

# EIR

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## From the Editor

On Aug. 2 of this year, almost one month before Hurricane Katrina struck, the National Oceanic and Atmospheric Administration (NOAA) put out a press release stating that there was a “95% to 100% chance of an above-normal 2005 Atlantic hurricane season,” based on their data and analysis. The release goes on: “Therefore, for the remainder of the season, we expect an additional 11-14 tropical storms, with 7-9 becoming hurricanes, and 3-5 of these becoming major hurricanes. . . . Given the forecast that the remainder of the season will be very active, it is imperative that residents and government officials in hurricane-vulnerable communities have a hurricane preparedness plan in place.”

Combined with the older, long-standing warnings of the danger of a disastrous hurricane event in the New Orleans area, this warning should have led the *federal* authorities to take action. Yet, as can be readily seen by anyone watching the popular media, *nothing* was done to prepare.

This particular fact, added to a whole pattern of underfunding of the most basic infrastructural projects and precautions over time, highlights the point EIR and its founder Lyndon LaRouche make in this issue: the real cause of the crisis caused by Hurricane Katrina is the *criminal, even impeachable malfeasance* of the Bush Administration.

Our treatment of this crisis in this issue is just the beginning, and should not be misconstrued as a “single-issue” attack on the Administration. The context for *all* the crimes of the Cheney-Bush Administration is the breakdown of the global financial system, an inevitability which the bankers who control that Administration wish to bury, by starting new wars, or orchestrating provocations that would justify establishing an outright dictatorship. An essential element of preventing such atrocities is *telling the truth* about both the financial crisis, and the filthy networks the Cheney forces hope to deploy.

In this regard, we call your attention to our explosive expose of the “spoon-benders” in South America, who are currently deployed in the operation around Paraguay. This story will have broad repercussions both here and abroad. Just watch.



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## Our 'Tsunami' Was Called Katrina!

by Lyndon H. LaRouche, Jr.

August 31, 2005

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The sheer horror of that human catastrophe which was set in the process of creation by the continuing ugly negligence of the Bush-Cheney cabal during the weeks before, during, and since the passing of the natural catastrophe of Katrina's "American Tsunami," has already unleashed a political after-shock, far greater in human and material consequences than the events of September 11, 2001. The aftershocks of what is already, the inevitable horrors to be met in the days just ahead, will be measured, chiefly in humanitarian, physical, and political-psychological consequences, which, combined, will have the greatest significance for the future of the current government of the U.S.A., and have ominous implications for governments also world-wide.

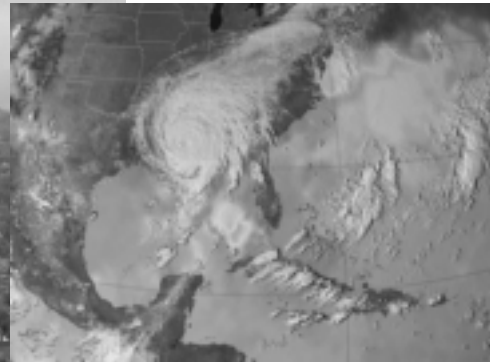
On Aug. 2, the general warning had been issued, that we must expect major storms to hit the Southern coasts of the United States during the immediate period ahead. That warning should have activated an order from the President of the U.S.A. to the relevant National Guard, FEMA, and other institutions, to develop an immediately operational plan of precautionary, preventive, and emergency action, to deal with all of the obvious contingencies represented by a probable "Camille-like" event. We now see, clearly, that those urgently needed emergency preparations did not occur.

This great human catastrophe has occurred, chiefly, because the Bush-Cheney Administration chose, willfully, to allow a clear warning of a mere natural catastrophe, to be transformed into the present, vast human catastrophe. The President unfortunately, was on what appears to have been a permanent vacation; the Vice-President, unfortunately, was not.

The typical procedure would have been for the President of the U.S.A., on Aug. 2, 2005, or during the morning briefing on the morning after that, to put a relevant four-star or three-star general in charge, under a Presidential order, of an emergency



U.S. Coast Guard/Petty Officer 2nd Class Kyle Niemi



U.S. Coast Guard/Petty Officer 2nd Class Kyle Niemi

*Inset picture, shows Katrina, hitting the coast. It was tracked by NASA as it crossed the Gulf of Mexico, disproving the claim that there was no advance warning.*

*Flooded roadways in New Orleans, Aug. 29. Our obligation now is "to distinguish between the murderous effects of a natural catastrophe, and the mass-murderous consequences of a man-made catastrophe created by the negligence of the incumbent Presidency."*

task force of augmented Corps of Engineers and National Guard forces, in cooperation with FEMA, to craft an immediate war-plan for the worst-case expectation of one or more "Camille"-like events from Florida west along the Caribbean coast for the months of August and September.

Notably, the use of National Guard blackhawk helicopters—then absent in Iraq—would have been a routinely included point of emphasis for such a contingency. The fact that the Cheney-Rumsfeld operations had stripped the relevant states along the Caribbean coast of much of this needed capability, would have been among immediate points for emergency corrective action at that time: as of August 2-3.

There is nothing new in the strategic thinking of European civilization for challenges of that type. Plato, in his *Timaeus*, made precisely the distinction and relationships between great natural and man-made catastrophes. The negligence of the Bush-Cheney Executive from Aug. 2, 2005 on, is the point of immediate guilt of that Administration in our obligation now, to distinguish between the murderous effects of a natural catastrophe, and the mass-murderous consequences of a man-made catastrophe created by the negligence of the incumbent Presidency.

As a result of that negligence, unless what are presently unlikely, miraculous rescue measures intervene, far more

than 100,000 American lives are presently in immediate jeopardy, from combined direct and indirect effects in progress during the days immediately ahead. So far, the current theatrical posturing by the Bush-Cheney Administration, while sharks swim among the floating corpses in the streets of New Orleans, will do very little to deal with the immediate human catastrophe now in progress in the immediately stricken areas. The rescue teams which should have been deployed in readiness on the days before Katrina struck, were concentrated chiefly in National Guard units deployed, together with their helicopter-rescue capabilities, in Iraq.

However, the culpability of the vacationing mind of President Bush and the overactive propensities of the Vice-President Cheney who has taken over the job of replacement for the perpetually vacationing mind of the President, is only the relatively more recent contribution to the vast human economic and other catastrophes now suppurating northward from the coasts of Alabama, Mississippi, and Louisiana. Right now, a section of the United States, with direct effects on millions of our people, is being destroyed.

Beyond the sheer horror of what could have been prevented, even during the time available to President George W. Bush, Jr., since Katrina left the tip of Florida, there have been decades of negligence by the U.S. government and many others, negligence driven largely by a cultural paradigm-shift of the U.S.A., a turning away from the world's leading physical economy, to our present condition as a nation of virtual slave-labor shacks and vast gambling enterprises, where an essential part of the world's once-greatest agro-industrial power once dwelt. Over several decades of shift, since approximately 1967-68, from a production-oriented to a so-called "services" economy, we have allowed the destruction of the quality of productive employment and community life which had been our national standard of reference for the application of our constitutional principle of promotion of the general welfare of the people of the U.S.A. and their posterity.

In our zeal for ever cheaper labor, and lower taxation, we have been destroying the industries, farms, and basic economic infrastructure of the U.S.A., continuously, over a period of about thirty years. In that process, as we see in the Third World-like conditions developed proximate to the gambling paradises of Louisiana and other once-proud states, we have accumulated the pattern of negligence which permitted a "Camille"-like natural event to reduce an entire region of the United States along the Caribbean coast into a spectacle like that produced by the way in which a deadly Tsunami hit the coastal regions of Indonesia, Thailand, Sri Lanka, Bangladesh, and India. These changes of the past three-odd decades, combined with a degree of negligence of the Bush-Cheney regime, is tantamount to gross, impeachable negligence; this negligence has produced a margin of effects which promise, at least, to be worse than those of Sept. 11, 2001.

The natural catastrophe, as Plato said, was beyond man's

present power to prevent; the greater catastrophe was created by the unnatural conduct of the leadership represented by the President and his ostensible manager, the Vice-President.

## Meanwhile, in Europe

When we compare these recent days' events here in the U.S.A. with the usual situation of kindred forms of catastrophes in Asia, we are confronted with our recollection of the advantage which modern European civilization came to enjoy, relative to Asia, for example, as a result of the basing of the modern form of sovereign nation-state republic on the principle of the supreme law of the common good. This is the principle of promotion of the general welfare for ourselves and our posterity, in the supreme law of our republic, the Preamble of our Federal Constitution. This same principle is pervasive, usually with less authority, but present nonetheless, especially since the 1648 Treaty of Westphalia, throughout the good nations of modern Europe.

This principle of natural law is otherwise known as the Christian principle of the common good, as the supreme principle of natural law to which all governments and peoples should be obedient. This principle has been the secret of all those economic and related achievements in promotion of the improvement of the conditions of life and freedom of peoples of European civilization, and elsewhere where admiration for the same principle is shared, as among Jews and Moslems as for Christians.

At the present time, what claims to be the higher law of individual greed, sometimes called "shareholder value," has systemically subverted our Federal Constitution, replacing U.S. law with the Lockean doctrine of law set forth in the Preamble of the constitution of that slaveholders' conspiracy known as the Confederate States of America.

At the present moment, as in political campaigns in Germany and other parts of Europe, as here in the U.S.A. itself, that great moral principle, on which all of the great achievements of modern European civilization in human rights and prosperity have depended, is in grave danger. The law of the jungle, as we witness in the worst cases of states in Asia and Africa, and as the same law of the jungle is amok in Central and South America, is afoot. It was that same predatory instinct, the law of the social-economic jungle, which had been the heart and soul of the Bush-Cheney Administration, even before Bush's 2005 effort to rape the Social Security system premised on the Christian principle of the general welfare; the Bush policy which has been the true spiritual inspiration of the catastrophic negligence which the Bush-Cheney team has inflicted, the human catastrophe heaped upon the routine natural catastrophe of Katrina.

On this moral issue, as reflected in the horrible negligence of the Bush-Cheney team, the entirety of humanity is placed in jeopardy, as the greatest financial crisis in modern history is now about to descend upon, not only the U.S.A., but the world as a whole.

# FEMA Made Inoperative By Bush/Cheney Agenda

by Mary Jane Freeman

New Orleans emergency official Terry Ebert called the Bush Administration's response to Hurricane Katrina's assault "a national disgrace." On the morning of Aug. 31, at the New Orleans Superdome, he warned that the slow evacuation there had become an "incredibly explosive situation," and he complained bitterly that the Federal Emergency Management Agency (FEMA) was not offering enough help: "This is a national emergency. This is a national disgrace. FEMA has been here three days, yet there is no command and control. . . ."

A day earlier, on Aug. 30, more than 150 newspapers carried an op-ed titled "Destroying FEMA" by Eric Holdeman, who served as the director of the state of Washington's Office of Emergency Management in King County from 1996 to the present.

Holdeman, who served as a career U.S. Army infantry officer before he joined Washington State's Emergency Management Office, stated bluntly that FEMA, which has been swallowed up by the Department of Homeland Security (DHS), "is being, in effect, systematically downgraded and all but dismantled."

He elaborated: "This year it was announced that FEMA is to 'officially' lose the disaster preparedness function that it has had since its creation . . . FEMA employees have been directed not to become involved in disaster . . . functions, since a new directorate (yet to be established) will have that mission."

FEMA's disaster preparedness mission has been in a "take-down" mode virtually since George W. Bush took office in 2001. The pro-active, pre-disaster-event mitigation planning and implementation has all but been shelved since the post-9/11 creation of DHS, which diverted nearly all FEMA money and efforts to terrorism planning.

Mark Ghilarducci, a California-based emergency preparedness specialist, confirmed Holdeman's assertion. "The pre-disaster mitigation aspect . . . in reality . . . almost 100% of the money, and 100% of the effort is being pushed towards terrorism preparedness." Ironically, he said, it was FEMA that worked *before* and *after* 9/11. (See accompanying interview.)

The deadly consequences of such short-sightedness is writ large in the unfolding catastrophe of Hurricane Katrina's wake.

Under the direction of James Lee Witt from 1993 to

early 2001, FEMA was rescued from its past inertia and failures by Witt's launching of "catastrophic disasters" planning, among other initiatives. Four to five regions, prone to catastrophic disaster, such as the Louisiana coastline of Los Angeles basin (for earthquakes), were selected, which would require infrastructure inputs *prior* to a catastrophe, in order to mitigate the devastation that could be anticipated. Resources were then deployed to begin implementation and training of staff in those areas.

In his op-ed, Holdeman gave as an example Witt's "Project Impact," a Federally funded emergency preparedness and mitigation program at the local level, that provided funds to retrofit homes, schools, and hospitals in the Puget Sound area so that when earthquake Nisqually hit, on Feb. 28, 2001, damage was minimal. Ironically, it was also that day "the then-new President chose to announce" the end of Project Impact, Holdeman wrote.

## FEMA Dismantled

In mid-July 2005, DHS Secretary Michael Chertoff, in Congressional testimony, unveiled his "Second Stage review" of the reorganized government agencies under his control. He made it clear that he will end FEMA's role of mitigation planning and implementation, saying, "it [FEMA] will now focus on its historic and vital mission of response and recovery." That is, it was intended to take FEMA back to the time when it merely responded to disasters *after the fact*.

It was that legacy from which Witt rescued FEMA, and gave new life to the agency, which had been created by the Stafford Act in 1974. Chertoff's claim of an "umbrella of greater security" strategy to promote "freedom, prosperity, mobility, and individual privacy" blew away in Katrina's winds and with the countless lives needlessly lost.

Despite the fact that Chertoff used all the right buzzwords, alleging that DHS is an "all hazards" agency, Holdeman told *EIR* in an interview: "A lot of folks took issue with his announcement. The traditional role has been disaster *planning, preparedness, mitigation, response, and recovery*." "An ounce of prevention, isn't a pound of cure in this situation; it is a ton of cure," Holdeman said.

A fatally flawed aspect of the DHS regime has been the lack of coordination between DHS headquarters and state and local government officials responsible for disaster planning (and this is expected to get worse under the Stage 2 plan). "DHS doesn't have regional offices," Holdeman said. "There's nobody on the ground to work with here, or nationally."

"I'm not against change. I think change, many times is good. There is a philosophy, 'if it is not broke, break it.' I feel in this case that is what DHS is doing." Holdeman said that DHS doesn't respect the opinion of FEMA people with years of expertise and experience. "Their opinion doesn't count. It has not counted to date. Hopefully it will count in the future."

## Disaster Preparedness and Response 'Dis-coordinated,' Unfunded Since 9/11

*Mark Ghilarducci, currently the Vice President and Director of the Western States Regional Office of James Lee Witt Associates, has 25 years of service in emergency management, fire, emergency medical services, and rescue disciplines. He is also the former Deputy Director of the California Governor's Office of Emergency Services, appointed by then-Governor Gray Davis, with responsibilities for statewide Emergency Operations and Public Safety, Planning, and Training. Prior to that he served as a Federal Coordinating Officer with the U.S. Federal Emergency Management Agency (FEMA), where, appointed by then-President Clinton, he directed and coordinated Federal response and recovery operations after the declaration of major disasters and emergencies.*



*Ghilarducci has a wide-range of expertise, including operations of earthquake recovery, urban search and rescue, swiftwater and flood rescue, and emergency medical services, among others. He was one of ten individuals chosen to train local and state officials in terrorism preparedness, strategy, response, and recovery for the U.S. Departments of Defense and Justice under the Nunn-Lugar-Domenici anti-terrorism programs.*

*Ghilarducci was interviewed on Aug. 31 by Mary Jane Freeman.*

**EIR:** An Aug. 2, 2005 press release of the National Oceanic and Atmospheric Administration (NOAA) states that a "95% to 100% chance of an above-normal 2005 Atlantic hurricane season" will occur, based on their data and analysis. It goes on: "Therefore, for the remainder of the season, we expect an additional 11-14 tropical storms, with 7-9 becoming hurricanes, and 3-5 of these becoming major hurricanes. . . . Given the forecast that the remainder of the season will be very active, it is imperative that residents and government officials in hurricane-vulnerable communities have a hurricane pre-

paredness plan in place." What concerns *EIR* is the lack of pre-planning, given how much forewarning there was with respect to this hurricane.

**Ghilarducci:** Just before James Lee Witt left office as director of FEMA, he had started several initiatives, including Project Impact, a lot of mitigation type efforts—but, in particular, one he called "Catastrophic Disaster Planning." He identified four or five key areas in the country, and four or five key hazard-types to really look at catastrophic disasters, very much like what we are seeing with Hurricane Katrina. The idea was to look at an unprecedented event that would displace a couple of million people, with long-term housing issues, public health issues, infrastructure collapse. You actually have to bring in, as we did after World War II, a Marshall Plan, to be able to reconstruct and recover in a timely enough fashion that would exceed our day-to-day disaster management policies and the Stafford Act.

One of these situations was a catastrophic level 8 earthquake in the Los Angeles basin, which we know is absolutely going to happen and would be devastating. I was very much involved in that one, because at the time I was deputy director of the Office of Emergency Services in California. There was a great partnership in the preparedness planning team at FEMA, and the state and local governments, in launching this endeavor. The other two types of disasters were a terrorist attack of major proportions and a category 4-5 hurricane that would hit New Orleans. So, they've been thinking about this for some time.

**EIR:** When you say some time, what period was this catastrophic disaster planning being done?

**Ghilarducci:** They had been working on plans for a number of years associated with this. But it was really not until late in 1999-2000, when they really began this effort of catastrophic disaster planning. Witt foresaw and understood, I believe, that we were going to get whacked by something as big as Hurricane Andrew, that occurred in 1992, or bigger at some point, and therefore that we really needed to put our effort forward to prepare for that.

**EIR:** When you say "they" were planning, do you mean the U.S. government?





DoD/Petty Officer 2nd Class NyxoLyno Cangemi

*U.S. Coast Guard Petty Officer 2nd Class Shawn Beaty surveys rooftops in New Orleans Aug. 30, looking for survivors. Pre-disaster mitigation efforts for such a catastrophe were “done away with,” Ghilarducci says, when Homeland Security superseded FEMA.*

**Ghilarducci:** Yes. FEMA was showing leadership and an intent to do this. And they were actually putting money behind this, which is critical. Right? . . .

So there was this effort and they did some exercising of the plans. Well, between the time Witt left office and the time the Bush Administration took hold, and Joe Allbaugh became FEMA director, there were a lot of changes made. The emphasis on mitigation was minimized, and, in fact, pre-disaster mitigation was almost done away with. The effort for these catastrophic disaster planning initiatives—one of the disasters being the one we just saw—stopped. Then 9/11 happened, and the entire pendulum swung so far to the other side, that everything was focussed—in fact, the entire Federal government was changed, reorganized—to deal with the threat of terrorism.

So, this concern—with which I, by the way, agree, that there is, and should be, a concern for a second massive terrorist attack, and we need to be ready for that. But I don’t agree that it should be done at the expense of all the other kinds of disaster threats or risk that we face, and will see time and time again. Just think: since 9/11 we’ve probably seen, what five, six, seven, eight major hurricanes, four major earthquakes, and a tsunami in South East Asia that was unprecedented. I will tell you, the tsunami incident alone, if you look at it, the U.S. government needs to stand up and take notice of what happened in Southeast Asia, instead of saying “well, that was over there.”

**EIR:** *EIR* wrote at the time that the U.S. government should

have played a much more active pre-event role in the developing tsunami.

**Ghilarducci:** There’s no question about that; we could get into the United Nations and the State Department. But my point is that the California coastline, which is one of the economic engines for this country, Washington state, Alaska, down to Mexico, are all very vulnerable for tsunamis, and there has been, literally “spit” given to tsunami planning. Here [in Southeast Asia], you’ve got 180-200,000 people killed, we learned more about tsunamis than we ever have in the history of mankind, and what have we done since then? Nothing.

So, it is hard for me to believe how genuine Homeland Security is when they say, “it is better that preparedness come under a different section, splitting preparedness out of FEMA. It’s no big deal, we’re all one big agency.” You know what? If there was an intent for mitigation, an intent for maintaining the existing emergency management system—which by the way worked very well before 9/11 and was the thing that worked *after* 9/11, okay—but they dismantled it. When, really, what the failure was there had to do with detection and deterrence; it was an intelligence failure. It is just unclear to me, of the whole effort that’s been undertaken, that they’ve basically thrown the baby out with the bath water, using the rationale that “we’re going to be more coordinated.”

And I’ve got to tell you, we are *less* coordinated today than we ever were before 9/11. And this whole aspect of “all hazard response and recovery” and planning—because if you look at the emergency management cycle, it is a cycle. You

know, there's pre-event mitigation, planning, and preparedness, and then there's the response and recovery/reconstruction, and then after the event, you learn from what was learned, and you plug those lessons learned into the new mitigation strategies. Then the cycle begins again. I submit to you, that that cycle has been disrupted by the way we have approached the whole issue of our national emergency response capabilities.

**EIR:** Would you say that the first two elements of this cycle, have been eliminated?

**Ghilarducci:** Well, in some areas they've been eliminated. In all areas, they have been diminished to the point that they are—you know, you can make whatever program anemic until it becomes non-functional.

You mentioned the Army Corps of Engineers; that's a good example. You talk about anemia. You can anemia-ize an organization to the point where it is nonfunctional. The pre-disaster mitigation aspect, the whole Project Impact concept of getting communities to take responsibility for making themselves more disaster-resistant, so that in the long run, when these disasters occur, the impact is less, the economic impact is less, the ability to have business continuity is greater, and the response and the cost of the response is minimal, because people have taken an interest, an effort, at the local and state level to prepare.

But in reality, since Homeland Security has come in, almost 100% of the money, and 100% of the effort is being pushed towards terrorism preparedness.

**EIR:** Let me ask you about something in Eric Holdeman's op ed Aug. 30, "Destroying FEMA" [see p. 7]. He said that this year it was announced that FEMA is to officially lose the disaster preparedness function, and that FEMA employees have been directed not to become involved in disaster preparedness functions. Is there truth to that, and if so, is there a directive issued?

**Ghilarducci:** Yes, you know when I saw that in Eric's piece I did not know that. But he's on the ground and dealing face to face with FEMA all the time, and he's worked very closely with all these folks for many, many years. He's a big proponent of mitigation, so he's worked with the preparedness side. If he says that, then he knows something that I personally don't know, but I believe him.

**EIR:** I just heard a DOD briefing on what they are *now* mobilizing. It struck me, in light of the NOAA Aug. 2 release, that there could have been more done pre-event. What is your thought on that?

**Ghilarducci:** Did I mention to you the catastrophic planning initiative?

**EIR:** Yes, that it had been under way, in four or five areas, the Los Angeles basin, Louisiana.

**Ghilarducci:** Right. So I'd say to you that there had been planning taking place. So the question is, how much is that planning sustained, and how much emphasis was being put on it? If you look at the larger context, of all hazard planning overall, and you look at the fact that since 9/11, the Federal government, FEMA, or the Department of Homeland Security (DHS), actually, has reduced the amount of funds available for planning, other than terrorist events. . . .

**EIR:** Do you know by how much?

**Ghilarducci:** The figures are high, but I can't tell you right now, because I don't have them in front of me, and it would be speculation on my part to give you figures off the top of my head. But I can tell you, as a former state official, it was very complicated for us. For example, in what we call the EMPG, emergency management program grant funds that are given to state and local governments for supporting their planning division—that is, the sections of their organizations that do the planning—was cut considerably. And, whatever money was moved over to Homeland Security that came through the EMPG program, the states were told, that money has to be spent on terrorism planning. So what happened is that you see all these state and local officials spending a majority of their time working on terrorism preparedness. Where they can squeak out disaster planning and other hazards, they did it. But for the most part, it is all directed to terrorism. You will see that throughout the country.

**EIR:** When did that begin?

**Ghilarducci:** That was within a year following 9/11 and all the changes that had been made. This happened along with recommendations to governors to appoint homeland security directors at the state level, and set up a sort of collateral communications system that would go from Department of Homeland Security to state homeland security directors. Thereby they set up a dynamic where there are people who have information, and people who don't have information—specifically, this means your emergency management directors and those people who have to deal with the management of consequences of these events. So strife began to develop and what happened is, it created animosities, and it created a system that was once-coordinated, based on relationships and procedures and policies, and it made it somewhat dis-coordinated.

**EIR:** In the situation that we face in Louisiana, Mississippi, and Alabama today, my question is: Who is coordinating? Especially, as when the President held a late afternoon press conference on Wednesday Aug. 31—three days *after* Katrina hit—to declare he's *now* doing some things. But the coordination issue is uppermost in my mind, as to how it could possibly be functioning.

**Ghilarducci:** Well, remember that the Federal government is supposed to be in support of state and local government.



DoD/Airman Jeremy L. Grisham, U.S. Navy

*A National Guard utility truck makes its way through floodwaters to bring supplies to the Super Dome in New Orleans, Aug. 31. "We are less coordinated today than we ever were before 9/11," Ghilarducci states.*

All disasters *are* local events. So the local authorities need to be on the ball to be able to respond. So, they must have the resources, the training, etc., to respond to these types of things, and the personnel. That is all supported by the state and by the Federal government.

But it is interesting that today, three days into the event, I guess, it was Secretary Chertoff who announced that this was an incident of national significance. Well, I probably could have told you that it is an incident of national significance *before* it hit! Not to be Monday-morning quarterbacking, but there is now a hierarchy that you have to go through, where once, I think, the FEMA of yesterday could have been much more nimble, and able to respond. They would have been tied-in with the preparedness activities on the front end, known what to expect, and been able to hit the ground running with the local authorities. When I say that, I mean building the capacity or providing capacity that would support, and truly support, the state and local efforts.

**EIR:** Right, that was what I was getting at, the building of the capacity, knowing that you don't have to mobilize your Naval hospital ships today and expect them to show up ten days later, and this is already three days into the event.

**Ghilarducci:** Exactly.

**EIR:** That is why I started this interview by reading the Aug. 2 NOAA hurricane advisory, which certainly was known, and knowable. Even the week before Katrina hit, there were numerous warnings about how it was time to start evacuating.

**Ghilarducci:** Yes. Well, I think the argument Homeland

Security has always made was that all of this "new way of doing business," all of this dismantling the existing system, and re-creating a new system, was going to streamline all this. And really it has not streamlined it. We are still three days into their making a decision, "hey, this is a big deal," and then waiting ten days for the cavalry to show up.

Again, I may have mentioned this earlier, but this is a level of frustration, more than criticism. I mean, everybody has a different way of doing business. But, all I'm saying, is that when you look at the way things were operating from the consequence-management side, and you look at what happened in 9/11, and you look at past disasters and the way we've been able to respond, and then from the pre-disaster mitigation effort—and you see where we are at today, I don't see the argument for the justification that Homeland Security is making to dismantle what existed and

re-create something new.

I'm open. I've been open now since 2001 to try to understand this, but none of this is logical to me, except to say that with better coordination, people would be able to do their jobs better, and we need to do this for national security. It's not working. It is more dis-coordinated than coordinated, more stovepipes now than before.

**EIR:** So, then this is as Holdeman put in his op-ed, a "systematic" downgrading of FEMA in terms of the way DHS has structured it?

**Ghilarducci:** No question. I agree with that. They would argue otherwise. They argue it is being enhanced. But let's see what happens in the response to hurricane Katrina. I mean, I saw what happened in the response to the five hurricanes that were back-to-back in Florida. Others can see that too. There were criticisms, and there was a lot that was sort of pushed down so well that you never heard about. But the fact of the matter is, that there are still people, after all this time, with blue tarps on their roofs, people who are unemployed because of the disaster, and infrastructure that has not been replaced.

**EIR:** But there is no budget for infrastructure under this Administration. Given how many people are unemployed today in this country and around the world, it is criminal that we are not rebuilding our cities and industries. It is a sad state of affairs.

**Ghilarducci:** Yes, I know. I think that has a greater impact on national security than anything else.

# Needed Federal Actions Were Known, But Not Taken

by Richard Freeman and Ramtanu Maitra

In July 2004, more than 250 emergency preparedness officials from more than 50 Federal, state, and local agencies and volunteer organizations, participated in a unique 8-day long gathering, organized by the U.S. Federal Emergency Management Agency (FEMA). They conducted a “tabletop exercise,” a simulation of what would happen if a Category 5 hurricane were to slam into New Orleans. Their conclusion: perhaps the greatest catastrophe in American history. They cited a study that “the death toll . . . in the New Orleans area could be between 25,000 and 100,000.” As well, according to one participant, “as much as 87% of the area’s housing would be destroyed.”

The participants assumed that, despite official requests to evacuate, roughly two-thirds of the city’s residents would remain until the hurricane hit—a higher percentage not evacuating than actually occurred with Hurricane Katrina. In response, the meeting developed a series of emergency measures that authorities would have to be prepared to take, including “developing an effective search and rescue plan;” “identifying short-term shelters for those evacuated;” and “creating housing options.”

This meeting, organized by FEMA director Michael Brown, publicized its findings and its emergency battle plans a full 13 months before Hurricane Katrina hit. When asked on Sept. 2, 2005 about the July 2004 meeting, Brown told NBC “Today Show” anchor Katie Couric, “Well, two years ago, I asked the President for catastrophic disaster planning money to do that. We picked New Orleans because of the potential here. And we [did] the tabletop [New Orleans] exercise about a year ago.”

For a year, the White House knew the effect of a hurricane with the power of Katrina smashing into New Orleans. It knew the recommended emergency actions. In the event, it did not take them.

This July 2004 meeting was not an isolated event. A series of meetings and studies has been organized for the last several years, on the subject of a high-powered hurricane hitting New Orleans, including a 2001 meeting organized by FEMA. One study concluded that 115,000 people might be stranded in New Orleans, requiring evacuation. The participants at the different meetings all reached the same horrific conclusion, and the meetings all recommended immediate action.

## White House ‘No’ to Infrastructure

The heart of the New Orleans problem with respect to hurricanes is well known: Its flood control infrastructure can withstand, at most, a Category 3 hurricane. Its survival depends on building infrastructure able to withstand an upper-level Category 4 hurricane, such as Katrina, or the Category 5 hurricane with winds of 145 mph or more, which shred cities. The U.S. Army Corps of Engineers has repeatedly proposed to build infrastructure that would fortify New Orleans to withstand a Category 5 hurricane; and to sustain and improve the existing Category 3 hurricane infrastructure in the city, complementing Category 5 defenses.

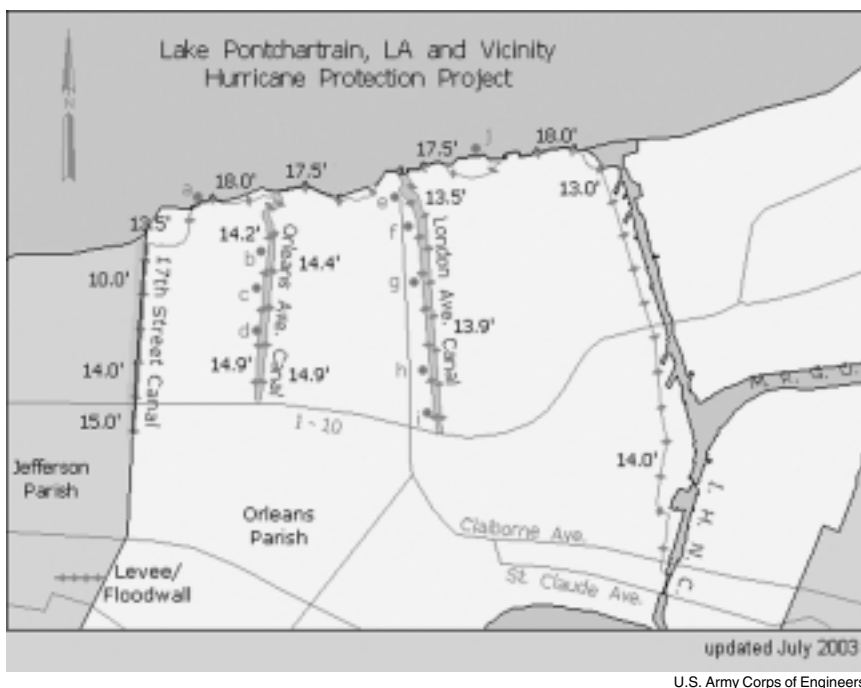
But the Bush administration has, with escalating steps over the last few years’ budgets, slashed the proposed appropriations for flood control infrastructure for New Orleans, and in particular, killed outright those proposals for Category 5 hurricane flood protection.

The monetarist Bush Administration’s blocking the infrastructure work that would save New Orleans, despite immediate and particular warnings of massive destruction and loss of life, created the disaster in New Orleans.

The July 2004 gathering in Baton Rouge presented a startling picture. The meeting started on July 19 under the title, “In Case of Emergency,” according to a posting on the website of the Louisiana Office of Homeland Security & Emergency Preparedness (LOHSEP), the state agency that coordinates with FEMA. The “hurricane” they looked at was a simulation by the National Weather Service’s Southern Region, based on the actual 1998 Hurricane Georges, which turned east only hours before reaching landfall. The planners eliminated the veering off, and dubbed their hypothetical hurricane, Pam.

Hurricane Pam would flood New Orleans “with up to 20 feet of water, and 80 percent of the buildings in the area are severely damaged from water and winds,” the exercise concluded. Pam eerily resembles Katrina, although Pam was assumed to pack winds of 120 mph, lower than the 135-145 mph winds of the actual Katrina.

The LOHSEP website reported, “In New Orleans, when evacuees from other areas who seek shelter in the city are accounted for, only a third of the population will leave before the storm hits, according to the Pam scenario. That’s partly a recognition of the city’s poor population. As many as 100,000



*Built only to withstand Category 3 hurricanes: Levee/floodwalls protect the bowl of New Orleans on the north from Lake Pontchartrain and on the south from the Mississippi River (not shown), and canals with levee walls carry excess water back to the lake. Katrina's storm surge drove lake water into the canals, breached them, and flooded the city.*

live in households in which no one owns a car.” This indisputable fact would have been known by any Federal official planning for Katrina, and should have been prepared for—rather than the policy of instructing national guard to shoot at citizens who had been left to steal or starve because of Bush’s policy.

