this had "not yet" become the case. In its 1993 judgment, it twice used that term, "not yet."

With the present Constitutional Treaty, the red line has been crossed. That is the hard core of our plea to the Federal Constitutional Court. Our opponents contend that the existence of such a fundamental right cannot even be conceived of. But the Federal Constitutional Court has found in our favor. And I am quite convinced that the Court will not back-track on that decision.

I have rather rested my case against the Constitutional Treaty on the issue of political freedom, because the aforesaid Article 38 of the German Constitution, that is, the right of the entire people to be represented, is but one aspect of political freedom. In Germany, political freedom as a fundamental right has never yet been acknowledged, a fact unknown to the general public. The Bavarian Constitutional Court has even gone so far as to deny, explicitly, that there exists a right to political freedom. Yes, we do enjoy the right to vote, and a very limited right to free speech. But political freedom, the right to take part in formulating the law, to take part in the political life of the state, the *polis*, as the Greeks said, that is, the kernel of my teaching—this has never yet been acknowledged by any German court as a fundamental, and general, right.

Hence my reference to Article 38 of the German Constitution, because this claim is secure. The issue is "existential statehood" and the principle of "limited conferral."<sup>7</sup> Others call it sovereignty, but that is a monarchical notion that sits ill with a republican Constitution. "Existential statehood" refers to the essential duties and prerogatives of the state, those directly related to the state. The state is none other than the People, who have organized themselves into a state, the citizenry, that is given a structure under constitutional law. The crucial sentence in the *Grundgesetz* [the German Basic Law, or Constitution], that no one may do away with, reads, "The power of the state rests entirely with the People." On that basis, the European Union enjoys prerogatives within the framework of "limited conferral" alone. The principle of limited conferral on a case-by-case basis, is the fundamental notion underlying our petition to the Constitutional Court. I

tions. They are representatives of the whole people, are not bound by orders and instructions and are subject only to their conscience" (translation into English as revised in 1991, by the Federal Ministers of the Interior, Justice, and Finance).

7. "Limited conferral" as the notion appears in Article I-11 of the European Constitutional Treaty: "The limits of Union competences are governed by the principle of conferral. The use of Union competences is governed by the principles of subsidiarity and proportionality. Under the principle of conferral, the Union shall act within the limits of the competences conferred upon it by the Member States in the Constitution to attain the objectives set out in the Constitution. Competences not conferred upon the Union in the Constitution remain with the Member States."



EIRNS/Chris Lewis

*Globalization has taken a heavy toll on Germany, and under the Constitutional Treaty, it will get worse. "Shareholders make hay even in a hailstorm! In fact, an economic breakdown would create the ideal circumstances for privateers to operate." Left: A bankrupt company in Frankfurt. Right: The LaRouche party, the BùSo, organizing against the government's Hartz IV austerity program, at a factory in Rüsselheim last year.*



EIRNS/Renate Leffek

thought up that term, and the Constitutional Court used it in its Maastricht decision.

As there is no such thing as a "People" of the European Union, the latter's prerogatives, lacking as they do all original democratic legitimacy, can be exercised only as though they were decrees about legal decrees. The conferrals must be designed in such a way, that each national Parliament be answerable for any policies that European Union institutions then put into effect. Accordingly, in relation to EU policy, the Bundestag must be answerable. For that to happen, EU policy must be sufficiently predictable, which means that the relevant conferrals must be clearly defined.

The moment one takes the trouble to read the Constitutional Treaty, it becomes quite apparent that that is *not* how things are designed to work. In my petition to the Federal Constitutional Court, I shall prove that the principle of limited conferral has been swept aside, while the prerogatives that have become the subject of conferral are of existential significance for a People, and therefore must not be transferred to a federation of states. The "existential statehood" of the European Union has gone far too far!

**EIR:** What lies ahead for the Federal Constitutional Court? For the time being at least, it remains the highest court in the land. Should the Constitutional Treaty come into force, however, that will cease to be so.

**Schachtschneider:** Precisely! The Federal Constitutional Court will lose its powers. In my plea, I show from the very outset the degree to which existential statehood has been transferred to the European Union, thereby flouting the German Constitution. I then show that the principle of limited

conferral has been disregarded.

In a political process, one takes political, rather than dogmatic decisions. Were we to pay strict regard to legal principle, there wouldn't be a shadow of a doubt as to the outcome. As the Constitutional Treaty now stands, the Federal Constitutional Court cannot properly uphold it. The question is whether the Court will simply throw out the entire Treaty—as they should—although they may choose not to. At the very least, they will prune it back sharply, as they did with the Maastricht Treaty, perhaps in the hope that it will break up against the French cliffs. No matter what the French decide, though, my mission must go forward.

**EIR:** Have similar complaints been filed on Constitutional grounds elsewhere in the EU?

**Schachtschneider:** Not so far as I know, but I've heard that it's being mooted in Austria.

**EIR:** Where exactly would you say that "existential statehood" is imperilled, or even lost?

**Schachtschneider:** In economic terms, we have, manifestly, already lost existential statehood, by which I mean essential national sovereignty. The EU has very largely been handed control over economic policy, and already enjoys full control of monetary policy. Consequently, our hands are tied when it comes to employment and social policy.

We have lost existential statehood in legal matters, that is, sovereignty over the law. That is especially painful. Thanks to this Constitutional Treaty, we are about to lose sovereignty over domestic policy, viz., over police and justice. It goes far beyond this business of the European arrest warrant. In

defense matters, we will no longer get a word in. On account of its belonging to NATO, Germany was never truly sovereign, but now all sovereignty in this area will slip away into EU hands, the EU being of course bound to NATO. The European Council makes the continent's defense policy, and not in isolated instances alone.

**EIR:** But the worst, to your mind, is in the economic domain?

**Schachtschneider:** Let us look at the three so-called "fundamental freedoms":<sup>8</sup> freedom to provide services,<sup>9</sup> freedom of establishment, and free circulation of capital. The latter, being the worst! One-third of the decline of the German economy may be attributed to that.

**EIR:** Deregulation in the context of globalization?

**Schachtschneider:** Yes, we have lifted all restrictions on the circulation of capital, not only vis-à-vis the EU member states, but vis-à-vis the entire world.

**EIR:** In the World Trade Organization?

**Schachtschneider:** No, this is not defined in the World Trade Organization agreement, but in Article 56 of the Treaty of the European Community.<sup>10</sup> Not a single MP noticed it though. Since 1994, there has been an across-the-board prohibition on all control over capital flows. This ties our hands, preventing any investment policy by forbidding restrictions on capital transfer; we cannot prevent money and capital and financial assets that have been earned here from leaving the country. Germany has the highest savings rate, but nowhere is there less money invested! Our capital is either invested or transferred elsewhere.

That is quite intolerable for Germany, indeed, a policy problem greater even than wage or social issues. We have tied our own hands! Until such time as we come to our senses, put our foot down and say: Either the so-called "basic freedoms" [as they are defined in the Constitutional Treaty—ed.] will be altered, and a stop put to free circulation of capital, or else we

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8. Cf. Title II of the Constitutional Treaty, Article II-75, "Freedom to choose an occupation and right to engage in work."

"Every citizen of the Union has the freedom to seek employment, to work, to exercise the right of establishment and to provide services in any Member State."

9. Title III—Internal Policies and Actions, Chapter I, Section 2, "Free Movement of Persons and Services. Subsection 3 of the Constitutional Treaty, "Freedom to provide services," Article III-144 *et seq.* "Within the framework of this Subsection, restrictions on freedom to provide services within the Union shall be prohibited in respect of nationals of Member States who are established in a Member State other than that of the person for whom the services are intended."

10. Treaty establishing the European Community (consolidated version), Chapter 4, "Capital and Payments," Article 56: "Within the framework of the provisions set out in this chapter, all restrictions on the movement of capital between Member States and between Member States and third countries shall be prohibited. . . . [A]ll restrictions on payments between Member States and between Member States and third countries shall be prohibited."

will quit the European Union. If not, the German economy has no chance whatsoever. Any other policy will merely accompany the ruin of our economy, and the citizenry will bear the brunt. Shareholders make hay even in a hailstorm! In fact, an economic breakdown would create the ideal circumstances for privateers to operate. On account of the European Directives, on account of the conditions, the German population is now facing a serious crisis.

**EIR:** One could hope that the majority would opt for a change in the Treaty, since no European nation stands to gain by all this. But it must be explained to the public!

**Schachtschneider:** No problem for me. But, oddly enough, none of the big television talk shows—Sabine Christiansen, for example—has invited me yet.

**EIR:** On account of uncontrolled capital flows, governments are being blackmailed by financial operators—investment funds threaten to drown the market with government bonds. There was a spectacular collapse when Citigroup in London sold off, within two minutes, a huge quantity of German bonds, precisely as the Monday demonstrations took off. The demonstrators were demanding that Schröder withdraw the drastic austerity and expropriation measures included in the Hartz IV Bill.

**Schachtschneider:** We ourselves gave the blackmailers that power! Neither the population nor our MPs have noticed that, through Article 56 of the Treaty of the European Community,<sup>11</sup> we have relinquished to a very great degree our policy-making options. We have relinquished our sovereignty over economic matters. The same applies to the freedom to hire out one's services, whereby the law of the recruit's country of origin may be applied. The country-of-origin principle means that we no longer have political responsibility for absolutely critical activities here in Germany, and can no longer decide how foodstuffs shall be procured, how our labor relations shall be organized. So many other things are now decided by some other country, over whose policy we hold no sway whatsoever. All utterly intolerable from a democratic standpoint.

**EIR:** This is where the trade union critique of the Constitutional Treaty comes in.

**Schachtschneider:** By allowing freedom of establishment, companies in Germany will be enabled to adopt juridical structures of other nations, such as the Société Anonyme, Limited Company, and so forth. The European Court of Justice has rammed that through, and what it boils down to, is that the German system of co-determination<sup>12</sup> is dead! In the

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11. Part I, Title VII, the Union's Finances, Article I-56, The Union's budget, "A European law shall establish the Union's annual budget in accordance with Article III-404."

12. *Mitbestimmung*



www.refuseandresist.org

*The right to life is no longer guaranteed "in time of war or where the peril of war is imminent," in the new Treaty. Here, a rally in Germany against the U.S. death penalty. The case of Pennsylvania journalist Mumia Abu Jamal has drawn great attention in Europe.*

mid-1970s, the trade unions threatened a general strike, unless co-determination were adopted. And now, it's dead! That is just one of the things that flows from this "country of origin" principle in jurisdictional terms.

Thus, should some "private equity" firm with a French juridical structure come to Germany and take over Siemens or DaimlerChrysler, co-determination is gone, the very next day. This effect of freedom of establishment was not foreseeable, nor could a parliamentarian be answerable for this, in the sense of limited authorization.

**EIR:** Your suit is the last chance for the Federal Constitutional Court to slam on the brakes—also vis-à-vis the European Court of Justice?

**Schachtschneider:** The European Court of Justice [ECJ] is the worst. Its latest Presiding Magistrate has stated that "we are the motor of integration." By referring back to the "basic freedoms," the ECJ can overthrow the entire legal order, and, to be frank, has already done so to a very considerable extent. In my suit, I launch an exhaustive attack—it takes me 60 pages actually—on the ECJ's practice in respect of basic freedoms. I state that the basic freedoms are not a limited authorization. The ECJ is itself subject to the principle that the Federal Constitutional Court, in its Maastricht decision, had already, if cautiously, raised in relation to the ECJ. The latter must not interpret the basic freedoms so broadly as to convert its judgments into changes to the treaties.

In its thousands of decisions, the ECJ has *never once* acknowledged that a legal move by the European Union contradicts fundamental rights. The ECJ has always held that everything the Commission and the European Council do, is

perfectly fine.

What is more, the ECJ's judges have been hand-picked to discharge their responsibilities in "integration." Their basic wage, 17,000 euros a month, is at least three times what a senior German professor earns—plus expenses. Need one add that such high wages are used to corrupt people? The positions are much sought after, and once one has occupied them, one strives to remain. The Magistrates can be re-elected, and for six years at a stretch! I wouldn't call that an independent magistracy! In 50 years, the ECJ has never seen fit to strike down a single EU action, on the basis that it contradicted a Constitution or fundamental rights. Don't expect the European Court of Justice to defend your basic rights.

**EIR:** Speaking of basic rights: You mentioned earlier on that the Charter of Basic Rights of the Constitutional Treaty does not even reliably guarantee the right to life, and under certain circumstances, would allow the

death penalty to be restored?

**Schachtschneider:** Yes, let's turn to the fundamental rights, notably the right to life, and let's look at this in detail. At Article II-62 of the Constitutional Treaty,<sup>13</sup> one reads: "No one shall be condemned to the death penalty, or executed." Fine.

But that is not the truth! The Constitutional Treaty states that the declarations on fundamental rights (that under Roman Herzog,<sup>14</sup> in the agreement on basic rights, were taken over from the European Convention on Human Rights and Basic Freedoms, and discussed at length) are as binding as the the Charter of Fundamental Rights of the Union itself. Reality strikes in those declarations! The aforesaid Charter of Fundamental Rights of the Union is based—at least insofar as the standard basic rights are concerned—on the 1950 Rome Treaty, known as the Convention for the Protection of Human Rights and Fundamental Freedoms. In 1950, there was no option other than to allow the many states within the Council of Europe to retain the death penalty. Germany had abolished it, but France, England, and many other nations still retained it, nor would a Declaration on Human Rights have been possible, had one insisted on its abolition.

13. Part II of the Constitutional Treaty. "The Charter of Fundamental Rights of the Union." Title I (Dignity). Article II-62. "Right to life. Everyone has the right to life. No one shall be condemned to the death penalty, or executed."

14. The so-called "Bureau" of the Convention, that acted as a drafting committee or collective rapporteur for the Constitutional Treaty, was comprised of its President, Roman Herzog, and representatives of the European Parliament, the national Parliaments, the Commission, and the Council Presidency). Herzog is a former Presiding Magistrate of the Federal Constitutional Court of Germany, and former Federal President of Germany.

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*The sovereignty of the republics, of the member states, must be preserved. Their responsibility is toward their own people, and they must conduct the best possible policy. Should there be a practical need for conducting a joint policy, the nations will be prepared to bend a bit to arrive at a solution. Yes, my point of view is essentially Gaullist.*

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But now, that declaration of 1950, following lengthy discussion, and not simply owing to negligence, was quite deliberately taken over as binding for the Charter of Fundamental Rights of the Union. And those declarations must not only be read, they must be understood!