The report noted the problem of debris of “human and animal corpses, including bodies washed out of cemeteries; and a mix of toxic chemicals likely to escape from businesses.” That indeed is happening with Katrina. It observed that “as much as 87% of the area’s main housing would be destroyed.” It is possible under Katrina that 50% of the housing will be destroyed.

The meeting’s participants advanced six steps to be taken, three of which are reported above.

## 2001 Government Forecast

In early 2001, FEMA issued a study, identifying a hurricane of the magnitude of Category 4 or 5, striking New Orleans, as one of the three most likely disasters to happen in the United States; the others were a terrorist attack on New York City, and an earthquake in San Francisco. In 2002, *New Orleans Times-Picayune* authors Mark Schleifstein and John McQuaid published a three-part report of a FEMA simulation study, conducted at the request of “Louisiana emergency management officials [who] lobbied [FEMA] for years to study how to respond to New Orleans’ vulnerability.”

In connection with this study, John Clizbe, national Vice President for disaster studies with the American Red Cross, estimated that “between 25,000 and 100,000 people would die” were a Category 5 storm to strike New Orleans (a conclusion that subsequent conferences drew upon).

Joseph Suhayda, a Louisiana State University engineer who has led the fight to find ways to limit hurricane damage in the New Orleans area, told the same *Times-Picayune* series, “A catastrophic hurricane represents 10 or 15 atomic bombs in terms of the energy it releases. Think about it. New York lost two big buildings. Multiply that by 10 or 20 or 30 in the area impacted and the people lost, and we know what could happen.”

Founded as a tiny town in 1718, on muddy land at the mouth of the delta where the Mississippi River meets the Gulf of Mexico, New Orleans has long known it needed a water infrastructure system centered on levees and river diversions, or else it would be washed

away. Up through the early 20th Century, levees were built and operated, usually by private individuals; but being made of earth, they didn’t last long. The real breakthrough for New Orleans came in 1933, when Franklin Roosevelt assumed the Presidency. Roosevelt directed the Army Corps of Engineers to work with state and local governments to build a tremendous flood control system throughout the Lower Mississippi River and in New Orleans directly.

When flooding from a massive rainstorm in May 1995 killed six people, the U.S. Congress authorized the Southeast Louisiana Urban Flood Control Project, or SELA. Up through the present, the Army Corps spent \$430 million of SELA funds on shoring up levees and building pumping stations (with \$50 million in local aid), yet at least another \$250 million in crucial SELA projects still had to be built. But in 2003, Bush and Cheney began to bring the ax down on flood control projects. In 2004, the U.S. Office of Management and Budget (OMB) cut the SELA funding by 65%, down to \$10.9 million per year.

The Army Corps is also directing the Lake Pontchartrain and Vicinity Hurricane Protection Project, a \$750 million effort to build up levees and protection for pumping stations on the eastern bank of the Mississippi River in Orleans, St. Bernard, and Jefferson parishes. For Fiscal Year 2005, the Army Corps needed, at minimum, \$20 million to complete vital project work; the Bush Administration slashed appropriations to \$3.9 million. The results could not be clearer: These

projects were in exactly those parishes where unconstrained flooding occurred during after Katrina.

As the Federal government cut the funds for the New Orleans flood control projects to a trickle in the critical two-year period before Hurricane Katrina hit, Al Naomi, the chief project manager for the New Orleans District of the Army Corps, was forced to go to local levee and flood control districts to beg for money. In 2004, Naomi told the East Jefferson Levee Authority, "The system is in great shape, but the levees are sinking. Everything is sinking, and if we don't get the money fast enough to raise them, then we can't stay ahead of the settlement. The problem that we have, isn't that the levee is low, but that the Federal funds have dried up so that we can't raise them."

In its Feb. 16, 2004 article, *New Orleans City Business* wrote: "The \$750 million Lake Pontchartrain and Vicinity Hurricane Protection project is another major Corps project, which remains about 20 percent incomplete due to lack of funds, said Al Naomi, project manager. That project consists of building up levees and protection for pumping stations on the east bank of the Mississippi River in Orleans, St Bernard, St. Charles and Jefferson parishes." Naomi told *City Business*: "The longer we wait without funding, the more we sink. I have got at least six levee construction contracts that need to be done to raise the levee protection back to where it should be (because of settling). Right now I owe my contractors about \$5 million. And we're going to have to pay them interest."

A subsequent, June 5, 2004 article reported: "The district has identified \$35 million in projects to build and improve levees, floodwalls and pumping stations in St. Bernard, Orleans, Jefferson and St. Charles parishes. Those projects are included in a Corps line item called Lake Pontchartrain, where funding is scheduled to be cut from \$5.7 million this year to \$2.9 million in 2006. Naomi said, 'It is enough to pay salaries, but little else.'"

Despite the scenario laid down by FEMA, and other experts, in 2004, the Bush Administration cut 80% percent of what was requested by the New Orleans district of the U.S. Army Corps of Engineers for holding back the waters of Lake Pontchartrain by strengthening the levees.

The Sept. 3, 2005 *Wall Street Journal* reported that a private engineer had informed the paper that a critical levee section on the 17th Street Canal in New Orleans had been likely built using I-wall designs. This is less sturdy than a levee built with the more supportive T-wall design. But I-walls cost \$1,700 a running foot, while the T-walls cost about \$4,000. This levee section is *precisely the one where a 250 foot gap erupted, one of the principal sources for the flooding of the whole city.*

But as significant as the above projects are, of special importance are Army Corps proposals to upgrade the entire New Orleans flood control system to a level to withstand a Category 5 hurricane. There are various ideas for this. One

idea is to build a gate that could shut off Lake Pontchartrain. Others involve building levees of a higher elevation in strategic locations, installing more powerful pumps, and other configurations. One Army Corps study for an upgrade to a Category 5 protection level had a cost of only \$4 million. In the 2005 Federal budget, the Bush Administration struck out those funds.

## A Catastrophe Was Waiting to Occur

The flooding of New Orleans during the last two days of August, following the breach of the 17th Street Canal floodwall and the floodwall along the Industrial Canal, killed thousands, destroyed nearly all the infrastructure, and ruined active commerce and industries for years to come. The fact that such a catastrophe was allowed to occur should shame the entire nation.

The Category 4 Hurricane Katrina made landfall east of New Orleans in the early hours of Aug. 29. The ensuing surge of storm water and rain pushed the waters of Lake Pontchartrain, located north of the city, into canals, and over their levees into the city on Aug. 30. Soon, the inadequate floodwalls were breached and waters from the lake began to swirl into New Orleans.

The breaches widened quickly while an insufficient number of personnel tried to plug them. Within hours, water began to pour into the city like a river through a two-block long gap at the mouth of the 17th Street Canal, submerging almost 80% of New Orleans. In some places water rose as high as 25 feet.

What happened on Aug. 29-30, and what followed subsequently, was exactly what the engineers and experts were warning the authorities for years. The Corps of Engineers, who are in-charge of keeping New Orleans dry and maintaining the levees, pumps, and associated paraphernalia, had told the authorities that the New Orleans levees built decades ago were designed to withstand a Category 3 hurricane, but nothing more. Often leading the charge was Naomi, a 30-year Army Corps veteran of efforts to waterproof a city built on slowly sinking mud, and sitting right on the way of great storms that come through the Gulf of Mexico.

Naomi grew particularly frustrated this year, and he had reasons to be. According to a study by a hurricane expert, Dr. William Gray of Colorado State University, the Gulf Coast could experience an increase in storm activity and intensity over the next 20 years. Dr. Gray's study says the storms are expected to cause 5 to 10 times the amount of damage on the Gulf and Atlantic coasts than was previously experienced. Hurricane activity of the next 20 years should resemble the period that began in the late 1920s and lasted through the 1940s. The increase is due to higher salinity content in the Atlantic Ocean, which alters its currents and increases average ocean temperatures, fueling more storms. Dr. Gray was not alone; other forecasters as well had predicted 2005 as an intense hurricane season.



FEMA/Jocelyn Augustino

*A meeting organized by FEMA, in July 2004, concluded that if a Category 5 hurricane were to slam into New Orleans, it would result in perhaps the greatest catastrophe in American history. The infrastructure needed was killed by the Bush/Cheney Administration. Here is an aerial view of one of the levee's breached by Hurricane Katrina, which resulted in the flooding of the city.*

Despite such clear signals, Naomi ruefully noticed almost a simultaneous \$71 million cut in the Army Corps' New Orleans district budget to guard against such storms. He called the cut drastic, in a recent article in *New Orleans City Business* magazine. Assessing the damage, on Aug. 30, after the hurricane hit, Naomi said: "It would take \$2.5 billion to build a Category 5 protection system and we're talking about tens of billions in losses, all that lost productivity, and so many lost lives and injuries and personal trauma you'll never get over." "People will be scarred for life by this event," he said.

In the face of an approaching storm, the city's less-than-adequate evacuation routes would strand 250,000 people, or more, and probably kill one of ten left behind as the city drowns under 20 feet of water, experts continued to point out.

## The Scale of Vulnerabilities

New Orleans is essentially a bowl ringed by levees and crossed by floodwalled canals that protect the city from the Mississippi River to its south and Lake Pontchartrain to the north (see **Figure 1**). The bottom of the bowl is 14 feet below sea level and there exists no place in New Orleans which is now above sea level.

The New Orleans Sewerage and Water Board operates a vast drainage system designed to collect water during routine rainfalls and pump it from the city into the canal and on to the lake. There is the largest drainage pumping station in the world at the head of the one canal. There is also a downside—subsidence, or slow sinking of the ground—to the city's doz-

ens of pumps pushing water uphill into the lake. But, for New Orleans, pumping water during a rainfall is not an option, so the city continues to dry. Records indicate New Orleans has sunk by nine feet over hundreds of years. As New Orleans sank, the interlinked Lake Pontchartrain and Gulf of Mexico surface rose, posing a perfect condition for New Orleans' annihilation.

It was not always like this. When first built in 1718, the city sat on a higher land beside the Mississippi. But it was built on soft river mud deposited over millions of years by flowing water at the mouth of the delta where the Mississippi meets the Gulf of Mexico.

In 1965, Hurricane Betsy, a Category 3 hurricane, buried New Orleans under eight feet of water. Since then the topological situation has worsened further.

The city is made further vulnerable because of the shrinking of marshes, fresh and saltwater swamps of mud and

diverse plant life which separate New Orleans from the Gulf of Mexico. They once acted as barriers for storm surges. Now the marshes are eroding fast, partly because levees block and reroute the Mississippi's periodic flooding, which spread the mud and sediment that shored up the marshes. In some places, the Gulf has encroached 20-30 miles closer to New Orleans.

Finally, the frequency of hurricanes in the Atlantic Ocean has risen in the new hurricane cycle.

Marty Rowland, a civil and environmental engineer living in New Orleans for 25 years who evacuated to Detroit on Aug. 28, said that the Army Corps of Engineers had long developed a plan to replenish the sinking coastland south of New Orleans. The plan was to divert onto the coastal area, some of the Mississippi River silts and sediments that now wash into the Gulf. Such deposit of silt and sediment in the coastal wetlands would regenerate the coastlands.

The Army Corps has in fact restored some of the protective delta region that extends from the southern portion of New Orleans down to the Gulf coast. But only one of many such diversions planned, was constructed, in St. Bernard parish. The others were never allowed to develop because of budget cuts to feed the Iraq War and the Homeland Security.

The vulnerability of the city has been under discussion for years. The Army Corps of Engineers, Louisiana State University (LSU), and the authorities of Jefferson Parish (county) have modeled the effects and aftermath of a Category 5 hurricane striking New Orleans. The models indicated clearly the catastrophe that the city is experiencing now.

# Criminal Negligence: Chertoff Talked, While Bush, Cheney, Rumsfeld Walked

by Paul Gallagher

Had this been Indonesia after the tsunami crushed its coast, the U.S. press and State Department would have dripped scorn. By the afternoon of Sept. 1, four terrible days had unveiled the growing scope of destruction, despair, and thousands of deaths over a 10,000-square-mile “ground zero” following Hurricane Katrina—and not one Bush Administration Cabinet member, let alone President Bush or Vice President Dick Cheney, had visited any part of it. Nor had any measurable Federal disaster mobilization reached it, although private organizations, led by the Red Cross, had jumped into action, and were sheltering and feeding over 100,000 refugees in an increasingly desperate crisis.

On Aug. 31 and Sept. 1, Homeland Security Secretary Michael Chertoff did a lot of talking at press conferences in Washington, with other Cabinet members, the head of the Federal Emergency Management Agency (FEMA), and a general or two standing behind him. But notably absent was Defense Secretary Rumsfeld, while the President was still making his way back from vacation, and the Vice President lurked at an undisclosed location. Cheney’s and Rumsfeld’s priorities remained the war in Iraq, the imminent potential war on Iran. The failure of leadership was palpable; the Congress saw it; the more Chertoff and FEMA Director Michael Brown promised, the less emergency Federal help was visible in the cities and towns of Louisiana and Mississippi where hundreds of thousands were homeless, and thousands dying.

The measures actually carried out by the Administration on Aug. 31 and Sept. 1 were almost symbolic: The Environmental Protection Agency suspended gasoline emissions standards so that more gasoline could be imported; the Pentagon announced a new Northern Command joint task force; the Transportation Department waived rules on how long truck drivers could drive without rest; etc. The Health and Human Services Secretary, Michael Leavitt, announced his department had identified 40,000 available hospital beds in the entire nation—showing the lack of any real surge capacity—but could only identify 2,600 potentially available beds in the five states surrounding the crisis region.

Glaringly missing were the absolutely necessary steps: large-scale airlifts by the military, bringing supplies in and people out; the creation of temporary military bases as logistical focal points for aid of all kinds; the setting up of tent cities by the armed forces to shelter hundreds of thousands;

hundreds of Army Blackhawk and comparable helicopters, rather than the 50 from the Coast Guard and local police that were trying to rescue people trapped in the Louisiana floods. All but 11,000 of the National Guardsmen of Louisiana, Mississippi, and Alabama together were missing, in Iraq, with their equipment. Navy ships whose dispatch from the East Coast were not projected to arrive until Sept. 6-8; and an Army hospital ship coming from Baltimore, another week after that. FEMA’s forces were assessed by New Orleans’ emergency director Terry Ebbert as having “no command and control”; he said that FEMA, by Aug. 31, had not made any supplies of food, medicine, clothing, tarps, boats, etc. available to the city government, despite requests. Ebbert called the response to the catastrophe, “a national disgrace.”

On the afternoon of Sept. 1, after returning from vacation, and a day before finally visiting the stricken Gulf Coast, George W. Bush issued a guidance to the nation by which his incompetence in the face of crisis may be remembered: “I’d say to Americans, don’t buy gas unless you need it.” Then he introduced former Presidents George H.W. Bush and Bill Clinton, and praised them as coming to lead a new charitable fundraising effort like that for victims of South Asia’s tsunami. The two former Presidents, each appearing to defer to the other, said nothing, until all three left the White House stage in an embarrassing silence.

## The Human Toll of the Failure

By Sept. 2 when Bush finally travelled to the devastated region, Louisiana’s Republican Senator David Vitter made the chilling assessment that “deaths in Louisiana will start at 10,000,” and rise much higher than that.

Hurricane Katrina devastated not only the region of the country’s largest and busiest ports, but the nation’s “poorest of the poor” counties. After the killer storm—widely forecast by the “strategic warning” from government weather scientists on Aug. 2, and a second, precise “tactical warning” on Aug. 26—thousands, mostly of the growing number of poor in America, are dead, many thousands missing.

Of approximately 2.9 million people of Mississippi—the nation’s poorest state, with an official poverty rate of 17.9% in 2004—about 800,000 live in the southernmost tier of 15 counties now declared to be in the most serious disaster condition. Some 500,000 of these people were in the six counties





EIRNS/Dean Andromidas

*Why not in New Orleans? This Army water purification unit was in Zaire within two days of President Bill Clinton's order in 1994, to send U.S. military forces to Central Africa, to help build tent cities and provide drinking water to more than 1 million refugees, fleeing genocide in Rwanda.*

directly in the path of both Hurricane Katrina's eyewall, and its 20-25-foot storm surge, which flattened or tore up everything from west of Gulfport over to Pascagoula, and 12-15 miles inland. This is one of two limited areas in the state with a population density of 150 persons per square mile; much of the state has much lower population density. In most counties in this area, the official poverty rate ranges from 18-28%. Hurricane Katrina hitting at the end of the month, many thousands did not have money left from their last paychecks, to evacuate to anywhere. If half or more of the population left before the storm, from just this most damaged region, then 200,000 people, including 30-40,000 very poor people, were slammed by the storm surge and 150-mph winds. State and local authorities still do not know what the casualties here have been; there are very large numbers of missing persons.

Aid of any kind first reached survivors in Biloxi—right in the middle of the worst-hit coastal area—on Wednesday afternoon, Aug. 31, the storm having hit at 6:00 a.m. on Aug. 29.

Of 4.5 million Louisiana residents, 3 million were in the southern counties declared to be in the most serious disaster category after Katrina hit; population in most of that 28-county area is 100 persons per square mile or more. The worst hit six counties—Plaquemines, Jefferson, St. Bernard, Orleans, St. Charles, and St. John the Baptist—had the highest population density, 150 or more persons per square mile. This is 900,000 people. Perhaps 500,000 evacuated before the storm.

The poverty rate throughout 23 of the 28 counties of this entire 3 million-person zone of Louisiana is 18-28%, except for the three southernmost counties on the Gulf, and the two westernmost counties on the Texas border; there the official poverty rate is 16-18%.

Mayor Ray Nagin, and many other witnesses, have said there are thousands of fatalities in New Orleans. The total of deaths in Mississippi will clearly also have been in the thousands. And there will be many, perhaps hundreds, of in-hospital deaths caused by failure of in-patient care for those in hospitals in both states when the storm hit.

At least 500,000 citizens of Louisiana and Mississippi are refugees. The Red Cross and other charitable organizations, as of late Sept. 2, were sheltering over 110,000 people in shelters of all kinds, from churches and community centers to university buildings, state park cabins to public auditoriums, in five states (Texas, Louisiana, Mississippi, Alabama, and Florida). As many as 40,000 of these are in Baton Rouge, 80 miles northwest of New Orleans, including 5,000 in a large city building; these are among perhaps 100,000 people displaced into Baton Rouge by the hurricane.

But the U.S. Armed Forces, on Sept. 2, had built no tent cities, no mobile-home cities, no water pumping/purification setups, and were sheltering no one.

The Coast Guard was said (by DHS Secretary Chertoff) to have rescued by then about 3,000 people stranded by floods, mostly in New Orleans; and New Orleans police helicopters had rescued another 1,000 or so; this, out of tens of thousands stranded in deep water. Most of them have been taken to the New Orleans Superdome, where terrible conditions had led to numerous deaths in a few days' time. With many, many delays, 10,000 of those sufferers were bussed to Houston and packed into cots in the Astrodome stadium, where they could not possibly stay for long.

## Leadership Shifts

On Sept. 1 the U.S. Senate stepped into the breach, reportedly on the bipartisan initiative of the Senate Democratic leadership, and passed an emergency supplemental disaster budget of \$10.5 billion, demanding all-out action. The next day the House followed suit.

The Congressional debate before the vote featured many emotional statements about the suffering, deaths, and coming economic hardship resulting from the failure of pre-storm preparedness, and failure of response to its destruction. "Today I am ashamed for my country," said Rep. Carolyn Kilpatrick of Michigan (D), one of several Congressmen who demanded major airlifts and large-scale temporary housing construction. But Rep. Zoe Lofgren (D) of California, most notably, argued that the problem was simply a lack of Presidential leadership, and called on the President to act as one. Lofgren cited Article 2, Section 1 of the United States Constitution, which vests Executive powers in the President, and compelled him to act decisively and passionately in such a crisis.

The real subject implied by Representative Lofgren's remarks, and by the Senate's initial action, was the ground for impeachment of the President and Vice President for criminal negligence of their duty to the General Welfare.

# Mosquito-Borne Epidemics Threaten Katrina Survivors

by Laurence Hecht and Christine Craig

Contrary to denials by officials of the “mosquito President” George W. Bush’s Administration, there is a potential for the spread of devastating diseases among the vulnerable population in the wake of Hurricane Katrina. Water-borne diseases such as cholera, typhoid fever, and other diarrheal illnesses are threatened from stagnant, filthy water. Experts in entomology also warn of the danger of mosquito-borne diseases, especially West Nile and St. Louis encephalitis. As a final blow, the immunologically suppressed population will offer a vulnerability to the avian flu H5N1 pandemic which disease experts fear may strike the world this flu season.

Unlike 9/11, where damage was confined to a small area, Katrina is the kind of disaster in which the health threat worsens by the day. With the persistent flooding, mixed with sewage, animal and human corpses, spoiled food, and industrial chemicals spilled into the waters, a potentially lethal brew is being concocted for the survivors. There is an immediate threat from those “Third World” diseases such as cholera and typhoid fever, which are capable of causing devastating water-borne outbreaks. Infectious hepatitis, shigellosis, giardia, and *E. coli* are also likely candidates. Food poisoning bacteria including salmonella and *E. coli*, will develop in food exposed to contaminated water, or not properly refrigerated.

Coastal Louisiana and Mississippi are notorious breeding grounds for mosquito-borne illness. Without prophylactic spraying, the next few weeks will likely bring cases of St. Louis encephalitis, West Nile virus (encephalitis), and Eastern equine encephalitis, which are all present in the wild bird population in the area. In 1999, New Orleans suffered an outbreak of 20 cases of St. Louis encephalitis. The West Nile virus is the most likely to pose an epidemic threat, experts fear, if the most stringent measures of monitoring and control are not carried out.

The new ingredient for epidemics is the exposure of the human population to the biting mosquitoes. As a U.S. Army entomologist interviewed by *EIR* put it, “These people are presently denied the usual comforts such as air conditioning, tightly sealed houses and screening, which is what distinguishes us from Third World conditions.”

The *Culex quinquefasciatus*, or southern house mosquito, a vector for all the mosquito encephalitis viruses, has a propensity for stagnant water, rich in organic material, just the conditions prevalent in most of the affected area. The *encephalitides* which produce West Nile, Eastern and Western

Equine encephalitis, St. Louis, and other varieties are RNA viruses, transmitted from birds to humans and other mammals by insect vectors, particularly mosquitoes.

## On the Ground in Baton Rouge

Matthew Yates, the director of the East Baton Rouge Parish mosquito control program, gave an appalling picture of the conditions in his area, in a Sept. 2 interview. East Baton Rouge parish contains the city of Baton Rouge, the state capital which is 80 miles upriver from New Orleans. The human population of Baton Rouge increased by hundreds of thousands overnight after the storm, Yates reported. Many homes are housing three and four families. Traffic is horrendous, and the gas supply short.

Spraying is going on in East Baton Rouge parish, but parishes to the east still had no electricity as of Sept. 2. Fallen trees and lack of fuel and electricity have grounded spray planes. People in the area are sleeping with open doors and window fans, working outside on repair projects, making them highly vulnerable to mosquito bites.

The most serious mosquito threat comes from West Nile virus. In 2002, Louisiana had an epidemic of 50 cases after a hurricane hit, Yates said. Prior to Katrina, there was an infection rate of 1.5 per 1,000 in East Baton Rouge parish. Populations of *Culex quinquefasciatus* are breeding in leaf-clogged gutters and drains and the ditches around sewage treatment plants which have overflowed from lack of electricity.

Apart from the *Culex*, large numbers of woodland mosquitoes are expected to come into residential areas, as the storm has blown leaves off trees and caused an animal exodus from forests, Yates explained. Some are vicious biters and can transmit West Nile. First flights of the woodland species were expected Sept. 2 and 3. It will take about another week for infectious capability to develop, after the mosquitoes feed on infected birds and then take their next blood meal on a human.

The Asian tiger mosquito (*Aedes albopictus*), a vector of West Nile virus and dengue fever, also breeds around homes. It emerges in 10 days after a storm, bites a bird carrying the virus, and becomes infectious to humans in a few more days. The problem does not abate until cool weather arrives in the area, around the first of October.

The infrastructure is down in New Orleans and the surrounding parishes, so no spraying is being done in the city or



National Institutes of Health

*This typical southern house mosquito, Culex Quinquefasciatus, is a vector for all the mosquito encephalitis viruses. It thrives on conditions like those in Katrina's aftermath: stagnant water that is rich in organic material.*

adjacent areas. Military aircraft or private contractors will be needed to do aerial spraying.

*Culex salinarius*, a salt water species capable of West Nile virus transmission, is likely to breed in sewers, and other standing water around the city, Yates speculated. This could emerge as a threat to the human population by mid-September. Marshes on the north side of Lake Pontchartrain are a nesting ground for migratory birds likely to carry the virus. Without spraying, the only protection is repellents. There are effective repellents, but they must be applied assiduously. People otherwise distracted are not likely to be able to maintain repellent protection, even if they have access to it.

The state of Mississippi, badly hit by Katrina, has no county-level mosquito control programs, and little spraying is carried out except in some municipalities, according to State Entomologist Dr. Jerome Goddard. Application has been made for assistance from the Centers for Disease Control to dispatch experts in entomology. Spraying will have to come through FEMA assistance.

Eastern equine encephalitis, the most deadly of the mosquito-borne viruses, was present in southeastern Mississippi among horses before Katrina struck. One-third to one-half of human beings infected by this virus die. Among children, it is almost 100 percent fatal. Eastern equine does not normally appear as an epidemic, but the high mortality rate makes it fearsome.

Power is still out for 60,000 people in Jackson, Miss. (80 miles due north of New Orleans), and every mile south the destruction gets worse, the state entomologist reported Sept. 2. A town just 30-minutes' drive to the south will be three weeks without electricity. People are sitting outside under trees in the heat, with little clothing, sleeping on cots, and getting bitten.

## Could Malaria and Yellow Fever Come Back?

Rural malaria was a major public health problem in the United States up to the mid-1940s, when DDT spraying programs virtually wiped it out. The *Anopheles* mosquito, which transmits the disease to human beings, is still present in the Gulf Coast region, and cases arise nationally. Most entomolo-

gists do not expect a return of the disease in epidemic form, but watch very carefully for it.

For an epidemic to arise, human individuals carrying the gametocyte of one of the four species of parasites would have to be bitten by a female *Anopheles* mosquito. The gametocyte would mature in the mosquito stomach and engage in sexual reproduction there, producing a zygote which penetrates the stomach wall. There it becomes an oocyst, which, after more divisions, releases hundreds of young plasmodia into the mosquito blood. The mosquito is then a transmitter of the deadly malaria parasite which invades the human red blood cells causing high fevers and often death. Malaria gametocytes may exist among the population of migrant workers and travellers to tropical regions living in the hurricane area. Under the worst possible circumstances, an outbreak could occur.

Yellow fever was once the scourge of the Louisiana Territory. In 1741, England sent Admiral Edward Vernon with 27,000 men to Mexico and the Louisiana Territory. They retreated after 20,000 were killed by yellow fever. In 1802, Napoleon's brother-in-law, Charles LeClerc, came to the Louisiana Territory with 33,000 soldiers, but gave up after 29,000 of them died of yellow fever.

In 1900, in Cuba, the U.S. Yellow Fever Commission under direction of Walter Reed proved that the fever was transmitted only by the bites of *Aedes aegypti* mosquitoes. The *Aedes aegypti* were almost eradicated in Central America and the Caribbean, but still abound in the southeastern United States. The disease was eliminated in the U.S.A. by spraying programs and an effective vaccination program, after a vaccine became available in 1942. Vaccination is no longer used. In recent decades, yellow fever prevalence has been restricted to parts of equatorial Africa and South America. It is not impossible that it could return to the southeast United States under prolonged aggravated conditions, as the mosquito vector is still present.

For now, the most likely widespread danger from mosquitoes for Katrina survivors is the West Nile virus, a disease that first appeared in the United States in 1999 with an epidemic near New York City. In 2002, the virus killed 284 people in the United States out of some 4,000 infected. Louisiana has had 52 cases so far in 2005. St. Louis encephalitis, present in the bird population of the affected region, may also take epidemic form. A major outbreak occurred in Mississippi in 1975, infecting more than 300 people. Fatality rates range from 2 to 20 percent, while most deaths occur in people 60 or older.

A final note: The 1918 Spanish flu (an avian virus like the one which threatens the world again today) was aided in its spread by the close contact and unsanitary conditions of soldiers during World War I. If the right flu combination intersects with the disaster conditions engendered by Katrina and the criminal incompetence of the Federal Government in its preparedness and response, the stage could be set for a new pandemic.

# Closing the U.S.'s Premier Port

This map of tonnage handled in U.S. ocean and inland ports, shows the large volume of freight shipped through the various Gulf of Mexico seaports in Louisiana, Texas, Mississippi, and Alabama. By weight, most of this is bulk commodities, including grains and chemicals, as well as petroleum products. For example, some 60% of U.S. grain exports go through Gulf ports, now disabled. More than 18% of the nation's oil imports come through one port alone—Louisiana's Port Fourchon, not expected to be fully operational for well into September. And Gulfport, Miss. is a specialized entrepot for fruit imports.

Of the top 15 ports in the nation, in order of tonnage

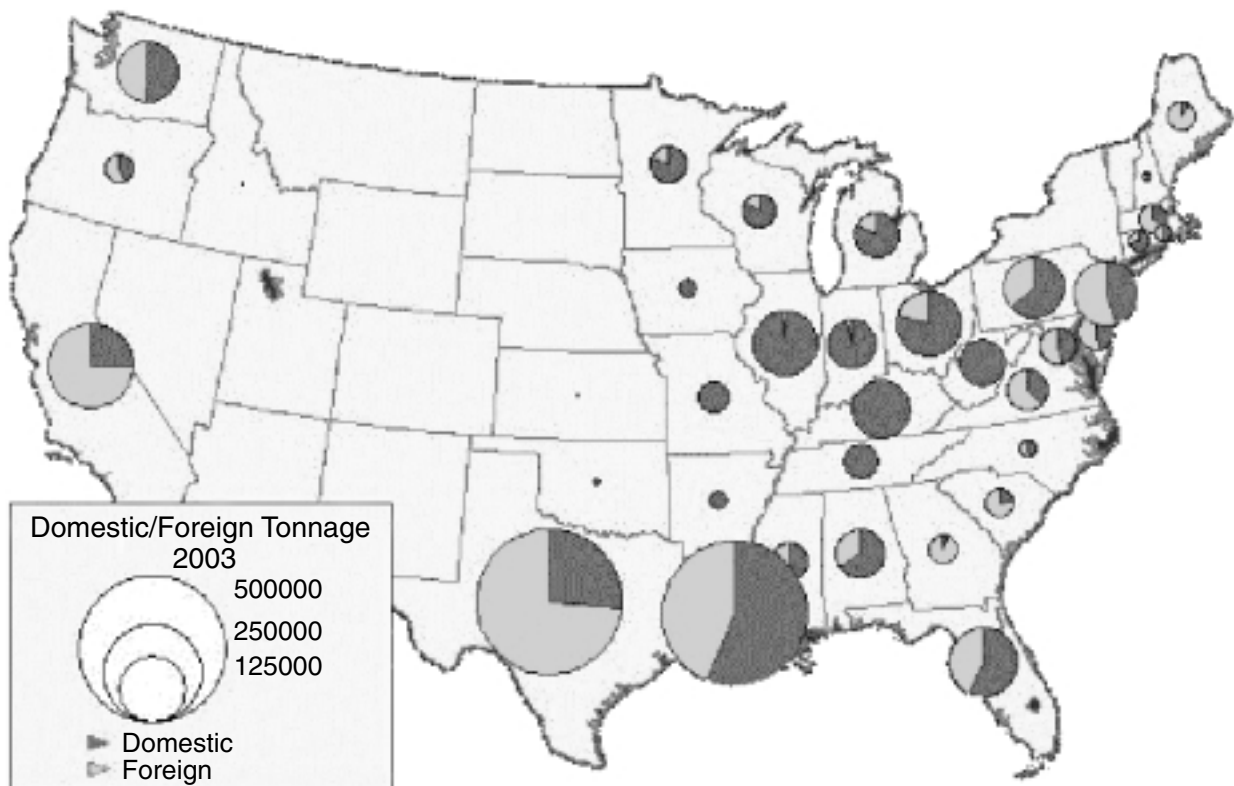
handled, 5 are in this region as follows (with rank noted): Port of South Louisiana (1), New Orleans (5), Baton Rouge (10), and Plaquemines (11)—all in Louisiana—and Mobile, Ala. (14). Pascagoula, Miss. ranks 22. These six ports were all shut down by Hurricane Katrina. Only Mobile was able to open relatively soon after the hurricane.

This high concentration of shipping through Gulf ports serves the great natural inland waterway system of the Mississippi, Ohio, Missouri, and Tennessee River basins, connecting with the Gulf of Mexico, and thence ocean-bound. It also reflects the recent decades of concentration of shipping, refining, and processing in a relatively few geographic areas that are chosen by commodity cartels and financial backers.

The role of formerly important secondary ports, serving regional hinterlands, such as Baltimore, on the Chesapeake Bay, has been accordingly reduced. Therefore, the nation's commodity flows have been rendered more vulnerable to disruption—which was exactly what happened with Hurricane Katrina.

## The Gulf Ports of Louisiana and Texas Rank Highest in Tonnage Shipped, of all U.S. Ports

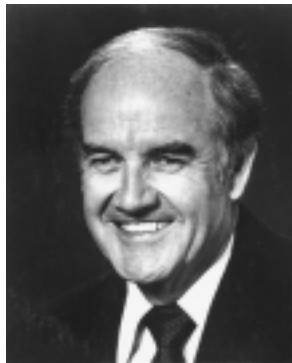
Domestic and Foreign Waterborne Tonnage (short tons)



Source: U.S. Army Corps of Engineers, Institute of Water Resources, EIR

## 'Katrina Could End The War in Iraq'

*George McGovern, who as a World War II bomber pilot was awarded the Distinguished Flying Cross, represented South Dakota in the U.S. Senate from 1963-81, and in the House of Representatives from 1957-61. As the Democratic Party's Presidential Candidate in 1972, he was defeated by the incumbent Richard Nixon. President John F. Kennedy appointed*



*McGovern as the first director of the U.S. Food for Peace program in 1961. He also served as U.S. Permanent Representative to the United Nation's Food and Agriculture Organization in the Clinton Administration. In 2000, he was awarded the U.S. Presidential Medal of Freedom, and in 2004, he was awarded the French Legion of Honor, France's highest military honor.*

*Senator McGovern spoke with EIR correspondent Nina Ogden by telephone on Sept. 1.*

**EIR:** I want to let you know that Lyndon LaRouche just released a statement called "Our Tsunami Was Called Katrina!"

**McGovern:** This is a terrible catastrophe. New Orleans is below sea level. They can't just wait for it to dry out. They are talking about thousands of deaths.

**EIR:** In his statement LaRouche talks about 100,000 lives in jeopardy from the combined direct and indirect effects of the negligence of the Bush-Cheney Administration in the mishandling of the disaster.

**McGovern:** Yes, I can see that. Look at how they mishandled Iraq—they have created insurgents and suicide bombers. I have been talking to some people about this Hurricane Katrina bringing about the end to the war in Iraq. Bush will have to bring home the National Guard and Reserve troops whose families have been affected by the disaster. He will *have* to bring them home to relieve their families who are victims of the disaster. He could bring them home in advance of bringing all Guardsmen and Reservists home. We should admit that this disaster is worse than 9/11.

**EIR:** A friend of mine in the Middle East said that, if they could, Bush and Cheney would blame the hurricane on bin Laden. You know we put out LaRouche's "Guns of August" statement to stop Cheney's plan for bombing Iran with mini-nukes in supposed retaliation for a Reichstag Fire type of second 9/11.

**McGovern:** Cheney is a dangerous man. After 9/11, he and Bush squandered the goodwill and sympathy of the nations of the world and went to war against the people of Iraq. Now we have the sympathy of the world again. Bush should not squander it again. He should bring all the National Guard and Reserve troops home to do the jobs they were trained to do. They would willingly use their training to help in this unprecedented national emergency. They were not trained to be mucking around in the deserts of Iraq, shooting people.

You know, I was visiting in Montana and the Governor was making public statements to the effect that he needs the National Guard back in his state to be fighting forest fires.

If Bush will bring home the National Guard and Reservists, who shouldn't have been there in the first place, he can make clear to a sympathetic world that it is the first step in his exit policy, and then quickly withdraw the rest of the troops. He can ask his father for advice about ending a war.

It should even be clear to the President that our nation's sentiment is turning against the war. Look at the completely unexpected support for Cindy Sheehan. One person can make a big difference. You, yourself, make a big difference, you know.

So, the horror of Hurricane Katrina can bring us to our senses and bring our troops home and end the war in Iraq.

**EIR:** What precedent do we have of the government taking action in a disaster like this one?

**McGovern:** There is no precedent for this disaster! The only precedent, in terms of the loss of lives, jobs, infrastructure, and so forth, as the result of the mishandling of what was already a dangerous situation, is the crash of 1929. Then President Roosevelt acted to save the nation and to save the common good. He even closed the banks and then opened them up again, fit to serve the people and the nation. He passed regulations against the crimes of speculation. He gave people hope against their worse fears.

And our government should be doing immediately what FDR did. We should be immediately reviving Roosevelt's WPA [Works Progress Administration] and CCC [Civilian Conservation Corps], under the guidance of the Army Corps of Engineers. We would be creating jobs for the people who now have nothing and we would be reconstructing otherwise-lost towns and cities, otherwise-lost to disaster. We would give our people their lives back. We'd have cities of hope, instead of a war zone of looting and misery, and we wouldn't have a people lost to fear and despair.

## ‘A Catastrophe Worse Than 9/11’

*Rep. Robert Livingston is a former Republican Congressman from Louisiana. He was interviewed by Bill Jones on Sept. 2*



**EIR:** You mentioned earlier that you thought Hurricane Katrina was much worse than 9/11.

**Livingston:** Without a doubt, it's huge. Because, even in the earthquakes in California, or 9/11 in New York, the survivors were able to disperse, to go to either their homes or other homes. Their businesses were, for the most part intact. They'd go to their jobs, they had hospitals available, they had schools available. And life could carry on, without too much disruption. Certainly, there was tragedy, and great loss of life, and loss of some things. But basically, the communities weren't in jeopardy of *dying*.

In this case, not just New Orleans, but throughout south Louisiana, Mississippi, and Alabama, you've got whole communities that are wiped out: No homes, no businesses, no jobs, no hospitals, no schools. No infrastructure. No nothin'!

It's a tragedy of immense proportions, and to hear speculation that we should just abandon the area because it's low, is—incredible. I think if this tragedy had happened in Miami, there wouldn't be any hesitation about rebuilding Miami. The American taxpayer didn't hesitate to put up at least \$50 billion to rebuild California after the earthquakes. We would never abandon San Francisco or Los Angeles. The American taxpayer would stand up. And so, *any* suggestion that, because it's subject to hurricanes or it's too low, that we should just forget about it, is ridiculous.

**EIR:** The region really plays a decisive role in the entire U.S. economy.

**Livingston:** The area of the Mississippi River is one of the chief contributors to America's eco-system in the country. The Mississippi River tributary system represents about a third of the geography of the country. River traffic is the cheapest, most environmentally sensitive, and clean mode

of transportation. One barge can be utilized—or would have to be replaced by some 58 18-wheelers on the highways, and Lord knows how many planes. If you stop river traffic, you'd clog the highways, you'd overburden airlines and the airports—you just couldn't do it. The bulk traffic which goes through the Port of New Orleans, which is the biggest port for bulk traffic in the country, is irreplaceable. And the energy reserves. Twenty-five percent to 30% of America's domestic energy needs are dependent upon the Greater New Orleans area, southeast Louisiana, in producing those energy needs. And then, of course, the water-borne commerce from all around the world, enters the port, as well as up and down the Mississippi River, that provides farmers access to selling their commodities all around the world.

This is a critical area of the world. And historically it's been critical, frankly since the Europeans first settled in America. New Orleans was one of the first great cities. With the final battle of the War of 1812, fought in 1815 in the Battle of New Orleans, Gen. Andrew Jackson put a cap on the British and all of their ambitions to have a significant presence in the Continental United States.

**EIR:** That's an important chunk of history.

**Livingston:** It's *tremendously* historically important.

We suffered a major catastrophe. This was a *Category 5* storm when it started coming in, after it left Florida. And it whittled down (ha!—"whittled down"! ) to a *Category 4*. All of our planning for the Corps of Engineers for flood control has been for *Category 3*, because it was a matter of affordability and benefit/cost ratios.

The fact is, we are such a contributing part of the ecosystem, that it's imperative that the money be spent.

It's always been a fight, between other regions of the country that didn't want to spend money on the Corps of Engineers, and *especially* the environmental community and many of the sympathetic press! "Oh—don't spend on locks and dams and levees. That's crazy! Let's let the natural alluvial flow take place, and preserve nature." It was *asinine* then, and it's *asinine* now! We're seeing the folly of it.

And it's virtually the same with every administration, going back to the beginning. There's always been a battle between Congress and OMB [Office of Management and Budget]. And fortunately, members of Congress, who live in the watershed areas, have generally prevailed—not to the full extent—but at least to a significant extent, and put money in these projects to try to keep floods from inundating their communities. And we have succeeded. But obviously, we didn't succeed enough.

**EIR:** There was also Mike Parker who was the head of the Army Corps who was arguing, I guess a year or so ago—

**Livingston:** No, more than that. When Bush first came in, he appointed Mike Parker as head of the Corps of Engineers.

And Mike argued vociferously that the budget was inadequate, and OMB got so offended that Mike got sacked. And that was very unfortunate. Mike was right. And I regret that.

But, I have to say, that in the early years, the Bush Administration took the same tactic, because of OMB, that the Clinton Administration took for eight years. And that is, “Oh—take the money out of the Corps of Engineers, it’s a piggy-bank.” That attitude reversed, because Congress weighed in.

**EIR:** Tell me how you see the economic effects? This as the hub, as you mentioned, of the whole grain market coming down the Mississippi, and a lot of other things. How do you see the overall economic implications?

**Livingston:** I think within a matter of a couple of weeks, two or three weeks, they could get the river working again. Got to get dredges, and deploy dredges, and whatnot. Certainly for barge traffic. And then they could deploy the ships down below the mouth of the river. I don’t think they’re going to have any deep-draft vessels going up and down the river any time quickly, but eventually they can do that. But, in the meantime, they can certainly get barge traffic through fairly quickly, and that will help going up and down the river. But it’s going to be a while.

In terms of the oil and gas—I mean, you’ve got rigs displaced, and totally knocked off their stands. You’ve got refining capacity that’s been impeded. We’re already seeing that that’s having an economic impact across the nation. The price of gasoline’s going up, and I think you’re going to see a major spike this weekend—if the supplies are available.

And, in terms of access to goods—say, fisheries, and commodities that are produced down there? Well, that’s all at a standstill.

And of course, those people that don’t have homes—businesses, jobs, hospitals, schools, or transportation, is going to have a rippling effect all around the nation.

**EIR:** There’s been also a kind of philosophical shift over the last two decades, where people made the argument that all this infrastructural investment should not be in the purview of the government but left to private enterprise. Do you think we’ll see a change of thinking after this?

**Livingston:** Certain things people can not do for themselves. I mean, you know, people can not build highways. Unless they’re toll highways, and then, you’re talking about just the richest people in the world. People can’t build airports, people can’t build infrastructure for communities. People can do things—but certain things government has to do for them. And defense is clearly one. *Civil* defense is clearly one. And investment in infrastructure is clearly one.

**EIR:** The internal improvements here from at least the early

1800s—building the first public road out to the West, was also a government infrastructural venture.

**Livingston:** There was also the railroad—well, the railroad was privately built, actually, for the most part; but it was funded by bonds, issued by Congress. Clearly, yes, the whole Interstate highway system, was paid for and prompted by Dwight Eisenhower. The WPA stepped in during the Depression. And I think that this is a WPA-type project. I mean, you’re going to have to have *a lot* of things built at the taxpayer expense! And simply to say, “Well, they shouldn’t have been there in the first place,” is absurd! They are there, and they’re going to continue to contribute, because they are necessary! For all of those components of the economy that I talked about, and many that I haven’t.

**EIR:** Tell me, one of the other things that is worrisome, is the aftermath in terms of the possible spread of diseases. You’ve had, obviously, as we see so clearly on that this was a very impoverished area, and a lot of poor people, who are now homeless are moving in large areas of standing water—

**Livingston:** Well, this is a major problem. And there are some *wonderful* first responders. But, the hospitals that are within the City of New Orleans, don’t have toilets that flush; the water’s off. The electricity in some instances is off; some of them have generators. And then, there are looters and marauders outside, beating down the door for the drugs. They’re working under *tremendously* difficult circumstances, and many of them haven’t left, and they’re still trying to do their job and help people. But, we haven’t even shut off the water yet, I mean, the water from the river, and the lake. We’ve got to shut that water off; you’ve got to drain the water out.

You literally have to evacuate the city completely. The standing water in New Orleans poses an increasing threat. You’ve got the possibilities of typhoid and cholera starting to spread—I mean, “starting to spread”; I haven’t heard any instances of it, yet, but those are possibilities. In addition, there’s another disease, it’s called “being hit by a bullet.” And that’s already going on.

**EIR:** That’s been a big problem. But, then there’s also the question that this would require, in this type of situation, major efforts on the part of government, in accordance with the “general welfare” clause, to try and rebuild. How do you see this occurring?

**Livingston:** Well, I personally would like to see them send in the Marines. I mean, I think this is a military operation, just like it was in Iraq. So, that, in my opinion—restoring civil order, that’s number one. And once you restore civil order, and reduce the floods, and eliminate the water, pump it out, restore electricity, then things will start coming back to normal.

# A Look at the Corps of Engineers In the 1930s

by George Canning

*This short summary of the book Lucius D. Clay, An American Life, by Jean Edward Smith (Henry Holt and Company, 1990), provides a useful view of the role of the Army Corps in the period of the Great Depression.*

As a young officer, Lucius Clay was assigned in 1933 for duty with the Washington office of the Army Corps of Engineers. The book explains that the rivers and harbors section of the Corps civil program had been the “center of Washington’s public works activities for over a hundred years.” In the matters of rivers and harbors or flood control, the Corps was a creature of Congress, not reporting either to the Army Chief of Staff or the President.

Like most government agencies, author Smith says, the Corps was initially dumbfounded by the New Deal’s first hundred days. “Accustomed to the careful, leisurely consider-

ations of congressional projects, often years in maturing, to time-honored cost-benefit ratios, and to the Army’s ancient red-tape bureaucracy, the Corps soon found itself out of step with the new administration.” Nonetheless, the Corps adapted itself and took on a major aspect of the public works program because it had major projects on the drawing boards; under the impetus of the New Deal, they picked up the pace of implementation.

Clay worked with Works Progress Administration (WPA) head Harry Hopkins, assigning experienced Corps administrators to various regions of the country to channel and apply government money to the public works programs. The book includes a transcript of an interview with Clay concerning this period. Clay is asked his views on the WPA, and he remarked:

“I think the WPA did a very fine job. We did many projects for them in the Corps of Engineers. We made work. We did the regular job, but to get the proper work percentage in it we really had to go out and make work. For example, if we were building a dam that was to be faced with stone, which we would have ordinarily placed with a crane, we’d place the stone by hand. This way we would quadruple or quintuple the amount of labor required. Under normal conditions we could not have afforded it, but this was a combination of trying to provide employment and at the same time trying to make the work of the employment useful.

“General Pillsbury [the head of the Corps civil programs], of course, bent over backwards to try to stop such projects unless the ratios of return were extremely good. But this didn’t fit the times. Here were projects that had great value, maybe not in accordance with the standards applied by the Corps in the past, but, nevertheless, should you turn them down at that critical stage in American history? In other words, it was my view, and it still is, that we had to take cognizance of the fact that the government wanted to spend money on construction to provide jobs. I don’t think we would have ever had a flood control program if it hadn’t been for that fact. The United States was not ready to move into a comprehensive, national flood control program at that time. But the need for projects to provide employment was such that I felt it ought to be expedited. Looking back, I think we were right.”



FDR Library

*One of hundreds of government structures built by the Works Progress Administration. Here a site is being inspected, where concrete is being poured on a storage unit in Ogden, Utah in 1936.*



# The Army Corps of Engineers Tradition: A Crucial National Science Resource

by Pamela Lowry

“We must get up early, for we have a large territory; we have to cut down the forests, dig canals, and make railroads all over the country.”

—A West Point cadet to a foreign visitor, 1854

All the military guests at the glittering banquet in the Hotel Robert in Paris wore sidearms, and many of the civilians had pistols hidden in their formal clothing. The headquarters of Lord Hill’s British Grenadier Corps loomed directly across the street, and it was possible that there would be some kind of trouble. It was Jan. 8, 1816, and a group of Americans, joined by their French, Prussian, Austrian, and Russian supporters, were about to defy the British occupation force in Paris.

Following on the heels of the final defeat of Napoleon at Waterloo, the Allied Powers of Europe had occupied Paris and reinstated the Bourbon Monarchy. The crowned heads of Europe breathed a sigh of relief that so much of the pro-American faction in Europe had been destroyed or silenced by the French Terror and the Napoleonic Wars. The British officers, flushed with victory, had been insolent in their disdain for the conquered French. The Duke of Wellington had gone so far as to commandeer the box reserved for the French King at the Paris opera, but was forced to retreat amidst a hailstorm of boos and catcalls.

British scorn was also applied to the Americans, with whom they had just finished fighting the War of 1812, Britain’s unsuccessful attempt to reconquer its lost colonies. To salve their wounded pride, the regiments that had been with the defeated Ross and Cockburn at Bladensburg, Maryland, in 1814, held a banquet in Paris on Aug. 24, 1815, to celebrate the first anniversary of the burning of Washington.

Colonel Winfield Scott, who had fought heroically on the northern frontier during the war, countered this insult by scheduling the banquet at the Hotel Robert, attended by many of Britain’s erstwhile allies in the fight against Napoleon, to commemorate the American victory at the Battle of New Orleans.

There were two young American Army officers at that banquet, both veterans of the War of 1812, who were in Paris on a mission crucial to the future of the United States. They were Sylvanus Thayer and William McRee, and they had

been sent to rescue the science and technology which had been developed by France’s republican faction, and to bring it back to America. It would be desperately needed to develop the country, now that the British Empire could turn its attention away from Napoleon and towards another attempt to ruin independent America.

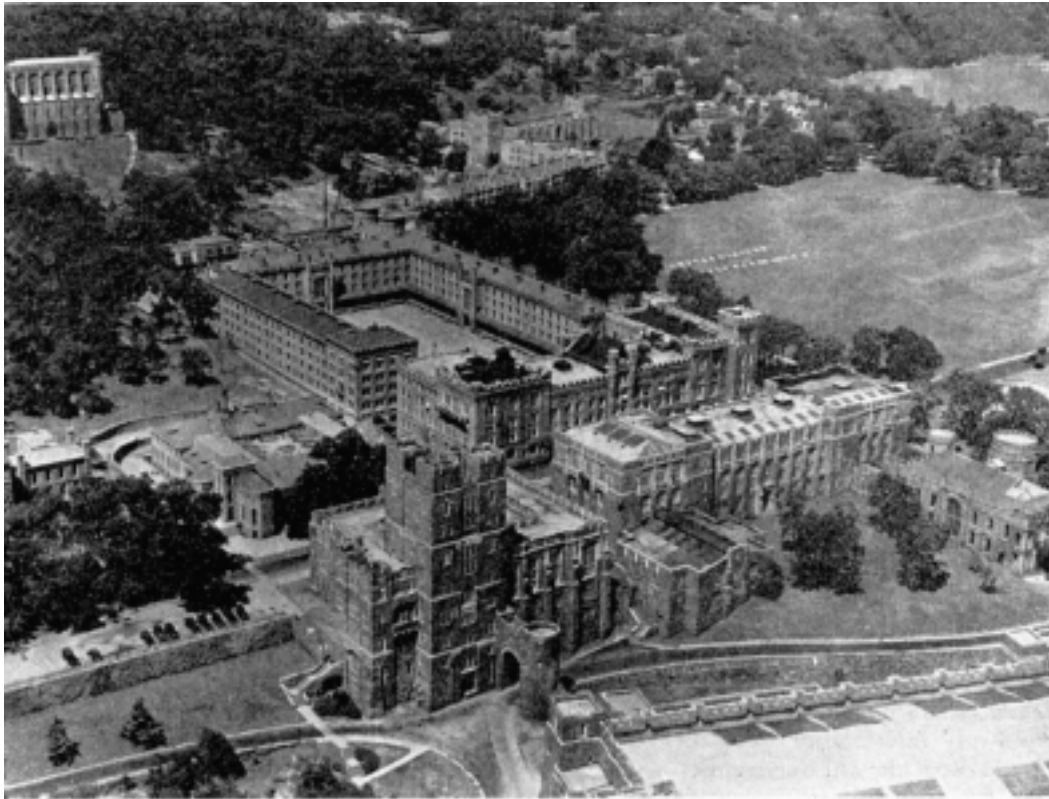
In fact, immediately after the war’s end, Britain began dumping its manufactures in America at cost, in order to strangle the development of new American industries. This policy was merely a continuation of what Americans had faced during the colonial era, when they were forbidden to build iron foundries or any other manufactories that would compete with Mother Britain.

What America needed to develop its productive capacity—both industrial and agricultural—was transportation infrastructure, but the new nation had only a few self-taught engineers. No American school existed which could teach the scientific and technical skills required for a massive internal improvements program.

And the world’s premier engineering school, the École Polytechnique of Paris, which had been founded by French republicans in 1794, had already suffered cuts under Napoleon and now faced destruction of its core curriculum under the conquering British-allied regime. If its textbooks, construction models, and even some of its graduates and faculty could be rescued from under the very noses of the occupying army, and brought to the new military academy at West Point, then America would have a chance against the feudal, anti-development opposition now arrayed against it.

—The Invaluable École Polytechnique -

Thayer and McRee had been dispatched to France by President James Madison and Secretary of War James Monroe. Thayer carried a letter of introduction to General Lafayette, who had become Monroe’s close friend during the American Revolution. When Monroe later became American Minister to France, he and his wife helped save Lafayette’s wife, Adrienne, from being guillotined during the Terror, and then nursed her back to health. In 1802, Monroe returned to France to participate in the negotiations with Napoleon for the Louisiana Purchase. He was therefore familiar with the École Polytechnique and with Benjamin Franklin’s circles in France, which were known as the “American Party.”



West Point Military Academy

*West Point was organized on the model of the École Polytechnique in France, with the mission of becoming a great scientific and technological school that would spread the benefits of its education throughout the population. The Corps of Engineers were stationed here in 1802, by an Act signed by President Jefferson.*

The remaining pro-American forces in France were under heavy attack. When Lafayette considered running for the new House of Deputies, the Electoral College was informed by the victorious Allied Nations that if such an event were to occur, 20,000 additional Prussian troops would be quartered in Lafayette's district.

The beleaguered American Party had run an earlier rescue operation, which culminated in the founding of the École Polytechnique. When Lafayette and Franklin's circles began the French Revolution and attempted to establish a constitutional monarchy, the British reacted with desperate fury. The British Empire was determined that no American-style republic, monarchist or not, would ever exist on the continent of Europe. Therefore, British agents Danton and Marat were instructed to wreck the Revolution, and their chosen instrument, the Jacobin Terror, wiped out much of the French officer corps that had served in the American Revolution, including those who had contributed so heavily to the American victory at Yorktown. But that was not enough.

In 1793, the French Committee on Public Instruction ordered all academies suppressed, including the world-renowned Academy of Science, which had been founded in 1666 by Jean Baptiste Colbert. Marat followed up by attacking Benjamin Franklin's theory of electricity and the "aristocracy of knowledge" which had produced it. The "Law of the Suspects," also passed in 1793, proclaimed that the scientific aristocracy was to be prosecuted in the same manner as the

aristocracy of birth. The guillotine then claimed much of Franklin's scientific circle, including Paris Mayor and Lafayette co-adjutor Jean Bailly; Franklin's former secretary, the Duke de La Rochefoucault; and chemist Antoine Lavoisier.

As soon as the 1794 Thermidorean reaction against the Reign of Terror had been accomplished, surviving American Party members Lazare Carnot and Gaspard Monge took control of the Committee of Public Safety and founded the École Polytechnique. The school was founded to train engineers, to spread republican values throughout the population, and to arouse talents which could advance science. Monge, who became the heart and soul of the École, based the structure and curriculum of the school on his training by the great humanist Oratorian Order, and on scientific schools which had been directly founded by Benjamin Franklin and his colleagues, while Franklin was the American representative in Paris.

The students at the École were divided into small sections, and more advanced students were able to test and widen their knowledge by teaching the younger students as assistants to the professors. The most important subject at the school was geometry. Monge taught this not as a fixed set of axioms, but as a means to educate the students' minds by showing them the coherence of the physical universe with the way their own minds worked. It gave them the capacity, therefore, to think well about any scientific or technological problem.

Monge wrote a textbook on descriptive geometry for his

students, which enabled them to represent three-dimensional objects on a two-dimensional plane. It was a tool to achieve higher technological levels of development, and Monge wrote in his treatise on the subject that “it was a language necessary to the man of genius who conceives a project, to those who must direct its realization, and finally, to the craftsmen who must themselves complete its specific aspects.” By the 1820s, the Americans were applying this principle to the problem of producing interchangeable parts for armaments and machines.

### **A Treasure-Trove for West Point**

Despite the fact that the École had been shut down by the time they reached Paris, Thayer and McRee were able to speak with many of its faculty members, using their letters of introduction to the remnants of the pro-American networks. It is possible that they were able to speak with Carnot before he was exiled to Switzerland, and to Monge, who was still in Paris. Their journals show that they consulted with an unnamed professor who taught descriptive geometry, and that he obtained architectural models for them. Thayer bought more than a thousand books for the West Point library, including many of those used at the École. He also obtained topographical maps and models of fortifications. Most important, École graduate Simon Bernard was recruited to head the construction of U.S. coastal fortifications, and École Professor Claudius Crozet agreed to teach engineering and descriptive geometry at West Point.

While Sylvanus Thayer was still in Paris, he was selected to become the new Superintendent of West Point. Thayer had been an early graduate of the academy, and had experienced the frustrations felt by its faculty and students alike at its lack of funding for textbooks and scientific apparatus, and its inconsistency of requirements for its students. Thayer resolved to completely reorganize West Point on the model of the École, and to transform it into a great scientific and technological school which would disperse the benefits of its education into the general population.

This outlook corresponded to that of the Founding Fathers, who had pressed Congress for the establishment of a military academy, including the study of science and technology. George Washington, Henry Knox, Alexander Hamilton, and John Adams had all envisaged such an academy, but the funding from Congress was not forthcoming. Finally, in 1802, President Jefferson signed the Military Peace Establishment Act, creating a Corps of Engineers to be “stationed at West Point,” which was ordered to “constitute a military academy.”

Jefferson had reversed his original opposition to the plan, and appointed Jonathan Williams, the grandnephew of Benjamin Franklin, as head of the Corps of Engineers and Superintendent of West Point. Williams, a scientist in his own right, had worked with Franklin’s ally, Caron de Beaumarchais, to conduit French supplies from his base in Nantes, France, to the Continental Army during the American Revolution. Once

at West Point, Williams stocked the academy’s library with the books he had inherited from Franklin.

Williams added geometry to the West Point curriculum, but his requisition for 12 inexpensive drawing instruments took months to fill. The War Department turned down his request for more and newer textbooks, on the grounds that scientific knowledge was changing so quickly that the books would be out of date before they arrived. Despite these frustrations, Williams told one of his officers to never “lose sight of our leading star, which is not a little mathematical school, but a great national establishment to turn out characters which in the course of time shall equal any in Europe.”

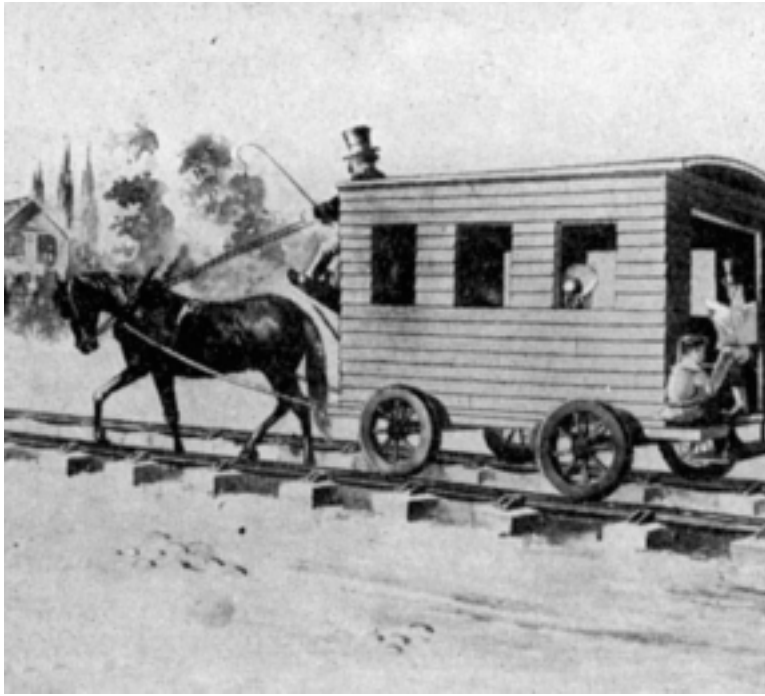
When Thayer returned from France, he was determined to carry out this mission, whatever it might cost him personally. He set up requirements for admission to West Point, drew up an honor code of conduct, and evaluated cadets only on their merits. As one West Pointer of the time remarked: “West Point constitutes the only society of human beings that I have known in which the standing of an individual is dependent wholly upon his own merits so far as they can be ascertained without extraneous influence.”

The curriculum was completely overhauled to correspond as much as possible to that of the École Polytechnique. French was taught from the first year, since the École texts had not yet been translated into English. Mathematics, including descriptive geometry, was considered to be the basis for an engineering degree. Classes were small and used cadet instructors from the older classes to supplement the faculty.

When Claudius Crozet arrived from France and attempted to teach engineering, he received a shock. One of his students wrote that “The surprise of the French engineer instructed in the Polytechnique may well be imagined when he commenced giving his classes certain problems and instructions, which not one of them could comprehend or perform.” Many of the cadets had only a very rudimentary background in simple arithmetic, and therefore Thayer instituted a mathematics curriculum which led from algebra, geometry, and trigonometry to calculus and engineering.

In the cadets’ senior year, Crozet, using a blackboard and sometimes a student translator of French terms, taught field fortification, permanent fortification, the science of artillery, grand tactics, and civil and military architecture. In the architecture section of his class, he taught the construction of buildings, the design of arches, canals, and bridges, and the machines used to build them. He also made sure that his students learned the amount of materials, labor, and time that it took to build the structures they studied. By 1826, the engineering course included roads, tunneling, inland navigation, railroad construction, and artificial harbors.

The West Point curriculum also included chemistry, and Thayer procured enough equipment to allow the physics course to cover hydrostatics, hydrodynamics, hydraulics, pneumatics, machinery, optics, and astronomy. The four-year course also included mineralogy, rhetoric, moral and political



*The Baltimore and Ohio railroad in the 1830s. Members of the Army Corps of Engineers built locks and dams, canals, highways, and surveyed railroad routes, including the survey for the Baltimore and Ohio Railroad.*

science, and an emphasis on both topographical and classical drawing.

In addition to teaching, the professors soon began to translate the French textbooks, and to write texts of their own. These were used in many other American colleges. By 1821, Claudius Crozet had published his "Treatise on Descriptive Geometry," and exhibited for the first time, in English, Pascal's Theorem. Cadet William Frazer wrote proudly to his brother: "We have just finished our course for this year and are now reviewing; we went as far as Spherical Projections in Descriptive Geometry, it is a study which is studied no other place but here."

To inform the nation of what was going on at isolated West Point, Thayer encouraged the War Department to establish a Board of Visitors, composed of distinguished men from across the country, who would oversee the oral examinations of the cadets and report on the progress of the school. He also formed a West Point band, and during the summer the smartly uniformed cadets would march through cities and towns, demonstrating their precise maneuvers to great applause.

On one of these trips in 1821, they visited the aging John Adams at his home in Quincy, Massachusetts, and heard this early supporter of a military academy tell them: "I congratulate you on the great advantages you possess for attaining eminence in letters and science as well as arms. . . . These advantages are a precious deposit for which you are responsible to your country."

## Building the Nation

The cadets who graduated early-on in Thayer's superintendency were generally deployed as officers in charge of the construction of coastal forts or the dredging of harbors. But Thayer and his fellow officers did not see the cadets' function as purely military. In 1823, Thayer wrote to General Alexander Macomb suggesting that if at any point some of the graduates were not needed for military service, "they might be usefully employed as Civil Engineers either in the service of the General Government or of the States." And in 1824, Congressional legislation would establish a military-civilian partnership for developing the nation.

In that year, the Supreme Court ruled in *Gibbons v. Ogden* that the Federal Government asserted authority over interstate commerce, which included river navigation. Following that decision, Congress passed two pieces of legislation that enabled the Corps of Engineers to participate in planning and building civil infrastructure. The first was the General Survey Act, which authorized the President to order surveys of routes for roads and canals "of national importance, in a commercial or military point of view, or necessary for the transportation of public

mail." President James Monroe assigned the survey task to the Corps of Engineers. Second, Congress appropriated \$75,000 to improve navigation on the Ohio and Mississippi Rivers by removing sandbars, snags, and other obstacles. Later, the act was amended to include other major rivers such as the Missouri. This task, too, was given to the Corps of Engineers.

In 1825, John Quincy Adams was inaugurated as President, and the American System of Political Economy came into its own. Both large and small infrastructure projects were undertaken in every area of the country, forging a system of national communication and improving the transportation of finished and unfinished products. These engineering projects for improving the general welfare also brought the realization that the nation as a whole benefitted from improvements that were made in any area of the country.

New legislation in 1826 authorized the President to have surveys made to clean out and deepen selected waterways and to make other river and harbor improvements. This led to major Corps of Engineers projects to build locks and dams along hundreds of miles of river, and to the development of floating machines to remove giant snags, or log-jams, from rivers. These were known as "Uncle Sam's tooth pullers."

Members of the Corps also built almost every canal in America, with the exception of the Erie and the Middlesex. Two very large-scale hydraulic surveys were also mounted;

one of the Great Lakes and the other of the Mississippi Delta.

On land, the Corps was given responsibility for taking over construction of the National Road, which stretched from Chesapeake Bay to Illinois. As railroads began to be built in the mid-1820s, members of the Corps surveyed railroad routes, and the War Department often loaned engineers to the railroad companies once construction began. Thus, Captain William McNeill supervised the survey for the Baltimore and Ohio Railroad, and Lieutenant George Whistler was in charge of laying the track. By 1830, many engineer officers were granted furloughs to work on the railroads.

This burst of internal improvements, leading to the forging of a strong national identity and a strong economy, did not go unnoticed by America's inveterate enemies, who encouraged the growth of a kind of populism known as "Jacksonian Democracy," which had an eerie resemblance to the Jacobin attacks on the École Polytechnique. When Andrew Jackson was elected President in 1828, West Point began to be the target of coordinated attacks. It began with speeches and articles stating that the local militia companies were all the country really needed to defend itself, not those high-tone cadets at the military academy. Congressman Davy Crockett, who had ridden Jackson's coattails to victory, proposed in Congress that West Point be eliminated. Other attacks took the form of proposals for "local control" of internal improvements, which would eliminate the national planning focus of the Corps.

Future President Martin Van Buren fought John Quincy Adams tooth and nail on the question of the Federal role in internal improvements, and proposed a constitutional amendment in 1825, which would have prevented federally sponsored public works. The rationale was that development legislation was "unequal and unjust" because money from one state was being used to benefit other states.

The populist rhetoric had gained such momentum by the mid-1830s that many states withheld the Federal treasury surplus which they normally gave to their private colleges, even though there was a tradition of state support for these institutions. The United States fell upon hard times economically in the Panic of 1837, largely because President Jackson had refused to re-charter the Bank of the United States, and had fired Treasury Secretary McLane when he refused to transfer the funds to Jackson's "pet banks" on the state level.

Jackson found a more pliant Treasury Secretary by appointing Roger Taney to do the dirty work, moving him over from the Attorney General's slot. The U.S. Senate was so furious at this action that it refused to ratify Taney's nomination as an Associate Justice of the Supreme Court in 1835. But the membership of the Senate had changed enough by the next year to allow Taney to be appointed as Chief Justice.