In the Constitutional Treaty, one reads, “No one shall be condemned to the death penalty, or executed.” But the 1950 Convention for the Protection of Human Rights and Fundamental Freedoms states, “Deprivation of life shall not be regarded as inflicted in contravention of this article when it results from the use of force which is no more than absolutely necessary in defense of any person from unlawful violence.”

Fine, that amounts to self-defense.

But then we read, “in order to effect a lawful arrest or to prevent escape of a person lawfully detained.” Here, the 1950 Rome Convention begins to go pretty far indeed; and now we come to the following: “in action lawfully taken for the purpose of quelling a riot or insurrection.”<sup>15</sup>

Now, think back to the events at Leipzig in 1989, or to any demonstration where there may be violence, and that might be considered to constitute “riot or insurrection.”

But that’s not all! The 1983 Protocol to the 1950 Convention reads, “A state may make provision in its law for the death penalty in respect of acts committed in time of war or of imminent threat of war,”<sup>16</sup> while sub-paragraph 1 of the 1950 Convention’s Article 2 reads, “No one shall be deprived of his life intentionally save in the execution of a sentence of a court following his conviction of a crime for which this

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15. Convention for the Protection of Human Rights and Fundamental Freedoms, Rome, 4.XI.1950, Section I—Rights and freedoms, Article 2—Right to life, “. . . Deprivation of life shall not be regarded as inflicted in contravention of this article when it results from the use of force which is no more than absolutely necessary:

“in defense of any person from unlawful violence;

“in order to effect a lawful arrest or to prevent the escape of a person lawfully detained; in action lawfully taken for the purpose of quelling a riot or insurrection.”

16. Protocol No. 6 to the Convention for the Protection of Human Rights and Fundamental Freedoms—Concerning the abolition of the death penalty, signed April 1983. Article 2, “Death penalty in time of war. A State may make provision in its law for the death penalty in respect of acts committed in time of war or of imminent threat of war; such penalty shall be applied only in the instances laid down in the law and in accordance with its provisions,” and so on.

penalty is provided by law.”

Consequently, the death penalty is possible, “in time of war or of imminent threat of war.”

Now, some will object that at least in Germany, the law nowhere provides for the death penalty. True enough. But should the European Union decide to deploy on “missions,” in other words, warfare in the guise of “crisis interventions,” and should the European Union lay down directives for such a warlike state where the death penalty would become permissible, one will no longer be in a position to allege that fundamental rights laid down in the Constitutional Treaty have been disregarded.

Thus, the right to life is no longer guaranteed “in time of war or where the peril of war is imminent,” as these will be European deeds of law, and these decisions will not be based on Article 102 of the German Constitution on the death penalty having been abolished, but on this cited line of argument. What this means is that the death penalty is now admissible, and it will happen. I can’t blame those who have failed to see this, as they have not spent a lifetime studying public international law and European law. All the more, because reading this thing, this Constitutional Treaty, amounts to assault and battery!

**EIR:** What further comments would you make on the Charter of Fundamental Rights of the Union?

**Schachtschneider:** Look at the issue of free media: “The freedom and pluralism of the media shall be respected.”<sup>17</sup> What does that mean, “respected”? The Charter of Fundamental Rights uses about 20 verbs to reflect varying degrees of protection of fundamental rights: “protected,” “guaranteed,” “to have a right,” and so on. “To have a right” is good, but “respected” is the weakest form of protection.

The freedom to teach, which happens to be my own fundamental right, no longer appears at all, and not because it has been overlooked. The text’s shortcomings were publicly criticized and debated. A German MP who took part in the convention to discuss the Charter of Fundamental Rights said, “We won’t be able to push through the freedom to teach.” So the text now reads: “scientific research shall be free of constraint.

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17. Article II-71, “The Charter of Fundamental Rights of the Union.”

Academic freedom shall be respected.”<sup>18</sup>

What academic freedom might be, is a moot point, while we are well acquainted with the meaning of “the freedom to teach.”

**EIR:** Does it mean that no one can be ordered about in his teaching?

**Schachtschneider:** Or that no one can be held accountable for what he teaches. The freedom to teach has always been upheld by the Federal Constitutional Court. Now the politicians have torpedoed it. It still exists, but it is in jeopardy.

**EIR:** Professorships have increasingly tended to become dependent on private donors.

**Schachtschneider:** Exactly. Another example: The right to own property, in the Constitutional Treaty, is split from the social issue. Whereas, our very fine Article 14 of the German Constitution reads, “There is a right to property and to inheritance, the contents and limits of which are determined by law. Property entails obligations. Its enjoyment shall also serve the public wealth.”<sup>19</sup>

At the present time, the social obligations entailed by the enjoyment of private property is a major issue. Enjoyment of property means both private use, and a duty towards the public. This notion has vanished from the Constitutional Treaty. The Treaty amounts to a neo-liberal Constitution. It flings open the gates to neo-capitalism, pushing far into the background the principle of the common good.

Let’s take a look at the rights of the “elderly.” Whatever does “elderly” mean? One fellow’s always older than the next. “The elderly” is, from a strictly legal standpoint, an absurdity. But these “elderly” people now have a special fundamental right, and one that excludes more than it includes! The elderly now have the right to participate in social and cultural life. How dare one say that! And it’s no accident that the word “political life” does not appear here! Whatever can this mean? That the “elderly”—when in doubt, brand them as afflicted with dementia—will no longer have a right to vote?

It should be obvious, shouldn’t it: No matter how old one is, one retains the same rights. It has nothing to do with one’s age. Special rules for the elderly spells flat-out discrimination. Naturally the Constitutional Treaty lays down specific rules for the young, for men, for women.

Little is left of wage autonomy. In Germany this has been a sacred concept; wages and salaries negotiated by labor and management do get a mention at Article II-88 of the Constitutional Treaty. Although the right to strike persists, reservations have been written in, that amount to severe limitations on wage autonomy.

According to Article 9 (3) of the German Constitution,

agreements for a minimum wage are, in principle, inadmissible, because wage levels are only to be negotiated, jointly, by associations of employers and trade unions. The recent debate over the minimum wage has arisen on account of European law, and on account of the wage-dumping that necessarily goes along with allowing employers to recruit staff at the wage-level they would have been paid in their country of origin.

In terms of fundamental rights, the position of German citizens will take a sharp turn for the worse. This much-touted European Charter of Fundamental Rights is, in actual fact, a terrific blow to the concept of lawfulness, to a culture of lawfulness. It stands as the opposite pole to progress. That alone should be enough to have us lining up in battle formation against the Treaty.

**EIR:** What about the European arrest warrant, and the case of this businessman who may be handed over to Spain?

**Schachtschneider:** Outrageous! The European arrest warrant will be thrown out by the Federal Constitutional Court. The process has begun already; a hearing has already taken place, where the Court was clearly highly critical. Were it to find against the European arrest warrant, this would be a signal for our own suit. In that suit, we have gone into some depth concerning the European arrest warrant. It is outrageous, because it contradicts the very principle of a constitutional state, namely, that the state is there to protect its citizens.

Yet another critical right will vanish from the German Constitution, namely, that no German citizen may be handed over to another state. The European arrest warrant will allow someone to be arrested and deported, even under circumstances where in Germany itself, the deed in question would not qualify as an offense! This is monstrous. Until now, the principle was that of reciprocity: The deed had to be a criminal offense both in Germany, and in the foreign country concerned, before someone could be deported. What is more, the punishment meted out abroad had to be appropriate, which notably meant, no capital punishment. In the case you refer to, a citizen is to be deported, although [in Germany], he acted within the law. He is a German citizen; he happens to have double nationality, but was nationalized a German. He is now to be deported to Spain, for a deed that is not an offense in Germany.

**EIR:** What is at stake is the issue of legal certainty, I suppose?

**Schachtschneider:** Yes, the notion of constitutionality, the principle of lawfulness, the principle of legitimacy, namely, that one is allowed to do whatever the state in which one resides does not prohibit. I expect that the Federal Constitutional Court will not go along with this.

By introducing a European Public Prosecution Service, we also lose our sovereignty in criminal matters, not entirely, but to a very great extent. This is set out in Chapter IV: “Area

18. Article II-73, “The Charter of Fundamental Rights of the Union.”

19. Unofficial translation.



EIRNS/Chris Lewis

*“The freedom to teach, which happens to be my own fundamental right, no longer appears at all [in the Constitutional Treaty], and not because it has been overlooked.” Here, students in Wiesbaden, Germany, protest education budget cuts in 2003. The banner reads, “Money is round and rolls away, but education remains.—Heine”*

of Freedom, Security, and Justice.” Sounds wonderful, but the reality is otherwise. Little is left of freedom and security. What sort of security do we mean? Security of the grave? Security of a jail cell? And justice? In this process of European integration, justice stands to lose the most.

**EIR:** Let’s assume that the French reject the Constitutional Treaty, and that the Federal Constitutional Court follows suit. Whither Europe then? To replace this monster Constitution, we shall have to come up with a fresh idea.

**Schachtschneider:** I certainly do not intend to liquidate the European Union. Imagine that the Constitutional Treaty never comes into force—that would in no way affect the EU’s ability to act. The applicable law will be the Treaties of Maastricht, Amsterdam, and Nice, that came into force in 2003. They refer back to the Treaty of Rome, the Single European Act, and so forth. That’s what’s left.

**EIR:** Until they too be amended.

**Schachtschneider:** Public international law allows for altering a Treaty, through a fresh Treaty.

**EIR:** What would be a better arrangement for Europe, than, for example, the Maastricht Treaty? Seen from our standpoint, what is truly awful about that Treaty is the independent status of the European Central Bank. The ECB is not altogether enchanted with the Constitutional Treaty, as it stands to lose some of its overweening powers. But this ECB, answerable to nothing and no one, is itself a grotesquerie, edified

by the financial oligarchy—the crowd which has rammed through deregulation—thanks to the Maastricht Treaty. In 1992, this was actually a kind of coup d’état!

**Schachtschneider:** That is precisely how I described the Maastricht Treaty. Whereupon, the news weekly *Spiegel* picked up the term “coup d’état,” in its reports on our lawsuit against the Maastricht Treaty.

**EIR:** Curiously enough, there are crossed wires between the Schröder government and the ECB concerning the Bundesbank as part of the Central Bank system. Schröder wanted Professor Bofinger to succeed Otmar Issing in the ECB Council. The chairman of the Bundesbank, Axel Weber, and his deputy Jürgen Stark were summoned to Berlin, after they had voiced loud criticism of the attempts to loosen up the Stability Pact. The government appears to have gone onto the offensive.

**Schachtschneider:** Article IV-445 of the Constitutional Treaty naturally enables a complete change in the rules of the Currency Union. To my mind, the ECB’s days of independence are

numbered. Under the Constitutional Treaty, the ECB will still be independent, but the heads of State and Government can change that. This moot article was not drafted by Giscard d’Estaing, but was inserted later, and turns up for the first time in the draft dated October 29, 2004. I’ve no idea who inserted it. It could of course also be used to abolish the ECB’s independence. The French are opposed to an independent ECB, and so am I.

**EIR:** And so are we.

**Schachtschneider:** Unlike my friend and collaborator Joachim Starbatty, who defends the independence of the ECB, my view is that the European Central Bank lacks all democratic legitimacy. What the Federal Constitutional Court let slip through the net at the time, is very doubtful indeed.

The policy of the Central Bank, that has no obligation other than to uphold a stable currency, is a disaster for employment. To me, I should be truly happy, were the ECB to vanish overnight. Remember that we also filed suit against the euro. Reducing currency policy to mere price stability is the precondition for free circulation of capital, seen from the standpoint of the worldwide capital market. But anyone with any objectivity left knows full well how prejudicial that is to employment. I will not be talked into believing that currency policy and employment policy can be split up, no matter how loud the protests from the neo-liberals!

**EIR:** There are various criteria for the “stability” of a domestic economy. One must head off inflation, yes, but heading

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*Let there be no overall body on supranational level, laying down policy! The alliance must rest upon national sovereignty, while the nations should organize their cooperation according to practical reason.*

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off unemployment is equally important!

**Schachtschneider:** In 1998, in the suit we filed with the Federal Constitutional Court against the euro, we made quite plain what we mean by stability: Stability, from an economic standpoint, means the magic square—price stability, full employment, balance of foreign trade, and growth all take equal place, based on a market economy. I am led to believe that this is how the Federal Constitutional Court also sees stability.

**EIR:** As does the stability law of 1967.

**Schachtschneider:** Precisely! And that is where I stand full square, beside Wilhelm Hankel and Wilhelm Nölling. In that respect, we go hand in hand.

**EIR:** In the conflict between the ECB on the one side, and the European heads of government on the other, I'd opt for the latter, as they certainly possess more legitimacy.

**Schachtschneider:** They are more democratic—

**EIR:** —while the ECB lacks all legitimacy.

**Schachtschneider:** That is perfectly clear, from a democratic standpoint.

**EIR:** I'd like to raise the matter of the 1961 Fouchet Plan, named after de Gaulle's Foreign Minister Christian Fouchet. De Gaulle wanted the European Union to have various institutions, that would nonetheless be subordinate to the national governments and Parliaments. Their existence would not be to the detriment of national sovereignty, or "existential statehood" as you put it. This was the very opposite pole to a supranational Europe. Would not such a European Union, an alliance of states, be a suitable and constitutionally appropriate solution for Europe today?

**Schachtschneider:** To my mind, yes. I see it as a "Republic of the Republics," a "Federalism of Free States," as Kant would have said. The sovereignty of the republics, of the member states, must be preserved. Their responsibility is toward their own people, and they must conduct the best possible policy. Should there be a practical need for conducting a joint policy, the nations will be prepared to bend a bit to arrive at a solution. Yes, my point of view is essentially Gaullist.

But such a European super-state will never, can never be democratic—if only because of its huge size. Therefore it can never be a constitutional state. There is no such thing as a constitutional state without democracy.

A European super-state leads, in truth, to the danger of war. Indeed, it intends to wage war, the military part of the Constitutional Treaty includes a duty on the members to spend more on arms. The super-state commits itself to bring about peace in the world alongside the U.S.A. Europe wants to be a superpower, very decisively so, and that means waging wars of the kind that the U.S.A. is now waging. Whatever your own views may be, I'm against it. These wars are a breach of international law. The war on Iraq is unprovoked aggression, and few German specialists in public international law would contend otherwise. I've been very outspoken about that.

The one and only obligation on a state is defense. One can enter into an alliance, but that alliance should not itself enjoy overweening powers. Large states are a constant threat to smaller and weaker ones, and such a super-state is a danger to the other nations of this planet. I believe in smaller entities. Switzerland can defend itself, small as it is. It's many a moon since Switzerland was attacked; nor will it be attacked.