Jackson also vetoed the Maysville Road Bill, on the grounds that the road lay completely within Kentucky and therefore could not qualify as a national project. On the role of the Corps of Engineers, Jackson was more cautious, as

internal improvements were popular, and Jackson himself had stated that West Point was a good school and two of his nephews graduated from it. But he defied Superintendent Thayer again and again, by reinstating cadets who had been dismissed from the academy for code infractions or academic problems.

Thayer refused to be baited, and said, "This course may in the end occasion my removal, but in the meantime I shall have done some good and performed my duty." Finally, the challenge to his authority as Superintendent became so severe that he sent Captain Ethan Allen Hitchcock, his commandant of cadets, to the White House to see what could be done. President Jackson shouted at Hitchcock: "Sylvanus Thayer is a tyrant! The autocrat of the Russias couldn't exercise more power."

### **Spreading the Army Corps Tradition**

On Jan. 19, 1833, Thayer resigned as the Superintendent, in order to save the institution from Jackson's further wrath. It was only a matter of time, before the Survey Act was withdrawn (it happened in 1838), and Congress passed legislation that prohibited Army officers from being granted leave to work with private companies such as railroads.

However, the foundation which Thayer had built for the Corps of Engineers endured. Many engineering officers resigned from the Army and continued to work on developing America's infrastructure, especially its railroads. Others, still members of the Corps, completed projects on America's coasts, rivers, and lakes. Still others built railroads in countries like Russia and Egypt, or in the growing republics of Central and South America. Before the Civil War, the four alternate routes for the Trans-Continental Railroad were surveyed by members of the Corps.

Other engineering schools were founded, including the one endowed by Thayer at Dartmouth, and many of them used West Point texts and West Point professors. Secretary of War Porter stated in 1828, "The Military Academy is scattering the fruits of its science . . . not merely to the rest of the army, but to the youth of our country generally, and the interchange of the theoretic science of this national school with the practical skill and judgment of our civilian engineers, which is now going on throughout the United States, will soon furnish every part of the country with the most accomplished professors in every branch of civil engineering."

As the American Civil War approached, pushed by the forces that wanted to destroy internal improvements and national sovereignty by any means possible, it was still the case that almost every infrastructural project had been planned or executed by a West Point-trained engineer. A Congressional committee declared, after enumerating some of these benefits: "These are some of the enduring memorials of the usefulness of the Military Academy, and of the returns it has made for the care, and time, and money which have been bestowed upon it."

## Freak-Out at Jackson Hole

by Lyndon H. LaRouche, Jr.

*This statement was released on Aug. 27, 2005, by the LaRouche Political Action Committee (LPAC).*

Even the mere hint of today's global, financial reality from Fed Chairman Alan Greenspan, and a matching side remark by former Treasury Secretary Robert Rubin, have touched off a furor of lunatic rage among the customary annual coven of wishful dreamers assembled for this weekend's annual rain-dance at Jackson Hole.

I restate, in clear text, what Greenspan and Rubin were actually thinking about as they spoke on this occasion.

Alan Greenspan took over the Fed from Paul Volcker at the point that the New York stock market had just gone through the October 1987 equivalent of what happened to Hoover in 1929. Greenspan's reign has been distinguished by his regime's bail-out strategies, which have consisted chiefly of a resort to the massive legalization of what are actually gamblers' side-bets, but are called, euphemistically, "financial derivatives" or "hedge funds," a kind of play-money which has been used as a way of papering over the effects of a major stock-market crash. About the time the unlucky, and easily duped George W. Bush, Jr. was entering office in January 2001, the beginning of a financial-derivatives-driven general collapse of the world monetary-financial system, was already in progress. Nonetheless, despite this reality, Greenspan continued to play his part in the wilder and wilder pumping up of collapsing world financial institutions by a method most fairly and kindly described as "blowing bubbles."

During the interval since the 2000 collapse of Greenspan's earlier "IT" financial bubble, the Fed Chairman and his accomplices overseas have postponed the overripe collapse of the world's current financial system so far, by resort to dubious schemes, typified most visibly by an international hyper-inflationary spiral in mortgage-based financial securities markets, such as those in the U.S.A., the United Kingdom,

Australia, and so forth. A blow-out of that over-ripe mortgage-securities bubble, is the leading immediate threat to the U.S. and British banking systems, a threat of an event which would spread like wildfire throughout world markets.

As a result of Greenspan's pumping policy, since about April of this year, the entire world system has been flirting with the increasing possibility of an immediate general blow-out of the hedge-fund system. Now, as until the present international system actually blows out, that system is wobbling on the edge of something far more menacing than a mere stock-market crash like that of 1929 or October 1987.

To calm the worst fears of the panicked pack at this weekend's Jackson Hole affair, I describe the actual situation of the markets in the plain language which Greenspan and Rubin avoided on this occasion.

The world markets as a whole are gripped now by what has been an accelerating global hyperinflation with certain mathematical-functional similarities to what happened in Germany during the Summer and Autumn of 1923. This threat is immediate, and worsening at an accelerating rate; but, fortunately, the challenge is manageable, on condition that certain essential emergency reforms are made quickly. As Franklin Roosevelt once said, famously, "We have nothing as much to fear as fear itself"—or, if not fear, the kind of mass-delusions exhibited by the maenads of Jackson Hole.

### **The Nature of the Crisis**

The immediate problem of the world's principal financial markets has the following leading characteristics.

Greenspan's methods have amounted to flooding the financial system's current accounts through a massive infusion of financial-derivatives "Monopoly play-money." The crux of the problem is, that short-term apparent returns on current financial markets have been bought by an accelerating rate of growth of unpayable long-term financial obligations, which have been generated by Greenspan's and by similar methods



*Federal Reserve Bank Chairman Alan Greenspan is beginning to lose his usual inscrutable composure.*

used abroad. When that hyperinflationary debt-inflation halts, the present world monetary-financial system blows apart. The relationship between apparent financial returns and long-term unpayable financial obligations is now clearly hyperbolic. The really bad news is, that the longer the market does not collapse, the worse the financial collapse becomes; that, at an accelerating rate.

Wishful people who refuse to think clearly are deluding themselves, like people living on the proceeds of taking in one another's laundry, by asking one another, "Are we sure that the market will never really crash?" Asking "When" is their potentially fatal mistake; they should be asking, "How?" instead.

The best thing would be to have had the crash sooner, rather than later, but on the condition that the U.S. government were thinking clearly, and was prepared to act as Secretary Rubin and President Clinton had posed the need for international financial-system reform, back during September 1998.

The problem is that the crowd of virtual bankrupts represented at Jackson Hole are clinging so desperately to their delusion of riches, that they, like the dupes of 1923 Germany, would rather cling for another moment to their own doomed dreams, than face the reality of the urgently needed general reform.

Sometimes the worst kind of insanity is clinging to denials, as we see from the spectacle of the diabolical romp of the wild-eyed warlocks and witches assembled at Jackson Hole.

Even chief warlock of the Federal Reserve, Greenspan, can no longer charm them with his spells.

The question is: Are they willing to accept a merciful path to survival in bankruptcy proceedings, or the permanent torment their continued folly of today would assure them now? The question is: "Since most of that crowd at Jackson Hole are probably hopelessly insane, and probably soon bankrupt, for the moment, what are you, John Q. Citizen, willing to do, to save your country, and, also, your own butt?"

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## LaRouchePAC Testimony

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# Re-Regulate Energy, End 'Enronomics'

*What follows is written testimony submitted by the LaRouche Political Action Committee, LaRouchePAC, to the U.S. Senate Committee on Energy and Natural Resources for a hearing Sept. 6 on "Global Oil Demand/Gasoline Prices." The testimony was prepared by Marcia Merry Baker and Richard Freeman, and titled "Establish Energy, Interim Energy Reregulation; End the 'Enronomics'-Thinking Behind 'Un-natural' Disasters.*

**To: the Honorable Senators Pete V. Domenici [R-N.M.] and Jeff Bingaman [D-N.M.], and Members of the Committee:**

The merits of swift action by the Senate, to initiate intervention to establish re-regulation of the U.S. national energy system, are obvious in the face of requirements for dealing with the vast impact of Hurricane Katrina; but also, were apparent even at the time of Aug. 19, when the Committee announced its Sept. 8 hearing and its purpose in the first place, to address out-of-control oil and gas prices.

Given that we now face a huge natural disaster made into a horrible catastrophe, by the negligence and inaction of the Executive Branch on infrastructure-maintenance generally, as well as in the case of the immediate epic storm, it is even more urgent for the Senate to rise to its unique advise-and-consent role, and initiate a long overdue shift to an economy-building policy. This is not a partisan question, but a matter of national public interest of the most profound and urgent kind.

In this testimony, we wish to provide back-up for an initiative of the Senate to institute energy re-regulation and related policies, in terms of three vital considerations. These have been reiterated in recent months by economist Lyndon LaRouche, in a series of policy briefs, webcasts, and international discussions, some of which directly addressed the Senate, from which we summarily quote. Internationally, Mr. LaRouche has been meeting with national leaders anxious to see and support such a shift in the United States.

We can provide full documentation to the Committee of the following summary points, including animated graphics of the economic processes involved, on request.

- First, the context for the dramatic run-up of energy prices, is that the financial/monetary system itself is in crisis. Hyper-inflation is under way across most all essential com-

modities and services, as contrarily, “financials”—derivatives, debts, speculation of all kinds—soar, to the point of an imminent crash.

- Second, the specifics involved in energy hyper-inflation—speculation, gaming of supplies, creation of shortages, cartelization mergers, etc.—are all *characteristic*, not aberrations, of the practices of the past several decades of the shift to policies of de-regulation of utilities, imposition of outsourcing of manufacturing and agriculture, and globalization generally.

- Third, action by the Senate is, in particular, urgent, because in addition to the vital matter of energy, there is the responsibility of the Senate to take action in the broadest way to restore nation-saving policies in the face of the negligence of the Executive Branch regarding lack of Federal government functions before, during, and after Hurricane Katrina. We have devolved to a situation where states, localities, charities, and others are casting about on their own to try to fill the breach in Federal functions of all kinds.

### Context: Financial, Monetary Crisis

The runaway energy prices are best understood in terms of the overall end-phase crisis we have entered, of the disintegration of the international financial system itself.

Increasingly over the past three decades, the divergence of volumes of debts, deficits, and financial valuations of all kinds (stocks, derivatives, mortgages, etc.) as against the decline in condition and activity of physical-economic input and output (manufacturing, agriculture, infrastructure) has widened to the point of financial blow-out and economic breakdown. The other way to say it, as many commentators finally admit, is that financial bubbles of home mortgage securities, hedge fund bets of all kinds, etc., are now beginning to burst.

Looking to what must be done, LaRouche summarized it this way at a June 16 international webcast this year: “Now, the situation is, such that people now generally realize that the United States is in deep trouble. The U.S. economy’s in trouble. It’s about to go under in a chain-reaction collapse. When, nobody knows exactly. But we know it’s oncoming. That’s why I say, as Roosevelt said, ‘We have nothing to fear, as much as fear itself.’ ” *Because there are things we could do about this.*

“There are things the American people could force the United States government to do about this.

“But the average person doesn’t understand this problem. Therefore, they’re not sure of what to do, and they’re not sure about what kind of proposal they should support. But they know they’ve got to get some action, from government, to protect them from the danger of a collapse, which, in point of fact, is much bigger than the 1929-1933 collapse; 1929-1933, which was given to you by Presidents Coolidge and Hoover, was relatively mild in its effect compared with the threat to

the world, as well as the United States, from the presently onrushing crash.

“The situation is this: The entire world system is coming down. Not just the United States’ system, but the entire world system. Now, there are many people who are whistling in the dark, and saying, ‘It’s not going to happen. It couldn’t happen’—well, it **is** going to happen! It’s inevitable!

“What do we do about it?”

(From “Dialogue with the Senate on Economic Policy; LaRouche’s Historic Webcast of June 16, 2005,” [www.larouchepac.com](http://www.larouchepac.com).)

### ‘Roosevelt Model’: Re-Regulate, Build Infrastructure

In brief, LaRouche is calling for a series of steps, in the spirit of the “Roosevelt Model.” Using the “experience of 1933 through 1945, we have to guarantee the stability of U.S. Treasuries, which is the basis for the security of the U.S. dollar. We have to enter into agreements with Europe and with other parts of the world, on a fixed-exchange-rate system, which can be fairly described as a New Bretton Woods system. The kind of system which Roosevelt created at the closing period of the war, the fixed-exchange-rate system. It worked. It worked fine until the middle of the 1960s. It was the system under which we in the United States helped Europe rebuild itself from war. . . .

“We have to go back to that kind of system, which was destroyed by Nixon, where our troubles really began. And by getting long-term credit, instead of having short-term credit, we have to have agreements on long-term credit: credit in terms of investment in infrastructure. . . . We have to rebuild the world economy. We have to build new infrastructure for places that don’t have it. We have to rebuild the infrastructure of the United States and Europe. This is going to require long-term investment.”

(Also from “Dialogue with the Senate on Economic Policy,” *op. cit.*)

The character of what kind of infrastructure is needed is underscored by the catastrophe at hand: transportation, water systems, medical systems and public health, power generation and transmission, land improvements, housing, education, and R&D facilities, and so on.

Most important for the energy base of the United States, is to resume a full-scale nuclear power plant program. By the year 2000, had we continued our original pathway, we would by now have been 50% nuclear-generated instead of 20%. We have at present 28 sites for new nuclear electricity units, on the pre-existing nuclear plant sites.

### ‘Paper Oil,’ Contrived Shortages

In direct contrast to this approach, are the wild gyrations in prices of gasoline, petroleum, and all other energy prices—fuel oil, natural gas, LP, jet fuel, even coal, etc.



There is no need for us to document the current price spikes here, which data your Committee will have before you on Sept. 6.

Instead, we make the point that the very pattern of such economy-bashing prices, results from the continuation of radical practices, euphemistically called “free-market,” that caused the undermining of the U.S. and worldwide economy to begin with, over the past 30 years.

Look at “paper oil.” This is the well-known term to describe the fact that for every barrel of petroleum pumped somewhere, shipped and refined, there are hundreds of “paper barrels” worth of trades on the speculative commodity markets. German Economics Minister Wolfgang Clement recently estimated that, at present, \$18 per barrel of oil is attributable to speculation. On Sept. 2, when German Chancellor Gerhard Schröder announced his commitment for Germany to come to U.S. aid by oil and gas shipments, his spokesman, Thomas Steg, stressed that there must be collaboration between countries now, to crack down on energy companies in order to keep prices stable.

Especially during the episode of the so-called “California Energy Crisis” of 2000-01, and since, the Senate Energy Committee, and individual Senators have assembled all the evidence needed to document the whole range of fundamental malpractices that are systematically involved—namely, mergers and consolidation of control, speculation, gaming, shorting supplies, etc. These practices are done either outright illegally, or “legally”—technically defined as such, under the insane energy deregulation laws perpetrated over the last 15 years. Until these practices are rolled back, “Enron” lives.

The Senate has what it needs to act to restore regulation of energy supplies—in the American tradition of public utility supervision of private corporations, which worked to the public good for decades. Therefore, we here identify only a few selected aspects of the present crisis, for the purpose of underscoring the general point.

#### • U.S. Refinery Capacity Lacking

Over the past three decades, the United States could have and should have expanded significantly its refining capacity, but under decision-making by the increasingly deregulated energy/financial conglomerates, the U.S. capacity was shrunken, and geographically concentrated in ever more vulnerable locations, such as the Gulf Coast.

In 1981, according to the Department of Energy, the United States had 324 refineries, with a refining capacity of 17.99 million barrels per day (bpd). In January 2005, after a period of sweeping shutdown, it had only 148 refineries with a capacity of 17.12 million bpd. To meet the deficit, refined product now is imported from a number of sources, including Canada, the U.K., and the Netherlands. From 1995 to 2005, imports of refined product have nearly doubled, rising from 1.6 million bpd, to more than 3.1 million for the first half of 2005.

The last time a new major refinery was built in the lower 48 states was in 1976, in Louisiana.

As of Jan. 1, 2005, fully 52% of all U.S. refining capacity was owned and controlled by only six companies: Conoco-Phillips, 12.8%; ExxonMobil, 10.9%; BP 8.8%; and Chevron Texaco, 5.9%; Royal Dutch Shell, 5.7%; and Marathon Oil, 5.5%.

Therefore, under these circumstances, when a “market-excuse” is given to justify gas and oil price run-ups—namely such citations as, ‘the effect of the Iraq War,’ or ‘hostile OPEC action,’ or now, ‘Katrina Storm damage’—no matter how partially true, the larger truth, from the vantage point of the responsibility of government to provide for energy security, is that the entire system of energy provision is in the hands of predator cartels, which must be brought under control.

Look at simply the dramatic rise in per barrel crude oil futures prices on the New York Mercantile Exchange, for late August, yearly from 2002 to 2005, and you see that the *price more than doubled, well before Hurricane Katrina!*: Aug. 28, 2002—\$28.34; Aug. 28, 2003—\$31.50; Aug. 28, 2004—\$43.18; and Aug. 26, 2005—\$66.13. (On Aug. 30, 2005, the price hit “only” \$69.81.

#### • 2001 Senator Wyden Report on Contrived Shortages

A study commissioned by Sen. Ron Wyden (D-Ore.) during the California crisis, focusses on the essential, and defining, threat involved. On June 14, 2001, soon after the release of the Cheney Taskforce Energy Report, Senator Wyden released an investigative report which concluded, “The oil industry and its allies would have the public believe that insufficient refining capacity, restrictive environmental standards, growing gasoline demand, and OPEC production cutbacks are the primary reason for the current oil and gas supply problem. However, the record shows . . . that major oil companies pursued efforts to curtail refinery capacity as a strategy for improving profit margins.”

Wyden included as documentation an internal document obtained from Chevron Oil, dated Nov. 30, 1995, which asserts, “A senior energy analyst at the recent API [American Petroleum Institute] convention warned that if the U.S. petroleum industry doesn’t reduce its refining capacity it will never see any increase in refining [profit] margins.”

#### • Mega-Mergers

This year, 2005, is the busiest for energy-industry deals since 2001, with about \$100 billion of takeovers announced so far. The total, including pipelines, utilities, and coal producers, is more than the full-year total in 2002, 2003, or 2004, and if the pace continues, will be nearing 1999, when \$200 billion of energy industry consolidations occurred. The period 1998 to 2000 was the biggest span in history for energy mega-mergers, including the mega-deal of Exxon Corp. acquiring Mobil Corp. for about \$79 billion. Soon afterward—in the wake of the 1996 electricity deregulation



September 1, 2005



September 3, 2005

*These two gas signs of stations a few blocks apart in Leesburg, VA, show the increase in price from Sept. 1 to Sept. 3.*

laws, and the earlier gas and oil dereg, the stage was set for the California energy debacle, and the largest energy rip-off in history . . . until now.

In the recent buy-out frenzy of energy commodity companies, Chevron in August acquired Unocal for \$17.8 billion, and other mergers are under way. The menace is clear.

### Senate's Unique Role

We can't afford to stand back, in the lax spirit of waiting two years from now for a post mortem, Enron-style, on what went wrong in 2005. The Senate needs to act now.

Already at the state and local level, lawmakers are casting about for fall-back measures to defend their functioning under the gas price hikes.

**Hawaii.** This week, Hawaii imposed a wholesale gas price cap at \$2.74 a gallon, including tax, which is indexed to average wholesale prices around the U.S.A. The cap level stands for a pump price in the range of \$2.86 a gallon in Honolulu.

**Massachusetts.** Commonwealth leaders are considering a moratorium on natural gas price-hikes through the winter months, and state direct purchases of oil. Secretary of State William Galvin and others are raising this. Galvin said, "We're all suffering from the high price of gasoline, but you have no option about heating your home. We need a comprehensive effort within 90 days, because once heating season begins, you have to heat your house 24 hours a day." State Sen. Michael Morissey (D-Quincy), Chairman of the state Telecommunications, Utilities, and Energy Committee, intends to hold hearings.

**Wisconsin, Michigan, and Missouri.** These states are talking about declaring a moratorium on state sales taxes on gasoline.

In the face of this scrambling, on Sept. 1, President Bush told the American public, as if in a daze, "Don't buy any gas

you don't need. . . ."

The U.S. Senate must act.

### The Needed Emergency Measures

At the time of the energy price run-up in 2000, Lyndon LaRouche issued a memorandum on Sept. 19, stressing the principles involved in needed Federal government action. These guidelines are now even more urgently needed.

Here are excerpts:

1. The following statement constitutes a preliminary statement of policy "On the Subject of Emergency Action by Governments to Bring the Present Petroleum-Price

Inflation Under Control."

2. Broadly, the current global inflation in petroleum prices threatens to be the detonator of a chaotic breakdown in many, if not all of the economies of the world. The actions proposed here to deal with that emergency situation will not solve the more general problem of the world's financial and monetary systems at large, but will contribute an important, and perhaps decisive step in that direction.

3. The underlying cause of the crisis, of which the petroleum-price crisis is but the presently leading political-economic consequence, is a general hyperinflation in financial asset-prices, which is now being expressed, at increasing rates, as a hyperinflation in commodity prices now following a trend similar to that suffered by Weimar Germany during the interval March-November 1923.

4. For sundry, converging, and relatively obvious reasons, the most brutal effect of that upward spiral of financial hyperinflation is being expressed in devastating rates and magnitudes of rises in the costs of petroleum. The increasingly desperate effort to secure inflows of financial assets into the U.S. dollar sector, has seized upon several combined factors, as the opportunity to increase asset-price accumulations from hyperinflationary trends in the delivery prices of petroleum products.

These factors include: recently increased concentration of ownership of major oil companies through mergers and acquisitions, the increased role of the spot market in petroleum deliveries, the significance of denomination of deliveries in U.S. dollars, and an intensity of speculative activity, especially in the form of financial derivatives, in this area which threatens to bring the per-barrel price of petroleum to between \$40 and \$50 per barrel, soon, and not much later, much higher.

5. No ordinary means could bring this problem under control during even the short term. Only drastic measures

taken in concert between and among sovereign national governments, could bring the petroleum-price crisis itself under control. Any other proposal would be a childish delusion. For the immediate future, either such governmental action will be taken, or the eruption of international chaos within the weeks ahead were the likely result.

6. The appropriate action, which must be led by the U.S. government, must aim at immediate emergency cooperation among the governments of principal petroleum-exporting and principal petroleum-consuming nations.

7. These governments must: a) Declare a general strategic emergency in the matter of stability of flows and prices of essential energy-supplies of national economies; b) Establish contracts, directly between and among governments, of not less than twelve months, government-scheduled deliveries of petroleum from exporting to consuming nations; c) Define reasonable prices for these contracts; d) On the grounds of a global strategy emergency in petroleum prices and supplies, these governments must set priority on processing of such contracted petroleum flows through relevant refiners to priority categories of consumers in each nation, causing other stocks to be shunted to one side in the degree that these priority deliveries must be processed first.

8. Such action will, obviously, collapse much of the current hyperinflationary trends in petroleum. That will have a significant political effect, in the form of reactions from the speculators currently gorging themselves on the suffering of national economies suffering zooming speculative prices of petroleum. We can not permit the cupidity of a powerful few speculators to destroy enterprises essential to the national interests of nations, and to the relations among those national economies. That opposition to urgently needed measures must be resisted on grounds of overriding national strategic interests.

9. This proposed action will not cure the more general hyperinflationary trend in progress. It will only bring a most critical segment of this speculative inflation under control; but it will set standards of cooperation now urgently needed, for dealing with the general international banking and related crises about to strike the world as a whole during the weeks and months immediately ahead.

10. There are many details of the current speculative marketing of petroleum contracts which require closer scrutiny and related assessment. That investigation should proceed; it is urgent. However, those representatives of governments who understand the politics of oil, must play a leading role in implementing the general measures I have indicated, now, without delay. After a thirty- to ninety-day initial period of operation of the proposed agreements, secondary and tertiary features of the problem will be clearer, and, most important, governments and others will have developed the mechanisms needed for further courses of action.

## Economic Debate at Berlin EIR Seminar

*On June 28-29, 2005, representatives of 15 nations gathered in Berlin, Germany to discuss, with Lyndon LaRouche, a strategy for revolutionary change in the strategic, economic, financial, and moral-cultural conditions on our planet. Here EIR publishes two written contributions to the seminar, from Italy and South Korea. See EIR issues of July 8 and July 29 for previous coverage of the Berlin Seminar.*

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Dr. Nino Galloni

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## Production Must Be Primary, Not Finance

*Italian economist Dr. Galloni submitted this paper to the seminar. He has served in several government ministries, dealing with economics and labor issues, and is currently the auditor of INPDAP, the main institute coordinating pension funds for public-sector retirees in Italy. An interview with him was published in EIR, Feb. 25, 2005.*

For more than 30 years, the world has been living through a situation of serious imbalances, due to the inability and lack of will of national governments and international authorities to limit the influence of financial interests, as opposed to productive interests.

With Nixon's suspension of the convertibility of the dollar, in the Summer of 1971, the world entered a period of great uncertainty, which has still not been resolved.

Initially, the problem was considered to be currency instability; and in fact, during the 1970s, the continuous variability of exchange rates and the inflation of national currencies allowed financial speculation to produce large profits, while nominal interest rates did not seem particularly high, and real interest rates were even negative.

Therefore, in those conditions of the 1970s, many countries took advantage of the situation to increase exports through currency devaluation, while still creating growth in domestic income for their own workers (this was possible because only a fraction of the cost of production—40-60% generally—was made up of labor, meaning that about half

the amount of salary increases turned out to be real, rather than nominal or inflationary); on the other hand, the possibility for nations to take on small amounts of debt by issuing low-interest bonds, allowed for significant public investment, including in the field of infrastructure.

This situation though, despite the clear presence of serious financial and currency imbalances, allowed productive activity to gain on speculative activity. It consisted of low interest rates, the use of exchange-rate leverage for development, monetary flexibility, and national sovereignty in economic policy.

Developing countries began to foresee scenarios for economic and social emancipation; the working classes in industrialized countries got a taste of the real—not abstract—meaning of democracy; profit rates were on the ropes, but assets were increasing in value.

Nevertheless, it was clear that the system aimed to achieve social equity at the cost of growing financial, monetary, and currency imbalances.

The international community agreed to these changes, but the changes led to the cancellation of hopes for social equity, without deeply and stably reaching the goals of financial balance.

## **A Deteriorating Situation**

With agreements for exchange-rate stability, each country was forced to raise interest rates if its economy weakened (thus aggravating the situation), or to reduce them if the economy strengthened (thus accelerating the phenomenon that was supposed to be contained).

With the high interest rates that came about, certain countries—such as Italy—saw the explosion of their public debt; others (the so-called developing countries) became indebted to the large international commercial banks, thus laying the basis for the impossibility of recovering the credits, including due to the fact that the repayment of the loan itself became economically and socially impossible when the effects of the compound interest—and the difficulties in international trade—were such that they caused the debt to double about every four years. Today, there is a lot of talk of cancelling the debt, as if the debt hadn't already been cancelled, and hadn't already been written off by the banks as unrecoverable. This should have stimulated the search for and implementation of alternative measures that are effective for the economies of countries which had population growth rates—and at times interest rates as well—which were higher than the growth of their Gross National Product.

Nation-states were completely deprived of sovereignty over their currencies, with the goal of depriving the political class (which was considered corrupt by definition) of its power over public investment. Even the costs of unemployment compensation and expenses for health care or transportation were thus financed at increasing interest rates (because the—privatized—monetary authorities blindly monitored

monetary quantities without adjusting them based on social needs). Thus, the rate of inflation diverged significantly from the actual increase in prices; the former turned into deflation, while prices continued to increase, especially for most goods and services, including the currency itself, with the lone exception of goods and services characterized by significant technological innovation.

A situation was created in which industrial strategies and economic policies were seen as remnants of the past, as there were no longer currency and monetary instruments to be used, in a climate of growing confusion regarding liberalization and privatization, market omnipotence, and criminalization of the state.

After the golden age of acceptable economic and social balances (between the end of World War II and Nixon's declaration in 1971), which also provided hope and perspective for the future—an important condition for both society in general and the economy in particular—and after the imbalances of the 1970s, a new phase began: This was a long phase of sacrifice and social injustice, accompanied, however, by results that were sporadic and not always satisfactory in terms of monetary and financial balances.

The prevalence of speculative financial interests over the growth of productive activities accompanied the inversion of entrepreneurial risk; in fact, until the 1980s, entrepreneurs, managers, and owners took on the so-called risk (in a Weberian sense), and after having paid all the costs, took the earnings (profit)—if there were any. Afterwards, the very different goal of profit as a percentage of investment was established, and imposed as primary, compared to the cycle of production, such that all the risk was dumped on labor, small dependent companies, families, and civil society. In this situation, the interests of owners and institutional investors (especially pension funds) were dominant, as they imposed—"cost what it may"—rates of profit in the 1990s, that were not lower than what the investors had promised their underwriters when real interest rates on bonds were above 7%, in the 1980s.

## **Problems With the Euro and the Dollar**

In a negation of the possibility of reaching social balance and justice at the cost of monetary and currency imbalances, strategies were chosen for reaching monetary balance at the cost of growing injustices and social imbalances.

This is the context in which the project of the euro was conceived, matured, and implemented.

So the euro was born with the genetic flaw, for a currency: that of not being considered principally an instrument—useful, necessary, and helpful—but rather an aim in itself; it thus pretends to be a god to whom everyone must sacrifice themselves.

This indicates the obvious limit of the euro: that of not succeeding in improving the European amalgam. To the contrary, in retracing the history of the idea of Europe held by our fathers and grandfathers, we can definitely say that Europe

has never been as far off as it is today.

Now, that wrong political economic project in which monetary and financial balance is reached at the cost of social imbalances and inequities, clearly appears unfeasible, and therefore, its failure risks bringing down the euro itself.

On the dollar front, however, the situation is certainly no better.

The Americans, by using their condition as a superpower, have continued to finance international development by covering their trade imbalances and other debts with dollars and dollar-denominated bonds.

However, the reality is that if we were to do the count (if China, India, and Russia wanted to transform their dollars or bonds into euros, for example), we would realize that the actual value of the dollar would be a small fraction of its current value (expressed as temporary purchasing power).

### A New Bretton Woods

The two pieces of good news—because there is also good news!—consist in the growing recognition of the tragic limits of the current economic model, and the presence of human intellectual resources that can be used to change the situation.

A New Bretton Woods, an international agreement capable of relaunching the economy by returning production, large infrastructure networks, and scientific research to their rightful roles, and currency to its necessary role as an instrument, is possible.

The prevalence of finance over production, and exports over internal growth, have fostered imbalances and fears, because countries such as China and India, instead of finding themselves in a condition based on necessary potential development, find that they are exporting their own low salaries, precarious working conditions, lack of protection of human health, and increasing degradation of the environment. The immense task the present generations are faced with, is thus that of finding the path that allows for investing in one's own country in order to increase the value of the resources which are present, thus being equipped to export only that which is required as compensation for indispensable imports. This will stimulate the commitment and creativity of each one of us: how to produce more and better in our own environment, without this meaning harming or endangering the interests of our neighbors.

I am thinking of a great axis that links China and Russia with the countries that face Italy on the Adriatic and Black Seas; and from there, on towards Africa. Set up this great bridge, and link it to the Eurasian Land-Bridge which LaRouche has been promoting for some time now, as an alternative to the idiocies of the world of finance; I believe this is the principal task we now face.

The monetary and currency agreements of the 21st-Century Bretton Woods accords will have to facilitate and make possible such a new vision of the world; a world in which each and every person, together, will be able to solve prob-

lems without having to attack, or serve, those around them.

A world which begins with each person's commitment to contributing to social well-being, placing one's own resources at the disposal of society, rather than leaving them unused.

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Dr. Kim Young-Chul

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## A New Monetary System For Sovereign Citizens

*Dr. Kim teaches Western Economic History in the Department of Economics at Keimyung University, Daegu, South Korea. He organized the 1998 "Daegu Round" conference against the IMF and GATT/WTO "rounds" of globalization, addressed by IMF critics from around the world. Dr. Kim has addressed anti-globalization conferences in Indonesia, Canada, and the U.S., as well as many in Korea, where he is active in "Consolidation for Alternative Policies," which seeks a new economic pathway. He received his degree from the University of Illinois at Urbana-Champaign. Dr. Kim submitted this paper to the Berlin seminar under the full title, "A New World Monetary System for Sovereign Citizens: Finding a Voice for East Asia after Globalization."*

East Asian countries were hit hardest by the financial crisis in 1997. However, the discussion on what caused the crisis is not yet settled—despite the fact that clearly, somehow, flows of short-term speculative money triggered the crisis, and so severely damaged living conditions of people in the region. In fact, the major cause of the 1997 crisis was not internal to Asia, but rather, the instability of the global post-1971 floating-rate-system itself, with its 19th-Century-style deregulation, and strong volatility of foreign funds. Under the free-float regime, nobody controls the global movement of capital flows, which intrinsically makes today's global financial system extremely unstable.

Since 1997, many economists, including myself, revived interest in the Tobin Tax and similar modifications to the floating-rate regime, believing measures to reduce speculation would have helped avoid the 1997 crisis. More recently, however, a number of intellectuals have begun to question the entire viability of today's globalized regime, and to study proposals for a New Bretton Woods monetary system, based on different principles. Yet considering the damage to East Asia in the crisis, it is surprising their attitude toward Tobin Tax and other fixes—not to mention proposals for a new system—has been silence.

To understand this strange situation, it is necessary to know how desperately East Asian countries depend on foreign money for economic growth. Despite the magnitude of the 1997 crisis, they feel forced to welcome foreign money, to guarantee higher economic performance. They are afraid of even the Tobin Tax, as it may reduce inflows of foreign capital. Meanwhile, they also constantly worry that a similar financial crisis may recur in the future, due to (as they know too well) the fundamental instability of the global regime. This paradox makes them even more fearful to question (in public) the basic premises of the system, not to appear “inhospitable” to today’s powerful, unregulated flows of private funds. Thus, the silence among East Asian countries could be due to a perceived lack of choice.

Let us explore the cause of the crisis, and whether we do have a choice to avoid a new one.