Furthermore, a European super-state will grind down all free institutions. The world will not look the way the neo-liberals and neo-capitalists claim it will. It will be something quite different. The population will be oppressed. But a stop will be put to this form of globalized robber-baron capitalism. Nations will vote against this, even in European elections. But by that time, the free institutions will be gone, because European policy, particularly the free-market fundamentalists with their frenzied race for free competition, will have dug their own grave. That is why these people are in such a tearing rush—they know full well that this particular form of capitalism is no lasting state of affairs.

The middle ground, what Ludwig Erhard<sup>20</sup> called the "social market economy," and that I would rather call "a capitalist social economy," is probably the right one. With many republics, many and varied institutions where people can move forward and develop themselves, whether in their profession, or otherwise. Such pluralism is an integral part of freedom. But they are attempting to steamroller that away, trample all differences under foot. The principal language of trade and diplomacy in Europe will not be the German language, which I consider a cultural loss.

I am against the super-state, flatly against it. De Gaulle's Europe of the Fatherlands, Europe of the States, is to my mind the right way, in terms of freedom, too. A super-state will

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20. Chancellor of Germany from 1963 to 1966.

never allow such freedom.

**EIR:** Jacques Cheminade, our man in France, had a leaflet distributed during the referendum campaign on the Constitutional Treaty, where he tore the Constitution apart point by point, and made a number of constructive proposals.<sup>21</sup> In addition to huge investment in Eurasian infrastructure projects, he proposes that the European Central Bank be replaced by an alliance of national banks. How do you see that?

**Schachtschneider:** Would that mean that in such an alliance, the national banks would each be responsible for the respective national currency?

**EIR:** The concept of a national bank as we see it, stems from the National Bank of the United States under Alexander Hamilton,<sup>22</sup> where money is put into circulation for infrastructure and development, as we saw here in Germany with the Kreditanstalt für Wiederaufbau. The National Bank, as the locomotive for domestic economic progress.

**Schachtschneider:** That is my view as well. A nation can succeed as an economy, only if it has control over its credit and financial system. We have let that slip from our grasp. The underdeveloped countries have not been able to take off, Africa and so forth, because they do not control their own financial system. Outside credit has plunged those nations into still greater misery. Sovereignty over one's own money, one's own credit and currency, is critical to the existence of a state. In the Maastricht suit that we filed, I stressed that this is one aspect of existential statehood. That is why we have filed suit against the Constitutional Treaty as well.

A national bank is answerable, democratically. The Bundesbank differed greatly from the European Central Bank, because it was answerable to Parliament. Parliament could alter its aims, and prescribe other instruments, whereas the European Central Bank is totally independent. The European Central Bank has only followed the Treaty. This currency policy prevents us from reacting to domestic economic events, by revaluation or devaluation and so forth, and prevents us from putting to rights a mistaken approach. As a result, pressure is applied for a flexible wage policy, because that is the only option left, given such wrongheaded currency-union arrangements.

An alliance is supposed to mean coordinating policy. That would be fine, on condition that the sovereignty of each nation remain. I favor an alliance, I favor an alliance of states where each state bears responsibility for its own policy. Accordingly, let there be no overall body on supranational level, laying down policy! The alliance must rest upon national sovereignty, while the nations should organize their coopera-

tion according to practical reason. How's that for a fine piece of political culture for you!

**EIR:** Relative to international currency and credit arrangements, the time is over-ripe for reorganization. As you know, we are pressing for a New Bretton Woods system.

**Schachtschneider:** There must indeed be a New Bretton Woods system. I myself have no doubt but that a currency reform is in the pipeline. I am sure that the U.S.A. will eventually come up with a new currency policy, even issue a new currency, or assign a new value to the dollar, to deal with their gigantic deficit and their dollar-denominated debt.

**EIR:** But our idea of a New Bretton Woods system is quite unlike that.

**Schachtschneider:** I can well imagine that it is!

**EIR:** Finally, you are the author of *Res publica res populi*. What to you is the essence of the Republic?

**Schachtschneider:** Freedom! I see freedom as political freedom, in the straight Kantian sense. Freedom is the substance of the law, and for that one needs the state. Freedom means living with others with due regard to justice; one must discover what is rightful, acknowledge its rightfulness, and make it binding on all in the form of law. That is Rousseau! A law binding on all, and that works to no man's prejudice, because each and all are the authors of the law, each and all are law-makers. A law binding on all, is a law that all have worked to make.

This is a radically democratic theory of legislating through each and every citizen, an approach to representative government quite incompatible with a party-political state, but one that takes very seriously the committed conscience of each MP. An MP must represent that inner freedom, a commitment to the moral law. He must legislate, representing morality.

Morality has its own law, the categorical imperative: Adhere to those policies that you would wish to become a law binding upon all. Respect others in their humanity, and live with them in accordance with laws that have been made in common. This notion of morality is one that can be expressed, in Christian terms, as "Thou shalt love thy neighbor as thyself." The categorical imperative is none other than the principle of Christian love: One must respect, not oppress, one's fellow man.

That, to my mind, is what is meant by a Republic, and one that can be realized, as we have just seen, only through a multitude of smaller entities.

**EIR:** Thank you, Professor Schachtschneider.

**Schachtschneider:** My pleasure! Why can I not be given an hour to explain these things on ZDF or ARD?<sup>23</sup>

21. See "Cheminade Says 'No' to European Constitution," *EIR*, April 8, 2005.

22. Alexander Hamilton (1757-1804), the first U.S. Secretary of the Treasury, and founder of the National Bank of the United States.

23. German national television channels.

# LaRouche Replies to Ibero-American Queries Provoked by His Webcast

*In addition to the high number of questions to Lyndon LaRouche during and after his June 16 webcast from especially the U.S. Senate (see Feature, page 7), numerous questions also came from Ibero-America. LaRouche's answers to some of these are reproduced below.*

## What Can We Do for Bolivia?

**Q:** I am from Peru and I heard your program, and I would like to know about how, from my position, I can help the LaRouche foundation. I am a journalist, but I work more on and am actually covering the situation in Bolivia right now. Thanks.

**LaRouche:** As you know, not only Ecuador, but Bolivia are now among the most threatened nations of South America. Ecuador was looted “to the bone” by a, chiefly, U.S. operation. Bolivia is currently threatened by a U.S. government’s refusal to collaborate with Bolivia on economic policy-measures which could ameliorate the conflict, which is not caused by, but is pivoted on the cocacero issue.

My policies for Ibero-America as a whole were presented during the Spring-Summer-Autumn [1982] crisis-events centered on the Malvinas War and the August-October Anglo-American effort to crush the independence of Mexico. These two developments set the pattern for the programs which have ruined Ibero-America up to the present day. During that period, in addition to my insistence that the U.S. government must honor the Rio treaty by forbidding British military operations against Argentina, I produced an Aug. 2, 1982 report titled “Operation Juárez,” which set the pattern for a comprehensive program of economic development of Ibero-America, and an accompanying U.S. affirmation of the defense of the sovereignty of the republics of the Americas consistent with the precedents set by Secretary of State and President John Quincy Adams, and by Presidents Abraham Lincoln and Franklin Roosevelt.

That pattern of policies from that time have been continued by me and my associates to the present day, but have since been situated within global policies of economic reform centered around my proposal for a “New Bretton Woods” agreement on reestablishing a global “New Bretton Woods” reform (a fixed-exchange-rate, protectionist system), in the spirit of the intention of U.S. President Franklin Roosevelt. (The latter policy has been adopted, as an explicit copy of my proposal, in a parliamentary resolution of Italy. There is a growing list of prominent signators from many nations.)

My present situation and outlook is, summarily, as follows.

The present world monetary-financial system has entered the terminal phase of an immediately threatened general economic collapse, worldwide. It is probable that the only action which could prevent that global collapse into something qualitatively far worse than that of 1929-33, would be the launching of the required emergency reforms by the United States. Although the present U.S. Bush-Cheney regime is hysterically opposed to any such reform, the pattern of rising collapse of the U.S. dollar and also global “hedge funds” has prompted a growing impulse for relevant reforms in leading Congressional and other circles in the U.S.A.

Under current IMF and U.S. policy, there is no hope for any nation of Central and South America, even in the relatively short term. However, a change in U.S.A. policy of the type indicated would suddenly and dramatically change the situation of Central and South America for the better.

I am certain that you understand, that the most dangerous influence among the peoples and governments of the Americas today, is cultural pessimism. To combat that pessimism, the people of these nations must have well-founded belief that there are actual policy-alternatives which would put the Americas as a whole (and other parts of the world) on an upward course. Therefore, the identification of the problems and moods of the populations and governments, combined with improved informing of the governments and peoples of potential solutions available, is a psychological weapon to be developed and used, in the effort to inspire cautious hope, and to improve alertness to dangers. The people of these nations need to know that the world knows of their situation—the dangers and the hopeful possibilities—and they need to know that the world has not overlooked them, or their plight, or their hopes.

## The Role of Money

**Q from Argentina:** Access to goods and services is by means of money. Therefore, money becomes an end in itself; the more money one has, the more access to goods and services. Money ends up “commanding” the wealth produced. What is a mere means to facilitate exchange becomes the key to all the doors of access to wealth. The effect substitutes for the true cause of wealth.

I think that if this problem is not resolved, a future New Bretton Woods such as what you are suggesting will just



EIRNS/Bill Salisbury

*LaRouche addresses students at the Monterrey Technical Institute in Monterrey, Mexico, on March 20, 2004. His policies for Ibero-America were presented during the Malvinas War crisis, and the Anglo-American effort to crush the independence of Mexico in 1982. "These two developments set the pattern for the programs which have ruined Ibero-America up to the present day."*

degenerate and end up on the slide into decadence, as occurred with the old Bretton Woods through 1971.

Isn't it time to think of a means to strip money of that power to "command," but which at the same time serves to facilitate exchange, or simply get rid of money and think of another different means to facilitate the exchange of wealth?

A "financial oligarchy" is an effect of the notion of giving money the power to command. In other words, when there exists the belief (either individually or collectively) that money commands wealth, then we have the conditions for a financial oligarchy to emerge which is going to feed that belief. If we want to eliminate the financial oligarchy, we should change the spontaneous beliefs of people with regard to the command of money.

In a system of physical economy, what role would money play? Would we conserve its power to command wealth?

In the event, that during an international conference of nations, other guidelines for international trade based on long-term bilateral treaties should emerge, how would the contracting countries settle accounts? In U.S. dollars? In physical goods? Through a synthetic market-basket as a unit of exchange? How would two nations settle the accounts of their trade?

**LaRouche:** As the decadent power of the Habsburgs and related relics of medieval feudalism fell prey to the rising imperial power of the new Venetian system of the Anglo-Dutch Liberal imperialism, the principal economic systems of the world were divided between the Anglo-Dutch Liberal system, on the one side, and American System of political-economy, on the other. It was the fear of the implications of the U.S. Declaration of Independence, which prompted the British East India Company of Lord Shelburne et al., to organize the French Revolutions of July 1789 through 1815, to isolate the influence of the U.S. republic by aid of drowning

all continental Europe in repeated continental wars, as it had done in the Liberals' rise to imperial power through the mutual weakening of continental powers through the Seven Years' War, which was concluded with the February 1763 Treaty of Paris.

The victory of the United States over the pro-slavery insurrection launched by the instruments of Britain's Lord Palmerston, established the U.S.A. as the leading nation-state power of the planet, creating a model of economic development which was extensively copied in Germany, Japan, and elsewhere, from 1877 onward, under the direct influence of the world's leading economist of that time, the U.S.A.'s Henry C. Carey.

In spite of the facts of modern economic history, academic and other dupes from around the world still chatter credulously about the "glories" and "obscenities" of "capitalism," as the notion of "capitalism" was spread by the British East India Company's Liberals through various channels, including Palmerston dupe Karl Marx, by British Foreign Office chiefs such as Jeremy Bentham and Lord Palmerston. The credulity of those who, including Marx and Lenin, like the religious fanatics whose spirit they copied in this point of belief, was enriched by the fact that the world's financial-monetary systems were controlled by a worldwide British Liberal system of control over the international finance, especially the Liberals' dominant position in controlling international financial loans to the present day.

The only important alternative to the British Liberal system of imperialism today, is the American System of political-economy, as described by the U.S. Republic's first Treasury Secretary Alexander Hamilton, as by Mathew C. Carey, his son Henry C. Carey, and Friedrich List. Abraham Lincoln's victory over Palmerston's puppets, the Confederacy, and the Hitler-like thief and butcher Maximilian of the Palmerston

puppet Napoleon III's Habsburg occupation of Mexico, ended the prospect of a British reconquest in North America, and established the American System of political-economy, copied in many parts of the world during the period following the London directed 1861-65 insurrection against the U.S. government.

Although the influence of the American System of political economy had been spread through patriotic circles of Central and South America during the earlier Nineteenth Century, the spread of the influence of the American System of political-economy, as the qualitative alternative to the damned British system of monetarism, peaked at various times during the period from Lincoln's victory through and beyond the death of President Franklin Roosevelt.

With the death of Franklin Roosevelt, his successor, Truman, proved to be a rotten dupe of the same right-wing financier cabals which had included the British and U.S. financier circles which had initially financed Mussolini's, Adolf Hitler's, and Francisco Franco's dictatorships. There had been a break with Hitler by some of these financiers, especially U.S.- and London-based, but only because Hitler had chosen to build up for a strike against France and Britain first, before attacking the Soviet Union. Once victory over Hitler was secured, the financiers who had temporarily supported Roosevelt out of expediency, went back to pushing fascist methods and objectives again. Thus the Truman Administration dropped nuclear weapons on Japan to launch a political commitment of the Anglo-American to building for a "preventive" nuclear attack on the Soviet Union, for the stated purpose of eliminating the nation-state throughout the planet, in favor of an explicit commitment to world government, or what is called "globalization" today. The objective of "pre-emptive" nuclear warfare was dropped because the Soviet Union had produced nuclear weapons, and had developed a thermonuclear weapon before the Anglo-American alliance had. We thus lived under "Mutual and Assured (thermonuclear) Destruction (MAD)" until 1989.

The thrust toward world government, and toward destruction of all vestiges of the American System of political-economy, came under President Nixon. The elimination of the American System was heralded as the uprooting of the Franklin Roosevelt influence. Indeed, Franklin Roosevelt based all of his leading reforms on the American System as that system was defined by such as both Alexander Hamilton and Hamilton's partner and Roosevelt ancestor, Isaac Roosevelt.

The relevance of that brief historical summary to your message, is the following.

The use of money is virtually unavoidable. However, the use of money and the system of monetarism are not coincident, except in the deranged minds of the neo-Venetian school of the dupes and other followers of Anglo-Dutch Liberals. For the same reason, the use of money in creating investment of physical capital, and in the conversion of profit from that

investment into a monetary form, or equivalent, is not the specific distinction of what the British and Marxists alike have called "capitalism." If we acknowledge the fact that many of the present crop of avowed "monetarists," such as the so-called Siena School or the quasi-fascist hooligans of the American Enterprise Institute and Mont Pelerin Society, are clinically insane, among their relatively less obnoxious qualities, the essential element of simple fact underlying the fanaticism of the current U.S. Bush Administration, is that the hatred of Franklin Roosevelt by these dangerous fanatics is an expression of the same hatred of the American System of political-economy expressed by the tools of Lord Shelburne and his Jeremy Bentham, and by Bentham's protégé Lord Palmerston, and by the launching of the policy of "world wars" under the Palmerston-trained Prince of Wales, later known as King Edward VII.

Money is money, as the finger-nail clippings of men and chimpanzees are finger-nail clippings, representatives of fundamentally distinct species of existences.

Under the American System of political-economy, the objectives of economic policy are physical, not monetary. The power of creating and regulating a currency and its circulation, is a constitutionally prescribed monopoly of government, as is regulation of trade. Taxation, as a monopoly of government, is crafted in such a way as to serve two purposes by the same means: to meet the obligations of government, and to favor those economic developments which are found to be in the public interest, or simply for fair treatment of members of the society. This aspect of the American System is sometimes referenced under the rubric of "fair trade" policies.

We do not let the circulation of money determine our fate. We choose our collective fate, and craft the creation, and circulation of money to bring about the fate a people has chosen through its lawful representatives. We do this by assuming governmental responsibility for the development and maintenance of the basic economic infrastructure which is required for the needs of all of the population and all of the territory, while entrusting the production of valuable innovations beyond that, to either private entrepreneurship or other expressions of the free, creative mental potential of individual persons.

The same principles expressed by the American System, are appropriate for relations among, as also within sovereign nation-states.

The broad challenge before all humanity today, is to unleash a program of global physical-economy recovery, which must rely largely upon long-term investment in the creation and development of basic economic infrastructure, chiefly as infrastructure supplied through the public sector of the world and national economies. This requires a fixed exchange-rate system, based on long-term simple-interest rates not in excess of 1-2% per annum. The credit needed for this and other expansion of useful investment must be generated, in a large



EIRNS/Bill Salisbury

*LaRouche Youth Movement members listen to LaRouche in Monterrey, Mexico, on March 19, 2004. LaRouche's Aug. 2, 1982 report, "Operation Juárez," set the pattern for a comprehensive program of economic development of Ibero-America.*

degree, by governments. Either by the creation of state credit, as under the U.S. Constitution's provisions for creation of public credit, or creation of large masses of public credit through long-term treaty agreements among trading partners.

Finally, I must include one further qualifying observation. The additional problem, reflected in the questions your message to me posed, is the common failure of virtually all notable contemporary writers on matters of principle in economics: that their mathematics is premised on the false assumption that economies are subject to mechanistic calculations. In fact, economies are not only processes of living things, but belong, as the great Vladimir I. Vernadsky emphasized, to a still higher order of processes than the simply organic, the Noösphere. What Vernadsky and I have defined, from our respective vantage-points, is that the required method must be based on rejection of the method of mechanics, to the methods appropriate for living processes, which Leibniz defined by his Classical distinction of dynamic from merely mechanical processes. On this point, virtually the entire sweep of contemporary economics is thoroughly bankrupt in its methods of attempted calculation. This is the reason for my relatively consistent, always accurate long-term forecasting, as compared to the distinctive failure of all of my putative rivals from the recent forty-odd years.

### **'Single Issues' vs. the National Interest**

**Q (from Argentina):** What is LaRouche's position with regard to birthrate (natality), abortion, contraception, euthanasia?

**LaRouche:** I am opposed to all simplistic treatments of these subjects in a "single-issue" mode. We must simply defend the principle of life in its form as human life. To defend life by single-issue methods, is to abandon the needed overthrow of the ideology of death represented by the Club of

Rome and also the so-called "environmentalists." You must also eliminate all further influence of organizations such as the Mont Pelerin Society, or kindred monetarist circles, whose methods will ensure mass-murder. The IMF and World Bank, and their supporters today, are today's mass-murderers on this count. To defend life you must prove you are pro-human-life by supporting my fight against the kinds of policies currently associated with the environmentalists and the present policies of the IMF and its co-thinkers.

**Q:** Good afternoon, Lyn, from the National University of Comahue in the city of Neuquen, Argentina. We greet you and would like to ask the following question: On the current situation in Bolivia, which has been destroyed by the same financial interests which now say they forgive the debt, there have been moments of tremendous uncertainty about the future of this country. What message would you give the Bolivian people, as well as its neighbors, to solve the ongoing crisis? What role should our political leaders play at this moment?

**LaRouche:** I would defend those people to the degree I have the power to do so. To defend them, however, means to defeat my enemies in the present Bush Administration in the U.S.A. today. The two tasks are inseparable.

**Q (from Argentina):** I am listening to Mr. LaRouche's presentation, in which he is talking about the development of the countries of the East and of Africa. I live in Argentina, and I would like to know his thoughts about economic policy with regard to Latin America.

**LaRouche:** Read my 1982 "Operation Juárez," in which I laid out the core of my continuing commitment to the defense of the development of the Ibero-American republics. I believe that a Spanish-language translation of that report might be available through the website.

**Q:** How can we integrate Latin America with a country which feels and acts like the policeman of the world and which limits us, not allowing us to develop?

**LaRouche:** It is not “my country” which is the oppressor. It is the pack of pro-fascist miscreants, spawned by the Anglo-Dutch Liberals of both Europe and Ibero-America, from whose grip I am determined to free my nation, and also yours.

You should consider the fact, that much of what has been done as evil to the nations and peoples of South and Central America was done by Nazis, including Hispanic Nazis from Spain, who infected the nations of Central and South America heavily during the 1936-1945 interval, and who were revived by an infusion of Nazis shipped into these nations from Europe, chiefly via Franco’s Spain, during the period after 1945. The Pinochet dictatorship and Operation Condor mass-murders in the Southern Cone region, are typical. The people behind the kind of oppression expressed by the Bush-Cheney regime today, are the same international financier-interests which brought Mussolini, Hitler, and Franco to power in Europe, injected the fascist movements into Ibero-America during the 1930s and later, and which controlled the right-wing gang, such as that behind U.S. President Truman, and also Bush-Cheney today. Include, most notably, that self-described “Liberal Imperialist” current of the British Fabian Society, which Tony Blair represents today.

### Questions From the Argentine Congress

**Q:** On Dec. 20, 2001, Argentina (the Banks) committed the biggest theft, confiscating \$30 billion that went straight to the U.S.A. (after the meltdown of gold bars in the Twin Towers). Whose money was that? Was it ever investigated inside the U.S.A.? Being that N.Y. courts have jurisdiction over debt (national forged debt to the IMF), how can we get the money back? How much of that money went to Israel? How many billions go to Israel annually? Why does the U.S.A. keep pumping billions into Israel?

**LaRouche:** Your question confuses several issues: 1) matters for which no known corroboration of the sources exists, but which you have picked up as real or false information received by you, and 2) the blending of issues of the Argentina debt-crisis with U.S. policy toward Israel.

“Forged debt to the U.S.A.” is not a meaningful statement. There is, however, a category of post-1971 fictitious debt of Argentina and other nations which was created under the pretext of an London-centered orchestration of the devaluation of currencies of nations such as those of Ibero-America. If debts created artificially under IMF and related advice were not included, then Ibero-America has already repaid its net foreign sovereign debts accrued since the 1971-72 replacement of the original Bretton Woods system by the post-August 1971 “floating exchange-rate” monetary system.

There is no direct relationship between those issues and the complex matters of U.S. relations with Israel.

Israel, on the other hand, does not control the U.S.A. Rather London and certain factions in the U.S. have used Israel as a virtual puppet since Secretary of State Rogers was replaced, under President Richard Nixon, by Secretary of State Henry Kissinger. Actually, British intelligence services have exerted a controlling influence over U.S. official policy toward Israel since the time Kissinger was installed as U.S. Secretary of State under Nixon.

**Q:** How would the value of a new international currency be determined? Would it be a unit of account, a currency based on gold standard, or a currency with a value based on a goods basket?

**LaRouche:** The fixed exchange-rate would be determined by treaty negotiations. It should be a gold-reserve-based determination, like the original Bretton Woods agreement. However, this gold-reserve provision would be subject to reasonable consideration by the treaty organization, to change the price of gold as a reserve currency denomination.

A basket of goods would not be used. Treaty agreements on regulated tariffs and trade would be applied.

**Q:** 1. What is real around the union of Republicans and Democrats, as having the effect of debilitating the Bush Administration?

2. What kind of involvement does the U.S. have around the Bolivian crisis?

3. What should we do about the Social Security system in Argentina?

**LaRouche:** 1. It is not a union; it is a collaboration for a limited purpose. This agreement, if continued, would be subject to revision in various ways, as the judgment of the relevant members of the Senate choose.

2. The behavior of the U.S. Bush-Cheney Administration in the current Bolivia crisis is most fairly characterized as irresponsible, probably insane, and vicious.

3. In the Summer of 1982, I composed and issued a report entitled “Operation Juárez,” which I crafted in my foreknowledge of the oncoming operation against the Republic of Mexico. My policies for U.S. relations with Ibero-America as a whole remain essentially what I set forth as matters of principle in that report.

**Q:** Does Mr. LaRouche’s proposal include the elimination of the International Monetary Fund?

What is his proposal for replacing a speculative economy with a productive one?

**LaRouche:** Forget the “Fund.” What is needed is essentially a reversal of the actions on monetary-system reforms taken under Nixon in 1971 and 1972. Restore the Bretton Woods agreements crafted under Roosevelt; modify them only in the sense of updating them for today.

On the principles of economy, read “Vernadsky & Dirichlet’s Principle” [*EIR*, June 3, 2005].

# Defeat of Rafsanjani Poses New Dangers

by Muriel Mirak-Weissbach

Every Iranian I have spoken with over the past two months about the June 17 Presidential election, whether political figures, journalists, or ordinary citizens, including those living abroad, was unhesitatingly categorical: Akbar Hashemi Rafsanjani, who had served in that position for two terms between 1989-97 would win hands down. Yet, when election day came rolling around, a shock was delivered: Frontrunner Rafsanjani emerged in first place, but with no clear majority, only 21.2% of the vote. In addition, the candidates who came in behind him in early election results, just as predicted in pre-election polls—such as former Parliament speaker Mahdi Karroubi and reformist candidate Mustafa Moin, followed by former police chief Mohammad Baqer Qalibaf—suddenly found their slots juggled, and another man, Tehran mayor Mahmood Ahmadinejad, jumped up to second place with 19.1%. An unprecedented run-off election was announced between the two leading candidates, for June 24. Ahmadinejad won, in a landslide victory.

What happened?

Rafsanjani's candidacy was clearly an institutional decision. Given the failure of reform President Mohammed Seyyed Khatami to implement democratic changes in the system (for which he had received an overwhelming mandate in 1997, and been re-elected in 2001), it was deemed appropriate to opt for a more conservative figure, who had the domestic and international backing required to effect reforms. Khatami had been blocked by the powerful Guardians Council, which vets both electoral candidates and legislative proposals in the Majlis (Parliament). Students demonstrating for reforms found themselves confronted by police and the paramilitary Basiji. In order to force through real changes, Khatami, according to Tehran sources, would have had to mobilize the masses behind him onto the streets, something which could have carried the risk of social confrontation, and even civil strife.

## Rafsanjani's Broad Power Base

Ironically, although he is not in the reform camp, and indeed is disliked by the reformists, Rafsanjani is seen as someone who would be capable of implementing change. Why? Simply because he represents a power base which is broader and stronger than that of Khatami. Rafsanjani was, as noted, President for eight years. Immediately after the cata-

strophic 1980-88 Iran-Iraq war, which cost both nations millions of casualties, President Rafsanjani led an ambitious reconstruction effort, which involved launching numerous infrastructure projects. After his second term, when he could not by law run again, he became the head of the Expediency Council, an important institution tasked with mediating between the Supreme Leader of the Revolution, currently Ayatollah Ali Khamenei, and a majority reformist parliament, whenever a conflict arose. This Rafsanjani did, managing in several critical junctures to find negotiated solutions and prevent civil strife.

As Iranian sources note, Rafsanjani also has a base of support in the religious institution, the Hawza, based in the holy city of Qom. And he has an economic power base inside the country.

Most important, Rafsanjani has a wide, high-level network of international contacts, including connections inside the United States. One of his leading campaign themes was the need to improve relations with the United States, even to the point of reaching normalization. In a CNN interview, he said, "I am going for a policy of relaxation and detente and this is a policy that I will apply to the United States as well." He continued to demand that the United States make the first move, for example, by releasing frozen Iranian assets.

When he placed his ballot in the ballot box, in front of international television cameras, Rafsanjani made a cryptic remark, to the effect that, since the U.S. posture has shifted recently, there was reason to believe that relations between Washington and Tehran could be improved. It is not clear what Rafsanjani was referring to, but the remark, more than a campaign promise, hinted that some such understanding had been reached, with some, as-yet publicly unidentified U.S. circles, to move towards a rapprochement. Lyndon LaRouche, when informed of the results of what became the first round, hypothesized that the sudden emergence of arch-conservative Ahmadinejad represented a countermove by neo-conservative forces allied to those inside the United States, to thwart any such move towards reconciliation by a Rafsanjani Presidency.

LaRouche's hypothesis was confirmed in spades on June 24, by a *Financial Times* article entitled, "U.S. hawks rooting for hardline Iranian candidate." The paper cited Brookings Institution analyst Ken Pollack, who said that the Administration was deeply divided, with the "hawks," like Vice President Cheney and Donald Rumsfeld, supporting Ahmadinejad, against Rafsanjani, whom they see as splitting the United States from Europe on Iran. The hawks also favor the fundamentalist Ahmadinejad, in hopes that his regime would "more likely precipitate the collapse of the Islamic regime through popular unrest than the 'Chinese model' of social pacification likely to be embraced by Mr. Rafsanjani."

## Foul Play and Economic Woes

As soon as the results of the June 17 vote had been announced, the reform camp cried foul play, alleging vote rig-

ging. Karroubi, who was given third place behind Ahmadinejad, addressed a letter to the Supreme Leader, listing his charges of voter manipulation, and demanding assurances that military groups not be allowed to influence the run-off vote. (The groups are the Revolutionary Guards and the Basiji, whom many accused of having intimidated voters.) The party of leading reformist candidate Moin, who ended up in fifth place, also said the vote had been rigged. The Intelligence Ministry dismissed the charges.