### **The Post-1997 Shock to Korea**

Although the South Korean government never raised any question about the malfunctioning of global finance and its negative consequences, the magnitude of the changes which the 1997 crisis forced, speaks for itself. After the crisis, most countries in the region changed their exchange-rate regime from pegs or other managed exchange-rate systems, to a free float. In Korea the exchange rate had been managed a long time to hold at W700-800/dollar—but just after the 1997 crisis, the won fell to W2000/dollar. Only due to the recent severe global weakness of the dollar itself, has the won come back to around W1000/dollar.

A large volume of foreign funds were introduced, courtesy of the IMF advisors, especially when the dollar rate was above W2000, to buy Korean assets, including Korean stocks and bonds. Many good Korean companies were forced to be sold to foreign investors under the pressure of the government which adopted a policy of “open economy” and capital liberalization under the guidance of the IMF. . . .

Foreign investment in Korea has grown dramatically since the crisis, especially in the banking and stock markets. In 1997, it amounted to 9.1% of total capitalization of Korea’s stock markets, worth 7.4 trillion won. At the end of 2004, however, it shot up to 42% worth or 173.2 trillion won. Foreign investors own more shares than local majority shareholders in every tenth company listed on the Korean Stock Exchange, thus exposing Korean companies to a potential threat of management takeovers.

In the banking sector, foreign investors control three of Korea’s eight major commercial banks. And at four of the remaining five banks, they own more than half of the total shares of each bank. That pushed up the market share of foreign owned banks in Korea, in terms of total assets, from 4.2% in 1997 to 21.8% as of October 2004.

Foreign investment funds are now using loopholes in the Korean tax system to avoid paying taxes on corporate profits.

A good example may be The Carlyle Group and Newbridge Capital—both of which recently made huge profits of W700 billion and W1.15 trillion, after selling Korean banks under their control—while paying no taxes to the Korean government. Texas-based Lone Star Funds avoided tax on capital gains after it sold Seoul’s Star Tower building, earning a whopping W260 billion profits.

Foreign investors are criticized for taking a free ride on the government’s open economy and capital liberalization measures without making a significant contribution to Korea’s economy. The most severe victims are the labor force. Many workers, especially skilled blue collar industrial workers, were laid off during the IMF’s economic restructuring program.

Today more than 50% of workers in Korea are employed on an irregular basis, such that they can be dismissed from their work places any time, at the will of the management, rather than in long-term contracts as was the norm during the “Korean Miracle” of the nation’s industrialization. These employment practices have been promoted under the IMF’s policy of ‘flexible labor’, which breaks down the traditional industrial relations in Korea and increases arbitrariness of management to hire and layoff workers. Few critics realize that the lower workplace morale which resulted from this is a major reason for South Korea’s failure to generate new world-class industries and corporations as we had done before 1997.

The economic system that originally created the Korean Miracle, which also depended on the fixed exchange rate system, has been almost restructured out of existence since 1997.

### **Politics of Recovery and Resistance to Change**

Various attempts have been made to explain the causes of the sudden collapse of East Asian countries. The U.S. and other G7 members argued that Asia’s lack of transparency and unsound financial and macro-economic management were at the heart of the crisis. The opposite argument is that volatility and instability of international capital movement led to the financial turmoil. While the crisis may have been the product of a combination of external and domestic factors, globalization failed to integrate the situation, to say the least.

Political motivations should be understood to have some insights why these countries have shown passive response proposals to change the system.

The crisis hit Korea so hard as to make the won depreciate over 50% between July 1997 and January 1998. Even after a \$57 billion bailout program was announced in December 1997, the decline in won and stock prices continued for several months.

The real problem confronting Korea was the heavy short-term borrowing by the private sector financial institutions from foreign commercial banks. Thus the problems were further deepened with the fall in the won and stock prices.

Faced with a liquidity crunch and default, the then-Korean President, Kim Young Sam, sacked his Finance Minister and replaced him with a former IMF official, Lim Chang-Yuel, on Nov. 19, 1997. Mr. Lim announced liberal policy measures to further open financial markets and remove restrictions on portfolio investments. After removing capital controls, Korean authorities had extensive discussions with IMF officials to work out a bailout plan. The IMF insisted that all shaky financial institutions be shut down as a precondition, and the government must slash public spending and reduce its economic growth target from 6% to 3% for 1998.

The Korean case was rather unusual for the IMF. Normally the IMF is called when a country faces a major budget deficit, current account deficit, and high inflation, and applies standard IMF conditionalities, reducing government spending, and raising taxes and real interest rates. However, this did not apply to Korea, which in fact had a budget surplus, and a high growth rate with low inflation. Korea merely had a short-term capital flow problem, but the IMF turned it into a long-term structural redesign of the whole economy.

The IMF's stiff conditionalities led to more and more bankruptcies and threw millions of people out of work. With domestic industry in deep trouble after the stock crash, owners had little option but to sell their stakes to foreign investors at throwaway prices and very favorable exchange rates. In short, the entire cause of the crisis in Korea was blamed on domestic factors, and the Korean government was forced to follow IMF directions. The Korean government never raised any question about the malfunctioning of global finance and its negative consequences.

Domestic politics partly explains why Korea acted so passively. There was a presidential election at the end of 1997 when Korea turned to the IMF. President-elect Kim Dae-jung used the crisis to push his reform, restructuring Korea's economy to weaken the chaebol—which he saw as the base for his conservative opposition. Dr. Kim utilized the authority of the IMF (as George Soros advised him to do) to weaken internal resistance from the conservative political and economic groups, and followed the prescriptions directed by the IMF—leaving the devastating role of short-term capital during the crisis, unanswered.

Malaysia took an opposite direction. Instead of approaching the IMF, Malaysia adopted exchange and capital controls, naming global finance as a primary cause of the crisis. Prime Minister Mahathir Mohammad made a sharp attack on speculators, saying “there are a lot of things we can now do because we don't have to face actions of speculators to stop us. The free market has failed and failed disastrously because of abuses.”

Mahathir had at first adopted a quasi-IMF style program, but this resulted in substantial capital outflows. On September 1, 1998, the government imposed capital controls: repatriation of ringgit held abroad, an end to all offshore trading in

ringgit and domestic credit facilities for overseas banks and stockbrokers, payment in foreign currency for imports and exports, central bank approval for the conversion of ringgit into foreign currency, and many other regulations.

Some observers, however, believe that Mahathir's criticism against speculators was politically motivated in that he intended to avert people's attention toward the external enemy to escape domestic political plight, and an attempt to starve off a leadership challenge.

But like Korea, Malaysia did not show a big interest in fundamental global changes.

China has been successful in taking advantage of the Asian crisis to assure its neighboring countries that China has been a real assistant, rather than harmful obstacle, in the crisis. At the height of the crisis, China suffered from relative appreciation of its currency because of the large devaluation of other Asian currencies, hurting its exports. But China kept its currency steady, providing neighbors with some stability, at its own expense.

Meanwhile, China managed to protect its economy from the contagious effects of the crisis thanks to capital controls. It still uses policy instruments to deal with capital flows and its impact on the domestic economy. With the help of a fixed exchange rate and an independent monetary policy, Chinese authorities have maintained financial stability. While China accepted IMF Article VIII in 1996 and made the yuan convertible on current account, it has adopted a cautious approach towards liberalization of capital account transactions. China has taken special measures to restrict portfolio investment and short-term speculative inflows.

Thus, China has been able to prevent short-term capital troubles; 80% of its external debt is long term and 90% of investments are in the form of FDI, not loans. Yet, China is still dependent on the biggest inflows of foreign capital in the world.

As for Japan, East Asian countries benefited from the rise of Japan's yen against the dollar following the Plaza Accord of 1985, since their currencies were generally pegged against the dollar. However, 'the Reverse Plaza Accord' which allowed devaluing the yen in 1995 poured cold water upon the optimistic expectation for East Asian economies.

By 1997, the yen had fallen to about 120 to the dollar. And by then, export volumes of Indonesia, Singapore, South Korea, and Thailand had gone into a free fall. That slammed these economies, already beset by high dollar-denominated short-term foreign debt.

In September 1997, the Japanese government proposed the establishment of an Asian Monetary Fund (AMF). The AMF's purpose was to provide liquidity to forestall speculative attacks on the region's currencies. However, it was turned down at the insistence of the U.S. and Europe because it challenged the monopoly of the IMF and the U.S. role in the region.

In October 1998, instead, Japan proposed a framework of “A New Initiative to Overcome the Asian Currency Crisis” (New Miyazawa Initiative) to provide support measures totaling \$30 billion. Notwithstanding several positive elements, one cannot overlook the fact that the Japanese proposals were to serve its interests in the region, just as the U.S. used the IMF. However, also China and Japan both show no special interest in real systemic changes.

### **New Asian Mechanisms vs. Systemic Change**

The 1997 crisis showed that the collective identity of the Asia-Pacific, symbolized by APEC (Asia-Pacific Economic Cooperation) is fictitious; there is a lack of perceived common interests among members. Asian members were not persuaded by the idea that U.S.-pushed trade and investment liberalization is beneficial to all, and began to search for alternatives to truly represent their interests, in the form of regional cooperation.

The 1997 crisis painfully showed that individual countries lack capacity to face financial crises, so regional mechanisms would be useful. The crisis showed that contagious effects were substantially regional, so regional response could be useful in controlling contagion. They also found a serious conflict of interests with the West, which kept stressing the IMF, and which used the crisis as an opportunity to push financial liberalization further.

In 1977, the ASEAN central banks had established an ASEAN swap arrangement, but these were rarely used, due to the limited amount of dollars. However, its importance was recognized after the crisis in 1997. The Finance Ministers of ASEAN+3 countries, whose total foreign reserves then amounted to about \$800 billion, agreed in May 2000 in Chiang Mai, Thailand, to establish a regional financial agreement. This ‘Chiang Mai Initiative’ (CMI) expanded the swap arrangement to all 10 ASEAN countries plus the 3 of Japan, China, and Korea. By May 2005, the total bilateral swap lines among the 13 had been expanded to almost \$12 billion. These 13 nations together now have reserves over \$2 trillion.

### **The Tobin Tax in East Asia**

Yet CMI met with a favorable reception from even the IMF, as so far CMI is not aimed to tackle the ultimate problems of the international monetary system. CMI stresses its supplementary nature to IMF facilities. Any large-scale financial support from the Plus 3 countries to ASEAN is based on bilateral agreements, not (so far) the multilateral arrangement sought with an AMF. The severity of the 1997 crisis also alerted the IMF et al. to the need to co-opt Asian lenders into future financial support operations.

As to fundamental changes to the system, East Asian countries are split even on issues such as the Tobin Tax. Despite the fact that the Tax became a global issue after the 1997 Asian crisis, the reality is that Westerners take lead promoting

it. East Asian countries are only interested in preventing a crisis from recurring in the future, but not in capital control itself, which could reduce their capital inflows. Second, East Asians see the Tobin Tax as being levied on the wealthiest countries and distributed among poor countries.

Third, China and Malaysia employ capital controls, so do not see need of global changes. UNCTAD chief economist Yilmaz Akyuz says “Malaysia’s capital controls are now widely accepted as a success” to re-orient an economy toward a self-reliant direction. Fourth, Korea, Indonesia and Thailand, faithful pupils of the IMF, have promoted structural reform along free-market, Anglo-Saxon lines. They have liberalized capital and exchange markets according to IMF direction. As a result, they are left with very few domestic policy tools. These countries are actually in a dire need of global mechanisms to control speculation, but even the Tobin Tax would be a breach of faith to the IMF ideology.

### **New Bretton Woods Monetary System And National Sovereignty**

As to proposals for a dramatic New Bretton Woods Global Monetary System, Asian nations, like the rest of the world, are actually in need of such a serious change. But again, the question is whether East Asian governments and policy elites can break out of the “victims’ box,” feeling so dependent on the gods of global capital flows. They may require some new vision, to help create a new global alternative to their current dependency status.

For example, under today’s free floating rate regime, a national economy is supposed to have more freedom to adopt independent domestic economic policy. But the reality is totally different. After the 1997 economic crisis, foreign investment became the major controller of the Korean economy, reducing our economic national sovereignty near to zero. As the trading volume of foreign exchange increases too rapidly, now being around 100 times more than trading volume of goods and services, the national economy must instead be constantly on alert to watch out for the movement of foreign funds.

We must also hold larger deposits of foreign reserves in case of financial runs; consider the economic cost of East Asia’s current \$2 trillion-plus in foreign reserves. These funds are essentially frozen and can’t be spent or used for any productive purpose, meanwhile.

The Plaza Accord in 1985 made the Japanese yen stronger and dollar weaker, and Asian economies, including Korea, could promote industrialization as a lot of Japanese money flowed into the region. But after 1995 when U.S. changed policy to a strong dollar, the East Asia economies fell into the crisis in 1997. Meanwhile the Plaza Accord gave a big blow to Japan’s domestic economy, which lost many factories to China. Almost the same pattern is repeating now between the U.S. and China, as the U.S. tries to force China to appreciate



the yuan. China refuses this demand, worried about economic slowdown after appreciation.

All the above show how the East Asian economy is fragile and vulnerable to changes in exchange rates against the U.S. dollar, and show the major leverage power the U.S. has when it changes the dollar's value against Asian currencies. The economic future of East Asia is highly dependent on the dollar value of their currencies. They would like to avoid this and be free from the leverage power of the "Washington Consensus," but don't see how.

Under a New Bretton Woods fixed exchange rate system, however, the trading volume of foreign exchange would stop increasing at the current speed, resulting in a more stable global financial market. And the global capital movement will be attracted more by long-term economic fundamentals than by a short-term speculative incentives.

Thus, under a New Bretton Woods global monetary system, first of all, the Korean government and people would regain their national sovereignty and their autonomy of national economic policies. Under the New Bretton Woods global monetary system, the current way of globalization will be modified in the direction of enhancing the national autonomy and sovereignty.

Secondly, Korean economic production would be organized more on a long-term basis as the volatility of foreign capital is contained under the fixed exchange rate system. Workers would be employed more on a long-term contract. Long-term investment would prevail whether the investment funds are raised domestically or globally.

Thirdly, financial motivation would be less influential and the physical production economy will be the main consideration of economic policies. Then more economic benefits and dividends would go to workers than to management and capital.

### Currency Blocs or World Citizens?

One proposed alternative to today's severe dependency upon the dollar, would be to have a single common Asian currency to enhance economic integration in the region, and to be protected against external shocks, including arbitrary change in the value of the dollar. If the East Asian countries had a single currency bloc, in theory, they may achieve a stable fixed exchange rate system among themselves, at least, and a stronger collective bargaining power to have a voice to build up a new global financial architecture.

Many currency bloc specialists say a global fixed rate system might be easier to attain, once a single Asian money is adopted. They say it would then be a more simple matter of linking the dollar, the euro, and the Asian currency unit.

On the other hand, the recent near collapse of the European Union (EU)—and rumors the euro may face an uncertain future—should make us re-consider whether currency blocs are such a good or scientific idea. Under the Maastricht Treaty,

it seems that Europe made the mistake of self-imposed "mini-IMF conditionalities" of tight money and budget cutting, harming the real economy. Finally voters could no longer stand such high unemployment, and voted against the EU in the May 2005 election.

Robert Mundell, who advised Europe to adopt the euro as a "mini-IMF," has also been advising East Asia to adopt an Asian currency of that type—to impose the same policy.

Further, if East Asia merely adopts its own currency and minds its own house, without taking care for the economic and financial needs of the rest of the world, that may be short-sighted. Not only is East Asia highly dependent on trade with the entire globe, but also due to its Confucian tradition, Asians should show moral leadership as world citizens.

Most important, East Asian countries should have a strong voice in building a new global monetary system. Any discussion would be ineffective when East Asian viewpoints are neglected. The principle of global democracy is very important to build up a new global order in the 21st Century. This is another reason why East Asian nations should want to have full participation in designing a new architecture for the entire world, not just for our local neighborhood. The more creative ideas for all nations that Asia can bring to the New Bretton Woods negotiating table, the more Asia's voice will be heard and respected.

## DO YOU KNOW

- that the American Revolution was fought *against* British "free trade" economics?
- that Washington and Franklin championed Big Government?
- that the Founding Fathers promoted partnership between private industry and central government?

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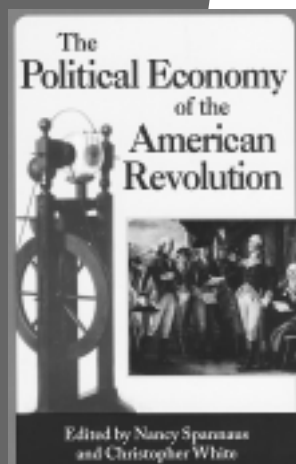
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## Europe's Future Hangs On BüSo's Campaign

by Rainer Apel

The upcoming national election in Germany, to be held Sept. 18, is by no means merely a national issue: The economic and political situation in Germany, with its 82 million population (the largest in Europe), is decisive for Europe as a whole, and for international relations in general. And, whatever political leadership Germany has, is also important for the United States, because Germany "is the only possible keystone for an effective partnership between the USA and a wider coalition of Europeans," as Lyndon H. LaRouche, Jr. pointed out in an Aug. 28 statement, headlined, "Europe Hangs by a Shoe-string."

Of the top electoral candidates of political parties, only two candidates for Chancellor, incumbent Gerhard Schröder of the Social Democrats and Helga Zepp-LaRouche of the Civil Rights Movement Solidarity (BüSo), are serious candidates in this broader, positive strategic perspective. Zepp-LaRouche, in particular, plays the role of a catalyst for a public debate on the real economic and strategic issues, which normally none of the candidates or parties or the establishment media would discuss openly.

Zepp-LaRouche's active campaign has already had a visible impact. The "Guns of August" warning by Zepp-LaRouche was picked up by Schröder in mid-August, although with a delay of almost three weeks. The other candidates have remained silent on the issue, or have sided with the Bush Administration (like Foreign Minister Joschka Fischer of the Greens, and Angela Merkel of the Christian Democrats). But none of them, not even Schröder, has so far shown any sign of seriously considering a state-run investment program into industry, science, and infrastructure, that has the target of reaching full employment in Germany again. This is what the BüSo's program does: It calls for an investment offensive in the range of 200 billion euros (or, 400 bil-

lion D-marks), annually. Without the continuous intervention by Zepp-LaRouche and the BüSo, the real issues would not be addressed in this election campaign, voters would be left in the dark, and Germany would have no chance to avoid falling into the hands of the neo-con free-market radicals around Merkel.

The outcome of the election hangs by a shoe-string, and that shoe-string is the campaign of Helga Zepp-LaRouche. "Not that she could win the tally at this time," Lyndon LaRouche said in his Aug. 28 statement, "but she, as the only candidate who is putting forward the programmatic perspective on which the fate of much more than Germany itself now depends at the present moment of world crisis, represents the key potential factor, as a programmatic catalyst which might bring Schröder back into the Chancellorship with both the authority and the programmatic perspective for the kind of partnership with a new European outlook on which any competent foreign policy of the USA's own future now depends. On that, the immediate future of an imperilled planet now depends."

### Destroy the German Neo-Cons

Although the financial and logistical resources of the BüSo are limited, the campaign, with its contingent of the LaRouche Youth Movement in Europe, is organizing forcefully, with the clear aim of changing the very things that most other people claim cannot be changed. And change begins with a clear language. For example, if one wants to stop the Christian Democratic Union's neo-con candidate Angela Merkel, one has to expose her as a Bush/Cheney-linked neo-con, and an ally of the dangerous "spoon-benders." This is just what was addressed in the Zepp-LaRouche nationally televised election campaign spot, aired Aug. 22, which

reached millions of voters at prime time.

This issue, a main Bündnis 90/Die Grünen campaign focus for several weeks, has now been picked up by Schröder's Social Democrats. Michael Mueller, vice chairman of the SPD's group in the national parliament, on Aug. 30 staged a harsh, very outspoken attack on "the German neo-cons around Merkel."

Mueller said that Angela Merkel and her nominee for Finance Minister, Paul Kirchhof, are the "German variant of the same neo-conservative current that Cheney and Wolfowitz represent in the USA, which also was responsible for the Iraq War." The flat tax policy is only used as a pretext by Kirchhof, for pushing a different model of society, Mueller said: "Kirchhof's concept is arch-reactionary . . . He is a market radical who wants the total disassembling of the social security state. His neo-conservative ideology is a break with the past of the [Christian Democratic] Union, which was based on Catholic social ethics."

### The Kirchhof 'Sledgehammer'

The Kirchhof issue is a weak flank of the Merkel campaign, and it will be the subject of a new campaign statement by Zepp-LaRouche, to be mass-circulated during the remaining two weeks of the election campaign. Although much applauded by the hardliners among the monetarist editors in the media, Merkel's decision to nominate Kirchhof for her would-be new German government, is adding to her unpopularity. And this keeps her lagging behind the incumbent Chancellor by 7-8%, despite the deep disappointment among voters with Schröder's failed economic and labor-market policies. In Germany's eastern states, Schröder has a 20% lead over Merkel.

Kirchhof's self-proclaimed intention to break down the existing social-security system with a "sledge-hammer" and to eliminate all social and tax benefits with a "chain-saw," has provoked considerable unrest in the country. Especially in the German East, where unemployment is twice as high as in the West and living standards are 30% lower, voters are enraged over Merkel and Kirchhof.

This sentiment can be decisive for the election outcome: In the September 2002 elections, it was the eastern votes that defeated the opposition Christian Democrats (although only by a tiny margin) and kept Chancellor Schröder in office. This puts the eastern state of Saxony in a crucial position. There, the LaRouche Youth Movement interventions into the Monday Rallies last summer [see *EIR* coverage during that period—ed.] contributed to the Merkel/CDU loss of almost one-third of its vote in the Saxon state elections in September. The LaRouche Youth are again present in Saxony in this election campaign with many activists, and their high recognition factor among voters has forced the media here to be more open than in other parts of Germany. After all, Bündnis 90/Die Grünen candidates received 2-6% in the Saxony elections last year.

Because Merkel and her CDU face massive resistance among the voters, it should not be impossible, with a hard-



EIRNS/Karsten Werner

*German Chancellor candidate Helga Zepp-LaRouche campaigning in Leipzig, Aug. 25. Her leaflet tells voters "The apocalyptic events in the South of the United States should be a warning, 'with a sledgehammer,' to us in Germany, as to what happens when the principle of the General Welfare is crushed and broken, as Angela Merkel's [nominee] Kirchhof promises. . . ."*

hitting campaign, to mobilize 3-4 million voters among the 20 million who said that they were undecided or would not vote, three weeks before the elections, to vote against Merkel on Sept. 18. If the SPD adopts an aggressive campaign strategy—like that of the Bündnis 90/Die Grünen—Schröder can defeat Merkel and stay Chancellor of Germany during the turbulent weeks and months to be expected after mid-September.

### International Finance Votes Merkel

A defeat of Merkel will be important internationally, for it would roll back the ongoing, escalated offensive by hedge funds, private equity funds, and other speculative funds for the final takeover of Germany. The Kirchhof nomination has received much applause from the pro-monetarist media, which are dominated by supporters of the notorious Mont Pelerin Society. Especially revealing are remarks coming from British publications like the *Daily Telegraph*, which is leading the drum-beat for Merkel. On Aug. 24, the *Telegraph* dedicated two articles to its propaganda drive for Merkel. One stated: "The party [CDU] has picked Professor Paul Kirchhof to shape economic policy, signalling a new willingness to reinvent the German economy. A tax revolutionary, known for advocating a top 25% income tax rate, he has promised to take a *sledgehammer* to Germany's corporatist *Rhineland model*."

The other article proclaimed the end of the German social-market economy model, saying: "The days of Deutschland

## BüSo Wrote the Book On German Neo-Cons

First to target Germany's neo-conservative movement was the LaRouche Movement, which issued a definitive book-length exposé of this neo-liberal nexus in January 2005. Thousands of these books, entitled *Germany's Neo-Cons: Who Is Out To Destroy the Federal Social State?*, have circulated.

As lead author Elke Fimmen said in an interview with *EIR* in May, the book demonstrates the close connection between the German neo-cons who want to topple the Schröder government, and the neo-con crowd in the United States. Both are shown to be the tools of international synarchist financial interests, the same interests that created fascism in the 1930s, and are out to do so again, this time on a global scale. The book names the names of the key

players, including Hans Tietmeyer and Meinhard Miegel, and identifies their "reforms" as a new phase of economic looting.

Over the summer, leading Social Democratic Party spokesmen, such as party chief Franz Münterfering, implicitly followed the BüSo's lead by launching an attack on the speculative financial interests (the "locusts") who were buying up and destroying Germany's economy. Finally, at the end of August, an SPD spokesman attacked Germany's neo-cons by name. The question is: Did they act in time?—*Nancy Spannaus*



AG, the traditional network of cross-shareholdings and shared non-executive directorships among the country's corporations established after the Second World War, are over. The ousting of Werner Seifert, the chief executive of Deutsche Boerse, the German stock-exchange operator, by overseas hedge funds earlier this year, was seen by many people as a wake-up call to German business that the old rules no longer apply." The old rules, the article also stated, include labor co-determination in companies.

The *Telegraph* article continued: "Instead of being controlled by generally supportive domestic funds, Germany's blue-chips are now increasingly owned by more aggressive British and American investors. From holding nothing in 1990 [the year of German reunification—ed.], non-Germans now control an average of more than 50% of the free float in the 30 companies that make up the DAX 30, Germany's blue-chip index. Deutschland AG is no longer owned by Deutschland AG. It's owned by the Fidelitys of the world—and they don't stand for this stuff."

In other words: with Merkel and her team in power, the German government would no longer be in control of Germany, which would be transformed into a huge bridgehead for new global speculative attacks on the financial markets.

### Broad International Stakes

The additional international stakes in the Sept. 18 elections can be seen by the announcement of Russian President Vladimir Putin that he will visit Germany prior to the election. Putin will meet Chancellor Schröder in Berlin on Sept. 8.

There are reports, so far unconfirmed, that Putin and Schröder will announce a "Joint Peace Initiative" vis-à-vis the Iran crisis. Both Schröder and Putin have publicly warned against a military strike against Iran, and have insisted that the question of Iran's nuclear program must be resolved through "patient diplomacy."

What is known about their meeting, is that a German-Russian energy cooperation agreement will be signed in Berlin, centered on building a 1,800-kilometer natural-gas pipeline from St. Petersburg to Greifswald. Costs for the underwater pipeline across the Baltic Sea are estimated at 4.5 billion euro, and construction will start this year, to be completed in 2010. Germany's share in Russian gas exports stands at 37%.

Chancellor Schröder's policy toward cooperation with Russia contrasts strongly with the outlook being expressed by his neo-con opponents, who have put a priority on good relations with Bush's Washington.

### A Decisive Vote

German voters have to recognize that they have it in their hands to decide what Germany's fate will be, on election day. Chancellor Schröder is openly counting on the "independent" and uncommitted vote, as representing his potential for victory. The Merkel crew is openly relying on the "business" and financial community.

But the one uncompromising political force that voters can rely upon, to tell them what the real choices are, is the BüSo, and its candidate for Chancellor, Helga Zepp-LaRouche.

# Zepp-LaRouche Leaflet Slams Merkel's Neo-Cons

*Under the headline, "Merkel's Neo-Cons Want To Imitate Bush-Politics in Germany: Will There Soon Be a Catastrophe Like Louisiana?", Zepp-LaRouche has made a new appeal to German voters. We reprint the text of her latest mass leaflet, issued Sept. 2, in full.*

Dear Voters,

The frightful human tragedy, which is being played out in Louisiana, Mississippi, and Alabama, shows what happens when the idea of the social state and the General Welfare are thrown out the window. The consequences of these catastrophes, taking place not in a Third World country, but in the South of the world's sole superpower, could, at a minimum, have been reduced, because already four weeks earlier, on Aug. 2, a report was publicized that with a certainty of 95%, several hurricanes would reach the strength this one had. There was enough warning to evacuate the population in a timely way, strengthen the levees, and prepare for fast relief measures.

But the Bush-Cheney Administration had other priorities. The budget of the U.S. Army Corps of Engineers which is responsible for such catastrophes, was cut by \$70 million this year; the Federal Emergency Management Agency (FEMA) responsible for these emergencies was merged instead into the Department of Homeland Security, which was constituted to run the war on terror, and over 40% of the National Guard is deployed in Iraq. Even after the sheer magnitude of the disaster had become clear, Bush required days more to break off his vacation. And as among tens of thousands trapped in the floods, suffering from hunger and thirst, people took food and drink from the supermarkets where the opportunity existed. Bush pronounced that they had better be careful that public order be strictly upheld, and conveyed to the police the order "to shoot to kill."

The apocalyptic events in the South of the United States should be a warning, "with a sledgehammer," to us in Germany, as to what happens when the principle of the General Welfare is crushed and broken, as Angela Merkel's [nominee] Kirchhof promises that he will destroy the social state "with a sledgehammer." If the brutal "elbow society" which the German neo-cons propose, begins to take hold, then the German people will be thrown into exactly the helpless crisis situation, in which the people of the southern United States find themselves now.

For what else does it mean, when Biedenkopf's friend Meinhard Miegel, Lambsdorff, and Tietmeyer of the New

Social-Market Economy Initiative (ISNM), launch a coordinated public attack on Adenauer, and hit him with the criticism that the German social state established after World War II came from him, and makes him the guilty party for today's crisis? And what does it mean when Miegel attacks the European model, insults the Europeans, they have become sated, surfeited, and comfortable, and that they now have to learn from the Asians who work hard and are satisfied without any social state? One had better think to what ends such attacks are aimed.

The principle of the General Welfare was established for the first time in Europe in the 15th Century: In the writings of Nicholas of Cusa; in the Italian Renaissance; in France during the reign of Louis XI. Before then, over long periods, Europe lagged far behind the development of China or India. Only the fight for the General Welfare, which was renewed in the Peace of Westphalia, and triumphed in the American Constitution, made it possible for European culture to win a much higher living standard for a steadily increasing share of the people.

If this principle of the General Welfare, which is the basis of the social state, should be sacrificed in favor of the "Anglo-Saxon model" propagated by Kirchhof or the "Asiatic model" proposed by Miegel and Co., then that means nothing other than that around 70% of the population should be degraded to a standard of living like the poor population in India, China, and Southeast Asia—or even in Louisiana, Mississippi, and Alabama.

Do you remember the tsunami, which struck Indonesia, Thailand and other parts of Asia three-quarters of a year ago? Also there, people were lured by tourism into accommodations in the dangerous vicinity of the beaches, like in Mississippi, for example, defenselessly exposed to the natural catastrophe. If you now see the dreadful images of the South of the U.S.A., with thousands of dead and over one million people who have lost everything, then you should be uncompromisingly clear, that President Bush has simply already put into practice the policies, which the Merkel-troop now proposes for the future of Germany.

Do you consider that an exaggeration? What then do you believe will occur when in the U.S.A. and worldwide, the real estate and mortgage markets collapse, and trigger a global financial crash? Or when this crash is caused by an oil price of \$100, \$200 or \$300? What kind of government do you want to have then, an Asiatic government à la Miegel or a European government à la Adenauer, which defends the General Welfare in such a crisis? Do you then want the great part of the German population to wander about as an itinerant people, without medical provision, without pensions, like the poor people in Asia? Do you really want the German neo-cons to determine our future based on Bush's example?

If people like Kirchhof or Merz were to determine the economic and financial policies of a Merkel-led government,

this would mean nothing other than that locusts would no longer launch their attack from the outside on the German economy, and above all on the German middle class, but rather they would sit in person in Berlin in the government. You don't believe it? What else would it mean if Kirchhof is the New Social-Market Economy Initiative (INSM) "ambassador" of Hans Tietmeyer, who is the adviser of the Lazard Freres investment bank? Or that Friedrich Merz is the German chief for the London hedge fund TCI, which has attempted a hostile takeover of the German stock exchange, and has managed to get its chief, Werner Seifert, kicked out.

What is happening in Louisiana, Mississippi, and Alabama is not an internal American theme. It is a wakeup call for the German voter, as to where a neo-con policy leads. It is at the same time an urgent message to you, to do everything possible to help me to defend the social state in Germany.

Almost everything depends on how the U.S.A. will handle the consequences of this crisis. In the best case, the Democrats in the Congress and in the Senate, with the help of moderate Republicans will assert themselves, and implement a policy of the New Deal and a New Bretton Woods System in the tradition of Franklin D. Roosevelt. That will then afford a chance to implement my program of the recovery of monetary sovereignty, the return to the D-Mark and a state investment of 400 Billion D-Marks per year for a productive full-employment program. If Germany has productive full-employment once again, the financing of the social state, of the health system, pensions, etc., will no longer be a problem.

What the terrible catastrophe in the South of the U.S.A. also makes dramatically clear, is the complete shipwreck of the system of globalization. Whoever thought that such tragedies would remain confined to Africa and Asia has deceived himself. The neo-liberal policy of the neo-cons has set up the framework in which African and Asiatic conditions can also come to the industrial nations. Hence, there can be only one lesson: We must place on the agenda the program of a just new world economic order, which affords all human beings on this planet a life of human dignity,

You can do this, by placing your trust in me and the BueSo.

Yours,  
Helga Zepp-LaRouche

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## Indonesia Again Faces The Speculators' Gun

by Mike Billington

Indonesia has been subject to the looting and subversion of the "economic hitmen" as often, or perhaps more often, than any nation on Earth, so the current assault by the international synarchist banking circuit, its institutions, and its associated hedge funds should not have been unexpected. This time, it has sent the national currency into free fall, and is draining the foreign reserves. The attack is of special note, however, because it comes as the world financial system itself is careening out of control, and Western financial analysts are warning that an explosion in heavily indebted Indonesia, together with similar crises in other developing-sector nations, like the Philippines and Brazil, could be the spark that ignites the now-inevitable global collapse of the dollar-based financial system.

The crisis in Indonesia is also of special interest because of the actions of ExxonMobil, playing the role of a modern-day British East India Company in asserting control over its colonial subjects and their raw material wealth, and subverting the nation's sovereignty.

In the past weeks, Indonesian President Susilo Bambang Yudhoyono has been forced to expend billions of dollars of the nation's reserves to defend against currency speculation, which has reached a level comparable to that of the 1997-98 speculative attack on the rupiah and other Asian currencies by George Soros and the hedge funds. Indonesia was, by far, the worst hit by that attack, because of the sweetheart contracts negotiated between Western corporations and former President Suharto and his family, which had placed the entire risk of default or currency collapse, upon the Indonesian government.

Those contracts were the intentional result of two decades of "economic hitmen" operations against the country, as documented in the now-famous book by John Perkins, *Confessions of an Economic Hit Man*, (San Francisco: Berrett-Koehler, 2004). Perkins describes his first major assignment in the early 1980s, in Indonesia, setting up the government and the state oil company, Pertamina, with contracts intended to create financial crises and foreign dependency over the long term. Perkins identifies George Shultz as a leading controller of the "hitmen." Shultz has served variously as the head of Bechtel Corp., U.S. Secretary of State, and, most recently, as the architect of the neo-conservative cabal running the Bush/Cheney Administration, and he continues to personally oversee their Indonesia policy.



When President Suharto (right), in 1998, succumbed to IMF demands to impose austerity, including cutting fuel subsidies, riots broke out across the country, that led to his downfall. Current President Yudhoyono (left) is facing a similar challenge from the IMF today.

This cabal, together with the International Monetary Fund and the other international financial institutions, is demanding that Indonesia strangle its domestic economy with higher interest rates, squeeze the population and the nation's businesses with higher fuel costs through lower fuel subsidies, and return to the "government guarantees" for foreign investments of the Suharto era, which bankrupted the country in 1997-98. Thus far, President Yudhoyono and his economic team have shown little willingness (or ability) to resist.

### **ExxonMobil's Greedy Blackmail**

At the peak of the crisis after the currency collapse of 1997-98, with Indonesia flat on its back, ExxonMobil purchased the rights to exploit the Cepu oil field in Java until 2010. It was sold to them by President Suharto's son, Tommy, who had earlier used his family connection to buy the field from Pertamina. ExxonMobil soon discovered that the oil field was far larger than earlier believed; in fact, it is one of the largest deposits in oil-rich Indonesia. Then, the oil giant told Indonesia that it would *refuse to develop the oil field unless the government granted it 20 more years of control over Cepu, beyond the 2010 specified in the contract.*

Government officials told *EIR* that ExxonMobil went even further, turning off the existing oil wells on the property, as a form of coercion to get its way. The official also reported that it is an assumed point of law that a lease to a foreign oil company includes the proviso that the deposits *must* be developed, or the government can reassert sovereignty over the property. Beyond doubt, Indonesia would have been within its rights to seize the property and begin production.

The directors of Pertamina, and other officials, insisted

that the sovereignty of the nation should not be so treacherously compromised by transferring rights to its oil wealth under conditions of blackmail, and that Pertamina was, in any case, fully capable of developing the Cepu field itself, if ExxonMobil refused to carry out its responsibilities under the contract.

Meanwhile, foreign investments were close to zero in the years after the destruction of Indonesia's currency, and Indonesian oil production fell steadily, with no new fields brought on line. This year, Indonesia went from being a net oil exporter to a net *importer*, just as oil prices went through the roof.

The fight over Exxonmobil continued for several years. When Yudhoyono was elected President in September 2004, he promised to settle the dispute, and in July 2005, the government announced a deal, capitulating to ExxonMobil and granting it 20 additional years of control over Cepu. Pertamina's current president, Widya Purnama, has refused to sign on to the deal, despite the fact that the contract will be a "joint venture" between ExxonMobil and Pertamina. Nevertheless, the Yudhoyono Administration asserted that it will proceed.

The final blow fell on Aug. 19, when it was announced that the entire Pertamina leadership was being fired, including Widya Purnama, apparently for daring to cross the colonial lords of ExxonMobil. The *New York Times* began its news coverage of this event saying, "ExxonMobil has found a friend in President Susilo Bambang Yudhoyono of Indonesia."

Unlike the Indonesian economy, ExxonMobil reported a world-record profit of \$25.3 billion for 2004, and has exceeded that pace in 2005, with \$15.5 billion in profits for the first half alone.

## Speculation and 'Shock Policy'

If Indonesia's leadership imagined that such accommodation to the synarchist institutions of the world would result in kinder, gentler treatment, they were forced to correct that belief within days. The rupiah has been falling for the past two years (a total of 16%, to 10,013 rupiah per dollar, as of Aug. 23, 2005), caused, in part, by increasing foreign oil purchases, which drained the dollar reserves, but primarily caused by rising speculation in the largely uncontrolled foreign-exchange market.

On Aug. 26, the *Wall Street Journal* published an op-ed by Adam Mesurier, the economist for Southeast Asia at Goldman Sachs, titled "Indonesia's Confidence Crisis," spelling out the conditions required of Indonesia by the synarchist bankers. To avoid a further collapse of the nation's currency and equities, Mesurier warned, the country must impose "a monetary shock policy of raising interest rates, supplemented by fiscal measures such as reform of the nation's overly generous fuel-subsidy program." Indonesia must also implement "regulatory reforms," he said, primarily government guarantees like those of the Suharto era, especially in the energy sector.

But President Yudhoyono was hesitant to further undermine the economy with high interest rates, and was definitely unwilling to lift fuel-subsidies, which would raise fuel rates for both individuals and businesses. "There would be riots across Indonesia if he did that," one official told *EIR*. Indeed, it was just such measures implemented by President Suharto in 1998, at the demand of the IMF, which precipitated riots and Suharto's rapid fall from power. President Yudhoyono did raise fuel rates by 29% in March without serious repercussions, but only by promising that it would be the last rise this year.

Then, on Aug. 30, as the *Wall Street Journal* had threatened, the currency speculators went berserk, driving the rupiah down by 9% in a few hours. The government moved immediately to intervene in the currency market, stabilizing the rupiah temporarily, but bringing dollar reserves down to about \$31 billion, from more than \$37 billion last year. President Yudhoyono also lifted interest rates by 3/4%, to 9.5%.

The following day, the President gave a nationally televised speech in which he capitulated to another synarchist demand: further cuts in the fuel subsidies. However, he said that the cuts would not be implemented until after October (the beginning of Ramadan), which caused howls of objections from the international financial institutions. Standard & Poors immediately threatened to lower Indonesia's credit rating, saying the "core reason" was the refusal to cut the subsidies immediately, adding that the interest-rate hikes must also be "more aggressive."

The *Wall Street Journal* contributed an editorial demanding that Indonesia give up sovereign control over its currency altogether, by adopting the insane "currency board" idea pro-



*ExxonMobil is playing the role of a modern-day British East India Company, in the crisis in Indonesia, in asserting control over its colonial subjects and their raw-material wealth, and subverting the nations's sovereignty.*

moted by economist Steve Hanke. As the *Journal* put it, the country needs to prevent "politicians and central banks" from having any say in national currency policy, by adopting "a currency board that takes all discretion on such matters out of their hands," while tying the rupiah to the dollar. The *Journal* states bluntly, "That can lead to wrenching adjustments in the short term."

Indeed, that is the intention.

President Yudhoyono issued a stern warning that speculators in the currency markets would be punished, but without currency controls in the global casino known as the floating-exchange-rate system, there is no effective means to counter speculation.

The Asian nations have offered some help against the speculators. Currency swap arrangements with Japan, South Korea, and China were doubled this week, adding another \$5 billion in stand-by credit to support the rupiah. The hyperinflation in the international markets, however, means that such monetary defense will have little impact.

As the hyperinflation and speculation continue to drive up oil prices, fuel subsidies could cost Indonesia as much as \$14 billion this year, a quarter of the national budget. Nonetheless, conceding to the demands of the speculators will not ease the pressure, but only result in more deadly demands. There is no way to extract "concessions" from the dying beast known as the international financial system. As Argentine President Nestor Kirchner said, after he saved his country from destruction at the hands of the international financial institutions by defaulting on the sovereign debt, and successfully negotiating a 75% reduction in that debt, "There is life after the IMF."

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# LaRouche Reps Address Mahathir Conference

by Muriel Mirak-Weissbach

The gathering in Malaysia's capital, Kuala Lumpur, on Aug. 1-3, dedicated to the achievements and policies of former Prime Minister Tun Dr. Mahathir Mohamad, assumed a special importance because of the fact that it occurred in the midst of the global economic-financial breakdown crisis, and the related, dangerous drive for war against Iran. Of special note was the fact that two representatives of American physical economist Lyndon LaRouche, the founder of *EIR*, were invited to address the conference, indicating the role played by LaRouche and his ideas in Malaysia under the leadership of Dr. Mahathir.

The conference was the first such gathering organized by the Institute of Tun Dr. Mahathir Mohamad's Thoughts, a new institution which had been set up at the time of the news that Mahathir would resign as Prime Minister. The institute, which is at the University Utara Malaysia, functions as a reference point for Mahathir's ideas and activities, with a particular focus on reaching the youth.

The conference theme was "Tun Dr. Mahathir: Managing Governance and Development in the 21st Century," and aimed at shedding light on the way the former Prime Minister is viewed in other countries.

In addition to the LaRouche representatives, leading Malaysian economists, political figures, and intellectuals addressed the gathering of 250 persons, as well as guests from Thailand, the Philippines, Pakistan, Indonesia, and Bangladesh.

Of Mahathir's achievements during his tenure between 1981 and 2003, those bearing the most immediate relevance to the current crisis centered on his successful fight, in 1997-98, to defend his nation's currency, economy, and people, from the savage attacks by international speculators, such as hedge fund operative George Soros. One speaker, who had been deputy finance minister during the crisis, related his experience as a participant in the National Economic Action Council, set up by Mahathir to deal with the speculative onslaught by the hedge funds. He described the meetings of the group, which made the decision in September 1998 to impose partial currency controls, ban trading of the ringgit outside the country, and fix the currency exchange rate. In response, the international financiers announced their intention to turn Malaysia into the pariah of the devel-

oping countries. Nonetheless, Malaysia succeeded with its policy, such that even the IMF later had to admit that Mahathir had been right. This speaker stressed Mahathir's emphasis on the need to "think big," and not accept any inferiority complex, as a "small" country.

## Presenting LaRouche's Role

Two representatives of the LaRouche movement, this author and Jacques Cheminade, President of the Solidarité et Progrès party in France, introduced LaRouche's role as an indirect interlocutor of Mahathir over the past decade, in regard to the sovereign rights of the developing sector nations to develop, LaRouche's historic economic forecasts, and his concrete design for a new Bretton Woods system. It was recalled that, when Mahathir launched an open attack against the IMF, and the international speculators as "criminals," a hysterical *Wall Street Journal* screamed that "behind" him was the "mysterious" figure of Lyndon LaRouche. In fact, LaRouche's ideas had been circulating among Malaysian intellectual and political circles for years.

Mahathir himself addressed the conference during a round-table discussion in the evening of Aug. 1, in which he outlined his concept of governance, and expanded on the importance of infrastructure to build a modern industrial economy, focussing, especially, on the function of transportation routes as development corridors.

During the debate, this author was able to bring two critical issues to the fore: the new war plan against Iran, threatened by Vice President Dick Cheney, and denounced by LaRouche in his "Guns of August" release; and the urgent need for an international conference to hammer out a new Bretton Woods monetary system. Mahathir blasted Cheney: "You can always expect Cheney to be consistently evil. He is evil, and lies in order to justify wars. *He* represents the true 'axis of evil,' the 'evil empire.'" Mahathir added that he believed a plan existed to go to war against Syria and Iran, in the name of "democracy," as had been done with such disastrous results in Afghanistan and Iraq.

In regard to a "New Bretton Woods," Mahathir answered unequivocally, "This is long overdue. The system is not working. If Malaysia had \$1 trillion in debt, it would be declared bankrupt. Its currency would be worth less than the paper it is printed on. If the U.S. debt is \$4 trillion, however, we are told that the economy is sound, and there is growth. The United States is living on foreign debts, and on reserves kept by other countries in dollars, and by trade in dollars. We should change the system. . . . For example, the currency traders: We have to stop that. Otherwise, countries will suffer what Malaysia suffered."

Mahathir also outlined his proposal for a "gold dinar, as a currency meant *only* for trade, not for the local economy."

# Iraq Disintegrating in Fight Over Constitution

by Muriel Mirak-Weissbach

Iraq may turn out to be the first country in modern history to self-destruct through a constitutional process. The draft constitution, to be submitted to a national referendum on Oct. 15, was drawn up under the guiding hand of U.S. Ambassador Zalmay Khalilzad, whose intention must have been to lay the basis for partition of the nation.

For, this is the thrust of the document. Against the loud protests of Sunni members of the commission, a draft was completed which calls for Iraq to be a federal state, whose current and future “regions” are shaped so as to become independent entities. Ethnic and religious differences are exacerbated, not overcome, in the document, and corresponding militias are given the right to continue to exist, creating the conditions for possible civil war.

It is no wonder that the Sunni minority (which used to be the ruling force in the central government) rejected the draft, and mobilized its forces to defeat it in the referendum, by mustering a two-thirds majority against it, in three provinces of the country. No wonder that Amr Moussa, Secretary-General of the Arab League, denounced the text as a “recipe for chaos.”

## No Nation, Only Regions

Just why the Sunnis have rejected the draft constitution, is clear in that document’s formulations defining the country. The preamble states: “the Federal Republic of Iraq is made up of a capital, regions, decentralized provincial and local administrations” (Article 113), and “the Iraqi regime is republican, federal, democratic, and pluralist.” The draft constitution, once adopted, is to recognize the Kurdistan region, which has enjoyed relative autonomy since 1992. The Sunnis had argued for the text to be changed, such that Iraq is a country with “one capital, one province, decentralized governorates and a local administration”—that is, a unified nation with a strong central government.

Not only is the Kurdish region (which Kurdish leaders already refer to as “Kurdistan”), to be recognized as an autonomous entity, but other regions may also be established (Articles 115-117). “After six months,” so reads the draft, “parliament in its first meeting will vote by simple majority on a law regulating the creation of regions. One or more provinces have the right to create a region. Regional governments have the right to exercise legislative, executive, and judicial powers, except for the prerogatives reserved for the federal author-

ities.” These prerogatives include foreign, defense, monetary, and trade policy. And, furthermore: “Governorates that are not integrated in a region will be given administrative jurisdiction and adequate financial capacity to administer themselves according to the principles of decentralization. The governorates’ cabinet is not placed under the control of any minister or other institution.”

Although lip service is paid to the idea of integrating existing militias into a national military force (in Article 9), each federal region has a right to its own security forces, according to Article 118. This means the Kurdish Peshmerga in the north, and the Shi’ite Badr Brigades, in the likely event of the emergence of a southern region, would remain as standing armies of their regions. The regions would also have a right to their own constitution and laws.

The economic aspect of this carving up the country, is another reason why the Sunnis rejected it. Iraq’s massive oil reserves are found in the northern Kurdish and southern Shi’ite areas. The text says “oil and gas are the property of all the Iraqi people,” but, the federal government manages oil and gas extracted from “current wells” in collaboration with producing regions and provinces. As for future explorations and oil finds, the text allocates a “specific quota” to the provinces oppressed by Saddam Hussein’s regime, i.e. those inhabited by the Kurds and Shi’ites. The Sunnis are located geographically in the center of the country, where there is no oil.

Adding insult to injury, the text goes so far as to deny Iraq its Arab identity. The text says Iraq is “a multinational, multi-confessional, and multicultural country. It is part of the Muslim world and *its Arab people* are part of the Arab nation”—but not the country as a whole! Sunnis demanded that this be changed, but to no avail. The draft states that Arabic and Kurdish are official languages, for parliament, the cabinet, and courts, whereas the Sunnis argued that Kurdish should be restricted to the Kurdish region. Other languages, of the Armenians, Turkmen, and Assyrians are to be allowed locally in schools.

Much has been made in the international press, of the role allocated by the constitution to Islam: it is “the religion of the state and a main source of legislation and the constitution guarantees freedom of religion and freedom to practice religion.” Concern over this is vastly exaggerated, considering that many constitutions in the Arab world have similar wording. However, it is feared that the judges of the constitutional court (Article 90), who are to be drawn from “judges and experts of Islamic law,” might open the way for Shi’ite religious leaders to take over and to introduce an Iranian-style system. Religious freedom is guaranteed to non-Muslims, specifically Christians, Sabaeans, and Yezids.

Another issue that has raised international concern, is women’s rights, which are not specifically defined. Rather, there is a non-discrimination clause, and women are to get up to 25% seats in parliament.

However important, these are side issues. The real seed of Iraq's self-destruction lies in the federal structure, as defined above. Thus, the immediate cries of alarm from high-ranking personalities in the Arab world like Amr Moussa. Speaking to the BBC's "World Today" program, he stated: "I share the concerns of many Iraqis about the lack of consensus on the constitution." He went on to address the denial of Iraq's "Arab identity." "I do not believe in this division between Shi'a, and Sunni, and Muslims, and Christians, and Arabs, and Kurds," he said. "I don't buy this and I find in this a true recipe for chaos, and perhaps a catastrophe in Iraq and around it." Gulf Cooperation Council Secretary General Abdel Rahman al-Attiya added his voice of dissent, saying the Iraqis should review this "disastrous" draft to maintain the territorial integrity and unity of Iraq.

Catastrophe is indeed on the horizon, unless this process is reversed.

Instead of integrating the various ethnic, religious, and political forces into a united nation, the constitution spells out the means by which to divide them and pit them, one against the other. Instead of reversing the disastrous de-Baathification policy imposed by then-proconsul Paul Bremer, the constitution explicitly bans "the Saddamist Baath and its symbols." Iraqi Prime Minister Ibrahim Al-Jaafari made clear what this would mean, when he said, "Baathists have no place in the new Iraq."

The Sunni response is to have recourse to the only instrument at their disposal: the referendum vote. Immediately after the reported completion of the draft, they geared up a voter registration drive, to ensure a two-thirds majority in three of the four provinces where they constitute a majority. If this occurs, the draft will be rejected, and a new commission will be formed to write a new constitution. If not, it will be adopted, but not by the Sunnis. This means possible civil war.

### Failed States As Policy

Either way, as Lyndon LaRouche stressed, Iraq is being broken up, and that must be the intention of the neo-con gang which forced this constitution on its puppets in Iraq. What is being carried out there, is a U.S.-British scheme to create a band of failed states, running from Iraq through Afghanistan. The partition of Iraq, as prescribed in the constitution, is under way, as part of a policy to create a zone of ungovernability in Southwest and Central Asia. One of the instruments for this,



DoD/Army Pfc. Ferdinand Thomas

*U.S. Secretary of State Condoleezza Rice at a Baghdad press conference in May with Iraqi Prime Minister Ibrahim al-Jaafari. The new constitution will lead to the breakup of Iraq and probable civil war—as seems to be the intention.*

is the pseudo-gangs now targetting civilians in Iraq, which are reportedly instruments of foreign secret services. The long-term objective of creating and spreading this instability, is to make a case for world government.

Elsewhere in the region, this very scenario is being played out. U.S. policy towards Iran, the neighbor which *could* play a stabilizing role in Iraq (and Afghanistan), is nothing short of belligerent. President George W. Bush merely stoked the raging fires further, when, from his vacation site, he stated that "all options" were on the table vis-à-vis Iran, and reminded the world that he had already gone to war, in Iraq, to defend U.S. interests.

U.S. policy towards Syria, another crucial neighbor of Iraq, has been increasingly provocative; not only did U.S. planes bomb three houses in Iraq, near the Syrian border on Aug. 30, but reports are that Bush, together with the French, wants to impose sanctions on Syria. The situation in nearby Lebanon, where a United Nations commission is completing its investigation into the murder of former Prime Minister Rafiq Hariri, is reaching fever pitch: Intelligence reports, indicating that leading political figures and journalists may be targetted for assassination, have sent several Lebanese figures into temporary exile in France. Any such assassination would be presumably laid at Syria's doorstep.

Ergo: either U.S. policy changes, through forceful action by a returning Senate and House of Representatives, or Southwest Asia is about to go up in flames.

## MOON OVER PARANÁ

# Dick Cheney's 'Spoon-Benders' Rampage Through South America

by Dennis Small

War. Chaos and war are what Vice President Dick Cheney and Defense Secretary Donald Rumsfeld are in the process of unleashing across South America. Look carefully at what they are up to.

Religious hoaxster Pat Robertson used his Christian Broadcasting Network telecast Aug. 22, to issue an in-your-face call for the assassination of Venezuelan President Hugo Chávez. "If he [Chávez] thinks we're trying to assassinate him, I think that we really ought to go ahead and do it. It's a whole lot cheaper than starting a war."

In the ensuing national and international uproar, the Bush-Cheney State Department laconically commented that Robertson's remarks were "inappropriate." And Defense Secretary Rumsfeld brushed the matter aside: "Our department doesn't do that type of thing. He [Robertson] is a private citizen. Private citizens say all kinds of things all the time."

What makes Robertson's remarks particularly dangerous—a threat to U.S. national security, which must be repudiated by President Bush, in the words of Lyndon LaRouche—are two additional considerations.

First, Robertson is closely linked to fundamentalist "spoon-bender" killers like Gen. Jerry Boykin, and other lunatic fringe political associates of Vice President Dick Cheney, as we document in the pages that follow. That grouping is out to stage a second 9/11 terrorist incident in order to launch a new war against Iran, including the use of tactical nuclear weapons. Robertson, like Jerry Falwell and related "Christian right" fundamentalists, flourished under the George H.W. Bush Administration, and were financially bailed out in 1995 by none other than the infamous Rev. Sun Myung Moon—himself a Bush ally, and a long-standing asset of the Nazi networks associated with the Ibero-American

drug trade.

Second, Robertson's comments are part of an ongoing rampage of assaults against the nations of South America, being carried out by U.S. Vice President Dick Cheney personally, and by his allied spoon-benders, including Rumsfeld, who just returned from a mid-August trip to Paraguay and Peru. Cheney and Rumsfeld—the "Burke and Hare" of Washington, D.C.—fully intend to sink the region into fratricidal border wars, civil wars, and economic chaos, using Paraguay as their touchstone.

Those oligarchical financier interests are well on their way to producing a string of failed states in South America—the governments of Paraguay, Bolivia, Ecuador, and Peru are all hanging by a thread, as of this writing—much as they are doing in Southwest Asia as well. Such "failed states," or areas described as otherwise "ungovernable," are frequently cited by Rumsfeld et al. as justification for establishing a supra-national military force that would intervene in such areas, purportedly to "fight terrorism" or "re-establish order." But their actual mission would be to put an end to the era of sovereign nation-states, and seize control of all raw material assets. Such a supra-national military force would be the modern equivalent of the Nazi Waffen SS, and would be deployed to similar effect.

As LaRouche put it succinctly in a pair of memoranda in late August: "The operation is a crucial element among a panoply of intersecting operations, all aimed at a great raw-materials-control grab by the Anglo-Dutch Liberal financier interest, an operation which includes the supporting objective of breaking up and crushing all nationalist political power in Central and South America. It is an operation which lures in puppets Cheney and Rumsfeld as the same general, global



*The war and chaos team: Here Secretary of Defense Donald Rumsfeld (center) and Vice President Dick Cheney (left) at an Iraq war update in April 2003. Now they are aiming their guns at Ibero-America.*

DoD/R.D. Ward

operation sucks in all sorts of susceptible people. . . . [It is a] project of worldwide elimination of the existence of the sovereign nation-state, a strategic threat to the vital strategic interests of the U.S.A.”

The financial oligarchy’s current attempt to unleash chaos and population wars in South America centers on Paraguay—just as it did in the 19th Century, and again in the 20th Century. Today, the major political actors involved in this gambit are the forces deployed under purported religious cover by the sexually obsessed *Rev. Sun Myung Moon*, and Prince Philip’s *Worldwide Fund for Nature, or WWF*—which are twin, British-run intelligence operations to annihilate the nation-state, and impose fascist globalization. The decisive financial spearhead of this operation in South America is Spain’s *Banco Santander*, a front for the interests behind its strategic banking ally, the Royal Bank of Scotland: the British royal household itself (see box).

Lyndon LaRouche has been at war against these forces, and the power that deploys them, for decades, and has played a decisive role in stymying their plans in South America and elsewhere, as the following articles show. It is that battlefield knowledge that we bring to the reader in this report.

To locate the strategic import of the current battle, we identify four of its leading features, which should be viewed as distinct dimensions of a single process. Think of each as if they were overlays on a historic map of the region. Do not think of any one overlay—nor even of the combined sum of the four—as the actual operation that is under way. Conceive, instead, of that *historical power*, that force for evil in the world that is the actual *source* of each of those overlays in turn: what LaRouche has identified as Anglo-Dutch financier

interests. What is that power’s actual intention in the region? What does that tell you about their intention globally? And what will it mean for U.S. national interests if Cheney and Rumsfeld, the puppets of those financial interests, remain in command in Washington?

## 1. Mapping Cheney’s Paraguay Capers

A highly unusual meeting took place in Washington, D.C., on June 10, 2005. On that day, U.S. Vice President Dick Cheney met personally, and at some length, with Paraguayan Vice President Luis Castiglioni. But Paraguay is a relatively small, powerless nation of scarcely 6 million people, of no apparent strategic significance. What was going on, that warranted Cheney’s hands-on involvement?

Cheney was taking measures to redraw the political map of South America, for the first time in nearly a century. He was sealing an agreement to build a U.S. military base on Paraguayan territory, in the heart of South America. On that same trip to Washington, Castiglioni also met with Rumsfeld, who promised to visit Paraguay shortly. Rumsfeld arrived in Paraguay just two months later, on Aug. 16, to oversee the first stages of 18-month-long joint military maneuvers deployed from that base. The public justification of this operation invoked the specter of a new 9/11, asserting that the operation is meant to combat purported Iranian-linked terrorists ensconced in the Triple Border area of Paraguay, Brazil, and Argentina.

As the map in **Figure 1** shows, the planned U.S. base is located at Mariscal Estigarribia, in the godforsaken Chaco region of Paraguay, the site of the bloody Chaco War of the 1930s between Paraguay and Bolivia. That air base is

## Banco Santander: Run by The Financiers of Hitler

*A more extensive report on this subject appeared in the "Empire Strikes Back: Spanish Banks Recolonize Ibero-America," EIR, July 2, 2004.*

Leading the foreign takeover of Ibero-America's banking sector is Banco Santander Central Hispano (BSCH, or Santander), the largest bank in Spain, and the sixth largest in Europe. Santander, with 15 banks spread across Ibero-America, is the largest foreign bank in the region, with \$77 billion in assets, or 9% of the region's total.

Santander is headed by Emilio Botín, a fourth-generation oligarchic banker who is widely estimated to be the richest man in Spain. He is a major backer of Spain's Francoist party, the Partido Popular (PP), and its former Prime Minister José Marí Aznar. In fact, according to various accounts, it was Botín who "created" Aznar, flying the little known PP leader to London in his private jet for a hush-hush meeting with select British bankers, prior to his 1996 election as Prime Minister. Similarly, Botín reportedly brags that he "owns" Rodrigo Rato, Aznar's former Finance Minister, who was appointed to head the International Monetary Fund in March 2004.

One of the top business advisers to Botín's daughter and heir apparent, Ana Patricia Botín, is Rafael López Diéguez, the head of Spain's overtly fascist party Alternativa Española. López Diéguez is the son-in-law of the notorious Blas Piñar, a former high official under Franco, the friend and protector of numerous Nazis spirited into Spain

after World War II, and head of the current effort to build a united European fascist front.

Santander is also associated with the Moonies. For example, the Moonie Spanish-language publication, *Tiempos del Mundo*, has on its home page a direct, sponsored link to Banco Santander.

And who really runs Santander?

A year after assuming the presidency of Santander, in November 1987, Emilio Botín signed a strategic agreement with the Royal Bank of Scotland (RBS) to swap 10% of each other's shares, and joined RBS's board. RBS is one of the United Kingdom's oldest, leading financial institutions. Rt. Hon. The Earl of Airlie is a prominent member of the RBS board of directors, and he is the brother-in-law of Princess Alexandra, Queen Elizabeth's first cousin; a Privy Councillor; and Lord Chamberlain of the Queen's Household—that is, he heads up the innermost sanctum around the Queen. Until 1984, he was chairman of Schroeders PLC, the London merchant banking group which helped finance Hitler's rise to power in the 1930s.

Furthermore, the international private banking arm of RBS is Coutts & Co.—the private bankers to the Queen. Santander's relationship with RBS is so cozy that in May 2003, according to the Santander web site, they "reached an agreement with The Royal Bank of Scotland Group, under which [Santander] acquired the private banking business in Ibero-America of its affiliate Coutts & Co."

In 1999, Santander struck another strategic alliance, this time with Assicurazioni Generali, the infamous and ultra-powerful Venetian insurance company, on whose board sit representatives of the principal banking fortunes of Western Europe. It is also well known that Generali played an instrumental role in bringing Mussolini to power in Italy.—*Dennis Small*

equipped to handle the heaviest military transport planes, and can house up to 16,000 troops.

There are also significant natural-gas deposits near the base, both in Paraguay and across the border in Bolivia. Bolivia's field, located in the separatist province of Tarija, is one of the largest in the world, and may be directly connected to the Independence I well located some 60 miles away, across the border in Paraguay. This is the stuff of which border incidents are typically manufactured by the financial interests behind Cheney and Rumsfeld.

The area is also close to the giant fresh-water Guaraní Aquifer, one of the largest in the world, and a major natural resource in its own right. It underlies much of the Paraná-Paraguay River basin, and covers an area of some 1.2 million square kilometers (463,000 square miles), with an estimated 70% located in Brazil, 19% in Argentina, 6% in Paraguay, and 5% in Uruguay.

Both the Paraguayan and U.S. governments have denied that a permanent U.S. base will be established at Mariscal Estigarribia, but few regional players are convinced by their words. For example, on Aug. 25, Brazilian Foreign Minister Celso Amorim told Reuters news service, in response to a question about Rumsfeld's mid-August trip to Paraguay, "The issue is that everything happen with a lot of transparency, that its objectives be clearly known." In late July, Amorim met with his Uruguayan counterpart, and emerged to state: "We don't see any reason for there to be an American military base in this region."

Among other concerns, the Brazilian government is worried that Washington's maneuvers are intended to drive a wedge among the Mercosur common-market members—Brazil, Argentina, Uruguay, and Paraguay—because of Mercosur's opposition to British free-trade policies. And the Brazilian military—always highly sensitive to potential

FIGURE 1

## Cheney Targets the Heart of South America



threats to their sovereignty in the Amazon region—chose to stage high-profile military maneuvers along their border with Paraguay, which were timed to coincide with the arrival of the first U.S. troops.

### Bolivia Faces Disintegration

Perhaps most alarmed of all is Bolivia, which is already facing national disintegration in a country highly polarized between “leftist” forces, centered in the coca-growing regions

of the western highlands, and a “right wing” based in the southeastern provinces of Santa Cruz and Tarija, which hold most of the country’s hydrocarbon deposits. The latter are already talking about secession, a policy being actively promoted by the American Enterprise Institute (AEI), the neocon’s “Temple of Doom” in Washington, D.C., through the widely publicized articles of its scribbler Mark Falcoff. Both in his articles and press interviews, Falcoff has provocatively urged the provinces of Santa Cruz and Tarija to split from Bolivia, form an independent country, and ally with neighboring Chile.

High-level Bolivian authorities have told *EIR* that they are deeply troubled by the Mariscal Estigarribia base, and view it as part of a potential strategic resource grab, which could include supra-national troop deployments to back up a new “Santa Cruz Republic.” These Bolivians were also dismayed at Paraguayan President Nicanor Duarte’s Aug. 29-31 trip to Chile, where he inked accords to establish a Paraguayan free port in the Chilean city of Antofagasta, and talked about a new strategic alliance between the two countries. Duarte also proclaimed his desire to reach a free-trade agreement with the United States, modelled on the Chilean-U.S. free-trade accord. The Bolivians can’t help but view this in the context of the active operation for Santa Cruz and Tarija (which shares a common gas field with Paraguay), to secede and join Chile.

This entire provocative package was reportedly put together by Rumsfeld during his Aug. 16 visit to Paraguay.

Throw an attempted assassination of Venezuelan President Chávez into this mix, either by a Cheney-sanctioned operation or by some loose cannon set in motion by Pat Robertson’s calculated provocation, and the entire continent of Ibero-America would sink into Hell. Left-vs.-right warfare would explode everywhere, unleashing terrorists of both ideological extremes across the Americas—including inside the United States. Chávez has a significant following in South America’s left, more as a result of the misery created across the continent by decades of financial looting, than by Chavez’s own unstable antics.

Under these circumstances, Bolivia would be the first to go.

## 2. Three Centuries of British Wars vs. Paraguay

The foregoing base map of Cheney’s current operation, however, is not occurring in a historical vacuum. Consider its actual authorship, as we place a second, historical overlay on our preliminary picture.

“Ground zero” of Cheney’s South American caper is the same Chaco region of Paraguay which was the site, 70 years ago, of the bloody Chaco War of 1932-35 between Paraguay and Bolivia, in which some 40,000 Paraguayans and 50,000 Bolivians died. By the end of that war, the Paraguayans had only child-soldiers left to do the fighting. The Chaco War was

a British-orchestrated *resource war*, involving Rockefeller’s Standard Oil interests, German Nazi networks in Bolivia, and Royal Dutch Shell holdings in Paraguay, each of which coveted the hydrocarbon riches of the Chaco (see article below).

Seventy years before that, from 1865-70, Anglo-Dutch financial interests had deployed their puppet governments in Argentina, Brazil, and Uruguay, to gang up on Paraguay in the Triple Alliance War. That exercise in geopolitical genocide ended up butchering some 50% of the population, including 80% of all males of Paraguay, a demographic horror from which the country has not recovered to this day. Great Britain explicitly justified the war on the grounds that it was necessary to stamp out economic protectionism in Paraguay, and to impose the British doctrine of free trade—the same free-trade lunacy that Paraguay’s current President just embraced in Chile.

By the time of the war, Paraguay had developed into “the most powerful nation in the New World, after the United States,” according to the U.S. Consul in Paraguay at the time. By the 1850s, Paraguay was self-sufficient in food, had a totally literate population, and was industrializing at a healthy pace. It did this with aggressively protectionist economic policies modelled on the American System of political economy of Alexander Hamilton—historically Public Enemy Number One, for the Anglo-Dutch Liberal financiers.