Significantly, Rafsanjani, although finishing in first place, also echoed the charges of foul play. In a statement appealing to citizens for the runoff, he said, "I ask for your help to prevent extremism with your massive participation in the second round." He made reference to a "smear campaign against candidates, the unjust questioning of the achievements of the revolution . . . and certain organized actions to orient the vote. If this continues," he warned, "we do not know where it will lead." He also supported Karroubi's initiatives, saying, "I ask officials to examine the complaints, in particular the complaint of my brother Karroubi."

No doubt, strange things occurred on election day. First, Iranian sources report that the final results were announced by the Guardian Council, and not, as is usually the case, by the Interior Ministry. Then, there was the sudden reshuffling of results, and reports of the military groups' interference.

On June 23, the Iranian authorities announced they had arrested 26 people for violations of electoral law, among them a prominent military figure. They are accused of having distributed CDs and pamphlets containing personal, unsubstantiated attacks against candidates. Thus, foul play did indeed take place.

However, here is another factor to be taken into account. As Democratic advisor James Carville said during Bill Clinton's victorious campaign against George H.W. Bush in 1992, "It's the economy, stupid!" As much as the reformists under Khatami had pushed for social change, in the form of more press freedom, better conditions for women, and so on, they did not prioritize economic policies, to address the dramatic rise in unemployment, especially among the young. Ahmadinejad seized on this weakness, and exploited it to the hilt, with his own achievements as mayor.

### **The 'Robin Hood' Effect**

Among those who cast their votes for Ahmadinejad were masses of poor, especially in southern Tehran. As detailed in a profile published June 20 in the *Frankfurter Allgemeine Zeitung*, and confirmed by Tehran-based sources, Mayor Ahmadinejad taxed high-rise buildings in the capital, in order to generate funds for low-cost popular housing projects. He also refused to live in the luxurious mayoral residence, but sold it instead, in order to finance more housing for the poor. He is also credited with having built a lengthy highway and 23 bridges, to relieve the capital's traffic congestion. These economic achievements earned him the support of the poor, or the "little man," who view him as their representative.

Profiling himself as a Robin Hood, who takes from the rich to give to the poor, Ahmadinejad campaigned strongly against Rafsanjani, accusing him of being a candidate of the rich and the corrupt. In a meeting with members of parliament, the candidate stated: "It has been years that oil revenues are practically in the hands of one family and a political gang. This gang of power and fortune," he went on, "is going to confiscate everything in the country." If elected, he pledged he would "sweep out" this family's control, and nationalize public resources. Elsewhere he has called for reversing privatization and launching a national reconstruction program.

According to the cited *Frankfurter Allgemeine Zeitung* profile, the Supreme Leader Khamenei settled on Ahmadinejad as his choice, after earlier favorites, like Qalibaf and former head of Islamic Republic Iran Broadcasting (IRIB) Larijani, disappointed his expectations. The German daily cited reports circulating in Tehran, that just weeks prior to the election, a former deputy minister for the intelligence services, Pour-Mohammadi, gathered together pro-Khamenei forces, to recruit them to vote for Ahmadinejad, and to do whatever need be done, to make sure that there would be no runoff between Rafsanjani and reform candidate Moin.

It is in light of such reports, and considering the official accounts of military interference in the polling, that one must read the warnings issued by several reform parties and figures that, if Rafsanjani were to be defeated, the nation could be taken over by military forces. The Islamic Iran Participation Front (IIPF), which endorsed Rafsanjani for the runoff, stated: "Now the country faces the danger of direct improvement by military parties." The Islamic Revolution Mujahedeen Organization (IRMO) followed suit, saying that Iran was in danger of fascism. A concern shared by broad layers of the population, is that, Ahmadinejad's election will mean that all political institutions are firmly in the grip of the conservatives (since their takeover of parliament in the last elections). Many deem that such a monopoly of power is not acceptable.

Ahmadinejad is profiled as an extremist hardliner, who served as a commander in the Revolutionary Guard. An account by the Arab news agency *Al Jazeera* said that Ahmadinejad had been among the student organizers who took American hostages at the U.S. Embassy in Tehran, during the revolution. He is known to be very close to Khamenei, as well as the military and paramilitary forces.

As for foreign policy implications, it must be noted that Ahmadinejad, who has no foreign policy experience whatsoever, has campaigned heavily using revolution-era rhetoric against the United States. He was quoted in the *Frankfurter Allgemeine Zeitung* saying, "With the United States, we will have relations on that day, when we have exported the Islamic revolution onto their territory." His victory will provide the perfect pretext for an acceleration of hostile actions against Iran, by the neo-cons in the United States.

# Russian Editor: Revive ‘National System Of Political Economy’

by Rachel Douglas

*A 300-page volume of seminal 19th-Century writings on “national economy” has just been published in Russian by the Yevropa Publishing House in Moscow. Prepared for press by Ekspert magazine editor-in-chief V.A. Fadeyev, who wrote the introduction, the volume includes Friedrich List’s “The National System of Political Economy”; Count Sergei Witte’s pamphlet, “On Nationalism: National Economy and Friedrich List”; and D.I. Mendeleev’s celebrated “A Literate Tariff, or an Investigation of the Development of Russian Industry in Connection with the General Tariff of 1891.”*

*Fadeyev’s introduction is posted on Ekspert’s website. The weekly is one of the most respected magazines in Russia. Although Fadeyev, in reporting Mendeleev’s adoption of List’s ideas, omits the great Russian scientist’s travels to the United States and participation in the 1876 Centennial exhibition, organized by Henry Carey’s circles in Philadelphia, the ideas presented in this new Russian volume are the ideas known as the American System of Political-Economy. Their circulation in Russia at this juncture of world economic crisis is to be welcomed.*

*Here is editor Fadeyev’s introduction, as provided on the Ekspert website, and translated from Russian by EIR.*

This volume presents under a single cover, works by three different authors: the 19th-Century German economist Friedrich List, the Russian chemist Dmitri Mendeleev (few people know that he was also a first-rate economist), and the outstanding statesman Count Sergei Witte. And that requires some explanation.

Unfortunately, economic science—at least its popularized form, which is taught at universities—has been emasculated over the past fifty years, down to the primitive “*Ekonomiks*”<sup>1</sup>, a subject only indirectly related to real economic processes. One of the persons essentially exiled from the scientific realm by this triumphant march of reductionism and dogma is Friedrich List, who was, beyond any doubt, an econ-

omist of the highest order.

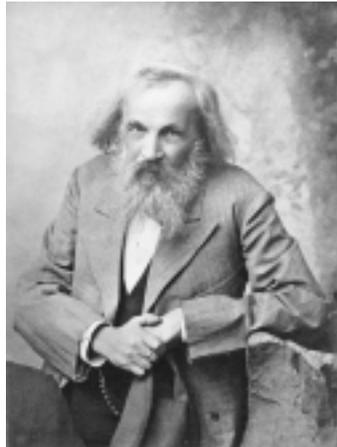
List explored a problem that is of extraordinary urgency for us today: How do nations—not merely individuals or companies—achieve economic prosperity. List waged his polemics, first and foremost, around free trade. The free traders (Russ. *fritredery*) (so the liberal economists of those times were called—and they were absolutely dominant in public and scientific discourse, just as they are today), naturally, advocated the total removal of any restrictions on international trade, since, according to the logic of the classical school (Smith, Ricardo, Say), that is the only way to ensure the rapid development of economically active entities.

List demonstrates that that might be the case, if there were no nations or countries. One would have to agree with “cosmopolitan economics”—his name for the classical school—in its assertion, that, on the whole, economic development proceeds more rapidly in a free market system. But the question arises: Do all people benefit equally under this arrangement? No, answered List, and demonstrated the contrary with an array of examples. Countries achieve economic power and flourish not on the basis of free trade doctrines (liberalism), but rather on the basis of protectionism. List’s most convincing examples are the history of economic development in the United States of America and England (and a great number of other examples that have emerged over the subsequent 160 years). These countries adhered to a policy of strict protectionism, in order to develop domestic manufactures and the national market. And they succeeded. But when their economic power surpassed that of their partner countries, then a more open policy became advantageous for them. And so it always happens: Stronger countries begin to demand openness and the removal of all barriers, which enables them to milk additional value from weaker countries. This thesis is so obvious and even trivial, both now and in the 19th Century, so easy to demonstrate both in theory and with examples, that the British even had to think up and publicly promote a special theory, “scientifically” arguing that free trade is beneficial to all (specifically, to all) nations. This job was given to Ricardo.

But, as Fernand Braudel wrote, the deck is always stacked in the economic game. We would do well to remember this dictum of that great French historian.

Friedrich List says in his book that the main task of a nation is to develop the productive forces. Barriers imposed by more economically developed countries to impede the influx of cheap goods, are only the first point, the minimal precondition for conducting a national economic policy, designed to bolster the productive forces of the country, and hence its economic and political power, and prosperity of its citizens, in every possible way. The nation should pursue an independent, sovereign economic policy, however little opportunity it may have to do so, and however weak it might feel. Only the persistent conduct of such a policy will enable

1. Russians use the direct borrowing from English, “economics” as opposed to Russian “*ekonomika*” or “*ekonomicheskaya nauka*” (economic science), to denote generally accepted economics teachings, imported from the West—what we call “Economics 101.”



*Count Sergei Witte (center) and scientist Dmitri Mendeleev (right) played critical roles in the development of the Russian economy in the late 1880s. Both were followers of German economist Friedrich List (left), who had been instrumental in implementing the American System of Economics.*

a country to achieve economic power, attain economic sovereignty, and secure a place in the world economic system, which will permit it, on the one hand, to deal as an equal with the stronger powers and, on the other, to dictate its own, more favorable conditions to weaker countries. (Whereupon, of course, it may resurrect free trade.)

Dmitri Mendeleev was a follower of List. In drafting the [Russian] tariff code (this work was commissioned by Witte), he relied on the Listian conception of the development of the productive forces. How many people know, that we are still reaping the fruits of that policy? It is well known that Mendeleev was very tough in opposing free trade. He achieved a high tariff on imported American kerosene; the U.S.A. dominated that extremely large market at the time. Mendeleev campaigned for developing the Baku oil deposits [on the Caspian shore, today in Azerbaijan] and the petroleum-refining industry. With the efforts of the government and Russian and foreign business interests (investments came from Nobel and Rothschild), domestic kerosene not only became far cheaper on the domestic market, but it also pushed American kerosene out of Europe. The traditions created at that time and the skills that were acquired, were the basis for the substantial development of the oil industry in the Soviet period. How much that means for us today, is clear to everybody. Thanks to Dmitri Mendeleev.

Finally, there is Count Witte, a political leader at the end of the century before last, who organized a stunning economic upsurge. Here is just one example: The record set under Witte for the construction of railroads in a single year has never been surpassed, not even during the Soviet period of industrialization. Witte did not only read List; he wrote a pamphlet to promote the ideas of the German economist. The main idea of Witte's text is that the doctrine of List is one of the underpinnings of the policy of Bismarck, which united the German state and created an economically and politically powerful Germany.

Witte, naturally, also advocated tariff barriers and imposed them. But it would be wrong to think that his policy solutions amounted only to that, or that tariffs alone cause economic growth. The fine points and complexities have not just become apparent in our time; they were understood—and, judging by the results, were understood better than we understand them, over 100 years ago. To state it short and sweet, Witte's doctrine was the following: importing capital is preferable to importing commodities; importing capital goods is preferable to importing consumer goods. It follows that we need a strong financial system, capable of servicing capital, a convertible ruble, technology imports, the development of education, and creation of powerful infrastructure in transportation and energy, including with the direct participation of the state.

Today, Russia is the kernel of a collapsed empire, and has not been able to find a main line for its own economic development; and this situation is becoming critical. Russia is part of the Group of Eight, but only for political and, in particular, military reasons, as long as we remain a strong nuclear power. But when the most important economic and financial questions are discussed, the Eight turn into the Seven, and we are not invited, because there is nothing to discuss with us. The problems are decided by the leaders of countries, on whom a lot really does depend. So, only those countries have real economic sovereignty, that is, the right to made decisions. Everybody else has to adapt his policies to the decisions of the powerful.

Unfortunately, the array of ideas circulating among the public and even in scientific circles is a good deal poorer, than a hundred years ago. Marxist-Leninist political economy and "Ekonomiks" have dried out our brains to such an extent, that we manage to get lost in questions for which the answers were discovered a very long time ago.

Read the works of these three outstanding people—List, Mendeleev and Witte. They may be of some use for you.

## Italy Is Endangered by Unbridled Globalization

*Hon. Antonio Parlato is a leading member of Italy's National Alliance party (Alleanza Nazionale, AN). He was elected to the Chamber of Deputies five times from 1979 to 1996, on the AN slate in Naples. During the first Berlusconi government, he was appointed Undersecretary of the Budget Ministry, with special responsibilities for the Mezzogiorno region, Italy's south. As a Parliamentarian, he was one of the most outspoken critics of the tendency toward financial speculation, and initiated several institutional actions on this issue.*

*He was one of the first supporters of Lyndon LaRouche's New Bretton Woods proposal, and was recently among the first signers of Helga Zepp-LaRouche's Appeal for an Ad Hoc Committee for a New Bretton Woods. He has written several books on history, economics, and social questions, and he founded an economic press agency, Iniziativa Meridionale, dedicated especially to the problems of the Mezzogiorno. Currently, he is president of IPSEMA, the state-controlled national pension fund for all maritime employees.*

*Hon. Parlato was interviewed by Paolo Raimondi in Rome in the middle of June. The discussion was translated from Italian.*

**EIR:** A few years ago, when you were a member of the Italian Chamber of Deputies, you launched a number of Parliamentary initiatives on the questions of financial speculation and the necessity for a New Bretton Woods. A motion inspired by Lyndon LaRouche was recently debated and approved by the Chamber of Deputies, calling on the Italian government to work to organize an international conference at the level of heads of state and government in order to create a new and just international monetary and financial system. You also dealt with issues related to development and large-scale infrastructure, particularly in the South, or lesser developed part of the world, including in the Mediterranean region. What do you think of this initiative, and what can be done to expand this campaign? What other initiatives would you suggest?

**Parlato:** The first question, which has been clear for a long time now, is the shift from the real economy to the paper economy. That is, an economy no longer based on development, where credit is mobilized and organized around a specific project. Today, the credit system is supposed to find a way to participate in enterprise by evaluating an economic

plan and then making a line of credit available for development and investment projects. But in reality, the system tends to simply carry out a financial operation. While some financial instruments, like leasing for example, which is expanding a lot nowadays, are growing and still maintaining a relationship to products or services in the real economy, most of these financial instruments are just bets in derivatives, for example, which do not have anything to do with the reality of the economy. Credit is not functioning as a support for development. We are dominated by an old and lazy culture. An aspect of this is the subculture of the world of betting. . . . Soon we are going to see financial betting on whether it will rain tomorrow or not. What we really need, is to support entrepreneurial capabilities with lines of credit.