## The Jesuits in Paraguay

Centuries earlier, Paraguay had also been the target of British and Hapsburg-deployed hooligans, in the form of the Jesuits, a nominally Catholic religious order which for centuries has served as a battering ram for Venetian Aristotelian liberalism. In 1767, Spanish King Charles III (1759-88), an ally of the American Revolution, expelled the Jesuits from the entire Spanish Empire—including Paraguay, where they had built up a significant following. How had the Jesuits achieved this? Suffice it to quote from Friedrich Schiller’s famous brief 1788 account, *The Jesuit Government in Paraguay*:

In a campaign which preceded the battle of Paraguay, fought on the 12th of September 1759, between the Jesuits and the united Spanish-Portuguese army, two Europeans, who had fought with desperate bravery, were brought in among the different Indian prisoners. . . [They confessed] they were Jesuits. . . .

When their pockets were searched, a small book was found. . . [with] the chief tenets of the religion, which the Order had sought to implant in their Indian subjects [such as]. . .

“6. Man must defend himself against his enemies.

“7. The enemies are the white men, who come from a far distant region, to conduct war, and are cursed by God.

“8. The Europeans, i.e. the Spanish and Portuguese,



are such people who are cursed by God. . . .

“10. God commands that we exterminate his enemies and go forth to their country, to exterminate them. . . .

“5. God permits him, who despises temporal goods and is always ready to fight against the friends of the devil, to do everything with a woman. . . .

“20. Whoever be the cause, that our weapons extend to Europe, he shall have many beautiful maidens in Paradise. . . .

“27. One must give to the Kaus [Jesuit priests—ed.] all fruits of the land and all labor of mankind. . . .”

Does this sound like a modern-day, gnostic sex-cult? There is a reason for that.

### 3. Moon Over South America

There is another curious feature, a third overlay, to the Mariscal Estigarribia base: It is a stone’s throw from huge tracts of land owned along the Paraguay-Brazil border by Reverend Moon—a spoon-bender lunatic if ever there was one.

Rev. Sun Myung Moon—a Korean by birth, but an Anglo-American agent by pedigree—is best known for presiding over mass weddings of his zombie followers, whom he then instructs as to when and how their marriages may be consummated. In his early years in the 1950s, Moon was repeatedly arrested in both North and South Korea for a religious innovation which he charmingly referred to as “holy blood-sharing.” Based on pagan fertility rites, this was the unlimited copulation of the pastor with his female adherents.

In recent times, Moon has reportedly proclaimed that he communicates regularly with departed souls, including all the deceased Presidents of the United States. And in a speech in Buenos Aires, Argentina in November 1996, *and with ex-President George H.W. Bush sitting at his side*, Moon regaled banqueters with a litany of odd sexual and scatological references: “When you defecate, do you use a mask? This is no laughing matter, this is serious. When you were kids, did you ever taste the cooties from your nose? . . . Why didn’t you feel they were dirty? Because that’s a part of your body.” He concluded, referring to himself in the third person: “The Reverend Moon has discovered things that no one else had thought about.”

At that same banquet, ex-President Bush hailed Moon for his “foresight and vision.” He did not publicly thank him, however, for the six-digit honorarium Moon paid him for the appearance.

But is Reverend Moon just one more fruitcake, masquerading as a man of the cloth? Or is there some other affinity (besides lunacy) between him and Cheney’s “spoon-benders?” Are they all being deployed by a common master, to a common end?

*EIR* has written extensively on the subject of Reverend



*Rev. Sun Myung Moon is in the middle of the Cheney “spoon-benders” war plans and anti-development land grab for Ibero-America.*

Moon.<sup>1</sup> Here we limit ourselves to restating a handful of salient points.

In 1954, Moon set up his Unification Church, in connection with the founding of the Asian Peoples’ Anti-Communist League. Moon’s original lawyer was Robert Amory, deputy director of the CIA under Allen Dulles—the same Dulles who was instrumental in bringing entire chunks of the Nazi apparatus into South America after World War II, by way of the notorious “rat lines.”<sup>2</sup> In 1957, South Korean Col. Bo Hi Pak joined Moon’s Unification Church, and the next year Pak and the Moon group led a Mexico City conference which set up the so-called World Anti-Communist League, or WACL.

In 1980, Moon founded another group which was mostly co-extensive with WACL, the Confederation of Associations for the Unity of Societies of America, or CAUSA. The U.S. side of WACL and CAUSA included such Dulles operators as William F. Buckley, Jr., and the CIA’s Ray Cline. On the Ibero-American side, CAUSA was run by many of the Nazis that Dulles had spirited out of Europe after World War II.

Moon and CAUSA played a leading role, along with their allied German Nazi transplant, Klaus Barbie, in orchestrating the notorious 1980 Cocaine Coup in Bolivia—which opened the door to drug trafficking across the continent. Most of the colonels who staged that coup were members of CAUSA. And a month after the coup, General Luis Garcí Meza, who assumed the Presidency of Bolivia, participated

1. See, for example, Laurence Hecht, “H.G. Wells and Bertrand Russell: The ‘No Soul’ Gang Behind Reverend Moon’s Gnostic Sex Cult,” *EIR*, Dec. 20, 2002.

2. William Wertz, Jr., “The Nazi Rat-Lines: Time to Rid America of the ‘Dulles Complex’ ” *EIR*, Aug. 5, 2005.

FIGURE 2

## The Moonies and the Pantanal



in a meeting in Argentina of the Latin American branch of WACL.

Now, let us return to the Moonie overlay of Cheney's Paraguay caper.

### Seizing South America's Choke-Point

Since the mid 1990s, Reverend Moon has been constructing a would-be empire of giant tracts of land, both inside Paraguay (about 150 miles from the Mariscal Estigarribia base) and right across the river in Brazil (see **Figure 2**). It began with the 1995 purchase of New Hope hacienda in Brazil, which today is the Moonies' regional headquarters, where they periodically host up to 1,000 Moonie recruits from abroad for 40-day brainwashing seminars. They simultaneously purchased land just across the Paraguay River in Paraguay, near Fuerte Olimpo, and subsequently added further holdings in both countries. Then in 2001, the Moonies escalated by purchasing an enormous tract of land surrounding the Paraguayan river port of Puerto Casado.

Today, Reverend Moon owns an astonishing 750,000 hectares of land in Paraguay (some 2,900 square miles), and another 83,000 hectares (320 square miles) in the Brazilian state of Mato Grosso do Sul. The combined Moon holdings in the two countries add up to more than 3,200 square miles—an area nearly the size of Lebanon!

But the size isn't the half of it. These land-holdings are nearly contiguous, and they are all located either along, or

very close to, the Paraguay-Brazil border. Their very existence is a threat to the sovereignty of both countries, and to the underlying concept of the sovereign nation-state.

In a November 1999 interview with the *New York Times*, Cesar Zaduski, a former president of Moon's Unification Church in Brazil and the general manager of the New Hope project, was blunt: "What unites South America is Mercosur," Zaduski said, referring to the anti-free-trade economic alliance among Paraguay, Brazil, Argentina, and Uruguay, that Cheney is trying to bust up. "And what is the heart of Mercosur? This region here, where you can build a project that goes beyond borders."

Or, as Moon's top representative in Mercosur, Kim Yoon Sang, told the Brazilian magazine *Istoe* in February 2002, "For us, borders aren't important."

On Aug. 18, 2000, Moon himself gave a speech at a conference auditorium at the United Nations in New York City, in which he explained: "I am purchasing approximately 1.2 million

hectares of fertile land in the South American countries of Mercosur, to help compensate countries for lands that they might lose, should United Nations-controlled zones be established" in their countries.

Towards the end of 1998, Brazil's security and intelligence services launched an investigation of Moon's activities in Brazil, including contraband, money-laundering, immigration violations and, according to press accounts, possible drug running. The issue of sovereignty was foremost on the agenda. In mid-2001, the Mato Grosso do Sul state legislature held hearings on the subject, and Gen. Sergio Ernesto Conforto, head of the Western Military Command of Brazil, told the legislators straightforwardly that the Paraguay and Brazil Moon purchases indicated that "it appears that they wish to join the two areas to provide free access from one country to the other."

In February 2002, a Brazilian judge lifted bank secrecy on Moon's various activities in the country. And on May 6, 2002, the Federal Palace raided Moon's properties in Mato Grosso do Sul and in the industrial city of Sao Paulo. But on Dec. 9, 2002, a pressured Mato Grosso state legislature closed its investigation of Moon, saying that "instead of closing the state to initiatives such as that of Reverend Moon, it would be better to examine what they have to offer. . . [They could]] bring our economy to levels never before dreamed of."

Many in Brazil are today doubting the wisdom of that

finding, in light of the Moon connection to Cheney's and Rumsfeld's threatening deployments at Brazil's doorstep.

#### 4. Reverend Moon and Prince Philip: Not-So-Strange Bedfellows

Our final overlay takes us straight into the bedroom of Queen Elizabeth of the United Kingdom, where we find her royal consort Prince Philip and his Worldwide Fund for Nature (known in the United States as the World Wildlife Fund, or WWF) in deep ecological embrace with the Reverend Moon.

On Feb. 26-28, 1999, Sun Moon University, the Washington Times Foundation, and the University of Bridgeport (Conn.)—all Moonie fronts—sponsored the founding meeting of the World Conference on Preservation and Sustainable Development in the Pantanal (WCPSD), held in Washington, D.C. Funding and/or support was also provided by the German-Brazilian non-governmental organization *Ecotropica*. The Pantanal is the largest wetland in the world, covering an area of approximately 150,000 square kilometers (about 58,000 square miles) in the upper Paraguay River basin, with portions in Brazil, Bolivia, and Paraguay (see Figure 2).

The Moonies, like their kissing cousins in the WWF, are heavily deployed to “save the Pantanal” from the horrors of economic development, and they use this ruse both to stop hated great infrastructure projects (such as the *Grande Hidrovia*, or Great Waterway, which would link the Paraná-Paraguay river system with the Amazon, which would, in turn, be linked to the Orinoco River in the north of South America), and to try to establish supra-national control over the region.

In short, they are jointly squatting on the choke-point of South America's future.

At the first conference of the WCPSD—whose stated goal is to “serve as a catalyst toward an integrated management [of the Pantanal] involving Brazil, Bolivia, and Paraguay”—the keynote address was given by Sun Moon University president Chung Hwang Kwak, who explained that the 1995 Moonie purchase of the enormous New Hope hacienda in western Brazil was the first step in this process of “defending the Pantanal.”

According to the Final Report presented by the University of Bridgeport's Dr. Thomas Ward, the conference had 120 participants from 41 nations, and emphasized the “need to pursue integrated, transnational strategies and action plans” for the Pantanal. The report predictably railed against “any proposed development plan with short-term economic benefit but potentially colossal long-term costs.”

At the second WCPSD conference, held in October of that same year, 1999, just as Moon was buying up land right and left, in and around the Pantanal, the Final Report was even more explicit in its declaration of war against development:

“3. Although megaprojects such as the Hydrovia [sic] may have been voided as comprehensive projects, the same projects could re-emerge in the form of piecemeal develop-

ment projects in a given zone of the Pantanal, which could then precipitate additional projects in other parts of the region. This would lead over time to an incremental realization of what had allegedly been proposed, and prevented, on a more comprehensive plane.”

The Final Report also went out of its way to praise “NGOs such as Ecotropica [that] had taken important steps in land acquisition with the express purpose of protecting the Pantanal.”

One such Ecotropica “land acquisition” is in the Acurizal Private Reserve which, together with the neighboring Penha reserve and Doroche reserve, form a complex of protected reserves with a total area of some 55,000 hectares—in the heart of the Brazilian Pantanal, at the international border with Bolivia and Paraguay. There Ecotropica set up an “ecotourism” facility in partnership with the WWF Brazil.

Furthermore, the Moonie-allied Ecotropica has established a full “institutional partnership” with WWF Brazil. The WWF Brazil website also proudly proclaims that it set up an “office in Corumbá deep in the heart of the Pantanal”—which, curiously, happens to be the location of one of Reverend Moon's key landholdings in the region.

Like Moon's WCPSD opposition to “megaprojects such as the Hydrovia;” and Ecotropica's anti-canal activities dating back to 1988, in the name of defense of what they call “gentle tourism,” the WWF is also explicit that its objective in the Pantanal is “halting the construction of the waterway across the Paraguay and Paraná rivers,” as their own web page puts it.

This, then, is the collection of forces deployed by the Anglo-Dutch Liberal financier interests, to end national sovereignty, seize control over natural resources, and forcibly stop any moves towards actual economic development in the region. In short, they are deployed to enforce *globalization*.

On the other side, the proposal to build the Great Waterway, and the broader integration of the three great river systems of South America, includes not only nationalist forces in Brazil, Bolivia, and Paraguay, but has been promoted by Lyndon LaRouche for more than two decades, as part of his broader program for Ibero-American and world reconstruction.

However, the idea of linking the Paraná-Paraguay, the Amazon, and the Orinoco river systems, actually dates back more than 200 years, to the proposal in 1799 of Alexander von Humboldt, the great German friend of the American Revolution.

So, what is at issue in Cheney's and Rumsfeld's rampage in South America today, is a centuries-long war between the Anglo-Dutch Liberal financier interests, on the one hand, and the American System tradition of economic development, on the other, as represented by the American Revolution, its foreign allies like Humboldt, and Lyndon LaRouche today.

What would it mean, then, for the national interest of the United States, if Cheney and Rumsfeld were allowed to prevail in Washington today?

# When Robertson Rants, Gen. Boykin Listens

by Jeffrey Steinberg

On Aug. 22, 2005, televangelist Rev. Pat Robertson broadcast a call for the assassination of Venezuelan President Hugo Chávez on his *700 Club* TV show. Robertson said: “You know, I don’t know about this doctrine of assassination, but if he [Chavez] thinks we’re trying to assassinate him, I think that we really ought to go ahead and do it. It’s a whole lot cheaper than starting a war, and I don’t think any oil shipments will stop.” Robertson justified his assassination call by charging that Chávez was “going to make Venezuela a launching pad for communist infiltration and Muslim extremism all over the continent.”

To make matters worse, two days later, after his remarks had caused an international brouhaha, Robertson went back on TV in another *700 Club* broadcast, to claim that he really didn’t call for Chávez’s assassination. He said there were other ways of “taking him out,” including kidnappings by U.S. Special Forces commandos. This was hardly a back-down, and subsequently, when the transcript of the original statements was made publicly available, Robertson issued a barely credible apology.

While State Department and Pentagon spokesmen pretended to distance the Bush-Cheney Administration from Robertson’s “assassinate Chavez” statements, and Secretary of Defense Donald Rumsfeld took to the airwaves to declare, “our department doesn’t do that kind of thing,” the incident resonated with many astute Bush-Cheney watchers, who know about Reverend Pat’s “special relationship” with one top Pentagon official whose job it is precisely to hunt down and kill terrorists: Gen. William “Jerry” Boykin.

When Robertson rants, Gen. Boykin listens. And what happens after that has everything to do with the Bush-Cheney Administration’s much-heralded “Global War on Terrorism” (GWOT).

## Evangelical Jihad

On Oct. 16, 2003, William Arkin published a story in the *Los Angeles Times*, exposing a series of public statements by Gen. William Boykin, at fundamentalist churches around the United States. Cumulatively, the statements represented a declaration of religious war against Islam. Arkin cited remarks by Gen. Boykin in January 2003 at a church in Daytona, Fla. Referring to the 1993 “Blackhawk down” incident in Mogadishu, Somalia, in which 18 Special Forces soldiers under his command were killed, Boykin told the congregation, “There was a man in Mogadishu named Osman Atto,”

a top lieutenant of warlord Mohammed Farah Aidid. After Boykin’s troops failed to kill or capture Atto, “he went on CNN and he laughed at us, and he said, ‘They’ll never get me because Allah will protect me. Allah will protect me.’ Well you know what? I knew that my God was bigger than his,” Boykin railed. “I knew that my God was a real God and his was an idol.” After proudly telling the congregants that Atto was later captured, Gen. Boykin concluded, according to Arkin’s account, by reminding them, “America is still a Christian nation.”

General Boykin’s religious fervor has a big element of spoon-bending kookery to it. (See *EIR*, Aug. 26, 2005, “Cheney’s Spoon-Benders Plot Nuclear Armageddon.”) Arkin recounted another Boykin speech before the First Baptist Church of Broken Arrow, Okla. in June 2002. Once again, Boykin cited the Mogadishu incident, describing photographs that he had taken of the city from a helicopter, shortly after the murder of his troops. The General described a “strange dark mark over the city,” according to Arkin. He asked a photo interpreter to study the pictures. “This is not a blemish on your photograph, this is real,” Boykin said he was told. At which point, Boykin told the congregation, “Ladies and gentlemen, this is your enemy. It is the principalities of darkness. It is a demonic presence in that city that God revealed to me as the enemy.”

According to a May 20, 2004 story by Sidney Blumenthal in the London *Guardian*, Boykin’s nationwide tour—in uniform—of fundamentalist churches was part of a project called the Faith Force Multiplier, which, Blumenthal said: “advocates applying military principles to evangelism. Its manifesto—Warrior Message—summons ‘warriors in this spiritual war for souls of this nation and the world. . .’”

In June 2003, just days after he delivered another “holy war” tirade at the pulpit of the Good Shepherd Community Church in Sandy, Ore., Gen. Boykin was given a third star and promoted to the post of Deputy Undersecretary of Defense for Intelligence. The newly created Pentagon Office of Intelligence, headed by Boykin’s immediate boss, Undersecretary Stephen Cambone, was tasked by Defense Secretary Rumsfeld to provide the operational intelligence for stalking and eliminating “High Valued Targets” in the GWOT. According to sources familiar with the selection process, Secretary Rumsfeld reached out to Boykin, who was then the commanding general of the U.S. Army’s JFK Special Warfare Center at Fort Bragg, N.C., precisely because he would bring a religious zeal to the mission of taking out Osama bin Laden et al. One military intelligence officer told Blumenthal that Gen. Boykin was chosen for the assignment because he combined “ignorance and recklessness.”

Indeed, ignorance and recklessness were Boykin’s calling when, early in his tenure as part of his GWOT mission, he flew to Guantanamo Bay to anoint its military commander, Gen. Geoffrey Miller, as the new chief of Abu Ghraib prison in Iraq, ordering Miller to “Gitmo-ize” the prisoner interrogation program in Iraq.



Kent Harville

*When Robertson speaks, spoon-bending fundamentalists like Gen. William Boykin (shown here) listen. Boykin, an anti-Muslim crusader, is trained in special warfare, and held a key position in the military intelligence chain of command that ordered torture at Abu Ghraib.*

## Reverend Pat to the Rescue

After the publication of the Arkin exposé of Gen. Boykin's rabid crusader diatribes, Pat Robertson led a nationwide campaign, through his Christian Coalition and his *700 Club*/Christian Broadcasting Network, to defend Boykin. Robertson launched an on-line petition to support Boykin's comments, and he dispatched a former Army Ranger, Chuck Holton, to attend and video-tape a church service where Boykin spoke, in order to air it on the Christian Broadcasting Network. Holton had served under Boykin in Somalia.

Boykin, for his part, has publicly stated, according to the *New York Times*, that he takes his orders directly from "God," prompting some astute observers to worry aloud that Rev. Pat Robertson's calls for the assassination of Hugo Chávez may take on special meaning for the Bush Administration's top anti-terrorist warrior. General Boykin has also been famously quoted that it was God, not the American people, who "appointed" George W. Bush as President of the United States.

## Moonstruck

Adding to the growing concerns about the Robertson-Boykin relationship and its possible implications for a growing left-right destabilization of South America is another element: Robertson's long-standing and growing ties to Rev. Sun Myung Moon and the Unification Church. Unlike the case of Robertson's fellow Christian fundy Jerry Falwell, there is no direct evidence that Reverend Pat has been taking money from the Moonies (Falwell was bailed out in the mid-1990s by Reverend Moon to the tune of \$73 million, when his Liberty University in Lynchburg, Va., nearly went bankrupt).

Indeed, Robertson's financial angels appear to be centered in London and Scotland—and in "former" colonial Africa. In 1990, when Robertson fell on financial hard times, he sold his Family Entertainment Network to Australian media billion-

aire Rupert Murdoch for a reported \$1.7 billion. In 1999, the London *Observer* revealed that the Royal Bank of Scotland had struck a deal with Robertson, to create a phone-based U.S. consumer bank, in which the Christian Coalition founder would hold a 25% stake. When the deal was cancelled after howls of protest from Royal Bank of Scotland investors and depositors, it was revealed by investigative journalist Greg Palast that the bank had maintained business ties to Robertson's private investment fund for at least the previous six years, and had also bankrolled a Robertson company that marketed vitamins and other health-food products through his vast right-wing Christian mailing list.

Another Robertson financial windfall came in 1989, when "Baptist" warlord Charles Taylor carried out a coup in the African state of Liberia. Robertson negotiated an \$8 million gold-mining deal with the dictator, who has been a target of international human rights groups, for his role in stoking a murderous war in neighboring Sierra Leone, and profiteering from "blood diamonds."

Robertson got in trouble in 1994, when his charity, Operation Blessing, got caught diverting charitable airlifts of emergency aid to victims of the Rwanda war to his gold-mining operations in the Congo. As recently as 2003, Robertson took to the airwaves of his Christian Broadcasting Network to castigate President George W. Bush for calling for Taylor's resignation. Robertson railed that Bush was calling for the ouster of a "good fellow Baptist" and his replacement by Muslim infidels.

The Robertson/Bush "disagreement" over the fate of Charles Taylor was short-lived. Today, Robertson's "charity," Operation Blessing, is prominently listed on the website of the Federal Emergency Management Agency (FEMA) as a relief organization to be financed to aid in the Hurricane Katrina rescue effort.

Robertson's bonding with the Reverend Moon predates these business shenanigans, and goes all the way back to the early 1980s, when Moonie operatives Joseph Churba and David Ben-Ami brokered some of the first ties between the Jabotinskyite Likud in Israel and the American evangelicals. Robertson, Falwell, and Texas-based evangelical Rev. Mike Evans were the first three American evangelicals to meet with then-Israeli Prime Minister Menachem Begin—courtesy of the Moonie interlocutors. Robertson and his alter ego, former Christian Coalition chief political operative Ralph Reed, have been fixtures at Moon-sponsored rallies for Israel ever since.

In October 2002, for example, both Robertson and Reed addressed a "Christian Solidarity With Israel" rally, along with Alan Keyes, a long-standing right-wing propagandist on the Moon payroll. There Robertson railed against any Israeli territorial concessions. In December 2003, Robertson was a featured speaker at the Herzliya Interdisciplinary Center's annual international security conference, an event chaired by Uzi Arad, former top Mossad official and ally of Benjamin Netanyahu.

# LaRouche's War Against the WWF

by Gretchen Small

One day before George Bush, Jr., and Dick Cheney were inaugurated in Washington, on Jan. 20, 2001, the Rio de Janeiro offices of U.S. statesman Lyndon LaRouche's *EIR* and his Brazilian political associates were raided by judicial police, at 5 p.m. on a Friday. The raid—in which police seized pamphlets exposing the role of the British Crown in blocking the development of South America's interior—had been ordered at the request of Prince Philip's Worldwide Fund for Nature (WWF) in Brazil. WWF-Brazil had finally succeeded in finding a judge willing to issue an order restraining LaRouche's associates from attacking the WWF-Brazil, either in print or verbally, because, as the WWF-Brazil protested, they were “causing incalculable damage to its image, as well as to its members and supporters,” and if this were permitted to continue, its “reputation would be irreparably affected.”

In a strategic memorandum issued one week later, on Jan. 27, entitled “Look At What Happened in Brazil” (*EIR*, Feb. 9, 2001), LaRouche noted that “the inauguration of President George W. Bush appears to have been taken by those royal and related interests as the opportunity for making me, personally, once again as during the 1980s, a principal, and most consistent choice of target of their malice. [T]he Queen's Consort would appear to believe, that I, as a professed and practicing human being, am thus a representative of a species which is superior to that lower form of life which he, Philip Mountbatten, has repeatedly claimed himself to represent.”

The WWF's 2001 brazen bid to shut down LaRouche's operations in Brazil was but the latest in an ongoing war between LaRouche and the House of Windsor's WWF. LaRouche had launched that war, with *EIR*'s publication in its Oct. 28, 1994, issue of a meticulously documented, 60-page exposé of Prince Philip's use of the WWF to commit *genocide* upon the peoples of the world. In his introduction to that special report on “The Coming Fall of the House of Windsor,” LaRouche wrote:

“Ladies and gentlemen of the readership's international jury, we have brought you to this court to hear charges arising from one of the most monstrous crimes committed in all known human history, a crime perpetrated on a vast scale. We present to you here the evidence, that for the past thirty-four years, since its founding in 1961, a wicked organization, calling itself by such names as the World Wild-

life Fund, has engaged in willful genocide against the nations and peoples of the sub-Sahara regions of East, West, and South Africa. We shall prove to you, that throughout all of this period, the ‘kingpin’ of this criminal conspiracy has been Prince Philip, also known as the Duke of Edinburgh, and as Consort to the reigning Queen of the United Kingdom.”

LaRouche's forces circulated that exposé across the globe—including in Brazil.

## The South American Theater

Just months before the WWF-ordered raid in Brazil, the heads of state of the 12 nations of South America had met together for the first time in their history, in a summit organized by Brazil. Addressing the first day of that South American Summit in Brasilia on Aug. 31, 2000, Peru's then-President Alberto Fujimori best expressed the historic potential of the meeting, when he called upon his fellow heads of state to take audacious actions to end the immense misery of their peoples, 200 million of whom live in poverty, all afflicted by terrorism and drug trafficking, and suffering under a foreign debt paid many times over.

We must change paths, and unite our efforts behind “a development strategy from a shared perspective,” Fujimori said. Brazil, he noted, is “one of the largest countries in the world, and one of the greatest economic powers on the planet. . . . Our goals must be audacious and our actions sufficiently efficient to turn our dreams into reality,” he told the summit. “It is for that reason that, perhaps ingenuously, or as a dreamer, I would like to think that this first meeting would become the birth certificate of the United States of South America.”

The summit agreed upon the establishment of a project named the “Initiative for the Integration of Regional Infrastructure in South America” (IIRSA), whose mission would be to coordinate the construction of great projects crisscrossing the entire continent—corridors of development connecting, at last, the Atlantic and Pacific oceans, and unifying North and South by turning its three great river basins (the Orinoco, Amazon, and Rio de la Plata) into one “Great Waterway.” IIRSA's projects marked the boldest move yet to make a reality of the detailed perspective the LaRouche movement had laid out in its book, *Ibero-American Integration*, published in both Spanish and Portuguese in the 1980s.

Not known publicly at that time, but certainly known to relevant intelligence agencies, U.S. economist and statesman Lyndon LaRouche was scheduled to travel to Peru that October, for what was to be a high-profile visit, including discussions with the top leadership of the country. The combination of Brazil, Peru, and LaRouche, organizing to open up South America's interior to development and unity, threatened three centuries of British Crown operations to keep the region submerged in colonial conditions.

## Hand to Hand Combat in Brazil

For decades, Brazil has been a special target of Prince Philip and his WWF. The WWF's "people's division" created in 1969 (first under the name Primitive Peoples' Fund, then as Survival International), dedicated the first three years of its efforts solely to stopping Brazilian development efforts. It was in 1992, at the giant United Nations Environment Conference held in Rio de Janeiro, that the WWF formed its first strike-force, dedicated to blocking development of the "Paraná-Paraguay Waterway Megaproject" by targeting the Pantanal region of Brazil, Paraguay, and Bolivia. In 1994, under WWF direction, the strike-force was formalized as the "Living Rivers Coalition" of domestic and international non-governmental organizations or NGOs, whose sole project for the next six years was to target the Paraná-Paraguay Waterway. Rev. Sun Myung Moon began moving into the region shortly thereafter, while the WWF also established its own "Pantanal Forever" program in Corumbá in the state of Mato Grosso do Sul.

The WWF and its minions encountered one, big obstacle in Brazil: LaRouche's forces, who had made the British royal family and its WWF the personification of the national enemy for a broad spectrum of Brazilian nationalists. Denunciations on the floor of the Brazilian Senate in 1999 of Prince Philip as "the intellectual author" of a plot against Brazil, did not please the Royals.

In May 1997, *EIR* published its first exposé of the WWF's Pantanal project, in a special issue of its Portuguese language *Scientific and Environmental Alert*, entitled *The Great Waterway*. By September of that year, leading officials from the targetted states were naming the WWF and its fronts as the primary "foreign entities" involved in stopping the waterway. The publication of *The 'Green Mafia' Assaults the Waterways*—one of the pamphlets seized in the 2001 raid—followed in May 1998.

In Feb. 2000, Nilder Costa, then editor of *EIR's Scientific and Environmental Alert* went head to head with the WWF in Mato Grosso do Sul itself. That state's Agricultural Federation had invited Costa to speak at forums in two cities on "The Pantanal and International Environmentalism." His first presentation was in Corumbá, the headquarters of the WWF's project to create a nature preserve in the Pantanal. The head of the WWF Pantanal project attended personally, taking notes throughout the two-and-a-half hours of discussion between Costa and the 90 people present, on how environmentalism was created historically for geopolitical reasons, the network of "blue-blood NGOs" which run it, how and why the British Crown is "defending" a giant swamp, and why these activities constitute a national security threat.

When Costa delivered a similar speech two days later to 120 people in the state's capital, Campo Grande, the WWF's Director of Public Policy, Dr. Manuel Cesario, flew down from Brasilia to film the event, which film was later submitted by the WWF as court evidence for why LaRouche's opera-

tions in Brazil must be silenced. The WWF was most upset that Costa exposed the documented fact that WWF co-founder, Prince Bernhard of the Netherlands, had been a card-carrying member of Hitler's NSDAP (the National Socialist Workers Party, or, for short, the "Nazis"). Cesario's imperial attitude when he jumped up to debate Costa from the floor, only helped build the case against the WWF.

In July, Costa was invited to the neighboring state of Mato Grosso, also targetted by the Pantanal project, to speak at the "Sixth Conference of Cargo Operators and Transporters of the Atlantic-Pacific Axis of Integration," co-sponsored by the state's government and Federation of Industries, and the Andean Corporation for Development (CAF). The CAF had issued a report in 1998 on the Great Waterway, called *The Rivers Which Unite Us*, which credited Brazilian Professor Vasco Azevedo Neto, a self-identified student of LaRouche's work on physical economy, as one of its inspirations.

Attended by delegations representing private rail and airline companies, transport cooperatives, port operators, and government officials from Peru, Chile, Argentina, Paraguay, and Brazil, the speakers included, among others, Bolivia's Minister of Transportation and Communication, the Governor of Mato Grosso, and *EIR's* Costa. Costa demonstrated that the "environmental" campaigns against the waterway and highway projects of South America, run by Prince Philip's WWF to impede the development of the subcontinent's interior, were nothing more than a modern version of the old British geopolitics toward the La Plata River region, which led to such horrors as the 1865-1870 Triple Alliance War against Paraguay.

The British Crown had reason to worry that governments in the region were moving to implement the perspective which LaRouche had fought for for decades. By October, the drive to remove Fujimori and destabilize Peru was well under way, making LaRouche's scheduled trip impossible. That same month, the WWF first went before a Brazilian judge and requested an injunction against LaRouche's forces. This first petition was refused, on the grounds that LaRouche publications "summarize an entire discussion involving what nationalists call the 'imperialist policy of the great world powers,' " and these matters "have been discussed in the press for a long time, including by members of the Brazilian government and military, the latter because of the duty they have to safeguard our borders and sovereignty."

In January 2001, the WWF finally succeeded in obtaining a restraining order, and had *EIR's* Rio offices raided. The ensuing legal battle and related threats to LaRouche's associates in Brazil finally succeeded in provoking enough terror among them, to drive them into the waiting arms of the synarchist international in mid-2003. But now the international LaRouche movement—the recurring nightmare of the WWF and the Anglo-Dutch financial oligarchs behind them—is in the process of pulling the plug on the heart of their operation in the United States itself.

# Chaco War: Anglo-Dutch Resource Grab

by Cynthia R. Rush

So inhospitable is the Chaco Boreal region of Paraguay, located north of the Pilcomayo River, that it has historically been called the “Green Hell.” Unbearably hot, it is infested with swarms of insects and poisonous snakes; there is only thorny vegetation and swampland, and little water. Even today, it is sparsely inhabited.

Yet, beginning in the late 1920s, and then officially in 1932, two of South America’s most impoverished countries, Bolivia and Paraguay, fought a war over this hellish region for three years. Because of the Chaco War’s deadly trench warfare and battleground conditions, one historian has referred to it as a South American version of World War I. It engulfed the two “most defeated and most looted” nations in the hemisphere, as Uruguayan writer Eduardo Galeano described them, in a senseless and cruel conflict which took the lives of nearly 100,000 of their citizens—52,000 Bolivians and 40,000 Paraguayans—many of them poor Indians, and some no more than children.

Why? There was no noble cause associated with this war, nor any particular hatred felt against the enemy on either side. In fact, the *bolis* and the *pilas* were known to call out friendly insults to each other from their trenches. Against their commanders’ orders, they often came out to embrace each other when one or the other side surrendered after a battle.

The war offered untold hardships for both sides, but particularly for the thousands of Bolivian Indians recruited into the Army from their cold, high-elevation *altiplano* homes, who were defenseless against the extraordinary heat, disease, and thirst encountered in the barren Chaco.

Historical accounts of the war are filled with heart-rending stories of desperate soldiers on both sides clawing the arid soil in search of water. Thousands died with their heads half-buried in the sand, from thirst instead of bullets. The battlefield was strewn with their bleached skeletons even many years later.

## War of Extermination

The truth behind this shameful war is that the same Anglo-Dutch financier interests operating in the region from 150 years earlier, used these two most vulnerable nations as pawns in their effort to control the region’s raw materials—the oil of the Chaco—and to ensure that nothing resembling the American System of political economy would ever arise to challenge their free-trade feudalism.

Their savage 1865-1870 “Triple Alliance War”—involving Brazil, Argentina, and Uruguay against a prosperous, in-

dustrialized Paraguay—was testimony to their determination never to allow sovereign nation-states to develop in the region.