There is another aspect of this credit question—project financing—which should have much more importance and support. When I was Undersecretary at the Budget Ministry, I strongly supported this instrument, as it represents a capability for recovering investments and producing profits, while building a real project, usually an infrastructure project. Unfortunately, these instruments are victimized by an exhausting slowness in decision-making and growth.

I see these problems as the result of a financial transformation of the economy. It is legitimate to participate in real work and also expect a profit; it is a serious distortion when the guarantee demanded by a bank is two or three times larger than the line of credit granted. Not only does it not have any positive effect on development, but it is even alien to normal banking culture.

Now, because of my new institutional responsibility, I am very worried about the future of the Mediterranean region. Besides the deadline of 2010 for the creation of the free-trade area of the Mediterranean, the real problem is to deal with the risk that the Mediterranean, and Italy along with it, will be forgotten, as Italy is in middle of the Mediterranean Sea. I wonder what the system is doing about this, because trading in this area is centered on maritime transport. Now, we see projects involving networks such as Trans-European Corridors 5 and 8, which connect Central Europe and Asia, while bypassing the Mediterranean region.

The Mediterranean risks being marginalized; this is also related to the size of the new ships, which are several hundred yards long and require harbors with deep-water ports at least 70-80 feet deep. I believe that, maybe with the exception of Seville in Spain, no other Mediterranean port is ready for this. Trieste has some possibilities. But if we do not offer deep-water draft to these ships, then there will be insurmountable problems in the future. And let us not forget that with the closing of the tunnels in the Alps, such as the Frejus Tunnel right now, because of a serious accident, part of the road freight has to be shifted over to water freight.

Italy and all the countries on the Mediterranean do not have the necessary view of infrastructure. "Sea highways"

are a positive answer, but their development is very, very slow. We have to be able to deal with massive trade in raw materials, and industrial and semifinished products. This represents a perspective for growth of cultural relations, but also the possibility of again giving Europe and the Mediterranean a certain amount of autonomy, without the risk of being colonized by the United States, China, or the countries of the former Soviet Union, because it is not possible to have a structure if we don't have a superstructure. We are far behind the rest of Europe, in part because, in a Europe which is not yet consolidated, there are many obstacles, and the policies of individual countries are promoted, instead of supporting projects based on Europe considered as a whole, where logistics is of fundamental importance.

Without logistics, there is no efficient exchange, because if there are bottlenecks between the places of production and the market, the movement of products is slowed down and significant damage is done to the economy. It is like a ship which stays in port with additional costs, while a ship that is constantly travelling is more productive. Logistics is the ability to create intermodal infrastructure that can provide interchanges between one mode of transportation and another, from road to rail to sea, for example. Sea transport is still the most convenient and profitable form of transportation, with less pollution and large volume, more than trucks and even trains, when calculated by unit cost.

**EIR:** This is important for long-distance transport. You have seen that *EIR* has always emphasized the importance of infrastructure development in the context of the Eurasian Land-Bridge, where Europe, Italy, and the Mediterranean play a decisive role. . . .

**Parlato:** Yes, I also speak as a man from the South, from the Mezzogiorno, and I must say that if we neglect to point out that Asian markets can be reached not only by rail and road, crossing the states of the former Soviet Union where rail transport has been traditionally developed, but also by water, then there is the risk that the Mediterranean could be left out, except maybe for marginal areas which oil and gas pipelines will go through, such as Turkey.

The problem is that politics is too much concentrated on day-to-day events, instead of looking at long-term investments which consider a period of one or two generations. This undermines the meaning of politics itself, because if politics is lacking, in terms of long-term projects, we lose our sense of perspective, which leads to a demoralization and disengagement of citizens, who lack a sense of participation and orientation. On this question, I recently said in a provocative way on the first national TV channel, that for the next Naples mayoral election—in the Spring of next year—we should simply hold a candidates' competition without the participation of the political parties, because if we only deal with day-to-day life and emergencies, each candidate is almost identical to the others, and we don't need the parties.

The problem is that of defining a political perspective. We have to deal with epochal challenges; with the financial transformation of the economy and unbridled globalization, which allows unfair competition by a number of countries which do not respect the rules we have in Europe on protecting the environment, the social welfare system, and prohibiting child labor. We need to introduce rules to be respected in this process of globalization, rules which are not followed in China, for example, or other countries, which then creates a big problem for competition, because for us, respecting these rules means higher costs per unit of product.

**EIR:** In this regard, you know that LaRouche, whom you have met in the past, has been promoting this type of reorganization of the international monetary and financial system for a long time, not only with monetary rules, but with a "grand design" of development in mind. . . .

**Parlato:** That is the right conception. I am happy to hear what you say, because many people are concentrated at the level of the euro against the dollar, and its effect on exports. But we have to deal with a structural question, not just with conjunctural problems like this. We have to find answers to the structural challenges. Conjunctural situations may be positive or negative today, and no longer be there tomorrow. Unfortunately the political class—and managers, too—look at these fundamental questions and challenges as some type of political fantasy, which deals with abstract, absolute issues, which must be dealt with.

**EIR:** What would you suggest doing to provoke more discussion of these "grand designs," such as the New Bretton Woods proposal, in decision-making circles?

**Parlato:** . . . The problem arises when economics becomes a mere financial question. I have told the unemployed in Naples many times: You are making a mistake when you show up outside the windows of the government just to protest and demand a job. I understand it is your right and need to do so, but you never protested to demand the building of a bridge or a small port. These projects would create job opportunities. You have to reorient politics towards these ideas and investments.

I am very worried, because I see the lack of ideas on how to deal with the Asian countries, with the increase of population, with the control of raw materials, etc., and in all this, the Mediterranean also risks being set aside and forgotten. Central Europe is clearly interested in a horizontal connection with Asia, but is there a European policy to balance all these things? I do not think so.

What can I suggest? Insist, insist, insist, and insist some more on these ideas like the New Bretton Woods, to create discussion and make people more conscious of this. The way it happened with the Chamber of Deputies on the New Bretton Woods motion. I believe this is the only direction we should take.

## FREE TRADE MEANS SLAVE LABOR

# What's Behind the 'Hispanic Immigration Crisis'?

by Dennis Small

In his opening presentation at the June 16 international webcast (*EIR*, June 24), Lyndon LaRouche explained how globalization had “lowered the productive power of the world, per capita,” taking as an example the way that “we destroyed the

levels of productivity which existed, and standard of living in Mexico, and in South and Central America, while we put the employment there.”

LaRouche continued:

“We couldn't get enough cheap labor in the United States, so we got Mexicans to be driven across the border—by hunger!—as illegal immigrants, into the United States. We took the jobs which cheap labor, brought into the United States legally, was doing, and we took the jobs away from them and gave it to immigrant labor—illegal immigrants! The illegal immigrants are coming to us, because they were driven from Mexico: They're coming to us, because somebody sucked them into the United States, because they weren't satisfied with the cheapness of labor here! Even with what had been the cheapest. That's what's been done to us.”

### The Picture of Mexican Immigration

Nearly 11 million Mexicans have emigrated to the United States in the last 35 years. The flow began slowly, with less than 1 million living in the United States as of 1970. That number grew to 2.2 million by 1980, and then took off and reached 4.8 million in 1990, and 10 million by 2003 (see **Figures 1 and 2**). As of mid-2005, there were an estimated 11 million Mexi-

FIGURE 1  
Emigration of Mexicans to the United States, as of 1970



Sources: INEGI (Mexico); U.S. Census Bureau; *EIR*.



President Franklin D. Roosevelt cooperated with Mexico to bring both nations out of the Depression—a model for the present day.



Mexican President Gen. Lázaro Cárdenas (1934-40) nationalized Mexico's oil and used it to industrialize the country, in cooperation with FDR.

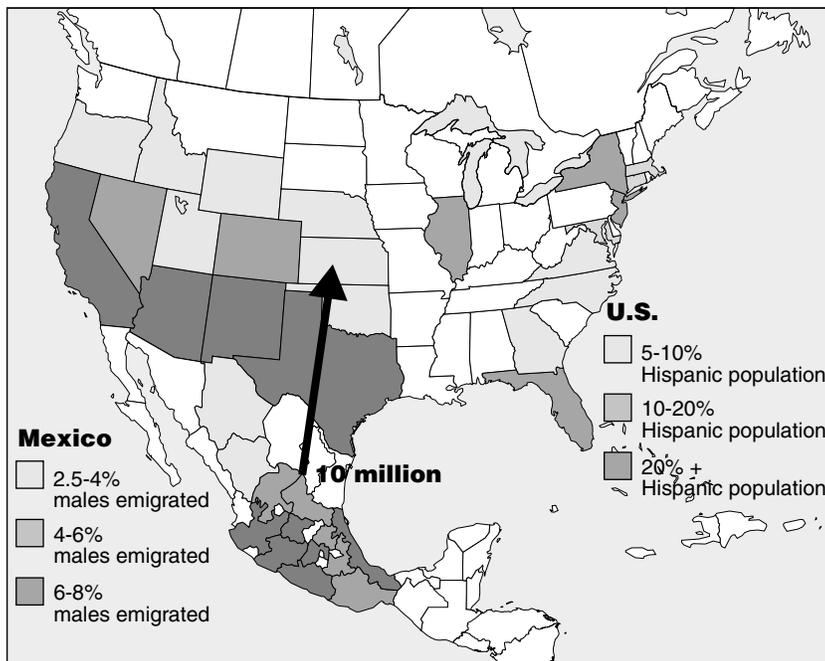
can-born individuals residing in the United States. They account for about 32% of all immigrants here—by far the largest country of origin for new immigrants.

Of these 11 million Mexican immigrants, about 6 million are “unauthorized”—that is, illegal—migrants, according to the most recent estimates published by the Pew Hispanic Center. In recent years, the proportion of illegals has risen even further, reaching about 85% of the annual migration today.

About 600,000 Mexicans enter the United States every year, and 500,000 of them are “unauthorized.”

There are some states in Mexico—especially in the impoverished center of the country—where nearly 10% of the entire male population has moved to the United States, according to official Mexican government statistics. On the U.S. side, the states with the highest proportion of Hispanic populations continue to be the four border states (Texas, New Mexico, Arizona, and California); but there are large and growing communities in the entire Western half of the United States, and along the Eastern seaboard.

FIGURE 2  
Emigration of Mexicans to the United States, as of 2003



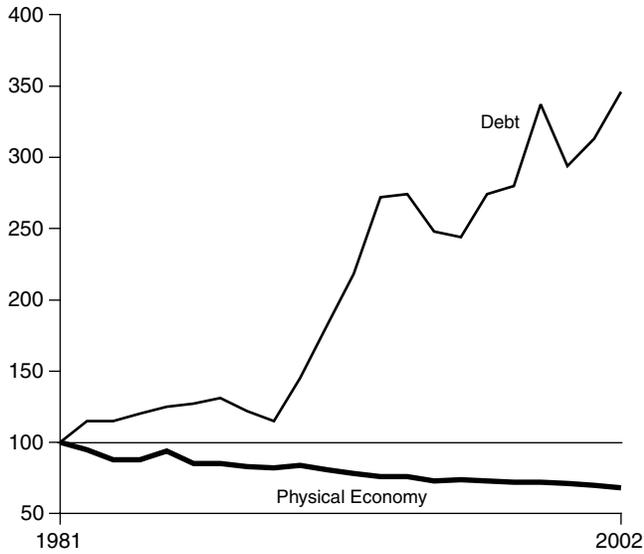
Sources: INEGI (Mexico); U.S. Census Bureau; EIR.

This immigration phenomenon has touched off a significant cross-border political crisis, featuring the racist rantings of Samuel Huntington—who avers that Mexican migrants are *the* major security threat to the United States—as well as the provocative deployment of the right-wing Minutemen militias in a number of U.S. border states, who are out to forcibly stop illegal immigration, in fascist *squadristi* style. (See William F. Wertz, Jr., “Huntington’s Synarchist Scenario Escalates on U.S.-Mexican Border,” *EIR*, June 24, 2005.)

But, *why* is this massive flow of immigrants coming into the United States, not only from Mexico, but from many other Ibero-American and Asian nations as well? What are the causes behind this phenomenon, which everyone readily perceives? This is the subject of a recent computer animation prepared by *EIR*, which can be viewed on [www.larouchepub.com/animations](http://www.larouchepub.com/animations) and [www.larouchepac.com](http://www.larouchepac.com).

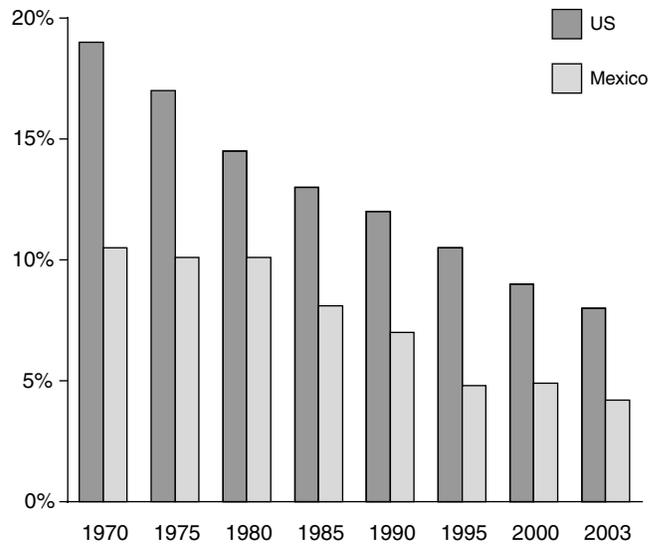
The underlying cause of the immigra-

**FIGURE 3**  
**Mexico's Foreign Debt and Physical Economy**  
 (Index 1981=100)



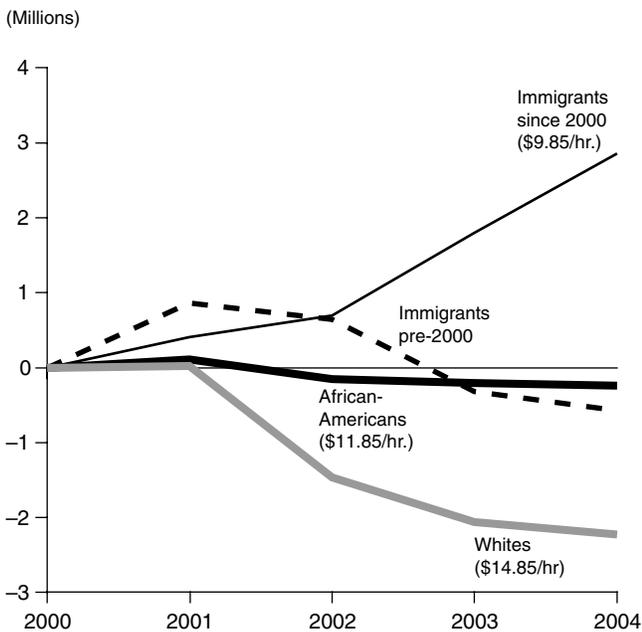
Sources: INEGI (Mexico); *EIR*.

**FIGURE 4**  
**Manufacturing Jobs As a Percentage of the Labor Force**



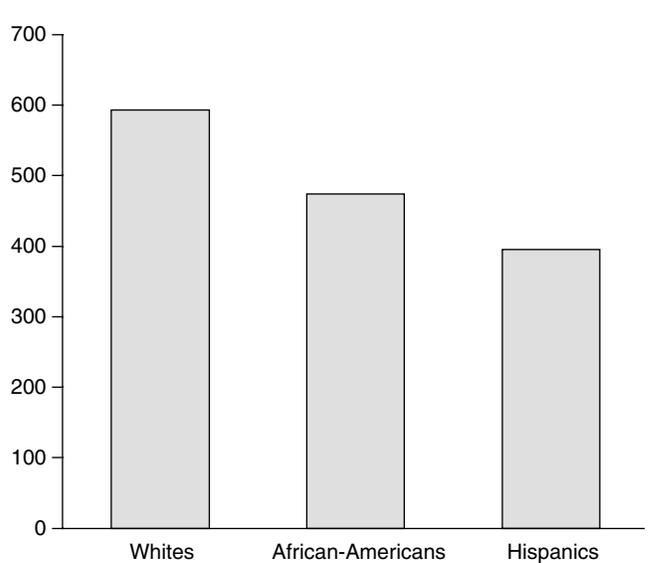
Sources: INEGI (Mexico); *EIR*.

**FIGURE 5**  
**U.S. Jobs, Cumulative Gain or Loss Since 2000**  
 (Millions)



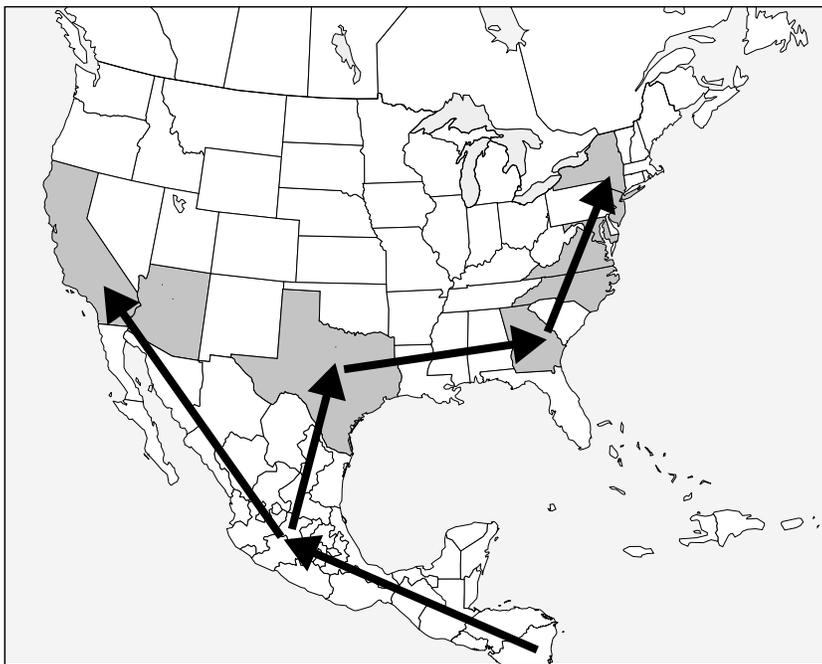
Sources: Center for Immigration Studies; U.S. Census Current Population Survey; *EIR*.

**FIGURE 6**  
**U.S. Median Weekly Wage Level, 2004**  
 (\$)



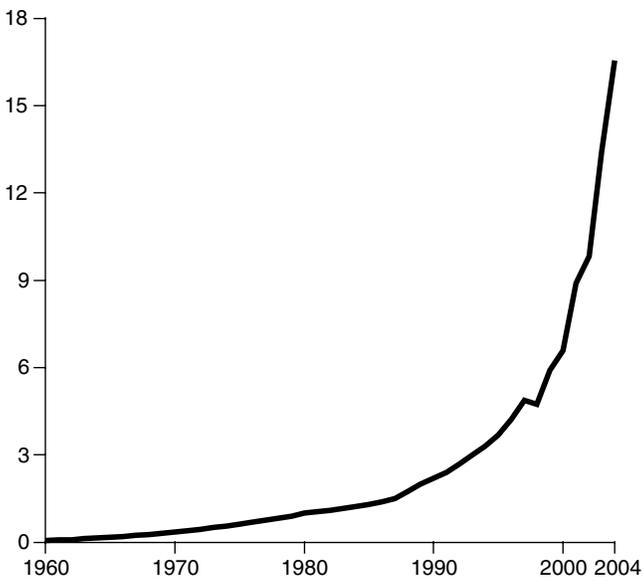
Source: Pew Hispanic Center.

FIGURE 7  
**62% of New Immigrants Were Hired in Nine U.S. States**



Source: Center for Immigration Studies.

FIGURE 8  
**Mexico: Workers' Remittances from the U.S.**  
 (\$ Billions)



Source: Central Bank of Mexico.

tion flood is the collapse of Mexico's physical economy, under the free-trade policies of the International Monetary Fund and North American Free Trade Agreement (NAFTA). Beginning in 1982, with the imposition of IMF policies on Mexico, the country's production of a market-basket of producer and consumer goods (as measured by *EIR*'s standardized index of physical economic output), plunged from an index of 100 in 1981, to 68 in 2002—a one-third drop. During that same period, the country was looted through payments on its foreign debt, which rose from a total debt of \$78 billion in 1981, to \$270 billion in 2002, a 350% increase (see **Figure 3**).

### Employment in Manufacturing

Mexico's economy has not always been in collapse.

During the middle decades of the 20th Century, industry and technology advanced in both the United States and Mexico. The policies of Franklin Delano Roosevelt pulled the United States out of the Great Depression, and built up a formidable economy, with strong investment in infrastructure and growth of the productive manufacturing workforce. FDR also cooperated extensively with the nation's neighbors in Ibero-America, including the government of Gen. Lázaro Cárdenas (1934-40) in Mexico, who nationalized Mexico's oil and used it to launch a process of industrialization in that country.

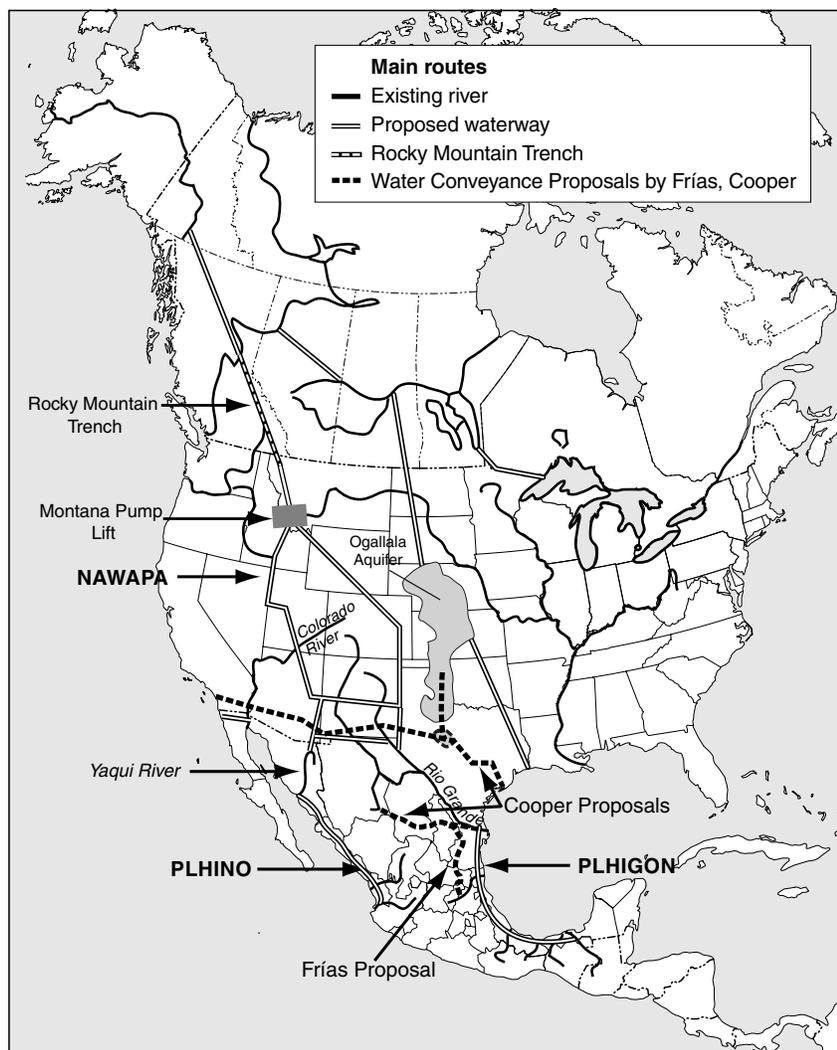
During this mid-century period, in both the United States and Mexico, manufacturing jobs increased as a percentage of the total labor force—a key indicator of a healthy economy. But then, post-industrial “globalization” and insane free-trade policies were introduced worldwide.

During this mid-century period, in both the United States and Mexico, manufacturing jobs increased as a percentage of the total labor force—a key indicator of a healthy economy. But then, post-industrial “globalization” and insane free-trade policies were introduced worldwide.

In Mexico, manufacturing employment as a percentage of the labor force held steady (at about 10%) from 1970 to 1980 (see **Figure 4**). But when IMF policies were imposed on the country in 1982, manufacturing employment plummeted to about 4% of the labor force over the next two decades—a 60% drop! This, and the resulting collapse of all areas of productive economic activity and employment, is the primary driver of the flood of emigrants desperate to leave Mexico, to find some livelihood for themselves and their families in the United States. Mexicans were driven into *hunger*, and then herded across the border.

But did these Mexican migrants then “steal” corresponding jobs in the United States, as populist folklore has it? Not at all. During this same period, U.S. manufacturing employment also dropped steadily, from 19% of the labor force in 1970, to less than 8% today—also a 60% drop, as

FIGURE 9  
North America: 'NAWAPA-Plus'



Source: Parsons Company, *North American Water and Power Alliance Conceptual Study*, Dec. 7, 1964; Hal Cooper; Manuel Frías Alcaraz; EIR.

can be seen in **Figure 4**.

“But I heard there is job creation in the United States,” some readers might protest.

False. According to data provided by the Pew Hispanic Center, between 2000 and 2004 there was a net *loss* of 184,000 jobs nationally. In fact, the only group whose employment did increase in this period, was immigrants who arrived in the United States after 2000: There was a net loss among pre-2000 immigrants, African-Americans, and white workers (**Figure 5**). Significantly, the average wage paid to the newly arrived immigrants (\$9.85 per hour), is a full one-third lower than what established white workers receive (**Figure 6**). So, relatively higher-paying jobs were lost to

lower-paying jobs—a labor-recycling policy which German central banker Hjalmar Schacht made infamous in Nazi Germany.

**Figure 7** shows the nine U.S. states where 62% of all new immigrants were hired. Perhaps surprisingly, these include not only the border states of Texas, Arizona, and California, but also Georgia, North Carolina, Virginia, Delaware, New Jersey, and New York.

These economic refugees send billions of dollars back to Mexico every year, in the form of wage remittances (**Figure 8**). In 2004, these remittances totalled a staggering \$16.6 billion—Mexico’s largest source of foreign exchange, with the exception of oil exports. This foreign exchange is then recycled to service Mexico’s large and growing foreign debt, while Mexicans continue to starve.

There is an alternative to the fascist free-trade policies which are destroying both Mexico and the United States, and which created the current immigration crisis as a by-product: LaRouche’s program for the joint U.S.-Mexico development of the Great American Desert, to be carried out in the spirit of the FDR-Cardenas cooperation of the middle of the 20th Century. One of the central features of that LaRouche plan for great infrastructure projects, is the construction of NAWAPA (North American Water and Power Alliance), which would bring enormous quantities of fresh water to the desert area which straddles the U.S.-Mexican border (**Figure 9**). LaRouche’s overall program would get both countries back on the track of industrial devel-

opment and lead to massive job creation in Mexico, thereby solving the immigration crisis in the only way possible.

These and other graphics are displayed as

**ANIMATIONS**

on our website:

[www.larouchepub.com/animations](http://www.larouchepub.com/animations)

## Sometimes, Nature Conspires

by Lyndon H. LaRouche, Jr.

June 20, 2005

Today, *EIR*'s Kathy Wolfe sent a dispatch featuring the following included element:

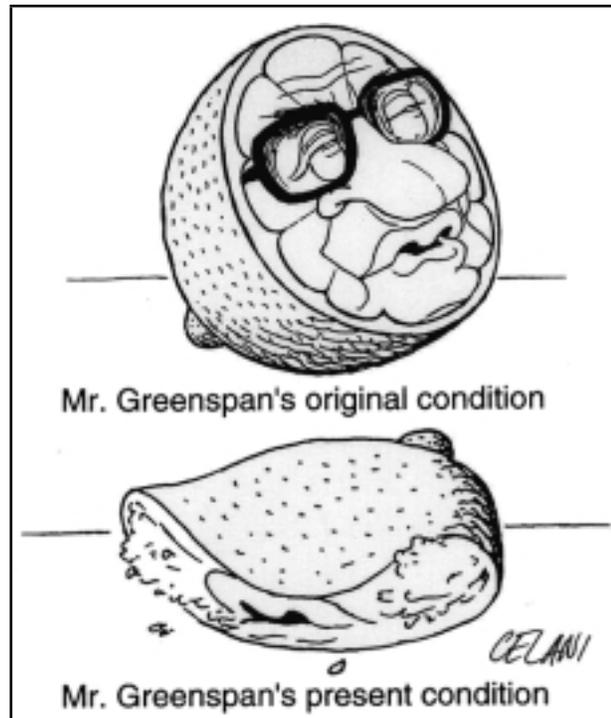
"Since before Alan Greenspan's June 6 Beijing speech 'Unprecedented Inversion of the Yield Curve,' the Federal Reserve, Bank for International Settlements, et al. have been hyping a great 'mystery.' This may have something nasty to do with the nomination of Fed Governor Benjamin Bernanke, to the White House Council of Economic Advisors. Bernanke is one of the main architects of the Asian central bank bailout of the U.S. dollar. It is probable he will try to expand this operation, with disastrous consequences. It certainly sends a very strong, foul signal to the Japanese and Chinese.