By 1865, Paraguay had become a dangerous threat to the British Empire. Under the 1840-1860 government of Carlos Antonio López, followed by that of his son Francisco Solano López, it had proven the success of the protectionist policies identified with the United States, and had enraged Britain by refusing to open itself up to free trade, and especially the free navigability of its rivers.

Under the two López governments, Paraguay underwent an impressive industrial boom. Refusing to contract foreign debt, a policy begun under the earlier government of Dr. Gaspar Rodríguez de Francia, Carlos Antonio López launched an aggressive program of infrastructure building in the 1840s—roads, bridges, canals, and railroads. The military complex at Humaitá was built with the help of many foreign engineers, technicians, and doctors, as were the Ibycuí iron works.

The period between 1840 and 1860 saw the completion of the Asunción arsenal, the development of smelting and forging technologies, the creation of diverse industries, and the growth of an unparalleled educational system, including in rural areas.

Paraguay had no foreign debt! It did have Ibero-America’s first railroad, a navy and merchant marine, and industrial development that was the envy of its neighbors. In 1846, U.S. consul Edward A. Hopkins described Paraguay as “the most powerful nation in the New World, after the United States. Its people are united . . . the government is the richest of all the states on the continent.” In an 1852 paper prepared for the American Geographical and Statistical Society, he added that if the United States were to establish a collaborative and mutually supportive relationship with the López government, Paraguay “will necessarily influence her neighbors for good, in no small degree.”

Such industrial success was inimical to the foreign financial oligarchy’s practice of running the region as a feudal barony. In 1870, they therefore activated the so-called Triple Alliance consisting of the Brazilian royal family, the puppet regime Brazil had installed in Uruguay, and British assets in control of the Argentine government, to punish Paraguay for its bold assertion of sovereignty.

What followed was a war of extermination against the Paraguayan people and the destruction of the country’s industrial achievements. When the genocide was completed, 50% of the country’s total population of about half a million had been killed, and 80% of all males. Of the 190,000 people remaining in the country, only 14,000 were adult males. Even today, the savagery of that war is seared into Paraguay’s national consciousness, as is the heroic resistance of an entire population, including 11- and 12-year-old child combatants.

## Resource Grab

The secret treaty drawn up to justify the Triple Alliance War stated explicitly that it would continue until Solano Ló-





*Marshal José Félix Estigarribia led the Paraguayan forces in the 1932-35 Chaco War. His flanking maneuvers and use of mobility and guerrilla tactics allowed him to defeat Bolivian forces led by German Gen. Hans Kundt.*

pez's government were completely destroyed, and it would redraw Paraguay's borders, while forcing the nation itself to bear the cost of the war.

It wasn't sufficient for these financial predators that the Paraguayan nation had been so horrifically dismembered, depopulated, and wracked by political and economic chaos in the years that followed the war's conclusion. By the mid-1920s, they were already fueling conflict between still-devastated Paraguay and its resource-rich neighbor Bolivia over the desolate Chaco Boreal.

The region was teeming with border disputes, territorial claims, and deep political tensions stemming from earlier British-sponsored wars. International oil and munitions cartels, including the two key actors pushing Bolivia and Paraguay to war, the Rockefeller family's Standard Oil and Royal Dutch Shell, were preparing for world war. They encouraged the two poor nations to take out large loans, and were themselves involved in facilitating weapons purchases.

German Nazi networks had already established themselves in Bolivia. Captain Ernst Roehm, later an organizer of the Nazi SA, was acting as a "special adviser" to the Bolivian Army in 1925. German General Staff member Gen. Hans Kundt, who had arrived in the country in 1911, became the head of the Bolivian Army during part of the Chaco War, and repeatedly led his brave troops to defeat because of his strategic incompetence. He was no match for Paraguayan Marshal José Félix Estigarribia, the French-trained strategist who used mobility and guerrilla tactics to great effect.

The boundaries between the Bolivian and Paraguayan Chaco region had never been clearly defined. Each country had extended a series of military outposts into areas that both claimed, which led to armed confrontation with increasing frequency in the course of the 1920s. But when Standard Oil Company discovered oil in Sanandita in 1926, and Camiri in 1927, close to the disputed Chaco region, it set off a chain of events that led to the official outbreak of war a few years later.

Operating from the Paraguayan side was Royal Dutch Shell, which had been granted drilling rights to part of the Chaco region claimed by Paraguay in the period leading up to the war. Strong Anglo-Argentine banking and raw materials interests, which had aggressively moved into Paraguay after the Triple Alliance War, expected to gain politically and economically from a Chaco region fully under Paraguayan control, and they abetted Shell's attempts to foment conflict.

Argentine cattle and agriculture baron Carlos Casado, who bought 1.5 million hectares in Paraguay in 1886, including part of the Chaco region, was a key British asset in Paraguay. During the Chaco War, Casado coordinated with his brother-in-law, Argentine President Agustín P. Justo, to provide Paraguay with crucial logistical support, as well as food and weapons for its troops.

Ironically, in 2001, the company Casado Hermanos, S.A. sold a large tract of its Paraguayan holdings, including the border river town of Puerto Casado, to none other than Sun Myung Moon's Unification Church.

Bolivia's desire to gain an outlet to the sea made it highly vulnerable to manipulation. During the British-orchestrated 1879-1881 War of the Pacific, Chile had seized Bolivia's Pacific Coast territory, leaving it landlocked. In the 1920s it looked eastward, toward a possible access to the Atlantic via the Paraguay River as a way to export goods.

In 1921, Standard Oil had opened its Bolivian branch and came to own a sizable 7 million hectares. Notably, it had obtained part of its holdings from William Braden, the Chile-based Wall Street mining magnate who had earlier purchased large tracts of oil-rich Bolivian lands from Chilean investors. As a State Department officer in the 1930s and 1940s, Braden's son Spruille worked to sabotage Franklin Delano Roosevelt's "Good Neighbor Policy" on behalf of the Anglo-American financial interests that his family represented. Bolivian historians identify him directly as an agent of Standard Oil, whose Wall Street backers had hopes of even creating an "independent" Chaco state.

Following its oil discoveries, Standard Oil encouraged the Bolivians to pursue an Atlantic outlet, which the oil company also needed in order to export crude oil. Royal Dutch Shell maneuvered to prevent Standard Oil from exporting via Argentina, so the Rockefeller interests urged the Bolivians to expand their penetration eastward, into the Chaco region.

Desperate for cash with which to buy arms and pay debt, Bolivia complied, anxious for Standard Oil to drill more wells. After Bolivians occupied the Pitiantutá or Chuquisaca lagoon in 1931, and were subsequently pushed back by Paraguayan troops in July 1932, there was no stopping the war, until the exhaustion of forces on both sides forced the two nations to accept peace in 1935. The military government which took power in Bolivia in 1936 expropriated Standard Oil's holdings a year later, creating the state-oil company YPFB. Notably, the Roosevelt government refused to intervene on Standard Oil's behalf until all "Bolivian options" were exhausted.

## BRAC Real Estate Scam Might Still Be Stopped

by Carl Osgood

While many observers are considering Secretary of Defense Donald Rumsfeld's base closing plan a "done deal," since the Defense Base Closure and Realignment Commission (BRAC) completed its final deliberations, it is anything but. From the state lawsuits over the proposals to close Air National Guard units, to Rumsfeld's criticisms of the BRAC Commission's actions, to the possible impact of the disaster brought to New Orleans by Hurricane Katrina, to possible action by the Congress—the last word on BRAC is a long way from being written. However, this has not stopped real estate developers from salivating over the speculative possibilities of some of the bases that the commission voted to close, such as the Walter Reed Army Medical Center in Washington, D.C.

The leading voice of the speculators has been the *Washington Post*, which applauded the commission's unanimous vote to close Walter Reed. "The campus would provide a once-in-a-lifetime opportunity to transform that segment of Northwest Washington into a location of vibrant commercial and residential properties," the *Post* shamelessly opined on Aug. 27. "District leaders should shed their disappointment with the commission's vote," the paper admonished. "It's not too soon to begin work on a strategy to persuade the Federal government to make the Walter Reed campus part of the city's land inventory."

The *Post*, of course, was also the leading voice for Mayor Anthony Williams's closure of D.C. General Hospital in Southeast Washington, for the same reason: The real estate interests behind the *Post* wanted that land for speculative development. While shedding some crocodile tears over the commission's vote, Williams greedily said of Walter Reed: "I hope that the Federal government moves quickly to turn the property over for some productive use that benefits the neighborhood, the city, and the region."

Lyndon LaRouche emphasized on Aug. 26, that the fight to save Walter Reed is the same fight he waged to save D.C. General in 2001 and 2002. "Washington's not going to be a good place to live, but a great place to die," was the policy of the dirty real-estate looters Katherine Graham represented, LaRouche said. It's the same today.

Echoing LaRouche and taking a leading point against Rumsfeld's scheme is Senate Armed Services Committee chairman John Warner (R-Va.), who, on Aug. 23, accused Rumsfeld of running a "rigged" process that automatically decided that DoD-leased space in Northern Virginia was less desirable than moving those functions to military installations. "In simple terms, the military value was rigged," Warner told the same *Washington Post* on Aug. 23, in order to achieve "specifically, unrelated real estate management goals."

Warner indicated that a legal challenge from Virginia Governor Mark Warner (D) could be in the offing. "I'd have to consult with the governor. . ." he said, as well as the rest of the state's Congressional delegation and the local community, "but I think Virginia has a very strong resolve that whatever is done by the BRAC Commission in this state is done with strict accordance to the law. It's simple. BRAC is designed to eliminate excess facilities, not designed to go back to redo business decisions with leasing structure, which you can do 365 days a year."

### States Take Legal Action

While Warner is contemplating legal action, a number of states are already moving ahead in that realm, and the BRAC Commission's decisions regarding the Air National Guard seem only to have accelerated that process. The Pentagon plan for the Air National Guard has been the hottest controversy throughout the entire BRAC process, since the Pentagon re-

port was released on May 13. The Pentagon plan envisioned shutting down 38 Air National Guard flying squadrons, as well as 10 Air Force Reserve units, and consolidating those aircraft into fewer, but larger squadrons, as well as retiring hundreds of older F-16 fighters and KC-135 tankers. Although no one really argues with that logic, the Air Force never consulted with the states while developing its plan, setting off a huge legal and political battle.

The Air Force's assumption seems to have been that if they had consulted with the states, they never would have been able to move even one airplane. In contrast, the Army worked very closely with the states on its proposals to consolidate Army National Guard and Army Reserve Centers, such that 39 state Adjutants General signed off on the Army plan.

The BRAC Commission's decision to rewrite the Air Force plan, in an attempt to find some middle ground between the states and the Air Force, appears to be doing little to reduce the turbulence. Hours before the commission acted, a Federal judge in Pennsylvania ruled in favor of that state's suit to prevent the shutdown of the 111th Fighter Wing of the Pennsylvania Air National Guard. Judge John R. Padova ruled that the law requires the Pentagon to seek the permission of the governor before making any change to the composition or mission of a National Guard unit. The Justice Department had argued that the provision of Title 32 of the U.S. Code, which Pennsylvania had cited, applied only to actions taken under that chapter, and not to the BRAC law, but Padova noted that Congress did not address units of the National Guard in writing the BRAC law, and therefore intended that the BRAC law would not apply to the National Guard.

The judge also found that the Pentagon proposal to close the 111th Fighter Wing violated Pennsylvania Gov. Ed Rendell's rights as commander-in-chief of the Pennsylvania National Guard, a right which stems from the militia clause in Article I, Section 8 of the Constitution. As a result of his findings, the judge ruled that the section of the Pentagon BRAC report which called for deactivation of the 111th Fighter Wing is "null and void."

The BRAC Commission's plan, voted up in the evening hours of Aug. 26, saved nine Air National Guard flying squadrons, as well as one Air Force Reserve squadron, including a few of the most contested ones, such as the C-130 squadrons in West Virginia and Delaware and the F-15 fighter squadron in Portland, Ore., but still left Connecticut without any flying mission, at all.

Connecticut's response was to file its own lawsuit, on Aug. 29, which challenges the BRAC statute itself. Connecticut Gov. Jodi Rell (R) said that she was going to court "to protect my authority, and that of future governors, as commander in chief" of the National Guard in her state. "Closing an Air National Guard base during these times of heightened alerts and homeland security defies common sense and ignores today's realities," Rell said. "It would also be severely detrimental to recruiting efforts."

The judge in the Connecticut case issued a temporary restraining order on Aug. 31, preventing the commission from releasing its recommendation regarding Connecticut until he rules in the state's request for a preliminary injunction. As a result, both Illinois and Tennessee have accelerated their legal efforts by filing motions for injunctions to stop the BRAC process, before the commission releases its report on Sept. 8, and Missouri joined them on Sept. 1. Other states, such as Massachusetts, are considering joining them. In addition, Missouri Gov. Matt Blunt (R) has asked his state's Congressional delegation to oppose the plan, if and when it gets to Congress.

## What Will Congress Do?

Aside from the courts, the next battleground will be the U.S. Congress, which will receive the BRAC Commission's report once it is accepted by President Bush. However, even that is in doubt, as Secretary of Defense Rumsfeld complained to reporters on Aug. 30 that the commission had placed too much emphasis on economic impact, and not enough military value criteria. He said he was uncertain as to whether or not he would recommend to President Bush that he accept the commission's recommendations. If Bush rejects the report, it goes back to the commission for reconsideration. If he rejects it, again, then the process comes to a halt.

The BRAC plan has already been the subject of spirited debate in the Congress, although no measures have been passed yet that could slow it down. In the Senate, Sen. John Thune (R-S.D.) waged a campaign to save Ellsworth Air Force Base. In the course of this, he sponsored an amendment to the Fiscal 2006 defense authorization bill to halt the BRAC process until three conditions were met: the completion of the repositioning of troops from overseas bases to the U.S.; the completion of the Quadrennial Defense Review; and a substantial draw-down of U.S. troops from Iraq.

Rather than allow a debate to occur on this amendment and other amendments dealing with the treatment of detainees in U.S. custody in Guantanamo, Iraq, and Afghanistan, Senate Majority Leader Bill Frist (R-Tenn.) pulled the bill from the floor in July, before the Senate left for its summer recess.

After the commission voted to save the Ellsworth base, Thune indicated on Aug. 26 that he would consult with his co-sponsors on what to do on his amendment when the Senate resumes consideration of the defense authorization bill in September. Among his co-sponsors are Senators Chris Dodd and Joe Lieberman, both Connecticut Democrats, and both angry at the inclusion of the New London submarine base on the Pentagon's closure list—a closure recommendation the BRAC commission also rejected. A couple of days later, during an appearance on ABC's "This Week" with George Stephanopoulos, Thune said that while some of his co-sponsors may now have a different view, he thought the principles of his amendment were still valid. "And frankly, I don't think that what happened with the BRAC commission negates the need to look at things through that lens," Thune said.

# Cheney Threatens GOP Anti-Torture Efforts

by Edward Spannaus

As the Senate comes back into session, a major battle is shaping up over Republican-sponsored amendments prohibiting torture and requiring humane treatment of military prisoners. Before the Senate recessed in July, Vice President Dick Cheney threatened that the White House would veto the entire Defense Authorization bill, if it included these amendments, on the grounds that they would “interfere” with the President’s conduct of the war on terrorism.

In seeking to legislate standards for detention and interrogation of detainees, these Senators were, in fact, simply fulfilling their duties under the U.S. Constitution, which, in Section I, Article 8, gives Congress the authority to “make Rules for the Government and Regulation of the land and naval forces,” and to “make Rules concerning Captures on Land and Water.”

The amendments to the defense bill were originally offered by Sen. John Warner (R-Va.), the chairman of the Senate Armed Services Committee, and two other committee members, Lindsey Graham (R-S.C.), a former military prosecutor, and John McCain (R-Ariz.), who was subjected to torture and brutality as a prisoner of war in North Vietnam.

Indicative of the broader support for the amendments, was the fact that seven Republicans voted against Senate Majority Leader Bill Frist’s attempt to shut down debate on the Defense Authorization bill in late July. They were Wayne Allard of Colorado, Susan Collins of Maine, Lindsey Graham of South Carolina, Trent Lott of Mississippi, John McCain, Olympia Snow of Maine, and John Thune of South Dakota. As a result, the cloture vote wasn’t even close, falling ten votes short of what was necessary. Over the August recess, support among Republicans for the amendments has increased. According to two legal sources, there are now between 8 and 12 Republican Senators who are prepared to support the anti-torture amendments. Since most—if not all—Democratic Senators will support the amendments, their passage seems assured, and Cheney is reportedly threatening to organize a filibuster in order to try to block their passage.

## ‘All the Way Up to Cheney’

Another pending amendment, offered by Sen. Carl Levin (D-Mich.), would establish a national commission on policies and practices on the treatment of detainees since Sept. 11, 2001.

Further evidence that such an independent investigation

is needed—unless the Senate itself will decide to conduct it—came out in an early August interview with now-retired Army Reserve Brig. Gen. Janis Karpinski, who was nominally in command of Baghdad’s Abu Ghraib prison, and is the highest-ranking officer to be reprimanded for what happened there. In the interview, published in Truthout.org, Karpinski declared that responsibility for the abuse and torture of prisoners at Abu Ghraib goes “all the way up to Cheney.”

Karpinski ridiculed the fact that the White House and Defense Secretary Donald Rumsfeld keep saying that there have been 15 investigations of prisoner abuse; she pointed out that “every one of those investigations is under the control of the Secretary of Defense,” and, she insisted, “We’re never going to know the truth until they do an independent commission or look into this independently.”

“This is about instructions delivered with full authority and knowledge of the Secretary of Defense and probably Cheney,” Karpinski continued. “I don’t know if the President was involved or not. . . . All I know is, those instructions were communicated from the Secretary of Defense’s office, from the Pentagon, through Cambone, through Miller, to Abu Ghraib”—referring to the Undersecretary of Defense for Intelligence, Stephen Cambone, and to former Guantanamo commander Maj. Gen. Geoffrey Miller.

According to Miller’s testimony to the Senate last year, Cambone sent his top assistant, Gen. William Boykin, to Guantanamo in the Summer of 2003, with orders to deploy Miller to Iraq to revamp detention and interrogation operations there. Both Boykin and Miller have been identified to *EIR*, as key links between the “spoon-bender” gang in the military, and the torture policies carried out at Guantanamo and Abu Ghraib. (See “Cheney’s ‘Spoonbenders’ Pushing Nuclear Armageddon,” *EIR*, Aug. 26.)

Karpinski pointed out that when Miller arrived at Abu Ghraib, “he said that he was going to use a template from Guantanamo Bay to ‘Gitmo-ize’ the operations out at Abu Ghraib.” Miller told Karpinski that he wanted Abu Ghraib. Karpinski replied: “Abu Ghraib is not mine to give to you. It belongs to Ambassador Bremer. It is going to be turned over to the Iraqis.” She says that Miller replied, “No, it is not. I want that facility and [Gen.] Rick Sanchez said I can have any facility I want.” Karpinski adds, “Miller obviously had the full authority of somebody, you know, likely Cambone or Rumsfeld in Washington.” A knowledgeable source told *EIR* that when Miller was in Iraq in 2003, Sanchez was frequently on the phone with Rumsfeld, and as a result, Sanchez gave Miller everything he asked for.

What Karpinski said in this interview, is consistent with her sworn statement in a deposition taken in July 2004 by military investigators. She testified that when Miller came to Iraq, he said that he was there to implement, in Iraq, the interrogation techniques used at Guantanamo. She also said that Miller told her and others, “You have to treat these detainees like dogs.”

## 'The Root of the Problem Is the Dollar'

*Rep. Perry B. Clark is a Kentucky State Representative, serving the people of the 37th District, Louisville. He was interviewed on Aug. 29 by Paul Gallagher.*



**EIR:** On Aug. 26, at a time of extreme uncertainty with the dollar, the real estate bubble in the United States, the soaring price of oil, and interest rates, you raised, in a Friday morning government meeting in Louisville, the issue of Lyndon LaRouche's policy for a fixed-exchange-rate monetary system. Tell us how that happened, and how it went.

**Clark:** Yes. We had a regular—we have monthly meetings, unless we're [the Kentucky Legislature] in session—meeting of the Capital Planning Advisory Board. It's the oversight committee of, basically, all the capital projects of the state on a long-term basis. And we fell into a discussion of long-term IT projects, court projects, maintenance and upkeep projects; and then healthcare costs, retirement benefits for state employees, Medicaid; these being big drivers, and taking huge cuts into our accounting.

While revenue in our state has actually increased, we cannot keep up with the rate of inflation for all of these projects. The IT; materials costs are going up for everything we're trying to build; obviously, everybody knows the inflation rates on healthcare costs, what they do, which has its ramifications for Medicaid.

We were talking about fixing these problems, so I just cut to the chase. These problems cannot be fixed—you cannot adequately be prepared, you cannot adequately plan, or forecast, any of these problems that we have right now, unless we return to the Roosevelt principle of fixed exchange rates on our dollar.

The dollar is our problem. It's not all these other things. These all have problems, but the root of the matter is the dollar.

**EIR:** The people you were speaking to, or speaking with—they represented the legislature, the executive, or both?

**Clark:** It's all three branches of government. The group itself, I believe, is one of the only ones set up in any state in the nation, that does long-term forecasting of the needs for any kind of capital projects, across the board capital projects—

IT, courts, school-building projects, maintenance needs of the universities—just about everything that is a capital project. It's all three branches of government—executive, legislative, and judicial—plus citizen members.

**EIR:** And what was the serious problem that they were having, that you were intervening into?

**Clark:** We've got billions of dollars worth of capital investments in the state; and there are no maintenance dollars. And you can't get maintenance dollars now. It's the same as the problem we were talking about, that's indicative of the entire infrastructure of the United States right now.

You have a declining infrastructure of the United States. I think you have, pretty much, a runaway inflation. It's a hidden number. And you can't adequately prepare, and you can't set aside funds to take care of your infrastructure. And you can take that to just about anything . . . whether it's the electrical grid, whether it's the oil-refining capabilities, whether it's our nuclear power plants, whether it's the water systems in our cities. We have a big problem; and it's an increasing problem. Unless you can project the value, a fixed value, of the dollar, it's going to be hard to ever address these.

People now have difficulty planning a home budget, with the price of gas going up, the price of natural gas, the price of healthcare going up—how do you predict, and lay out a foundation for a liveable budget?

**EIR:** So they were unable to forecast or to plan infrastructure investments for the state?

**Clark:** Yes, that's exactly what happened. It went deeper than just the infrastructure, because we had our fixed retirement benefits; we got into our Medicaid problems. We talked about a lot of these things.

**EIR:** How far out into the future were you discussing?

**Clark:** Well, for the Medicaid problem, we were discussing the next budget; the next two years. We'll probably have something like a \$675 million shortfall. In the long term, we were talking—already our bonded debt of our state is pushing \$6 billion mark; we have \$5.75 billion right now. So, we have that commitment to make, plus the inflation rate, plus take care of maintenance and everything. So we were shooting a good six years out.

**EIR:** And what was the reaction to your intervention?

**Clark:** Well, actually, it was a kind of stunned silence. People really don't know what to think about it, because people have become accustomed to trimming the branches on the tree. Someone needs to strike the root.

I was sitting there listening to these discussions, and I said, "We can trim on this tree all day, and we won't get rid of it. If we want to really get rid of it, we need to strike the root of the problem. And I think that root is the dollar, and going to a fixed rate of exchange." There was actually a

stunned silence, except for one Senator, who happened to be sitting next to me; and he said, “You’re absolutely right.”

But no one else conjectured any other thinking on that point. There was a stunned silence for a moment, and then we went on with the meeting.

**EIR:** Were you able to discuss it further, later on?

**Clark:** I had, with some of the individuals there—one of them is a very good economist, I believe—and he believed that what I had said was probably true, also. But he was cautious to say that.

We had a very interesting point in there, too. We had two of the state’s chief economists, speaking to us. And they were talking about our bonded debt, and how the bond-rating agencies set your—give you a grade for your bond debt capabilities. And we had a fairly high bond rating in the state based on several of the categories. But one of the categories they judge you on is your actual manufacturing base, as a percent of your [tax revenue] income in your state.

**EIR:** And how to they judge that?

**Clark:** They judge you negatively for having a good manufacturing base! They judged it against us, for having “too many eggs in a basket,” which was our manufacturing base!

What I told them, was that this was absurd and wrong-headed; I can’t even imagine that.

**EIR:** Has there been a downgrading of the debt of the state?

**Clark:** Not at this time. They won’t tell you up front—that if we choose certain economic policies—none of the rating agencies will tell you up front, whether that will be beneficial or detrimental to you. They won’t tell you until after you have made the move. It’s an interesting game in itself.

**EIR:** And Medicaid was one of the subjects under discussion, what to do about the shortfall?

**Clark:** Yes, it always comes up. . . . Because some people want to build court buildings, while others want to make sure the elderly are taken care of by Medicaid. It’s a balancing we have to do.

But it’s an impossible balance, without having an inflation-free dollar on a fixed exchange rate. And that was my point.

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## MEK Terrorist Front Ups Anti-Iran Propaganda

by William Jones

Alireza Jafarzadeh, former spokesman for the Iranian opposition group, the National Council of Resistance of Iran, a front group for the banned Mujahedin-e-Khalq (MEK), held a Washington, D.C. press conference on Aug. 26, trying to buttress the war drive against Iran, with a series of new “exposés” of a clandestine Iranian nuclear-weapons program. Conveniently timed with the escalation in the propaganda campaign to build support for a U.S. military strike against Iran, Jafarzadeh used the modicum of credibility that his group had gained in 2002, when it revealed the existence of the Iranian uranium conversion plant at Natanz (which existence had previously eluded the International Atomic Energy Agency) to make another effort for the war drive. Jafarzadeh, who has jettisoned his MEK moniker and metamorphosed into the president of something called Strategic Policy Consulting, Inc., put forth a number of claims aimed at discrediting the Iran regime.

One might well ask, why take these fellows seriously at all? The MEK, which has been placed on the State Department’s list of terrorist organizations, has long been involved in attempting to overthrow the Iranian regime. In the 1970s, it was even involved in the assassination of U.S. officials. Its members fought under Saddam Hussein in the war against Iran and were key in Saddam’s attempt to undermine the Iranian war effort.

And yet, when the United States occupied Iraq, the MEK was treated with kid gloves. Gen. Geoffrey Miller, who designed that infamous “spoon-bender” psy-ops interrogation program, applied so successfully at both Guantanamo and Abu Ghraib, had the MEK in Iraq categorized as “protected persons.” Unlike the prisoners at Guantanamo, they were brought under the Geneva Convention and given that coveted “protected persons” status, which meant that they could not be punished collectively and did not have to leave occupied Iraq. Although it was claimed initially that they were restricted to Camp Ashraf in Iraq, it is now reported that teams of MEK have been trained and deployed, possibly together with Special Operations troops, for on-the-ground surveillance in eastern and southern Iran, ostensibly in search of possible Iranian nuclear sites.

Using a large chart containing a map of Europe and the Middle East, and tracing a trajectory going from Iran to central France, Jafarzadeh announced that the Iranians now possessed Russian-made KH-55 cruise missiles capable of reaching Europe. These missiles, Jafarzadeh proclaimed, had been



Fox News

*From his role as former spokesman for the terrorist MEK, to his present job as a consultant for Fox News and president of the Strategic Policy Consulting Inc, Alireza Jafarzadeh still peddles the same line: regime change in Iran.*

illegally sold to Iran by Ukraine. This “exposé,” however, was a bit less dramatic than Jafarzadeh made it seem. Already in April, in an interview with NBC News, Ukrainian President Victor Yushchenko confirmed that these missiles had been sold to Iran prior to his taking office. Even earlier, European and U.S. intelligence services had been aware of the secret sale of these weapons to Iran. Jafarzadeh also claimed that Iran had now developed (or was near developing) facilities to produce these missiles, and that the missiles had been made capable of carrying a nuclear warhead.

The purported Iranian “nuclear weapons program,” Jafarzadeh was also keen to point out, was under the control of the Revolutionary Guard military apparatus. He said that the program had begun in 1986 with a visit by Pakistani nuclear physicist A.Q. Khan, and that the visit had led to the training of Iranian nuclear scientists in Pakistan. Although the fact of the visit, if true, has not been widely known, the relationship of the A.Q. Khan networks to the Iranian nuclear program is a matter of public record. Most recently, it had been revealed by the IAEA that the traces of bomb-grade uranium found on equipment in one of the Iranian nuclear facilities, and widely touted as proof of a clandestine Iranian weapons program, were, in fact, of Pakistani origin. The equipment that was shipped from Pakistan through the A.Q. Khan networks had been contaminated from the Pakistani weapons program, not from some secret Iranian program.

The gist of Jafarzadeh’s “revelations” seemed to have one goal: to discredit any negotiations with the new Iranian Administration of President Mahmoud Ahmadinejad. This should not be surprising, because it has long been the goal of the MEK to replace the regime of the mullahs with one of its own. Fomenting U.S. military action against Iran, is, in their playbook, tantamount to supporting a popular revolt, in which they hope they will play the major role.

Most military and intelligence officials regard this as utter

nonsense, but the “spoon-benders” around Vice President Dick Cheney don’t often have a very good grasp on reality. Witness the comments of Gen. (ret.) Paul Vallely, a key player in the “spoon-benders’ stable,” and, together with Jafarzadeh, one of the “darlings” of Rupert Murdoch’s Fox News, for which they both serve as “consultants.” In an *EIR* interview Aug. 15, Vallely said, “At some point in time you’ve got to bring down the hammer. If not, we’re going to be under this continued terrorism threat.” The “hammer” that Vallely was referring to were missile strikes, including tactical nuclear missile strikes, against Iran’s nuclear facilities.

Under grilling from *EIR* at the press conference, Jafarzadeh denied that he was pushing for U.S. military action against Iran, while at the same time admitting that he saw no possible diplomatic solution to the crisis. If there is not a “diplomatic” solution, what then remains *but* military action? And yet military action by the United States against Iranian facilities, would have far graver implications for the world than anything the Bush Administration has done so far. As Lyndon LaRouche pointed out at a private diplomatic seminar in Washington on Aug. 17, “If Iran is attacked, with what we have already done in Iraq and Afghanistan, the reactions around the world will be incalculable.”

But relying perhaps on their invisible “psychic” powers rather than any “reality check,” Vice President Cheney and his “spoon-benders” seem quite prepared to open up that Pandora’s box on an unsuspecting world.

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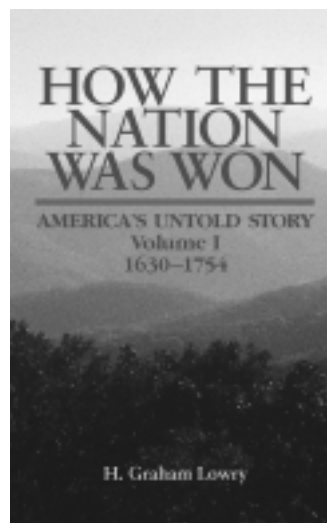
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## Editorial

### *Reversing the Man-Made Catastrophe*

The United States is facing the most decisive test of its life, in the wake of Hurricane Katrina. How we respond to this crisis, will determine whether we are still a great nation, one with the credibility to deal with the even larger global catastrophe which decades of neo-feudal globalization, and the impending collapse of the world monetary system, portend.

It's crucial to underscore the point that Lyndon LaRouche makes in his Aug. 31 statement with which we lead our issue: Although Katrina was clearly a natural disaster, the *greater* catastrophe was caused by the unnatural conduct—the negligence, the lack of leadership, the twisted priorities—of the pair of incompetents (to put it mildly) whom the American population permitted to be elected into office. The *malfeasance* of President Bush, and his controller Vice President Dick Cheney, made a very damaging event into one which could take hundreds of thousands of lives, and become truly a global cataclysm not only for the United States, but for the planet as a whole.

Indeed, it took more than this Administration's four-and-a-half years in office to create the conditions for the current scope of the disaster in the Gulf Coast region, and nationally. Decades of de-industrialization, the shift to the services economy, and disinvestment in infrastructure contributed to making southern Louisiana, Mississippi, and Alabama a nexus of miserable poverty, at the same time ensuring that the infrastructure (hospitals and transportation come to mind) for handling such an expected storm-event did not exist.

But these problems could have been overcome if we had not suffered an even more dangerous decline over the last 40 years: the moral and cultural decline in our nation's commitment to the Constitutional principle of the General Welfare. It is that commitment, inspired by leadership which comes forward to mobilize the nation around an urgent recovery effort, which must be immediately activated, so that we can deal with the rest of our deficiencies.

It surely must have struck many, both in the United States and elsewhere, that there is one individual on the scene who epitomizes the kind of leadership which is required to deal with a crisis of this magnitude: Lyndon

LaRouche. The fact that the American population has permitted LaRouche's enemies (who are the same as the enemies of the general welfare of the population itself) to basically blackball LaRouche out of the center of the political arena, is both a national and international tragedy. But the good news is that, over the course of the last year, LaRouche has become an increasingly significant factor within the largely private deliberations of the Congressional Democratic Party leadership, especially in the Senate. And the greater the crises created by Cheney et al.—political, economic, and strategic—the more leading Senators have sought out collaboration and advice from LaRouche.

Thus, as he was being inundated with queries from Senate offices and other members of Congress about how to deal with the post-Katrina catastrophe, LaRouche decided to turn a pre-scheduled Sept. 3 discussion with his international youth movement, into an address to the nation on "Pulling This Nation Together Now!" In that address, which we will publish in our next issue, LaRouche defined exactly what must be done, in order to prevent the dramatic escalation of the current disaster.

One crucial emphasis LaRouche made, was that the Senate, acting in a bipartisan manner and in collaboration with the House of Representatives, must take an active leadership role in defining, and implementing, the measures to be taken. Senator Harry Reid, the Democratic minority leader, had already taken the initiative which was sorely lacking from the White House, when he moved to get the Congress to convene and pass the first \$10 billion Hurricane crisis package. Such an allocation, in LaRouche's view, will be only the beginning, as the necessary reconstruction measures are likely to cost up to \$100 billion, before they are done.

Under this perspective, it is possible, of course, if not likely, that Cheney and Bush will not only fail to be helpful, but that they will act directly contrary to what is required, including possibly through activation of the war plans that Cheney already has in place. In that case, their blatant malfeasance in the Hurricane disaster should become cause for a long-overdue impeachment. The future of our nation and the planet call for no less.