"Greenspan claims it's a huge mystery—'unprecedented'—that interest rates (yields) are lower on longer-term bonds of 10 years and up, than rates on short term paper. How is it possible, he asks? And why are 10-year+ rates not rising, despite the Fed's hike of short term rates in the past months (raising Fed Funds from 1% to 3%)? ['Common sense' and dead statistics indicate 'people' would want a higher rate of return to invest over a longer time, since longer investments are considered more risk, so 'normally' the yield curve rises with time—LHL.] On June 15, Fed Governor Donald Kohn repeated this, warning that 'Our economy is in unexplored territory in many respects. The risk is higher than normal' due to 'speculative behavior and risky lending practices' which 'may not be sustainable.'

"Greenspan rejected the idea that 'markets are signaling economic weakness.' But in part, Asian central banks and investors worldwide are signaling precisely 'economic weakness'—behaving as if they expect a crash."

The concluding part of that excerpt from Mrs. Wolfe's account is to the point. I explain.

The reported apparent discrepancy is exactly what should have been expected as a result prompted by the way in which the General Motors crash has exposed the unstoppable character of the collapse of the marketable credibility of the already "lame duck" George W. Bush Presidency. The growing rejection of the proposed European Constitution since the French election, has nailed the coffin shut on the illusory assumption that the European Union could provide even a relatively short-



term refuge from a collapsing U.S. financial system. Bad news for Dick Dracula is about to be permanently buried very soon; everywhere, in the real universe, there is no longer any security for the present world monetary-financial system, even during the short term.

There is still hope for the world's economy, if—but only if—the equivalent of a New Bretton Woods system is in the offering for the near term. In that relatively hopeful case, only long-term securities, especially the U.S. Government Bonds which an intellectually challenged President George W. Bush, Jr. has repeatedly called "worthless IOUs," have much value. As leading banks are now attempting to dump a sufficient number of hedge funds over the rail to keep the banks themselves afloat, U.S. Treasuries, especially long bonds, are making the votes for the second Bush-Cheney election itself look like a collection of "worthless IOUs."

In short, it is the survival of the principal, not the rate of the premium on the relevant paper, which determines its perceptible value to any moderately sane investor.

So, the time has come when Federal Reserve Chairman Alan Greenspan's career is holding desperately to the frayed ends of a slippery rope. What he, Benjamin Bernanke, or any one part of that White House team think they are doing, or not doing, is not in the mainstream of relevant underlying trends. The point I am making, by aid of reference to Mrs. Wolfe's somewhat different view of the way events are being orchestrated, is that, sometimes, as whenever a drunken driver takes charge of the wheel, it is nature itself which does the relevant conspiring.

# Will Congress Help Bush Kill Passenger Rail?

by Mary Jane Freeman

At the very moment that the United States desperately needs to rebuild its collapsing economic infrastructure, a policy war is raging over whether to shut down our national passenger rail service, Amtrak.

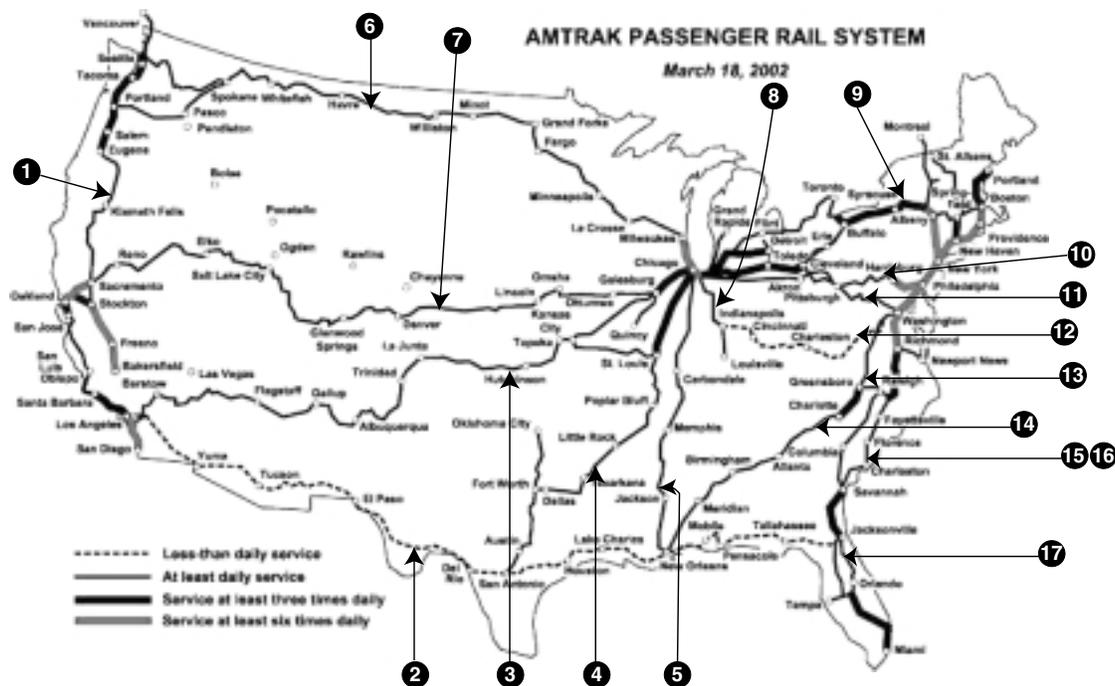
On June 15, a Congressional subcommittee vote slashed Amtrak funding for Fiscal 2006 to \$550 million—a 55% cut

from its current, completely inadequate level of \$1.2 billion. As these maps graphically demonstrate, this slashed funding is, *de facto*, the zero budget for Amtrak which President Bush demanded.

The free-enterprise agenda to bankrupt and privatize Amtrak, pushed since the days of Newt Gingrich's "Amtrak Reform Council," is the core of Bush's plan for passenger rail. Joseph Vranich, a former Gingrich Council member, praised the vote as "a step in the right direction," and called for "ending Amtrak's gravy train."

The subcommittee action flagrantly disregarded the April 27 voice-vote approval by the full House Transportation and Infrastructure Committee, of H.R. 1630, calling for Amtrak funding of \$2 billion per year over six years. H.R. 1630, with 79 co-sponsors from both parties, awaits a vote by the full House. The subcommittee vote also ignores city council reso-

FIGURE 1  
Amtrak in 2002, Already Slashed Since 1980



Sources: National Association of Railroad Passengers; EIR, 2005.

## Major Routes To Be Shut Down

1. **Coast Starlight:** Seattle to Los Angeles.
2. **Sunset Limited:** Orlando to Los Angeles.
3. **Southwest Chief:** Chicago to Los Angeles.
4. **Texas Eagle:** Chicago to Los Angeles.
5. **City of New Orleans:** Chicago to New Orleans.
6. **Empire Builder:** Chicago to Seattle or Portland.
7. **California Zephyr:** Chicago to Oakland.
8. **Hoosier State:** Chicago to Indianapolis.
9. **Lake Shore Limited:** New York to Chicago.
10. **Three Rivers:** New York to Chicago.
11. **Capitol Limited:** Washington, D.C. to Chicago.
12. **Cardinal:** Washington, D.C. to Chicago.
13. **Carolinian:** New York to Charlotte.
14. **Crescent:** New York to New Orleans.
- 15, 16. **Palmetto & Silver Service:** New York to Miami.
17. **Auto Train:** Passenger/vehicle non-stop train from Lorton, Virginia to Florida.

Source: House Committee on Transportation and Infrastructure, Minority, June 15, 2005.

lutions calling for retooling threatened GM and Ford auto plants to build components for a national rail system.

But on June 21, when the full House Appropriations Committee took up the subcommittee's June 15 transportation bill, it passed "as is," rejecting Rep. John Olver's (D-Mass.) amendment to restore Amtrak funding to \$1.2 billion. The final bill, with its death-cuts, now goes to the full House for debate and a vote.

At a June 13 "Save Amtrak" rally held at Baltimore's Penn Station and attended by nearly 100 labor leaders and citizens and five members of Congress, Ed Wytkind, president of the Transportation Trades Department of the AFL-CIO, told the crowd "the truth about the Bush Amtrak plan: Force Amtrak into bankruptcy liquidation; allow profit-driven speculators to cherry-pick Amtrak's dismembered parts; dump the costs on the states; throw thousands of workers on the unemployment lines; and strand millions of Amtrak passengers. That's the vision of this White House."

At the rally, members of Congress insisted that saving Amtrak is a national security matter; on 9/11, for example, all air travel stopped. It is also a matter of sanity: Americans spend 3.5 billion hours a year in traffic, consuming high-priced polluting oil.

### 31 States Without Trains

The effect of the subcommittee and Appropriations Committee votes is to adopt Bush's Amtrak-killing posture. As Amtrak CEO David Gunn put it, "The practical impact of \$550 million in Federal support would be the same as zero funding, and they know it." Amtrak seeks \$1.8 billion, and even Bush's Department of Transportation Inspector General testified that a *minimum* of \$1.5 billion is required to ensure safe trains.

But subcommittee chair Rep. Joseph Knollenberg (R-Mich.) flippantly claimed that the \$550 million isn't a shutdown plan, because state and local governments can pay to keep routes if they want them—an absurd assertion. Already, as a result of tight state budgets in Michigan and Illinois, three state-subsidized routes—the Blue Water, Pere Marquette, and Hiawatha—are threatened with shutdown.

Olver, the ranking Democrat on the subcommittee, warned, "We are closer to a shutdown of Amtrak than before."

FIGURE 2

### Amtrak in 2006, If Bush/GOP Budget Is Passed



Source: [www.amtrak.com](http://www.amtrak.com).

Thirty-one states will "lose all passenger rail service completely," with this funding level (see **Figures 1 and 2**), and it doesn't cover the "labor costs [from] layoffs and contract abrogation" associated with terminating the long-distance routes. Nor would Amtrak's debt service or railroad pension obligations be met.

"House Republican Appropriators Would Shut Down Amtrak," headlined the press release from Rep. James Oberstar (D-Minn.), denouncing the subcommittee vote. "We would no longer have a national intercity passenger rail system." All "the nation's long-distance passenger train routes . . . stand to be eliminated," he wrote.

Congressman David Obey (D-Wisc.) rejected the GOP premise that any route with \$30 or more per passenger in subsidies must be axed. "If we allowed the same logic" for highways, "there would be virtually no interstate highways in rural areas." This is a "disservice, to freeze out [regions] because they are sparsely populated," Obey said. "We're going to rue the day" that this is done. He added that "the President precipitated a crisis" with Amtrak's creditors, and said the vote will add to the volatility of the debt they hold.

Economist and Democratic leader Lyndon LaRouche has emphasized that now is the time, not to destroy our rail system, but to build high-speed passenger and freight rail service to transform the industrial heartland and the national economy. Federal action is urgent to save the auto sector's machine-tool capacity and skilled workforce to do this, and to rescue Amtrak.

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## Editorial

### *A Very Powerful Weapon*

In the wake of the circulation of approximately 1 million pamphlets outlining Lyndon LaRouche's plan to "recreate our economy," a movement is emerging throughout the Midwestern United States to "save the automotive and machine-tool industries," upon which our nation's survival depends. Citizens are beginning to demand that their local political leaders, especially in city councils, take action, and demand that Congress adopt emergency measures to prevent an otherwise visibly emerging disaster.

So far, resolutions to this effect have been passed in six city councils, two of them in Michigan, plus in the Wayne County Commission, which is the governing body that covers 2 million people, including the City of Detroit. The cities include Cleveland and Columbus, Ohio; Detroit and Pontiac, Michigan; and Buffalo, New York.

Crucial to the passage of most of the resolutions, was the intervention of the LaRouche Youth Movement (LYM), which has been holding discussions with political leaders, and the population, throughout the region. The youth represent a factor of *optimism* injected into an environment where people have become virtually inured to their declining conditions of life. The youth have replaced the attitude that "you can't fight City Hall," with the attitude that you can *take over* not only City Hall, but the Federal government, and get your representatives to act on behalf of the general welfare.

Exemplary of the process was what happened in Columbus, the capital of Ohio. The Council meeting was first addressed by United Autoworkers local president Mark Sweazy, who outlined what was at stake with the shutdown of the auto industry, and highlighted the role of Lyndon LaRouche in sparking the fight to save the industry. It is only this 82-year-old man who is fighting, Sweazy said, as if to put shame into the younger people present. Sweazy was followed by City Councilwoman Charleta Tavares, who introduced the resolution, and underscored the importance of saving the skilled workforce which is threatened. Then a LYM member spoke on behalf of his generation, arguing that the economy must be saved in order to create a *future* for both the youth and the country. The Council then passed the resolution.

The Columbus resolution, like all the others, is being forwarded to the state's Congressmen, and to President George W. Bush. Bush may not get the message, but Congress will.

Asked during his recent webcast about the importance of the resolutions, Lyndon LaRouche encouraged his audience to spread the movement as fast as possible. He put it this way:

"What we want to do is build up a landslide of such resolutions—because they're right: Because, people out there *know* they're facing this situation. They know they need help. And getting their city council, or some relevant institution, or trade-union organization, to make such a resolution—just pile it on! This has always worked in American politics, to great advantage. Pile it on! Just don't try to assume that that's going to work by itself. It's going to work *indirectly* by—this is a way of mobilizing an assertion of the sense of self-interest of the American people, case by case, to say, 'Boy! There are a lot of us out here, who have this same concern. And we're willing to fight for this concern quite seriously.' To a politician, that's like throwing meat to sharks. They grab for that stuff.

"So, it's a very powerful weapon. One should not expect direct results necessarily from it, though you would hope for that. But we can expect effective *indirect* results.

"Above all other things: What we have to worry about is not only a demoralization of our politicians, but a demoralization of our people. Our people, generally, in the United States, are feeling that they're about at the limit of what they can take, in terms of worsening conditions. The main thing we have to be concerned about, in that respect, is, we must not allow our people to be demoralized. Because, if they become demoralized, our situation as a nation is hopeless. Therefore, we have to encourage them to express their interest, and find themselves in solidarity with many other citizens, sometimes the neighbor they didn't like before, on these kinds of issues.

"So mobilizing people around such things, is, among other things, building up their morale, and defending their morale, by means which are very effective politically."